

### Chairman's Statement

#### Operating Environment

It is my pleasure to present to you the financial results for the first half of 2020. The economy still faces significant headwinds due to the slowdown in business activity, exacerbated by the COVID-19 pandemic, hyperinflation and foreign currency challenges. As expected, lockdown measures aimed at combating the spread of COVID-19 have had an unprecedented impact on the economy that was already underperforming from historical challenges. Resultantly, the authorities have revised the country's 2020 forecast economic growth to slide down to minus 4.5%, from an initial forecast of a positive 3%.

The Reserve Bank of Zimbabwe reported a sharp increase in annual broad money supply to ZWL59.48 billion in May 2020 from ZWL13.0 billion in May 2019, driven by a growth in credit to the private sector. Banking sector credit to the domestic economy also increased to ZWL21.58 billion in May 2020 from ZWL4.4 billion in May 2019 most of which was to finance Working Capital requirements.

The authorities re-introduced the Foreign Currency Auction System in June 2020, a move that appears to have stabilised the exchange rate and, in addition to the relaxation of foreign currency retention threshold and liquidation period, assisted in allocating the scarce resource to strategic sectors of the economy. Increased participation by foreign currency sellers will go a long way to establish a sustainable market determined rate.

Standard Chartered Bank Zimbabwe Limited remains committed to driving commerce and prosperity for its stakeholders and to continued facilitation of development and growth of the economy of Zimbabwe.

#### Financial Performance

Despite the negative effects of the COVID-19 pandemic, the Bank's operations have remained resilient through leveraging on its digitisation strategy. On a historical cost basis, the Bank achieved a profit after tax of ZWL692.6 million in the half year ended 30 June 2020 compared to the ZWL34.1 million achieved in the same period last year. In inflation adjusted terms, the Bank recorded a profit after tax of ZWL208.3 million compared to a loss of ZWL17.6 million incurred in the same period last year, reflecting the negative impact of hyperinflation and rapid devaluation of the local currency on performance.

#### 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. Therefore, the Bank offers every employee four days (increased from three in 2019) paid leave a year to volunteer their services for social development programmes.

The Bank's response to COVID-19 has been well received by the community at large. We donated 14,000 surgical masks to the Red Cross of Zimbabwe who in turn distributed these to frontline staff in hospitals and isolation centres as well as to Red Cross Zimbabwe volunteers. We also donated Personal Protective Equipment worth USD26,000.00 to Norton Eye Hospital, which has enabled the hospital to reopen to serve the community.

In partnership with Junior Achievement Zimbabwe, we launched our global Futuremakers programme. Futuremakers is Standard Chartered's global initiative to tackle the issue of inequality and seeks to promote greater economic inclusion for young people in communities across the globe. Futuremakers supports disadvantaged young people from low-income households, particularly girls and people with visual impairments, to take part in programmes focused on education, employability and entrepreneurship. The initiative's goal is to raise USD 50 million globally (through fundraising and Bank-matching) between 2019 and 2023 to empower the next generation to learn, earn and grow. The second half of the year will see greater focus on digital delivery of our Futuremakers programme as well as online coaching and mentorship sessions by Bank staff.

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. An Enterprise Risk Management Framework is in place and it sets out the principles and standards on how we manage risk.

The Board of Directors welcomes Mlidzani Faith Masiye-Moyo who joined the Board as an Independent Non-Executive Director on the 1<sup>st</sup> of June 2020 and looks forward to her contributions. She brings a wealth of experience as a seasoned commercial lawyer.

#### Outlook

The Bank continues to drive investment, trade and creation of wealth across its preferred markets in a consistent and sustainable manner underpinned by its valued behaviours of; **Do the right thing, Never Settle and Better Together**.

Standard Chartered Bank Zimbabwe Limited is committed to delivering on its digital agenda, and this has become particularly important in the face of the COVID-19 pandemic. Clients have the convenience of conducting their banking activities from anywhere and at any time, which has minimised disruptions brought about by lockdown measures as well as ensuring the safety of both our staff and clients.

Efforts to maintain a strong Financial Crime Compliance environment have been sustained by enforcing effective and sustainable controls. It is our belief that adhering to global standards on conduct and compliance enables us to offer the best service to our clients, who remain at the heart of all we do.

#### Acknowledgement

I would like to thank our staff, management and fellow Directors for their commitment and hard work to navigate the very 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 2020

### Statement of Profit or Loss and Other Comprehensive Income

For the Half Year ended 30 June 2020

Notes	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Unaudited 30-Jun-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Unaudited 30-Jun-2019 ZWL'000
Interest income	311 219	270 771	159 657	24 489
Interest expense	(228)	(275)	(157)	(25)
<b>Net interest income</b>	<b>310 991</b>	<b>270 496</b>	<b>159 500</b>	<b>24 464</b>
Fee and commission income	303 263	226 430	161 968	20 479
Foreign currency trading Income	8 725	22 701	6 028	2 053
Commission expense	(80 440)	(21 803)	(35 798)	(1 972)
<b>Non interest income</b>	<b>231 548</b>	<b>227 328</b>	<b>132 198</b>	<b>20 560</b>
<b>Total revenue</b>	<b>542 539</b>	<b>497 824</b>	<b>291 698</b>	<b>45 024</b>
Other income	281 897	119 927	657 072	17 085
<b>Total income</b>	<b>824 436</b>	<b>617 751</b>	<b>948 770</b>	<b>62 109</b>
Loss on sale of property and equipment	(9 838)	(1 074)	(698)	(97)
Operating expenses	(259 460)	(235 976)	(163 059)	(21 342)
<b>Profit before impairment charge</b>	<b>555 138</b>	<b>380 701</b>	<b>785 013</b>	<b>40 670</b>
<b>Net impairment charge</b>	<b>(16 821)</b>	<b>(59 644)</b>	<b>(18 132)</b>	<b>(5 394)</b>
Expected credit losses:				
(i) Loans and advances at amortised cost	(13 636)	249	(13 636)	23
(ii) Financial assets at fair value through other comprehensive income	(4 792)	(69 921)	(4 792)	(6 324)
Recovery of bad debts previously written off	2 260	11 788	629	1 066
Bad debts written off	(653)	(1 760)	(333)	(159)
Loss on monetary position	(256 177)	(325 629)	-	-
<b>Profit before tax</b>	<b>282 140</b>	<b>(4 572)</b>	<b>766 881</b>	<b>35 276</b>
Tax expense	(73 889)	(13 063)	(74 299)	(1 181)
<b>Profit after tax</b>	<b>208 251</b>	<b>(17 635)</b>	<b>692 582</b>	<b>34 095</b>
<b>Other comprehensive income:</b>	<b>(1 855)</b>	<b>629 930</b>	<b>211 925</b>	<b>122 921</b>
Items that will not be reclassified to profit and loss				
Property revaluation gains	(2 949)	982 072	336 869	143 044
Related tax	1 094	(352 142)	(124 944)	(20 123)
Items that are or maybe be reclassified subsequently to profit and loss				
Reserve on financial assets at FVOCI	(2 252)	(44 995)	12 888	4 696
Related tax	(2 991)	(60 599)	16 463	6 324
	739	15 604	(3 575)	(1 628)
<b>Other comprehensive income</b>	<b>(4 107)</b>	<b>584 935</b>	<b>224 813</b>	<b>127 617</b>
<b>Total comprehensive income for the period</b>	<b>204 144</b>	<b>567 300</b>	<b>917 395</b>	<b>161 712</b>

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

### Statement of Financial Position

As at 30 June 2020

Notes	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Restated-Audited* 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
<b>ASSETS</b>				
Cash and cash equivalents	2 580 806	2 856 570	2 580 806	1 090 329
Financial assets at fair value through other comprehensive income	508 818	1 091 976	508 818	416 798
Loans and advances	1 400 639	1 694 711	1 400 639	646 857
Other assets	948 519	780 512	948 519	297 915
Restricted balances with the Central Bank	51 940	181 882	51 940	69 423
Investment property	885 879	166 957	885 879	63 726
Property and equipment	434 797	871 075	370 076	313 269
Right of use asset	8 133	18 764	500	1 153
<b>Total assets</b>	<b>6 819 531</b>	<b>7 662 447</b>	<b>6 747 177</b>	<b>2 899 470</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	18 612	18 612	825	825
Share premium	465 313	465 313	20 625	20 625
Change in functional currency reserve	133 943	133 943	5 937	5 937
Revaluation reserve	265 165	267 020	452 144	240 219
Retained earnings	508 928	300 676	855 150	162 568
Reserve on Financial assets at FVOCI	22 234	24 486	22 234	9 346
<b>Total equity</b>	<b>1 414 195</b>	<b>1 210 050</b>	<b>1 356 915</b>	<b>439 520</b>
<b>Liabilities</b>				
Deposits from customers	4 840 238	5 609 947	4 840 238	2 141 270
Deposits from banks	11 822	15 921	11 822	6 077
Other liabilities	421 666	704 708	421 666	268 981
Current tax liability	11 484	2 670	11 484	1 019
Deferred tax liability	120 126	119 151	105 052	42 603
<b>Total liabilities</b>	<b>5 405 336</b>	<b>6 452 397</b>	<b>5 390 262</b>	<b>2 459 950</b>
<b>Total equity and liabilities</b>	<b>6 819 531</b>	<b>7 662 447</b>	<b>6 747 177</b>	<b>2 899 470</b>

\*Refer to Note 25 for details of restatement of prior year financial results

### Statement of Changes in Equity

For the Half Year ended 30 June 2020

	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
<b>Inflation adjusted</b>							
<b>Balance as previously reported at 31 December 2019</b>	18 612	465 313	133 943	-	24 486	567 696	1 210 050
Adjustment for understated revaluation reserve*	-	-	-	267 020	-	(267 020)	-
<b>Restated balance at 1 January 2020</b>	18 612	465 313	133 943	267 020	24 486	300 676	1 210 050
Profit for the period	-	-	-	-	-	208 252	208 252
Other comprehensive income	-	-	-	(1 855)	(2 252)	-	(4 107)
<b>Balance at 30 June 2020</b>	18 612	465 313	133 943	265 165	22 234	508 928	1 414 195
<b>Balance as reported at 1 January 2019</b>	18 612	465 313	133 943	-	156 870	918 605	1 693 343
Profit for the period	-	-	-	-	-	(617 929)	(617 929)
Other comprehensive income	-	-	-	267 020	(132 384)	-	134 636
<b>Balance at 31 December 2019</b>	18 612	465 313	133 943	267 020	24 486	300 676	1 210 050
<b>Historical</b>							
<b>Balance as reported at 1 January 2020</b>	825	20 625	5 937	240 219	9 346	162 568	439 520
Profit for the period	-	-	-	-	-	692 582	692 582
Other comprehensive income	-	-	-	211 925	12 888	-	224 813
<b>Balance at 30 June 2020</b>	825	20 625	5 937	452 144	22 234	855 150	1 356 915
<b>Balance as reported at 1 January 2019</b>	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
<b>Balance at 31 December 2019</b>	825	20 625	5 937	240 219	9 346	162 568	439 520

\*Refer to Note 25 for details of restatement of prior year financial results

### Statement of Cash Flows

For the Half Year ended 30 June 2020

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Unaudited 30-Jun-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Unaudited 30-Jun-2019 ZWL'000
<b>Cash flow from operating activities:</b>				
Profit before tax	282 140	(4 572)	766 881	35 276
<b>Adjustments for:</b>				
Fair value adjustment on investment property	(277 289)	(117 509)	(653 585)	(16 866)
Loss on disposal of property and equipment	9 838	1 074	698	97
Unrealised foreign currency gain	(2 208 294)	(1 312 377)	(1 525 591)	-
Bad debts written off	653	1 760	333	159
Depreciation charge	8 250	11 313	4 185	1 023
Net interest income	(310 991)	(270 497)	(159 500)	(24 465)
Net loan impairment charge	16 821	59 644	17 799	5 235
<b>Operating cash flow before changes in operating assets and liabilities</b>	<b>(2 478 872)</b>	<b>(1 631 164)</b>	<b>(1 548 780)</b>	<b>459</b>
<b>Changes in operating assets and liabilities:</b>				
Decrease/(increase) in financial assets at FVOCI	581 463	1 874 123	(75 556)	(116 620)
Decrease/(increase) in gross loans and advances to customers	276 598	435 339	(771 914)	(70 998)
(Increase) in other assets	(168 754)	(872 953)	(651 302)	(106 432)
Decrease in restricted balances with the Central Bank	129 943	341 367	17 483	2 034
(Decrease)/increase in deposits from customers	(769 709)	(4 060 635)	2 698 968	276 220
(Decrease)/increase in deposits from banks	(4 099)	39 982	5 745	4 881
(Decrease)/increase in other liabilities	(283 042)	(141 978)	152 685	12 040
	<b>(2 716 472)</b>	<b>(4 015 919)</b>	<b>(172 671)</b>	<b>1 584</b>
Interest Income	311 219	270 771	159 657	24 489
Interest expense	(228)	(275)	(157)	(25)
Corporate tax paid	(63 564)	(195 984)	(16 981)	(2 329)
<b>Net cash (utilised)/generated from operating activities</b>	<b>(2 469 045)</b>	<b>(3 941 407)</b>	<b>(30 152)</b>	<b>23 719</b>
<b>Cash flow from investing activities:</b>				
Proceeds from disposal of property and equipment	887	15 627	613	2 092
Improvements and additions to property and equipment	(15 900)	(16 914)	(5 576)	(125)
<b>Net cash (utilised)/generated in investing activities</b>	<b>(15 013)</b>	<b>(1 287)</b>	<b>(4 963)</b>	<b>1 967</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2 484 058)</b>	<b>(3 942 694)</b>	<b>(35 115)</b>	<b>25 686</b>
Cash and cash equivalents at the beginning of the period	2 580 806	5 909 563	1 090 330	363 138
Effects of exchange rate movements and monetary gains	2 208 294	1 312 377	1 525 591	2 841
<b>Cash and cash equivalents at the end of the period</b>	<b>2 580 806</b>	<b>3 279 246</b>	<b>2 580 806</b>	<b>391 665</b>



### Corporate Governance

#### The Board

The Board, which comprises three Executive Directors, one Non-Executive Director and five 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	
	26-Mar-20	11-Jun-20
L. T. Manatsa*	√	√
R. Watungwa**	√	√
C. Mwerenga**	√	√
M. Mubayiwa**	√	√
M. Clarke***	√	√
S. M. Mushiri****	√	√
E. Mkondo****	√	√
H. S. Mashanyare****	√	√
M. F. Masiye-Moyo*****	n/a	√

\*Chairperson

\*\*Executive Director

\*\*\*Non Executive Director

\*\*\*\*Independent Non Executive Director

\*\*\*\*\*Appointed Independent Non Executive Director 1 June 2020

√ - Present

x - Apology

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

#### 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 2020
E. Mkondo*	2	2
S. M. Mushiri**	2	
H. S. Mashanyare	2	
M. F. Masiye-Moyo**	n/a	

\*Chairperson

\*\*Appointed to the Committee with effect from 1 June 2020

\*\*\*Stepped down from the Committee with effect from 9 June 2020

#### 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 2020
S. M. Mushiri*	1	2
L. T. Manatsa**	2	
M. Clarke	2	
M. F. Masiye-Moyo**	1	

\*Chairperson, appointed to the Committee and as Chairperson with effect from 9 June 2020

\*\*Appointed to the Committee with effect from 1 June 2020

\*\*\*Stepped down from the Committee with effect from 9 June 2020

#### 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 2020
S. M. Mushiri*	2	2
E. Mkondo	2	
C. Mwerenga	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 2020
H. S. Mashanyare*	2	2
L. T. Manatsa	2	
R. Watungwa	2	

\*Chairperson

#### Human Resources Committee

Director	Number of meetings attended	Number of meetings held in 2020
L. T. Manatsa*	1	1
S. M. Mushiri	1	
M. Clarke	1	

\*Chairperson

#### Statement of compliance

The Bank is generally compliant 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 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.

#### Approval of the unaudited abridged financial statements

The unaudited financial statements were approved at a Board meeting held on 21 August 2020.

#### By order of the Board

Company Secretary  
21 August 2020

### Risk Management

#### Risk Management Framework

Embedding a healthy risk culture continues to be a core objective across all areas of the Bank. It underpins an enterprise-level ability to identify and assess, openly discuss, and take prompt action to address all existing and emerging risks. Our Enterprise Risk Management Framework (ERMF) sets out the principles and standards for risk management across the Bank. It sets out the guiding principles for our staff, enabling us to have integrated and holistic risk conversations across the Bank, and with Group stakeholders. The Bank applies a three Lines of Defence (LOD) model to the day-to-day risk management activities and control framework. The first LOD businesses and functions teams engaged in or supporting revenue generating activities and they own and manage the risks. The second LOD comprise the control functions teams who are independent of the First Line and they provide oversight and challenge of risk management to provide confidence to the Chief Risk Officer, Senior Management and the Board. The third LOD internal comprises the internal audit team who provides independent assurance on the effectiveness of controls that support First Line's risk management of business activities, and the processes maintained by the Second Line. The Board of Directors has overall responsibility for the establishment and oversight of the Bank's ERM. The Board has established Board level and management risk committees responsible for on-going governance and oversight of respective Principal Risk Types (PRTs). PRTs are those risks that are inherent in our strategy and business model. These risks are managed through distinct Risk Type Frameworks (RTFs), policies and standards that document the overall risk management approach for the respective PRT.

In the first half of 2020, we increased focus on both financial and non-financial risks given the impact of the COVID-19 pandemic on the economy, disruption to normal business operations of the Bank and its clients as well as critical third-party services providers. The implementation of a revised Operational Risk Management Framework has progressed well. Internal messaging from senior management promotes a healthy risk culture by valuing risk-based thinking across each line of defence, encouraging risk awareness, challenging the status quo and creating a transparent, safe and open environment for employees to communicate risk concerns.

The Bank has identified eleven PRTs present in its business as follows.

#### 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 manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors. The Bank actively manages its credit risk at transactional, 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 and expected credit loss is acceptable. Based on evaluation of the counterparty's creditworthiness and the type of credit arrangement desired, credit limits are assigned by experienced credit approvers, and approved by the Board Credit Committee.

#### 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 Traded 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. The Bank should control its trading portfolio and activities to ensure that Traded risk losses (financial or reputational) do not cause material damage to the Bank's franchise. 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 Treasury Markets Fair Value Stress Loss Triggers remain within the overall approved risk appetite.

#### Capital and Liquidity risk

Capital risk is defined as the potential for insufficient level, composition or distribution of capital to support our normal activities and liquidity risk is defined as the risk that we may not have sufficient stable or diverse sources of funding to meet our obligations as they fall due. The Bank should maintain a strong capital position including the maintenance of management buffers sufficient to support its strategic aims and hold an adequate buffer of high-quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary Central Bank support. Liquidity risk issues are addressed through the Asset and Liability Committee (ALCO) comprising the Chief Executive Officer, Chief Financial Officer and Country Chief Risk Officer. The respective Heads of Business, Financial Markets, Asset and Liability Management and Group Treasury attend by invitation. At its meetings, ALCO deals with strategic, tactical and policy issues on liquidity, interest rate and capital management, and sets the positions and mismatch levels within which the activities of the next period are conducted.

#### Country risk

Country risk is defined as the potential for losses due to political or economic events in a country. Country risk comprises several risks, notably (a) Transfer & Convertibility risk ('TCR'): Potential losses on cross-border or foreign currency obligations arising from the possibility that a government is unable or unwilling to make foreign currency available for remittance out of the country. (b) Local Currency risk ('LCR'): Potential losses on local currency obligations arising from operating in a volatile domestic economic and political environment. Gross Country risk is the aggregation of TCR and LCR. The Bank manages its Country risk exposures following the principle of diversification across geographies and controls the business activities in line with the level of jurisdiction risk.

#### 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. The Bank aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight.

#### 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 activities 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 damage to the Bank's franchise.

#### 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 second LOD Compliance units, an established set of procedures for managing regulatory change, ongoing tracking of regulatory obligations and oversight by governance committees. The Bank has no appetite for breaches in laws and regulations, while recognising that regulatory noncompliance cannot be entirely avoided the Bank strives to reduce this to an absolute minimum.

#### Conduct risk

Conduct Risk is defined as the Risk of detriment to the Bank's clients, investors, shareholders, market integrity, competition and counter-parties, or risk of detriment from the inappropriate supply of financial services, including instances of wilful or negligent misconduct. Failure to deliver fair customer outcomes and to protect the integrity of the markets we operate in may lead to regulatory sanctions, financial loss and reputational damage. The Bank believes that all employees are entitled to a fair and safe working environment that is free from discrimination, exploitation, bullying, harassment or inappropriate language. The Bank has no appetite for negative Conduct risk outcomes arising from negligent or wilful actions by the Bank or individuals recognising that while incidents are unwanted, they cannot be entirely avoided.

#### Financial Crime risk

Financial Crime is defined as the 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 & Corruption, and Fraud. The Bank allocates responsibilities for the financial crime risk management in a manner consistent with the Three Lines of Defence model supported by ongoing risk assessment, governance, 2<sup>nd</sup> LOD oversight and challenge, independent financial crime risk function owned 2<sup>nd</sup> line processes, learning and awareness, assurance and testing and data management. The Bank has no appetite for breaches in laws and regulations related to Financial Crime, recognising that whilst incidents are unwanted, they cannot be entirely avoided.

#### Information and Cyber Security risk

Information and Cyber Security risk ('ICS') is defined as the risk to the Bank's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and or information systems. This may lead to adverse customer and reputational impacts, regulatory censure, financial loss, litigation and or

### Risk Management (continued)

the potential for the Bank to fail; affecting financial markets and the wider economy. The Bank seeks to avoid risk and uncertainty for our critical information assets and systems and has a low appetite for material incidents affecting these or the wider operations and reputation of the bank.

Board and management engage to drive a culture of security excellence and robust governance of control effectiveness. Businesses are accountable for the identification and management of ICS risk. The Bank also embeds security and resilience by design, automating processes to drive efficiency where possible and at each stage of client journeys to protect the Bank and our clients' information assets, supporting technology infrastructure and services. The Bank has put in place processes to identify and manage control weaknesses, and that horizon-scanning takes place to identify emerging threats and control gaps. Staff are adequately trained to securely use information assets, systems and technology infrastructure and monitor their usage to detect and report potential security incidents. Third parties who use, or process bank information assets, systems or technology infrastructure comply with policy and standards.

#### Model risk

Model risk is defined as the potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models due to errors in the development, implementation, or use of such models. Models are inherently uncertain and using models in decision-making carries risks. The degree of a model's riskiness is a function of its materiality and uncertainty. The Bank aims to control Model Risk through appropriate level of governance and oversight to protect the franchise from losses that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models due to errors in the development, implementation or use of such models. The Bank allocates responsibilities for the model risk management in a manner consistent with the three LOD model. All models within the bank adhere to the requirements of the model risk policy and standards for the various stages in the model life cycle, are independently validated and regularly monitored to ensure models continue to be fit for their intended usage.

#### Strategic risk

While this is not a PRT, 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 in line with the Banks approved risk appetite mandates, while the Chief Executive Officer and the Country Management Team have overall responsibility for strategy implementation. The Board conducts quarterly reviews of the strategy and its continued applicability.

### Account Policies

#### 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 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 31 December 2018	88.81	16.27
CPI as at 30 June 2019	172.61	8.37
CPI as at 31 December 2019	551.63	2.62
CPI as at 30 June 2020	1 445.21	1.00

##### 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 22<sup>nd</sup> of February 2019, when Statutory Instrument 33 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.

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

In line with IAS 21-The Effects of Changes in Foreign Exchange Rates, the functional currency of the Bank is the Zimbabwe Dollar and the exchange rates applied in preparing these financial statements are as follows:

CURRENCY	30-Jun-2020	31-Dec-2019
	mid-rate against ZWL	mid-rate against ZWL
USD	57.3582	16.7394
GBP	70.3725	24.6059
EUR	64.2954	18.7595
BWP	4.8621	0.6441
ZAR	3.3093	0.8438
CAD	41.9077	12.8286
AUD	39.0952	11.6676

#### CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Several amendments and interpretations apply for the first time but do not have an impact on the Bank's interim financial statements. These include amendments to IFRS 3: Definition of Business, amendments to IAS 1 and IAS 8: Definition of Material and the revisions to the Conceptual Framework for Financial Reporting issued on 29 March 2018. Except for the above, the main accounting policies applied by the Bank are consistent with those adopted in the previous years.

#### FINANCIAL INSTRUMENTS

##### Classification

There are three measurement classifications for financial instruments under IFRS 9 and these are (a) at amortised cost, (b) at fair value through profit or loss and (c), for financial assets only, at fair value through other comprehensive income ('FVOCI').

Financial instruments 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 instruments 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



### Account Policies (continued)

for other basic lending risks and costs and a profit margin. Financial instruments 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 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'). The key parameters in determining expected credit losses comprises:

#### (a) 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.

#### (b) 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.

#### (c) 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.

#### (d) 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 custodial services. The Bank is incorporated and registered as a commercial bank under the Banking Act, (Chapter 24:02) of Zimbabwe. Its ultimate parent company is Standard Chartered PLC.

#### 2 INTEREST INCOME

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Unaudited 30-Jun-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Unaudited 30-Jun-2019 ZWL'000
Loans and advances to banks	1 381	8 582	954	776
Loans and advances to customers	268 037	77 412	130 239	7 001
Bonds, bills and other debt securities	38 617	184 777	26 678	16 712
Residential mortgages	3 184	-	1 786	-
<b>Total</b>	<b>311 219</b>	<b>270 771</b>	<b>159 657</b>	<b>24 489</b>

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

### Notes to the Financial Statements (continued)

#### 3 INTEREST EXPENSE

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Unaudited 30-Jun-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Unaudited 30-Jun-2019 ZWL'000
Time deposits	222	275	154	25
Savings deposits	6	-	3	-
<b>Total</b>	<b>228</b>	<b>275</b>	<b>157</b>	<b>25</b>

#### 4 OTHER INCOME

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Unaudited 30-Jun-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Unaudited 30-Jun-2019 ZWL'000
Rental income from investment property	4 275	2 418	3 257	219
Fair value gain on investment property	277 289	117 509	653 585	16 866
Other miscellaneous income	333	-	230	-
<b>Total</b>	<b>281 897</b>	<b>119 927</b>	<b>657 072</b>	<b>17 085</b>

#### 5 OPERATING EXPENDITURE

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Unaudited 30-Jun-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Unaudited 30-Jun-2019 ZWL'000
Audit fees	3 586	1 577	2 154	145
Depreciation and amortisation	8 250	11 313	4 185	1 023
Staff costs	141 098	162 646	85 196	14 970
Directors' emoluments (Note 6)	10 088	9 367	6 480	862
Group cross border recharges	(683)	5 598	(472)	515
Premises and equipment costs	7 838	22 811	5 415	2 099
Value Added Tax on imported services	18 629	12 658	10 161	1 165
Communication costs	5 341	4 464	4 819	411
Other	65 313	5 543	45 121	152
<b>Total</b>	<b>259 460</b>	<b>235 977</b>	<b>163 059</b>	<b>21 342</b>

#### 6 DIRECTORS' EMOLUMENTS

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Unaudited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
Fees for services as directors	1 444	784	508	72
Pension	573	314	396	29
Salaries	2 854	8 000	1 972	736
Other emoluments	5 217	269	3 604	25
<b>Total</b>	<b>10 088</b>	<b>9 367</b>	<b>6 480</b>	<b>862</b>

#### 7 TAX EXPENSE

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
Charge for taxation based on taxable income for the period	59 620	4 652	41 188	421
Provision for Aids levy	1 789	140	1 236	13
<b>Total</b>	<b>61 409</b>	<b>4 792</b>	<b>42 424</b>	<b>434</b>
Capital gains tax	-	900	-	81
Prior year tax adjustment	(32 617)	-	(12 450)	-
Deferred tax charge	45 097	7 371	44 325	667
<b>Total</b>	<b>73 889</b>	<b>13 063</b>	<b>74 299</b>	<b>1 182</b>

#### 8 CAPITAL AND RESERVES

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
<b>Tier 1 capital</b>	<b>1 042 436</b>	<b>824 921</b>	<b>830 178</b>	<b>165 516</b>
Paid up share capital	18 612	18 612	825	825
Share premium	465 313	465 313	20 625	20 625
Foreign currency translation reserve (limited to 75% of closing balance)	100 457	100 457	4 452	4 452
Historical revaluation surplus from investment properties	168 568	-	168 568	-
Retained earnings	508 928	300 676	855 150	162 568
Less insider loans	(6 356)	(39)	(6 356)	(15)
Less Capital allocated for market and operational risk	(213 086)	(60 098)	(213 086)	(22 939)
<b>Tier 2 capital</b>	<b>186 289</b>	<b>362 939</b>	<b>341 266</b>	<b>265 533</b>
Foreign currency translation reserve (limited to 25% of closing balance)	33 486	33 486	1 484	1 484
Reserve for financial assets FVOCI	22 234	24 486	22 234	9 346
Revaluation reserve	96 597	267 020	283 576	240 219
General provisions (limited to 1.25% of risk weighted assets)	33 972	37 947	33 972	14 484
<b>Total capital - Tier 1 and 2</b>	<b>1 228 725</b>	<b>1 187 859</b>	<b>1 171 444</b>	<b>431 049</b>

#### Tier 3 capital

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
Capital allocated for market and operational risk	213 086	60 098	213 086	22 939
<b>Total capital base</b>	<b>1 441 811</b>	<b>1 247 958</b>	<b>1 384 530</b>	<b>453 988</b>

#### Risk weighted assets

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
<b>Total risk weighted assets</b>	<b>2 717 744</b>	<b>3 536 548</b>	<b>2 717 744</b>	<b>1 349 871</b>
Tier 1 capital ratio	38.36%	23.33%	30.55%	12.26%
Tier 2 capital ratio	6.85%	10.26%	12.56%	19.67%
Tier 3 capital ratio	7.84%	1.70%	7.84%	1.70%
Capital adequacy ratio	53.05%	35.29%	50.94%	33.63%

#### 9 CASH AND CASH EQUIVALENTS

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
Cash and balances with banks	2 220 993	1 800 286	2 220 993	687 154
Unrestricted balances with the Central Bank	359 813	1 056 284	359 813	403 175
<b>Total cash and cash equivalents</b>	<b>2 580 806</b>	<b>2 856 570</b>	<b>2 580 806</b>	<b>1 090 329</b>

#### 10 LIQUIDITY

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
Cash and cash equivalents	2 580 806	2 856 570	2 580 806	1 090 329
Financial assets at Fair Value Through Other Comprehensive Income	509 626	1 101 655	509 626	420 493
Restricted balances with the Central Bank	51 940	181 882	51 940	69 423
<b>Total liquid assets</b>	<b>3 142 372</b>	<b>4 140 107</b>	<b>3 142 372</b>	<b>1 580 245</b>

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
Customer deposits	4 840 238	5 609 947	4 840 238	2 141 270
Deposits from banks	11 822	15 921	11 822	6 077
<b>Total liabilities to the public</b>	<b>4 852 060</b>	<b>5 625 868</b>	<b>4 852 060</b>	<b>2 147 347</b>

#### Liquidity ratio (minimum - 30%)

	Inflation adjusted	Historical
	64.76%	73.59%

#### 11 FINANCIAL ASSETS AT FVOCI

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
Bonds and notes issued by the Government	508 774	1 101 655	508 774	420 493
Money market instruments issued by others	852	-	852	-
<b>Gross balance</b>	<b>509 626</b>	<b>1 101 655</b>	<b>509 626</b>	<b>420 493</b>

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
Expected credit losses (Note 11.2)	(20 902)	(42 207)	(20 902)	(16 110)
FVOCI	20 094	32 527	20 094	12 415
<b>Total</b>	<b>508 818</b>	<b>1 091 975</b>	<b>508 818</b>	<b>416 798</b>

#### 11.1 Maturities

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
More than 5 years	559	4 141	559	1 581
5				

### Notes to the Financial Statements (continued)

#### 12.2 Loan impairment allowance (cont'd)

	Historical 30-Jun-2020				Historical 31-Dec-2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Balance at 1 January	1 818	824	212	2 854	1 107	278	699	2 084
Profit and loss charge	-	13 636	-	13 636	710	546	111	1 367
New provisions	-	4 791	-	4 791	710	2 004	-	2 714
Provisions reversed	-	8 845	-	8 845	-	(1 457)	111	(1 346)
Write-offs against provisions	-	(7 688)	-	(7 688)	-	-	(598)	(598)
Balance at the end of period	1 818	6 772	212	8 802	1 817	824	212	2 854

#### 12.3 Loans and advances credit quality analysis

	Inflation adjusted 30-Jun-2020				Inflation adjusted 31-Dec-2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Grades 1 : 4 - low to fair risk	991 092	20 226	-	1 011 318	1 646 576	52 987	-	1 699 564
Grade 5 : 7 - Watch List	-	397 612	-	397 612	-	1 740	-	1 740
Grade 9 : 10 - doubtful to Loss	-	-	709	709	-	-	1 362	1 362
Loss allowance (Note 12.2)	(2 467)	(6 123)	(212)	(8 802)	(4 761)	(2 159)	(555)	(7 475)
Suspended Interest	-	-	(198)	(198)	-	-	(479)	(479)
Carrying amount at the end of period	988 624	411 715	299	1 400 639	1 641 816	52 568	328	1 694 711

	Historical 30-Jun-2020				Historical 31-Dec-2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Loans and advances credit quality analysis	991 092	20 226	-	1 011 318	628 485	20 224	-	648 709
Grades 1 : 4 - low to fair risk	-	397 612	-	397 612	-	664	-	664
Grade 5 : 7 - Watch List	-	-	709	709	-	-	520	520
Grade 9 : 10 - doubtful to Loss	(2 467)	(6 123)	(212)	(8 802)	(1 817)	(824)	(212)	(2 853)
Suspended Interest	-	-	(198)	(198)	-	-	(183)	(183)
Carrying amount at the end of period	988 624	411 715	299	1 400 639	626 668	20 064	125	646 857

#### 12.4 Non-performing loans and advances to customers

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
Total loans and advances on which interest is suspended	709	1 362	709	520
Interest in suspense	(198)	(479)	(198)	(183)
Impairment relating to non-performing loans	(212)	(555)	(212)	(212)
Net non-performing loans	299	328	299	125

#### 12.4.1 Maturity analysis of non-performing loans and advances

	Inflation Adjusted		Audited	
	Gross ZWL'000	Net ZWL'000	Gross ZWL'000	Net ZWL'000
Past due up to 30 days	-	-	-	-
Past due up to 60 days	-	-	-	-
Past due up to 90 days	-	-	166	166
Past due up to 180 days	-	-	-	-
Past due up to 365 days	-	-	-	-
Over 1 year	709	299	1 196	162
	709	299	1 362	328

  

	Historical		Audited	
	Gross ZWL'000	Net ZWL'000	Gross ZWL'000	Net ZWL'000
Past due up to 30 days	-	-	-	-
Past due up to 60 days	-	-	-	-
Past due up to 90 days	-	-	64	64
Past due up to 180 days	-	-	-	-
Past due up to 365 days	-	-	-	-
Over 1 year	709	299	456	61
	709	299	520	125

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.

#### 12.5 Recoveries for amounts written off

The recovery relates to loans that were previously written off.

#### 12.6 Sectoral analysis of utilisations

	Inflation adjusted		Audited	
	Unaudited 30-Jun-2020 ZWL'000	%	Unaudited 31-Dec-2019 ZWL'000	%
	Agriculture and horticulture	622 847	44%	674 893
Construction and property	5 357	0%	12 418	1%
Commerce	25 463	2%	50 910	3%
Mining	-	0%	26 199	2%
Manufacturing	357 674	25%	501 085	29%
Transport	147	0%	3	-
Individual loans	398 152	28%	429 425	25%
Financial institutions	-	0%	-	0%
Other	-	0%	7 734	-
Total	1 409 640	100%	1 702 667	100%

	Historical		Audited	
	Unaudited 30-Jun-2020 ZWL'000	%	Unaudited 31-Dec-2019 ZWL'000	%
	Agriculture and horticulture	622 847	44%	257 601
Construction and property	5 357	0%	4 740	1%
Commerce	25 463	2%	19 432	3%
Mining	-	0%	10 000	2%
Manufacturing	357 674	25%	191 260	29%
Transport	147	0%	1	0%
Individual loans	398 152	28%	163 908	25%
Financial institutions	-	0%	-	0%
Other	-	0%	2 951	0%
Total	1 409 640	100%	649 893	100%

#### 13 OTHER ASSETS

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
	Accrued interest receivable	8 890	13 105	8 890
Amounts due from other SCB subsidiaries	12 004	2 578	12 004	984
Other prepaid expenses	4 120	755	4 120	288
Sundry and suspense accounts	22 437	27 694	22 437	10 571
Funding gap receivable*	901 068	736 380	901 068	281 070
	948 519	780 512	948 519	297 915

\* Funding gap receivable related to foreign currency gap that arose from the separation of Nostro and RTGS FCA deposits. The amount represents foreign currency that was allocated to customers with RTGS 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.

### Notes to the Financial Statements (continued)

#### 14 RESTRICTED BALANCES WITH THE CENTRAL BANK

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
	Statutory reserve	51 940	181 882	51 940
	51 940	181 882	51 940	69 423

#### 15 INVESTMENT PROPERTY

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
	Balance at beginning of period	166 957	48 821	63 726
Transfers into investment property	441 633	5 696	168 568	350
Fair value gain	277 289	112 440	653 585	60 376
Balance at end of period	885 879	166 957	885 879	63 726

#### 16 PROPERTY AND EQUIPMENT

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
	Property and equipment	871 075	461 736	313 269
Balance at beginning of period	(441 633)	(5 696)	(168 568)	(350)
Transfers to investment property	15 900	13 293	5 575	1 701
Additions/improvements	-	31 779	-	2 898
Reversal from non-current assets held for sale	-	(19 314)	-	(1 698)
Disposals	(2 948)	420 389	223 944	284 160
Revaluation gain	(7 597)	(31 112)	(4 144)	(3 093)
Depreciation charge	-	-	-	-
Balance at end of period	434 797	871 075	370 076	313 269

#### 17 DEPOSITS FROM CUSTOMERS

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
	Payable on demand	4 839 005	5 606 691	4 839 005
3 months or less	1 233	3 256	1 233	1 243
	4 840 238	5 609 947	4 840 238	2 141 270

#### Concentration of customer deposits

	Inflation adjusted		Audited	
	Unaudited 30-Jun-2020 ZWL'000	%	Unaudited 31-Dec-2019 ZWL'000	%
Individuals	714 801	15%	643 873	11%
Agriculture	290 309	6%	275 288	5%
Mining	4 919	0%	12 809	0%
Manufacturing	809 107	17%	1 129 341	20%
Distribution	483 742	10%	503 092	9%
Construction	154 697	3%	128 921	2%
Transport	72 182	1%	526 393	9%
Services	1 947 755	40%	1 925 725	34%
Financial institutions	362 726	7%	464 506	8%
	4 840 238	100%	5 609 947	100%

#### Concentration of customer deposits

	Historical		Audited	
	Unaudited 30-Jun-2020 ZWL'000	%	Unaudited 31-Dec-2019 ZWL'000	%
Individuals	714 801	15%	245 761	11%
Agriculture	290 309	6%	105 075	5%
Mining	4 919	0%	4 889	0%
Manufacturing	809 107	17%	431 060	20%
Distribution	483 742	10%	192 026	9%
Construction	154 697	3%	49 208	2%
Transport	72 182	1%	200 920	9%
Services	1 947 755	40%	735 033	34%
Financial institutions	362 726	7%	177 298	8%
	4 840 238	100%	2 141 270	100%

#### 18 DEPOSITS FROM BANKS

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
	Deposits from related banks	4 166	2 031	4 166
Deposits from other banks	7 656	13 890	7 656	5 302
	11 822	15 921	11 822	6 077

#### 19 OTHER LIABILITIES

	Inflation adjusted		Historical	
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
	Accrued interest payable	198	114	198
Remittances in transit	21 308	175 297	21 308	66 909
Intermediated money transfer tax	77 340	15 434	77 340	5 891
International card settlement suspense	17 926	18 751	17 926	7 157
Long service award	3 405	8 921	3 405	3 405
Lease liability	523	3 092	523	1 180
Card suspense	17 555	218 346	17 555	83 341
Group cross border recharges	102 733	76 310	102 733	29 127
Provisions (Note 20)	30 779	67 148	30 779	25 630
Redundancy accrual	-	81 786	-	31 217
Other	149 899	39 509	149 899	15 080
	421 666	704 708	421 666	268 981

Included in other liabilities are Group recharges payable ZWL103m (2019: ZWL76m), unclaimed customer balances which include forex denominated amounts ZWL88m (2019: 27m), intermediated taxes due to the tax authority ZWL77m (2019: ZWL15m), clearing suspense accounts ZWL33m (2019: ZWL85m) and remittances in transit ZWL21m (2019: ZWL175m) among others.

#### 20 PROVISIONS

	Inflation adjusted			Historical		
	Performance bonus ZWL'000	Other accrued expenses ZWL'000	Total ZWL'000	Performance bonus ZWL'000	Other accrued	



### Notes to the Financial Statements (continued)

#### 22 INTEREST RATE GAP REPRICING

As at 30 June 2020	Inflation Adjusted						Total ZWL'000
	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Over 5 Years ZWL'000	Non Interest bearing ZWL'000	
<b>Assets</b>							
Cash and cash equivalents	-	-	-	-	-	2 580 806	2 580 806
Financial assets at FVOCI	-	89 084	417 961	1 213	560	-	508 818
Loans and advances to customers	132 824	353 956	469 663	402 034	42 162	-	1 400 639
Other assets	-	-	-	-	-	948 519	948 519
Restricted balances with the Central Bank	-	-	-	-	-	51 940	51 940
Investment property	-	-	-	-	-	885 879	885 879
Property and equipment	-	-	-	-	-	434 797	434 797
Right of use asset	-	-	-	-	-	8 133	8 133
	<b>132 824</b>	<b>443 040</b>	<b>887 624</b>	<b>403 247</b>	<b>42 722</b>	<b>4 910 074</b>	<b>6 819 531</b>
<b>Equity and liabilities</b>							
Shareholders' funds	-	-	-	-	-	1 414 195	1 414 195
Deposits from customers	4 839 004	1 234	-	-	-	-	4 840 238
Deposits from banks	11 822	-	-	-	-	-	11 822
Other liabilities	-	-	-	-	-	421 666	421 666
Current tax liability	-	-	-	-	-	11 484	11 484
Deferred tax liability	-	-	-	-	-	120 126	120 126
	<b>4 850 826</b>	<b>1 234</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 967 471</b>	<b>6 819 531</b>
<b>Interest rate repricing gap</b>	<b>(4 718 002)</b>	<b>441 806</b>	<b>887 624</b>	<b>403 247</b>	<b>42 722</b>	<b>2 942 603</b>	
<b>Cumulative gap</b>	<b>(4 718 002)</b>	<b>(4 276 196)</b>	<b>(3 388 572)</b>	<b>(2 985 325)</b>	<b>(2 942 603)</b>	<b>-</b>	

As at 30 June 2020	Historical						Total ZWL'000
	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Over 5 Years ZWL'000	Non Interest bearing ZWL'000	
<b>Assets</b>							
Cash and cash equivalents	-	-	-	-	-	2 580 806	2 580 806
Financial assets available for sale	-	89 084	417 961	1 213	560	-	508 818
Loans and advances to customers	132 824	353 956	469 663	402 034	42 162	-	1 400 639
Other assets	-	-	-	-	-	948 519	948 519
Restricted balances with the Central Bank	-	-	-	-	-	51 940	51 940
Investment property	-	-	-	-	-	885 879	885 879
Property and equipment	-	-	-	-	-	370 076	370 076
Right of use asset	-	-	-	-	-	500	500
	<b>132 824</b>	<b>443 040</b>	<b>887 624</b>	<b>403 247</b>	<b>42 722</b>	<b>4 837 720</b>	<b>6 747 177</b>
<b>Equity and liabilities</b>							
Shareholders' funds	-	-	-	-	-	1 356 915	1 356 915
Deposits from customers	4 839 004	1 234	-	-	-	-	4 840 238
Deposits from banks	11 822	-	-	-	-	-	11 822
Other liabilities	-	-	-	-	-	421 666	421 666
Current tax liability	-	-	-	-	-	11 484	11 484
Deferred tax liability	-	-	-	-	-	105 052	105 052
	<b>4 850 826</b>	<b>1 234</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 895 117</b>	<b>6 747 177</b>
<b>Interest rate repricing gap</b>	<b>(4 718 002)</b>	<b>441 806</b>	<b>887 624</b>	<b>403 247</b>	<b>42 722</b>	<b>2 942 603</b>	
<b>Cumulative gap</b>	<b>(4 718 002)</b>	<b>(4 276 196)</b>	<b>(3 388 572)</b>	<b>(2 985 325)</b>	<b>(2 942 603)</b>	<b>-</b>	

#### 23 LIQUIDITY GAP ANALYSIS

As at 30 June 2020	Inflation Adjusted						Total ZWL'000
	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Over 5 Years ZWL'000	Non Interest bearing ZWL'000	
<b>Assets</b>							
Cash and cash equivalents	2 580 806	-	-	-	-	-	2 580 806
Financial assets at FVOCI	-	89 084	417 961	1 213	560	-	508 818
Loans and advances to customers	132 824	353 956	469 663	402 034	42 162	-	1 400 639
Other assets	-	-	-	-	-	948 519	948 519
Restricted balances with the Central Bank	51 940	-	-	-	-	-	51 940
Investment property	-	-	-	-	-	885 879	885 879
Property and equipment	-	-	-	-	-	434 797	434 797
Right of use asset	-	-	-	-	-	8 133	8 133
	<b>2 765 570</b>	<b>443 040</b>	<b>887 624</b>	<b>403 247</b>	<b>42 722</b>	<b>2 277 328</b>	<b>6 819 531</b>
<b>Equity and liabilities</b>							
Shareholders' funds	-	-	-	-	-	1 414 195	1 414 195
Deposits from customers	4 839 004	1 234	-	-	-	-	4 840 238
Deposits from banks	11 822	-	-	-	-	-	11 822
Other liabilities	-	-	-	-	-	421 666	421 666
Current tax liability	-	-	-	-	-	11 484	11 484
Deferred tax liability	-	-	-	-	-	120 126	120 126
	<b>4 850 826</b>	<b>1 234</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 967 471</b>	<b>6 819 531</b>
<b>Liquidity gap</b>	<b>(2 085 256)</b>	<b>441 806</b>	<b>887 624</b>	<b>403 247</b>	<b>42 722</b>	<b>309 857</b>	
<b>Cumulative gap</b>	<b>(2 085 256)</b>	<b>(1 643 450)</b>	<b>(755 826)</b>	<b>(352 579)</b>	<b>(309 857)</b>	<b>-</b>	

As at 30 June 2020	Historical						Total ZWL'000
	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Over 5 Years ZWL'000	Non Interest bearing ZWL'000	
<b>Assets</b>							
Cash and cash equivalents	2 580 806	-	-	-	-	-	2 580 806
Financial assets at FVOCI	-	89 084	417 961	1 213	560	-	508 818
Loans and advances to customers	132 824	353 956	469 663	402 034	42 162	-	1 400 639
Other assets	-	-	-	-	-	948 519	948 519
Restricted balances with the Central Bank	51 940	-	-	-	-	-	51 940
Investment property	-	-	-	-	-	885 879	885 879
Property and equipment	-	-	-	-	-	370 076	370 076
Right of use asset	-	-	-	-	-	500	500
	<b>2 765 570</b>	<b>443 040</b>	<b>887 624</b>	<b>403 247</b>	<b>42 722</b>	<b>2 204 974</b>	<b>6 747 177</b>
<b>Equity and liabilities</b>							
Shareholders' funds	-	-	-	-	-	1 356 925	1 356 925
Deposits from customers	4 839 004	1 234	-	-	-	-	4 840 238
Deposits from banks	11 822	-	-	-	-	-	11 822
Other liabilities	-	-	-	-	-	421 666	421 666
Current tax liability	-	-	-	-	-	11 484	11 484
Deferred tax liability	-	-	-	-	-	105 052	105 052
	<b>4 850 826</b>	<b>1 234</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 895 117</b>	<b>6 747 117</b>
<b>Liquidity gap</b>	<b>(2 085 256)</b>	<b>441 806</b>	<b>887 624</b>	<b>403 247</b>	<b>42 722</b>	<b>309 857</b>	
<b>Cumulative gap</b>	<b>(2 085 256)</b>	<b>(1 643 450)</b>	<b>(755 826)</b>	<b>(352 579)</b>	<b>(309 857)</b>	<b>-</b>	

#### 24 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Net financial assets held at FVOCI	Inflation adjusted				Historical			
	Unaudited 30-Jun-2020		Audited 31-Dec-2019		Unaudited 30-Jun-2020		Audited 31-Dec-2019	
	Level 3 ZWL'000	Total ZWL'000	Level 3 ZWL'000	Total ZWL'000	Level 3 ZWL'000	Total ZWL'000	Level 3 ZWL'000	Total ZWL'000
	508 818	508 818	1 091 975	1 091 975	508 818	508 818	416 798	416 798

#### Measurement of fair value

##### Fair value hierarchy

##### Level 3

The fair value of financial assets held at fair value through other comprehensive income has been categorised under level 3 in the fair value hierarchy based on the inputs to the valuation technique used.

The following is a reconciliation from the opening gross balances to the closing gross balances for the level 3 fair values.

	Inflation adjusted			
	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000	Unaudited 30-Jun-2020 ZWL'000	Audited 31-Dec-2019 ZWL'000
Balance at the beginning of the period	1 101 655	5 940 012	420 493	365 009
Monetary adjustment	(1 329 714)	(5 088 769)	-	-
Purchases	859 797	1 956 899	593 987	433 591
Settlements	(122 113)	(1 706 487)	(84 361)	(378 107)
<b>Balance at the end of the period</b>	<b>509 626</b>	<b>1 101 655</b>	<b>509 626</b>	<b>420 493</b>

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

### Notes to the Financial Statements (continued)

Financial assets at fair value through other comprehensive income comprise of Treasury bills and bonds issued by the Government and other third parties. In the absence of an active market and other parameters to determine an appropriate yield curve, Management have adopted internal trading data in determining the fair value.

#### 24.2 Financial instruments not measured at fair value

The following table sets out the fair value of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

##### As at 30 June 2020

	Level 1 ZWL'000	Level 2 ZWL'000	Total ZWL'000	Carrying amount ZWL'000
<b>Assets</b>				
Cash and cash equivalents	-	1 036 854	1 036 854	1 036 854
Loans and advances to customers	-	-	1 400 639	1 400 639
Restricted balances with the Central bank	-	-	1 595 892	1 595 892
Other assets	-	-	948 519	948 519
<b>Liabilities</b>				
Deposits from customers	-	4 840 238	4 840 238	4 840 238
Deposits from banks	-	11 822	11 822	11 822
Other liabilities	-	-	421 666	421 666

These are monetary items therefore inflation adjusted and historical will be the same.

#### 25 CORRECTION OF PRIOR YEAR ERROR

As part of adoption of IAS 29, the Bank eliminated its revaluation reserve balance as at 1 January 2019, the first date of adoption. However, contrary to the provision of the relevant accounting standard, the Bank continued to eliminate the revaluation surpluses arising from subsequent property revaluations carried out during the year to 31 December 2019. The error has been corrected by restating each of the affected financial statements for the prior periods. The following table summarises the impact on the Bank's inflation adjusted financial statements.

##### Statement of financial position as at 31 December 2019

	Impact of correction of error		
	As previously reported	Adjustment	As restated
Revaluation reserve	-	267 020	267 020
Retained earnings	567 696	(267 020)	300 676
<b>Total shareholders' funds</b>	<b>567 696</b>	<b>-</b>	<b>567 696</b>

##### Statement of comprehensive income for the year ended 31 December 2019

	As previously reported	Adjustment	As restated
Loss on Monetary position	(1 338 724)	(267 020)	(1 071 704)
Tax expense	-	-	-
<b>Profit after tax</b>	<b>(1 338 724)</b>	<b>267 020</b>	<b>(1 071 704)</b>
<b>Total comprehensive income</b>	<b>(1 338 724)</b>	<b>267 020</b>	<b>(1 071 704)</b>

#### 26 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.

#### 27 COVID-19 PANDEMIC RESPONSE

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.

#### 28 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:6

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	Moderate	Acceptable	Low	Stable
Liquidity	Low	Acceptable	Low	Stable
Interest rate	Low	Strong	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	Low	Strong	Low	Stable
Legal	Moderate	Acceptable	Moderate	Stable
Compliance	Low	Strong	Low	Stable
Reputation	Moderate	Strong		