STANDARD CHARTERED BANK ZIMBABWE LIMITED

Registered Commercial Bank
A member of the Deposit Protection Corporation

Standard Chartered

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Chairman's Statement

Operating Environment
The economy continues to face headwinds as economic fundamentals have remained weak. The country has been classified as being in debt distress under the International Monetary Fund and World Bank sustainability framework. While the International Monetary Fund has projected that the country's gross domestic product will contract by 5.2% in 2019, the Fund and Government have reached an agreement on macroeconomic policies and structural reforms through a Staff Monitored Program that facilitates a return to macroeconomic stability.

In its November 2018 monthly economic review, the Reserve Bank of Zimbabwe reported that year-on-year broad money supply growth accelerated to USD10.1 billion in November 2018 from USD8.0 billion in November 2017 on the back of increases in demand deposits and currency in circulation. Private sector credit recorded an 8.0% increase, mainly extended to households and the agriculture sector.

The Bank continues to invest in and promote use of electronic payment platforms in response to the cash shortages and in line with global payment trends. Standard Chartered Bank Zimbabwe Limited remains committed to meeting the needs of its clients and working with all stakeholders for the development of the economy.

Financial Performance
The Bank achieved a profit after tax of USD18.4 million for the year ended 31 December 2018, a significant improvement compared to the USD13.3 million achieved in the previous year. Our strategy of digitising the banking platforms is beginning to bear fruits through operational efficiencies and a reduction in costs. Non-performing loans ratio at 1.2%, was a significant improvement compared to 2.8% for the year ended 31 December 2017 and was well within the regulatory threshold of 5.0%. The balance sheet remains strong and highly liquid compared to the minimum regulatory requirements. The Bank is confident of meeting the target core capital of USD100 million by 31 December 2020.

Community Investment
The Bank continues to contribute significantly to social and developmental programmes in Zimbabwe both on its own and in partnership with other organisations. Our brand promise, **Here for good,** means sustainable and long-term commitment to the people of Zimbabwe. The Bank encourages its employees to commit their time and unique skills by helping the needy in society. Employee volunteering is an important component of our community investment strategy. It provides a great opportunity for us to put our valued behaviours into action while learning something new and working together with different teams, both inside and outside the Bank, as we help to upgrade our communities.

Financial education is a critical life skill that builds financial knowledge, skills and attitudes. We define financial education as building awareness of financial products and teaching responsible behaviours such as saving and budgeting.

The lack of financial education is a key barrier to financial inclusion especially amongst vulnerable populations such as young people, women, and micro and small businesses. Through our Financial Education for Youth programme, we seek to foster greater financial understanding and opportunity in the communities where we operate and to demonstrate our 'human' values. We recognise that the security, prosperity and stability of our financial systems, communities and economies depend on well educated, financially capable young people and entrepreneurs.

Our staff participated in the 2018 Global Money Week commemorations by going out to schools and providing Financial awareness to youth aged between 12 and 20 years and the programme reached out to 1,137 school children from 13 schools across the country.

The Bank's investment under the **'Seeing is Believing'** programme, in partnership with Christian Blind Mission (CBM), continues to change lives of the visually impaired and improve the quality of service rendered by selected beneficiary institutions. The key highlights of the project's achievements in 2018 include; refurbishment of the Sekuru Kaguvi Hospital adult section, supply of eye unit equipment and consumables, 2,895 cataract surgeries, training of ophthalmic nurses and primary health care workers and screening of 2,156 children in schools. The success of this program has seen it being extended by an additional year to 31 December 2019 targeting 5,546 cataract surgeries.

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 programs through the Board Audit Committee. An Enterprise Risk Management Framework is in place and it sets out the principles and standards for how we manage risk in the Business.

The Bank bids farewell to Samuel Nhakaniso, the former Executive Director and Head of Global Banking who retired with effect from 22 March 2019 after thirty-nine years of service. Samuel served in various capacities over the years and his invaluable contribution will be greatly missed. The Board of Directors and management wish him well in all his future endeavours.

Outlook
The Bank continues to play its part in driving investment, trade and creation of wealth across Asia, Africa and the Middle East by leveraging the Group's strong global network and unique diversity.

To align with the latest digital trends and to deliver on one of its strategic priorities, Standard Chartered Bank Zimbabwe is scheduled to roll out its first retail digital banking platform in Q2 2019 to give clients freedom of self-service on their electronic devices.

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.

Acknowledgements
I would like to thank staff, management and my fellow Directors for their dedication and commitment. Your hard work in 2018 saw us receiving the following accolades:
- Best Bank in Zimbabwe 2018- Euromoney; and
- 1st Runner Up, Best Bank in Zimbabwe 2018 - Top Companies Survey.

I would also like to thank the Bank's customers for their loyalty throughout the year and to reassure them that the Bank's brand promise remains the same - to be **Here for good.** The Bank's aim is to leverage on its network and channels in delivering relevant world class solutions to meet our clients' needs. I would therefore like to take this opportunity to thank all the Bank's stakeholders for their continued support and confidence in the Bank and to wish them well in 2019.

L.T. Manatsa **16 April 2019**
CHAIRMAN

Auditor's Statement

These abridged financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2018, which have been audited by KPMG Chartered Accountants (Zimbabwe) and a modified audit opinion issued thereon. The Auditor's report, which is modified in respect of compliance with International Financial Reporting Standard 21 *The Effects of Changes in Foreign Exchange Rates* and also includes key audit matters, is available for inspection at the Bank's registered address.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018 USD	2017 USD
Interest income	2	39,415,280	29,301,196
Interest expense	3	(302,150)	(276,377)
Net interest income		**39,113,130**	**29,024,819**
Fees and commission income		33,878,327	35,273,303
Commission expense		(7,151,837)	(7,205,776)
Foreign currency trading income		3,246,520	5,738,063
Non interest income		**29,973,010**	**33,805,590**
Total revenue		**69,086,140**	**62,830,409**
Other income	4	550,934	311,134
Total income		**69,637,074**	**63,141,543**
Loss on sale of property and equipment		(84,412)	(392,607)
Operating expenses	5	(45,048,791)	(44,572,997)
Profit before impairment charge		**24,503,871**	**18,175,939**
Net impairment recovery/(charge) [1]		**1,572,516**	**(433)**
Expected credit losses:			
(i) Loans and advances	12.2	2,149,034	-
(ii) Financial assets at fair value through other comprehensive income	11.2	(409,011)	-
Recovery of bad debts previously written off	12.5	592,994	304,393
Bad debts written off		(760,501)	(170,275)
Specific and portfolio allowance	12.2	-	(134,551)
Profit before tax		**26,076,387**	**18,175,506**
Tax expense	7	(7,707,551)	(4,846,212)
Profit after tax		**18,368,836**	**13,329,294**
Other comprehensive income:			
Items that will not be reclassified to profit or loss		**924 437**	**(4 852)**
Property revaluation gain/(loss)		973 092	(6 535)
Related tax		(48 655)	1 683
Items that are or may be reclassified subsequently to profit or loss		**303 691**	**-**
Reserve on financial assets at fair value through other comprehensive income409 011		-	
Tax relating to components of other comprehensive income		(105 320)	-
Other comprehensive income/(loss)		**1 228 128**	**(4 852)**
Total comprehensive income		**19 596 964**	**13 324 4421**

[1] Impairment losses for the year ended 31 December 2018 have been determined in accordance with International Financial Reporting Standard number 9 Financial Instruments ('IFRS 9'). The Bank has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating comparative periods in respect of IFRS 9 classification and measurement (including impairment requirements), therefore comparative information has not been restated. Refer to Changes in significant accounting policies note for further information.

Statement of Financial Position

As at 31 December 2018

	Note	2018 USD	2017 USD
ASSETS			
Cash and cash equivalents	9	363,138,385	350,063,169
Financial assets at fair value through other comprehensive income		365,009,116	271,102,359
Loans and advances	11	139,234,626	152,893,497
Other assets	12.3	2,284,555	3,087,247
Currrent tax asset	13	37,998	226,462
Restricted balances with the Central Bank		41,048,517	245,400
Non current assets held for sale	14	3,511,691	5,208,000
Investment property		3,000,000	3,000,000
Property and equipment	15	28,374,012	28,417,007
Deferred tax asset	16	2,410,621	1,554,124
Total assets		**948,049,521**	**815,797,265**
EQUITY AND LIABILITIES			
Equity			
Share capital		825,000	825,000
Share premium		20,625,000	20,625,000
Foreign currency translation reserve		5,936,639	5,936,639
Revaluation reserve		10,846,344	9,921,907
Reserve on financial assets at fair value through other comprehensive income		7,038,143	-
Retained earnings		58,783,218	47,287,697
Total equity		**104,054,344**	**84,596,243**
Liabilities			
Deposits from customers	17	806,644,431	704,553,227
Deposits from banks	18	111,803	29,810
Other liabilities	19	37,238,943	26,617,985
Total liabilities		**843,995,177**	**731,201,022**
Total equity and liabilities		**948,049,521**	**815,797,265**

Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital USD	Share premium USD	Foreign currency translation reserve USD	Revaluation reserve USD	Reserve on financial assets at FVOCI USD	Retained earnings USD	Total USD
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)[2]	-	-	-	-	6,734,452	(6,873,315)	(138,863)
Restated 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	-	-	-	-	-	18,368,836	18,368,836
Other comprehensive income	-	-	-	924,437	303,691	-	1,228,128
Balance as at 31 December 2018	**825,000**	**20,625,000**	**5,936,639**	**10,846,344**	**7,038,143**	**58,783,218**	**104,054,344**
Balance as at 1 January 2017	**825,000**	**20,625,000**	**5,936,639**	**9,926,759**	**-**	**42,018,403**	**79,331,801**
Profit for the period	-	-	-	-	-	13,329,294	13,329,294
Other comprehensive income	-	-	-	(4,852)	-	-	(4,852)
Dividend paid	-	-	-	-	-	(8,060,000)	(8,060,000)
Balance as at 31 December 2017	**825,000**	**20,625,000**	**5,936,639**	**9,921,907**	**-**	**47,287,697**	**84,596,243**

[2] Refer to Changes in significant accounting policies note.

Statement of Cash Flows

For the year ended 31 December 2018

	2018 USD	2017 USD
Cash flow from operating activities:		
Profit before tax	26,076,387	18,175,506
Adjustments for:		
Loss on disposal of property and equipment	84,412	392,607
Depreciation	2,163,088	1,863,232
Net loan impairment (recovery)/charge	(979,522)	433
Operating cash flow before changes in operating assets and liabilities	**27,344,365**	**20,431,778**
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through other comprehensive income	(93,684,767)	(131,939,868)
Decrease/(increase) in loans and advances	14,638,393	(27,752,968)
(Increase)/decrease in other assets	(438,917)	1,736,387
Increase in restricted balances with the Central Bank	(40,803,117)	-
Increase in deposits from customers	102,091,204	309,397,068
Increase/(decrease) in deposits from banks	81,993	(2,133,710)
Increase in other liabilities	10,633,453	521,361
	19,862,607	170,260,048
Corporate tax paid	(8,481,401)	(7,885,321)
Net cash generated from operating activities	**11,381,206**	**162,374,727**
Cash flow from investing activities:		
Proceeds on disposal of property and equipment	3,420,578	855,720
Improvements and additions to property and equipment	(1,726,568)	(4,192,069)
Net cash utilised in investing activities	**1,694,010**	**(3,336,349)**
Cash flow from financing activities:		
Dividend paid	-	(8,060,000)
Net cash utilised in financing activities	**-**	**(8,060,000)**
Net increase in cash and cash equivalents	**13,075,216**	**150,978,378**
Cash and cash equivalents at the beginning of the period	350,063,169	199,084,791
Cash and cash equivalents at the end of the period	**363,138,385**	**350,063,169**

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			
	29-Mar-18	13-Jun-18	6-Sep-18	22-Nov-18
L.T. Manatsa*	√	√	√	√
R. Watungwa**	√	√	√	√
C. Mwerenga**	√	√	√	√
S.M. Mushiri****	√	√	√	√
S. Nhakaniso*****	√	x	√	√
M. Clarke***	√	√	√	x
F. Pieterse***	√	x	√	x
E. Mkondo****	√	√	√	√
H.S. Mashanyare****	√	√	√	√

Key
*Independent Non Executive Chairperson
**Executive Director
***Non Executive
****Independent Non Executive Director
*****Resigned effective 22 March 2019
x - Apology
√ - Present

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

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

Director	Number of meetings attended	Number of meetings held in 2018
E. Mkondo*	4	4
S.M. Mushiri	4	
H.S. Mashanyare	3	

*Chairperson

Corporate Governance (continued)

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 2018
L.T. Manatsa*	4	4
F. Pieterse	2	
M. Clarke	4	

*Chairperson

Loans Review Committee
The Loans Review Committee reviews the quality of the Bank's loan portfolio in order to ensure its conformity to sound lending policies approved by the Board. The Committee ensures that the Board is adequately informed regarding the portfolio risk.

Director	Number of meetings attended	Number of meetings held in 2018
S.M. Mushiri*	4	4
C. Mwerenga	4	
E. Mkondo	4	

*Chairperson

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

Director	Number of meetings attended	Number of meetings held in 2018
L.T. Manatsa*	4	4
R. Watungwa	4	
H.S. Mashanyare	4	

*Chairperson

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

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

Approval of the audited abridged financial statements
These audited financial statements were approved at a Board meeting held on 16 April 2019.

By order of the Board

Company Secretary

16 April 2019

Risk Management

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

Credit risk
Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Bank's loans and advances to customers, other banks and investment securities.

The Bank actively manages its credit risk at the individual transaction, counterparty and portfolio levels, using a variety of qualitative and quantitative measures. The Bank endeavours to minimise credit risk as far as possible by only granting a loan where the risk of default is acceptable. Based on evaluation of the counterparty's creditworthiness and the type of credit arrangement desired, credit limits are assigned by experienced credit officers, and approved by the Board Credit Committee.

Liquidity risk
Liquidity risk is the risk that the Bank will encounter difficulties in meeting the obligations of its financial liabilities. Liquidity risk arises from the fact that assets and liabilities have differing maturities. Liquidity issues are addressed through the Asset and Liability Committee ('ALCO') of the Bank comprising the Chief Executive Officer, Chief Financial Officer and Country Chief Risk Officer. The respective Heads of Commercial Banking, Global Banking, Retail Banking, Asset and Liability Management and Group Treasury attend by invitation. At its meetings, ALCO deals with strategic and policy issues on liquidity, and sets the positions and mismatch levels within which the activities of the Bank are conducted. It is the responsibility of ALCO to ensure that the Bank has sufficient liquidity at any given time.

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

Traded risk is addressed through the Executive Risk Committee ('ERC') of the Bank comprising the Country Chief Risk Officer, Chief Executive Officer and Heads of Business and Functions. The ERC ensures that value-at-risk measures for market risk exposures remain within the overall approved risk appetite.

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

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

Compliance risk
Compliance risk is the risk that arises due to the Bank's failure to adhere to legal and regulatory obligations. The Bank manages this risk through dedicated Legal and Compliance units, an established set of procedures for managing regulatory change and oversight by governance committees.

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

Accounting Policies

Except as described under Changes in significant accounting policies note 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 audited financial results have been prepared in a form applicable to a commercial bank registered in terms of the Banking Act (Chapter 24:20) as amended, Companies Act (24:03) and in conformity with International Financial Reporting Standards ('IFRS').

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
The financial results have been prepared on the historical cost basis except for investment property, financial assets at fair value through other comprehensive income and property and equipment whose values have been stated at fair value.

Functional and presentation currency
The Bank has been operating in an economy characterised by foreign currency shortages, and consequently has exchange control regulations that impact the timing of settling certain foreign obligations. Given the context of the economic environment, the Directors assessed in terms of International Accounting Standard ('IAS') 21: The Effects of Changes in Foreign Exchange Rates, if there has been a change in the functional currency used by the Bank. The assessment which was done in line with the International Financial Reporting Standards ('IFRS') included consideration of whether the various modes of settlement represent different forms of currency. The Directors established and concluded that, the emergency of various modes of payment which included cash, Bond notes and coins, mobile money transfers, electronic money transfers or point of sale, as the unit of measure across all these payment modes indicated a change in functional currency.

On 20 February 2019, the RBZ presented its 2019 Monetary Policy Statement introducing a new currency termed RTGS dollar. The Directors assessed the conditions taking into account the legal framework that was in force as at 31 December 2018 which superseded the requirements of IFRS. The Directors concluded in line with the laws of the country that the introduced currency on 20 February 2019 was a post Balance Sheet non-adjusting event and hence United States dollar remained the reporting currency as at 31 December 2018. Full disclosures on the impact of the monetary policy statement have been included in the Bank's annual report and in note 25.1 of this publication.

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

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

STANDARD CHARTERED BANK ZIMBABWE LIMITED

Registered Commercial Bank
A member of the Deposit Protection Corporation

Standard Chartered

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Accounting Policies (continued)

Changes in significant accounting policies
The Bank adopted IFRS 9 and IFRS 15 with effect from from 1 January 2018. A number of other new standards were also effective from 1 January 2018 but they did not have material impact to the Bank.

The effect of adopting these standards is mainly attributable to the below:
- Increase in impairment losses recognised on financial assets;
- Additional disclosures related to IFRS 9; and
- Additional disclosures related to IFRS 15.

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

IFRS 9: Financial Instruments
The Bank adopted IFRS 9 Financial Instruments with a date of initial application of 1 January 2018. The requirements of IFRS 9 represents a significant change from IAS 39, *Financial Instruments: Recognition and Measurement.*

The Bank took an advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating comparative periods in respect of classification and measurement (including impairment) requirements.

IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening reserves.

	USD
Recognition of expected credit losses under IFRS 9	(9,256,990)
Remeasurement of financial assets at fair value through other comprehensive income	9,069,969
Related tax	48,158
Net impact at 1 January 2018	**(138,863)**

Classification and measurement of financial assets and financial liabilities
The adoption of IFRS 9 has not had a significant impact on the Bank's policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Classification and measurement
There are three measurement classifications under IFRS 9: that is amortised cost, fair value through profit or loss and Fair Value Through Other Comprehensive Income ('FVOCI'). The existing IAS 39 financial asset categories were removed.

Financial assets are classified into these categories 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 and associated with credit risks together with compensation for other basic lending risks and costs as well as profit margin.

Assets may be sold out of hold to collect portfolios where 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 asset 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') and that have Solely for Payments of Principle and Interest ('SPPI') cash flows are held at FVOCI, with unrealised gains or losses deferred in reserves until the asset is derecognised.

All other financial assets will be held at fair value through profit and loss.

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 Loss ('FVTPL').

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

Investment Debt Securities and Treasury Bills held by Asset and Liability Management are held within a 'hold to collect and sell' portfolio and hence classified as at FVOCI.The Bank assesses further where the assets are held within a 'hold to collect' or 'hold to collect and sell' business model, to determine whether the cash flows of the assets are deemed to be 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.

Impairment of financial assets not held at fair value through profit and loss
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 for 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.

Similar to the IAS 39 requirements for individual impairment provisions, lifetime expected credit losses are recognised for loans 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 repayments 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 charged 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.

Accounting Policies (continued)

Exposure at Default (EAD)
This is the total value the Bank is exposed to at the time of 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. 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.

The table below reconciles classification and carrying amounts under IAS 39 to those under IFRS 9 as at 1 January 2018;

Financial Statements Caption	Category per IAS 39	Category per IFRS 9	Carrying amount USD	Remeasurement adjustment USD	New Carrying amount under IFRS 9 USD
Cash and cash equivalents	Loans and receivables	Amortised Cost	350,065,169	-	350,065,169
Financial assets at FVOCI	Financial assets available for sale	FVOCI - debt instrument	271,102,359	-	271,102,359
Loans and advances	Loans and receivables	Amortised Cost	152,893,497	(187,021)	152,706,476
Restricted Balances with Central Bank	Loans and receivables	Amortised Cost	245,400	-	245,400
Other assets	Loans and receivables	Amortised Cost	3,087,247	-	3,087,247
Total financial assets			**777,393,672**	**(187,021)**	**777,206,651**

IFRS 15: Revenue from Contracts with Customers
IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS11 *Construction contracts* and related interpretations. The timing or amount of fee and commission income from contracts with customers was not impacted by the adoption of the new standard. The impact of IFRS 15 was limited to new disclosures.

FINANCIAL INSTRUMENTS

Measurement

Financial instruments are measured initially at fair value, including transaction costs where the financial instruments is not measured through profit or loss. Subsequent to initial recognition all trading instruments and all investments securities 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 cashflow techniques. Where this technique is used, estimated future cashflows 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 allowance

Impairment allowance is recognised in respect of loans and advances at amortised cost, financial assets at fair value through other comprehensive income and other receivables. Refer to Changes in significant accounting policies note.

Loans and advances impairment allowance is also provided for in accordance with the provisions of the Banking Regulations, 2000, Statutory Instrument 205 of 2000 and IFRS. The excess, if any, of the statutory provision to IFRS 9 is passed through statement of changes in equity. Interest on loans and advances is accrued to profits until such time a reasonable doubt exists with regard to its collectability.

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 and in the statement of profit or loss, if it is a loss. 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. 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 pension schemes for its employees.

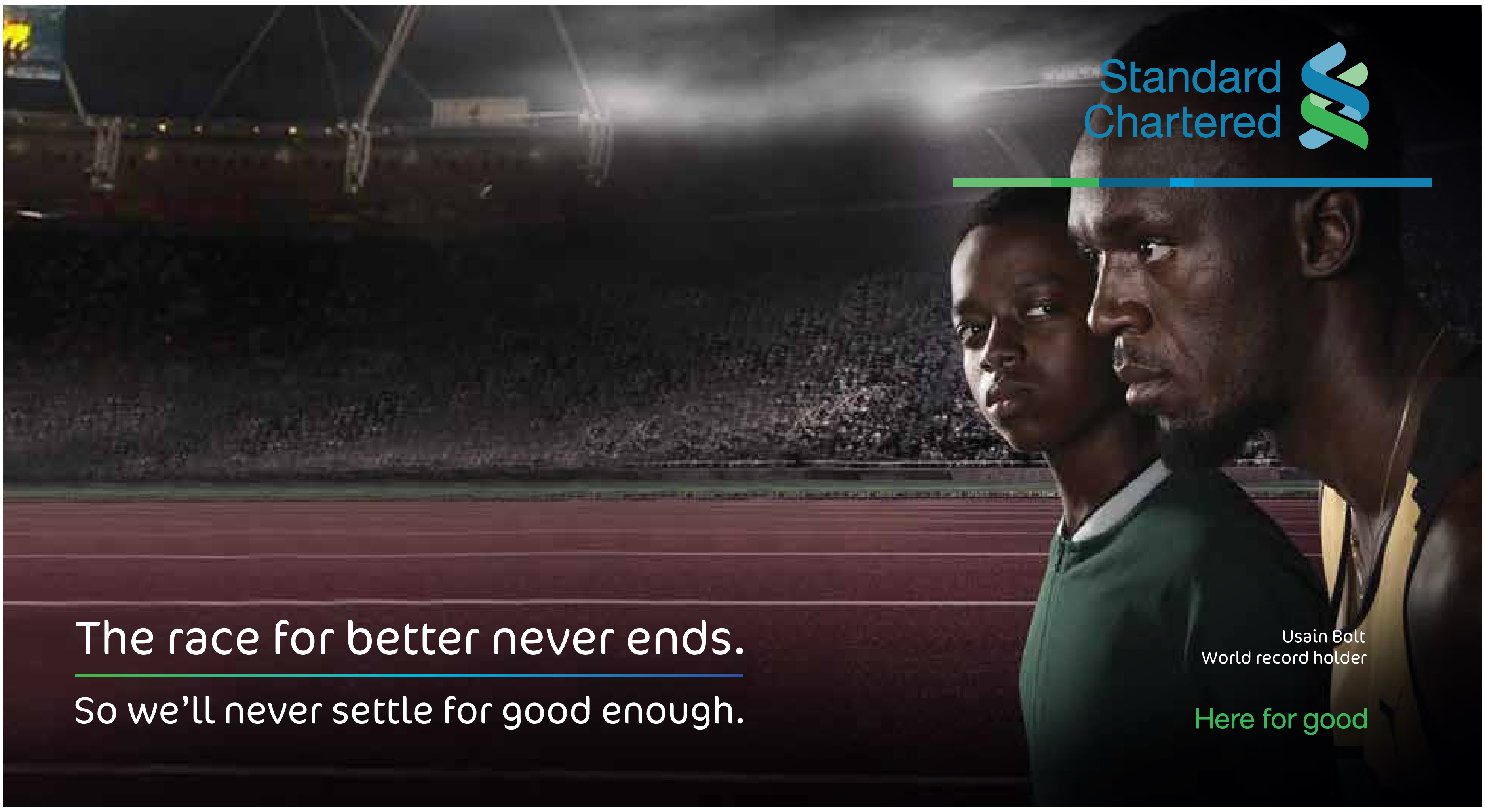
Defined contribution plan
Contributions to the defined contribution pension scheme are recognised as an expense in the statement of profit or loss when incurred. The Bank has no further payment obligations once the contributions have been paid.

Defined benefit plans
The Bank's net obligation in respect of defined benefit pension 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 is compared against fair value of existing plan assets. 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. The calculation is performed by a qualified actuary every three years using the projected unit credit method.

Notes to the Audited Abridged Financial Statements

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

		31 Dec 2018 USD	31 Dec 2017 USD
2	**INTEREST INCOME**		
	Loans and advances to banks	160,985	101,219
	Loans and advances to customers	13,418,652	12,545,020
	Bonds, bills and other debt securities	25,557,807	16,649,944
	Residential Mortgages	277,836	5,013
		39,415,280	**29,301,196**
3	**INTEREST EXPENSE**		
	Time deposits	260,408	259,560
	Savings deposits	41,742	16,817
		302,150	**276,377**
4	**OTHER INCOME**		
	Rental income from investment property	333,761	307,734
	Other miscellaneous income	217,173	3,400
		550,934	**311,134**
5	**OPERATING EXPENDITURE**		
	Audit fees	144,001	132,372
	Depreciation	2,163,088	1,863,232
	Staff costs	29,029,599	30,157,082
	Directors' emoluments	1,124,329	1,052,915
	Group cross border recharges	1,910,817	865,025
	Premises and equipment costs	4,403,881	4,265,743
	VAT on services	1,941,929	1,503,436
	Communication costs	944,100	1,034,844
	Other	3,387,047	3,698,348
		45,048,791	**44,572,997**
6	**DIRECTORS' EMOLUMENTS**		
	Fees for services as directors	87,100	86,000
	Pension	49,807	45,428
	Salaries	883,910	798,499
	Other emoluments	103,512	122,988
		1,124,329	**1,052,915**
7	**TAX EXPENSE**		
	Charge for taxation based on taxable income for the period	8,198,465	6,384,826
	Provision for Aids levy	245,954	191,545
		8,444,419	6,576,371
	Capital gains tax	107,313	65,348
	Prior year tax adjustment	118,133	(92,734)
	Deferred tax credit	(962,314)	(1,702,773)
		7,707,551	**4,846,212**
8	**CAPITAL AND RESERVES**		
	Tier 1 capital	**77,370,678**	**64,052,408**
	Paid up share capital	825,000	825,000
	Share premium	20,625,000	20,625,000
	Foreign currency translation reserve (limited to 75% of closing balance)	4,452,479	4,452,479
	Retained earnings	58,783,218	47,287,697
	Less insider loans	(31,840)	(46,633)
	Less Capital allocated for market and operational risk	(7,283,179)	(9,091,135)
	Tier 2 capital	**14,556,479**	**13,215,444**
	Foreign currency translation reserve (limited to 25% of closing balance)	1,484,160	1,484,160
	Revaluation reserve	10,846,344	9,921,907
	General provisions	2,225,975	1,809,377
	(limited to 1.25% of risk weighted assets)		
	Total capital - Tier 1 and 2	**91,927,157**	**77,267,852**
	Tier 3 capital		
	Capital allocated for market and operational risk	7,283,179	9,091,135
	Total capital base	**99,210,336**	**86,358,987**
	Risk weighted assets	**238,771,172**	**220,509,647**
	Tier 1 capital ratio	32.40%	29.05%
	Tier 2 capital ratio	6.10%	5.99%
	Tier 3 capital ratio	3.05%	4.12%
	Capital adequacy ratio	41.55%	39.16%
9	**CASH AND CASH EQUIVALENTS**		
	Cash and balances with banks	39,371,169	42,849,342
	Unrestricted balances with the Central Bank	323,767,216	307,213,827
	Total cash and cash equivalents	**363,138,385**	**350,063,169**
10	**LIQUIDITY**		
	Cash and cash equivalents	363,138,385	350,063,169
	Financial assets at fair value through other comprehensive income	365,009,116	271,102,359
	Restricted balances with the Central Bank	41,048,517	245,400
	Total liquid assets	**769,196,018**	**621,410,928**
	Customer deposits	806,644,431	704,553,227
	Deposits from banks	111,803	29,810
	Total liabilities to the public	**806,756,234**	**704,583,037**
	Liquidity ratio (minimum - 30%)	95.34%	88.20%
11	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**		
	Bonds and notes issued by the Government	362,175,131	267,844,225
	Money market instruments issued by others	2,833,985	3,258,134
	Balance as at 31 December	**365,009,116**	**271,102,359**



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

STANDARD CHARTERED BANK ZIMBABWE LIMITED

Registered Commercial Bank
A member of the Deposit Protection Corporation

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018 USD	31 Dec 2017 USD
11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)		
11.1 Maturities		
More than 5 years	1,287,772	1,287,772
5 years or less but over 1 year	9,781,063	105,706,482
1 year or less but over 3 months	258,632,613	102,234,620
3 months or less including payable on demand	95,307,668	61,873,485
	365,009,116	**271,102,359**

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. Comparative amounts represent allowance for losses under IAS 39.

	31 Dec 2018 USD	31 Dec 2017 USD
Adjustment on initial adoption of IFRS 9	9,069,969	-
New expected losses created and recognised in profit and loss Stage 2	409,011	-
Balance as at 31 December	**9,478,980**	**-**

As FVOCI instruments are held at fair value in the statement of financial position, accumulated expected credit loses are held as a seperate component of other comprehensive income rather than netted off against the asset itself.

	31 Dec 2018 USD	31 Dec 2017 USD
12 LOANS AND ADVANCES TO CUSTOMERS		
12.1 Maturity analysis		
3 months or less	36,640,203	50,137,129
Between 3 and 12 months	20,864,980	29,642,258
Between 1 and 5 years	76,466,644	78,246,642
Over 5 years	8,176,381	558,432
	142,148,208	**158,584,461**

12.2 Loan impairment allowance

The movement in loan impairment allowance during the year was as below. Allowances for 2018 were determined in line with the requirements of IFRS 9 where as comparative amounts for 2017 represents allowance for losses under IAS 39.

	2018				2017		
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD	Specific USD	Portfolio Specific USD	Total USD
Balance as reported at the beginning of the year	**997,000**	**1,199,658**	**1,881,116**	**4,077,774**	**1,493,662**	**2,449,561**	**3,943,223**
IFRS 9 first time adoption impact	84,883	102,138	-	187,021	-	-	-
	1,081,883	**1,301,796**	**1,881,116**	**4,264,795**	**1,493,662**	**2,449,561**	**3,943,223**
Charge/(recovery) through profit and loss	**25,605**	**(1,023,796)**	**(1,150,843)**	**(2,149,034)**	**387,454**	**(252,903)**	**134,551**
New provisions	25,605	-	934,616	960,221	1,424,326	(65,621)	1,358,705
Provisions reversed through profit and loss	-	(1,023,796)	(2,085,459)	(3,109,255)	(1,036,872)	(187,282)	(1,224,154)
Utilised against provisions	-	-	(31,206)	(31,206)	-	-	-
Balance at end of the year	**1,107,488**	**278,000**	**699,067**	**2,084,555**	**1,881,116**	**2,196,658**	**4,077,774**

12.3 Loans and advances credit quality analysis

The following table presents information about the credit quality of financial assets measured at amortised costs.

	2018				2017
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD	Total USD
Grades 1 : 4 - low to fair risk	124,499,208	15,972,881	-	**140,472,089**	**152,088,816**
Grade 5 : 7 - Watch List	-	-	-	**-**	**2,529,476**
Grade 9 : 10 - doubtful to Loss	-	-	1,676,119	**1,676,119**	**3,966,169**
Loss allowance **(Note 12.2)**	(1,107,488)	(278,000)	(699,067)	**(2,084,555)**	**(4,077,774)**
Suspended interest	-	-	(829,027)	**(829,027)**	**(1,613,190)**
Carrying amount as at 31 December	**123,391,720**	**15,694,881**	**148,025**	**139,234,626**	**152,893,497**

	31 Dec 2018 USD	31 Dec 2017 USD
12.4 Non-performing loans and advances		
Total loans and advances on which interest is suspended	1,676,119	4,176,443
Interest in suspense	(829,027)	(1,613,190)
Impairment provision	(699,067)	(1,881,116)
Net non-performing loans	**148,025**	**682,137**

	31 Dec 2018 USD		31 Dec 2017 USD	
12.4.1 Maturity analysis of non-performing loans and advances	**Gross**	**Net**	**Gross**	**Net**
Past due up to 90 days	144,236	-	1,726,923	374,463
Past due up to 180 days	224,499	109,153	210,741	134,916
Past due up to 365 days	537	-	200,467	7,818
Over 1 year	1,306,847	38,872	2,038,312	164,940
	1,676,119	**148,025**	**4,176,443**	**682,137**

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.

	31 Dec 2018 USD	31 Dec 2017 USD
12.5 Recoveries for amounts written off	**592,994**	**304,393**

The recovery relates to loans that were previously written off.

	31 Dec 2018 USD		31 Dec 2017 USD	
12.6 Sectoral analysis of loans and advances				
Agriculture and horticulture	19,617,718	14%	27,117,103	17%
Construction and property	1,077,201	1%	1,353,544	1%
Commerce	11,027,328	8%	11,604,480	7%
Mining	11,941	0%	-	0%
Manufacturing	38,963,529	27%	39,781,466	25%
Transport	13,715	0%	99,468	0%
Individual loans	68,476,500	48%	66,877,446	42%
Banks	-	0%	10,000,000	7%
Other	2,960,276	2%	1,750,954	1%
Total	**142,148,208**	**100%**	**158,584,461**	**100%**

	31 Dec 2018 USD	31 Dec 2017 USD
13 OTHER ASSETS		
Accrued interest receivable	563,855	468,749
Amounts due from other SCB subsidiaries	945,015	1,093,502
Property sales receivable	-	1,241,609
Prepaid taxes	258,555	30,178
Sundry and suspense accounts	517,130	253,209
	2,284,555	**3,087,247**
14 RESTRICTED BALANCES WITH THE CENTRAL BANK		
Statutory reserve balance	41,048,517	-
Customers' refundable FCA FOLIWAR deposits	-	245,400
	41,048,517	**245,400**

Customer foreign currency account ('FCA') foreign exchange licensed warehouses and retail shops ('FOLIWAR') relates to balances that were transferred to the Central Bank during the Zimbabwe dollar era in line with exchange control regulations in force at the time. The Central Bank has since settled the balances and the same have since been disbursed to customers. 2018 Statutory reserve balance is determined in line with the Central Bank Statutory Reserves Guidelines currently at a rate of 5% of RTGS FCA deposits less non qualifying deposits as defined.

	31 Dec 2018 USD	31 Dec 2017 USD
15 INVESTMENT PROPERTY	**3,000,000**	**3,000,000**

There were no movements in investment property in the year ended 31 December 2018.

	31 Dec 2018 USD	31 Dec 2017 USD
16 PROPERTY AND EQUIPMENT		
Balance at beginning of the year	28,417,007	26,183,890
Additions	1,726,568	4,192,069
Disposals	(6,298)	(89,185)
Transfer to non current assets held for sale	(573,270)	-
Depreciation charge	(2,163,087)	(1,863,232)
Revaluation gain	973,092	(6,535)
Balance at end of the year	**28,374,012**	**28,417,007**

	31 Dec 2018 USD	31 Dec 2017 USD
17 DEPOSITS FROM CUSTOMERS		
Maturity analysis		
Payable on demand	804,350,613	704,553,227
3 months to one year	2,293,818	-
	806,644,431	**704,553,227**
of which:		
RTGS FCAs	774,313,809	-
Nostro FCAs	32,330,622	-
	806,644,431	**-**

Concentration of customer deposits

	31 Dec 2018 USD		31 Dec 2017 USD	
Individuals	95,255,069	12%	104,896,520	15%
Agriculture	59,529,786	7%	34,586,737	5%
Mining	1,830,967	0%	1,730,915	0%
Manufacturing	157,537,694	20%	120,336,109	17%
Distribution	45,298,023	6%	41,874,972	6%
Construction	9,343,645	1%	2,794,277	1%
Transport	159,709,361	20%	69,085,914	10%
Services	148,441,548	18%	136,219,965	19%
Other	129,698,338	16%	193,027,818	27%
	806,644,431	**100%**	**704,553,227**	**100%**

	31 Dec 2018 USD	31 Dec 2017 USD
18 DEPOSITS FROM BANKS		
Deposits from related banks	**111,803**	**17,175**
Deposits from other banks	**-**	**12,635**
	111,803	**29,810**
19 OTHER LIABILITIES		
Accrued interest payable	2,582	2,005
Remittances in transit	3,572,093	5,216,952
Intermediated money transfer tax	10,506,530	17,153
International card settlement in transit	1,243,004	4,025,915
Long service award	2,854,000	3,328,000
local card settlement in transit	448,048	36,244
Group cross border recharges	1,365,376	743,977
Provisions **(Note 20)**	8,237,822	6,597,754
Redundancy provision	5,783,106	4,855,361
Other	3,226,382	1,794,624
	37,238,943	**26,617,985**

	Performance bonus USD	Other accrued expenses USD	Total USD
20 PROVISIONS			
Balance at 1 January 2018	**3,099,822**	**3,497,932**	**6,597,754**
Provisions made during the period	2,628,337	4,630,239	7,258,576
Provisions reversed during the period	-	(382,587)	(382,587)
Provisions paid during the period	(3,042,693)	(2,193,228)	(5,235,921)
Balance at 31 December 2018	**2,685,466**	**5,552,356**	**8,237,822**
Balance at 1 January 2017	**2,649,689**	**3,051,765**	**5,701,454**
Provisions made during the period	3,099,822	3,497,932	6,597,754
Provisions reversed during the period	-	(434,067)	(434,067)
Provisions paid during the period	(2,649,689)	(2,617,698)	(5,267,387)
Balance at 31 December 2017	**3,099,822**	**3,497,932**	**6,597,754**

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 provisions is staff leave pay accrual of USD1 382 551 (2017: USD1,329,745).

	31 Dec 2018 USD	31 Dec 2017 USD
21 CONTINGENT LIABILITIES		
Letters of credit	9,673,861	386,410
Foreign currency forwards	796,443	5,241,439
Disputed FCA balances	-	265,000
Guarantees	15,699,006	21,782,465
Other commitments	30,738,341	30,334,652
	56,907,651	**58,009,966**

22 INTEREST RATE REPRICING GAP ANALYSIS

	Up to 1 month USD	1 month to 3 months USD	3 months to 1 year USD	1 to 5 years USD	Over 5 years USD	Non Interest bearing USD	Total USD
Assets							
Cash and cash equivalents	-	-	-	-	-	363,138,385	363,138,385
Financial assets at fair value through other comprehensive income	15,060,814	80,246,854	258,632,613	9,781,063	1,287,772	-	365,009,116
Loans and advances	17,474,377	19,165,826	20,864,980	73,553,062	8,176,381	-	139,234,626
Non current assets held for sale	-	-	-	-		3,511,691	3,511,691
Other assets	-	-	-	-		2,284,555	2,284,555
Current tax asset	-	-	-	-		37,998	37,998
Restricted balances with the Central Bank	-	-	-	-		41,048,517	41,048,517
Investment property	-	-	-	-		3,000,000	3,000,000
Property and equipment	-	-	-	-		28,374,012	28,374,012
Deferred tax asset	-	-	-	-		2,410,621	2,410,621
	32,535,191	**99,412,680**	**279,497,593**	**83,334,125**	**9,464,153**	**443,805,779**	**948,049,521**
Equity and liabilities							
Shareholders' funds	-	-	-	-		104,054,344	104,054,344
Deposits from customers	804,350,613	-	2,293,818	-		-	806,644,431
Deposits from banks	-	-	-	-		111,803	111,803
Other liabilities	-	-	-	-		37,238,943	37,238,943
	804,350,613	**-**	**2,293,818**	**-**	**-**	**141,405,090**	**948,049,521**
Interest rate repricing gap	**(771,815,422)**	**99,412,680**	**277,203,775**	**83,334,125**	**9,464,153**	**302,400,689**	**-**
Cumulative gap	**(771,815,422)**	**(672,402,742)**	**(395,198,967)**	**(311,864,842)**	**(302,400,689)**	**-**	

23 LIQUIDITY GAP ANALYSIS

	Up to 1 month USD	1 month to 3 months USD	3 months to 1 year USD	1 year to 5 years USD	Over 5 years USD	Non Financial items bearing USD	Total USD
Assets							
Cash and cash equivalents	363,138,385	-	-	-		-	363,138,385
Financial assets at fair value through other comprehensive income	15,060,814	80,246,854	258,632,613	9,781,063	1,287,772	-	365,009,116
Loans and advances	17,474,377	19,165,826	20,864,980	73,553,062	8,176,381	-	139,234,626
Non current assets held for sale	-	-	-	-		3,511,691	3,511,691
Other assets	2,284,555	-	-	-		-	2,284,555
Current tax asset	-	-	37,998	-		-	37,998
Restricted balances with the Central Bank	41,048,517	-	-	-		-	41,048,517
Investment property	-	-	-	-		3,000,000	3,000,000
Property and equipment	-	-	-	-		28,374,012	28,374,012
Deferred tax asset	-	-	-	-		2,410,621	2,410,621
	439,006,648	**99,412,680**	**279,535,591**	**83,334,125**	**9,464,153**	**37,296,324**	**948,049,521**
Equity and liabilities							
Shareholders' funds	-	-	-	-		104,054,344	104,054,344
Deposits from customers	804,350,613	-	2,293,818	-		-	806,644,431
Deposits from banks	111,803	-	-	-		-	111,803
Other liabilities	17,137,633	-	-	2,854,000		17,247,310	37,238,943
	821,600,049	**-**	**2,293,818**	**2,854,000**	**-**	**121,301,654**	**948,049,521**
Liquidity gap	**(382,593,401)**	**99,412,680**	**277,241,773**	**80,480,125**	**9,464,153**	**(84,005,330)**	**-**
Cumulative gap	**(382,593,401)**	**(283,180,721)**	**(5,938,948)**	**74,541,177**	**84,005,330**	**-**	

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 POST BALANCE SHEET EVENTS

25.1 Introduction of RTGS dollars

The RBZ, in its Monetary Policy Statement on 20 February 2019, introduced an Inter-bank Foreign Exchange Market which formalised the trading of RTGS dollars (comprising RTGS balances, mobile money as well as Bond notes and coins) against other currencies on a willing buyer willing seller basis (free float) through registered foreign exchange dealers. The RTGS dollars were added to the Zimbabwe multi-currency basket and will be used as a medium of exchange for domestic settlements. Various measures under the Inter-bank Foreign Exchange Market have been introduced to maintain transparency and guard against significant volatility in the exchange rate of the USD against the RTGS dollar. The introduction of the RTGS dollar is expected to eliminate the existence of multi-tier pricing and charging

25 POST BALANCE SHEET EVENTS (continued)

25.1 Introduction of RTGS dollars (continued)

of commodities in foreign currency in the domestic market, consequently implying that the RTGS dollar will became the de facto functional currency effective 20 February 2019. The Directors considered the pronouncement in the Monetary Policy Statement and concluded it reflected a significant post Balance Sheet non-adjusting event.

The table below summarises the impact, after applying the introductory exchange rate of USD1: ZWL 2.5 on the statement of financial position as at 31 December 2018.

Financial Statements Caption	Monetary Assets/ Liabilities Nostro FCA USD	Monetary Assets/ Liabilities RTGS FCA USD	Non-monetary Assets/ Liabilities RTGS FCA USD	Total USD at 1:1 USD	Total RTGS at 2:5 ZWL
ASSETS					
Cash and cash equivalents	23 784 555	339 353 830	-	363 138 385	398 815 217
Financial assets at fair value through other comprehensive income	-	365 009 116	-	365 009 116	365 009 116
Loans and advances at amortised cost	-	139 234 626	-	139 234 626	139 234 626
Current tax asset	-	37 998	-	37 998	37 998
Non current assets held for sale	-	-	3 511 691	3 511 691	3 511 691
Other assets	1 157 803	1 126 752	-	2 284 555	4 021 260
Restricted balances due from the Central Bank	-	41 048 517	-	41 048 517	41 048 517
Receivable from the Central Bank [1]	15 100 000	(15 100 000)	-	-	22 650 000
Investment property	-	-	3 000 000	3 000 000	3 000 000
Property and equipment	-	-	28 374 012	28 374 012	28 374 012
Deferred tax asset	-	-	2 410 621	2 410 621	2 410 621
Total assets	**40 042 358**	**870 710 839**	**37 296 324**	**948 049 521**	**1 008 113 058**
EQUITY					
Share capital	-	-	825 000	825 000	825 000
Share premium	-	-	20 625 000	20 625 000	20 625 000
Foreign currency translation reserve	-	-	5 936 639	5 936 639	13 280 604
Revaluation reserve	-	-	10 846 344	10 846 344	10 846 344
Reserve on financial assets at FVOCI	-	-	7 038 143	7 038 143	7 038 143
Retained profit	-	-	58 783 218	58 783 218	58 783 218
Total equity	**-**	**-**	**104 054 344**	**104 054 344**	**111 398 309**
LIABILITIES					
Deposits from customers	32 330 622	774 313 809	-	806 644 431	855 140 365
Deposits from banks	111 803	-	-	111 803	279 508
Other liabilities	2 703 955	17 287 678	17 247 310	37 238 943	41 294 876
Total liabilities	**35 146 380**	**791 601 487**	**17 247 310**	**843 995 177**	**896 714 749**
Total liabilities and equity	**35 146 380**	**791 601 487**	**121 301 654**	**948 049 521**	**1 008 113 058**

[1] The USD15.1m Receivable from the Central Bank relates to foreign currency funding gap which 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 the 1st of October 2018 monetary policy statement. The RBZ has committed to assisting the Bank in clearing the foreign currency funding gap. Should the RBZ fail to honour its commitment, the Bank's net foreign currency funding gap will be USD10.2m resulting in a foreign currency translation loss of ZWL15.3m and ZWL30.6m at exchange rates of 1USD to 2.5ZWL and 4ZWL respectively.

The impact on the Bank's capital will be ZWL14.7m and ZWL24.5m should the exchange rate move to 1USD:4ZWL and 1USD:6ZWL respectively.

25.2 Global regulatory fine

Standard Chartered Bank PLC (Parent Company to the Bank) announced on 9 April 2019 that it has resolved previously disclosed investigations into its historical sanctions compliance and financial crime controls by the United States Government. A fine of USD18m raised for transactions handled through Zimbabwe will not have any impact to the Bank's financial statements as they were fully provided for and will be settled by Standard Chartered Bank PLC. The agreement with the Office of Foreign Assets Control regarding the penalties is with Standard Chartered Bank PLC, not Standard Chartered Bank Zimbabwe Limited. Additional details are included in the Bank's Annual report.

26 RESERVE BANK OF ZIMBABWE ON-SITE EXAMINATION

The latest on-site examination of the Bank was conducted as at 31 March 2014 and the Bank was given an overall rating of "2", which is a satisfactory rating using the CAMELS model. This rating was largely premised on the Bank's strong capital base and satisfactory earnings performance. The following table shows the rating by each of the six components of CAMELS:

CAMELS component	Latest rating
Capital adequacy	1
Asset Quality	3
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 then 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	Moderate	Stable
Liquidity	Low	Acceptable	Low	Stable
Interest rate	Low	Strong	Low	Stable
Foreign exchange	Low	Strong	Low	Stable
Strategic risk	Moderate	Strong	Moderate	Stable
Operational risk	Moderate	Strong	Moderate	Stable
Legal & Compliance	Moderate	Strong	Moderate	Stable
Reputation	Low	Strong	Low	Stable
Overall	**Low**	**Strong**	**Low**	**Stable**

Interpretation of the risk matrix

Level of inherent risk

Low: reflects a lower than average probability of an adverse impact on a 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 the 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.

27 EXTERNAL CREDIT RATING

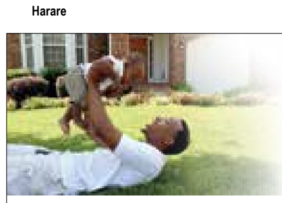
Rating agent	2018	2017	2016
Global Credit Rating company	AA-	AA-	AA-

By order of the Board

C. Kamba
Company Secretary

16 April 2019

Harare



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A member of the Deposit Protection Corporation

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