STANDARD CHARTERED BANK ZIMBABWE LIMITED

Registered Commercial Bank. A member of the Deposit Protection Corporation

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Standard Chartered

Chairman's Statement

Operating Environment

The operating environment continued to be challenging and volatile in 2019 due to austerity measures implemented to address fundamental economic issues and the impact of yet another drought. Preliminary forecasts by economic experts suggest that the economy contracted by as much as 8.3% in 2019 on the back of acute foreign currency, and fuel shortages, erratic power supplies and reduced agriculture production. Rising inflation eroded disposable incomes and weakened demand.

While the authorities are committed to reducing inflation and restoring exchange rate stability 2020 will likely be another difficult year due to continuation of weak fundamentals, the impact of the global COVID-19 outbreak and a yet another drought. The headwinds can only be reduced if Zimbabwe re-engages with key global, international financiers as well as a collective effort by all internal stakeholders to implement broad-based market reforms to address political, social and economic issues.

Standard Chartered Bank Zimbabwe Limited remains committed to meeting the needs of its clients and working with all stakeholders for the development of the Zimbabwe economy.

Financial Performance

In 2019, the Bank completed a fundamental change in business model to become the first fully digital bank in Zimbabwe. This change underpinned financial performance through the reduction of our cost of providing banking services to our customers. On a historical basis, the Bank achieved profit after tax of ZWL108.7 million in the financial year ended 31 December 2019 compared to ZWL18.4 million achieved in the same period last year. However, the Bank incurred an operating loss of ZWL 140.3 million when the results are adjusted for hyper-inflation. This underscores the impact of the economy on bank performance and balance sheet hence the need to urgently address fundamentals driving inflation.

The quality of the Bank's loan book continued to improve as reflected by the significant reduction in the Non-performing loans ratio from 2.1% as at 31 December 2018 to 0.1% as at 31 December 2019. The balance sheet remained liquid and met minimum regulatory capital requirements. The Bank is considering various options to meet the revised 31 December 2020 core capital target. We are confident that this will be achieved by the set deadline.

Community Investment

Standard Chartered Bank Zimbabwe Limited continues to contribute significantly to social and developmental programmes in Zimbabwe both on its own and in partnership with other organisations.

We work with local partners and employee volunteers to deliver programmes focused on health and education. Volunteering has a positive impact on our communities, employees and our broader business, that's why we offer every employee three days paid leave a year to volunteer. Volunteering provides an opportunity for our staff to share their time, skills and expertise with local partners working on issues that matter in their communities. In 2019, our staff volunteered a total of 228 days through different activities which included participating in the national clean up initiative, tree planting and financial education.

The Bank trained 25 volunteers under our global GOAL programme which combines sports with life-skills training to empower girls with the confidence, knowledge and skills they need to be integral economic leaders in their families and communities. The programme is running in Hatcliffe, Harare.

The Bank's investment under the 'Seeing is Believing' programme, in partnership with Christian Blind Mission, continues to change lives and improve the quality of service rendered by selected beneficiary institutions. The success of this program has seen it extended by an additional year to 31 December 2020.

Our brand promise, Here for good, means sustainable and long-term commitment to the people of Zimbabwe.

Corporate Governance

The Bank and the Board of Directors remain committed to the maintenance of high standards of corporate governance across all its operations, ensuring its conduct is above reproach. The Board and its Sub-Committees, which are chaired by Independent Non-Executive Directors, oversee and monitor the application of effective Risk Management processes through the Board Risk Committee and regular independent audit processes. An Enterprise Risk Management framework is in place to ensure adherence to internal processes and procedures as well as regulatory requirements.

The Bank and Board of Directors bid farewell to Mr Ferdinand Pieterse who resigned from the Board on the 1st of March 2020. I would like to thank Mr Pieterse for his immense contribution to Standard Chartered Bank Zimbabwe Limited and wish him success in his future endeavours.

Outlook

The Bank continues to create wealth and drive investment and trade across its preferred markets in a sustainable manner underpinned by the valued behaviors, Do the right thing, Never Settle and Better Together.

Standard Chartered Bank Zimbabwe Limited continues to focus on delivering exceptional and convenient banking experience through its world class digital platforms, SC Mobile and Straight2Bank. Client satisfaction remains at the heart of our strategy and the Bank continues to sharpen its focus on this important pillar.

Efforts to maintain a strong Financial Crime Compliance environment have been sustained by enforcing effective and sustainable controls. Our motivation is based on the need to protect our clients, whilst contributing to the integrity of the financial sector in Zimbabwe.

Acknowledgement

I would like to thank staff, management and my fellow Directors for their dedication and commitment. Your hard work in 2019 saw us receiving the following accolades:

- Runner Up, Banking Industry - Top Companies Survey
- VISA Card Champion Award, 2019
- Best Consumer Digital Bank, 2019 – World Finance Digital Banking Awards
- Best Mobile Banking Application, 2019 – World Finance Digital Banking Awards

I would like to thank the Bank's customers for their loyalty throughout the year and to reassure them that the Bank's brand promise remains the same - to be Here for good.

L. T. Manatsa
CHAIRMAN

26 March 2020

Statement of Profit or Loss and Other Comprehensive Income

	Notes	Inflation adjusted 2019 ZWL'000	Inflation adjusted 2018 ZWL'000	Historical (unaudited) 2019 ZWL'000	Historical (unaudited) 2018 ZWL'000
Interest income	2	214,194	244,828	90,294	39,415
Interest expense	3	(221)	(1,877)	(98)	(302)
Net interest income		**213,973**	**242,951**	**90,196**	**39,113**
Fees and commission income		244,485	210,433	118,409	33,878
Commission expense		(44,744)	(44,426)	(25,775)	(7,152)
Foreign currency trading income		(11,909)	20,169	(6,913)	3,247
Non interest income		**187,832**	**186,176**	**85,721**	**29,973**
Total revenue		**401,805**	**429,127**	**175,917**	**69,086**
Other income	4	44,535	3,423	59,179	551
Total operating income		**446,340**	**432,550**	**235,096**	**69,637**
Profit/(loss) on sale of property		94	(522)	215	(84)
Operating expenses	5	(257,884)	(279,821)	(112,836)	(45,049)
Profit before impairment charge		**188,550**	**152,207**	**122,475**	**24,504**
Net impairment (charge)/recovery		**(6,262)**	**9,764**	**(6,990)**	**1,572**
Expected credit losses : Loans and advances	12.2	(1,367)	13,349	(1,367)	2,149
: Financial assets at fair value through other comprehensive income	11.2	(6,631)	(2,541)	(6,631)	(409)
Recovery of bad debts previously written off		2,532	3,683	1,470	593
Bad debts written off		(796)	(4,727)	(462)	(761)
Net monetary loss		(301,101)	(196,924)	-	-
(Loss)/profit before tax		**(118,813)**	**(34,953)**	**115,485**	**26,076**
Tax expense	7	(15,126)	(47,879)	(11,700)	(7,708)
Profit after tax		**(133,939)**	**(82,832)**	**103,785**	**18,368**
Other comprehensive income:					
Items that will not be reclassified to profit or loss		**-**	**-**	**229,373**	**924**
Property revaluation gain		-	-	285,800	973
Related tax		-	-	(56,427)	(49)
Items that are or may be reclassified subsequently to profit or loss		**(50,530)**	**1,888**	**2,308**	**304**
Reserve on financial assets at fair value through other comprehensive income		(67,123)	2,541	2,936	409
Tax relating to components of other comprehensive income		16,593	(653)	(628)	(105)
Other comprehensive income		**(50,530)**	**1,888**	**231,681**	**1,228**
Total comprehensive income		**(184,469)**	**(80,944)**	**335,466**	**19,596**

Statement of Financial Position

	Notes	Inflation adjusted 2019 ZWL'000	Inflation adjusted 2018 ZWL'000	Historical (unaudited) 2019 ZWL'000	Historical (unaudited) 2018 ZWL'000
ASSETS					
Cash and cash equivalents	9	1,090,329	2,255,631	1,090,329	363,138
Financial assets at fair value through other comprehensive income	11	416,798	2,267,253	416,798	365,009
Loans and advances	12.3	646,857	864,858	646,857	139,235
Other assets	13	297,915	14,200	297,915	2,286
Current tax asset		-	236	-	38
Restricted balances due from the Central Bank	14	69,423	254,976	69,423	41,049
Non current assets held for sale		-	21,815	-	3,512
Investment property	15	63,726	18,634	63,726	3,000
Property and equipment	16	332,482	176,241	313,269	28,373
Right of use asset	17	7,162	-	1,153	-
Deferred tax asset		-	14,970	-	2,410
Total assets		**2,924,692**	**5,888,814**	**2,899,470**	**948,050**
EQUITY AND LIABILITIES					
Equity					
Share capital		7,104	7,104	825	825
Share premium		177,606	177,606	20,625	20,625
Foreign currency translation reserve		51,125	51,125	5,937	5,937
Revaluation reserve		-	-	240,219	10,846
Reserve on financial assets at fair value through comprehensive income		9,346	59,876	9,346	7,038
Retained earnings		216,685	350,624	162,568	58,783
Total equity		**461,866**	**646,335**	**439,520**	**104,054**
Liabilities					
Deposits from customers	18	2,141,270	5,010,468	2,141,270	806,644
Deposits from banks	19	6,077	696	6,077	112
Other liabilities	20	268,981	231,315	268,981	37,240
Current tax liability		1,019	-	1,019	-
Deferred tax liability		45,479	-	42,603	-
Total liabilities		**2,462,826**	**5,242,479**	**2,459,950**	**843,996**
Total equity and liabilities		**2,924,692**	**5,888,814**	**2,899,470**	**948,050**

Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital ZWL'000	Share premium ZWL'000	Foreign currency translation reserve ZWL'000	Revaluation reserve ZWL'000	Reserve on financial assets at FVOCI ZWL'000	Retained earnings ZWL'000	Total ZWL'000
Inflation adjusted							
Balance as at 1 January 2019	**7,104**	**177,606**	**51,125**	**-**	**59,876**	**350,623**	**646,334**
Profit for the period	-	-	-	-	-	(133,934)	(133,934)
Other comprehensive income	-	-	-	-	(50,530)	-	(50,530)
Balance as at 31 December 2019	**7,104**	**177,606**	**51,125**	**-**	**9,346**	**216,689**	**461,870**
Balance as at 1 January 2018	**7,104**	**177,606**	**51,125**	**-**	**-**	**433,455**	**669,290**
Adjustment for initial adoption of IFRS 9 (net of tax)	-	-	-	-	57,988	-	57,988
Net profit for the year	-	-	-	-	-	(82,832)	(82,832)
Other comprehensive income	-	-	-	-	1,888	-	1,888
Balance as at 31 December 2018	**7,104**	**177,606**	**51,125**	**-**	**59,876**	**350,623**	**646,334**
Historical (unaudited)							
Balance as at 1 January 2019	**825**	**20,625**	**5,937**	**10,846**	**7,038**	**58,783**	**104,054**
Profit for the period	-	-	-	-	-	103,785	103,785
Other comprehensive income	-	-	-	229,373	2,308	-	231,681
Balance as at 31 December 2019	**825**	**20,625**	**5,937**	**240,219**	**9,346**	**162,568**	**439,520**
Balance as at 1 January 2018	**825**	**20,625**	**5,937**	**9,922**	**-**	**40,415**	**77,724**
Adjustment for initial adoption of IFRS 9 (net of tax)	-	-	-	-	6,734	-	6,734
Net profit for the year	-	-	-	-	-	18,368	18,368
Other comprehensive income	-	-	-	924	304	-	1,228
Balance as at 31 December 2018	**825**	**20,625**	**5,937**	**10,846**	**7,038**	**58,783**	**104,054**

Statement of Cash Flows

	Notes	Inflation adjusted 2019 ZWL'000	Inflation adjusted 2018 ZWL'000	Historical (unaudited) 2019 ZWL'000	Historical (unaudited) 2018 ZWL'000
Cash flow from operating activities					
((Loss)/profit before tax		(118,813)	(34,953)	115,485	26,076
Adjustments for:					
Fair value gain on investment property		(42,918)	-	(60,376)	-
(Profit)/loss on disposal of property and equipment		(308)	522	(461)	84
Depreciation charge		7,513	13,435	3,093	2,163
Net interest income		(213,973)	(242,950)	(90,196)	(39,113)
Unrealised foreign exchange gain		(683,190)	-	(396,931)	-
Bad debts written off		796	-	462	-
Net loan impairment charge/(recovery)		5,466	(6,087)	6,528	(980)
Operating cash flow before changes in operating assets and liabilities		**(1,045,427)**	**(270,033)**	**(422,396)**	**(11,770)**
Changes in operating assets and liabilities:					
Decrease/(increase) in financial assets at fair value through other comprehensive income		1,783,332	(565,765)	(48,014)	(93,685)
Decrease/(increase) in loans and advances		211,739	111,687	(507,981)	14,638
Decrease in other assets		(282,216)	(2,130)	(291,191)	(342)
Decrease/(increase) in restricted balances due from the Central Bank		185,553	(253,448)	(28,375)	(40,803)
(Decrease)/increase in deposits from customers		(2,869,970)	778,946	1,334,520	102,091
Increase in deposits from banks		5,381	626	5,965	82
Increase in other liabilities		37,691	81,129	231,700	10,633
		(1,973,917)	(118,988)	274,228	(19,156)
Interest received		212,695	244,236	85,856	39,320
Interest paid		(246)	(1,876)	(57)	(302)
Corporate tax paid		(92,929)	(52,680)	(30,155)	(8,481)
Net cash (utlised)/generated from operating activities		**(1,854,397)**	**70,692**	**329,872**	**11,381**
Cash flow from investing activities:					
Proceeds on disposal of property and equipment		18,934	21,250	3,388	3,421
Improvements and additions to property and equipment		(13,801)	(10,727)	(3,106)	(1,727)
Net cash realised from investing activities		**5,133**	**10,523**	**282**	**1,694**
Net (decrease)/increase in cash and cash equivalents		**(1,849,264)**	**81,215**	**330,154**	**13,075**
Cash and cash equivalents at the beginning of the period		2,255,631	2,174,416	363,138	350,063
Effect of changes in exchange rates		683,962	-	397,037	-
Cash and cash equivalents at the end of the period		**1,090,329**	**2,255,631**	**1,090,329**	**363,138**

Directors: L. T. Manatsa (Chairman), R. Watungwa (Chief Executive)*, S. M. Mushiri, C. Mwerenga*, M. Mubayiwa*, M. Clarke, E. Mkondo, H. S. Mashanyare (*Executive)

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Standard Chartered

Corporate Governance

The Board

The Board, which comprises three Executive Directors, one Non-Executive Director and four Independent 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 of Directors oversees compliance with Corporate Governance best practice, the Reserve Bank of Zimbabwe ('RBZ') regulations and regulatory requirements, as well as policies and procedures of Standard Chartered Bank Zimbabwe Limited.

Directors' attendance at Board meetings

Director	Date of meeting			
	28-Mar-19	13-Jun-19	5-Sep-19	28-Nov-19
L. T. Manatsa*	√	√	√	√
R. Watungwa**	√	√	√	√
C. Mwerenga**	√	√	√	√
S. M. Mushiri****	√	√	√	√
M. Mubayiwa**	x	√	√	x
M. Clarke***	√	√	√	√
F. Pieterse***[1]	√	√	√	√
E. Mkondo****	√	√	√	√
H. S. Mashanyare****	√	√	√	√

*Independent Non Executive Chairperson
**Executive Director
***Non Executive Director
****Independent Non Executive Director
***[1] Resigned effective 1 March 2020
√ -Present
x - Leave of absence

The Board has four sub-committees that deal with Audit, Risk, Loans Review and Credit issues.

Audit Committee

The Audit Committee, inter alia, reviews the Bank's 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 2019
E. Mkondo*	4	4
S. M. Mushiri	4	
H. S. Mashanyare	3	

*Chairperson

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 2019
L. T. Manatsa*	4	4
F. Pieterse**	4	
M. Clarke	4	

*Chairperson
** Resigned effective 1 March 2020

Loans Review Committee

The Loans Review Committee reviews the quality of the Bank's loan portfolio in order to ensure its conformity to sound lending policies 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 2019
S. M. Mushiri*	4	4
C. Mwerenga	4	
E. Mkondo	4	

*Chairperson

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 2019
H. S. Mashanyare*	4	4
R. Watungwa	4	
L. T. Manatsa	4	

*Chairperson

Statement of compliance

The Bank complied with all statutes regulating financial institutions as well as corporate governance best practice. The Bank also complied with the RBZ's directives on liquidity management, capital adequacy, as well as prudential lending guidelines.

Going concern

These audited financial statements were 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. In arriving at this opinion, the Directors assess and considered the potential impact of the revised regulatory capital requirements effective 31 December 2020. Refer to note 26 for more details.

Approval of the unaudited abridged financial statements

The audited financial statements were approved at a Board meeting held on 26 March 2020.

By order of the Board

Company Secretary
26 March 2020

Audit opinion

These abridged financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2019, which have been audited by KPMG Chartered Accountants (Zimbabwe) and a modified audit opinion issued thereon, The Auditor's report, which is modified in respect of non compliance with International Financial Reporting Standard 21: *The Effects of Changes in Foreign Exchange Rates* and also includes key audit matters, is available for inspection at the Bank's registered address.

Risk Management

Management of risk is a key component of the Bank's Business. One of the main risks the Bank is exposed to arises from extending credit to customers through its trading and lending operations. Beyond credit risk, the Bank is also exposed to a range of other risk types such as traded, liquidity, capital, operational, reputational, compliance, financial crime, information and cyber security, conduct and other non-principal risks perculiar to the banking sector.

Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a 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 endeavours to minimise risk as far as possible by only granting a loan where the risk of default is acceptable. 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.

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 ('ALCO') of the Bank comprising the Chief Executive Officer, Chief Financial Officer and Country Chief Risk Officer. The respective Heads of Commercial Banking, Retail Banking, Financial Markets, Asset and Liability Management and Group Treasury attend by invitation. 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.

Traded risk

Traded risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The primary categories of market risk for the Bank are interest rate risk and currency exchange rate risk. Interest rate risk arises from adverse movements in interest rates that affect the underlying value of assets and liabilities and or alters interest rate-sensitive income and expenses thereby affecting earnings. Currency exchange risk arises from movements in exchange rates.

Traded risk is addressed through the Executive Risk Committee ('ERC') of the Bank comprising the Country Chief Risk Officer, Chief Executive Officer and Heads of Business and Functions. The ERC ensures that value-at-risk measures for market risk exposures remain within the overall approved risk appetite. The Bank's exposure to market risk arises predominantly from trading book positions, mainly currency exchange risk and or interest rate risk in the banking book.

Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people, and systems or from the impact of external events, including legal risk. Operational risk exposures are managed through a set of management processes that drive risk identification, assessment, control and monitoring consistently across the Bank. The Bank aims to control operational risk to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damages to the bank's franchise.

Reputational risk

Reputational risk is the potential for damage to the franchise resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the Bank, its actions or inactions, leading stakeholders to change their behaviour. The Bank's reputational risk policy provides a framework of first and second line ownership, risk authorities, risk appetite and reporting and governance committee oversight.

Compliance risk

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 dedicated Legal and Compliance units, an established set of procedures for managing regulatory change and oversight by governance committees.

Strategic Risk

Strategic risk refers to the potential for opportunity loss arising from failure to optimise the earnings potential of the Bank. The Board approves the Bank's strategy as formulated by top management, while the Chief Executive Officer has the overall responsibility for strategy implementation. The Board conducts quarterly reviews of the strategy and its continued applicability.

Accounting Policies

Except as described under significant change in accounting policies below, the main accounting policies applied by the Bank are consistent with those adopted in the previous years.

BASIS OF PREPARATION

Statement of compliance

These inflation adjusted financial results have been prepared in a form applicable to a commercial bank registered in terms of the Banking Act (Chapter 24:20), Banking Amendment Act No.12 of 2015, Companies Act (24:03) and in conformity with International Financial Reporting Standards ('IFRS') except for non-compliance with International Accounting Standard ('IAS') 21: Effects of Changes in Foreign Exchange Rates. The accounting policies applied in the preparation of these financial results are consistent with the policies applied in the preparation of financial statements in the previous year.

Furthermore, the Bank complied with the following statutes inter alia: the Banking Regulations, Statutory Instrument 205 of 2000, the Exchange Control Act (Chapter 22:05), the Bank Use Promotion and Suppression of Money Laundering Act (Chapter 24:24), Money Laundering and Proceeds of Crime Act (Chapter 9:24) and the National Payment Systems Act (Chapter 24:23). In addition, the Bank also complied with the RBZ's directives on liquidity management, capital adequacy as well as prudential lending guidelines.

Basis of measurement

These financial statements have been prepared under the current cost basis in line with the provisions of International Accounting Standard ('IAS') 29-Financial Reporting in Hyperinflationary Economies. Historical financial statements have been presented as supplementary information.

IAS29: Financial Reporting in Hyper-Inflationary Economies

The Bank adopted IAS29: with effect from 1 October 2018 in accordance with pronouncements from the Public Accountants and Auditors Board ('PAAB'). The Directors applied the guidelines provided by PAAB in producing the inflation adjusted financial statements. The Bank adopted the Zimbabwe consumer price index ('CPI') provided by the Zimbabwe Statistical Office and obtained from the RBZ website as a general price index to restate the financial transactions and balances as appropriate. The conversion factors used to restate the Bank's financial statements are as follows:

	Index	Conversion factor
CPI as at 30 September 2018	64.06	8.611
CPI as at 31 December 2018	88.81	6.211
CPI as at 31 December 2019	551.63	1.000

Functional and presentation currency

These financial statements have been presented in Zimbabwe Dollars ('ZWL'), being the functional and presentation currency. The Bank had been using United States Dollars ('USD') as its presentation and functional currency since 2009 until the 22nd of February 2019, when Statutory Instrument 32 of 2019 was issued as an amendment to the Reserve Bank of Zimbabwe Act which introduced a local currency. Local transactions were to be done in local currency ('ZWL') as a result.

Given the context of the environment, Directors assesed in terms of the IAS 21: The Effects of Changes in Foreign Exchange Rates, if there had been a change in the functional currency used by the Bank. The Bank observed the legal instruments and changed its functional currency from USD to ZWL at a rate of 1:1 for the period 1 October 2018 to 22 February 2019. The interbank exchange rates were adopted thereafter.

Except where indicated, financial information presented herein has been rounded off to the nearest thousand Zimbabwe dollar.

Account Policies (continued)

Change in significant accounting policies

In 2019, the Bank adopted IAS 29 and IFRS 16: Leases, the latter replacing IAS 17: Leases and related interpretations. IFRS 16 is applicable for the first time for entities with annual reporting periods beginning on or or after 1 January 2019.

IFRS16 Leases

On 1 January 2019, the Bank adopted IFRS 16 and elected to adopt the simplified approach of transition thus it did not restate comparative information. On 1 January 2019, the Bank recognised a lease liability, being the remaining lease payments, including extensions options where renewal is reasonably certain, discounted using the Bank's incremental borrowing rate at the date of initial application in the economic environment of the lease. The corresponding right-of-use asset recognised is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The balance sheet increase as a result of recognition of the lease liability and right-of-use asset as of 1 January 2019 was ZWL1.4m, with no adjustment to retained earnings. The asset is presented in Property and equipment and the liability is presented in Other liabilities.

The difference between operating lease commitments as disclosed in the Bank's 2018 Annual Audited results and the newly recognised lease liabilities is a result of dissimilar recognition basis between the old and new standards. IFRS 16 requires preparers to assess the lease term used to measure assets and liabilities to include 'reasonably certain' renewal or termination options, whereas previously IAS 17 required disclosure of 'non-cancellable' lease commitments. The consequences of this are that some leases include lease renewal options which it is reasonably certain will be exercised in the measurement of right-of-use assets and lease liabilities. These renewal options would not have been included in the previous operating lease commitment disclosure.

Except for the changes mentioned above, the Bank consistently applied the accounting policies as set out in significant accounting policies.

Classification and measurement

There are three measurement classifications under IFRS 9: amortised cost, fair value through profit or loss and, for financial assets, fair value through other comprehensive income ('FVOCI').

Financial assets are classified into these measurement classifications on the basis of the business model within which they are held, and their contractual cash flow characteristics. The business model reflects how groups of financial assets are managed to achieve a particular business objective. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flows ('hold to collect'), and where those contractual cash flows are solely payments of principal and interest ('SPPI'). Interest in this context represents compensation for the time value of money and associated credit risks together with compensation for other basic lending risks and costs and a profit margin. Assets may be sold out of hold to collect portfolios when there is an increase in credit risk. Disposals for other reasons are permitted but such sales should be insignificant in value or infrequent in nature.

Financial debt instruments where the business model objectives are achieved by collecting the contractual cash flows and by selling the assets ('hold to collect and sell') are held at FVOCI, with unrealised gains or losses deferred in reserves until the asset is derecognised. All other financial debt instruments are held at Fair Value Through Profit and Loss ('FVTPL').

The Bank assesses its operating business model in determining the class of each financial asset. In its assessment, the Bank considers the objectives of the business model, how performance is measured and how staff is remunerated amongst other factors. Where the objective of a business is to manage financial assets on a fair value basis, the instruments within that business model are measured at FVTPL.

The Bank's loans to banks and customers are held within a "hold to collect" business model and hence are classified as financial assets at amortised cost.

Investment Debt Securities and Treasury Bills held by Asset and Liability Management are held within a 'hold to collect and sell' portfolio and hence classified as at FVOCI.

The Bank assesses further where the assets are held within a 'hold to collect' or 'hold to collect and sell' business model, to determine whether the cash flows of the assets are deemed to be solely payments of principal and interest ('SPPI'). The instruments that meets the SPPI cash flows are measured at amortised cost.

Instruments that do not have SPPI cash flows are measured at FVTPL regardless of the business model in which they are held which primarily arises from prepayment clauses in certain loan contracts. Non-trading equity investments, a small portfolio held for strategic equity investments are irrevocably designated at FVOCI.

Measurement

Financial instruments are measured initially at fair value, including transaction costs. Subsequent to initial recognition all trading instruments and all financial instruments at FVOCI are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, less impairment losses.

Fair Valuation measurement principles

The fair value of financial instruments is based on their market price at the statement of financial position date without any deduction for transaction costs. If a market price is not available, the fair value of the instrument is estimated using discounted cash flow techniques. Where this technique is used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the statement of financial position date for an instrument with similar terms and conditions.

Impairment of financial assets not held at FVTPL

Expected credit losses are recognised for all financial debt instruments, loan commitments and financial guarantees that are classified as hold to collect / hold to collect and sell and have cash flows that are solely payments of principal and interest An expected credit loss ('ECL') allowance is recognised at the time of initial recognition for all financial assets that are in the scope of ECL in respect of default events that may occur over the next 12 months ("stage 1 assets" with allowances equivalent to 12-months expected credit losses). ECL continues to be determined on this basis until there is either a significant increase in credit risk or the asset becomes credit impaired. If a financial asset (or portfolio of financial assets) experiences a significant increase in credit risk since initial recognition, however, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset ("stage 2 assets" with provisions equivalent to lifetime expected credit losses). A significant increase in credit risk is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the expected credit loss.

Lifetime expected credit losses are recognised for financial assets that are in default or are otherwise credit-impaired ("stage 3 assets").

Key parameters in determining expected credit losses

Significant increase in credit risk

The assessment of significant increase in credit risk for Retail Banking products is defined by days past due or number of missed payments within 12 months. Additionally, exposure is subjected to significant deterioration criteria based on probability of default migration since origination.

For Commercial and Global Banking products, significant deterioration in credit risk is considered when there are three minor notches downgrade for investment grade and two minor notches for all other grades since origination. Further, the Bank considers that significant increase in credit risk occurs when an account is placed on early alert monitoring on not Purely Precautionary basis or downgraded to highly speculative grade or worse.

To the extent that assets are credit impaired at the point of origination, they are classified as purchased or originated credit impaired. Any changes in lifetime expected credit losses after initial recognition are charges or credited to statement of profit or loss through impairment.

STANDARD CHARTERED BANK ZIMBABWE LIMITED

Registered Commercial Bank. A member of the Deposit Protection Corporation

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Standard Chartered

Account Policies (continued)

Probability of default (PD)
The Bank defines PD as the probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information. The Bank's PDs have been established incorporating historical credit default, current credit information as well as forward looking information.

Exposure at Default (EAD)
This is the total value the Bank is exposed to at the time and in the event of default. The Bank uses statistical models, taking into account historical experience of instruments that defaulted and also takes into account expected changes in exposure in future, including repayments of principal amounts and interest, whether contractual or otherwise and committed and expected draw downs.

Loss Given Default (LGD)
The Bank defines LGD as the loss that is expected to arise on default, incorporating forward looking information where relevant. The measurement of LGD is based on forward looking projections of macroeconomic variables and credit risk factors. The Bank uses multiple forward-looking economic scenarios, and these are incorporated into the range of reasonably possible outcomes in determining LGD.

INVESTMENT PROPERTY
Investment property is stated at fair value determined annually by an independent registered valuer. Fair value is based on current prices in an active 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 statement of profit or loss. When an item of property 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. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the statement of profit or loss.

PROPERTY AND EQUIPMENT
Owned assets
Items of property and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. 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 statement of profit or loss 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 by equal instalments over their estimated remaining useful lives. Changes in residual values and useful lives are treated as changes in accounting estimates.

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 statement of comprehensive income when incurred. The Bank has no further payment obligations once the contributions have 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 change, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of profit or loss.

Notes to the Financial Statements

1 INCORPORATION AND ACTIVITIES
Standard Chartered Bank Zimbabwe Limited provides retail banking corporate banking and custody services. The Bank is incorporated and registered as a commercial bank under the Banking Act, (Chapter 24:02) of Zimbabwe.

	Inflation adjusted		Historical (unaudited)	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
2 INTEREST INCOME				
Loans and advances to banks	9,897	1,000	4,656	161
Loans and advances to customers	90,624	83,352	49,245	13,419
Bonds, bills and other debt securities	111,043	158,753	35,315	25,558
Residential mortgages	2,630	1,723	1,078	277
	214,194	**244,828**	**90,294**	**39,415**
3 INTEREST EXPENSE				
Time deposits	221	1,615	98	260
Savings deposits	-	262	-	42
	221	**1,877**	**98**	**302**
4 OTHER INCOME				
Fair value gain on investment property	42,918	-	60,376	-
Rental income from investment property	3,458	2,075	1,662	334
Profit on sale of property and equipment	214	-	246	-
Day one loss on foreign currency funding gap	(4,045)	-	(4,045)	-
Other miscellaneous income	1,990	1,348	1,155	217
	44,535	**3,423**	**59,394**	**551**
5 OPERATING EXPENDITURE				
Audit fees	2,521	894	1,464	144
Depreciation	7,513	13,435	3,093	2,163
Staff costs	154,008	180,320	82,323	29,030
Directors' emoluments	5,629	6,982	3,226	1,124
Group cross border recharges*	(2,941)	11,870	(1,707)	1,911
Premises and equipment costs	3,690	27,355	1,907	4,404
Non-recoverable Value Added Tax	11,878	12,063	5,075	1,942
Communication costs	1,560	5,864	882	944
Other	74,026	21,038	16,573	3,387
	257,884	**279,821**	**112,836**	**45,049**

*Group cross border recharges relate to costs for services rendered to the Bank by other entities within Standard Chartered PLC. Given the foreign currency challenges being experienced in the country, the Bank engaged these entities and obtained a dispensation not to pay for some of these services effective 1 January 2019.

	Inflation adjusted		Historical (unaudited)	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018
ZWL'000				
6 DIRECTORS' EMOLUMENTS				
Fees for services as directors	589	534	300	86
Pension	184	311	107	50
Salaries	3,438	5,491	1,996	884
Other emoluments	1,418	646	823	104
	5,629	**6,982**	**3,226**	**1,124**
7 TAX EXPENSE				
Charge for taxation based on taxable income for the period	20,354	50,928	20,354	8,199
Provision for Aids levy	611	1,528	611	246
	20,965	**52,456**	**20,965**	**8,445**
Capital gains tax	118	665	118	107
Prior year tax adjustment	236	733	38	118
Deferred tax charge credit	(6,193)	(5,975)	(9,421)	(962)
	15,126	**47,879**	**11,700**	**7,708**
8 CAPITAL & RESERVES				
Tier 1 capital	**416,785**	**528,241**	**165,517**	**77,371**
Paid up share capital	7,104	7,104	825	825
Share premium	177,606	177,606	20,625	20,625
Foreign currency translation reserve (limited to 75% of closing balance)	38,344	38,344	4,453	4,453
Retained earnings	216,685	350,624	162,568	58,783
Less insider loans	(15)	(199)	(15)	(32)
Less Capital allocated for market and operational risk	(22,939)	(45,238)	(22,939)	(7,283)
Tier 2 capital	**36,611**	**86,484**	**265,533**	**21,594**
Foreign currency translation reserve (limited to 25% of closing balance)	12,781	12,781	1,484	1,484
Revaluation reserve	-	-	240,219	10,846
Reserve on financial assets at fair value through other comprehensive income	9,346	59,876	9,346	7,038
General provisions (limited to 1.25% of risk weighted assets)	14,484	13,827	14,484	2,226
Total capital - Tier 1 and 2	**453,401**	**614,725**	**431,050**	**98,965**
Tier 3 capital				
Capital allocated for market and operational risk	22,939	45,238	22,939	7,283
Total capital	**476,335**	**659,963**	**453,989**	**106,248**
Risk weighted assets	1,349,871	1,483,126	1,349,871	238,771
Tier 1 capital ratio	30.88%	35.62%	12.26%	32.40%
Tier 2 capital ratio	2.71%	5.83%	19.67%	9.04%
Tier 3 capital ratio	1.70%	3.05%	1.70%	3.05%
Capital adequacy ratio (minimum 12%)	35.29%	44.50%	33.63%	44.50%

Notes to the Financial Statements (continued)

	Inflation adjusted		Historical (unaudited)	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
9 CASH AND CASH EQUIVALENTS				
Cash and balances with banks	687,154	244,553	687,154	39,371
Unrestricted balances due from the Central Bank	403,175	2,011,078	403,175	323,767
Total cash and cash equivalents	**1,090,329**	**2,255,631**	**1,090,329**	**363,138**
10 LIQUIDITY				
Cash and cash equivalents	1,090,329	2,255,631	1,090,329	363,138
Financial assets at fair value through other comprehensive income	420,493	2,267,253	420,493	365,009
Restricted balances due from the Central Bank	69,423	254,976	69,423	41,049
Total liquid assets	**1,580,245**	**4,777,860**	**1,580,245**	**769,196**
Customer deposits	2,141,270	5,010,468	2,141,270	806,644
Deposits from banks	6,077	696	6,077	112
Total liabilities to the public	**2,147,347**	**5,011,164**	**2,147,347**	**806,756**
Liquidity ratio (minimum - 30%)	73.59%	95.34%	73.59%	95.34%
11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Bonds and notes issued by the Government	420,493	2,249,650	420,493	362,175
Money market instruments issued by others	-	17,603	-	2,834
Gross balance	**420,493**	**2,267,253**	**420,493**	**365,009**
Expected credit losses (Note 11.2)	(16,110)	(58,879)	(16,110)	(9,479)
Fair value through other comprehensive income	12,415	58,879	12,415	9,479
Balance as at 31 December	**416,798**	**2,267,253**	**416,798**	**365,009**
11.1 Maturities				
More than 5 years	1,581	8,000	1,581	1,288
5 years or less but over 1 year	357	60,755	357	9,781
1 year or less but over 3 months	241,107	1,606,499	241,107	258,633
3 months or less including payable on demand	173,753	591,999	173,753	95,307
	416,798	**2,267,253**	**416,798**	**365,009**
11.2 Expected losses on financial assets at fair value through other comprehensive income				
Balance at 1 January	**58,879**	**-**	**9,479**	**-**
Adjustment on initial adoption of IFRS 9	-	56,338	-	9,070
Monetary adjustment	(49,400)	-	-	-
New expected losses created and recognised in profit and loss				
Stage 2	6,631	2,541	6,631	409
Balance as at 31 December	**16,110**	**58,879**	**16,110**	**9,479**
12 LOANS AND ADVANCES TO CUSTOMERS				
12.1 Maturity analysis				
3 months or less	218,747	227,589	218,747	36,640
Between 3 and 12 months	4,596	129,603	4,596	20,865
Between 1 and 5 years	404,033	474,975	404,033	76,467
Over 5 years	22,518	50,785	22,518	8,176
	649,894	**882,952**	**649,894**	**142,148**

12.2 Loan impairment allowance

	Inflation adjusted 2019				Historical (unaudited) 2019			
	Stage 1 ZWL'000	Stage 2 ZWL'000	Stage 3 ZWL'000	Total ZWL'000	Stage 1 ZWL'000	Stage 2 ZWL'000	Stage 3 ZWL'000	Total ZWL'000
Balance as reported at 1 January	**6,882**	**1,727**	**4,336**	**12,945**	**1,108**	**278**	**698**	**2,084**
Monetary adjustment	(5,774)	(1,449)	(3,638)	(10,861)	-	-	-	-
Charge through profit and loss	710	546	111	1,367	710	546	111	1,367
New provisions	710	2,004	-	2,714	710	2,004	-	2,714
Provisions reversed through profit and loss	-	(1,458)	111	(1,347)	-	(1,458)	111	(1,347)
Utilised against provisions	-	-	(598)	(598)	-	-	(598)	(598)
Balance at 31 December	**1,818**	**824**	**211**	**2,853**	**1,818**	**824**	**211**	**2,853**

	Inflation adjusted 2018				Historical (unaudited) 2018			
	Stage 1 ZWL'000	Stage 2 ZWL'000	Stage 3 ZWL'000	Total ZWL'000	Stage 1 ZWL'000	Stage 2 ZWL'000	Stage 3 ZWL'000	Total ZWL'000
Balance as reported at 1 January	**6,193**	**7,454**	**11,684**	**25,331**	**997**	**1,200**	**1,881**	**4,078**
Monetary adjustment	528	634	-	1,162	85	102	-	187
(Recovery)/ charge through profit and loss	**161**	**(6,361)**	**(7,149)**	**(13,349)**	**26**	**(1,024)**	**(1,151)**	**(2,149)**
New provisions	161	-	5,808	5,969	26	-	935	961
Provisions reversed through profit and loss	-	(6,361)	(12,957)	(19,318)	-	(1,024)	(2,086)	(3,110)
Utilised against provisions	-	-	(199)	(199)	-	-	(32)	(32)
Balance at 31 December	**6,882**	**1,727**	**4,336**	**12,945**	**1,108**	**278**	**698**	**2,084**

12.3 Loans and advances credit quality analysis as at 31 December 2019
The following table presents information about the credit quality financial assets measured at armotised costs.

	Inflation adjusted							
	2019				2019			
	Stage 1 ZWL'000	Stage 2 ZWL'000	Stage 3 ZWL'000	Total ZWL'000	Stage 1 ZWL'000	Stage 2 ZWL'000	Stage 3 ZWL'000	Total ZWL'000
Grades 1 : 4 - low to fair risk	628,485	20,224	-	648,709	628,485	20,224	-	648,709
Grades 5 : 7 - watch List	-	664	-	664	-	664	-	664
Grades 9 : 10 - doubtful to Loss	-	-	520	520	-	-	520	520
Loss allowance (Note 12.2)	(1,818)	(824)	(211)	(2,853)	(1,818)	(824)	(211)	(2,853)
Suspended interest	-	-	(183)	(183)	-	-	(183)	(183)
Carrying amount as at 31 December	**626,667**	**20,064**	**126**	**646,857**	**626,667**	**20,064**	**126**	**646,857**

	Historical (unaudited)							
	2018				2018			
	Stage 1 ZWL'000	Stage 2 ZWL'000	Stage 3 ZWL'000	Total ZWL'000	Stage 1 ZWL'000	Stage 2 ZWL'000	Stage 3 ZWL'000	Total ZWL'000
Grades 1 : 4 - low to fair risk	773,326	99,216	-	872,542	124,499	15,973	-	140,472
Grades 5 : 7 - watch List	-	-	-	-	-	-	-	-
Grades 9 : 10 - doubtful to Loss	-	-	10,410	10,410	-	-	1,676	1,676
Loss allowance (Note 12.2)	(6,876)	(1,727)	(4,342)	(12,945)	(1,107)	(278)	(699)	(2,084)
Suspended interest	-	-	(5,149)	(5,149)	-	-	(829)	(829)
Carrying amount as at 31 December	**766,450**	**97,489**	**919**	**864,858**	**123,392**	**15,695**	**148**	**139,235**

	Inflation adjusted		Historical (unaudited)	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
12.4 Non-performing loans and advances				
Total loans and advances on which interest is suspended	520	10,410	520	1,676
Interest in suspense	(183)	(5,149)	(183)	(829)
Loss allowance	(211)	(4,336)	(211)	(698)
Net non-performing loans	**126**	**925**	**126**	**149**

	Inflation adjusted				Historical (unaudited)			
	2019 ZWL'000		2018 ZWL'000		2019 ZWL'000		2018 ZWL'000	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
12.4.1 Maturity analysis of non-performing loans and advances								
Past due up to 30 days	-	-	-	-	-	-	-	-
Past due up to 60 days	-	-	-	-	-	-	-	-
Past due up to 90 days	64	64	894	-	64	64	144	-
Past due up to 180 days	-	-	1,398	671	-	-	225	108
Past due up to 365 days	-	-	6	-	-	-	1	-
Over 1 year	456	62	8,106	248	456	62	1,305	40
	520	**126**	**10,404**	**925**	**520**	**126**	**1,675**	**148**

Directors: L. T. Manatsa (Chairman), R. Watungwa (Chief Executive)*, S. M. Mushiri, C. Mwerenga*, M. Mubayiwa*, M. Clarke, E. Mkondo, H. S. Mashanyare (*Executive)

Notes to the Financial Statements (continued)

These are loans and advances on which interest is no longer being accrued or taken into income unless the borrower pays in cash. Non accrual assets include those assets that are non-performing, i.e. assets on which:
1) the principal amount and/or the interest is due and unpaid for 90 days or more; or
2) interest payments equal to 90 days or more have been capitalised, refinanced or rolled over.

		Inflation adjusted		Historical (unaudited)	
		2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
12.5	**Recoveries for amounts written off**	**1,470**	**3,683**	**1,470**	**593**

The recovery relates to loans that were previously written off.

		Inflation adjusted				Historical (unaudited)			
		2019 ZWL'000		2018 ZWL'000		2019 ZWL'000		2018 ZWL'000	
12.6	**Sectoral analysis of utilisations**								
	Agriculture and horticulture	257,601	40%	121,857	14%	257,601	40%	19,618	14%
	Construction and property	4,740	1%	6,690	1%	4,740	1%	1,077	1%
	Commerce	19,432	3%	68,494	8%	19,432	3%	11,027	8%
	Mining	10,000	2%	75	0%	10,000	2%	12	0%
	Manufacturing	191,260	29%	242,025	27%	191,260	29%	38,964	27%
	Transport	1	0%	87	0%	1	0%	14	0%
	Individual loans	163,908	25%	425,345	48%	163,908	25%	68,477	48%
	Other	2,951	0%	18,379	2%	2,951	0%	2,959	2%
	Total	**649,893**	**100%**	**882,952**	**100%**	**649,893**	**100%**	**142,148**	**100%**

		Inflation adjusted		Historical (unaudited)	
		2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
13	**OTHER ASSETS**				
	Accrued interest receivable	5,002	3,503	5,002	564
	Amounts due from other SCB subsidiaries	984	5,870	984	945
	Funding gap receivable	281,070	0	281,070	0
	Prepaid withholding taxes	288	1,609	288	259
	Other receivables	10,571	3,218	10,571	518
		297,915	**14,200**	**297,915**	**2,286**

*Funding gap receivable relates to the effects of allocation of foreign currency to customers with local currency deposits in line with the previous monetary policies prevailing before 1 October 2018.

		Inflation adjusted		Historical (unaudited)	
		2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
14	**RESTRICTED BALANCES WITH THE CENTRAL BANK**				
	Statutory reserve balance	69,423	254,976	69,423	41,049
		69,423	**254,976**	**69,423**	**41,049**

Statutory reserve balances are determined in line with the Central Bank statutory reserves guidelines currently at a rate of 5% of ZWL deposits less non qualifying deposits as defined.

15	**INVESTMENT PROPERTY**				
	Balance at 1 January	**18,634**	**18,634**	**3,000**	**3,000**
	Transfers into investment property	2,174	-	350	-
	Property revaluation	42,918	-	60,376	-
	Balance at 31 December	**63,726**	**18,634**	**63,726**	**3,000**
16	**PROPERTY AND EQUIPMENT**				
	Property and equipment				
	Balance at beginning of the period	176,241	176,506	28,373	28,416
	Additions	6,639	10,721	1,953	1,726
	Disposals	(8,939)	(36)	(2,312)	(6)
	Transfer from/(to) non-current assets held for sale	12,129	(3,856)	2,898	(622)
	Depreciation charge	(7,513)	(13,436)	(3,093)	(2,163)
	Transfer to investment properties	(2,175)	-	(350)	-
	Revaluation	156,100	6,349	285,800	1,022
	Balance at end of the period	**332,482**	**176,241**	**313,269**	**28,373**
18	**DEPOSITS FROM CUSTOMERS**				
	Maturity analysis				
	Payable on demand	2,140,027	4,996,225	2,140,027	804,351
	3 months to 1 year	1,243	14,243	1,243	2,293
		2,141,270	**5,010,468**	**2,141,270**	**806,644**
	of which:				
	ZWL	1,234,175	4,809,650	1,234,175	774,314
	Nostro FCA	907,095	200,818	907,095	32,330

Notes to the Financial Statements (continued)

	Inflation adjusted				Historical (unaudited)			
	2019 ZWL'000		2018 ZWL'000		2019 ZWL'000		2018 ZWL'000	
Concentration of customer deposits								
Individuals	245,761	11%	591,676	12%	245,761	11%	95,255	12%
Agriculture	105,075	5%	369,771	7%	105,075	5%	59,530	7%
Mining	4,889	0%	11,373	0%	4,889	0%	1,831	0%
Manufacturing	431,060	20%	978,547	20%	431,060	20%	157,538	20%
Distribution	192,026	9%	281,368	6%	192,026	9%	45,298	6%
Construction	49,208	2%	58,040	1%	49,208	2%	9,344	1%
Transport	200,920	10%	992,032	20%	200,920	10%	159,709	20%
Services	735,033	34%	922,047	18%	735,033	34%	148,442	18%
Other	177,298	9%	805,614	16%	177,298	9%	129,697	16%
	2,141,270	**100%**	**5,010,468**	**100%**	**2,141,270**	**100%**	**806,644**	**100%**

		Inflation adjusted		Historical (unaudited)	
		2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
19	**DEPOSITS FROM BANKS**				
	Deposits from related banks	775	696	775	112
	Deposits from other banks	5,302	-	5,302	-
		6,077	**696**	**6,077**	**112**
20	**OTHER LIABILITIES**				
	Accrued interest payable	44	19	44	3
	Remittances in transit	66,909	22,187	66,909	3,572
	Intermediated Money Transfer Tax	5,891	65,264	5,891	10,507
	International card settlement suspense	7,157	7,721	7,157	1,243
	Long service awards	3,405	17,728	3,405	2,854
	Local card settlement suspense	83,341	2,783	83,341	448
	Group cross border recharges	29,127	8,479	29,127	1,365
	Provisions (note 20)	25,630	51,164	25,630	8,237
	Staff separation liability	15,080	35,921	15,080	5,783
	Other liabilities	32,397	20,048	32,397	3,228
		268,981	**231,314**	**268,981**	**37,240**

		Inflation adjusted			Historical (unaudited)		
21	**PROVISIONS**	Performance bonus ZWL'000	Other accrued expenses ZWL'000	Total ZWL'000	Performance bonus ZWL'000	Other accrued expenses ZWL'000	Total ZWL'000
	Balance at 1 January 2019	**16,678**	**34,486**	**51,164**	**2,685**	**5,552**	**8,237**
	Monetary adjustment	(29,616)	(25,881)	(55,497)	-	-	-
	Provisions made during the period	41,866	2,286	44,152	24,303	1,327	25,630
	Provisions reversed/utilised during the period	(4,625)	(9,564)	(14,189)	(2,685)	(5,552)	(8,237)
	Balance at 31 December 2019	**24,303**	**1,327**	**25,630**	**22,362**	**1,327**	**25,630**
	Balance at 1 January 2018	**19,256**	**21,728**	**40,984**	**3,100**	**3,498**	**6,598**
	Provisions made during the period	16,324	28,759	45,083	2,629	4,630	7,259
	Provisions reversed during the period	-	(2,379)	(2,379)	-	(383)	(383)
	Provisions utilised during the period	(18,902)	(13,622)	(32,524)	(3,043)	(2,193)	(5,236)
	Balance at 31 December 2018	**16,678**	**34,486**	**51,164**	**2,686**	**5,552**	**8,238**

Performance bonus
The provision is recognised for expected bonus payments to employees. It is expected that the bonus will be paid in the next financial year. The bonus provision was based on the Bank's financial results for the current financial year, the Bank's policy and the history of actual payments. The final payment is subject to approval by the Directors.

Other accrued expenses
Included in other accrued expenses is staff leave pay accrual of ZWL1,4 million (2018: ZWL1,4 million).

		Inflation adjusted		Historical (unaudited)	
		2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
22	**CONTINGENT LIABILITIES**				
	Letters of credit	99,891	60,090	99,891	9,674
	Foreign currency forwards	-	4,944	-	796
	Guarantees	205,509	97,514	205,509	15,699
	Other commitments	194,603	190,929	194,603	30,738
		500,003	**353,477**	**500,003**	**56,907**

		Inflation adjusted							Historical (unaudited)						
23	**INTEREST RATE REPRICING GAP ANALYSIS**	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	Up to 1 year ZWL'000	1 to 5 years ZWL'000	Over 5 years ZWL'000	Non Interest bearing ZWL'000	Total ZWL'000	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	Up to 1 year ZWL'000	1 to 5 years ZWL'000	Over 5 years ZWL'000	Non Interest bearing ZWL'000	Total ZWL'000
	Assets														
	Cash and cash equivalents	-	-	-	-	-	1,090,329	1,090,329	-	-	-	-	-	1,090,329	1,090,329
	Financial assets available for sale	15,061	80,247	252,002	67,907	1,581	-	416,798	15,061	80,247	252,002	67,907	1,581	-	416,798
	Loans and advances to customers	101,747	117,000	4,596	400,996	22,518	-	646,857	101,747	117,000	4,596	400,996	22,518	-	646,857
	Other assets	-	-	-	-	-	297,915	297,915	-	-	-	-	-	297,915	297,915
	Restricted balances due from Central Bank	-	-	-	-	-	69,423	69,423	-	-	-	-	-	69,423	69,423
	Investment property	-	-	-	-	-	63,726	63,726	-	-	-	-	-	63,726	63,726
	Property and equipment	-	-	-	-	-	332,482	332,482	-	-	-	-	-	313,269	313,269
	Right of use asset	-	-	-	-	-	7,162	7,162	-	-	-	-	-	1,153	1,153
		116,808	**197,247**	**256,598**	**468,903**	**24,099**	**1,861,037**	**2,924,692**	**116,808**	**197,247**	**256,598**	**468,903**	**24,099**	**1,835,815**	**2,899,470**
	Equity and liabilities														
	Shareholders' funds	-	-	-	-	-	461,866	461,866	-	-	-	-	-	439,520	439,520
	Deposits from customers	2,140,027	-	1,243	-	-	-	2,141,270	2,140,027	-	1,243	-	-	-	2,141,270
	Deposits from banks	-	-	-	-	-	6,077	6,077	-	-	-	-	-	6,077	6,077
	Other liabilities	-	-	-	-	-	268,981	268,981	-	-	-	-	-	268,981	268,981
	Current tax liability	-	-	-	-	-	1,019	1,019	-	-	-	-	-	1,019	1,019
	Deferred tax liability	-	-	-	-	-	45,479	45,479	-	-	-	-	-	42,603	42,603
		2,140,027	**-**	**1,243**	**-**	**-**	**783,422**	**2,924,692**	**2,140,027**	**-**	**1,243**	**-**	**-**	**758,200**	**2,899,470**
	Interest rate repricing gap	**(2,023,219)**	**197,247**	**255,355**	**468,903**	**24,099**	**1,077,615**		**(2,023,219)**	**197,247**	**255,355**	**468,903**	**24,099**	**1,077,615**	
	Cumulative gap	**(2,023,219)**	**(1,825,972)**	**(1,570,617)**	**(1,101,714)**	**(1,077,615)**	**-**		**(2,023,219)**	**(1,825,972)**	**(1,570,617)**	**(1,101,714)**	**(1,077,615)**	**-**	
24	**LIQUIDITY GAP ANALYSIS**														
	Assets														
	Cash and cash equivalents	1,090,329	-	-	-	-	-	1,090,329	1,090,329	-	-	-	-	-	1,090,329
	Financial assets available for sale	15,061	80,247	252,002	67,907	1,581	-	416,798	15,061	80,247	252,002	67,907	1,581	-	416,798
	Loans and advances to customers	101,747	117,000	4,596	400,996	22,518	-	646,857	101,747	117,000	4,596	400,996	22,518	-	646,857
	Other assets	24,248	33,209	146,071	94,387	-	-	297,915	24,248	33,209	146,071	94,387	-	-	297,915
	Restricted balances due from Central Bank	69,423	-	-	-	-	-	69,423	69,423	-	-	-	-	-	69,423
	Investment property	-	-	-	-	-	63,726	63,726	-	-	-	-	-	63,726	63,726
	Property and equipment	-	-	-	-	-	332,482	332,482	-	-	-	-	-	313,269	313,269
	Right of use asset	-	-	-	-	-	7,162	7,162	-	-	-	-	-	1,153	1,153
		1,300,808	**230,456**	**402,669**	**563,290**	**24,099**	**403,370**	**2,924,692**	**1,300,808**	**230,456**	**402,669**	**563,290**	**24,099**	**378,148**	**2,899,470**
	Equity and liabilities														
	Shareholders' funds	-	-	-	-	-	461,871	461,871	-	-	-	-	-	439,520	439,520
	Deposits from customers	2,140,027	-	1,243	-	-	-	2,141,270	2,140,027	-	1,243	-	-	-	2,141,270
	Deposits from banks	6,077	-	-	-	-	-	6,077	6,077	-	-	-	-	-	6,077
	Other liabilities	192,469	-	-	3,405	-	73,109	268,983	192,469	-	-	3,405	-	73,109	268,983
	Current tax liability	-	1,019	-	-	-	-	1,019	-	1,019	-	-	-	-	1,019
	Deferred tax liability	-	-	-	-	-	45,479	45,479	-	-	-	-	-	42,603	42,603
		2,338,573	**1,019**	**1,243**	**3,405**	**-**	**580,452**	**2,924,699**	**2,338,573**	**1,019**	**1,243**	**3,405**	**-**	**555,232**	**2,899,472**
	Liquidity gap	**(1,037,765)**	**229,437**	**401,426**	**559,885**	**24,099**	**(177,082)**		**(1,037,765)**	**229,437**	**401,426**	**559,885**	**24,099**	**(177,082)**	
	Cumulative gap	**(1,037,765)**	**(808,328)**	**(406,902)**	**152,983**	**177,082**	**-**		**(1,037,765)**	**(808,328)**	**(406,902)**	**152,983**	**177,082**	**-**	

Notes to the Financial Statements (continued)

25 MANAGED FUNDS

The Bank holds a custodianship in respect of assets owned by certain pension funds and private clients. In the event that the Bank defaults in executing its custodial duties, it may be held liable by third parties.

26 EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 31 December 2019, the RBZ directed that the minimum capital requirement for large indigenous commercials banks and all foreign banks have been revised to ZWL equivalent to USD30 million effective 31 December 2020. The Bank has put in place a number of initiatives it believes will enable it to attain the required capital target by 31 December 2020.

The outbreak of corona virus (CovID-19) has placed the world economic growth prospects at risk. The Government of Zimbabwe has also declared the same a national disaster. The Bank is following closely the developments and is assessing potential impact to its financial performance in 2020 going forward. In the meantime, the Bank has activated a number of Business Continuity Plans to reduce the risk on its staff and stakeholders' health while at the same time ensuring uninterrupted service delivery to its customers.

27 RESERVE BANK OF ZIMBABWE ON-SITE EXAMINATION

The latest on-site examination of the Bank was conducted in May 2019 and the Bank was given an overall rating of "2", which is a satisfactory rating using the CAMELS model. This rating was largely premised on the Bank's strong capital base and satisfactory earnings performance. The following table shows the rating by each of the six components of CAMELS:

CAMELS component	Latest rating
Capital adequacy	1
Asset Quality	1
Management	2
Earnings	2
Liquidity	1
Sensitivity to Market Risk	1
Composite rating	2

Key

1 Strong 2 Satisfactory 3 Fair 4 Weak 5 Critical

Summary Risk Matrix

The Bank's overall composite risk , based on the Risk Assessment System (RAS), was considered low and stable. The Bank's risk profile was summarised as below:

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	Low	Acceptable	Low	Stable
Foreign exchange	Low	Acceptable	Low	Stable
Strategic risk	Moderate	Acceptable	Moderate	Stable
Operational risk	Moderate	Acceptable	Moderate	Stable
IT and Cyber Security risk	Moderate	Strong	Low	Stable
Legal	Low	Strong	Low	Stable
Compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Low	Strong	Low	Stable
Overall	Low	Strong	Low	Stable

Notes to the Financial Statements (continued)

Interpretation of the risk matrix

Level of inherent risk

Low: reflects a lower than average probability of an adverse impact on a bank's capital and earnings.

Losses in a functional area with a low inherent risk would have little negative impact on the bank's overall financial condition.

Moderate: could reasonably be expected to result in a loss that could be absorbed by a bank 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 bank.

Adequacy of risk management

Weak: risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the bank. The bank's risk management systems are lacking in important ways and are 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: 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.

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 financial 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.

28 EXTERNAL CREDIT RATING

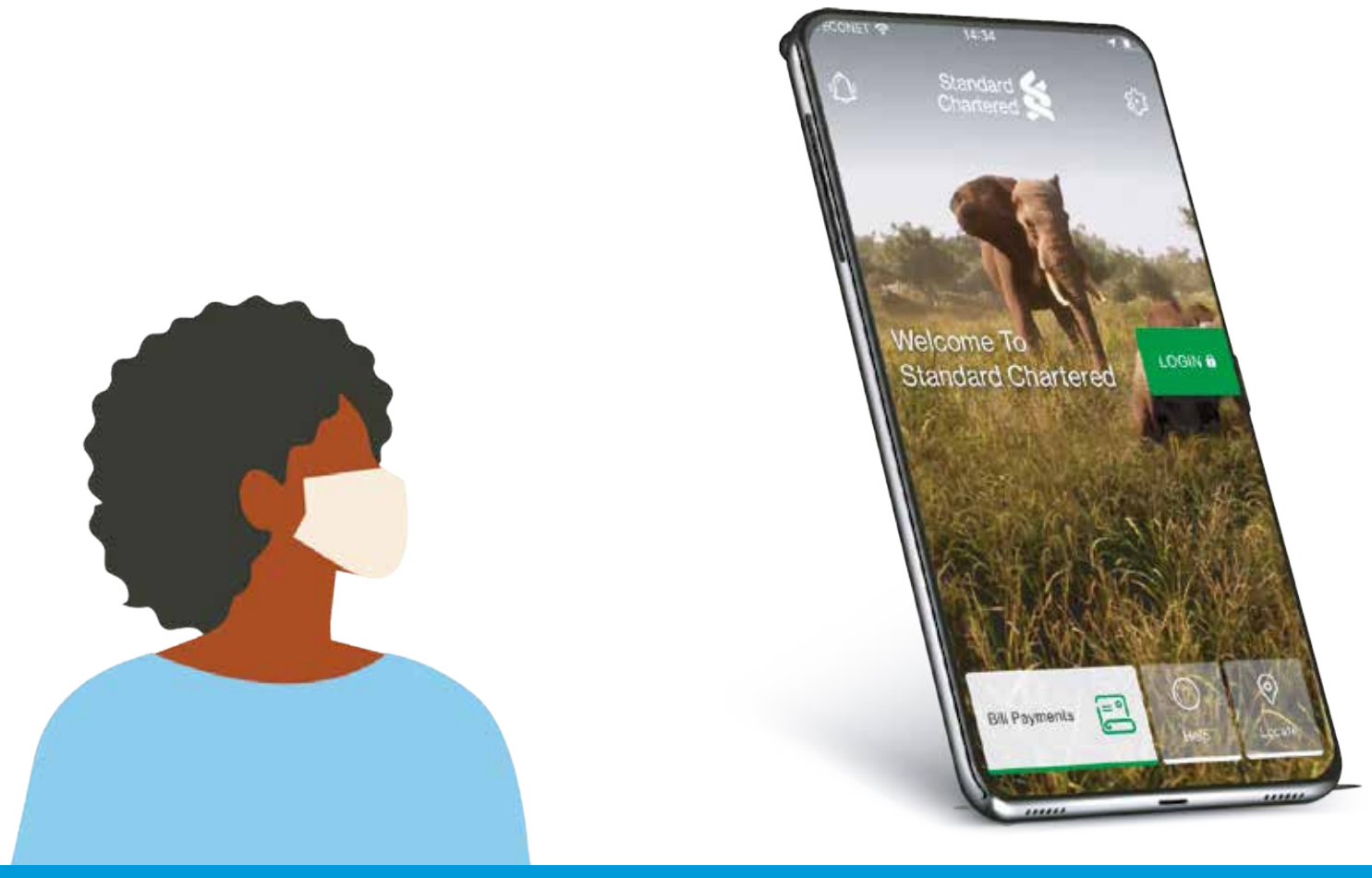
Rating agent	2019	2018	2017
Global Credit Rating company	AA-	AA-	AA-

By order of the Board

C. Kamba
Company Secretary

26 March 2020
Harare

Standard Chartered



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