STANDARD CHARTERED BANK ZIMBABWE LIMITED

Registered Commercial Bank
A member of the Deposit Protection Corporation

UNAUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018

Chairman's Statement

Operating Environment

It is my pleasure to present to you the financial results for the first half of 2018. The economy still faces headwinds as foreign currency challenges continue to negatively impact industry productivity. Despite these challenges, economic growth forecasts by the International Monetary Fund and the World Bank have been revised upwards as prospects for a positive economic outlook are greater going forward. Commodity output for gold, diamonds and tobacco have been significantly higher than prior year, supporting the positive growth outlook.

The Reserve Bank of Zimbabwe reports indicate that annual broad money supply growth accelerated to USD8.5 billion in May 2018 from USD6.2 billion in May 2017 although the structure of the deposits remained largely unchanged, with demand deposits accounting for 77% of total deposits. Banking sector credit to the domestic economy increased by 9%, from USD3.5 billion in May 2017 to USD3.8 billion in May 2018 although funds channelled towards capital development remained subdued.

Standard Chartered Bank Zimbabwe Limited continues to invest and promote the use of electronic payment platforms in response to the cash shortages and in line with global payment trends. The Bank remains committed to driving the long-term interests of all its stakeholders as well as the facilitation of development and growth of the Zimbabwean economy.

Financial Performance

The Bank achieved a profit after tax of USD10 million for the half year ended 30 June 2018, a significant improvement compared to USD6.8 million achieved for the same period in prior year. Our strategy of digitising the Bank's delivery platform is beginning to bear fruit through operational efficiencies and reduction in costs. The balance sheet remains strong with capital levels well above the minimum regulatory requirements. Non-performing loans ratio at 2.1% was a significant improvement compared to 2.8% for the financial year ended 31 December 2017 and was well within the regulatory threshold of 5.0%. The Bank is highly liquid with a liquid asset ratio of 90% compared to the regulatory minimum of 30% and it is confident of meeting the target core capital of USD100 million by 31 December 2020.

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. Our brand promise, **Here for good,** means sustainable and long-term commitment to the people of Zimbabwe. The Bank encourages employees to commit their time and unique skills by helping the needy in our society. Employee volunteering is an important component of our community investment in that it enables us to drive prosperity through our unique skills and diversity. It also provides a great opportunity for us to not only help our communities, but to also learn something new and work together with different teams both inside and outside the Bank and thus putting our valued behaviours into action.

Financial education is a critical life skill that builds financial knowledge, skills and attitudes, allowing individuals to make informed and effective financial decisions. Through our Financial Education for Youth programme, we aim to influence behavioural change and engrain financial responsibility at an early age. Our staff participated in this year's Global Money Week commemorations, going out to schools and providing Financial awareness to youth aged between 12 and 20 years, 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 continues to change lives and improve the quality of service rendered by selected beneficiary institutions. The success of this program has seen it being extended by an additional year to 31 December 2019.

Corporate Governance

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

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.

Efforts to maintain a strong Financial Crime Compliance environment have been sustained by enforcing effective and sustainable controls. Our motivation is based on the need to protect our clients whilst contributing to the integrity of the financial services sector in Zimbabwe. Clients' satisfaction remains at the heart of our strategy and the Bank continues to sharpen its focus on this important pillar.

At the beginning of the year, the Bank launched its new set of valued behaviours: **Never Settle, Do the right thing and Better together** as it seeks to become more "HUMAN" in executing its business objectives for the benefit of its clients.

Acknowledgement

I would like to thank the Bank's staff, management and my fellow Directors for their continued dedication and commitment to living our brand promise in the way we approach every action we take. Your hard work and dedication to supporting our clients and customers has seen us post a good set of first half year results under challenging conditions.

I would like to take this opportunity to reaffirm our commitment to and thank all our stakeholders, especially our customers for the continued support and confidence in the Bank. I wish them well for the remainder of 2018.

L. T. Manatsa

CHAIRMAN
22 August 2018

Statement of Profit or Loss and Other Comprehensive Income

	Note	Unaudited 6 months to 30 June 2018 USD	Unaudited 6 months to 30 June 2017 USD	Audited 12 months to 31 December 2017 USD
Interest income	2	18,279,777	13,510,573	29,301,196
Interest expense	3	(133,732)	(154,800)	(276,377)
Net interest income		**18,146,045**	**13,355,773**	**29,024,819**
Fee and commission income		17,509,728	16,896,046	35,273,303
Foreign currency trading income		1,924,543	3,162,176	5,738,063
Commission expense		(3,848,210)	(3,268,776)	(7,205,776)
Non interest income		**15,586,061**	**16,789,446**	**33,805,590**
Total revenue		**33,732,106**	**30,145,219**	**62,830,409**
Other income	4	172,068	147,636	311,134
Total operating income		**33,904,174**	**30,292,855**	**63,141,543**
Loss on sale of property and equipment		(89,766)	-	(392,607)
Operating expenses	5	(20,311,756)	(20,623,814)	(44,572,997)
Profit before impairment charge		**13,502,652**	**9,669,041**	**18,175,939**
Net impairment recovery/(charge) [1]		**97,851**	**470,080**	**(433)**
Expected credit losses:				
Loans and advances at amortised cost	12.2	894,669	-	-
Financial assets at fair value through other comprehensive income ('FVOCI')	11.2	(1,283,422)	-	-
Specific and portfolio allowance recovery/(charge)	12.2	-	514,224	(134,551)
Recovery of bad debts previously written off		563,184	-	304,393
Bad debts written off		(76,580)	(44,144)	(170,275)
Profit before tax		**13,600,503**	**10,139,121**	**18,175,506**
Tax expense	7	(3,586,164)	(3,299,226)	(4,846,212)
Profit after tax		**10,014,339**	**6,839,895**	**13,329,294**
Other comprehensive income:				
Items that will not be reclassfied to profit and loss		**-**	**-**	**(4,852)**
Loss on property revaluation		-	-	(6,535)
Tax relating components of other comprehensive income		-	-	1,683
Total comprehensive income for the period		**10,014,339**	**6,839,895**	**13,324,442**

[1] Impairment losses for the half year to 30 June 2018 have been determined in accordance with International Financial Reporting Standard 9 *Financial Instruments* ('IFRS 9'). The Bank has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9 classification and measurement (including impairment requirements), therefore comparative information has not been restated. Refer to change in significant accounting policies note for further information.

Statement of Financial Position

	Note	Unaudited as at 30 June 2018 USD	Unaudited [2] as at 30 June 2017 USD	Audited [2] as at 31 December 2017 USD
ASSETS				
Cash and cash equivalents	9	284,610,042	288,170,771	350,063,169
Financial assets at fair value through other comprehensive income	11	363,781,744	188,945,917	271,102,359
Loans and advances at amortised cost	12.3	145,799,200	108,299,955	152,893,497
Non-current assets held for sale		3,028,067	6,558,000	5,208,000
Other assets	13	3,459,741	3,538,435	3,087,247
Current tax asset		109,535	-	226,462
Restricted balances with the Central Bank	14	-	245,400	245,400
Investment property	15	3,000,000	3,000,000	3,000,000
Property and equipment	16	27,684,789	28,216,222	28,417,007
Deferred tax asset		3,880,325	-	1,554,124
Total assets		**835,353,443**	**626,974,700**	**815,797,265**
EQUITY AND LIABILITIES				
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	5,936,639
Revaluation reserve		9,921,907	9,926,759	9,921,907
Retained earnings		50,428,721	40,798,298	47,287,697
Total equity		**87,737,267**	**78,111,696**	**84,596,243**
Liabilities				
Deposits from customers	17	721,804,691	510,465,764	704,553,227
Deposits from banks	18	292,019	10,509,322	29,810
Other liabilities	19	25,519,466	26,032,057	26,617,985
Current tax liability		-	733,912	-
Deferred tax liability		-	1,121,949	-
Total liabilities		**747,616,176**	**548,863,004**	**731,201,022**
Total equity and liabilities		**835,353,443**	**626,974,700**	**815,797,265**

[2] The Bank has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9 classification and measurement (including impairment requirements), therefore comparative information has not been restated. Refer to change in significant accounting policies note for further information.

Statement of Changes in Equity

For the half year ended 30 June 2018

	Share capital USD	Share premium USD	Foreign currency translation reserve USD	Revaluation reserve 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) [3]	-	-	-	-	(6,873,315)	**(6,873,315)**
Adjusted balance as at 1 January 2018	**825,000**	**20,625,000**	**5,936,639**	**9,921,907**	**40,414,382**	**77,722,928**
Profit for the period	-	-	-	-	10,014,339	**10,014,339**
Balance as at 30 June 2018	**825,000**	**20,625,000**	**5,936,639**	**9,921,907**	**50,428,721**	**87,737,267**
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	-	-	-	-	6,839,895	**6,839,895**
Dividend paid	-	-	-	-	(8,060,000)	**(8,060,000)**
Balance as at 30 June 2017	**825,000**	**20,625,000**	**5,936,639**	**9,926,759**	**40,798,298**	**78,111,696**

[3] Refer to change in significant accounting policies note.

Statement of Cash Flows

	Unaudited 6 months to 30 June 2018 USD	Unaudited 6 months to 30 June 2017 USD	Audited 12 months to 31 December 2017 USD
Cash flow from operating activities:			
Profit before tax	13,600,503	10,139,121	18,175,506
Adjustments for:			
Loss/(profit) on disposal of property and equipment	89,766	(436)	392,607
Depreciation charge	1,001,080	825,342	1,863,232
Net impairment (recovery)/charge	(97,851)	(470,080)	433
Operating cash flow before changes in operating assets and liabilities	**14,593,498**	**10,493,947**	**20,431,778**
Changes in operating assets and liabilities:			
Increase in financial assets at FVOCI	(101,936,375)	(49,783,426)	(131,939,868)
Decrease/(increase) in loans and advances	7,094,297	17,311,087	(27,752,968)
(Increase)/decrease in other assets	(381,958)	322,101	1,736,387
Increase in deposits from customers	17,496,864	115,309,605	309,397,068
Increase/(decrease) in deposits from banks	262,209	8,345,802	(2,133,710)
(Decrease)/increase in other liabilities	(1,098,519)	(8,142,069)	521,361
	(63,969,984)	93,857,047	170,260,048
Corporate tax paid	(3,304,448)	(2,684,386)	(7,885,321)
Net cash (utilised)/generated from operating activities	**(67,274,432)**	**91,172,661**	**162,374,727**
Cash flow from investing activities:			
Proceeds from disposal of property and equipment	2,221,444	833,393	855,720
Improvements and additions to property and equipment	(400,139)	(2,920,074)	(4,192,069)
Net cash generated/(utilised) in investing activities	**1,821,305**	**(2,086,681)**	**(3,336,349)**
Cash flow from financing activities:			
Dividend paid	-	-	(8,060,000)
Net cash utilised in financing activities	**-**	**-**	**(8,060,000)**
Net (decrease)/increase in cash and cash equivalents	**(65,453,127)**	**89,085,980**	**150,978,378**
Cash and cash equivalents at the beginning of the period	350,063,169	199,084,791	199,084,791
Cash and cash equivalents at the end of the period	**284,610,042**	**288,170,771**	**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
L.T. Manatsa*	√	√
R. Watungwa**	√	√
C. Mwerenga**	√	√
S. M Mushiri****	√	√
S. Nhakaniso**	√	×
M. Clarke***	√	√
F. Pieterse***	√	×
E. Mkondo****	√	√
H. S. Mashanyare****	√	√

Key
*Chairperson
**Executive Director
***Non Executive Director
****Independent Non Executive Director
√ Present
× Apology

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

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*	2	2
S. M. Mushiri	2	
H. S. Mashanyare	1	

*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*	2	2
F. Pieterse	1	
M. Clarke	2	

*Chairperson

Loans Review Committee

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

Director	Number of meetings attended	Number of meetings held in 2018
S. M. Mushiri*	2	2
C. Mwerenga	2	
E. Mkondo	2	

*Chairperson

Credit Committee

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

Director	Number of meetings attended	Number of meetings held in 2018
L. T. Manatsa*	2	2
R. Watungwa	2	
H. S. Mashanyare	2	

*Chairperson

Statement of compliance

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

Going concern

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

Approval of the unaudited abridged financial statements

These unaudited abridged financial statements were approved at a Board Audit Committee meeting held on 22 August 2018.

By order of the Board

Company Secretary

22 August 2018

Risk Management

The management of risk is a key component of the Bank's business activities. One of the main risks the Bank is exposed to arises from extending credit to customers through its trading and lending operations. Beyond credit risk, the Bank is also exposed to the following principal risk types such as traded, liquidity, capital, operational, reputational, compliance, financial crime, information 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 other portfolio levels,using a variety of qualitative and quantitative measures. The Bank endeavours to minimise risk as far as possible by only granting facilities 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, Financial Markets, Asset and Liability Management and Group Treasury Risk attend by standing invitation. At its meetings, ALCO deals with strategic and policy issues on liquidity, and sets the positions and mismatch levels within which the activities of the next period are conducted. It is the responsibility of ALCO to ensure that the Bank has sufficient liquidity at any given time.

Traded Risk

Traded risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The primary categories of 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.

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 traded risk exposures remain within the overall approved risk appetite. The Bank's exposure to traded risk arises predominantly from trading book positions, mainly currency exchange risk and or interest rate risk in the banking book.

Operational risk

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

Reputational risk

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

Compliance risk

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

Strategic Risk

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

Accounting Policies

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

BASIS OF PREPARATION

These unaudited abridged 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 (Chapter 24:03) and in conformity with International Financial Reporting Standards ('IFRS'). The accounting policies applied in the preparation of the unaudited abridged 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

The unaudited abridged financial results have been prepared on the historical cost basis except for investment property, financial assets 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 foreign obligations. Given the context of the environment, 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 included consideration of whether the various modes of settlement represent different forms of currency. It was established that, regardless of the mode of payment between cash, bond notes, electronic money transfers or point of sale, the unit of measure across all these payment modes remains US Dollars. Directors concluded that the US Dollar remains the functional currency as presented in the prior year financial statements.

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, F. Pieterse, E. Mkondo, H. S. Mashanyare *Executive

STANDARD CHARTERED BANK ZIMBABWE LIMITED

Registered Commercial Bank
A member of the Deposit Protection Corporation

Standard Chartered

UNAUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018

Accounting Policies (continued)

Change in significant accounting policies

The Bank adopted International Financial Reporting Standard no. 9 ('*IFRS 9') Financial Instruments* with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from *IAS 39 Financial Instruments:* Recognition and Measurement. A number of other new standards are effective from 1 January 2018 but they do not have a material impact on the Bank's financial statements. The effect of initially adopting IFRS 9 is mainly attributed to an increase in impairment losses recognised on financial assets.

The Bank took 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 balance of retained earnings.

	USD
Recognition of expected credit losses under IFRS 9	(9,256,990)
Related tax	2,383,675
Net impact at 1 January 2018	**(6,873,315)**

Classification and measurement of financial assets and 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 of financial assets
There are three measurement classifications under IFRS 9: amortised cost, fair value through profit or loss ('FVTPL') and fair value through other comprehensive income ('FVOCI'). The existing IAS 39 financial asset categories are removed.

Financial assets are classified into these measurement classifications on the basis of the business model within which they are held, and their contractual cash flow characteristics. The business model reflects how groups of financial assets are managed to achieve a particular business objective. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flows ('hold to collect'), and where those contractual cash flows are solely payments of principal and interest ('SPPI'). Interest in this context represents compensation for the time value of money and associated credit risks together with compensation for other basic lending risks and costs and a profit margin.

Assets may be sold out of hold to collect portfolios where there in 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 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 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 with Asset and Liability Management are held within a 'hold to collect and sell' portfolio and hence classified as at Fair Value Through Other Comprehensive Income**.**

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

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

Impairment of financial assets not held at FVTPL
Expected credit losses are recognised for all financial debt instruments, loan commitments and financial guarantees that are classified as hold to collect / hold to collect and sell and have cash flows that are solely payments of principal and interest.

An ECL allowance is recognised at the time of initial recognition for all financial assets that are in the scope of ECL in respect of default events that may occur over the next 12 months ("stage 1 assets" with allowances equivalent to 12-months expected credit losses). ECL continues to be determined on this basis until there is either a significant increase in credit risk or the asset becomes credit impaired.

If a financial asset (or portfolio of financial assets) experiences a significant increase in credit risk since initial recognition, however, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset ("stage 2 assets" with provisions equivalent to lifetime expected credit losses). A significant increase in credit risk is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the expected credit loss.

Similar to the current 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").

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	IAS 39 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
Treasury bills and government bonds	Financial assets available for sale	FVOCI - debt instrument	271,102,359	(9,069,969)	262,032,390
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**	**(9,256,990)**	**768,136,682**

Accounting Policies (continued)

FINANCIAL INSTRUMENTS

Measurement
Financial instruments are measured initially at fair value, including transaction costs, except for instruments measured at fair value through profit or loss.

Financial assets are classified in three categories:
- Financial assets at FVTPL;
- Financial assets at amortised cost; and
- Financial assets at FVOCI.

The Bank currently has financial assets at amortised cost and FVOCI.

Financial assets at amortised cost
Debt instruments are classified and measured as amortised cost if they are held within a "hold to collect" business model and the contractual cash flows are deemed to be solely payment of principal and interest (SPPI). The Bank's Retail and Corporate loan portfolios are classified in this category, as they are debt securities. These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method, less subsequent impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate ('EIR'). The effective interest ('EI') amortisation is included in interest income in profit or loss. The losses arising on impairment are recognised in profit or loss, net of impairment charges.

Financial assets at FVOCI
FVOCI instruments are measured at fair value in the balance sheet, with unrealised gains/losses deferred in OCI. However, in the profit and loss FVOCI instruments are accounted for in the same way as amortised cost instruments – interest income is recognised on an EIR basis and an expected ECL allowance is also booked in the profit and loss. Foreign currency translation gains/losses on FVOCI instruments are split between profit and loss (based on the amortised cost) and reserves (based on the change in fair value component). As FVOCI instruments are held at fair value in the balance sheet, the accumulated ECL allowances are held as a separate component of OCI rather than being netted against the asset itself.

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 aromatised cost, financial assets at fair value through other comprehensive income and other receivables. Refer to change in significant accounting policies note.

Loans at amortised cost 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 RBZ 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 comprehensive income. 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. Subsequent 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 plans
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 comprehensive income.

Notes to the Unaudited Abridged Financial Statements

1 INCORPORATION AND ACTIVITIES
Standard Chartered Bank Zimbabwe Limited provides retail and corporate banking as well as 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.

		Unaudited 6 months to 30 June 2018 USD	Unaudited 6 months to 30 June 2017 USD	Audited 12 months to 31 December 2017 USD
2	**INTEREST INCOME**			
	Loans and advances to banks	86,825	42,233	101,219
	Loans and advances to customers	7,053,389	5,800,259	12,550,033
	Bonds, bills and other debt securities	11,139,563	7,668,081	16,649,944
		18,279,777	**13,510,573**	**29,301,196**
3	**INTEREST EXPENSE**			
	Time deposits	118,823	147,535	259,560
	Savings deposits	14,909	7,265	16,817
		133,732	**154,800**	**276,377**
4	**OTHER INCOME**			
	Rental income from investment property	172,068	143,800	307,734
	Profit on sale of property and equipment	-	436	-
	Other miscellaneous income	-	3,400	3,400
		172,068	**147,636**	**311,134**
5	**OPERATING EXPENDITURE**			
	Audit fees	72,001	43,256	132,372
	Depreciation	1,001,080	825,342	1,863,232
	Staff costs	13,028,203	13,094,867	30,157,082
	Directors' emoluments **(Note 6)**	670,131	640,628	1,052,915
	Group cross border recharges	1,165,497	233,461	865,025
	Premises and equipment costs	2,117,828	2,314,189	4,265,743
	Value Added Tax on imported services	563,332	640,612	1,503,436
	Communication costs	481,190	603,675	1,034,844
	Other	1,212,494	2,227,784	3,698,348
		20,311,756	**20,623,814**	**44,572,997**
6	**DIRECTORS' EMOLUMENTS**			
	Fees for services as directors	42,500	43,000	86,000
	Pension	24,455	21,869	45,428
	Salaries	552,691	495,169	798,499
	Other emoluments	50,485	80,590	122,988
		670,131	**640,628**	**1,052,915**
7	**TAX EXPENSE**			
	Charge for taxation based on taxable income for the period	3,321,723	1,962,571	6,384,826
	Provision for Aids levy	99,652	58,877	191,545
		3,421,375	2,021,448	6,576,371
	Capital gains tax	107,313	17,500	65,348
	Prior year tax adjustment	-	286,977	(92,734)
	Deferred tax charge/(credit)	57,476	973,301	(1,702,773)
		3,586,164	**3,299,226**	**4,846,212**
8	**CAPITAL AND RESERVES**			
	Tier 1 capital	**71,549,591**	**57,481,609**	**64,052,408**
	Paid up share capital	825,000	825,000	825,000
	Share premium	20,625,000	20,625,000	20,625,000
	Foreign currency translation reserve (limited to 75% of closing balance)	4,452,479	4,452,479	4,452,479
	Retained earnings	50,428,721	40,798,298	47,287,697
	Less insider loans	(39,512)	(18,292)	(46,633)
	Less Capital allocated for market and operational risk	(4,742,097)	(9,200,876)	(9,091,135)
	Tier 2 capital	**14,375,809**	**12,904,884**	**13,215,444**
	Foreign currency translation reserve (limited to 25% of closing balance)	1,484,160	1,484,160	1,484,160
	Regulatory reserve	-	-	-
	Revaluation reserve	9,921,907	9,926,759	9,921,907
	General provisions (limited to 1.25% of risk weighted assets)	2,969,742	1,493,965	1,809,377
	Total capital - Tier 1 and 2	**85,925,400**	**70,386,493**	**77,267,852**
	Tier 3 capital			
	Capital allocated for market and operational risk	4,742,097	9,200,876	9,091,135
	Total capital base	**90,667,497**	**79,587,369**	**86,358,987**
	Risk weighted assets	**237,579,381**	**196,191,194**	**220,509,647**
	Tier 1 capital ratio	30.12%	29.30%	29.05%
	Tier 2 capital ratio	6.05%	6.58%	5.99%
	Tier 3 capital ratio	2.00%	4.69%	4.12%
	Capital adequacy ratio	38.17%	40.57%	39.16%
9	**CASH AND CASH EQUIVALENTS**			
	Cash and balances with banks	31,737,398	19,143,775	42,849,342
	Unrestricted balances with the Central Bank	252,872,644	269,026,996	307,213,827
	Total cash and cash equivalents	**284,610,042**	**288,170,771**	**350,063,169**

Cash and balances with banks and unrestricted balances with the Central Bank are used to facilitate customer transactions which include payments and cash withdrawals. In 2016, the Central Bank through Exchange Control Operational Guide 8 (ECOGAD8) introduced prioritisation criteria which have to be followed when making foreign payments for customers. After prioritisation, foreign payments are then made subject to availability of funds with our foreign correspondent banks, resulting in possible delay of payment of foreign telegraphic transfers. However, no delay is expected in the settlement of local telegraphic transfers through the Retail Time Gross Settlement system.

STANDARD CHARTERED BANK ZIMBABWE LIMITED

Registered Commercial Bank
A member of the Deposit Protection Corporation

Standard Chartered

UNAUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2018

10 LIQUIDITY

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
Cash and cash equivalents	284,610,042	288,170,771	350,063,169
Financial assets at FVOCI	363,781,744	188,945,917	271,102,359
Restricted balances with the Central Bank	-	245,400	245,400
Total liquid assets	**648,391,786**	**477,362,088**	**621,410,928**
Customer deposits	721,804,691	510,465,764	704,553,227
Deposits from banks	292,019	10,509,322	29,810
Total liabilities to the public	**722,096,710**	**520,975,086**	**704,583,037**
Liquidity ratio (minimum - 30%)	89.79%	91.63%	88.20%

11 FINANCIAL ASSETS at FVOCI

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
Bonds and notes issued by the Government	2,823,334.	3,258,128	3,258,134
Money market instruments issued by others	371,311,801	185,687,789	267,844,225
Gross balance	**374,135,135**	**188,945,917**	**271,102,359**
Expected credit losses **(Note 11.2)**	(10,353,391)	-	-
	363,781,744	**188,945,917**	**271,102,359**

11.1 Maturities

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
More than 5 years	1,287,772	1,287,772	1,287,772
5 years or less but over 1 year	53,855,216	51,145,035	106,994,254
1 year or less but over 3 months	287,447,138	112,494,447	102,234,620
3 months or less including payable on demand	21,191,618	24,018,663	60,585,713
	363,781,744	**188,945,917**	**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 FVOCI during the year was as below. Comparative amounts for the half year and full year ended 30 June 2017 and 31 December 2017 respectively represents allowance for losses under IAS 39.

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
Balance at 1 January	-	-	-
Adjustment on initial adoption of IFRS 9	9,069,969	-	-
New expected losses created and recognised in profit and loss			
Stage 1	1,283,422	-	-
Balance as at end of period	**10,353,391**	**-**	**-**

12 LOANS AND ADVANCES TO CUSTOMERS

12.1 Maturity analysis

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
3 months or less	45,898,082	28,904,377	50,137,129
Between 3 and 12 months	22,647,370	24,258,435	29,642,258
Over one year	81,412,342	60,292,852	78,805,074
	149,957,794	**113,455,664**	**158,584,461**

12.2 Loan impairment allowance

The movement loan impairment allowance during the year was as below. Allowances for 2018 were determined in line with the requirements of IFRS 9 whereas comparative amounts for the half year and full year ended 30 June 2017 and 31 December 2017 respectively represents allowance for losses under IAS 39.

	Unaudited 30 June 2018				Unaudited 30-June 2017	Audited 31-Dec 2017
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD	USD	USD
Balance as previously reported	**997,000**	**1,199,658**	**1,881,116**	**4,077,774**	**3,943,223**	**3,943,223**
IFRS 9 first time adoption impact	84,883	102,138	-	187,021	-	-
Restated Balance at beginning of the period	**1,081,883**	**1,301,796**	**1,881,116**	**4,264,795**	**3,943,223**	**3,943,223**
(Recovery)/ charge through profit and loss	**(129,541)**	**(964,690)**	**199,562**	**(894,669)**	**(514,224)**	**134,551**
Impairment allowances created in the period	-	-	642,669	642,669	-	1,358,705
Provisions reversed	(129,541)	(964,690)	(443,107)	(1,537,338)	(514,224)	(1,224,154)
Applied against bad debts written off	-	-	(586,203)	(586,203)	(56,519)	-
Balance at end of period	**952,342**	**337,106**	**1,494,475**	**2,783,923**	**3,372,480**	**4,077,774**

12.3 Net loans

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
Gross loans and advances to customers	149,957,794	113,455,664	158,584,461
Less expected credit losses/loan impairment allowances	(2,783,923)	(3,372,480)	(4,077,774)
Less interest in suspense	(1,374,671)	(1,783,229)	(1,613,190)
Net loans and advances to customers	**145,799,200**	**108,299,955**	**152,893,497**

12.4 Non-performing loans and advances to customers

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
Total loans and advances on which interest is suspended	3,041,345	4,051,011	4,176,443
Interest in suspense	(1,374,671)	(1,783,229)	(1,613,190)
Stage 3/specific allowance	(1,494,475)	(1,464,361)	(1,881,116)
Net non-performing loans	**172,199**	**803,421**	**682,137**

12.4.1 Maturity analysis of non-performing loans and advances

	Unaudited 30 June 2018 USD		Unaudited 30 June 2017 USD		Audited 31 December 2017 USD	
	Gross	Net	Gross	Net	Gross	Net
Past due up to 30 days	-	-	-	-	-	-
Past due up to 60 days	-	-	-	-	-	-
Past due up to 90 days	-	-	-	-	1,726,923	374,463
Past due up to 180 days	5,971	5,081	11,236	6,757	210,741	134,916
Past due up to 365 days	140,887	62,793	4,225	2,615	200,467	7,818
Over 1 year	2,894,487	104,325	4,035,550	794,049	2,038,312	164,940
	3,041,345	**172,199**	**4,051,011**	**803,421**	**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.

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
12.5 Recoveries for amounts written off	**563,184**	**-**	**304,393**

The recovery relates to loans that were previously written off.

Notes to the Unaudited Abridged Financial Statements (continued)

12.6 Sectoral analysis of loans and advancements

	Unaudited 30 June 2018 USD		Unaudited 30 June 2017 USD		Audited 31 December 2017 USD	
Agriculture and horticulture	25,228,401	17%	9,560,090	8%	27,117,103	17%
Construction and property	993,011	1%	761,807	1%	1,353,544	1%
Commerce	14,582,299	10%	10,208,655	9%	11,604,480	7%
Mining	-	0%	-	0%	-	0%
Manufacturing	27,343,083	18%	37,798,213	33%	39,781,466	25%
Transport	71,284	0%	169,210	0%	99,468	0%
Individual loans	71,739,716	48%	53,405,304	47%	66,877,446	42%
Financial institutions	10,000,000	7%	-	0%	10,000,000	6%
Other	-	0%	1,552,385	1%	1,750,954	1%
Total	**149,957,794**	**100%**	**113,455,664**	**100%**	**158,584,461**	**100%**

13 OTHER ASSETS

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
Accrued interest receivable	468,198	457,215	468,749
Amounts due from other SCB subsidiaries	696,670	1,116,212	1,093,502
Other prepaid expenses	570,000	332,500	1,241,609
Prepaid withholding tax	12,951	9,859	30,178
Advance payment for vehicles	771,531	-	-
Sundry and suspense accounts	940,391	1,622,649	253,209
	3,459,741	**3,538,435**	**3,087,247**

14 RESTRICTED BALANCES WITH THE CENTRAL BANK

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
Customers' refundable deposits for Foreign Exchange Licensed Warehouse and Retail Shops ('FOLIWARS')	-	245,400	245,400
	-	**245,400**	**245,400**

Restricted balances with the Central Bank related to customer foreign currency account funds ('FCA') that were transferred to the Central Bank during the Zimbabwe dollar era in line with exchange control regulations in force at the time. These balances were not available for use in the Bank's day to day operations. The Central Bank has since settled the funds and the same have been disbursed to the affected customers.

15 INVESTMENT PROPERTY

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
Balance at beginning of period	**3,000,000**	**3,000,000**	**3,000,000**
Movement during the year	-	-	-
Balance at end of the period	**3,000,000**	**3,000,000**	**3,000,000**

16 PROPERTY AND EQUIPMENT

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
Balance at beginning of the period	**28,417,007**	**26,183,890**	**26,183,890**
Additions	400,139	2,920,074	4,192,069
Disposals	(131,277)	(62,400)	(95,720)
Depreciation charge	(1,001,080)	(825,342)	(1,863,232)
Balance at end of the period	**27,684,789**	**28,216,222**	**28,417,007**

17 DEPOSITS FROM CUSTOMERS

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
Maturity analysis			
Payable on demand	719,536,109	510,403,827	701,795,477
3 months or less	-	61,937	2,757,750
Over 3 months but less than one year	2,268,582	-	-
	721,804,691	**510,465,764**	**704,553,227**

17.1 Concentration of customer deposits

	Unaudited 30 June 2018 USD		Unaudited 30 June 2017 USD		Audited 31 December 2017 USD	
Individuals	107,391,703	15%	99,946,387	20%	104,896,520	15%
Agriculture	37,229,793	5%	14,093,181	3%	34,586,737	5%
Mining	2,206,173	0%	4,477,205	1%	1,730,915	0%
Manufacturing	118,667,241	16%	60,070,134	12%	120,336,109	17%
Distribution	36,038,809	5%	157,735,944	31%	41,874,972	6%
Construction	4,885,515	1%	2,300,114	0%	2,794,277	0%
Transport	106,093,513	15%	59,131,821	12%	69,085,914	10%
Services	148,281,050	21%	75,631,779	15%	136,219,965	19%
Financial institutions	161,010,894	22%	37,079,199	7%	193,027,818	27%
	721,804,691	**100%**	**510,465,764**	**100%**	**704,553,227**	**100%**

18 DEPOSITS FROM BANKS

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
Deposits from related banks	292,019	473,230	17,175
Deposits from other banks	-	10,036,092	12,635
	292,019	**10,509,322**	**29,810**

19 OTHER LIABILITIES

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
Accrued interest payable	2,443	2,247	2,005
Remittances in transit	3,359,329	1,610,333	5,234,105
International card settlement in transit	3,763,410	1,977,454	4,025,915
Long service award	3,328,000	3,160,263	3,328,000
Defined benefit plan obligation	-	500,000	-
Local card settlement in transit	90,498	77,513	36,244
Group cross border recharges	987,944	1,176,033	743,977
Dividend payable	-	7,657,000	-
Provisions **(Note 20)**	5,943,242	6,747,707	6,597,754
Redundancy accrual	4,464,063	-	4,855,361
Other	3,580,537	3,123,507	1,794,624
	25,519,466	**26,032,057**	**26,617,985**

20 PROVISIONS

	Performance bonus USD	Other accrued expenses USD	Total USD
Balance at 1 January 2018	3,099,822	3,497,932	6,597,754
Provisions made during the period	1,344,788	4,386,576	5,731,364
Provisions reversed/paid during the period	(3,020,203)	(3,365,673)	(6,385,876)
Balance at 30 June 2018	**1,424,407**	**4,518,835**	**5,943,242**
Balance at 1 January 2017	2,649,689	3,051,765	5,701,454
Provisions made during the period	1,509,806	5,358,446	6,868,252
Provisions reversed during the period	(2,091,000)	(3,730,999)	(5,821,999)
Balance at 30 June 2017	**2,068,495**	**4,679,212**	**6,747,707**

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.

Notes to the Unaudited Abridged Financial Statements (continued)

20 PROVISIONS (continued)

Other accrued expenses
Included in other accrued expenses is staff holiday pay accrual of USD1,574,400 (2017: USD1,460,436) and a tax provision of USD1,237,000 (2017: USD1,237,000).

21 CONTINGENT LIABILITIES

	Unaudited 30 June 2018 USD	Unaudited 30 June 2017 USD	Audited 31 December 2017 USD
Letters of credit	4,912,975	55,041	386,410
Foreign currency forwards	2,878,004	4,699,287	5,241,439
Disputed FCA balances	-	265,000	265,000
Guarantees	17,997,070	57,681,225	21,782,465
Other commitments	36,515,652	20,007,533	30,334,652
	62,303,701	**82,708,086**	**58,009,966**

22 INTEREST RATE REPRICING GAP ANALYSIS

	Up to 1 month USD	1 month to 3 months USD	Up to 1 year USD	Over 1 year USD	Non Interest bearing USD	Total USD
Assets						
Cash and cash equivalents	-	-	-	-	284,610,042	284,610,042
Financial assets available for sale	995,909	20,195,710	287,447,138	55,142,987	-	363,781,744
Loans and advances to customers	15,819,962	30,078,120	22,647,370	77,253,748	-	145,799,200
Non current assets held for sale	-	-	-	-	3,028,067	3,028,067
Other assets	-	-	-	-	3,459,741	3,459,741
Current tax asset	-	-	-	-	109,535	109,535
Investment property	-	-	-	-	3,000,000	3,000,000
Property and equipment	-	-	-	-	27,684,789	27,684,789
Deferred tax asset	-	-	-	-	3,880,325	3,880,325
	16,815,871	**50,273,830**	**310,094,508**	**132,396,735**	**325,772,499**	**835,353,443**
Equity and liabilities						
Shareholders' funds	-	-	-	-	87,737,267	87,737,267
Deposits from customers	719,536,109	-	2,268,582	-	-	721,804,691
Deposits from banks	292,019	-	-	-	-	292,019
Other liabilities	-	-	-	-	25,519,466	25,519,466
Current tax liability	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-
	719,828,128	**-**	**2,268,582**	**-**	**113,256,733**	**835,353,443**
Interest rate repricing gap	**(703,012,257)**	**50,273,830**	**307,825,926**	**132,396,735**	**212,515,766**	
Cumulative gap	**(703,012,257)**	**(652,738,427)**	**(344,912,501)**	**(212,515,766)**	**-**	

23 LIQUIDITY GAP ANALYSIS

	Up to 1 month USD	1 month to 3 months USD	Up to 1 year USD	Over 1 year USD	Non Interest bearing USD	Total USD
Assets						
Cash and cash equivalents	284,610,042	-	-	-	-	284,610,042
Financial assets available for sale	995,909	20,195,710	287,447,138	55,142,987	-	363,781,744
Loans and advances to customers	15,819,962	30,078,120	22,647,370	77,253,748	-	145,799,200
Non current assets held for sale	-	-	-	-	3,028,067	3,028,067
Other assets	2,688,210	771,531	-	-	-	3,459,741
Current tax asset	-	-	109,535	-	-	109,535
Investment property	-	-	-	-	3,000,000	3,000,000
Property and equipment	-	-	-	-	27,684,789	27,684,789
Deferred tax asset	-	-	-	-	3,880,325	3,880,325
	304,114,123	**51,045,361**	**310,204,043**	**132,396,735**	**37,593,181**	**835,353,443**
Equity and liabilities						
Shareholders' funds	-	-	-	-	87,737,267	87,737,267
Deposits from customers	719,536,109	-	2,268,582	-	-	721,804,691
Deposits from banks	292,019	-	-	-	-	292,019
Other liabilities	23,943,618	1,575,848	-	-	-	25,519,466
Current tax liability	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-
	743,771,746	**1,575,848**	**2,268,582**	**-**	**87,737,267**	**835,353,443**
Liquidity gap	**(439,657,623)**	**49,469,513**	**307,935,461**	**132,396,735**	**(50,144,086)**	
Cumulative gap	**(439,657,623)**	**(390,188,110)**	**(82,252,649)**	**50,144,086**	**-**	

24 MANAGED FUNDS

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

25 RESERVE BANK OF ZIMBABWE ON-SITE EXAMINATION

The latest on-site examination of the Bank was conducted as at 31 March 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 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 a bank’s risk tolerance levels and ensuring that responsibilities and accountabilities are effectively communicated.

Overall composite risk
Low: would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.
Moderate: risk management system appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.
High: risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank’s overall financial condition.

Direction of overall composite risk
Increasing: based on the current information, risk is expected to increase in the next 12 months.
Decreasing: based on the current information, risk is expected to decrease in the next 12 months.
Stable: based on the current information, risk is expected to be stable in the next 12 months.

26 EXTERNAL CREDIT RATING

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

By order of the Board

C. Kamba
Company Secretary

22 August 2018
Harare