

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

MBCA
Bank Limited
Pride in Performance

A member of the  NEDBANK Group

CHAIRMAN'S STATEMENT

SELECTED PERFORMANCE INDICATORS

Performance Indicator	2014	2013	REGULATORY LIMIT	MOVEMENT
Liquidity ratio	62%	69%	30%	↓
Shareholder's equity	US\$37.0 m	US\$31.7 m	US\$25m	↑
Capital adequacy ratio	23%	23%	12%	↔
Nedbank line of credit	US\$75m	US\$75m	n/a	↔
Operating cost/ Income ratio	72%	75%	n/a	↑
Loans/ deposits ratio	67%	59%	n/a	↑
Return on equity	16%	13%	n/a	↑

Economic overview

The operating environment remained challenging for all businesses in 2014. Growth prospects for the economy were hindered by low investment flows, lack of competitiveness and low levels of productivity. Global economic recovery was slow at 3.3% in 2014 due to geopolitical tensions in Russia, a slowdown in emerging markets and below expected performance of China. Weakening commodity prices, weaker global demand and low flows of Foreign Direct Investments (FDI) from the rest of the world will weigh on the country's performance going forward.

Zimbabwe's economy grew by 3.1% in 2014 below original forecasts of 6.1% and revised forecasts of 4.4%. Low levels of economic activity reflected in the capacity utilisation levels of 36% weighed down overall GDP growth. This inevitably impacted on activity in the banking sector. Credit risk and liquidity constraints were the major hurdles the sector had to contend with in 2014.

Developments in the banking sector

Banking sector deposits have steadily grown throughout 2014, albeit at a slower pace than when the multicurrency system was first introduced. Official reports indicate that at the end of 2013 deposit levels were around US\$3.93 billion and as at the end December 2014 these were at US\$4.4 billion, a growth of about 12%. Deposits have remained largely short term and transitory in nature and concentrated in a few large banks.

The industry non-performing loans (NPLs) peaked at 20% in September 2014 but ended the year at 16%. The establishment of the Zimbabwe Asset Management Corporation (ZAMCO) and its subsequent acquisition of NPLs amounting to US\$65 million as at 31 December 2014 resulted in an improvement in the NPL ratio. Through ZAMCO, authorities ring fenced bad loans supported by tangible security. This move will assist in restructuring the books of those banks with hard core bad loans and in turn allow increased lending which support economic growth.

Work has commenced on resolution of the FCA balances that were transferred to the Central Bank and conclusion of the matter would be welcome for banks.

Capitalisation

Compliance date for the new capital level of US\$100 million for Tier 1 banks has been moved to 31 December 2020.

In addition to the lending on the MBCA balance sheet, the Bank continues to benefit from major shareholder's technical support as well as a US\$75 million line of credit to provide commodity finance to Zimbabwe companies.

Indigenisation

The Bank's Indigenisation plan was approved by the Ministry during the course of the year and implementation is underway.

Outlook

Zimbabwe's economy is expected to grow by 3.2% in 2015 on the back of increased activity in the agricultural and mining sectors. The Bank will look into ways of realizing business growth opportunities in these and other sectors by providing targeted solutions for our customers.

Appreciation

I extend my appreciation to our valued customers who supported the Bank throughout the year. I also recognise the entire Board for the diligent service and support it has rendered during the past year. The management team and staff have displayed outstanding commitment over the past year under very challenging conditions. The results that are detailed in our annual report are a testimony to the diligence and commitment of the entire staff of the Bank. I thank all regulatory bodies and particularly the Central Bank for the guidance and support provided.

V. W. Zireva

Chairman

24 February 2015

MANAGING DIRECTOR'S REPORT

Performance overview

The Bank posted a profit after tax of US\$5.380 million which was 33% over US\$4.045 million achieved in the prior year. This increase was mainly attributable to the US\$2.222 million growth in net interest income on the back of increased lending to our customers. The Bank's total income grew from US\$22.617 million to US\$25.5 million representing a 13% increase from the prior year. The Bank's operating expenses on the other hand grew at a lower rate of 7.4% resulting in an increase in profit for 2014 over that recorded in the prior year. Strict cost management was introduced while expanding the footprint resulting in the muted increase in operating costs despite the increase in branch network.

The total Balance Sheet grew marginally to US\$188.936 million from US\$179.689 million primarily due to repayments from major customers by the end of December 2014. Loans and advances to customers constituted 49% of the total balance sheet, compared to 43% in 2013 while cash and cash equivalents decreased to 38% from 42% in 2013. Total deposits increased by 6% to US\$138.733 million from US\$131.302 million in line with the asset growth of the Bank. The level of fixed deposits increased to 23% compared to 15% in prior year in a move to manage balances against a background of liquidity constraints in the market towards the end of the year.

The Bank is in contact with its clients to work on modalities for them to access the Nedbank Capital's Export Credit Insurance Corporation of South Africa (ECIC) backed facility.

Client focus

The Bank continued to pursue its strategic focus of being "a banker to all" while ensuring that it meets the needs of targeted market segment customers. New products such as vehicle asset finance and mobile banking were introduced during the year that give a competitive edge and also provides banking convenience to its customers. A new branch was successfully opened in Kwekwe increasing the Bank's footprint. The Bank will continue to increase branch footprint for the convenience of its clients throughout the country while paying due regard to the benefits of automation to improve market reach.

The Bank continues to conduct customer satisfaction surveys to assess the impact of the services being offered to our clients. Customer satisfaction improved by 7 percentage points to 79% from the 2013 position. The survey also provided us with a key feedback

MANAGING DIRECTOR'S REPORT (CONTINUED)

on areas that require improvement in 2015 and beyond.

In an effort to deliver distinct service, the Bank introduced Client Service Teams (CSTs) during the year. This is a dedicated relationship management model that will enable the CSTs to understand client needs and provide client-centred solutions.

Human resources

Mindful of the need to create a sustainable leadership pipeline, the Bank continued to invest in its human capital through leadership and management development programmes. The Bank also offered technical and customer orientated training programmes for all staff in order to enhance service delivery to all our clients.

A cordial industrial relations climate was maintained through continuous engagement with staff at all levels of the Bank. Colleagues were kept updated on pertinent developments in the Bank through road shows, news bulletins, workshops and small group meetings.

DIVISIONAL PERFORMANCE

Wholesale banking

The division contributed 42% of total operating income for the Bank during the year ended 31 December 2014 up from 38% reported in the prior year. The Bank's customers continued to enjoy the Group's support in terms of a US\$75 million off balance sheet line of credit and US\$50 million from Afreximbank's lines of credit for commodities. These facilities, together with own resources, enabled the Bank to provide much needed working capital support to clients. The division's performance continued to be biased towards agriculture, mining and retail sectors, with inroads having been made to provide services to new players in these sectors.

Retail banking

The division contributed 38% towards total operating income of the Bank for the year, down from 43% contributed in the prior year. The division continues to focus on rolling out new products relevant to customers as well as expanding the branch network in the economic pools of the country.

Treasury

Money market activities remained subdued in 2014 due to the continued absence of the Lender of Last Resort facilities, limited access to regional and international credit lines, and lack of tradable assets. Despite this, the division contributed 20% of the Bank's total operating income up from the 19% contributed in the year ended 31 December 2013. This was mainly due to increase in foreign exchange dealing profits as well as revenue from Treasury Bills.

Outlook

The Bank will continue to build a sustainable base of operations as it prepares for the improvement of the economy, which will be supported by the implementation of government initiatives. The Bank is working on initiatives to improve funding for medium term and vehicle asset finance products. In addition, a mortgage product will be rolled out within the first half of 2015.

Focus will also be directed in investing in the Bank's IT platform to improve operational efficiencies as well as calculated branch network expansion.

Appreciation

I thank our valued customers and shareholders for their continued support throughout 2014. I also extend my appreciation to the Chairman and the Board 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

24 February 2015

CORPORATE SOCIAL INVESTMENT REPORT

EDUCATION

Mutare Teen Expo

For the 2nd consecutive year, MBCA Bank sponsored the Mutare Teens Skilled Trades Expo and Workshop which was held on the 20th of June 2014 at Hellenic Community Centre in Mutare. The theme was, "Inspiring Potential". A total of 5 schools attended the inaugural event with close to 400 students gracing the event. The EXPO received support from the National Employment Services Department (Ministry of Labour and Social Welfare) and the Industrial Trade Testing Department (Ministry of Higher and Tertiary Education and Science Technology), who made presentations on apprenticeship and the skilled trades.

Junior Achievement Zimbabwe (JAZ)

For the 3rd consecutive year, MBCA Bank continued to partner JAZ. One of the key highlights was the job shadow where MBCA staff offered mentorship to students on the Junior Achievement programme. The Bank invited the students to participate in a job shadow exercise where they were exposed to a real working environment. The Managing Director, and MBCA staff imparted their knowledge and allowed the students to shadow them at their work stations. Junior Achievement believes that an early exposure to business for young people equips them to become the leaders of tomorrow.

All JAZ programmes are practical, based on the concept of 'learning by doing' and provide participants with real life and business experiences. After completing the JAZ job shadow, participants were able to develop and clarify their future employment aspirations. They also learnt essential business concepts and skills with a focus on small business start-ups and operations. Young people who participated in mentorship initiatives explained that they benefited by receiving life and employability skills like assertiveness, decision making, communication, interpersonal skills, cooperation and teamwork, conflict management, creative thinking, respecting self and others, managing emotions, problem solving and personal responsibility.

COMMUNITY AND SOCIAL WELFARE

Tokwe Mukosi Floods

Earlier this year, MBCA Bank joined the country in assisting the Tokwe Mukosi flood victims. MBCA donated several clothing items which were presented to the flood victims at Chingwizi camp. The bank also drilled a borehole to ensure that the relocated people had safe water to drink. A donation of \$11 500 was channeled towards the water facilities exclusive of the in-kind donations. MBCA further partnered with the Bankers Association of Zimbabwe to drill more boreholes at the relocation site.

St Joseph's Home

St Joseph's Home for Boys was founded in 1929. It looks after 55 orphans who have been abandoned, marginalised and disadvantaged. They built a home for boys that will have reached 18 years of age and are considered adults under the Zimbabwean Law. 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. MBCA Bank donated doors to assist with the building of the home for the orphaned boys. The building has been completed and the boys now have a roof over their heads.

ECONOMIC DEVELOPMENT

Confederation of Zimbabwe Industries

MBCA Bank continued to partner the CZI in their initiatives to build Zimbabwe's economic prosperity. The Confederation fosters and promotes advances in the sustainable growth

CORPORATE SOCIAL INVESTMENT REPORT (CONTINUED)

and development of the manufacturing industry and business development in Zimbabwe.

Zimbabwe National Chamber of Commerce

MBCA Bank was the platinum sponsor for the Women in Enterprise Conference in an effort to empower women SMEs in Zimbabwe. MBCA Bank believes that if you empower a woman, you empower a nation. In this regard, the Bank will continuously look at initiatives that support women for the growth of the nation.

Institute of Internal Auditors

The Bank continued to sponsor the Institute of Internal Auditors (IIA) annual conference in support of ethics and best practice in internal auditing.

Tobacco Sales Floor

MBCA Bank opened a sub branch at the Tobacco Sales floor in 2014. This investment was done in response to growing demand for banking services at the peak of the tobacco season. In support of tobacco farming, the Bank donated a tobacco spreader which was presented as 3rd prize for the tobacco grower of the year for the 2014 tobacco season.

HEALTH

MBCA Staff Donate Blood

MBCA staff donated blood through the National Blood Service. As an organisation that values its stakeholders, the Bank's staff committed to making this kind donation which would in turn save lives.

MBCA Bank's Breast Cancer Awareness

During the month of October 2014, the Bank staff raised awareness about breast cancer. The Bank staff wore t-shirts branded with a message in an effort to raise awareness to staff, clients and the community. The Bank believes that it is the responsibility of every individual to raise awareness and save more lives from this deadly disease. Early detection saves lives!

Zimbabwe Medical Association

The Bank believes that healthy people create healthy societies. It sponsored the Zimbabwe Medical Association annual conference aimed at strengthening the country's health care systems which will directly or indirectly affect the livelihood of our employees and communities as a whole.

CORPORATE GOVERNANCE REPORT

Growing and evolving businesses requires effective and systematic governance structures which enable them to optimally and effectively utilise their entire resource bases. Business governance in a corporate environment is essentially the active interaction between people, structures, processes and traditions that support the exercise of legitimate authority to ensure sound leadership, direction, oversight, and control of the institution in order to make certain that its purpose is achieved, and that there is proper accounting for the conduct of its affairs, the use of its resources, and the results of its activities.

For business governance to act as an enabler in a business, continuous monitoring of the governance structure is imperative to ensure optimum process flows and to prevent any possible transgressions in the institution. Business governance is therefore the system by which companies are directed and controlled.

The Bank has in place an established business governance structure. Committees are formed through a formal process in terms of the Schedule of Delegated Authority (SODA) which defines each committee by charter. Each charter contains the requisite composition of each management committee and the terms of reference for each management team. These charters are reviewed on an annual basis and each charter is approved by the Board of Directors.

It is essential to ensure that the fundamental pillars of business governance principles in the Bank are well established and the level of business governance culture is good and well-ensconced in management and staff members so that it becomes part of the ethos of the organisation. The Bank's Risk Management division promotes a business governance culture and awareness in a number of ways to ensure that the principles of business governance remain situated in the minds of people to make the right ethical choices. This ensures staff adheres to, and executes all internal controls in compliance with risk management processes and procedures. The Legal and Compliance department provides Bank-wide training on policies.

Business Unit Compliance Champions are in place and they provide an interface between Compliance and the other departments. To further strengthen the compliance oversight role, the Bank ensures that Business Unit Compliance Champions work more closely together and are conscious of compliance issues by providing continuous training and having regular meetings with the Bank's Compliance Officer.

All policies which are rolled out are based on the Nedbank Group standard and enhanced for in-country legislative purposes, which ensures uniformity of standards across the Nedbank Group and adds credibility to the organization. The policies provide a standard for conduct by staff members.

Training on policies is carried out periodically for each department in the Bank to enhance and maintain business governance awareness and encourage transparency and accountability. The Board is generally satisfied that good governance practices are being carried out within the Bank. The conduct of committees and all practices demonstrates accountability, responsibility, discipline, fairness, social responsibility, transparency and independence.

Enterprise governance and compliance framework

This framework covers both the corporate and business governance aspects of the entity. It refers to the good governance that is linked strategically with performance management, thereby enabling the Bank to focus on the key areas that move the business forward. Enterprise governance and compliance constitute part of the entire accountability framework of the Bank, and calls for a balance between accountability, assurance (conformance), value creation and resource utilisation (performance). The framework ensures that strategic goals are aligned and good management is achieved.

Compliance

The compliance function ensures conformity not only with regulatory laws and standards, but also with internal policies and procedures.

The Bank continues to conform, in all material respects, with all laws and regulations governing its operations, including but not limited to, the Companies Act (Chapter 24:03); 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 Payment Systems Act (Chapter 24:23) 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 III, the Cadbury Committee and all provisions of the RBZ Guideline No. 01-2004/BSO on sound corporate governance.

Board

The Board is responsible to the shareholders for setting the direction of the Bank through the establishment of strategies, objectives, key policies and management structures. It monitors the implementation of these strategies and policies through a structured approach to reporting and accountability and recognises that it is responsible for developing relationships with its various stakeholders and it actively manages those relationships.

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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CORPORATE GOVERNANCE REPORT (CONTINUED)

Board (Continued)

The Board meets quarterly to evaluate performance and assess risk and holds additional meetings to shape the strategic direction of the Bank and review thereof. Appointments to the Board are based on a required mix of skills and experience to ensure the on-going success of the Bank.

As at 31 December 2014, the Board was comprised of two (2) executive directors, two (2) non-executive directors and six (6) independent non-executive directors. Independent non-executive directors provide objectivity and independence.

The Chairman of the Board is an independent non-executive director.

Directors are responsible for ensuring the maintenance of adequate accounting records and the preparation and the integrity of the financial statements. This responsibility is supported by internal controls and risk management processes implemented and independently monitored for effectiveness.

Certain responsibilities and functions of the Board are delegated to various committees whose members are skilled and competent. However, the Board retains full accountability for decisions made. All committees have written terms of reference that are reviewed annually by the Board. All Committees are chaired by independent non-executive directors.

Board attendances

In 2014, the Board met five times in line with Bank policy. The record of attendance by Directors is shown as follows:

MBCA Bank Limited Board of Directors

Name	Meetings held				
	1	2	3	4	5
V.W.Zireva	✓	✓	✓	✓	✓
Dr. C. C. Jinya	✓	✓	✓	✓	✓
J. P. Murehwa	✓	✓	✓	✓	✓
S. Gwanzura	✓	✓	✓	✓	✓
J. I. Harris	✓	N			
Dr. S. Naik	✓	✓	✓	✓	✓
A. Makonese	P	✓	✓	✓	✓
A. R. Chinamo	✓	✓	✓	✓	✓
J. Matsvimbo	✓	N			
J. H. Brits	✓	✓	✓	✓	✓
A. M. Sorgdrager	LOA	LOA	N		
R. W. R. Buchholz	P	P	✓	✓	✓
A. du Plessis	P	P	✓	✓	✓

KEY

✓	- Present
LOA	- Leave of absent granted
N	- No longer a Director
P	- Not yet a Director

Audit Committee

The Audit Committee consists of three independent non-executive directors of the Bank. The Committee's primary functions are to assist the Board in its evaluation and review of the adequacy and efficiency of the internal control systems, accounting practices, information systems and audit processes applied within the Bank in the day-to-day management of the business, and to introduce measures to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the Bank.

The Audit Committee met six times in 2014 and the record of attendance by its members is shown as follows:

Name	Meetings held					
	1	2	3	4	5	6
S. Gwanzura (Chairperson)	✓	✓	✓	✓	✓	✓
A. R. Chinamo	✓	✓	✓	✓	✓	✓
J. H. Brits	✓	✓	✓	✓	✓	✓

KEY

✓	- Present
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Risk and Compliance Committee

The Risk and Compliance Committee, which comprises non-executive directors, sets policy guidelines for monitoring risks that are inherent within the Bank and reviews all risk reports generated by the Risk Division. The Committee also sets policy guidelines for ensuring and monitoring compliance with all regulatory laws and directives and internal policies and procedures.

Dr S Naik was appointed the new chairperson after J I Harris retired from the Board on 18 March 2014.

The record of attendance by members of the Risk and Compliance Committee is shown as follows:

Name	Meetings held			
	1	2	3	4
Dr. S. Naik (Chairperson)	✓	✓	✓	✓
R. W. R. Buchholz	P	P	✓	✓
J. I. Harris	✓	N		
J. H. Brits	✓	✓	✓	✓
A. M. Sorgdrager	LOA	LOA	N	

KEY

✓	- Present	N	- No longer a Director
LOA	- Leave of absent granted	P	- Not yet a Director

Board Lendings Committee

This Committee comprises non-executive directors and is mainly responsible for considering and approving credit facilities as mandated by the Board.

The record of attendance by members of the Board Lendings Committee is shown below:

Name	Meetings held			
	1	2	3	4
J. H. Brits (Chairperson)	✓	✓	✓	✓
R. W. R. Buchholz	P	P	✓	✓
J. I. Harris	✓	N		
S. Gwanzura	✓	✓	✓	✓
A. M. Sorgdrager	LOA	LOA	N	N

KEY

✓	- Present	N	- No longer a Director
LOA	- Leave of absent granted	P	- Not yet a Director

CORPORATE GOVERNANCE REPORT (CONTINUED)

Loans Review Committee

This Committee, comprising independent non-executive directors, reviews the quality of the Bank's loan portfolio and sets and reviews policies for lending and adequacy of loan loss provisions.

The record of attendance by members of the Loans Review Committee is shown below:

Name	Meetings held			
	1	2	3	4
A. R. Chinamo (Chairperson)	✓	✓	✓	✓
J. P. Murehwa	✓	✓	✓	✓
V. W. Zireva	✓	✓	✓	✓
Dr. S. Naik	✓	✓	✓	✓

KEY

✓	- Present
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Remuneration Committee

This Committee, which comprises non-executive directors and the Nedbank Rest of Africa Managing Executive, meets quarterly and reviews guidelines for the salaries and benefits of the Bank's staff. The Committee also recommends the remuneration of the executive and non-executive directors.

The Committee met four times in 2014. The record of attendance by members of the Remuneration Committee is shown in the following table:

Name	Meetings held			
	1	2	3	4
J. P. Murehwa (Chairperson)	✓	✓	✓	✓
V. W. Zireva	✓	✓	✓	✓
A. du Plessis	✓	✓	✓	✓

KEY

✓	- Present
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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 together with the Board;
- Second Line of Defence - an effective independent risk oversight 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 Audit 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 in all risk categories. The Bank continues to strengthen its risk management systems in order to remain abreast of the challenges that are presented by changes in the economic and regulatory environment.

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 risk is managed through a comprehensive system of credit analysis, credit approval, 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 Lendings Committee and the 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 event 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 ratio of non-performing loans increased from 2.73% recorded in December 2013 to 3.19% mainly due to increases in defaults in the personal unsecured sector. Country risk and credit counterparty risk are still perceived high making it difficult for the banking sector to secure credit on favourable terms.

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 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 the bank in terms of financial intermediation is the transformation of short-term deposits into longer-term loans. By fulfilling this role, Banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risks.

Concentration risk is a sub risk of liquidity risk.

Liquidity risk management strategy is determined by the Asset and Liabilities Committee ("ALCO") which reviews liquidity on a monthly basis in addition to assessing daily funding requirements through the Treasury Department, with the Market Risk function providing ongoing independent oversight.

RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk (Continued)

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 a liquidity ratio of 62% as at 31 December 2014 and above the prudential minimum of 30%. Whilst market deposits remained generally short term and transitory in nature, management continued to be conservative in deploying these into liquid assets with sufficient buffers to support lending was maintained throughout the year.

The bank continues to put in place strategies to reduce concentration risk in its deposit 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 in the event of adverse shocks.

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 making interest rate risk stress testing 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 100bp movement in interest rates results in a potential loss of US\$407 000 which suggests an improving trend. The exposure also remained within the Bank's interest rate risk appetite during the year.
- There is a potential increase in re-pricing gaps between assets and liabilities given the short nature of liabilities and the tendency to go long on fixed rate assets.
- The absence of a clear market yield curve to provide 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.

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

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

Foreign currency translation risk is the risk to 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 American 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

This is the risk of loss resulting from inadequate or failed internal processes, people or 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 about 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 year.

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;

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

RISK MANAGEMENT POLICIES (CONTINUED)

Strategic risk (Continued)

- 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 review and understand the environment in which the bank operates leading to underperformance of its strategic and business objectives

The Board is ultimately responsible for the development, approval and application of the Bank's strategic risk principles. The Board approves the Bank's strategy, whilst management is responsible for implementation and ensuring that regular reviews are done in line with changes in operating conditions. There are various ongoing strategy review initiatives at country and Group level, with the Bank's Managing Director providing leadership.

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.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	31 Dec 2014 US\$	31 Dec 2013 US\$
Interest income	4	18 234 654	16 207 686
Interest expense	4	(4 776 212)	(4 971 714)
Net interest income		13 458 442	11 235 972
Loan impairment charge	5	(1 699 923)	(723 060)
Net interest income after loan impairment charge		11 758 519	10 512 912
Fee and commission income	6	10 795 178	9 554 423
Trading and dealing income	7	2 993 080	2 646 628
Trading and dealing expense	7	(46 534)	(97 428)
Operating income for the year		25 500 243	22 616 535
Employee and Directors' costs	8	(10 338 187)	(9 054 221)
Administrative expenses		(6 679 976)	(6 573 060)
Depreciation and amortisation expenses		(704 801)	(858 202)
Other operating expenses		(608 423)	(578 134)
Total operating expenses		(18 331 387)	(17 063 617)
Profit before tax		7 168 856	5 552 918
Taxation		(1 788 398)	(1 507 926)
Profit for the year		5 380 458	4 044 992
OTHER COMPREHENSIVE INCOME			
Items that will never be re-classified to profit or loss			
Gains on revaluation of land and buildings (net of tax)		3 469	47 840
Items that are or may be re-classified to profit or loss			
Fair value loss on available for sale financial assets (net of tax)		(68 282)	(62 470)
Other comprehensive loss for the year, net of tax		(64 813)	(14 630)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5 315 645	4 030 362

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	31 Dec 2014 US\$	31 Dec 2013 US\$
Assets			
Cash and cash equivalents	9	70 885 785	74 981 855
Loans and advances to customers	10	92 379 094	77 583 620
Available for sale investment securities	11	948 080	452 241
Held to maturity investment securities	12	14 362 898	4 532 165
Other assets	14	5 258 352	18 187 752
Current tax asset		-	29 612
Intangible assets		273 295	290 827
Deferred tax		1 385 915	437 507
Property and equipment	13	3 442 865	3 193 445
Total assets		188 936 284	179 689 024
Liabilities			
Deposits from customers	15	138 733 214	131 301 814
Current taxation liability		55 999	-
Other liabilities	16	13 123 477	16 679 261
Total liabilities		151 912 690	147 981 075
Equity			
Share capital		89 499	89 499
Share premium		17 784 930	17 784 930
Fair value reserve		(73 791)	(5 509)
Revaluation reserve		156 536	153 067
Retained earnings		19 066 420	13 685 962
Total equity		37 023 594	31 707 949
Total equity and liabilities		188 936 284	179 689 024

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital US\$	Share premium US\$	Fair value reserve US\$	Revaluation reserve US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2013	89 499	17 784 930	56 961	105 227	9 640 970	27 677 587
Total comprehensive (loss)/ income for the year	-	-	(62 470)	47 840	4 044 992	4 030 362
Balance as at 31 December 2013	89 499	17 784 930	(5 509)	153 067	13 685 962	31 707 949
Total comprehensive (loss)/ income for the year	-	-	(68 282)	3 469	5 380 458	5 315 645
Balance as at 31 December 2014	89 499	17 784 930	(73 791)	156 536	19 066 420	37 023 594

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	31 Dec 2014 US\$	31 Dec 2013 US\$
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		7 168 856	5 552 918
Adjustments for non-cash items:			
Net impairment charge	5	1 699 923	723 060
Depreciation and amortisation of property and equipment and intangible assets		704 801	858 202
Operating cash flow before changes in operating assets and liabilities		9 573 580	7 134 180
Changes in operating assets and liabilities			
Increase/(decrease) in deposits and other liabilities		3 875 616	(3 393 970)
(Increase)/decrease in gross advances and other assets		(13 964 445)	7 295 865
Operating cash (outflow)/inflow after changes in working capital		(515 249)	11 036 075
Income taxes paid		(2 650 192)	(1 875 556)
Cash (utilised in)/ generated from operating activities		(3 165 441)	9 160 519
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment	13	(929 865)	(641 422)
Purchase of intangible assets		(21 505)	(92 936)
Proceeds from sale of motor vehicles		20 741	-
Cash utilised in investing activities		(930 629)	(734 358)
Net (decrease)/ increase in cash and cash equivalents		(4 096 070)	8 426 161
Cash and cash equivalents at beginning of the year		74 981 855	66 555 694
Cash and cash equivalents at end of the year	9	70 885 785	74 981 855
Comprising:			
Balances with the Reserve Bank of Zimbabwe		31 542 725	26 425 008
Balances with banks and cash		39 343 060	48 556 847
		70 885 785	74 981 855

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 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 condensed financial statements as applied in the Bank's latest annual financial statements.

2.1.1 Auditor's statement

These condensed financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2014, which have been audited by Deloitte & Touche and an unqualified audit opinion issued thereon. The auditor's report is available for inspection at the Bank's registered address.

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 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 AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

2.4 Functional and presentation currency

These condensed 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 is 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 recognized 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.

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.

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 or bought 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 profit or loss. 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 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 using 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.

Financial liabilities are measured at amortised cost.

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.

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 Fees and commission income

Fees 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 not been disclosed under interest income, brokerage services, investment advice and financial planning, investment Banking services, project and structured finance transactions.

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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:

	31 Dec 2014 US\$	31 Dec 2013 US\$
Loans and advances to corporates	9 694 295	8 958 117
Loans and advances to individuals	6 120 727	5 728 931
Placements with banks	1 517 099	1 106 646
Held to maturity investment securities	616 969	171 273
Staff loans	224 499	173 451
Cash and cash equivalents	61 065	69 268
Total	18 234 654	16 207 686

Interest expense on:

Deposits from banks	(1 637 048)	(2 554 243)
Deposits from corporates	(3 004 987)	(2 308 923)
Deposits from individuals	(134 177)	(108 548)
Total	(4 776 212)	(4 971 714)

5 LOAN IMPAIRMENT CHARGE

Net loan impairment charge

- Specific provision charge	217 418	209 985
- Portfolio provision charge	1 344 410	150 868
- Amounts written off during the year	499 317	413 836
Total	2 061 145	774 689

Net loan impairment charge

Total	1 699 923	723 060
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6 FEES AND COMMISSION INCOME

Cash withdrawal fees	3 489 943	3 014 928
Other income	2 220 007	177 358
International banking fees	1 589 437	1 516 395
Account maintenance fees	1 358 598	1 222 034
Agency commission	1 124 917	2 752 750
RTGS processing fees	1 012 276	870 958
Total	10 795 178	9 554 423

7 TRADING AND DEALING INCOME

Trading and dealing income

Exchange and dealing income	2 235 723	2 064 160
Sundry income	473 800	329 152
Other treasury income	283 557	71 816
Advisory fees	-	181 500
Total	2 993 080	2 646 628

Trading and dealing expense

Currency revaluation losses	(46 534)	(97 428)
Total	2 946 546	2 549 200

8 EMPLOYEE AND DIRECTORS' COSTS

Payroll related cost	7 376 467	6 635 488
Long term benefits	1 296 634	1 126 186
Staff- short term incentives	612 969	545 025
Short term benefits	439 532	371 960
Other staff costs	308 082	253 240
Employee Share Scheme expenses	128 000	-
Directors fees and emoluments	126 503	122 322
Education Fund	50 000	50 000
Total	10 338 187	9 054 221

8.1 MBCA Bank Limited Pension Fund

The Bank operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Bank in funds under the control of trustees. Total contribution for the year included in long term benefit was US\$588 724 (2013: US\$577 027).

8.2 NATIONAL SOCIAL SECURITY AUTHORITY

The National Social Security scheme was introduced on 1 October 1994 and with effect from that date all eligible employees became members of the scheme, to which the Bank and the employees contribute. The Bank is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Bank with respect to the retirement benefit plan is to make the specified contributions. Total contribution for the year included in long term benefit was US\$68 168 (2013: US\$ 44 044).

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

9. CASH AND CASH EQUIVALENTS

	31 Dec 2014 US\$	31 Dec 2013 US\$
Current balances with the Reserve Bank of Zimbabwe	31 542 725	26 425 008
Nostro accounts and cash at bank	24 343 060	33 556 847
Total	55 885 785	59 981 855
Money at call and short notice	15 000 000	15 000 000
Total	70 885 785	74 981 855

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

	31 Dec 2014 US\$	31 Dec 2013 US\$
Overdraft facilities	36 230 799	23 041 104
Term loans	59 599 324	56 431 717
Gross loans and advances to customers	95 830 123	79 472 821
Less: loan impairment provision	(3 451 029)	(1 889 201)
Net loans and advances to customers	92 379 094	77 583 620

10.1 Analysis of gross loans and advances - 31 December 2014

	Overdraft facilities US\$	Term loans US\$	Portfolio Total US\$
Corporates	34 410 437	38 040 816	72 451 253
Individuals	1 149 978	18 393 025	19 543 003
Small to Medium Enterprises	665 157	-	665 157
Staff	5 227	3 165 483	3 170 710
Balance at 31 December 2014	36 230 799	59 599 324	95 830 123

10.2 Analysis of gross loans and advances - 31 December 2013

	Overdraft facilities US\$	Term loans US\$	Portfolio Total US\$
Corporates	22 328 994	36 022 140	58 351 134
Individuals	708 819	17 001 047	17 709 866
Staff	3 291	3 408 530	3 411 821
Small to Medium Enterprises	-	-	-
Balance at 31 December 2013	23 041 104	56 431 717	79 472 821

10.3 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	(413 836)	-	(413 836)
Balance as at 31 December 2013	807 317	1 081 884	1 889 201
Gross impairment charge	716 735	1 344 410	2 061 145
Amount written off	(499 317)	-	(499 317)
Balance at 31 December 2014	1 024 735	2 426 294	3 451 029

10.4 Exposure to credit - Gross loans

	1 430 601	2 170 689
Individually impaired loans	1 430 601	2 170 689
Collectively impaired loans	92 678 522	74 862 320
Past due but not individually impaired loans	1 721 000	2 439 812
Gross loans and advances to customers	95 830 123	79 472 821
Less: provisioning on:		
Individually impaired	(916 537)	(807 317)
Collectively impaired	(2 426 294)	(1 008 690)
Past due but not individually impaired loans	(108 198)	(73 194)
Net loans and advances to customers	92 379 094	77 583 620

10.5 Maximum exposure to credit risk Credit risk exposures are as follows:

	Maximum exposure		Maximum exposure	
	31 Dec 2014 Gross exposure US\$	31 Dec 2013 Net exposure US\$	31 Dec 2014 Gross exposure US\$	31 Dec 2013 Net exposure US\$
Agriculture and horticulture	21 577 332	20 758 689	22 640 086	22 145 904
Consumer loans	22 713 713	21 937 349	20 957 766	20 459 565
Manufacturing	14 668 366	14 140 130	12 451 360	12 155 370
Retail and wholesale	12 621 354	12 166 835	8 407 046	8 256 007
Food and beverages	7 744 075	7 465 196	4 739 823	4 627 149
Mining	4 373 794	4 216 285	4 562 160	4 453 711
Services	4 158 337	4 008 587	1 112 024	1 046 134
Transport	3 543 752	3 416 135	1 380 577	1 347 759
Tourism	2 183 104	2 104 486	2 270 402	2 216 430
Construction	1 459 609	1 407 045	314 519	307 042
Other	754 214	727 054	487 977	423 011
Conglomerates	32 473	31 303	149 081	145 538
Total	95 830 123	92 379 094	79 472 821	77 583 620

The total Balance Sheet grew marginally to US\$188.936 million from US\$179.689 million.

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

MIBCA
Bank Limited
Pride in Performance

A member of the **NEDBANK** Group

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

11. AVAILABLE FOR SALE INVESTMENT SECURITIES

	31 Dec 2014 US\$	31 Dec 2013 US\$
Unlisted securities available		
1 January	267 233	332 991
Decrease in fair value	(71 876)	(65 758)
31 December	195 357	267 233
Unlisted securities available for sale		
1 January	115 481	115 481
Additions	163 200	-
31 December	278 681	115 481
Local tradable bills	474 042	69 527
Total available for sale investment securities	948 080	452 241

12. HELD TO MATURITY INVESTMENT SECURITIES

	31 Dec 2014 US\$	31 Dec 2013 US\$
Open Market 90 days Treasury Bills	8 000 000	1 000 000
RBZ client linked deposits-Treasury Bills	2 468 064	-
RBZ Afreximbank Commission-Treasury Bills	1 876 454	-
Government bonds from Statutory reserves	2 018 380	3 532 165
Total	14 362 898	4 532 165

The Government of Zimbabwe through the Reserve Bank of Zimbabwe (RBZ) issued Government Bonds in February 2012 in respect of all balances previously held by the Reserve Bank as statutory reserves on behalf of banking institutions.

In May 2014, the Government of Zimbabwe through the RBZ issued Treasury Bills in relation to principal amounts of client deposit that were transferred to RBZ. These Treasury Bills belong to the clients and were issued for 3, 4 and 5 years with an interest rate of 2% payable bi-annually. The Bank is therefore acting as the intermediary between the RBZ and the individual customers.

The Bank continues to participate in the Treasury Bills market, as at year end the Bank was holding US\$8 000 000 worth of Treasury Bills for 90 days with an interest of 9% per annum.

13. PROPERTY AND EQUIPMENT

	Land US\$	Buildings US\$	Motor vehicles US\$	Computer equipment US\$	Furniture & fittings US\$	Leasehold improvements US\$	Mainframe US\$	Total US\$
Cost/valuation as at 1 January 2014	160 000	703 286	521 529	1 265 632	769 864	732 496	1 068 083	5 220 890
Revaluation surplus	(4 000)	10 060	-	-	-	-	-	6 060
Additions	78 000	312 000	102 500	345 911	90 954	500	-	929 865
Disposals	-	-	(92 067)	-	-	-	-	(92 067)
Cost/valuation at 31 December 2014	234 000	1 025 346	531 962	1 611 543	860 818	732 996	1 068 083	6 064 748
Accumulated depreciation at 1 January 2014	-	63 286	416 227	660 233	276 661	156 823	454 215	2 027 445
Current year depreciation	-	26 060	25 990	234 219	55 460	127 789	196 246	665 764
Eliminations for disposals	-	-	(71 326)	-	-	-	-	(71 326)
Accumulated depreciation at 31 December 2014	-	89 346	370 891	894 452	332 121	284 612	650 461	2 621 883
Net book amount at 31 December 2014	234 000	936 000	161 071	717 091	528 697	448 384	417 622	3 442 865
Net book amount at 31 December 2013	160 000	640 000	105 302	605 399	493 203	575 673	613 868	3 193 445

14. OTHER ASSETS

	31 Dec 2014 US\$	31 Dec 2013 US\$
Interest receivable on RBZ linked clients deposits	2 316 065	2 757 046
Prepayments	840 453	386 652
Intercompany debtors (MBCA Holdings Limited)	703 707	540 244
Accrued interest receivable	683 397	548 461
Security deposits-collateral accounts	338 797	205 170
Intercompany debtors (Nedbank)	271 374	2 750 415
Stationery inventory	80 761	108 711
Sundry debtors	23 798	31 385
RBZ Afreximbank commission*	-	1 876 454
RBZ linked client deposit -asset*	-	8 983 214
Total	5 258 352	18 187 752

*In May 2014, the Government of Zimbabwe through the Reserve Bank of Zimbabwe issued Treasury Bills for these balances. These have been classified under Held to Maturity under Note 12.

15. DEPOSITS FROM CUSTOMERS

	31 Dec 2014 US\$	31 Dec 2013 US\$
Demand deposits	64 751 449	65 013 119
Term deposits	64 066 525	52 026 370
Savings deposits	7 479 164	5 279 111
RBZ linked clients deposits	2 436 076	8 983 214
Total	138 733 214	131 301 814

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

15.2 DEPOSIT ANALYSIS- 31 DECEMBER 2014

	Demand deposits US\$	Term deposits US\$	Savings deposits US\$	Total US\$
Corporates	44 971 224	35 447 177	3 737 889	84 156 290
SMEs	10 988 901	-	-	10 988 901
Individual	7 724 086	3 253 127	3 690 700	14 667 913
RBZ linked clients deposits	-	2 436 076	-	2 436 076
Other banking institutions	884 386	19 134 681	-	20 019 067
Staff	182 852	182 306	50 575	415 733
Foreign banks	-	6 049 234	-	6 049 234
Balance as at 31 December 2014	64 751 449	66 502 601	7 479 164	138 733 214

Term deposit analysis includes RBZ linked clients deposits of US\$2 436 076 where Treasury Bills have been issued to clients over a 3, 4 and 5 year term. This classification has been changed from the prior year due to the Treasury Bills that were issued for these balances by the Government of Zimbabwe through RBZ with a determined payment period.

15.3 DEPOSIT ANALYSIS- 31 DECEMBER 2013

	Demand deposits US\$	Term deposits US\$	Savings deposits US\$	Total US\$
Corporates	55 764 672	34 688 531	2 243 349	92 696 552
RBZ linked clients deposits	8 983 214	-	-	8 983 214
Individual	7 607 757	3 582 977	2 994 719	14 185 453
Other banking institutions	1 430 959	-	-	1 430 959
Small to Medium Enterprises	-	-	-	-
Staff	209 731	67 097	41 043	317 871
Foreign banks	-	13 687 765	-	13 687 765
Total	73 996 333	52 026 370	5 279 111	131 301 814

15.4 SECTORAL ANALYSIS OF DEPOSITS

	31 Dec 2014 US\$	%	31 Dec 2013 US\$	%
Banks	26 068 301	19	14 475 781	11
Agriculture, forestry and fishing	20 425 109	15	8 361 181	6
Finance services, insurance	20 442 303	15	31 545 160	24
Manufacturing	16 579 065	12	10 852 548	8
Individuals	14 718 488	11	14 512 280	11
Wholesale and trade	9 553 079	7	1 048 555	1
Retailers	9 429 215	7	14 250 676	11
Other	8 716 052	6	10 709 412	8
Mining and quarrying	8 575 751	6	21 513 489	17
Government and public sector	2 780 108	1	821 541	1
Transport	1 170 974	1	1 563 202	1
Building and property development	274 769	-	1 647 989	1
Total	138 733 214	100	131 301 814	100

16. OTHER LIABILITIES

	31 Dec 2014 US\$	31 Dec 2013 US\$
Interest payable on RBZ client linked deposits	3 556 952	8 706 414
Accrued expenses	2 272 081	1 109 505
Deferred income	2 269 367	892 486
Intercompany creditors-Nedbank	1 879 123	4 116 366
Clearing accounts	1 422 425	768 635
Tax related liabilities	884 449	30 231
Intercompany with Embeba Properties	390 000	-
Accrued interest payable	197 083	247 625
Staff related provisions	140 363	568 427
Sundry liabilities	111 634	239 572
Total	13 123 477	16 679 261

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

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\$	Indete- minable US\$
31 December 2014						
Financial assets						
Cash and cash equivalents	70 885 785	70 885 785	-	-	-	-
Loans and advances to customers	92 379 094	34 839 029	11 978 298	27 642 114	17 919 653	-
Available for sale investment securities	948 080	719 669	33 054	-	195 357	-
Held to maturity investments securities	14 362 898	2 000 000	6 000 000	-	6 362 898	-
Other assets	5 258 352	1 059 330	672 362	168 091	1 042 504	2 316 065
183 834 209	109 503 813	18 683 714	27 810 205	25 520 412	2 316 065	
Financial liabilities						
Demand deposits	64 751 449	64 751 449	-	-	-	-
Term deposits	64 066 525	41 720 615	22 345 910	-	-	-
Savings deposits	7 479 164	7 479 164	-	-	-	-
RBZ linked clients deposits	2 436 076	-	-	-	2 436 076	-
Current tax liability	55 999	55 999	-	-	-	-
Other liabilities	13 123 477	7 239 378	1 205 320	821 173	1 255 971	2 601 635
151 912 690	121 246 605	23 551 230	821 173	3 692 047	2 601 635	
Liquidity gap	31 921 519	(11 742 792)	(4 867 516)	26 989 032	21 828 365	(285 570)
Cumulative gap		(11 742 792)	(16 610 308)	10 378 724	32 207 089	31 921 519

17.2 Liquidity Gap Analysis

	Carrying Amount US\$	Less than 1 month US\$	1-3 months US\$	3 months to 1 year US\$	1 year to 5 years US\$	Indete- minable 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	-
Held to maturity investment securities	4 532 165	58 921	941 079	-	3 532 165	-
Available for sale investment securities	452 241	185 000	-	-	267 241	-
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

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

17.3 Exposure to interest rate risk- non trading portfolio

	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 2014						
Financial assets						
Cash and cash equivalents	70 885 785	18 537 428	-	-	-	52 348 357
Loans and advances to customers	92 379 094	34 839 029	11 978 298	27 642 114	17 919 653	-
Available for sale investment securities	948 080	-	-	-	-	948 080
Held to maturity investments securities	14 362 898	2 000 000	6 000 000	-	6 362 898	-
Other assets	5 258 352	-	-	-	-	5 258 352
183 834 209	55 376 457	17 978 298	27 642 114	24 282 551	58 554 789	
Financial liabilities						
Demand deposits	64 751 449	-	-	-	-	64 751 449
Term deposits	64 066 525	41 720 615	22 345 910	-	-	-
Savings deposits	7 479 164	7 479 164	-	-	-	-
RBZ linked client deposits	2 436 076	-	-	-	2 436 076	

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

21. CAPITAL MANAGEMENT

21.1 Regulatory capital

The Bank's objectives when managing capital, which is a broader concept than 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the Reserve Bank of Zimbabwe (RBZ);
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business.
- To implement an effective Internal Capital Adequacy Assessment Process that regularly aligns available financial resources to actual regulatory and economic capital, in order to meet the Bank's current and future capital requirements given its total risk exposure.

Capital adequacy and the use of regulatory capital are monitored weekly by the Bank's management, employing techniques based on guidelines developed by the Basel Committee, as implemented by RBZ for supervisory purposes. The required information is filed with the RBZ on a quarterly basis.

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets of not less than 12%, in line with guidelines provided by the RBZ. The weighting seeks to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The regulatory capital requirements are strictly observed when managing economic capital. The Bank's regulatory capital is managed by the Finance Department and comprises three tiers:

- Tier 1 capital: ordinary share capital, share premium and retained earnings after deductions for loans to insiders and other regulatory adjustments relating to allocation of capital for market and operational risk;
- Tier 2 capital: asset revaluation reserves and collective impairment allowances; and
- Tier 3 capital: amounts of tier 1 capital allocated to market and operational risks.

The Bank's policy is to maintain a strong capital base that will not limit new business development.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2014. Over the past two years, the Bank complied with all the externally imposed capital requirements to which it is subject.

	31 Dec 2014 US\$	31 Dec 2013 US\$
Tier 1 capital		
Share capital	89 499	89 499
Share premium	17 784 930	17 784 930
Insider loans	(703 707)	(30 000)
Retained earnings	19 066 420	13 685 962
Less: Tier 1 capital allocated to market risk	(38 681)	(5 953)
Less: Tier 1 capital allocated to operational risk	(3 814 817)	(3 495 891)
Total qualifying Tier 1 capital	32 383 644	28 028 547
Tier 2 capital		
Asset revaluation & fair value reserve	82 745	147 558
Portfolio provision for impairment	1 385 575	1 081 884
Total qualifying Tier 2 capital	1 468 320	1 229 442
Tier 3 capital		
Allocation of capital to market risk	38 681	5 953
Allocation of capital to operational risk	3 814 817	3 495 891
Total qualifying Tier 3 capital	3 853 498	3 501 844
Total regulatory capital	37 705 462	32 759 833
Total risk-weighted assets	160 546 761	139 756 706
Total regulatory capital ratio	23%	23%
Tier 1 capital ratio	20%	20%

22. RESERVE BANK OF ZIMBABWE RATINGS

The Reserve Bank of Zimbabwe conducted a risk-based on-site examination in May 2014. The results per the CAMELS rating scale with comparison against previous on-site examination are summarised below:

22.1 CAMELS Ratings

CAMELS component	May 2014	September 2008
Capital adequacy	1-Strong	3-Fair
Asset quality	2-Satisfactory	2-Satisfactory
Management	3-Fair	3-Fair
Earnings	3-Fair	3-Fair
Liquidity	1-Strong	2-Satisfactory
Sensitivity to market risk	2-Satisfactory	2-Satisfactory
Composite rating	2-Satisfactory	2-Satisfactory

22.2 Risk assessment system (RAS) Ratings

RAS component	May 2014
Overall Inherent Risk	Moderate
Overall Risk Management System	Acceptable
Overall Composite Risk	Moderate
Direction of Overall Composite Risk	Stable

22.3 Summary risk matrix

Type of risk	Level of Inherent Risk	Adequacy of risk management	Overall Composite risk	Direction of Overall composite risk
Credit	Moderate	Acceptable	Moderate	Stable
Liquidity	Low	Acceptable	Low	Stable
Interest Rate	Moderate	Acceptable	Moderate	Stable
Foreign exchange	Low	Acceptable	Low	Stable
Strategic	Moderate	Acceptable	Moderate	Stable
Operational	High	Acceptable	High	Increasing
Legal and compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Low	Strong	Low	Stable
Overall	Moderate	Acceptable	Moderate	Stable

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

22. RESERVE BANK OF ZIMBABWE RATINGS (CONTINUED)

22.4 Overall rating

The composite CAMELS rating assigned to the Bank is "2" i.e. "satisfactory". Institutions in this group are fundamentally sound. For an institution to receive this rating, generally, no component rating should be more severe than 3. Only moderate weaknesses are present and are well within the Board of Directors' and management's capabilities and willingness to correct. These institutions are stable and are capable of withstanding business fluctuations. These institutions are in substantial compliance with laws and regulations. Overall risk management practices are satisfactory relative to the institution's size, complexity and risk profile. There are no material supervisory concerns and, as a result, the supervisory response is informal and limited.

23. GOING CONCERN

The directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. The Bank therefore continues to adopt the going concern basis in preparing its financial statements.

By order of the Board

24 February 2015

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

The Bank continued to pursue its strategic focus of being "a banker to all" while ensuring that it meets the needs of the targeted market segment customers.

**MBCA
VEHICLE
& ASSET
FINANCE
SCHEME**

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