Contents

Standard Chartered

I. J. Mackenzie (Acting Chairman), W. Matsaira (Chief Executive)*, S. Nhakaniso*, S. V. Rushwaya, A.R.T Manzai*, J.P Maposa, S. J. Brice (*Executive)

Chairman's Statement

Operating environment

The performance of the Bank for the year to December 2011 is a testament to the benefits of an improving economic environment. Figures from the Zimbabwe National Statistics Agency show that the annual rate of inflation closed the year at 4.9% while GDP growth was reported at 9.3%. Growth was led largely by mining and agriculture that both benefited from firming volumes and favourable international commodity prices. According to the Confederation of Zimbabwe Industries survey, capacity utilisation continued to improve with the manufacturing sector recording average rates above 50%, up from 10% in 2009. Total banking sector deposits rose 43% to USD3.3 billion, reflecting increasing confidence in the banking sector.

The Banking Sector continues to experience challenges with no effective interbank market and the transitory nature of customer deposits, both of which affect the ability of banks to lend more and effectively. Funding for refurbishment of industrial plant and equipment remained a significant challenge for our customers due to the short-term nature of customer deposits; however loans and advances mainly for trade and working capital grew by 81% from USD1.6 billion in December 2010 to USD2.9 billion in December 2011.

In order to fully exploit the economy's many growth opportunities, challenges such as power shortages and cost of doing business urgently need to be addressed. Notwithstanding the challenges, the economic indicators reflect an overall positive growth in the economy, albeit from a low 2009 base.

Financial performance

The Bank reported a profit after tax of USD22 million for the year. Performance was driven by our contribution to the productive sectors of the economy which included agriculture, manufacturing and mining. Furthermore, there was an improvement in debt recoveries (USD6 million) reflecting the overall improved economic environment which materially contributed to the Bank's profitability during the year.
Operating expenses grew by 16% from USD31 million in the prior year to USD36 million in 2011, mainly driven by staff costs. During the year under review the Bank implemented efficiency initiatives in our technology platforms and procurement processes. In addition, we effectively managed travel, communication and utility expenses which contributed to an improvement in the cost-income ratio.

Corporate social engagement

The Bank continues to contribute significantly to social and developmental programmes either on its own or in partnership with other organisations. 'Seeing is Believing' is a worldwide annual programme conducted by eminent local and international eye specialists that restore sight for the poor. A community month programme pioneered by the Bank in Zimbabwe runs annually in markets in which the Standard Chartered Bank Group operates around the world and focuses on assisting the underprivileged such as children, the disabled and the elderly. A Bank wide initiative, called Employee Volunteering, where the Bank donates up to three days of annual leave to all staff, for voluntary work done individually or as a group, has had a significant impact within the communities we operate. Activities in this regard have included cleaning public areas, tree planting and career guidance sessions with schools and universities. Joint programmes included the funding of educational scholarships for the underprivileged in conjunction with World Vision and HIV/AIDS awareness campaigns with local NGO's and universities. An environmental awareness campaign was also embarked on through partnership with Friends of the Environment in an annual environmental walk.

Corporate governance

The Bank always seeks to adhere to the highest standards of compliance with international and country laws and regulations. In this respect the Bank applies the highest and most stringent level of international governance and risk management practices to all its banking activities.

The Board of Directors and Management remain fully committed to applying best practices in corporate governance across the Bank and this will continue to be an area of primary focus. This is being achieved by constant monitoring and evaluation by the Board and its Committees which are chaired by non-executive directors. A Compliance Risk Management framework is in place to ensure adherence to internal processes and procedures as well as regulatory requirements. An Executive Risk

Management Committee meets regularly to review enterprise wide risks and takes mitigating actions where necessary under the supervision of the Board Risk Committee.

Outlook

Standard Chartered Bank is committed to maintaining its status as a premium international franchise. Our strategy remains the same: To be the world's best international bank leading the way in Asia, Africa and the Middle East.

The Group has a strong presence in high growth markets and is well positioned to support Zimbabwean businesses in pursuing trade corridor opportunities arising in Asia particularly China and India, the Middle-East, and indeed Africa. The Bank leverages on its strong international relationships to develop new product capabilities provide skills development and training, thus enhancing its capacity to deliver its services through world class systems and processes. The Bank will continue to increase its product offering in line with market trends.

Acknowledgement

I took over, as Chairman, on 1 March, 2012 from Ian Mackenzie who so ably steered the Board and the Bank to a successful performance in 2011, as Acting Chairman. The Board will continue to benefit from his wise counsel both as a Board member and as Chairman of the Audit Committee.

My sincere appreciation goes to Washington Matsaira, the former Chief Executive Officer (CEO) who retired at the end of December 2011 after 34 years of distinguished service, of which 11 years were as CEO. Washington's contribution and dedication will be missed and we wish him well in his future endeavours. Washington handed over the baton to Ralph Watungwa. Ralph is no stranger to the Bank and I wish him well in his new role. I would also like to thank staff, management and my fellow Directors for their dedication and commitment. The Bank's brand promise to be **Here for good** is premised on our vision to be: **Here for people, Here for progress and Here for the long run.** I would therefore like to take this opportunity to reaffirm our commitment and to thank all our stakeholders, especially our customers, for the continued support and confidence in the Bank and wish them well in 2012.

J P Maposa
CHAIRMAN

27 March 2012

Report of the Directors

1 SHARE CAPITAL

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

2 BASIS OF PREPARATION AND PRESENTATION OF ACCOUNTS

The Directors are responsible for the preparation, integrity and fair presentation of the financial statements of the Bank. The financial statements have been prepared and presented in compliance with International Financial Reporting Standards, the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20) and the relevant statutory instruments ("SI" 33/99) and SI62/96

3 DIRECTORATE

Chairman J P Maposa
Directors W Matsaira (Outgoing Chief Executive)*
R Watungwa (Incoming Chief Executive)
S V Rushwaya
I J Mackenzie
S J Brice
L T Manatsa
A R T Manzai*
S Nhakaniso*

* Executive

J P Maposa was appointed Chairman on 1 March 2012. I J Mackenzie was the Acting Chairman for 2011.
L T Manatsa was appointed as Director on 1 January 2012.
R Watungwa was appointed Chief Executive Officer and Executive Director on the 1st of January 2012

4 CORPORATE GOVERNANCE

The Board

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

DIRECTORS' ATTENDANCE AT BOARD MEETINGS

DIRECTOR	DATE OF MEETING			
	3-Mar-11	2-June-11	1-Sep-11	24-Nov-11
I. J. Mackenzie	√	√	√	√
W. Matsaira	√	√	√	√
S. V. Rushwaya	√	√	√	√
S J Brice	x	x	x	x
J. P. Maposa	√	√	x	√
A. R. T. Manzai	√	√	√	√
S. Nhakaniso	√	√	√	√
L T Manatsa	n/a	n/a	n/a	n/a

Key: √:Present **x**: Leave of absence granted

4 CORPORATE GOVERNANCE (cont'd)

Please note : S J Brice was on a Standard Chartered Bank assignment in Singapore for the year.

The Board has four committees, namely Audit, Risk, Loans Review and Credit.

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

DIRECTOR	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS HELD IN 2011	MINIMUM NUMBER OF MEETINGS TO BE HELD IN A YEAR
I. J Mackenzie	5	5	4
S. V Rushwaya	5		
J. P. Maposa	3		

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

DIRECTOR	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS HELD IN 2011	MINIMUM NUMBER OF MEETINGS TO BE HELD IN A YEAR
S. V. Rushwaya	4	4	4
W. Matsaira	4		
S. Nhakaniso	4		
A. R. T. Manzai	4		

Please note: The Committee has other members who are not Board members.

Loans Review Committee
The Committee meets at least quarterly to review the quality of the Bank's loan portfolio in order to ensure its conformity to sound lending policy approved and adopted by the Board. The Committee ensures that the Board is adequately informed regarding portfolio risk.

DIRECTOR	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS HELD IN 2011	MINIMUM NUMBER OF MEETINGS TO BE HELD IN A YEAR
I J Mackenzie	4	4	4
A R T Manzai	4		

Please note: This Committee has other members who are not Board members.

Credit committee

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

DIRECTOR	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS HELD IN 2011	MINIMUM NUMBER OF MEETINGS TO BE HELD IN A YEAR
J. P. Maposa	4		
W. Matsaira	4	4	4
S. Nhakaniso	3		

5 STATEMENT OF COMPLIANCE

The Bank complies with all statutes regulating financial institutions as well as Corporate Governance best practice.

In addition, the Bank also complies with the Reserve Bank of Zimbabwe's directives on liquidity management, capital adequacy, as well as prudential lending guidelines.

6 GOING CONCERN BASIS

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

The financial statements were approved at a meeting held on 27 March 2012.

By Order Of The Board

Company Secretary

Report of the Independent Auditors

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REPORT OF THE INDEPENDENT AUDITORS TO THE DIRECTORS OF STANDARD CHARTERED BANK ZIMBABWE LIMITED TO THE MEMBERS OF STANDARD CHARTERED BANK ZIMBABWE LIMITED

We have audited the accompanying financial statements of Standard Chartered Bank Zimbabwe Limited ("the Bank") on pages 8 to 40, which comprise the statement of financial position at 31 December 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility For The Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03) the Banking Act (Chapter 24.20), and the relevant Statutory Instruments (SI 33/99 and SI 62/96). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Standard Chartered Bank Zimbabwe Limited at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report On Other Legal And Regulatory Requirements

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

Deloitte & Touche
Harare, Zimbabwe
27 March 2012

Income Statement

for the year ended 31 December 2011

	Notes	2011 USD	2010 USD
Interest and similar income	6	14 529 269	9 258 003
Interest and similar expenses	7	(48 028)	(53 346)
Net interest income		14 481 241	9 204 657
Fees and commission income	6.1	37 574 021	28 946 082
Gains less losses - foreign currencies	6.2	5 624 276	4 519 942
Other income	8	2 579 892	350 212
Non-interest income		45 778 189	33 816 236
Total operating income		60 259 430	43 020 893
Operating expenses	9	(35 636 820)	(30 798 273)
Profit before loan impairment charges		24 622 610	12 222 620
Specific recovery	10	6 316 074	-
Loan impairment charges	10	(1 681 191)	(1 072 965)
Net impairment charge		4 634 883	(1 072 965)
Profit before taxation		29 257 493	11 149 655
Taxation	12.1	(7 267 725)	(2 771 891)
Profit for the year		21 989 768	8 377 764
Basic earnings per share (USD)	14	26.65	10.15

Statement Of Comprehensive Income

for the year ended 31 December 2011

	Notes	2011 USD	2010 USD
Profit for the year		21 989 768	8 377 764
Other comprehensive income:			
Fair value gain on available for sale investments		22 167	-
Income tax relating to components of comprehensive income		(5 708)	-
Other comprehensive income net of tax	11	16 459	-
Total comprehensive income for the year		22 006 227	8 377 764

Statement Of Financial Position

as at 31 December 2011

	Notes	2011 USD	2010 USD
ASSETS			
Cash and cash equivalents	15	137 515 616	105 524 658
Financial assets available for sale	17	10 964 371	-
Loans and advances to customers	18	116 932 025	108 651 858
Other assets	19	1 691 308	7 396 462
Balances due from banks	16	33 903 755	33 805 098
Investment property	20	5 420 000	7 570 000
Property and equipment	21	18 679 134	18 802 116
Total assets		**325 106 209**	**281 750 192**
EQUITY AND RESERVES			
Share capital		825 000	825 000
Share premium		20 625 000	20 625 000
Non distributable reserve		5 888 147	5 888 147
Available for sale reserve		16 459	-
Retained earnings		26 642 699	4 652 931
Total equity and reserves		53 997 305	31 991 078
LIABILITIES			
Deposits from customers	22.1	253 202 902	221 955 038
Deposits from banks	23	728 934	1 294 714
Other liabilities	24	8 882 657	17 725 895
Provisions	25	4 926 315	4 454 605
Taxation - current		204 045	587 157
Taxation - deferred	12.3	3 164 051	3 741 705
Total liabilities		271 108 904	249 759 114
Total equity and liabilities		**325 106 209**	**281 750 192**

J P Maposa
Chairman
27 March 2012

R Watungwa
Chief Executive Office
27 March 2012

A R T Manzai
Finance Director
27 March 2012

Statement Of Changes In Equity

for the year ended 31 December 2011

	Ordinary share capital USD	Share premium USD	Non distributable reserves USD	Available for sale reserve USD	Retained profit USD	Total USD
Balance at 1 January 2010	825 000	20 625,000	5 888 147	-	(3 724 833)	23 613 314
Profit for the year	-	-	-	-	8 377 764	8 377 764
Balance at 31 December 2010	825 000	20 625 000	5 888 147	-	4 652 931	31 991 078
Balance at 1 January 2011	825 000	20 625 000	5 888 147	-	4 652 931	31 991 078
Profit for the year	-	-	-	-	21 989 768	21 989 768
Other comprehensive income	-	-	-	16 459	-	16 459
Balance at 31 December 2011	825 000	20 625 000	5 888 147	16 459	26 642 699	53 997 305

Statement Of Cash Flows

For the year ended 31 December 2011

	2011 USD	2010 USD
Cash flow from operating activities		
Profit before tax	29 257 493	11 149 655
Adjustments for:		
Gains from investment property revaluation	(1 230 000)	-
Profit on disposal of investment property and other assets	(969 701)	(22 760)
Depreciation	767 000	636 065
Loan impairment charges	1 681 191	1 072 965
Net loss arising from marking to market	102 021	-
Other non cash items	(14 216)	-
Operating cash flow before changes in operating assets and liabilities	29 593 788	12 835 925
Changes in operating assets and liabilities:		
Increase in loans and advances to customers	(10 091 367)	(62 990 347)
Increase in financial assets available for sale	(10 900 000)	-
Increase in balances due from banks	(98 657)	(5 466 901)
Decrease/ (increase) in other assets	5 705 154	(4 876 816)
Increase/ (decrease) in deposits from customers	31 247 864	(2 181 662)
(Decrease)/increase in deposits from banks	(565 780)	1 214 132
Increase/ (decrease) in provisions	471 710	(3 217 924)
(Decrease)/increase in other liabilities	(8 843 238)	8 377 365
	36 519 474	(56 306 228)
Corporate tax paid including capital gains tax	(8 234 199)	(3 458 633)
Net cash flow from operating activities	28 285 275	(59 764 861)
Cash flow from investing activities		
Proceeds on disposal of investment property and other assets	4 349 701	22 760
Purchase of property and equipment	(644 018)	(683 010)
Net cash flow generated from/(used in) investing activities	3 705 683	(660 250)
Net increase/(decrease) in cash and cash equivalents	31 990 958	(60 425 111)
Cash and cash equivalents at the beginning of year	105 524 658	165 949 769
Cash and cash equivalents at end of year	137 515 616	105 524 658

1 INCORPORATION AND ACTIVITIES

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

2 FUNCTIONAL AND PRESENTATION CURRENCY

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

3 BASIS OF PREPARATION

3.1 Statement of Compliance

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

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

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

The following revisions, issues and amendments set out below became effective for the current year:
- Revised IFRS 3 Business Combinations.
- Revised IFRS 7 Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs
- IAS 24 Related Party Disclosures - Revised definition of related parties
- IAS 27 Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs
- IAS 32 Financial Instruments: Presentation - Amendments relating to classification of rights issues

The adoption of these revised standards and interpretations in the current year has not led to any significant changes in the Bank's accounting policies. These standards do not have any financial effect on the recognition or measurement of transactions and events, nor the financial position or performance of the Bank. Their effects are limited to the nature and extent of disclosure to be made by the Bank.

3.2 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

3.3 Basis of measurement

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

3.4 Use of estimates and judgments

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

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

The main estimates and judgements are made in relation to the following:
- Useful lives and residual values of property and equipment (as explained in note 4.2)
- Loan impairment provisioning (as explained in note 4.7)
- Fair valuation of investment property (explained in note 4.3
- Fair valuation of available for sale investments (explained in note 4.1)

3.5 Going concern

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

4 SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied by the Bank are consistent with those used in the previous years, except those highlighted in note 3.1

4.1 Financial Instruments

Classification

All financial instruments are classified as either "at fair value through profit and loss", "available for sale", "held to maturity" or "loans and receivables".

Trading instruments which are classified as "at fair value through profit and loss" are those that the Bank principally holds for the purpose of short term profit taking. Originated loans and receivables are loans and receivables created or bought by the Bank providing money to a debtor other than those created with the intention of short term profit taking. Originated loans and receivables comprise loans and advances to banks and customers. Held to maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and abilit y to hold to maturity.

These include certain debt instruments. Available for sale assets are financial assets that are not held for trading purposes originated by the Bank or held to maturity. Available for sale instruments include certain debt and equity investments

Recognition

The Bank initially recognises loans and advances, deposits, debt securities and subordinated liabilities on the date that they are originated at fair value. All other financial assets and liabilities are initially recognised on the trade date at which the bank becomes party to the contractual provisions of the instrument.

Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in a transferred financial asset that is created or retained by the Bank is recognised as a separate asset or liability. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

Financial assets or liabilities are set off and the net amount presented in the statement of financial position when, and only when the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

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

Loans and receivables and financial liabilities
Loans and receivables and financial liabilities are financial assets or liabilities with fixed or determinable payments that are not quoted in an active market. Such assets or liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Fair value measurement
The determination of fair value of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for the financial instrument traded in the market. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present values technique, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Bank uses widely recognised valuation models for determining fair value.

At each balance sheet date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit and loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

4.2 Property And Equipment

Owned assets
Items of property and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

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

Depreciation
Depreciation is provided to write off the cost less estimated residual value of motor vehicles, furniture and fittings, computers and office equipment, and buildings on a straight line basis over their estimated remaining useful lives. The change in residual values and useful lives is treated as a change in accounting estimate.

The depreciation rates for assets are as follows:

Buildings	2.5%
Premises fixed equipment	10%
Motor vehicles	33.33%
Equipment	33.33%
Furniture, fixtures and fittings	33.33%

Impairment
The carrying amount of the Bank's assets is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

Residual values
Asset residual values and useful lives are reviewed and adjusted as appropriate at each statement of financial position date.

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 open market method of valuation was used for land and buildings. 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.

4.3 Investment Property
Investment property is stated at fair value determined annually by an independent registered valuer. Fair value is based on current prices in the market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for under other income. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement. When the use of property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

Reclassification to investment property
When the use of property changes from owner occupied to investment property, the property is revalued and reclassified as investment property. When an item of property, plant and equipment becomes an investment property following a change of its use, any differences arising at the date of transfer between the carrying amount of the item and its fair value is recognised directly in equity if it is a gain and through the income statement if a loss

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

Defined contribution plan
Contributions to the defined contribution scheme are recognised as an expense in the income statement when incurred. The Bank has no further payment obligation once the contribution has been paid.

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

When the benefits of the plan cha nge, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement

Termination benefits
Termination benefits are recognised as an expense when the Bank is committed demonstrably, without a realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or

to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

4.5 Provisions

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

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

4.6 Revenue

Interest and similar income

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

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

Fees and commission

Other fees and commission income, including account servicing fees, investment management fees, sales commission and placement fees are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expenses relate mainly to transaction and services fees, which are expensed as the services are received.

Net trading income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably).

4.7 Loan Impairment Charges

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

Interest on loans and advances is accrued to income until such time a reasonable doubt exists with regard to its collectability. Thereafter and until all or part of the loan is written off, interest continues to accrue on customers' accounts, but is not included in income. Such suspended interest is deducted from loans and advances.

Past due but not impaired loans

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

Non-performing loans

Interest on loans and advances is accrued to income until reasonable doubt exists about its collectability. Thereafter, interest is recognized 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.

Acceptances
The exposure arising from the acceptance of bills of exchange that are sold into the market is brought to account as a liability. A contra asset "customers'' indebtedness for acceptances" is recognised to reflect the Bank's claim against each drawer of bills. Bills that have been accepted by the Bank and are retained in its own portfolio or have been purchased from the market are included in the statement of financial position under bills receivable

4.8 Foreign Currency
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

4.9 Lease Payments
Payments made under operating lease are recognised in the profit or loss on a straight line basis over the term of the lease.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Bank as a lessee
Assets held under finance leases are initially recognised as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Bank's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed

4.10 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for, goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxation profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.11 Guarantees And Acceptances

Financial guarantees are contracts that require the Bank to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of the debt instrument. Financial guarantee liabilities recognised initially are set off against the created assets.

4.12 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Bank has related party relationships with fellow subsidiaries, the parent company and key management employees. Transactions and balances with related parties are shown in note 31.

4.13 Assets under custody

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

5 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

5.1 New and revised IFRSs applied with no material effect on the financial statements

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011 and have not been applied in preparing these financial statements:

- IFRS 7 - Financial Instruments: Disclosures
    - Amendments enhancing disclosures about transfers of financial assets (effective for annual financial statements for periods beginning on or after 1 July 2011).
    - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective for annual financial statements for periods beginning on or after 1 January 2013).
    - Amendments requiring disclosures about the initial application of IFRS 9 (effective for annual
- IFRS 7 - Financial Instruments
    - Classification and measurement of financial assets (effective for annual financial statements for periods beginning on or after 1 January 2015).
    - Accounting for financial liabilities and derecognition (effective for annual financial statements for periods beginning on or after 1 January 2015).
- IFRS 10 Consolidated Financial Statements (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 11 Joint Arrangements (effective for annual financial statements for periods beginning on or after 1 January 2013).

- IFRS 12 - Disclosure of Interests in Other Entities (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 13 – Fair Value Measurement (effective for annual financial statements for periods beginning on or after 1 January 2013).
- Revised IAS 1 - Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented (effective for annual financial statements for periods beginning on or after 1 July 2012).
- Revised IAS 19 - Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for annual financial statements for periods beginning on or after 1 July 2012)
- Revised IAS 27 - Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective for annual financial statements for periods beginning on or after 1 January 2013).
- Revised IAS 28 - Investments in Associates -Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective for annual financial statements for periods beginning on or after 1 January 2013).
- Revised IAS 32 - Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for annual financial statements for periods beginning on or after 1 January 2014).
- IFIC 20 - Stripping Costs in the Production Phase of a Surface Mine (effective for annual financial statements for periods beginning on or after 1 January 2014).

The following revisions, issues and amendments set out below became effective for the current year:

- Revised IFRS 3 Business Combinations.
- Revised IFRS 7 Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs
- IAS 24 Related Party Disclosures - Revised definition of related parties
- IAS 27 Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs
- IAS 32 Financial Instruments: Presentation - Amendments relating to classification of rights issues

The adoption of these revised standards and interpretations in the current year has not led to any significant changes in the Bank's accounting policies. These standards do not have any financial effect on the recognition or measurement of transactions and events, nor the financial position or performance of the Bank. Their effects are limited to the nature and extent of disclosure to be made by the Bank.

6 INTEREST AND SIMILAR INCOME

	2011 USD	2010 USD
Loans and advances to banks	38 375	297 022
Loans and advances to customers	14 490 894	8 960 981
	14 529 269	9 258 003

6.1 Fees and commission income

	2011 USD	2010 USD
Account service fees and charges	5 195 614	5 950 759
Lending fees	5 722 083	5 494 627
Transaction related commissions	21 315 568	17 797 469
Commission expenses	(2 054 517)	(1 539 619)
Other fees and commissions	7 395 273	1 242 846
	37 574 021	28 946 082

6.2 Gains less losses - foreign currencies

	2011 USD	2010 USD
Dealing income	5 624 276	4 438 159
Foreign exchange revenue from non-customers	-	81 783
	5 624 276	4 519 942

7 INTEREST AND SIMILAR EXPENSES

	2011 USD	2010 USD
Customer accounts		
- Current and demand deposits	2 680	-
- Savings deposits	3 227	-
- Time deposits	34 966	53 346
- Commercial bills	7 155	-
	48 028	53 346

8 OTHER INCOME

	2011 USD	2010 USD
Gains from investment property revaluation	1 230 000	-
Rental income from investment property	375 421	319 957
Profit on sale of property and equipment	969 701	22 760
Other miscellaneous income	4 770	7 495
	2 579 892	350 212

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2011

9. OPERATING EXPENSES

	2011 USD	2010 USD
Audit fees	124 074	110 000
Depreciation	767 000	636 065
Staff costs	21 916 344	18 372 871
Directors' emoluments	309 209	395 889
Other operating costs	12 520 193	11 283 448
	35 636 820	30 798 273

9.1 Staff Costs

	2011 USD	2010 USD
Salaries and allowances	11 828 805	13 256 669
Compulsory social security contributions	190 776	100 321
Contributions to pension funds	4 141 295	3 255 041
Other costs	5 755 468	1 760 840
	21 916 344	18 372 871

The average number of employees during 2011 was 697 (2010:713).

9.2 Directors' emoluments

	2011 USD	2010 USD
Fees for services as directors	42 000	36 970
Other emoluments	267 209	358 919
	309 209	395 889

10 NET IMPAIRMENT CHARGES

	2011 USD	2010 USD
Loan impairment charge (note 18.4)	(1 681 191)	(1 072 965)
Specific recoveries	6 316 074	-
	4 634 883	(1 072 96

11 OTHER COMPREHENSIVE INCOME

	2011 USD	2010 USD
Fair value gain on AFS investments	22 167	-
Income tax relating to components of comprehensive income	(5 708)	-
Other comprehensive income for the year	16 459	-

12. TAXATION

12.1 Analysis of tax charge

	2011 USD	2010 USD
Charge for taxation based on taxable income for the year	7 382 469	3 435 235
Provision for aids levy	221 474	103 057
	7 603 943	3 538 292
Capital gains tax	235 000	-
Prior year over provision current tax	12 144	(22 775)
Deferred tax credit	(583 362)	(743 626)
	7 267 725	2 771 891

The income tax rate applicable to the Bank's 2011 taxable income is 25.75% (2010: 25.75%)

12.2 Reconciliation of tax charge

	2011 USD	2010 USD
Notional tax charge based on profit/ (loss) for the year	7 533 804	2 871 036
Effect of:		
Permanent differences	(513 223)	(76 370)
Prior year under provision - income tax	12 144	(22 775)
Capital gains tax	235 000	-
Total tax charge	7 267 725	2 771 891

12.3 Deferred tax (asset) and liability

TThe deferred tax (assets) and liabilities are attributable to the following:

	2011 USD	2010 USD
Property and equipment	3 766 378	3 819 257
Fair valuation of investment property	271 000	378 500
Loan impairment provision	(906 955)	(474 048)
Other assets	27 920	17 996
Available for sale assets	5 708	-
	3 164 051	3 741 705
Balance at the beginning of the year	3 741 705	4 485 331
Recognised in profit and loss	(583 362)	(743 626)
Recognised in other comprehensive income	5 708	-
	3 164 051	3 741 705

13. CAPITAL AND RESERVES

12.1 Authorised share capital

	2011 USD	2010 USD
1 000 000 ordinary shares of USD1 each	1 000 000	1 000 000

13.2 Issued share capital

	2011 USD	2010 USD
825 000 ordinary shares of USD1 each	825 000	825 000

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

13.3 Capital reserves

	2011 USD	2010 USD
Share premium	20 625 000	20 625 000
Non distributable reserves (note 13.5)	5 888 147	5 888 147
	26 513 147	26 513 147

13.4 Retained earnings

	2011 USD	2010 USD
Retained earnings	26 642 699	4 652 931

13.5 Non distributable reserves

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

13.6 The minimum capital requirement set by the regulator is USD12 500 000 for commercial banking institutions.

13.7 Capital & Reserves

	2011 USD	2010 USD
Tier 1 capital		
Ordinary paid-up share capital	825 000	825 000
Share premium	20 625 000	20 625 000
Non-distributable reserve	5 888 147	5 888 147
Retained earnings	26 642 699	4 652 931
Less capital allocated for market and operational risk	(5 917 725)	(3 672 592)
	48 063 121	28 318 486
Tier 2 capital		
General provisions (Tier 2)	3 036 111	1 840 965
(limited to 1.25% of risk weighted assets)		
Available for sale reserve	16 459	-
	3 052 570	1 840 965
Total Capital - Tier 1 & 2	51 115 691	30 159 451
Tier 3 capital		
Capital allocated for market and operational risk	5 917 725	3 672 592
Total capital base	57 033 416	33 832 043
Risk weighted assets	242 888 915	152 714 083
Tier 1 capital ratio	19.79%	18.54%
Tier 2 capital ratio	1.26%	1.21%
Tier 3 capital ratio	2.44%	2.40%
Capital adequacy	23.48%	22.15%

14. BASIC EARNINGS PER SHARE

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

	2011 USD	2010 USD
Earnings	21 989 768	8 377 764
Weighted average number of ordinary shares	825 000	825 000

There are no dilutive potential ordinary shares as at the statement of financial position date.

	2011 USD	2010 USD
Basic earnings per share (USD)	26.65	10.15

15. CASH AND CASH EQUIVALENTS

	2011 USD	2010 USD
Cash and balances with banks	102 356 000	97 918 020
Unrestricted balances with Central Bank	5 159 016	3 606 638
Money market placements	30 000 000	4 000 000
Total cash and cash equivalents	137 515 616	105 524 658

16. BALANCES DUE FROM BANKS

	2011 USD	2010 USD
Restricted balances with the Central Bank	33 903 755	33 805 098

Restricted balances with the Central Bank include statutory reserves and customer foreign currency account funds that were transferred to the Central Bank during the Zimbabwe dollar era in line with exchange control regulations in force at the time. Statutory reserves have since been converted to government bonds as per Note 36 on subsequent events.

17. FINANCIAL ASSETS AVAILABLE FOR SALE

	2011 USD	2010 USD
Debt and other fixed-income instruments		
Bonds and notes issued by government	5 000 000	-
Money market instruments issued by other issuers (BAs)	5 900 000	-
Amortised income	42 204	-
Fair value adjustments	22 167	-
	10 964 371	-
Maturities		
5 years or less but over 1 year	-	-
1 year or less but over 3 months	10 964 371	-
3 months or less including payable on demand	-	-
	10 964 371	-

18. LOANS AND ADVANCES TO CUSTOMERS

18.1 Loans and advances

	2011 USD	2010 USD
Loans and advances to customers	120 584 190	110 492 823
Less:		
Specific and general doubtful debt provision (note 18.4)	(3 446 927)	(1 840 965)
Interest in suspense	(205 238)	-
	116 932 025	108 651 858
Maturities		
Repayable on demand		
With a residual maturity of:		
3 months or less	112 128 664	110 492 823
Between 3 months and 1 year	8 455 526	-
Between 1 and 5 years	-	-
Over 10 years	-	-
	120 584 190	110 492 823
Less:		
Specific and general doubtful debt provision (note 18.4)	(3 446 927)	(1 840 965)
Interest in suspense	(205 238)	-
	116 932 025	108 651 858

18.2 Sectoral analysis of utilisations

	2011 USD	%	2010 USD	%
Agriculture and horticulture	22 265 420	18.46%	29 384 656	26.59%
Construction and property	139 000	0.12%	48 000	0.04%
Commerce	40 156 351	33.30%	28 323 313	25.63%
Mining	60 000	0.05%	166 000	0.15%
Manufacturing	45 091 984	37.39%	50 270 599	45.50%
Transport and communications	1 762 3747	1.46%	395 342	0.36%
Other	11 109 088	9.21%	1 904 913	1.72%
	120 584 190	100%	110 492 823	100%

18.3 Risk concentrations

There are material concentrations of loans and advances to the manufacturing sector of 37.39% (2010 – 45.50%), commerce of 33.30% (2010 – 25.63%) and agriculture and horticulture sector 18.46% (2010 – 26.59%).

18.4 Loan impairment charges

	2011 Specific USD	Portfolio specific USD	Total USD	2010 specific USD	Portfolio specific USD	Total USD
Balance at 1 January	-	1 840 965	1 840 965	-	768 000	768 000
Loan impairment charge	143 191	1 538 000	1 681 191	-	1 072 965	1 072 965
Applied against debts	(75 229)	-	(75 229)	-	-	-
Balance at 31 December	67 962	3 378 965	3 446 927	-	1 840 965	1 840 965

18.5 Non performing loans and advances to customers

	2011 USD	2010 USD
Total loans and advances on which interest is suspended	1 309 295	-
Interest in suspense	(205 238)	-
Balance at 31 December	1 104 057	-

18.5.1 Aging on non performing loans as at 31 December 2011

	Gross	Net
Past due up to 30 days	-	-
Past due up to 60 days	-	-
Past due up to 90 days	-	-
Past due up to 180 days	152 385	135 725
Past due up to 365 days	1 156 910	968 332
Balance at 31 December	1 309 295	1 104 057

18.6 Loans to executive directors

	2011 USD	2010 USD
Loans to directors	21 921	10 093

19. OTHER ASSETS

	2011 USD	2010 USD
Accrued interest receivable	62 034	44 320
Internal accounts	1 629 274	7 352 142
	1 691 308	7 396 462

20. INVESTMENT PROPERTY

The carrying amount of investment property is the fair value of the property determined by a registered independent valuer having appropriate recognised professional qualification and experience.

Balance at 1 January	7 570 000	7 570 000
Disposals	(3 380 000)	-
Fair value gain	1 230 000	-
	5 420 000	7 570 000

The entire Bank's investment property is held under freehold interests.

Investment property was valued by an independent valuer in 2011 on an open market value basis as at 31 December 2011. The same independent valuer performed a full valuation of the portfolio as at 31 December 2010.

21. PROPERTY AND EQUIPMENT

21.1

	Premises USD	Furniture & fittings USD	Motor vehicles USD	Office equipment USD	Total USD
Cost					
Balance at 1 January 2011	18 467 000	24	1 199 332	649 139	20 315 495
Additions	-	5 487	228 950	409 581	644 018
Balance at 31 December 2011	18 467 000	5 511	1 428 282	1 058 720	20 959 513
Depreciation					
Balance at 1 January 2011	369 675	-	1 035 378	108 326	1 513 379
Charge for the year	404 279	1 371	107 571	253 833	767 000
Balance at 31 December 2011	773 954	1 371	1 142 895	362 159	2 280 379
Net book value at 31 December 2011	17 693 046	4 140	285 387	696 561	18 679 134
Net book value at 31 December 2010	18 097 325	24	163 954	540 813	18 802 116

There were no changes in accounting estimates, residual values, depreciation methods and useful lives for property, plant and equipment.

Premises were revalued by an independent valuer in 2011 on an open market value basis as at 31 December 2010. The same independent valuer performed a full revaluation of the portfolio as at 31 December 2009.

21.2

	Premises USD	Furniture & fittings USD	Motor vehicles USD	Office equipment USD	Total USD
Cost					
Balance at 1 January 2010	18 467 000	11	1 049 507	115 967	19 632 485
Additions	-	13	149 825	533 172	683 010
Balance at 31 December 2010	18 467 000	24	1 199 332	649 139	20 315 495
Depreciation					
Balance at 1 January 2010	-	-	818 079	59 235	877 314
Charge for the year	369 675	-	217 299	49 091	636 065
Balance at 31 December 2010	369 675	-	1 035 378	108 326	1 513 379
Net book value at 31 December 2010	18 097 325	24	163 955	540 813	18 802 116
Net book value at 31 December 2009	18 467 000	11	231 428	56 732	18 755 171

21. DEPOSITS FROM CUSTOMERS

21.1 Deposits and other by type

	2011 USD	2010 USD
Payable on demand	236 455 472	217 953 691
Savings deposits	16 589 337	4 001 347
Term deposits	158 093	-
	253 202 902	221 955 038

21.2 Maturity analysis

	2011 USD	2010 USD
Repayable on demand	236 455 472	217 953 691
With agreed maturity dates or period of notice, by residual maturity: 3 months or less	16 747 430	4 001 347
	253 202 902	221 955 038

23. DEPOSITS FROM BANKS

	2011 USD	2010 USD
Deposits from other banks	728 934	1 294 714

24. OTHER LIABILITIES

	2011 USD	2010 USD
Accrued interest payable	94 630	4 819 137
Remittances in transit	362 987	450 389
Other	8 425 040	12 456 369
	8 882 657	17 725 895

25. PROVISIONS

	Voluntary separation scheme USD	Pension USD	Performance bonus USD	Other accrued expenses USD	Total USD
BBalance at 1 January 2011	-	-	3 197 952	1 256 653	4 454 605
Provisions made during the year	-	2 000 000	2 703 825	3 090 904	7 794 729
Provisions paid/reversed during the year	-	(2 000 000)	(3 075 642)	(2 247 377)	(7 323 019)
Balance at 31 December 2011	-	-	2 826 135	2 100 180	4 926 315
Balance at 1 January 2010	2 693 351	2 000 000	1 975 797	1 003 381	7 672 529
Provisions made during the year	-	2 000 000	3 030 529	1 102 853	6 133 382
Provisions paid/reversed during the year	(2 693 351)	(4 000 000)	(1 808 374)	(849 581)	(9 351 306)
Balance at 31 December 2010	-	-	3 197 952	1 256 653	4 454 605

26. INTEREST RATE REPRICING AND GAP ANALYSIS

26.1 Total position at 31 December 2011

	Up to 1 month USD	1month to 3 months USD	3months to 1 year USD	Over 1year USD	Non-interest bearing USD	Total US$
Assets						
Cash and cash equivalents	63 017 938	-	-	-	74 497 678	137 515 616
Financial assets available for sale	22 167	5 915 542	5 026 662	-	-	10 964 371
Loans and advances to customers	47 044 499	61 432 000	8 455 526	-	-	116 932 025
Balances due from banks	-	-	-	-	33 903 755	33 903 755
Property and equipment	-	-	-	-	18 679 134	18 679 134
Investment property	-	-	-	-	5 420 000	5 420 000
Other assets	-	-	-	-	1 691 308	1 691 308
	110 084 604	67 347 542	13 482 188	-	134 191 875	325 106 209
Liabilities						
Deposits from customers	253 044 809	158 093	-	-	-	253 202 902
Deposits from banks	-	-	-	-	728 934	728 934
Deferred tax liabilities	-	-	-	-	3 164 051	3 164 051
Current tax liabilities	-	-	-	-	204 045	204 045
Other liabilities	-	-	-	-	8 882 657	8 882 657
Provisions	-	-	-	-	4 926 315	4 926 315
Shareholders' funds	-	-	-	-	53 997 305	53 997 305
	253 044 809	158 093	-	-	71 903 307	325 106 209
Interest rate repricing gap	(142 960 205)	67 189 449	13 482 188	-	62 288 568	
Cumulative gap	(142 960 205)	(75 770 756)	(62 288 568)	(62 288 568)	-	

26.2 Total position at 31 December 2010

	Up to 1 month USD	1 month to 3 months USD	3 months to 1 year USD	Over 1 year USD	Non-interest bearing USD	Total USD
Assets						
Cash and cash equivalents	62 555 744	-	-	-	42 968 914	105 524 658
Loans and advances to customers	60 396 542	46 371 722	1 883 954	-	-	108 651 858
Balances due from banks	-	-	-	-	33 805 098	33 805 098
Property and equipment	-	-	-	-	18 802 116	18 802 116
Investment property	-	-	-	-	7 570 000	7 570 000
Other assets	-	-	-	-	7 396 462	7 396 462
	122 952 286	46 371 722	1 883 594	-	110 542 590	281 750 192
Liabilities						
Deposits from customers	217 953 691	4 001 347	-	-	-	221 955 038
Deposits from banks	-	-	-	-	1 294 714	1 294 714
Deferred tax liabilities	-	-	-	-	3 741 705	3 741 705
Current tax liabilities	-	-	-	-	587 157	587 157
Other liabilities	-	-	-	-	17 725 895	17 725 895
Provisions	-	-	-	-	4 454 605	4 454 605
Shareholders' funds	-	-	-	-	31 991 078	31 991 078
	217 953 691	4 001 347	-	-	59 795 154	281 750 192
Interest rate repricing gap	95 001 405)	42 370 375	1 883 594	-	50 747 436	
Cumulative gap	(95 001 405)	(52 631 030)	(50 747 436)	(50 747 436)	-	

26.3 Effective yields on major financial assets and cost of liabilities as at 31 December 2011

	2011 USD	Yield/cost	2010 USD	Yield/cost
Loans and advances to customers	116 932 025	12.42%	108 651 858	5.67%
Deposits	253 202 902	0.01%	221 955 038	0.02%

27. FOREIGN CURRENCY POSITION

	US dollars USD	Sterling USD	Other USD	Total USD
At 31 December 2011				
ASSETS				
Monetary assets	293 806 636	1 950 478	5 249 961	301 087 975
Non-monetary assets	24 099 134	-	-	24 099 134
Total assets	317 905 770	1 950 478	5 249 961	325 106 209
LIABILITIES AND EQUITY				
Monetary items	253 616 490	1 950 478	12 448 964	268 015 932
Non-monetary items	57 090 277	-	-	57 090 277
Total liabilities and equity	310 706 767	1 950 478	12 448 964	325 106 209
Net exposure	7 199 003	-	(7 199 003)	-
At 31 December 2010				
ASSETS				
Monetary assets	234 021 668	1 759 057	19 597 351	255 378 076
Non-monetary assets	26 372 116	-	-	26 372 116
Total assets	260 393 784	1 759 057	19 597 351	281 750 192
LIABILITIES AND EQUITY				
Monetary items	232 916 000	1 759 057	11 342 352	246 017 409
Non-monetary items	35 732 783	-	-	35 732 783
Total liabilities and equity	258 436 841	1 759 057	11 342 352	281 750 192
Net exposure	(8 254 999)	-	8 254 999	-

The above amounts are stated in United States dollar equivalents.

The rates of exchange to the United States Dollar used are as follows:

Currency	2011 Mid Rate Against USD	2010 Mid Rate Against USD
GBP	1.5513	1.5522
EUR	1.2953	1.3365
BWP	0.1335	0.1549
ZAR	0.1234	0.1511
CAD	0.9797	1.0019
AUD	1.0171	1.0173

27.1 Sensitivity of equity to the exchange rate

As at the end of 2011, the Bank's net foreign currency position reflected a net positive asset position resulting in the expected impact on the profit and loss and capital as reported below, assuming a 5% change in exchange rate.

Currency	Assets	Liabilities	Net exposure	Effects of a 5% Increase in exchange rate	Effects of a 5% decrease in exchange rate
GBP	1 950 478	1 950 478	-	-	-
EUR	2 345 085	2 345 085	-	-	-
ZAR	11 032 127	11 032 127	-	-	-
BWP	599 680	599 680	-	-	-
Other	8 726 932	1 527 929	7 199 003	359 950	(359 950)

28. CONTINGENT LIABILITIES

		2011 USD	2010 USD
Acceptances and endorsements	-	-	
Guarantees and irrevocable letters of credit		27 078 514	22 039 091
		33 067 014	22 039 091

29. PENSION COSTS

	2011 USD	2010 USD
Current service costs	2 141 295	1 255 041
Past service costs	2 000 000	2 000 000
	4 141 295	3 255 041

The following financial assumptions were taken into account for the pension fund valuation: Allowance for discretionary increases to pension payment in line with price inflation.
General increases in pensionable salary will be at the rate of 8% per annum above inflation.
The return on investments will average 9% per annum above inflation.

	2011 USD	2010 USD
Present value of future benefits in respect of service		
Total defined contribution past service liabilities	11 930 000	10 300 000
Total defined benefit past service liabilities	6 370 000	5 500 000
Total past service liabilities	18 300 000	15 800 000
Assets	18 641 021	15 631 624
Past service surplus/(shortfall)	341 021	(168 376)
Unrecognised actuarial (gains)/losses	(341 021)	2 000 000
Recognised asset for defined benefit obligations	-	1 831 624
Plan assets consist of the following:		
Equity	9 806 139	7 970 953
Property	2 165 000	2 165 000
Money market	6 669 882	5 495 671
	18 641 021	15 631 624
Movement in present value of defined benefit obligations		
Defined benefit obligations	14 770 261	13 498 186
Actuarial losses	869 739	2 000 000
Benefits paid by the plan	(440 000)	(111 360)
Current service costs	3 100 000	413 174
Defined benefit obligation at valuation	18 300 000	15 800 000
Movement in plan assets		
Value of plan assets	15 921 021	9 998 573
Contributions into the plan	3 240 000	5 744 411
Benefits paid by the plan	(520 000)	(111 360)
	18 641 021	15 631 624

The following financial assumptions were taken into account for the pension fund valuation;
- Allowance for discretionary increases to pensions in payment in line with price inflation.

- General increases in pensionable salary will be at the rate of 4% per annum above price inflation
- The return on investments will average 5% per annum above inflation.

30. NATIONAL SOCIAL SECURITY AUTHORITY SCHEME

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

31. RELATED PARTIES

Key management comprises of the Chief Executive Officer and Heads of Divisions.

	2011 USD	2010 USD
Loans extended to key management	74 046	31 130
Remuneration paid to key management	701 195	623 433
	775 241	654 563
Balances with group companies		
Owing to group companies	728 934	411 133
Owing by group companies	68 670 468	62 555 744

Transactions with the group companies are done at arm's length.
Interest rates are at the same rates offered to all other customers.

Other related party transactions
The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows;

	2011 USD	2010 USD
Loan extended to J P Maposa (Non-Executive Director)	-	865

From time to time directors of the Bank, or their related entities, may access banking services and facilities offered by the Bank. The services are on the same terms and conditions as those entered into between the Bank and its customers (IAS 24.17).

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

32. USE OF ESTIMATES AND JUDGEMENTS

Management discusses with the Bank's Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates and the application of these policies and estimates. These disclosures supplement the commentary on risk management (note 32).

The Bank follows accounting policy of designating any asset at inception into different asset categories in line with the Banks' laid down process. The Bank then relies on markets, valuation experts and valuation methodologies to determine the fair values of its financial instruments in line with IAS 39 (Financial Instruments- Presentation and Disclosure) requirements

Property revaluation
This is provided by an independent valuer in line with market practice. The Bank revalues its property at least every three years.

33. RISK MANAGEMENT FRAMEWORK

The Bank has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Foreign exchange risk
- Price risk
- Interest rate risk
- Operational risk
- Capital risk

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

33.1 Risk management framework

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

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

33.2 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to the financial instrument fails to meet its contractual obligations, and arises from the Bank's loans and advances to customers, other banks and investment securities. The Bank actively manages its credit risk at the individual transaction, counterparty and other portfolio levels, using a variety of qualitative and quantitative measures. The Bank endeavors to minimise risk as far as possible by only granting a loan where the possibility of default is acceptable. The carrying amount of financial assets recorded in the financial statements represents the Bank's maximum exposure to credit risk less the value of collateral.

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

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

Loans to customers		
Against collectively impaired	**2011 USD**	**2010 USD**
Asset based	92 371 600	9 593 487
Property	140 274 700	5 916 210
Commodity	161 875 00	4 553 493
Total collateral	394 521 300	20 063 190
Against individually impaired		
Asset based	1 301 000	-

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

33.3 Liquidity risk
Liquidity risk is the risk that the Bank will encounter difficulties in meeting the obligations of its financial liabilities. Liquidity risk arises from the fact that assets and liabilities have differing maturities. Liquidity issues are addressed through the Asset and Liability Committee of the Bank (ALCO) comprising the Chief Executive Officer and respective heads of corporate and institutional banking, consumer banking, treasury and finance and administration. At its meetings, ALCO deals with strategic and policy issues on liquidity, and sets the positions and mismatch levels within which the activities of the next period are conducted. It is the responsibility of ALCO to ensure that the Bank has sufficient liquidity at any given time.

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

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

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

33.6 Operational risk
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities. The Bank follows a philosophy of pro-actively managing operational risk optimising the risk-reward relationship and maintaining business continuity while preserving the life of and protecting all assets. Operational risk measurement is both quantitative and

qualitative and principle of self assessment is applied. Use is made of Management Information System reports and segregation of duties is built into the systems to ensure compliance with the operational procedures and to manage operational risks. Disaster recovery plans and contingency arrangements particularly for the Information Technology Department are in place

33.7 Reputational risk

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

33.8 Legal and compliance risk

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

33.9 Strategic Risk

The Board approves the Bank's strategy as formulated by top management, while the Chief Executive Officer has the overall responsibility of strategy implementation. The Board conducts a quarterly review of the strategy's performance and its continued applicability.

33.10 Capital Risk

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

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

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

34. ONSITE EXAMINATION AND EXTERNAL CREDIT RATINGS

The latest onsite examination of the Bank was as at March 2006 using information as at 31 December 2005 and the Bank was given a "1", that is, strong rating.

CAMELS RATING

Component ratings	Latest rating 31/12/05
Capital adequacy	1
Asset Quality	1
Management	2
Earnings	1
Liquidity	1
Sensitivity to Market Risk	1
Composite rating	1

Key
1 Strong
2 Satisfactory
3 Fair
4 Weak
5 Critical
The Bank's overall composite risk was considered low and the direction stable.

Summary Risk Matrix

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

Interpretation of the risk matrix

Level of inherent risk
Low - reflects a lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with a low inherent risk would have little negative impact on the banking institution's overall financial condition.
Moderate - could reasonably be expected to result in a loss that could be absorbed by a banking institution in the normal course of business.
High- reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the banking institution.

Adequacy of risk management
Weak- risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the

banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies and procedures.
Acceptable-: Management of risk is largely effective but lacking to some modest degree. While the bank might be having some minor risk management weaknesses, these have been recognised and are being addressed. Management information systems are generally adequate.
Strong-: means that there is evidence of effective management controls on all risks inherent across functional areas. The board and senior management are active participants in managing risk, setting appropriate policy frameworks, defining a bank's risk tolerance levels and ensuring that responsibilities and accountabilities are effectively communicated.

Overall Composite Risk
Low- would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.
A moderate- risk management system appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.
High- risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the Bank's overall condition.

Direction of Overall Composite risk
Increasing- based on the current information, risk is expected to increase in the next 12 months.
Decreasing- based on the current information, risk is expected to decrease in the next 12 months.
Stable- based on the current information, risk is expected to be stable in the next 12 months.

35. External Credit Rating

Rating agent	Latest 2011	Previous 2010	Previous 2009
Global Credit Rating	AA-	AA-	AA-

The latest rating is due to expire end of April 2012, by which time the current reviews will have been completed.

36. Subsequents Events

The Reserve Bank of Zimbabwe (RBZ) notified the banks in its end of January Monetary Policy Statement the Government of Zimbabwe will issue tradable discountable instruments in respect of statutory reserves owed to banks by the RBZ. Subsequently, the RBZ issued government bonds on account of all statutory reserve balances owed to banks.