STANDARD CHARTERED BANK ZIMBABWE LIMITED

Registered Commercial Bank
A member of the Deposit Protection Corporation

Standard Chartered

UNAUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

Chairman's Statement

Operating Environment

The operating environment in the first half of 2019 was volatile characterised by foreign currency shortages, unreliable electricity supply, depressed industry capacity utilisation and a sharp reduction in disposable incomes following the introduction of the Zimbabwe Dollar ('ZWL') and subsequent depreciation of the local currency against the United States Dollar ('USD'). The El Niño induced drought as well as the devastating impact of Cyclone Idai have also diverted limited resources from key growth initiatives towards drought relief and aid for the impacted communities.

In the February 2019 Monetary Policy Statement, the Reserve Bank of Zimbabwe (RBZ) moved away from a fixed exchange rate between the USD and the ZWL and introduced an interbank foreign currency market. The RBZ highlighted that the measures were meant to facilitate access and pricing of foreign currency on a market determined basis. June 2019 saw the introduction of the Zimbabwe dollar as the sole legal tender, marking the end of the ten-year multi-currency era. The RBZ resumed its role as the "lender of last resort", a welcome and essential development to improve liquidity and financial intermediation by the banking sector. The committement shown by the authorities to implement reforms should position the country for long term sustainable growth.

Despite these challenges, at Standard Chartered Bank we remain committed to our purpose statement, 'Driving commerce and prosperity through our unique diversity.'

Financial Performance

I am pleased to advise that the Bank's digitalisation strategy has begun to bear fruits through operational efficiencies and reductions in the cost of providing banking services to our customers. The Bank achieved a profit after tax of ZWL34.1 million for the half year ended 30 June 2019. The improved performance was due to growth in earning assets and tariff reviews in line with the inflationary environment as well as diligent cost management. The change in currency and increase in inflation necessitated an upward review of fees and commissions to sustain operations. The introduction of the local currency saw the Bank reviewing its product lines to fulfil customer needs while its operating costs, following reorganisation have only marginally increased despite the high inflation environment. 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 0.7% as at 30 June 2019. The balance sheet remained strong, highly liquid and well capitalised.

Community Investment

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

The Bank works 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 the Bank offers every employee three days paid leave each year to volunteer. Volunteering provides an opportunity for staff to share their time, skills and expertise with local partners working on issues that matter in their communities. Our staff have participated in the monthly national clean up initiative as part of their employee volunteering. The Bank also donated text books to the Cyclone Idai victims in Chimanimani in addition to clothes donated by staff.

During the second half of 2019, the Bank will develop opportunities for employees to share their unique skills and expertise through **Futuremakers by Standard Chartered**, our global initiative to tackle inequality and promote economic inclusion.

The Bank's investment under the '**Seeing is Believing'** programme, in partnership with Christian Blind Mission (CBM), 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 2019.

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

Corporate Governance

The Bank remains committed to the maintenance of the highest standards of corporate governance across all its banking activities. 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 through the Board Audit Committee. A robust Enterprise Risk Management Framework is in place and sets out the principles and standards on how we manage risk.

Directorate

I would like to extend a special welcome to Mubaiwa Mubayiwa, Head Commercial Banking who was appointed Executive Director for the Bank on the 25th of April 2019 and look forward to his contribution.

Outlook

The Bank continues to drive investment, trade and creation of wealth across its preferred markets underpinned by our valued behaviors, **Do the right thing, Never Settle and Better Together.**

Standard Chartered Bank Zimbabwe Limited looks forward to leveraging on the first ever retail digital banking platform in Zimbabwe, SC Mobile which was successfully launched in June 2019. This is a world class mobile banking application which allows clients to conduct their banking activities on their mobile devices. The Bank will continue to maintain the highest levels of Financial Crime Compliance culture to protect its clients and maintain the integrity of the Zimbabwe financial sector.

Acknowledgement

I would like to thank our staff, management and fellow Directors for their commitment and hard work to deliver a good performance under challenging operating conditions. Your dedication echoes our brand promise - to be **Here for good**. We remain indebted to our stakeholders, particularly our clients for their unwavering support and loyalty.

L.T. Manatsa
CHAIRMAN

21 August 2019

Statement of Profit or Loss and Other Comprehensive Income

	Note	Unaudited 6 months to 30 June 2019 ZWL	Unaudited 6 months to 30 June 2018 ZWL	Audited 12 months to 31 December 2018 ZWL
Interest income	2	24,489,476	18,279,777	39,415,280
Interest expense	3	(24,834)	(133,732)	(302,150)
Net interest income		**24,464,642**	**18,146,045**	**39,113,130**
Fee and commission income		20,479,129	17,509,728	33,878,327
Foreign currency trading Income		2,053,136	1,924,543	3,246,520
Commission expense		(1,971,956)	(3,848,210)	(7,151,837)
Non interest income		**20,560,309**	**15,586,061**	**29,973,010**
Total revenue		**45,024,951**	**33,732,106**	**69,086,140**
Other income	4	17,084,674	172,068	550,934
Total income		**62,109,625**	**33,904,174**	**69,637,074**
Loss on sale of property and equipment		(97,163)	(89,766)	(84,412)
Operating expenses	5	(21,342,487)	(20,311,756)	(45,048,791)
Profit before impairment		**40,669,975**	**13,502,652**	**24,503,871**
Net impairment (charge)/recovery		**(5,394,441)**	**97,851**	**1,572,516**
Expected credit losses:				
(i) Loans and advances at amortised cost	12.2	22,524	894,669	2,149,034
(ii) Financial assets at fair value through other comprehensive income	11.2	(6,323,929)	(1,283,422)	(409,011)
Recovery of bad debts previously written off		1,066,145	563,184	592,994
Bad debts written off		(159,181)	(76,580)	(760,501)
Profit before tax		**35,275,534**	**13,600,503**	**26,076,387**
Tax expense	7	(1,181,444)	(3,586,164)	(7,707,551)
Profit after tax		**34,094,090**	**10,014,339**	**18,368,836**
Other comprehensive income:				
Items that will not be reclassified to profit or loss		**121,292,575**	**-**	**924,437**
Property revaluation gains		143,043,940	-	973,092
Related tax		(21,751,365)	-	(48,655)
Items that are or maybe be reclassified subsequently to profit and loss		**6,323,929**	**952,941**	**303,691**
Reserve on financial assets at FVOCI		6,323,929	1,283,422	409,011
Related tax		-	(330,481)	(105,320)
Other comprehensive income		**127,616,504**	**952,941**	**1,228,128**
Total comprehensive income for the period		**161,710,594**	**10,967,280**	**19,596,964**

Statement of Financial Position

	Notes	Unaudited as at 30 June 2019 ZWL	Unaudited as at 30 June 2018 ZWL	Audited as at 31 December 2018 ZWL
ASSETS				
Cash and cash equivalents	9	391,665,139	284,610,042	363,138,385
Financial assets at fair value through other comprehensive income	11	481,629,549	374,135,135	365,009,116
Loans and advances	12.3	211,298,332	145,799,200	139,234,626
Other assets	13	108,706,595	3,459,741	2,284,555
Current tax asset		3,170,460	109,535	37,998
Restricted balances with the Central Bank	14	39,014,107	-	41,048,517
Non current assets held for sale		65,471,800	3,028,067	3,511,691
Investment property	15	19,866,000	3,000,000	3,000,000
Property and equipment	16	108,232,935	27,684,789	28,374,012
Deferred tax asset		-	1,214,327	2,410,621
Total assets		**1,429,054,917**	**843,040,836**	**948,049,521**
EQUITY AND LIABILITIES				
Equity				
Share capital		825,000	825,000	825,000
Share premium		20,625,000	20,625,000	20,625,000
Change in functional currency reserve		5,936,639	5,936,639	5,936,639
Revaluation reserve		132,138,919	9,921,907	10,846,344
Retained earnings		92,877,308	50,428,721	58,783,218
Reserve on financial assets at FVOCI		13,362,072	7,687,393	7,038,143
Total equity		**265,764,938**	**95,424,660**	**104,054,344**
Liabilities				
Deposits from customers	17	1,082,864,890	721,804,691	806,644,431
Deposits from banks	18	4,993,169	292,019	111,803
Other liabilities	19	55,424,501	25,519,466	37,238,943
Deferred tax liability		20,007,419	-	-
Total liabilities		**1,163,289,979**	**747,616,176**	**843,995,177**
Total equity and liabilities		**1,429,054,917**	**843,040,836**	**948,049,521**

Statement of Changes in Equity

For the half year ended 30 June 2019

	Share capital ZWL	Share premium ZWL	Change in functional currency reserve ZWL	Revaluation reserve ZWL	Reserve on financial assets at FVOCI ZWL	Retained earnings ZWL	Total ZWL
Balance as at 1 January 2019	**825,000**	**20,625,000**	**5,936,639**	**10,846,344**	**7,038,143**	**58,783,218**	**104,054,344**
Profit for the period	-	-	-	-	-	34,094,090	34,094,090
Other comprehensive income	-	-	-	121,292,575	6,323,929	-	127,616,504
Balance as at 30 June 2019	**825,000**	**20,625,000**	**5,936,639**	**132,138,919**	**13,362,072**	**92,877,308**	**265,764,938**
Balance as reported at 31 December 2017	**825,000**	**20,625,000**	**5,936,639**	**9,921,907**	**-**	**47,287,697**	**84,596,243**
Adjustment on initial adoption of IFRS 9 (net of tax)	-	-	-	-	6,734,452	(6,873,315)	(138,863)
Adjusted balance as at 1 January 2018	**825,000**	**20,625,000**	**5,936,639**	**9,921,907**	**6,734,452**	**40,414,382**	**84,457,380**
Profit for the period	-	-	-	-		10,014,339	10,014,339
Other comprehensive income	-	-	-	-	952,941	-	952,941
							-
Balance as at 30 June 2018	**825,000**	**20,625,000**	**5,936,639**	**9,921,907**	**7,687,393**	**50,428,721**	**95,424,660**

Statement of Cash Flows

	Unaudited 6 months to 30 June 2019 ZWL	Unaudited 6 months to 30 June 2018 ZWL	Audited 12 months to 31 December 2018 ZWL
Cash flow from operating activities:			
Profit before tax	35,275,534	13,600,503	26,076,387
Adjustments for:			
Fair value adjustment on investment property	(16,866,000)	-	-
Loss on disposal of property and equipment	97,163	89,766	84,412
Depreciation charge	1,023,143	1,001,080	2,163,088
Net interest income	(24,464,642)	(18,146,045)	(39,113,130)
Net loan impairment charge/(recovery)	6,460,586	(97,851)	(2,165,510)
Operating cash flow before changes in operating assets and liabilities	**1,525,784**	**(3,552,547)**	**(11,768,765)**
Changes in operating assets and liabilities:			
Increase in financial assets held at fair value through other comprehensive income	(116,620,433)	(101,936,375)	(93,684,767)
(Increase)/decrease in loans and advances	(72,063,706)	7,094,297	15,824,381
Increase in other assets	(106,431,504)	(381,958)	(438,917)
Decrease/(increase) in balances due from the Central Bank	2,034,410	-	(40,803,117)
Increase in deposits from customers	276,220,459	17,496,864	102,091,204
Increase in deposits from banks	4,881,366	262,209	81,993
Increase/(decrease) in other liabilities	12,036,621	(1,098,519)	10,632,876
	1,582,997	**(82,116,029)**	**(19,155,994)**
Interest income	24,489,476	18,279,777	(39,320,174)
Interest expense	(24,834)	(133,732)	(301,573)
Corporate tax paid	(2,328,805)	(3,304,448)	(8,481,401)
Net cash generated/(utilised) from operating activities	**23,718,834**	**(67,274,432)**	**11,381,206**
Cash flow from investing activities:			
Proceeds from disposal of property and equipment	2,091,916	2,221,444	3,420,578
Improvements and additions to property and equipment	(125,000)	(400,139)	(1,726,568)
Net cash generated from investing activities	**1,966,916**	**1,821,305**	**1,694,010**
Net increase/(decrease) in cash and cash equivalents	**25,685,750**	**(65,453,127)**	**13,075,216**
Cash and cash equivalents at the beginning of the period	363,138,385	350,063,169	350,063,169
Effects of exchange rate flactuations	2,841,004	-	-
Cash and cash equivalents at the end of the period	**391,665,139**	**284,610,042**	**363,138,385**

Corporate Governance

The Board

The Board, which comprises three Executive Directors, two Non-Executive Directors 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
L.T. Manatsa*	√	√
R. Watungwa**	√	√
C. Mwerenga**	√	√
S. M Mushiri****	√	√
S. Nhakaniso*****	n/a	n/a
M. Mubayiwa******	n/a	√
M. Clarke***	√	√
F. Pieterse***	√	√
E. Mkondo****	√	√
H.S. Mashanyare****	√	√

*Chairperson
**Executive Director
***Non Executive Director
****Independent Non Executive Director
*****Resigned effective 22 March 2019
******Appointed as Executive Director effective 25 April 2019

√ - Present
x - Apology

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

Corporate Governance (continued)

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*	2	2
S.M. Mushiri	2	
H.S. Mashanyare	2	

*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*	2	2
F. Pieterse	2	
M. Clarke	2	

*Chairperson

Loans Review Committee

The 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*	2	2
C. Mwerenga	2	
E. Mkondo	2	

*Chairperson

Credit committee

The 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
L.T. Manatsa*	2	2
R. Watungwa	2	
H. S. Mashanyare	2	

*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 Reserve Bank of Zimbabwe's ('RBZ') directives on liquidity management, capital adequacy, as well as prudential lending guidelines.

Going concern

These unaudited 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.

Approval of the unaudited abridged financial statements

These unaudited financial statements were approved at a Board Audit Committee meeting held on 21 August 2019.

By order of the Board

Company Secretary

21 August 2019

Risk Management

The Bank's Enterprise Risk Management Framework ('ERMF') identifies ten principal risk types which are inherent in the business. The ERMF sets out a refreshed risk culture and a clear control framework with sharper delineation of responsibilities for risk management between the three lines of defence. Formalised links between strategy, risk appetite and stress testing facilitate more dynamic risk identification and the integration of risk considerations into strategic decision-making. The Bank is exposed to the following principal risk types:

Credit Risk - Potential for loss due to the failure of a counter party to meet its agreed obligations to pay the Bank.

Country Risk - Potential for losses due to political or economic events in a country.

Traded Risk - Potential for loss resulting from activities undertaken by the Bank in financial markets.

Capital and Liquidity Risk – Capital risk is the potential for insufficient level, composition or distribution of capital to support the Bank's normal activities. Liquidity is the potential for loss where the Bank may not have sufficient stable or diverse sources of funding or financial resources to meet its obligations as they fall due.

Operational Risk - Potential for loss resulting from inadequate or failed internal processes and systems, human error, or from the impact of external events (including legal risks).

Reputational Risk - 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.

Compliance Risk - Potential for penalties or loss to the Bank or for an adverse impact to its clients, stakeholders or to the integrity of the markets it operates in through a failure on the Bank's part to comply with laws and regulations.

Conduct Risk - Risk of detriment to the Bank's customers and clients, investors, shareholders, market integrity, competition and counterparties or from the inappropriate supply of financial services, including instances of negligent misconduct.

Information and Cyber Security Risk - Potential for loss from a breach of confidentiality, integrity and availability of the Bank's information systems and assets through cyber-attack, insider activity, error or control failure.

Financial Crime Risk - Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering and anti-bribery and corruption.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board discharges some of its responsibilities directly and delegates certain other responsibilities to its Committees to assist it in carrying out its function of ensuring independent oversight and stewardship, including the Board Risk Committee, Board Loans Review Committee and Board Credit Committee. The Board Audit Committee exercises oversight and review of financial, audit, internal financial control and non-financial crime issues such as fraud risk. The Board has delegated some of its risk management responsibilities to the Country Management Team which is responsible for maintaining a sound system of internal controls and risk management supported by the following risk committees: Asset and Liability Committee ('ALCO'), Credit Approvals Committee ('CAC'), Executive Risk Committee ('ERC'), Credit Issues Committee ('CIC') and Financial Crime Risk Committee ('CFCRC').

The Risk Management Function is responsible for the sustainability of the Bank's business through implementation of good risk management practices across client facing and support functions, ensuring business is conducted in line with regulatory expectations and approved risk appetite. The Country Chief Risk Officer and Head of Compliance directly manage the second line functions that are separate and independent from the origination, trading and sales processes of the business.

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 unaudited 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'). The accounting policies applied in the preparation of the 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 results have been prepared on the historical cost basis except for investment property, financial assets at fair value and the Bank's property for own use, whose values have been stated at fair value.

Functional and presentation currency

The Bank had been presenting its financial statements for prior years in United States Dollars ('USD') which was its functional currency and presentation currency since the adoption of multi-currency system in 2009. On 20 February 2019, the Reserve Bank of Zimbabwe presented its 2019 Monetary Policy Statement introducing a new currency termed RTGS dollar. On 22 February 2019, Statutory Instrument 33 of 2019 (SI 33 of 2019) was issued and this instrument prescribed that all assets and liabilities that were expressed in USD, immediately before the effective date of SI 33 of 2019 would be deemed to be valued in RTGS dollar commencing effective date. Further, on 24 June 2019, Statutory Instrument 142 of 2019 (SI 142 of 2019) was issued advising the discontinuation of the multi-currency system and introduction of the Zimbabwe dollar effective that date.

Accounting Policies (continued)

Functional and presentation currency (continued)
Following these new regulations, the Directors made a decision to change the Bank's presentation currency from United States Dollars to Zimbabwe dollar ('ZWL' or '$') with effect from 22 February 2019. Consequently, these financial statements have been presented in ZWL, the new presentation currency for the Bank. Prior year financial statements have been translated in line with SI33 of 2019. As the Zimbabwe dollar was introduced in 2019, it is not reasonably practical to convert prior year numbers using any other exchange rate because of unavailability. Consequently comparative numbers have been restated from USD at 1:1 with the introduced Zimbabwe dollar.

The financial results for the year ended 31 December 2018 were audited with the USD as the base currency and a modified opinion issued thereon. The same financial results have also been translated to ZWL at 1:1 to the USD in line with changes presented by SI33 of 2019.

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

Financial Reporting in Hyperinflationary Economies
IAS 29: Financial Reporting in Hyperinflationary Economies, requires restatement of financial statements of an entity whose functional currency is the currency of a hyperinflationary environment. The standard lists the characteristics of hyperinflationary economic environment as; (a) when the population prefers to keep its wealth in non-monetary assets; (b) regards monetary amounts in terms of a relative stable foreign currency; (c) sales are at prices that compensate for expected loss of purchasing power and (d) cumulative inflation rate over three years is approaching or exceeds 100%.

As discussed in the Chairman's Statement, the economy has been characterised by high levels of inflation. The accounting profession is currently assessing the implication of the current inflationary environment and whether the existing conditions are indicative of a hyperinflationary economy which requires application of IAS 29. IAS 29 prefers that all entities that report in the currency of the same hyperinflationary economy apply the standard from the same date. Having considered the environment and the preferred market wide application of IAS 29, the directors have presented the financial statements on a historical basis. The financial information presented may differ if the Public Accountants and Auditors Board mandate the application of IAS 29 in the next reporting period.

CHANGE IN SIGNIFICANT ACCOUNTING POLICIES
On 1 January 2019, the Bank adopted IFRS 16: Leases, as issued by IFRS. IFRS 16 replaced IAS 17: Leases. The Bank has elected to adopt the simplified approach of transition and will 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'.

As of 30 June 2019, the right-of-use assets in respect of property leases were ZWL1.2m and these were presented in 'Property and equipment' on the Bank's balance sheet.

The corresponding property lease liabilities were ZWL1.2m. Lease liabilities are presented in 'Other liabilities' on the Bank's balance sheet.

The total charge to the income statement for the six months ended 30 June 2019 was ZWL272k. Of this, ZWL40k was recognised as 'Interest expense' on lease liabilities and ZWL232k was recognised as 'Depreciation and amortisation' on the right-of-use assets.

The difference between operating lease commitments as disclosed in the Bank's 2018 Annual Report 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.

FINANCIAL INSTRUMENTS
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 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 Fair Value Through Profit and Loss.

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 Fair Value Through Other Comprehensive Income.

The Bank assess 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 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.

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.

Accounting Policies (continued)

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 Unaudited Abridged Financial Statements

1 INCORPORATION AND ACTIVITIES
Standard Chartered Bank Zimbabwe Limited provides retail banking, corporate banking and custodial services. The Bank is incorporated and registered as a commercial bank under the Banking Act, (Chapter 24:20) of Zimbabwe. Its ultimate parent company is Standard Chartered PLC.

	Unaudited 6 months to 30 June 2019 ZWL	Unaudited 6 months to 30 June 2018 ZWL	Audited 12 months to 31 Dec 2018 ZWL
2 INTEREST INCOME			
Loans and advances to banks	776,183	86,825	160,985
Loans and advances to customers	7,001,432	7,053,389	13,696,488
Bonds, bills and other debt securities	16,711,861	11,139,563	25,557,807
	24,489,476	**18,279,777**	**39,415,280**
3 INTEREST EXPENSE			
Time deposits	24,710	118,823	260,408
Savings deposits	124	14,909	41,742
	24,834	**133,732**	**302,150**
4 OTHER INCOME			
Rental income from investment property	218,674	172,068	333,761
Fair value gain on investment property	16,866,000	-	-
Other miscellaneous income	-	-	217,173
	17,084,674	**172,068**	**550,934**
5 OPERATING EXPENDITURE			
Audit fees	145,150	72,001	144,001
Depreciation and amortisation	1,023,144	1,001,081	2,163,088
Staff costs	14,969,663	13,028,203	29,029,599
Directors' emoluments	862,160	670,131	1,124,329
Group cross border recharges	515,233	1,165,497	1,910,817
Premises and equipment costs	2,099,496	2,117,828	4,403,881
Value Added Tax on imported services	1,164,989	563,332	1,941,929
Communication costs	410,813	481,190	944,100
Other	151,839	1,212,493	3,387,047
	21,342,487	**20,311,746**	**45,048,791**
6 DIRECTORS' EMOLUMENTS			
Fees for services as directors	72,165	42,500	87,100
Pension	28,897	24,455	49,807
Salaries	736,334	552,691	883,910
Other emoluments	24,764	50,485	103,512
	862,160	**670,131**	**1,124,329**
7 TAX EXPENSE			
Charge for taxation based on taxable income for the period	420,721	3,321,723	8,198,465
Provision for Aids levy	12,622	99,652	245,954
	433,343	**3,421,375**	**8,444,419**
Capital gains tax	81,427	107,313	107,313
Prior year tax adjustment	-	-	118,133
Deferred tax charge/(credit)	666,674	57,476	(962,314)
	1,181,444	**3,586,164**	**7,707,551**
8 CAPITAL AND RESERVES			
Tier 1 capital	**113,760,823**	**71,549,591**	**77,370,678**
Paid up share capital	825,000	825,000	825,000
Share premium	20,625,000	20,625,000	20,625,000
Foreign currency translation reserve (limited to 75% of closing balance)	4,452,479	4,452,479	4,452,479
Retained earnings	92,877,308	50,428,721	58,783,218
Less insider loans	(23,573)	(39,512)	(31,840)
Less Capital allocated for market and operational risk	(4,995,391)	(4,742,097)	(7,283,179)
Tier 2 capital	**118,756,173**	**14,375,809**	**14,556,479**
Foreign currency translation reserve (limited to 25% of closing balance)	1,484,160	1,484,160	1,484,160
Revaluation reserve	110,932,363	9,921,907	10,846,344
General provisions (limited to 1.25% of risk weighted assets)	6,339,650	2,969,742	2,225,975
Total capital - Tier 1 and 2	**232,516,996**	**85,925,400**	**91,927,157**
Tier 3 capital			
Capital allocated for market and operational risk	4,995,391	4,742,097	7,283,179
Total capital base	**237,512,387**	**90,667,497**	**99,210,336**
Risk weighted assets	**621,765,115**	**237,579,381**	**238,771,172**
Tier 1 capital ratio	18.30%	30.12%	32.40%
Tier 2 capital ratio	19.10%	6.05%	6.10%
Tier 3 capital ratio	0.80%	2.00%	3.05%
Capital adequacy ratio	38.20%	38.16%	41.55%
9 CASH AND CASH EQUIVALENTS			
Cash and balances with banks	200,687,041	31,737,398	39,371,169
Unrestricted balances with the Central Bank	190,978,098	252,872,644	323,767,216
Total cash and cash equivalents	**391,665,139**	**284,610,042**	**363,138,385**
10 LIQUIDITY			
Cash and cash equivalents	391,665,139	284,610,042	363,138,385
Financial assets available for sale	481,629,549	374,135,135	365,009,116
Restricted balances with the Central Bank	39,014,107	-	41,048,517
Total liquid assets	**912,308,795**	**658,745,177**	**769,196,018**
Customer deposits	1,082,864,890	721,804,691	806,644,431
Deposits from banks	4,993,169	292,019	111,803
Total liabilities to the public	**1,087,858,059**	**722,096,710**	**806,756,234**
Liquidity ratio (minimum - 30%)	83.86%	91.23%	95.34%
11 FINANCIAL ASSETS AT FVOCI			
Bonds and notes issued by the Government	427,816,291	371,311,801	362,175,131
Money market instruments issued by others	53,813,258	2,823,334	2,833,985
Gross balance	**481,629,549**	**374,135,135**	**365,009,116**
11.1 Maturities			
More than 5 years	1,287,772	1,287,772	1,287,772
5 years or less but over 1 year	1,353,061	53,855,216	9,781,063
1 year or less but over 3 months	408,744,068	287,447,138	258,632,613
3 months or less including payable on demand	70,244,648	31,545,009	95,307,668
	481,629,549	**374,135,135**	**365,009,116**

11.2 Expected losses on financial assets at fair value through other comprehensive income
The movement in expected credit losses in respect of financial assets at fair value through other comprehensive income during the year was as below. As FVOCI instruments are held at fair value in the statement of financial position, accumulated expected credit losses are held as a separate component or other comprehensive income rather than netted off against the asset itself.

	Unaudited 30 June 2019 ZWL	Unaudited 30 June 2018 ZWL	Audited 31 Dec 2018 ZWL
Balance at 1 January	**9,478,980**	**-**	**-**
Adjustment on initial adoption of IFRS 9	-	9,069,969	9,069,969
New expected losses created and recognised in profit and loss (**Stage 2**)	6,323,929	1,283,422	409,011
Balance as at	**15,802,909**	**10,353,391**	**9,478,980**
12 LOANS AND ADVANCES TO CUSTOMERS			
12.1 Maturity analysis			
3 months or less	61,332,692	45,898,082	36,640,203
Between 3 and 12 months	55,119,847	22,647,370	20,864,980
Between 1 and 5 years	82,107,700	77,541,409	76,466,644
Over 5 years	15,475,516	3,870,933	8,176,381
	214,035,755	**149,957,794**	**142,148,208**

Notes to the Unaudited Abridged Financial Statements (continued)

12.2 Loan impairment allowance
The movement in loan impairment allowance during the year was as below. Allowances were determined in line with the requirements of IFRS 9.

	Stage 1 ZWL	Stage 2 ZWL	Stage 3 ZWL	Total ZWL
Unaudited 30 June 2019				
Balance at beginning of period	**1,107,488**	**278,000**	**699,067**	**2,084,555**
(Recovery)/ charge through profit and loss	**(271,000)**	**(230,397)**	**478,873**	**(22,524)**
Impairment allowances created in the period	407,000	290,000	478,873	1,175,873
Provisions reversed	(678,000)	(520,397)	-	(1,198,397)
Balance at end of period	**836,488**	**47,603**	**1,177,940**	**2,062,031**
Audited 31 December 2018				
Balance as previously reported	**997,000**	**1,199,658**	**1,881,116**	**4,077,774**
IFRS 9 first time adoption impact	84,883	102,138	-	187,021
Restated Balance at beginning of the period	**1,081,883**	**1,301,796**	**1,881,116**	**4,264,795**
Charge/(recovery) through profit and loss	**25,605**	**(1,023,796)**	**(1,150,843)**	**(2,149,034)**
Impairment allowances created in the period	25,605	-	934,616	960,221
Provisions reversed	-	(1,023,796)	(2,085,459)	(3,109,255)
Applied against bad debts written off	-	-	(31,206)	(31,206)
Balance at end of period	**1,107,488**	**278,000**	**699,067**	**2,084,555**
Unaudited 30 June 2018				
Balance as previously reported	**997,000**	**1,199,658**	**1,881,116**	**4,077,774**
IFRS 9 first time adoption impact	84,883	102,138	-	187,021
Restated Balance at beginning of the period	**1,081,883**	**1,301,796**	**1,881,116**	**4,264,795**
(Recovery)/ charge through profit and loss	**(129,541)**	**(964,690)**	**199,562**	**(894,669)**
Impairment allowances created in the period	-	-	642,669	642,669
Provisions reversed	(129,541)	(964,690)	(443,107)	(1,537,338)
Applied against bad debts written off	-	-	(586,203)	(586,203)
Balance at end of period	**952,342**	**337,106**	**1,494,475**	**2,783,923**

12.3 Loans and advances credit quality analysis

	Unaudited 30 June 2019				Unaudited 31 Dec 2018			
	Stage 1 ZWL	Stage 2 ZWL	Stage 3 ZWL	Total ZWL	Stage 1 ZWL	Stage 2 ZWL	Stage 3 ZWL	Total ZWL
Grades 1 : 4 - low to fair risk	206,642,561	5,127,371	-	211,769,932	124,499,208	15,972,881	-	140,472,089
Grade 5 : 7 - Watch List	-	312,533	-	312,533	-	-	-	-
Grade 8 : 10 - doubtful to Loss	-	-	1,953,290	1,953,290	-	-	1,676,119	1,676,119
Loss allowance (Note 15.3)	(836,488)	(47,603)	(1,177,940)	(2,062,031)	(1,107,488)	(278,000)	(699,067)	(2,084,555)
Suspended Interest	-	-	(675,392)	(675,392)	-	-	(829,027)	(829,027)
Carrying amount as at end of period	**205,806,073**	**5,392,301**	**99,958**	**211,298,332**	**123,391,720**	**15,694,881**	**148,025**	**139,234,626**

	Unaudited 30 June 2019 ZWL	Unaudited 30 June 2018 ZWL	Audited 31 Dec 2018 ZWL
12.4 Non-performing loans and advances to customers			
Total loans and advances on which interest is suspended	1,953,290	3,041,345	1,676,119
Interest in suspense	(675,392)	(1,374,671)	(829,027)
Impairment relating to non-performing loans	(1,177,940)	(1,494,475)	(699,067)
Net non-performing loans	**99,958**	**172,199**	**148,025**

12.4.1 Maturity analysis of non-performing loans and advances	Unaudited 30 June 2019 ZWL		Unaudited 30 June 2018 ZWL		Audited 31 Dec 2018 ZWL	
	Gross	Net	Gross	Net	Gross	Net
Past due up to 90 days	-	-	-	-	144,236	-
Past due up to 180 days	151,706	7,245	11,236	6,757	224,499	109,153
Past due up to 365 days	596,665	69,998	4,225	2,615	537	-
Over 1 year	1,204,919	22,715	4,035,550	794,049	1,306,847	38,872
	1,953,290	**99,958**	**4,051,011**	**803,421**	**1,676,119**	**148,025**

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.

	Unaudited 30 June 2019 ZWL	Unaudited 30 June 2018 ZWL	Audited 31 Dec 2018 ZWL
12.5 Recoveries for amounts written off	**1,066,145**	**563,184**	**592,994**

The recovery relates to loans that were previously written off.

12.6 Sectoral analysis of utilisations	Unaudited 30 June 2019 ZWL		Unaudited 30 June 2018 ZWL		Audited 31 December 2018 ZWL	
Agriculture and horticulture	65,153,702	30%	25,228,401	17%	19,617,718	14%
Construction and property	1,669,118	1%	993,011	1%	1,077,201	1%
Commerce	16,891,336	8%	14,582,299	10%	11,027,328	8%
Mining	-	0%	-	0%	11,941	0%
Manufacturing	48,288,190	23%	27,343,083	18%	38,963,529	27%
Transport	30,031	0%	71,284	0%	13,715	0%
Individual loans	82,003,378	38%	71,739,716	48%	68,476,500	48%
Financial institutions	-	0%	10,000,000	7%	-	0%
Other	-	0%	-	0%	2,960,276	2%
Total	**214,035,755**	**100%**	**149,957,794**	**100%**	**142,148,208**	**100%**

	Unaudited 30 June 2019 ZWL	Unaudited 30 June 2018 ZWL	Audited 31 Dec 2018 ZWL
13 OTHER ASSETS			
Accrued interest receivable	1,277,701	468,198	563,855
Amounts due from other SCB subsidiaries	4,400,089	696,670	945,015
Other prepaid expenses	570,000	570,000	-
Prepaid taxes	420,132	12,951	258,555
Advance payment for property and equipment	380,959	771,531	-
Sundry and suspense accounts	5,879,163	940,391	517,130
Funding gap receivable *	95,778,551	-	-
	108,706,595	**3,459,741**	**2,284,555**

*Funding gap receivable related to foreign currency gap that arose from the separation of foreign and local currency deposits. The amount represents foreign currency that was allocated to customers with local currency deposits in line with the regulatory provisions prevailing before 1 October 2018 monetary policy statement. The RBZ has committed to assisting the Bank in clearing the foreign currency gap.

	Unaudited 30 June 2019 ZWL	Unaudited 30 June 2018 ZWL	Audited 31 Dec 2018 ZWL
14 RESTRICTED BALANCES WITH THE CENTRAL BANK			
Statutory reserve	39,014,107	-	41,048,517
	39,014,107	**-**	**41,048,517**

Statutory reserve balance relates to restricted liquid reserve, determined in line with the RBZ statutory reserve guidelines currently 5% of qualifying RTGS deposits.

	Unaudited 30 June 2019 ZWL	Unaudited 30 June 2018 ZWL	Audited 31 Dec 2018 ZWL
15 INVESTMENT PROPERTY			
Balance at beginning of period	3,000,000	3,000,000	3,000,000
Fair value gain	16,866,000	-	-
Balance at end of the period	**19,866,000**	**3,000,000**	**3,000,000**
16 PROPERTY AND EQUIPMENT			
Balance at beginning of the period	28,374,012	28,417,007	28,417,007
Additions	125,000	400,139	1,726,568
Right of use asset	1,404,760	-	-
Disposals	-	(131,277)	(6,298)
Transfer to non-current assets held for sale	(63,691,634)	-	(573,270)
Revaluation gain	143,043,940	-	973,092
Depreciation charge	(1,023,143)	(1,001,080)	(2,163,087)
Balance at end of the period	**108,232,935**	**27,684,789**	**28,374,012**
17 DEPOSITS FROM CUSTOMERS			
Maturity analysis			
Payable on demand	1,076,451,667	719,536,109	803,886,681
3 months or less	6,413,223	2,268,582	2,757,750
	1,082,864,890	**721,804,691**	**806,644,431**

STANDARD CHARTERED BANK ZIMBABWE LIMITED

Registered Commercial Bank
A member of the Deposit Protection Corporation

Standard Chartered

UNAUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

	Unaudited 30 June 2019 ZWL		Unaudited 30 June 2018 ZWL		Audited 31 December 2018 ZWL	
17.1 Concentration of customer deposits						
Individuals	117,258,538	11%	107,391,703	15%	95,255,069	12%
Agriculture	58,300,567	5%	37,229,793	5%	59,529,786	7%
Mining	9,527,311	1%	2,206,173	0%	1,830,967	0%
Manufacturing	203,867,677	19%	118,667,241	16%	157,537,694	20%
Distribution	73,949,630	7%	36,038,809	5%	45,298,023	6%
Construction	7,691,909	1%	4,885,515	1%	9,343,645	1%
Transport	173,436,799	16%	106,093,513	15%	159,709,361	20%
Services	343,087,556	32%	148,281,050	21%	148,441,548	18%
Financial institutions	95,744,903	9%	161,010,894	22%	129,698,338	16%
	1,082,864,890	**100%**	**721,804,691**	**100%**	**806,644,431**	**100%**

	Unaudited 30 June 2019 ZWL	Unaudited 30 June 2018 ZWL	Audited 31 Dec 2018 ZWL
18 DEPOSITS FROM BANKS			
Deposits from related banks	4,993,169	292,019	111,803
Deposits from other banks	-	-	-
	4,993,169	**292,019**	**111,803**
19 OTHER LIABILITIES			
Accrued interest payable	16,093	2,443	2,582
Remittances in transit	1,544,165	3,359,329	14,078,623
International card settlement suspense	5,350,792	3,763,410	1,243,004
Long service award	2,854,000	3,328,000	2,854,000
Card suspense	5,313,812	90,498	448,048
Group cross border recharges	10,021,558	987,944	1,365,376
Provisions (Note 20)	7,247,168	5,528,886	3,226,382
Redundancy accrual	1,593,351	4,464,063	5,783,106
Other	21,483,562	3,994,893	8,237,822
	55,424,501	**25,519,466**	**37,238,943**

	Performance bonus ZWL	Other accrued expenses ZWL	Total ZWL
20 PROVISIONS			
Balance at 1 January 2019	2,685,466	5,552,356	8,237,822
Provisions made during the period	906,843	6,094,316	7,001,159
Provisions reversed during the period	(2,439,457)	(5,552,356)	(7,991,813)
Balance at 30 June 2019	**1,152,852**	**6,094,316**	**7,247,168**
Balance at 1 January 2018	3,099,822	3,497,932	6,597,754
Provisions made during the period	1,344,788	4,386,576	5,731,364
Provisions reversed during the period	(3,020,203)	(3,365,673)	(6,385,876)
Balance at 30 June 2018	**1,424,407**	**4,518,835**	**5,943,242**

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 holiday pay accrual of ZWL1,464,071 (2018: ZWL1,574,400)

	Unaudited 30 June 2019 ZWL	Unaudited 30 June 2018 ZWL	Audited 31 December 2018 ZWL
21 CONTIGENT LIABILITIES			
Letters of credit	39,398,314	4,912,975	9,673,861
Foreign currency forwards	32,529,943	2,878,004	796,443
Guarantees	46,492,026	17,997,070	15,699,006
Other commitments	29,124,821	36,515,652	30,738,341
	147,545,104	**62,303,701**	**56,907,651**

Notes to the Unaudited Abridged Financial Statements (continued)

22 INTEREST RATE GAP REPRICING

	Up to 1 month ZWL	1 month to 3 months ZWL	Up to 1 year ZWL	1 year to 5 years ZWL	Over 5 Years ZWL	Non Interest bearing ZWL	Total ZWL
Assets							
Cash and cash equivalents	-	-	-	-		391,665,139	391,665,139
Restricted balances with the Central Bank	-	-	-	-		39,014,107	39,014,107
Financial assets at FVOCI	21,326,380	48,918,268	408,744,068	1,353,061	1,287,772	-	481,629,549
Loans and advances to customers	17,559,238	43,773,454	55,119,847	82,107,700	12,738,093	-	211,298,332
Non current assets held for sale	-	-	-	-	-	65,471,800	65,471,800
Other assets	-	-	-	-	-	108,706,595	108,706,595
Current tax asset	-	-	-	-	-	3,170,460	3,170,460
Investment property	-	-	-	-	-	19,866,000	19,866,000
Property and equipment	-	-	-	-	-	108,232,935	108,232,935
	38,885,618	**92,691,722**	**463,863,915**	**83,460,761**	**14,025,865**	**736,127,036**	**1,429,054,917**
Equity and liabilities							
Shareholders' funds	-	-	-	-	-	265,764,938	265,764,938
Deposits from customers	1,076,451,667	-	-	-	-	-	1,076,451,667
Deposits from banks	4,993,169	-	-	-	-	-	4,993,169
Other liabilities	-	6,413,223	-	-	-	55,424,501	61,837,724
Deferred tax liability	-	-	-	-	-	20,007,419	20,007,419
	1,081,444,836	**6,413,223**	**-**	**-**	**-**	**341,196,858**	**1,429,054,917**
Interest rate repricing gap	**(1,042,559,218)**	**86,278,499**	**463,863,915**	**83,460,761**	**14,025,865**	**394,930,178**	
Cumulative gap	**(1,042,559,218)**	**(956,280,719)**	**(492,416,804)**	**(408,956,043)**	**(394,930,178)**	**-**	

23 LIQUIDITY GAP ANALYSIS

	Up to 1 month ZWL	1 month to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Over 5 Years ZWL	Non Interest bearing ZWL	Total ZWL
Assets							
Cash and cash equivalents	391,665,139	-	-	-	-	-	391,665,139
Restricted balances with the Central Bank	39,014,107	-	-	-	-	-	39,014,107
Financial assets at FVOCI	21,326,380	48,918,268	408,744,068	1,353,061	1,287,772	-	481,629,549
Loans and advances to customers	17,559,238	43,773,454	55,119,847	82,107,700	12,738,093	-	211,298,332
Non current assets held for sale	-	-	-	-	-	65,471,800	65,471,800
Other assets	107,935,064	771,531	-	-	-	-	108,706,595
Current tax asset	-	-	3,170,460	-	-	-	3,170,460
Investment property	-	-	-	-	-	19,866,000	19,866,000
Property and equipment	-	-	-	-	-	108,232,935	108,232,935
	577,499,928	**93,463,253**	**467,034,375**	**83,460,761**	**14,025,865**	**193,570,735**	**1,429,054,917**
Equity and liabilities							
Shareholders' funds	-	-	-	-	-	265,764,938	265,764,938
Deposits from customers	1,076,451,667	6,413,223	-	-	-	-	1,082,864,890
Deposits from banks	4,993,169	-	-	-	-	-	4,993,169
Other liabilities	52,802,942	2,621,559	-	-	-	-	55,424,501
Deferred tax liability	-	-	-	-	-	20,007,419	20,007,419
	1,134,247,778	**9,034,782**	**-**	**-**	**-**	**285,772,357**	**1,429,054,917**
Liquidity gap	**(556,747,850)**	**84,428,471**	**467,034,375**	**83,460,761**	**14,025,865**	**(92,201,622)**	
Cumulative gap	**(556,747,850)**	**(472,319,379)**	**(5,285,004)**	**78,175,757**	**92,201,622**	**-**	

24 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.

25 RESERVE BANK OF ZIMBABWE ON-SITE EXAMINATION
The latest on-site examination of the Bank was conducted as at 31 March 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 capitalisation, satisfactory earnings performance, strong asset quality and strong liquidity position.

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 and Funds Management	1
Sensitivity to Market Risk	1
Overall Composite Rating	**2**

Key
1 Strong 2 Satisfactory 3 Fair 4 Weak 5 Critical

Notes to the Unaudited Abridged Financial Statements (continued)

Summary Risk Matrix
The Bank's overall composite risk , based on the Risk Assessment System (RAS), was considered low and the direction is stable. The Bank's risk profile is summarised in the matrix 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
Legal	Low	Strong	Low	Stable
Compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Low	Strong	Low	Stable
Information Technology and Cyber Security Risk	Moderate	Strong	Low	Stable
Overall	**Low**	**Acceptable**	**Low**	**Stable**

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.

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

By order of the Board

C. Kamba
Company Secretary

21 August 2019
Harare

VPCG _3125

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