

STEWARD BANK LIMITED

UNAUDITED ABRIDGED FINANCIAL STATEMENTS

for the six months ended 31 August 2013

STEWARD BANK
Your Money Our Commitment

CHAIRMAN'S STATEMENT

Dear Stakeholders,

I am pleased to present the Bank's results for the half-year ended 31 August 2013. This disclosure is being made during significant transformative processes in the Bank. To this end, I must applaud our valued Customers and Regulators who have shown confidence in our institution during this period.

OPERATING ENVIRONMENT

The projected growth in the economy has been revised downwards from 4.4% to 3.4% largely on the back of a biting liquidity crunch, low productive capacity and continued reliance on imports. The lack of significant inflows into the economy reflected in total banking deposits declining from \$4.2 billion in December 2012 to \$3.8 billion as at 30 June 2013.

There was a deficit in maize production due to severe drought conditions in parts of the country and the absence of appropriate funding channeled towards agriculture. Total loans and advances stood at \$3.67 billion as at 30 June 2013 in comparison to \$3.5 billion in December 2012.

FINANCIAL PERFORMANCE

The Bank experienced an operating loss of \$24.5 million over the period on the back of non-recurring operating expenditure incurred during the ongoing business model re-alignment. This included costs associated with the impairment of non-performing loans and advances, closure of marginal bank branches, the ongoing re-branding exercise, scrapping of redundant software infrastructure and the building up of human resource capacity required to propel the Bank into a market leader.

Net interest income declined in comparison to the previous financial period in light of reduced lending and a reduction of interest rates on outstanding loans. Non-interest income retreated due to reduced account activity and a prudential re-classification of active accounts. The Bank is satisfied that the reported performance is a reflection of the commitment to prudential disclosures and will witness a rebound when the new initiatives are brought to the market in the last quarter of 2013.

REBRANDING

Pursuant to the complete acquisition of TN Bank Limited by Econet Wireless Zimbabwe Limited in January 2013 and upon securing the relevant regulatory approvals, the Bank was renamed "Steward Bank Limited" with effect from 3 July 2013. All the existing branches now wear the new livery. The Bank has acquired new sites for its re-branded branches and these will come on stream gradually until the end of 2014.

MANAGEMENT

The Bank has completed its executive recruitment exercise, which has resulted in all the critical positions in the new structure being filled. The new team has a diverse wealth of experience in both international and local markets.

FOCUS ON PEOPLE & INDUSTRIAL RELATIONS

We recognize that people lie at the heart of our business. We deliberately embarked on a talent recruitment and retention exercise to ensure that our organization is manned by appropriately skilled people across the business. In addition, several training and development programmes were instituted to foster a culture of high performing teams. The fruitful and consistent engagement with our Employees has strengthened and deepened industrial relations. I am confident that our Customers are already beginning to experience improved service from our Staff. We are certain that as we develop other aspects of our business, our People will set us apart in the market place.

COMPLIANCE

As at 31 August 2013, the Bank's liquidity ratio was 21% against a stipulated minimum of 30%. However, this did not impede the Bank in meeting its obligations to customers. The Bank is actively working towards compliance with this requirement.

CAPITALIZATION

The Bank was compliant with the Reserve Bank of Zimbabwe's minimum core capital requirement of at least \$50 million with effect from 30 June 2013.

OUTLOOK

We are committed to building a "top five bank" within the next three years. To achieve this we will continue cleaning our balance sheet so that we give the Bank the strongest platform possible. We are unrelenting in our quest to serve the previously neglected members of our community through innovative products. We are firmly aware of the Bank's strategic fit within the Econet Group and the Bank will accelerate the harnessing of the synergy spectrum, particularly with EcoCash. The Bank will be introducing a wide array of new products and channels in the last quarter of 2013, which will reflect the hard work that is taking place behind the scenes. The first of these products EcoCash Save was launched on the 9th of October and the response has been overwhelming. We are confident that the combination of visionary strategic initiatives currently underway, the new and improved product menu that is being developed, coupled with the prudential approach to financial disclosure will translate into a healthy and dependable bank for Zimbabwe.

APPRECIATION

We are indebted to our cherished Customers, Regulators and all the internal stakeholders.

DIVIDEND

Due to the reported loss, no interim dividend is proposed.

OLUWATOMISIN FASHINA CHAIRMAN

11 October 2013

CHIEF EXECUTIVE OFFICER'S REPORT

INTRODUCTION

The first half of 2013 has been a frenetic period characterized by several exciting initiatives to re-define the Bank's business model and institute the attendant systems and structures to support our new direction. The results we present today are partially reflective of that journey.

CUSTOMER PILLAR

The last six months have witnessed a significant amount of initiatives to enhance our value proposition to Customers. Besides the re-branding exercise currently underway, the Bank devoted time and energy in the development of a new channel and product menu. This will greatly enhance the choice, convenience and comfort of our Customers.

GOVERNANCE & PROCESSES PILLAR

When the new Board and Management commenced duty in February 2013, we attached a priority tag on compliance. As a result, we invested heavily in improving systems, policies and all aspects of the governance template. We adopted a conservative prudential provisioning policy in recognition of the difficult operating environment and a desire to avoid self-deception. We are confident that this approach has assisted the Bank to adopt appropriate interventions and improve its balance sheet.

INNOVATION

Immediately after the complete acquisition of the Bank by Econet Wireless Zimbabwe, we recognized the importance of technology as a useful tool in providing banking solutions to the entire population. We have made significant investments in robust ICT platforms and specialist human capital as part of delivering on the mass market mandate. We have started rolling out exciting products such as the EcoCash Save account. Our mobile and internet banking platforms have been completed and will be launched shortly.

FINANCIAL

The Bank's financial performance is reflective of cleaning activities as well as investment in exceptional talent. I am confident that the initiatives highlighted earlier will begin to translate in improved performance going forward.

OUTLOOK

We are cognizant that the operating environment is negatively affected by several structural challenges, particularly illiquidity. Nevertheless, we are satisfied with the internal re-organization we have embarked on and are confident that the Bank will grow from strength to strength.

APPRECIATION

I am grateful for the goodwill of Staff, Management, Board Members and the Shareholder who have been a source of support and inspiration. It would be remiss not to recognize the encouragement and well-wishes from our beloved Customers, fellow industry players and the Regulators.

KWANELE BATSheLE NGWENYA CHIEF EXECUTIVE OFFICER

11 October 2013

CORPORATE GOVERNANCE STATEMENT

The Board exercises its oversight functions through the Assets & Liabilities (ALCO), Credit, Remuneration & Nominations, Audit, Risk & Compliance and ICT Committees which all met twice in the reported period. This was in addition to the Main Board which met twice in the period under review.

Compliance

At 31 August 2013 the Bank was not in compliance with the regulation to maintain a minimum Prudential Liquidity Ratio of 30%.

STATEMENT OF FINANCIAL POSITION As at 31 August 2013

Note	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
ASSETS		
Cash and cash equivalents	10 15,099,839	25,538,011
Financial assets at fair value through profit or loss	11 15,713,188	22,562,274
Loans and advances to customers	12 75,500,804	118,887,501
Financial assets held-to-maturity	13 4,398,237	1,359,109
Other receivables	14 1,217,549	1,701,136
Investment property	15 525,517	525,517
Property and equipment	16 8,779,731	8,113,139
Intangible assets	17 2,117,803	2,758,965
Deferred tax asset	24 5,498,239	3,050,311
Total assets	128,850,907	184,495,963
EQUITY AND LIABILITIES		
EQUITY		
Share capital	18 4,077	4,075
Share premium	18 86,317,629	83,311,858
Other reserves	19 1,963,617	1,363,075
Accumulated loss	(32,170,947)	(9,539,051)
Total equity	56,114,376	75,139,957
LIABILITIES		
Deposits due to banks and customers	20 68,351,432	103,179,792
Derivative financial instruments	-	34,942
Loans and borrowings	21 2,608,354	4,328,149
Provisions	22 592,496	583,005
Other liabilities	23 1,184,249	1,230,118
Total liabilities	72,736,531	109,356,006
Total equity and liabilities	128,850,907	184,495,963

STATEMENT OF COMPREHENSIVE INCOME For the six months ended 31 August 2013

Note	Unaudited 31 August 2013 US\$	Unaudited 31 August 2012 US\$
Interest income	3 3,441,428	8,639,472
Interest expense	4 (1,402,116)	(3,243,087)
Net interest income	2,039,312	5,396,385
Non-interest (expense)/income	5 (3,944,316)	4,450,032
Impairment losses on loans and advances	6 (9,489,108)	(624,041)
Net operating (loss)/income	(11,394,112)	9,222,376
Operating expenditure	7 (13,085,170)	(6,888,061)
(Loss)/profit before tax	(24,479,282)	2,334,315
Income tax credit/(expense)	8 2,447,928	(601,086)
(Loss)/Profit for the period	(22,031,354)	1,733,229
Total comprehensive (loss)/income for the period	(22,031,354)	1,733,229

STATEMENT OF CHANGES IN EQUITY For the six months ended 31 August 2013

	Share capital US\$	Share premium US\$	Other reserves US\$	(Accumulated loss)/Retained earnings US\$	Total US\$
Balance as at 1 March 2013	4,075	83,311,858	1,363,075	(9,539,051)	75,139,957
Total comprehensive loss	-	-	-	(22,031,354)	(22,031,354)
Loss for the period	-	-	-	(22,031,354)	(22,031,354)
Other comprehensive income	-	-	-	-	-
Issue of ordinary shares	2 3,005,771	-	-	-	3,005,773
Impairment allowance for loans and advances	-	-	600,542	(600,542)	-
Balance as at 31 August 2013	4,077	86,317,629	1,963,617	(32,170,947)	56,114,376
Balance as at 1 March 2012	4,030	13,311,896	301,735	13,947,333	27,564,994
Total comprehensive income	-	-	-	1,733,227	1,733,227
Profit for the period	-	-	-	1,733,227	1,733,227
Other comprehensive income	-	-	-	-	-
Issue of ordinary shares	14 19,999,993	-	-	-	20,000,007
Balance as at 31 August 2012	4,044	33,311,889	301,735	15,680,560	49,298,228

STATEMENT OF CASH FLOWS For the six months ended 31 August 2013

Note	Unaudited 31 August 2013 US\$	Unaudited 31 August 2012 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(24,479,282)	2,334,313
Adjustments for:		
Change in operating assets	34,592,228	(39,441,700)
Change in operating liabilities	(34,899,680)	10,383,151
Other non-cash items	9 18,412,089	1,650,179
Net cash used in operations	(6,374,645)	(25,074,057)
Taxation paid	(244,407)	(523,004)
Net cash used in operating activities	(6,619,052)	(25,597,061)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,884,611)	(1,741,740)
Purchase of intangible assets	(246,618)	(14,239)
Proceeds from sale of property and equipment	31,904	-
Net cash used in investing activities	(2,099,325)	(1,755,979)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	20,000,000
Repayment of borrowings	(1,719,795)	(1,234,573)
Net cash (used in)/generated from financing activities	(1,719,795)	18,765,427
Net decrease in cash and cash equivalents	(10,438,172)	(8,587,613)
Cash and cash equivalents at the beginning of the period	25,538,011	11,074,583
Cash and cash equivalents at the end of the period	15,099,839	2,486,970

NOTES TO THE FINANCIAL STATEMENTS For the six months ended 31 August 2013

1 GENERAL INFORMATION

Steward Bank Limited ("the Bank") was incorporated according to the laws of Zimbabwe on 9 October 1970 and was registered as a commercial bank in March 2008. Its registered office and principal place of business is 101 Union Avenue Building, 101 Kwame Nkrumah Avenue, Harare. The Bank's ultimate holding company is Econet Wireless Zimbabwe Limited, which acquired a 100% stake in the Bank on 31 January 2013. The Bank, which was formerly TN Bank Limited, changed its name to Steward Bank Limited on 3 July 2013.

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

Currency of Account

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

2 ACCOUNTING POLICIES

2.1 Basis of Preparation

The Bank's unaudited financial results have been prepared in accordance with International Accounting Standard, ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and in a manner required by the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Banking Act (Chapter 24:20). These financial results should be read in conjunction with the audited annual financial statements for the year ended 28 February 2013.

2.2 Significant Accounting Judgements, Estimates and Assumptions

The accounting policies applied in the preparation of the unaudited financial statements are consistent with those of the audited annual financial statements for the year ended 28 February 2013.

Several new standards and amendments apply for the first time in 2013. However, they do not impact the interim financial statements of the Bank.

2.3 Comparatives

The Bank changed its year end from 31 December to 28 February in order to align its year end with that of the parent company (Econet Wireless Zimbabwe Limited). As a result, the comparative information for the statement of comprehensive income, statement of changes in equity and statement of cash flows has been changed from 30 June 2012 to 31 August 2012.

	Unaudited 31 August 2013 US\$	Unaudited 31 August 2012 US\$
3 INTEREST INCOME		
Loans and advances to customers	3,078,653	7,005,113
Other	362,775	1,634,359
	3,441,428	8,639,472
4 INTEREST EXPENSE		
Trading activities	1,402,116	3,243,087
5 NON-INTEREST INCOME		
5.1 Fees and commission income		
Dealing fee (expense)/income	(130,566)	74,563
Net commissions	2,852,836	4,316,961
	2,722,270	4,391,524
5.2 Other		
Fair value adjustment on financial instruments	(6,849,086)	-
Foreign exchange gains	41,438	-
Dividend income	-	58,508
Sundry income	141,062	-
	(6,666,586)	58,508
6 IMPAIRMENT LOSSES ON LOANS AND ADVANCES		
Allowance for credit losses charge	9,489,108	624,041
7 OPERATING EXPENDITURE		
Administration expenses	4,429,615	2,268,716
Amortisation of intangible assets	413,837	297,415
Audit fees	152,215	84,779
Depreciation of property and equipment	692,975	798,714
Impairment of intangible assets	473,944	-
Loss on disposal of property and equipment	493,139	-
Directors' remuneration	87,949	87,698
- fees for services as directors	38,817	80,035
- other emoluments	-	7,663
Occupancy expenses	767,027	409,124
Professional expenses	560,634	617,082
Staff costs	5,062,968	2,324,533
- short-term benefits	4,976,527	2,248,115
- post-employment benefits	86,441	76,418
	13,085,170	6,888,061
8 INCOME TAX		
The components of income tax expense are as follows:		
Current tax	-	(601,086)
Deferred tax	2,447,928	-
Total income tax (credit)/expense	2,447,928	(601,086)
Reconciliation of income tax expense:		
Accounting (loss)/profit before taxation	(24,479,282)	2,334,315
Taxation at normal rate of 25.75%	(6,303,415)	601,086
Effect of non-deductible expenses	3,855,487	-
	(2,447,928)	601,086

The effective income tax rate for the period is nil (31 August 2012: 25.8%)

NOTES TO THE FINANCIAL STATEMENTS (continued) For the six months ended 31 August 2013

	Unaudited 31 August 2013 US\$	Unaudited 31 August 2012 US\$
9. ADDITIONAL CASHFLOW INFORMATION		
Other non-cash items		
Depreciation of property and equipment	692,976	798,714
Amortisation of intangible assets	413,836	297,415
Impairment losses on loans and advances	9,489,108	724,041
Fair value adjustment of quoted investments	6,849,086	(169,991)
Loss on disposal of property and equipment	493,139	-
Impairment loss on Intangibles	473,944	-
	18,412,089	1,650,179

	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
10 CASH AND CASH EQUIVALENTS		
10.1 Cash and balances with central banks		
Balances with the Reserve Bank of Zimbabwe	7,202,257	20,638,873
10.2 Cash and balances with other banks		
Balances with other banks	375,386	322,061
Cash balances	7,522,196	4,577,077
	15,099,839	25,538,011

	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Listed equities:		
Opening balance	22,562,274	1,017,820
Additions	-	18,585,633
Reclassified to other receivables	-	(807,916)
Net fair value (loss)/gain	(6,849,086)	3,766,737
Closing balance	15,713,188	22,562,274

	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
12 LOANS AND ADVANCES TO CUSTOMERS		
12.1 Total loans and advances		
Corporate lending	45,346,471	69,863,575
Small-to-medium Enterprise lending	-	576,222
Consumer lending	43,786,964	51,524,846
Other	-	2,080,020
	89,133,435	124,044,663
Less: Allowance for impairment losses	(13,632,631)	(5,157,162)
	75,500,804	118,887,501
12.2 Maturity analysis		
Less than one month	19,965,822	41,676,094
1 to 3 months	2,033,167	1,800,000
3 to 6 months	833,198	24,604,980
6 months to 1 year	10,268,360	21,375,020
1 to 5 years	55,501,672	34,588,569
Over 5 years	531,216	-
	89,133,435	124,044,663
Allowance for impairment losses	(13,632,631)	(5,157,162)
	75,500,804	118,887,501

	Unaudited 31 August 2013 US\$	%	Audited 28 February 2013 US\$	%
12.3 Sectorial analysis of utilisations				
Mining	2,819,760	3.2%	4,514,349	3.6%
Manufacturing	27,487,452	30.8%	44,616,254	36.0%
Agriculture	3,255,011	3.7%	3,131,329	2.5%
Distribution	1,002,706	1.1%	4,204,801	3.4%
Services and communication	3,322,266	3.7%	35,613,530	28.7%
Individuals	51,246,240	57.5%	31,964,400	25.8%
	89,133,435	100%	124,044,663	100%

	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
12.4 Allowance for impairment losses on loans and advances		
Opening balance	5,157,162	1,078,607
Charge for the period	9,489,108	4,078,555
Write offs	(1,013,639)	-
Closing balance	13,632,631	5,157,162

	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
13 FINANCIAL ASSETS HELD TO MATURITY		
Opening balance	1,359,109	1,359,109
Additions	3,005,773	-
Accrued Interest	33,355	-
Closing balance	4,398,237	1,359,109

	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
14 OTHER RECEIVABLES		
Prepayments	407,708	444,502
Amounts due from related parties	200,000	200,000
Other receivables	609,841	1,056,634
	1,217,549	1,701,136

	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
15 INVESTMENT PROPERTY		
Opening balance	525,517	1,181,010
Additions	-	-
Fair value adjustments	-	33,517
Impairment loss	-	(689,010)
Closing balance	525,517	525,517

Investment property comprises of undeveloped residential land. No rental income was generated from the property and no direct operating expenses were incurred on the property during the period under review.

	Land and buildings US\$	Furniture and fittings US\$	Office equipment US\$	Computer equipment US\$	Motor vehicles US\$	Work in progress US\$	Total US\$
16 PROPERTY AND EQUIPMENT							
At Cost or Valuation							
31 December 2011	8,612,762	5,216,744	1,183,552	1,293,029	1,883,228	-	18,189,315
Additions	-	1,297,827	173,494	709,352	125,450	-	2,306,123
Revaluation	(3,241,893)	-	-	-	(496,854)	-	(3,738,747)
Disposals	(3,780,869)	(1,788,342)	-	(650)	(1,022,562)	-	(6,592,423)
28 February 2013	1,590,000	4,726,229	1,357,046	2,001,731	489,262	-	10,164,268
Additions	-	40,947	49,977	56,892	55,200	1,681,595	1,884,611
Disposals	-	(623,386)	(5,505)	(15,044)	-	-	(643,935)
31 August 2013	1,590,000	4,143,790	1,401,518	2,043,579	544,462	1,681,595	11,404,944

	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
Accumulated depreciation and impairment		
31 December 2011	105,621	356,879
Depreciation charge	213,247	540,823
Revaluation	(140,325)	-
Disposals	(171,917)	(109,297)
28 February 2013	6,626	788,405
Depreciation charge	19,875	228,281
Disposals	-	(113,302)
31 August 2013	26,501	903,384
Net carrying amount:		
At 31 August 2013	1,563,499	3,240,406
At 28 February 2013	1,583,374	3,937,824

	Computer software US\$	Total US\$
17 INTANGIBLE ASSETS		
At cost		
31 December 2011	2,373,877	2,373,877
Additions	2,120,105	2,120,105
28 February 2013	4,493,982	4,493,982
Additions	246,618	246,618
31 August 2013	4,740,600	4,740,600
Accumulated amortisation and impairment		
31 December 2011	996,125	996,125
Amortisation charge	738,892	738,892
28 February 2013	1,735,017	1,735,017
Amortisation charge	413,836	413,836
Accumulated Amortisation and Impairment	473,944	473,944
31 August 2013	2,622,797	2,622,797
Net carrying amount:		
At 31 August 2013	2,117,803	2,117,803
At 28 February 2013	2,758,965	2,758,965

	No. of ordinary shares	No. of preference shares	Share capital US\$	Share premium US\$	Total US\$
18 SHARE CAPITAL AND SHARE PREMIUM					
1 January 2011	30,301,253,348	1,000	4,030	13,311,896	13,315,926
Issue of shares	-	-	-	-	-
31 December 2011	30,301,253,348	1,000	4,030	13,311,896	13,315,926
Share conversion	(30,301,253,348)	3,030	-	-	-
Issue of ordinary shares	138,547,778	-	14	19,999,993	20,000,007
Funds received awaiting allotment of shares	314,267,756	-	31	49,999,969	50,000,000
28 February 2013	452,815,534	4,030	4,075	83,311,858	83,315,933
Issue of shares	18,892,353	-	2	3,005,771	3,005,773
31 August 2013	471,707,887	4,030	4,077	86,317,629	86,321,706

	Revaluation surplus US\$	Regulatory reserve US\$	Total US\$
19 OTHER RESERVES			
28 February 2013	21,936	1,341,139	1,363,075
Impairment allowance for loans and advances	-	600,542	600,542
31 August 2013	21,936	1,941,681	1,963,617

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

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

	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
20 DEPOSITS DUE TO BANKS AND CUSTOMERS		
20.1 Due to banks		
Deposits from other banks	-	3,746,651
20.2 Due to customers		
Current accounts	51,906,917	76,639,903
Term deposits	16,444,515	22,793,238
	68,351,432	99,433,142
	68,351,432	103,179,792

	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
20.3 Maturity analysis of deposits		
Less than one month	61,143,300	100,379,328
1 to 3 months	7,208,132	2,800,464
	68,351,432	103,179,792

	Unaudited 31 August 2013 US\$	%	Audited 28 February 2013 US\$	%
20.4 Sectorial analysis of deposits				
Financial	4,520,907	7%	3,483,942	3.4%
Transport and telecommunications	53,386,913	78%	72,132,901	69.9%
Mining	156,275	0.23%	18,800	0.02%
Manufacturing	162,388	0.24%	29,832	0.03%
Agriculture	93,332	0.14%	137,439	0.1%
Distribution	197,360	0.29%	2,883	0.003%
Services	-	-	8,014,417	7.8%
Individuals	9,499,626	14%	11,720,477	11.4%
Other	334,631	1%	7,639,101	7.4%
	68,351,432	100%	103,179,792	100%

	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
21 LOANS AND BORROWINGS		
Offshore borrowings	340,000	1,140,000
Other borrowings	2,268,354	3,188,149
	2,608,354	4,328,149
Maturity profile of loans and borrowings		
Less than one month	166,004	144,549
1 to 6 months	889,960	1,914,940
6 months to 1 year	1,552,390	1,055,964
1 to 5 years	-	1,212,696
Over 5 years	-	-
	2,608,354	4,328,149

	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
22 PROVISIONS		
The Provisions balance is made up of the following:		
Opening balance	583,005	212,427
Current provision	24,896	456,391
Amount utilised	(15,405)	(85,813)
Closing balance	592,496	583,005

	Unaudited 31 August 2013 US\$	Audited 28 February 2013 US\$
23 OTHER LIABILITIES		
Sundry creditors and accruals	1,184,249	1,230,118
	1,184,249	1,230,118

	Accelerated wear and tear US\$	Fair value adjustments US\$	Other US\$	Total US\$
24 DEFERRED TAX ASSET				
At 28 February 2013	417,755	(281,193)	2,913,749	3,050,311
Credit to profit for the period	2,447,928	-	-	2,447,928
At 31 August 2013	2,865,683	(281,193)	2,913,749	5,498,239

25 FINANCIAL INSTRUMENTS
Set out below is a comparison by class of the carrying amounts and fair value of the Bank's financial instruments that are carried in the financial statements:

	Unaudited 31 August 2013 Carrying amount US\$	Fair value US\$	Audited 28 February 2013 Carrying amount US\$	Fair value US\$
FAIR VALUES OF FINANCIAL INSTRUMENTS				
Financial assets				
Cash and cash equivalents	15,099,839	15,099,839	25,538,011	25,538,011
Financial assets at fair value through profit or loss	15,713,188	15,713,188	22,562,274	22,562,274
Loans and advances to customers	75,500,804	75,500,804	118,887,501	118,887,501
Financial assets held-to-maturity	4,398,237	4,398,237	1,359,109	1,359,109
Other receivables	1,217,549	1,217,549	1,701,136	1,701,136
	111,929,617	111,929,617	170,048,031	170,048,031

STEWARD BANK LIMITED

UNAUDITED ABRIDGED FINANCIAL STATEMENTS

for the six months ended 31 August 2013

STEWARD BANK
Your Money | Our Commitment

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the six months ended 31 August 2013

25 FINANCIAL INSTRUMENTS (Continued)

	Unaudited 31 August 2013		Audited 28 February 2013	
	Carrying amount US\$	Fair value US\$	Carrying amount US\$	Fair value US\$
Deposits due to banks and customers	68,351,432	68,351,432	103,179,792	103,179,792
Derivative financial instruments	-	-	34,942	34,942
Loans and borrowings	2,608,354	2,608,354	4,328,149	4,328,149
	70,959,786	70,959,786	107,542,883	107,542,883

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

- Cash and cash equivalents, loans and advances, deposits and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term, fixed-rate and variable-rate receivables / borrowings are evaluated by the Bank based on parameters such as characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 August 2013, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values
- Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities and obligations under finance leases are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value hierarchy

As at 31 August 2013, the Bank held the following financial instruments measured at fair value:

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique;

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

	31 August 2013			
	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$
Financial assets				
Financial assets at fair value through profit or loss	15,713,188	15,713,188	-	-
	22,562,274	22,562,274	-	-
Financial liabilities				
Derivative financial instruments	34,942	-	34,942	-

26 CORPORATE GOVERNANCE

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

26.1 Main Board

Name of director	Number of meetings held	Meetings required to attend	Meetings attended
*O Fashina	2	2	2
C Maswi	2	2	2
J Mungoshi	2	2	2
T Mpofu	2	2	2
J Gould	2	2	2
K Akosah-Bempah	2	2	2
N Chadehumbe	2	2	2
PM Mbizvo	2	2	2
KB Ngwenya	2	2	2
K Chirairo	2	2	2
* Chairman			

26.2 Loans Review Committee

Name of director	Number of meetings held	Meetings required to attend	Meetings attended
*N Chadehumbe	2	2	2
T Mpofu	2	2	2
PM Mbizvo	2	2	2
* Chairman			

26.3 Audit and Risk Committee

Name of director	Number of meetings held	Meetings required to attend	Meetings attended
*T Mpofu	2	2	2
C Maswi	2	2	2
K Akosah-Bempah	2	2	2
N Chadehumbe	2	2	2
* Chairman			

26.4 Credit Committee

Name of director	Number of meetings held	Meetings required to attend	Meetings attended
*J Gould	2	2	2
K Akosah-Bempah	2	2	2
J Mungoshi	2	2	2
C Maswi	2	2	2
* Chairman			

26.5 Assets and Liabilities Committee

Name of director	Number of meetings held	Meetings required to attend	Meetings attended
*C Maswi	2	2	2
T Mpofu	2	2	2
K Akosah-Bempah	2	2	2
PM Mbizvo	2	2	2
* Chairman			

26.6 ICT Committee

Name of director	Number of meetings held	Meetings required to attend	Meetings attended
*J Mungoshi	2	2	2
O Fashina	2	2	2
J Gould	2	2	1
N Chadehumbe	2	2	2
* Chairman			

26.7 Remuneration Committee

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

27 RISK MANAGEMENT

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

27.1 Credit Risk

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

	← Neither past due nor impaired →					Total US\$
	Grade A High grade US\$	Grade B Standard grade US\$	Grade C Sub- standard US\$	Past due but not impaired US\$	Individually impaired US\$	
At 31 August 2013:						
Individuals	5,165,128	44,025,351	589,080	432,366	672,315	50,884,240
Manufacturing	80,794	25,220,776	40,348	-	5,269,084	30,611,002
Agriculture	892,219	98,395	663,585	188,847	1,411,965	3,255,011
Distribution	16,982	-	6,314	21,773	772,923	817,992
Services	2,363,516	47235	-	34,215	1,120,224	3,565,190
	8,518,639	69,391,757	1,299,327	677,201	9,246,511	89,133,435
At 28 February 2013:						
Individuals	28,466,257	1,118,216	198,920	-	2,181,007	31,964,400
Mining	-	35,148	-	2,306,906	2,172,295	4,514,349
Manufacturing	42,935,744	33,180	-	-	1,647,330	44,616,254
Agriculture	-	-	-	-	3,131,329	3,131,329
Distribution	-	-	-	-	4,204,801	4,204,801
Services	32,546,064	846,083	6,398	54,732	2,160,253	35,613,530
	103,948,065	2,032,627	205,318	2,361,638	15,497,015	124,044,663

27.2 Interest rate risk

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

The table below summarises the Bank's interest rate risk exposure

TOTAL POSITION	3 months to 1 year					Non-interest bearing US\$	Total US\$
	Up to 1 month US\$	1 month to 3 months US\$	3 months to 1 year US\$	1 to 5 years US\$			
At 31 August 2013							
Assets							
Cash and cash equivalents	-	-	-	-	15,099,839	-	15,099,839
Financial assets at fair value through profit or loss	-	-	-	-	15,713,188	-	15,713,188
Loans and advances to customers	19,965,822	2,033,167	833,198	52,668,617	-	-	75,500,804
Financial assets held-to-maturity	-	-	4,398,237	-	-	-	4,398,237
Other receivables	-	-	-	-	1,217,549	-	1,217,549
Investment properties	-	-	-	-	525,517	-	525,517
Property and equipment	-	-	-	-	8,779,731	-	8,779,731
Intangible assets	-	-	-	-	2,758,965	-	2,758,965
Deferred tax asset	-	-	-	-	5,498,239	-	5,498,239
	19,965,822	2,033,167	5,231,434	52,668,617	65,608,462	-	184,495,963
Liabilities and equity							
Deposits due to banks and customers	100,379,328	7,208,132	-	-	-	-	107,587,460
Loans and borrowings	166,004	521,616	1,920,734	-	-	-	2,608,354
Current tax liability	-	-	-	-	-	-	-
Provisions	-	-	-	-	592,496	-	592,496
Other liabilities	-	-	-	-	1,184,249	-	1,184,249
Equity	-	-	-	-	56,114,376	-	56,114,376
	100,523,877	7,729,748	1,920,734	-	57,891,121	-	184,495,963
Interest rate repricing gap	(58,847,783)	(2,594,665)	44,603,297	52,668,617	(11,379,560)	-	-
Cumulative gap	(58,847,783)	(61,442,448)	(16,839,151)	11,379,560	-	-	-
At 28 February 2013							
Assets							
Cash and cash equivalents	-	-	-	-	25,538,011	-	25,538,011
Financial assets at fair value through profit or loss	-	-	-	-	22,562,274	-	22,562,274
Loans and advances to customers	41,676,094	1,800,000	45,980,000	29,431,407	-	-	118,887,501
Financial assets held to maturity	-	-	-	-	1,359,109	-	1,359,109
Other receivables	-	-	-	-	1,701,136	-	1,701,136
Investment properties	-	-	-	-	525,517	-	525,517
Property and equipment	-	-	-	-	8,113,139	-	8,113,139
Intangible assets	-	-	-	-	2,758,966	-	2,758,966
Deferred tax asset	-	-	-	-	3,050,311	-	3,050,311
	41,676,094	1,800,000	45,980,000	29,431,407	65,608,463	-	184,495,964
Liabilities and equity							
Deposits due to banks and customers	100,379,328	2,800,464	-	-	-	-	103,179,792
Loans and borrowings	144,549	1,594,201	1,376,703	1,212,696	-	-	4,328,149
Derivative financial instruments	-	-	-	-	34,942	-	34,942
Provisions	-	-	-	-	583,005	-	583,005
Other liabilities	-	-	-	-	1,230,118	-	1,230,118
Equity	-	-	-	-	75,139,957	-	75,139,957
	100,523,878	4,394,665	1,376,703	1,212,696	76,988,022	-	184,495,964
Interest rate repricing gap	(58,847,784)	(2,594,665)	44,603,297	28,218,711	(11,379,559)	-	-
Cumulative gap	(58,847,784)	(61,442,449)	(16,839,152)	11,379,559	-	-	-

27.3 Liquidity risk

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

27.3.1 Liquidity ratios

	At 31 August 2013 US\$	At 28 February 2013 US\$
Advances to deposits ratio	123%	115%
Net liquid assets to customer liabilities ratio	21%	25%

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

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

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

	On demand US\$	Less than 3 months US\$	3 months to 1 year US\$	1 to 5 years US\$	Over 5 years US\$	Total US\$
At 31 August 2013:						
Financial assets:						
Cash and cash equivalents	15,099,839	-	-	-	-	15,099,839
Financial assets at fair value through profit or loss	15,713,188	-	-	-	-	15,713,188
Loans and advances to customers	19,965,822	2,033,167	833,198	52,668,617	-	75,500,804
Financial assets held to maturity	-	-	4,398,237	-	-	4,398,237
Other receivables	1,217,549	-	-	-	-	1,217,549
	51,996,398	2,033,167	5,231,435	52,668,617	-	111,929,618
Financial liabilities:						
Deposits due to banks and customers	100,379,328	7,208,132	-	-	-	107,587,460
Derivative financial liabilities	-	-	-	-	-	-
Loans and borrowings	166,004	521,616	1,920,734	-	-	2,608,354
	100,523,877	7,729,748	1,920,734	-	-	107,542,883
Net undiscounted financial assets/(liabilities)	(10,747,498)	(5,696,581)	3,310,70			