STANDARD CHARTERED BANK ZIMBABWE LIMITED

Statement of Financial Position

Registered Commercial Bank A member of the Deposit Protection Corporation

UNAUDITED ABRIDGED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2016

Standard Standard Chartered

Chairman's Statement

Operating Environment

The first half of the year presented new challenges characterised by cash and foreign currency shortages which impacted sector stability, confidence and market liquidity. The challenges demanded innovative ways of management whilst remaining mindful of the need to serve clients. Key economic indicators continued to deteriorate due to depressed aggregate demand, low industrial productivity, the continuing trade deficit and the impact of the El Nino induced weather patterns on agricultural productivity and hydropower generation.

The cash shortages and foreign currency outflows saw the introduction of a number of measures by the Reserve Bank of Zimbabwe which have since contributed to an unprecedented increase in usage of electronic platforms as the market tries to cope with the cash shortages. Digitisation is a key strategic objective for the Bank and is in line with international trends. We have launched a campaign to further embed the use of non-cash payment platforms and introduced award winning mobile and online banking facilities for the benefit of our clients.

Standard Chartered Bank remains committed to working with all stakeholders for the development of the economy in line with our Brand Promise, Here for good

Financial Performance

The Bank reported a profit after tax of USD6.1 million for the first half of 2016 financial year, compared with USD1.2 million for the same period in 2015. The significant uplift was achieved on the back of cost efficiencies attained in the first half as the Bank continues to innovate and improve its systems and processes. Considerable efforts have been made to contain loan impairment through closely monitoring our clients' business activities and assisting them with meeting their debt obligations. Revenue momentum, however, has declined occasioned by the prevailing tough market conditions

The Bank's balance sheet remains strong with capital levels above the minimum regulatory requirements. The Bank is confident it will meet the targeted capital of USD100 million by 31 December 2020.

Sustainability

The Bank's sustainability approach to business ensures that it delivers value through its economic, environmental, governance and social contributions to the communities where it operates. The Bank's sustainability agenda focuses on three pillars, as below

Contributing to the real economy

The Bank has contributed significantly to the key economic sectors such as agriculture, trade, commodities and Small to Medium Enterprises. The Bank continues to serve its clients through its Corporate and Institutional Banking, Commercial Banking and Retail Banking segments.

Leading as a responsible company

The Bank is the oldest financial institution in Zimbabwe. Despite the challenging operating environment, the Bank has remained fully committed to its business in the country and has continued to support and build its franchise

Investing in communities

Our brand promise, Here for good, means sustainable and long term commitment to the people of Zimbabwe. It becomes more imperative for the Bank to demonstrate this commitment in times of perennial economic headwinds and as such the Bank has consistently lived up to its promise. The Bank continues to contribute significantly to social and developmental programmes in Zimbabwe both on its own and in partnership with other organisations. The Bank's objective is to encourage employees to commit their time and unique skills by helping the needy in the society.

The Bank's USD1million investment under the "Seeing is Believing" program in partnership with Christian Blind Mission (CBM) continues to change lives and improve the quality of service rendered by the three beneficiary institutions, namely, Sekuru Kaguvi Children's Eye Unit, Sakubva and Norton Eye Units. The program aims to make eye-care services accessible to over 100,000 adults and children over the next two years

The Bank has remained a key member of the Zimbabwe Business Council on Wellness, which assists in the fight against HIV/AIDS by offering valuable leadership skills to advance the agenda of fighting the disease. In recognition of the importance of equipping the younger generation with life skills, the peer educator training programme in tertiary institutions has continued to grow with a target of reaching 30,000 youths over the next two years.

The Bank's contribution to the real economy goes beyond catering for its own clients to the community at large. The Bank continuously recognises the areas of need in society and rewards progressive behavior through the sponsorship of events such as the Kutsaga Tobacco Improved Productivity Sites awards in recognition of the efforts by small scale farmers.

Corporate Governance

The Bank remains committed to the maintenance of the highest standards of corporate governance across all its banking activities. A strong Risk Management Framework is in place to govern adherence to internal processes and procedures as well as regulatory requirements. The framework is reviewed regularly to align with the operating environment. To enhance Board oversight, its sub-committees are chaired by independent Non-Executive Directors and constituted by experienced individuals. The Bank continues to reinforce the expectations on conduct from all staff and stakeholders to ensure accountability.

The Bank is working to align with the recently enacted Banking Amendment Act, 2015.

Outlook

The Bank has now fully integrated the Group's rejuvenated operating model rolled out in phases from last year. Clients have started to benefit from the implementation of world class products such as SC Mobile and Straight-2-Bank. Through such innovative platforms, the Bank seeks to achieve leadership on the digital front and to work with industry players in promoting the use of electronic money for the convenience of our clients. We are grateful that we were conferred with the National Customer Service Excellence Award by the Zimbabwe Institute of Management in recognition of our efforts to improve customer service.

| As at 30 June 2016 | | | | |
|---|-------|--|--|--|
| | Notes | Unaudited as at 30 June 2016 USD | Restated unaudited as at 30 June 2015 USD | Audited as at 31 December 2015 USD |
| ASSETS | | | | |
| Cash and cash equivalents | 9 | 184,456,714 | 178,234,974 | 127,819,841 |
| Financial assets available for sale | 11 | 87,554,461 | 44,574,200 | 51,955,129 |
| Loans and advances to customers | 12.3 | 135,940,496 | 184,114,836 | 163,302,083 |
| Non-current assets held for sale | | 4,772,116 | - | 295,000 |
| Other assets | 13 | 4,388,040 | 7,344,065 | 3,868,583 |
| Restricted balances with the Central Bank | 14 | 245,400 | 17,068,620 | 245,000 |
| Investment property | 15 | 6,050,000 | 6,230,000 | 6,050,000 |
| Property and equipment | 16 | 24,835,173 | 29,674,896 | 29,780,764 |
| Total assets | | 448,242,400 | 467,241,591 | 383,316,400 |
| EQUITY AND LIABILITIES | | | | |
| Capital and reserves | | | | |
| 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 | | 10,299,759 | 9,147,077 | 10,299,759 |
| Retained earnings | | 34,138,368 | 30,172,504 | 28,087,656 |
| Total equity | | 71,824,766 | 66,706,220 | 65,774,054 |
| Liabilities | | | | |
| Deposits from customers | 17 | 341,562,778 | 363,090,331 | 291,302,230 |
| Deposits from banks | 18 | 10,238,731 | 8,734 | 309,343 |
| Other liabilities | 19 | 22,606,425 | 34,726,548 | 24,209,475 |
| Current tax liability | | 915,078 | 1,953,580 | 1,357,745 |
| Deferred tax liability | | 1,094,622 | 756,178 | 363,553 |
| Total liabilities | | 376,417,634 | 400,535,371 | 317,542,346 |
| Total equity and liabilities | | 448,242,400 | 467,241,591 | 383,316,400 |

Statement of Changes in Equity

For the half year ended 30 June 2016

| , | Share capital USD | Share premium USD | Foreign currency translation reserve USD | Revaluation reserve USD | Retained earnings USD | Total USD | |
|---------------------------------------|-------------------------|-------------------------|--|-------------------------------|-----------------------------|--------------|--|
| Balance as at 1 January 2016 | 825,000 | 20,625,000 | 5,936,639 | 10,299,759 | 28,087,656 | 65,774,054 | |
| Profit for the period | - | - | - | - | 6,050,712 | 6,050,712 | |
| Balance as at 30 June 2016 | 825,000 | 20,625,000 | 5,936,639 | 10,299,759 | 34,138,368 | 71,824,766 | |
| | | | | | | | |
| Restated balance as at 1 January 2015 | 825,000 | 20,625,000 | 5,936,639 | 9,147,077 | 33,684,862 | 70,218,578 | |
| Profit for the period | - | - | | | 1,187,642 | 1,187,642 | |
| Dividend paid | - | - | | | (4,700,000) | (4,700,000) | |
| Balance as at 30 June 2015 | 825,000 | 20,625,000 | 5,936,639 | 9,147,077 | 30,172,504 | 66,706,220 | |
| | | | | | | | |

Statement of Cash Flows

For the half year ended 30 June 2016

Corporate tax paid

| Tor the nam year ended so suffe 2010 | Unaudited 6 months to June 2016 USD | Unaudited 6 months to June 2015 USD | Audited 12 months to December 2015 USD |
|---|---|---|--|
| Cash flow from operating activities: | | | |
| Profit before tax | 8,406,103 | 4,418,848 | 9,137,297 |
| Adjustments for: | | | |
| Fair value loss on investment property | - | - | 180,000 |
| Profit on disposal of property and equipment | (248,714) | (43,098) | (130,004) |
| Depreciation | 734,274 | 859,724 | 1,649,038 |
| Bad debts written off | 408,638 | 739,331 | 1,016,266 |
| Loan impairment (recovery)/charge | (732,286) | 2,086,217 | (2 434 077) |
| Other non-cash movements | - | (894,741) | (50,000) |
| Operating cash flow before changes in | | | |
| operating assets and liabilities | 8,568,015 | 7,166,281 | 9,368,520 |
| Changes in operating assets and liabilities: | | | |
| Increase in financial assets available for sale | (35,599,332) | (28,411,861) | (35,792,790) |
| Decrease in loans and advances to customers | 27,685,235 | 13,067,088 | 38,123,200 |
| Increase in other assets | (519,457) | (1,479,386) | (1,604,662) |
| Decrease in restricted balances with the Central Bank | - | 115,356 | 16,938,976 |
| Increase in deposits from customers | 50,260,148 | 74,771,222 | 2,983,121 |
| Increase/(decrease) in deposits from banks | 9,929,388 | (5,483,407) | (5,182,798) |
| Decrease in other liabilities | (1,603,050) | (5,979,989) | (19,109,804) |
| | 58,720,947 | 53,765,304 | 5,723,763 |

(2,066,989)

56,653,958

(2,623,028)

51,142,276

| udited as at June 2016 | Restated unaudited as at 30 June 2015 | Audited as at 31 December 2015 | and processes. The Con systems and to ensure independent review of m | nmittee has the responsibility, inter alia, of n that risk policies and strategies are effectiv anagement actions and decisions pertaining | |
|---------------------------------|---|---|--|--|---|
| USD | USD | USD | Director | Number of meetings attended | Number of meetings held in 2016 |
| 56.714 | 178.234.974 | 127.819.841 | S V Rushwaya* | 2 | |
| 54,461 | 44,574,200 | 51,955,129 | R Watungwa | 2 | 2 |
| 40,496 72.116 | 184,114,836 | 163,302,083 295.000 | J. Pohl | 2 | |
| 38,040 45.400 | 7,344,065 17.068.620 | 3,868,583 245.000 | * Chairman | | |
| 50,000 35,173 | 6,230,000 29,674,896 | 6,050,000 29,780,764 | Loans Review Committ The Committee reviews | | order to ensure its conformity to sound lending |

| | | | portiono nota | | |
|---------------------------|-------------------------|-------------------------|----------------|-----------------------------|--|
| | | | Director | Number of meetings attended | Number of meetings held in 2016 |
| | | | I J Mackenzie* | 2 | |
| 825,000 | 825,000 | 825,000 | S V Rushwaya | 2 | 2 |
| 20,625,000 | 20,625,000 | 20,625,000 | o v raonnaya | 2 | - |
| 5,936,639 | 5,936,639 | 5,936,639 | C Mwerenga | 2 | |
| 10,299,759 | 9,147,077 | 10,299,759 | | | |
| 34,138,368 | 30,172,504 | 28,087,656 | * Chairman | | |
| 71,824,766 | 66,706,220 | 65,774,054 | | | |
| 341,562,778 10,238,731 | 363,090,331 8,734 | 291,302,230 309,343 | | 51 | nsures that there are effective processes and and minimise credit losses while maximising |
| 22,606,425 915,078 | 34,726,548 1,953,580 | 24,209,475 1,357,745 | Director | Number of meetings attended | Number of meetings held in 2016 |
| 1,094,622 | 756,178 | 363,553 | L T Manatsa* | 2 | |
| 376,417,634 | 400,535,371 | 317,542,346 | R Watungwa | 2 | 2 |

* Chairman Statement of compliance

S M Mushir

portfolio risk

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

The Directors have made an assessment of the ability of the Bank to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

Approval of the abridged financial results

Corporate Governance (continued)

2

policies approved and adopted by the Board. The Committee ensures that the Board is adequately informed regarding

The unaudited financial statements were approved at a Board Audit Committee meeting held on 4 August 2016.

Risk Management

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 gualitative and guantitative measures. The Bank endeavours to minimise risk as far as possible by only granting a loan where the risk of default is acceptable. Based on evaluation of the counterparty's creditworthiness and the type of credit arrangement desired, credit limits are assigned by experienced credit officers, and approved by the Board Credit Committee

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulties in meeting the obligations of its financial liabilities. Liquidity risk arises from the fact that assets and liabilities have differing maturities. Liquidity issues are addressed through the Asset and Liability Committee ('ALCO') of the Bank comprising the Chief Executive Officer and respective Heads of Corporate and Institutional Banking, Commercial Banking, Retail Banking, Financial Markets, Country Chief Risk Officer and Chief Financial Officer. 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.

Foreign exchange risk

Foreign exchange risk is the risk to earnings and ultimately to capital, arising from movements in foreign exchange rates. The Bank makes use of dealer management and counterparty positions as the basic management contro tool for foreign exchange risk

Interest rate risk

Interest rate risk refers to the changes in the net interest income of the Bank that could arise owing to adverse variations in interest rates. Combined with liquidity risk, it forms part of those financial risks that are managed by ALCO on the basis of quantitative results. These results stem from a set of tools and techniques used in Asse and Liability Management ('ALM') to deal with sensitivity, volatility and extreme deviations of target variables, and ultimately reflect the overall risk profile. ALCO optimises the risk reward trade off through monthly reviews, assessing and optimally structuring the profile of the Bank's statement of financial position, developing and implementing strategies that will adhere to the risk profile requirements, and effectively utilising capital. Gap analysis is used to determine the exposure and to simulate techniques to determine the sensitivity to interest rate changes.

Operational risk

(4,739,959)

983,804

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people systems or external eve The Bank follows a pl risk-reward relationship and maintaining business continuity, while preserving the life of and protecting all assets. Operational risk measurement is both quantitative and qualitative and the principle of self assessment is applied. Use is made of Management Information System reports while segregation of duties is built into the systems to ensure compliance with the operational procedures and to manage operational risks. Disaster recovery plans and contingency arrangements particularly for the Information Technology Department are in place and functioning well

The Bank seeks to raise the bar in the industry on Financial Crime Compliance. The Bank believes that building a strong compliance culture will not only protect its clients in the short term, but will also benefit the industry's operating environment. Clients' satisfaction remains at the heart of our strategy as the Bank is cognisant that banking as a practice exists solely due to the trust and confidence placed by stakeholders.

I would like to take this opportunity to announce the launch of our 'Here for Africa' campaign. In the coming months, we will be celebrating our heritage, culture and history in Africa to demonstrate our commitment to the growth and development of the Continent. Africa remains a key footprint for the Group as reflected in our strategy "We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East".

Acknowledgement

We are highly indebted to our clients for their loyalty. I would like to thank our staff, management and my fellow Directors through whom we are able to deliver our commitments. The support we continue to receive from all our partners is appreciated.

S V Rushwaya

CHAIRMAN

4 August 2016

Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 30 June 2016

| For the nall year ended so sume 2016 | Notes | Unaudited 6 months to June 2016 USD | Unaudited 6 months to June 2015 USD | Audited 12 months to December 2015 USD |
|---|--------|--|--|--|
| Interest income Interest expense Net interest income | 2 3 | 10,219,062 (234,526) 9,984,536 | 12,836,323 (530,474) 12,305,849 | 24,931,345 (1,012,635) 23,918,710 |
| Fees and commission income Commission expense Gains less losses - foreign currencies Other income Non interest income | 4 | 17,166,981 (2 592 333) 2,040,795 494,995 17,110,438 | 20,717,007 (2,524,405) 1,886,718 352,935 20,432,255 | 40,157,515 (5,288,886) 3,607,400 758,319 39,234,348 |
| Total operating income | | 27,094,974 | 32,738,104 | 63,153,058 |
| Operating expenses Profit before impairment charge | 5 | (19,012,519) 8,082,455 | (25,493,708) 7,244,396 | (55,433,572) 7,719,486 |
| Net impairment recovery/(charge) Loan impairment recovery/(charge) Bad debts written off | | 323,648 732,286 (408,638) | (2,825,548) (2,086,217) (739,331) | 1,417,811 2,434,077 (1,016,266) |
| Profit before tax | | 8,406,103 | 4,418,848 | 9,137,297 |
| Tax expense | 7 | (2,355,391) | (3,231,206) | (8,734,385) |
| Profit after tax | | 6,050,712 | 1,187,642 | 402,912 |
| Other comprehensive income: | | | | |
| Items that may be reclassified into profit and loss Remeasurements of the defined benefit liability Gains on property revaluation Tax relating to components of other comprehensive in | | - - - - | - - - - | (147,436) (1,751,001) 1,258,440 345,125 |
| Total comprehensive income for the period | | 6,050,712 | 1,187,642 | 255,476 |

| Net cash generated from operating activities | |
|--|--|
|--|--|

Cash flow from investing activities:

| Proceeds on disposal of property and equipment Purchase of property and equipment Net cash utilised in investing activities | 340,099 (357,184) (17,058) | 54,999 (649,425) (594,426) | 77,644 (928,731) (851,087) |
|---|---|---|---|
| Cash flow from financing activities: | | | |
| Dividend paid Net cash utilised in financing activities | | (4,700,000) (4,700,000) | (4,700,000) (4,700,000) |
| Net increase/(decrease) in cash and cash equivalents | 56,636,873 | 45,847,850 | (4,567,283) |
| Cash and cash equivalents at the beginning of the period | 127,819,841 | 132,387,124 | 132,387,124 |
| Cash and cash equivalents at the end of the period | 184,456,714 | 178,234,974 | 127,819,841 |

Corporate Governance

The Board

The Board, which comprises three Executive Directors, one Non-Executive Director and four Independent Non Executive Directors, meets for a minimum of four times each year and has oversight over the Bank's affairs. It sets and monitors the Bank's strategy, reviews the Bank's performance and ensures that adequate financial resources are available to operate the Bank. The Board of Directors oversees compliance with Corporate Governance best practice, the Reserve Bank of Zimbabwe ('RBZ') regulations and regulatory requirements, as well as policies and procedures of Standard Chartered Bank Zimbabwe Limited.

Directors' Attendance at Board meetings

| Director | Date of meeting | | | | |
|---------------|-----------------|--------------|--|--|--|
| | 24-Mar-16 | 2-Jun-16 | | | |
| R Watungwa** | ✓ | √ | | | |
| S V Rushwaya* | ✓ | \checkmark | | | |
| I J Mackenzie | ✓ | \checkmark | | | |
| C Mwerenga** | ✓ | ✓ | | | |
| S M Mushiri | ✓ | ✓ | | | |
| S Nhakaniso** | ✓ | × | | | |
| L T Manatsa | ✓ | ✓ | | | |
| J Pohl | ✓ | ✓ | | | |

Key

✓ Present × Apoloay

* Chairman ** Executive

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 2016 |
|-----------------|-----------------------------|---------------------------------|
| I J Mackenzie * | 2 | |
| L T Manatsa | 1 | 2 |
| S M Mushiri | 2 | |

Reputational risk

Reputational risk refers to the risk of damage to the Bank's image, which may affect its ability to retain and generate business. The Bank manages reputational risk by ensuring that business is conducted in accordance with legal and regulatory requirements. In addition, the Bank's corporate governance structure conforms to international standards. The Bank also has systems in place to monitor customer service satisfaction levels as well as processes to resolve customer queries and complaints

Legal and Compliance risk

Legal and 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 and deliberations by its Executive Risk Committee. The Board Risk Committee also monitors this risk.

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 a quarterly review of the strategy and its continued applicability

Accounting Policies

The main accounting policies applied by the Bank are consistent with those adopted in the previous years.

BASIS OF PREPARATION

Statement of compliance

The abridged financial results have been in a form applicable to a commercial bank registered in terms of the Banking Act (Chapter 24:20) and the Companies Act (Chapter 24:03). The same accounting policies, presentation and methods of computation are followed in the financial results as applied in the Bank's latest annual financial statements which were prepared 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 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 Reserve Bank of Zimbabwe's directives on liquidity management, capital adequacy as well as prudential lending guidelines.

Basis of measurement

The abridged financial results have been prepared on the historical cost basis except for investment property. available for sale assets and property and equipment whose values have been stated at fair value

Functional and presentation currency

These abridged financial results are presented in United States dollars, which is the Bank's functional currency. The Directors believe that the statement of financial position as at 30 June, 2016 presents the assets and liabilities of the Bank and is a fair reflection of shareholders' equity.

LOAN IMPAIRMENT ALLOWANCE

Loan impairment allowance is recognised in respect of loans and advances. Loan impairment allowance is provided for in accordance with the provisions of the Banking Act (Chapter 24:20) and International Financial Reporting Standards (IFRS). Specific impairment allowance covering identified doubtful debts is based on periodic evaluation of advances and take account of past loss experience, economic conditions and changes in the nature and level of risk. General loan impairment allowance cover losses which although not specifically identified, may be present in any portfolio of the Bank's advances. In line with the requirements of accounting standards, these are charged through the statement of profit or loss. The excess, if any, of the RBZ provision to IAS 39 is passed through the 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.

Thereafter, and until all or part of the loan is written off, interest continues to accrue on customers' accounts, but is not included in profits. Such suspended interest is deducted from the gross loans and advances when accrued.

* Chairman

STANDARD CHARTERED BANK ZIMBABWE LIMITED

Registered Commercial Bank A member of the Deposit Protection Corporation

UNAUDITED ABRIDGED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2016



Tota

USD

7 075 092

3,544,125

(5,036,179

5.583.038

352,035

6.286.827

1,690,658

14 414 268

19,767,211 **42,510,999**

Total USD

USD

Performance bonus

USD

2 620 83

1,150,112

(2,620,836

1,150,113

Unaudited

June 2016

598,156

2.917.232

11 570 853

43,142,776 **59,029,017**

Up to 1

year USD

800,000

USD

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.

Included in other provisions is leave pay accural of USD1,301,361 (December 2015: USD1,189,022).

Up to 1

USD

USD

4 454 25

2,394,013 (2,415,343)

4,432,925

Restated

USD

4,062,583

1,016,808

8.175.987

1,642,104

6,605,000

14 462 661

25,957,488 61,922,631

Non-interest

USD

Over 1

year USD

June 2015 December 2015

Unaudited

Accounting Policies (continued)

FINANCIAL INSTRUMENTS

Measurement

Financial instruments are measured initially at fair value, including transaction costs. Subsequent to initial recognition all trading instruments and all available for sale assets are measured at fair value, except that any instrument that does not have a guoted 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.

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

PROPERTY AND EQUIPMENT

Owned assets

Items of property and equipment are stated at cost or valuation less accumulated depreciation and impairment losses

Subsequent expenditure 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 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 scheme is calculated separately by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That future benefit is discounted to determine its present value and compared against fair value of existing plan assets. The calculation is performed by a qualified actuary every three years using the projected unit credit method

When the benefits of the plan change, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of profit or loss

Notes to the Financial Results

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 Zimbabwe Banking Act, (Chapter 24:20). It's ultimate parent company is Standard Chartered PLC.

Unaudited

6 months

to June

2016 USD

41,258

8,020,980 156.824

10,219,062

231,535

2,991 234,526

245,241 248,714

494,995

63.789

734,274 10,991,309 667,271

356,800

678,299

914.036

42,125

34,795

542,999

47,352 667,271

19,012,519

2,139,572

6 months

24,545 11,647,016

164.76

290.355

240,119

530.474

303.409 43,098

6.428

352,935

78.822

859,724 11,197,660

445,795

6,350,461

2,579,916

1,424,382

2,097,460 25,493,708

459,488

27,000

39,276

368,822

10,697 445,795

12,836,323

to June

2015 USD

to Decembe

2015 USD

61,803

21,948,13

2,921,411 24,931,345

690,622

322,013 1,012,635

(180.000)

630,225 130,004

178,090

758,319

136.279

925.049

1.649.038

24,579,271

14,005,380

4,859,970

4,067,784

1.003.012

55,433,572

87,900

69,180

647,376

120,593 925,049

12

13.

14

| 2. | INTEREST INCOME Loans and advances to banks Loans and advances to customers Bonds, bills and other debt securities | |
|----|---|--|
| 3. | INTEREST EXPENSE | |

Customer accounts Time deposits Savings deposits

OTHER INCOME 4. Fair value loss on investment property Rental income from investment property Profit/(loss) on sale of property and equipment

Other miscellaneous incom 5. OPERATING EXPENDITURE

| Audit fees |
|------------------------------|
| Depreciation |
| Staff costs |
| Directors' emoluments |
| Group cross border recharges |
| Premises and equipment costs |
| VAT on imported services |
| Communication costs |
| Other |
| |

DIRECTORS' EMOLUMENTS Fees for services as directors Pension Salaries Other emoluments

| 1. | FINANCIAL ASSETS AVAILABLE FOR SALE | |
|----|-------------------------------------|--|

Notes to the Financial Results (continued)

Bonds and notes issued by the Gover Money market instruments issued by others

11.1 More than 5 years 5 years or less but over 1 year 1 year or less but over 3 months 3 months or less including payable on demand

LOANS AND ADVANCES TO CUSTOMERS 12

12.1 Maturity analysis Repayable on demand 3 months or less Between 3 and 12 months Over one year

12.2 Loan impairment allowance Balance at beginning of the period (Recovery)/charge through profit and loss

Recognised during the period

nts recovered during the period Balance at end of the period

12.3 Net loans

12.4

Gross loans and advances to customers Less loan impairment allowance Less interest in suspense Net loans and advances to customers

Non-performing loans and advances Total loans and advances on which interest is suspended Interest in suspense Specific impairment provision Net non-performing loans

12.4.1 Maturity analysis of non-performing loans

| | Unaudited June 2016 USD | | June | udited 2015 SD | Audited December2015 USD | |
|-------------------------|-------------------------------|-----------|------------|----------------------|--------------------------------|-----------|
| | Gross | Net | Gross | Net | Gross | Net |
| Past due up to 120 days | 171,398 | - | | - | - | |
| Past due up to 180 days | 143,071 | 181,671 | 3,030,315 | 1,493,875 | 991,950 | 507,463 |
| Past due up to 365 days | 947,500 | 860,518 | 2,071,651 | 306,031 | 2,630,161 | 607,811 |
| Over 1 year | 8,950,862 | 1,037,896 | 7,675,442 | 1,663,402 | 6,365,910 | 1,584,708 |
| · | 10,212,831 | 2,080,085 | 12,777,408 | 3,463,308 | 9,988,021 | 2,699,982 |

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

Audited June 2016 nber 2015 USD June 2015 Decen USD USD 400.712 261.641 647,731 The recovery relates to loans that were previously written off

| | | Unaudited June 2016 USD | | Unaudited June 2015 USD | | Audited December 2015 USD | | |
|---|---|-------------------------------|-----------|-------------------------------|----------------------|---------------------------------|----------------------|---------------------------|
| 6 | Sectoral analysis of utilisations | | 1001 | | | | | 1001 |
| | Agriculture and horticulture | 19,780,414 | 13% | 27,104,447 | 14% | | 029,976 | 18% |
| | Construction and property | 1,546,798 | 1% | 2,441,274 | 1% | | 337,943 | 1% |
| | Commerce | 29,148,438 | 20% | 39,777,369 | 20% | | 221,737 | 20% |
| | Mining | 6,000,000 | 4% | 138,045 | 0% | | 000,000 | 3% |
| | Manufacturing | 50,799,850 | 35% | 76,351,780 | 38% | | 610,143 | 30% |
| | Transport | 486,253 | 0% | 1,940,144 | 1% | | 312,813 | 1% |
| | Individual loans Other | 38,246,804 880,055 | 26% 1% | 50,881,728 1,752,176 | 25% 1% | | 626,921 | 26% 1% |
| | Total | 146,888,612 | 100% | 200,386,963 | 100% | | ,511,722 ,651,255 | 100% |
| | Total | 140,000,012 | 100% | 200,380,903 | 100% | 174, | 051,255 | 100% |
| | | | | Jnaudited June 2016 USD | Unaud June 2 I | | Decemb | Audited er 2015 USD |
| | OTHER ASSETS | | | | | | | |
| | Accrued interest receivable | | | 739,083 | 786 | 348 | | 447,765 |
| | Amounts due from other SCB subsidiaries | | | 196,698 | 516 | | | 350,638 |
| | Other prepaid expenses | | | 164,314 | 1,130 | | 1. | 133,551 |
| | Prepaid taxes | | | 1.576.311 | 4,062 | 583 | , | - |
| | Sundry and suspense accounts | | | 1,711,634 | 848 | 705 | 1. | 936,629 |
| | | | | 4,388,040 | 7,344 | ,065 | | 868,583 |
| | RESTRICTED BALANCES WITH THE CEN | | | | | | | |
| | Customers' foreign currency account balance | | | | 16,823 | 220 | | |
| | Customers' refundable FOLIWAR deposits | | | 245,400 | 245 | | | 245,000 |
| | | | | 245,400 | 17.068 | | | 245,000 |

Restricted balances with the Central Bank relate to customer foreign currency account ('FCA') balances 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 are not available for use in the Bank's day to day operations.

In 2015, the Reserve Bank of Zimbabwe Debt Assumption Act was signed into law and it allowed the Government to assume the Central Bank's debt. The takeover of the debt by Government and the immunity provided to banks in the Act extinguished the Bank's obligations related to these customer funds. The remaining amount not covered by the Treasury bills issued by the Government to cover principal relates to the interest component which has been derecognised together with the corresponding

| Audited December 2015 USD | Unaudited June 2015 USD | Unaudited June 2016 USD | |
|---------------------------------|-------------------------------|-------------------------------|--|
| 48,513,871 | 4,664,646 | 3,377,682 | |
| 3,441,258 | 39,909,554 | 84,176,779 | |
| 51,955,129 | 44,574,200 | 87,554,461 | |
| | | | |
| 1,927,772 | - | 1,927,703 | |
| 35,953,078 | 29,985,650 | 1,328,930 | |
| 9,408,746 | 10,189,646 | 79,948,009 | |
| 4,665,533 | 4,398,904 | 4,349,819 | |
| 51,955,129 | 44,574,200 | 87,554,461 | |
| | | | |

| | - | 249,591 | - |
|----|------------|-------------|-------------|
| 5 | 57,041,769 | 66,496,978 | 56,752,091 |
| | 2,196,990 | 36,025,269 | 38,436,751 |
| | 7,649,853 | 97,615,125 | 79,462,413 |
| 14 | 6,888,612 | 200,386,963 | 174,651,255 |
| | | | |
| | 7,249,430 | 9,683,507 | 9,683,507 |
| | (732,286) | 2,086,217 | (2,434,077) |
| | | | |
| | 172,565 | 3,109,460 | 5,182,522 |

| ١G |
|----|
| |
| |
| |
| |

| 146,888,612 | 200,386,963 | 174,651,255 |
|--------------------|--------------------|--------------------|
| (6,517,144) | (11,769,724) | (7,249,430) |
| (4,430,972) | (4,502,403) | (4,099,742) |
| 135,940,496 | 184,114,836 | 163,302,083 |
| 10,212,831 | 12,777,408 | 9,988,021 |
| (4,430,972) | (4,502,403) | (4,099,742) |
| (3,701,774) | (4,811,697) | (3,188,297) |
| 2,080,085 | 3,463,308 | 2,699,982 |

Unaudited

(904,851)

6,517,144

Unaudited

| 55 | | |
|----------|---------------------------|--|
| 30) | | |
| 12) | | |
| 33 | Assets | |
| <u> </u> | Cash and cash equivalents | |

Assets

Cash and

Financia

Loans an

Non curre

Other ass Restricte the Cer

Investme

Property

Equity an Sharehol Deposits

Deposits

Other liab

Current ta

Deferred

Liquidity

Notes to the Financial Results (continued)

20. Provisions (continued)

Balance at 1 January 2015 Provisions made during the period

Balance at 30 June 2015

Other accrued expenses

21. CONTIGENT LIABILITIES

Letters of credit

Tax assessment under dispute

Foreign currency forwards

Performance bonus:

Provisions reversed during the period

| | | | | 404 450 744 | 404 450 744 |
|------------------------------|-----------------------|---|--------------------------------------|--|--|
| - | | - | | 184,456,714 | 184,456,714 |
| - | | | | - | 87,554,461 |
| 27,609,285 | 29,432,484 | 12,196,990 | 66,701,737 | - | 135,940,496 |
| - | - | - | - | 4,772,116 | 4,772,116 |
| | - | | - | 4,388,040 | 4,388,040 |
| | | | | | |
| | - | - | 245,400 | - | 245,400 |
| | - | | - | 6.050.000 | 6,050,000 |
| - | - | - | - | | 24,835,173 |
| 27,609,285 | 33,782,303 | 92,144,999 | 70,203,770 | 224,502,043 | 448,242,400 |
| | | | | | |
| | | | | | |
| | - | | - | 71,824,766 | 71,824,766 |
| 341.505.028 | 57.750 | - | - | - | 341,562,778 |
| 10,238,731 | - | - | - | - | 10,238,731 |
| | | | | | |
| | - | | 9.326.778 | 13,279,647 | 22,606,425 |
| - | | | 9,326,778 | 13,279,647 915,078 | 22,606,425 915,078 |
| - | | - | 9,326,778 | 915,078 | 915,078 |
| - - - 351 7/3 759 | - - - 57 750 | - | - | 915,078 1,094,622 | 915,078 1,094,622 |
| - - - 351,743,759 | - - - 57,750 | | 9,326,778 | 915,078 | 915,078 |
| | | | 9,326,778 | 915,078 1,094,622 87,114,113 | 915,078 1,094,622 |
| 351,743,759 (324,134,474) | 57,750 33,724,553 | 92,144,999 | - | 915,078 1,094,622 | 915,078 1,094,622 |
| | | - - - - 92,144,999 (198,264,922) | 9,326,778 | 915,078 1,094,622 87,114,113 | 915,078 1,094,622 |
| | 341,505,028 | 27,609,285 33,782,303 341,505,028 57,750 | 27,609,285 29,432,484 12,196,990 | 27,609,285 29,432,484 12,196,990 66,701,737 27,609,285 33,782,303 92,144,999 70,203,770 341,505,028 57,750 | 27,609,285 29,432,484 12,196,990 66,701,737 4,772,116 - - - - 4,388,040 - - - 245,400 - - - - 245,400 - - - - 245,400 - - - - 24,835,173 - 27,609,285 33,782,303 92,144,999 70,203,770 224,502,043 341,505,028 57,750 - - 71,824,766 |

nth te

USD

31

23. LIQUIDITY GAP ANALYSIS

| | month USD | 3 months USD | year USD | year USD | bearing USD | Total USD |
|-----------------------------|----------------|-----------------|--------------|-------------|----------------|--------------|
| d cash equivalents | 184,456,714 | | | | | 184,456,714 |
| l assets available for sale | - | 4,349,819 | 79,948,009 | 3,256,633 | - | 87,554,461 |
| nd advances to customers | 27,609,285 | 29,432,484 | 12,196,990 | 66,701,737 | - | 135,940,496 |
| ent assets held for sale | - | - | - | - | 4,772,116 | 4,772,116 |
| sets | 4,388,040 | - | - | - | - | 4,388,040 |
| d balances with | | | | | | |
| ntral Bank | - | - | - | 245,400 | - | 245,400 |
| ent property | - | - | - | - | 6,050,000 | 6,050,000 |
| and equipment | - | - | - | - | 24,835,173 | 24,835,173 |
| | 216,454,039 | 33,782,303 | 92,144,999 | 70,203,770 | 35,657,289 | 448,242,400 |
| | | | | | | |
| nd liabilities | | | | | | |
| lders' funds | - | - | - | - | 71,824,766 | 71,824,766 |
| from customers | 341,505,028 | 57,750 | - | - | - | 341,562,778 |
| from banks | 10,238,731 | - | - | - | - | 10,238,731 |
| bilities | 10,573,979 | - | - | 12,032,446 | - | 22,606,425 |
| ax liability | 915,078 | - | - | - | - | 915,078 |
| tax liability | - | - | - | - | 1,094,622 | 1,094,622 |
| | 363,232,816 | 57,750 | - | 12,032,446 | 72,919,388 | 448,242,400 |
| | | | | | | |
| y gap | (146,778,777) | 33,724,553 | 92,144,999 | 58,171,324 | (37,262,099) | |
| tive gap | (146,778,777) | (113,054,224) | (20,909,225) | 37,262,099 | | |
| and and | (1-10,110,111) | (110,004,224) | (20,000,220) | | | |

Lin to 1 1 month to Lin to 1 Over 1 Non-interest

Cumulati 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

| CAMELS component | Latest rating |
|----------------------------|---------------|
| Capital Adequacy | 1 |
| Asset Quality | 3 |
| Management | 2 |
| Earnings | 2 |
| Liquidity | 1 |
| Sensitivity to Market Risk | 1 |
| Composite Rating | 2 |

udite 12.5 Recoveries for amounts written off 12 months

7. TAX EXPENSE

10.

| Charge for taxation based on taxable income for the period Provision for Aids levy | 1,467,250 44,018 | 2,387,976 71,639 | 4,479,838 134,395 |
|---|---------------------|---------------------|----------------------|
| Frovision for Alds levy | 1,511,268 | 2,459,615 | 4,614,233 |
| Capital gains tax | - | - | 24,500 |
| Prior year tax adjustment | 113,055 | 1,787,630 | 5,192,190 |
| Deferred tax charge/(credit) | 731,068 | (1,016,039) | (1,096,538) |
| | 2,355,391 | 3,231,206 | 8,734,385 |

CAPITAL MANAGEMENT 8.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor, regulator and market confidence and to sustain future development of the business. The Bank calculates minimum capital requirements as per Basel II Pillar 1 requirement and has established internal targets to manage capital levels taking into account ulatory minimum capital requirements, anticipated changes to those capital requirements, forecast organic growth and shareholder return expectations

The Bank's capital resources should therefore be adequate to absorb any losses arising from risks inherent to its operations and capital investments. The Bank monitors its capital adequacy on an annual basis using an Internal Capital Adequacy Assessment Process (ICAAP) in line with Basel II requirements. Below is the Bank's capital position as at 30 June 2016

| | Unaudited June 2016 USD | Restated unaudited June 2015 USD | Audited December 2015 USD |
|---|--|---|--|
| Tier 1 capital | 48.597.999 | 48.500.985 | 38.271.449 |
| Paid up share capital Share premium Foreign currency translation reserve | 825,000 20,625,000 | 825,000 20,625,000 | 825,000 20,625,000 |
| (limited to 75% of closing balance) Retained earnings Less insider loans | 4,452,479 34,138,368 (80,487) | 4,452,479 30,172,504 (53,539) | 4,452,479 28,087,656 (85,239) |
| Less Capital allocated for market and operational risk | (11,362,361) | (7,520,459) | (15,633,447) |
| Tier 2 capital | 14,611,004 | 14,905,383 | 15,061,225 |
| Foreign currency translation reserve (limited to 25% of closing balance) Revaluation reserve General provisions | 1,484,160 10,299,759 | 1,484,160 9,147,077 | 1,484,160 10,299,759 |
| (limited to 1.25% of risk weighted assets) Total capital - Tier 1 and 2 | 2,827,085 63,209,003 | 4,274,146 63,406,368 | 3,277,306 53,332,674 |
| | | | |
| Tier 3 capital Capital allocated for market and operational risk | 11,362,361 | 7,520,459 | 15,633,447 |
| Total capital base | 74,571,364 | 70,926,827 | 68,966,121 |
| Risk weighted assets Tier 1 capital ratio Tier 2 capital ratio Tier 3 capital ratio Capital adequacy ratio | 226,166,836 21.49% 6.46% 5.02% 32.97% | 341,931,669 14.18% 4.36% 2.20% 20.74% | 262,184,462 14.60% 5.74% 5.96% 26.30% |
| | Unaudited June 2016 USD | Unaudited June 2015 USD | Audited December 2015 USD |
| CASH AND CASH EQUIVALENTS Cash and balances with banks Unrestricted balances with the Central Bank Total cash and cash equivalents | 41,989,190 142,467,524 184,456,714 | 68,594,640 109,640,334 178,234,974 | 50,558,801 77,261,040 127,819,841 |
| LIQUIDITY Cash and cash equivalents Financial assets available for sale Restricted balances with the Central Bank Total liquid assets | 184,456,714 87,554,461 245,400 272,256,575 | 178,234,974 44,574,200 17,068,620 239,877,794 | 127,819,841 51,955,129 245,000 180,019,970 |
| Customer deposits Deposits from banks Total liabilities to the public | 341,562,778 10,238,731 351,801,509 | 363,090,331 8,734 363,099,065 | 291,302,230 309,343 291,611,573 |
| Liquidity ratio (minimum - 30%) | 77.39% | 66.06% | 61.73% |

claims from the FCA customers (refer to Note 19 under Other Liabilities) from the statement of financial position in 2015. The Bank's role in relation to these balances is solely of an administrative nature

| | | | auve | | Unaudited June 2016 USD | Unaud June 2 I | | | Audited per 2015 USD |
|-----|---|--|---------------------|---|---|--|--|--|---|
| 15. | INVESTMENT PROPERTY | | | | 6 050 000 | 6 020 | 000 | 6 | 220.000 |
| | Balance at beginning of period Fair value loss | | | | 6,050,000 | 6,230, | - | (| 230,000 <u>180,000)</u> |
| | Balance at end of the period | | | _ | 6,050,000 | 6,230 | 000 | <u> </u> | 050,000 |
| 16. | PROPERTY AND EQUIPMENT Balance at beginning of the period Additions and improvements Disposals and retirements Restatement of an asset | | | | 29,780,766 357,184 (45,503) | 29,897, 649, (11, | | | 897,096 928,731 409,465) 50,000 |
| | Transfer to non-current assets held for sale Depreciation charge Revaluation gain Balance at end of the period | | | | (4,523,000) (734,274) | (859) 29,674 | 724) | (1, 1, | 295,000) 649,038) <u>258,440</u> 780,764 |
| 17. | DEPOSITS FROM CUSTOMERS | | | | 24,000,110 | 23,014, | 030 | | 100,104 |
| | Maturity analysis | | | | | | | | |
| | Payable on demand 3 months or less | | | 3 | 41,505,028 57,750 | 344,213, 18,877, | | 291, | 244,480 57,750 |
| | 5 monute of less | | | 3 | 41,562,778 | 363,090 | | 291, | 302,230 |
| | | Unaud June 2 USE | 016 | | June | dited 2015 SD | I | Audi Decembe US | er 2015 |
| | Concentration of customer deposits | 031 | , | | | 0 | | 03 | <u> </u> |
| | Individuals Agriculture Mining Manufacturing Distribution Construction Transport Services Other | 99,209,642 8,788,660 2,276,246 41,851,959 87,395,249 1,069,504 18,868,579 73,525,222 8,577,717 341,562,778 | 11 25 0 22 | 9% 3% 2% 5% 5% 2% 3% 0% | 101,117,293 7,402,762 1,477,587 19,026,241 34,318,996 1,446,036 2,972,211 178,232,912 <u>17,096,293</u> 363,090,331 | 2% 0% 5% 10% 0% 1% 49% 5% | 13, 2, 34, 46, 2, 10, 71, 13, | 133,218 716,241 062,916 887,891 957,769 336,400 980,758 873,524 <u>353,513</u> 302,230 | 33% 5% 1% 12% 16% 1% 4% 24% 4% 100% |
| | | | | | Unaudited June 2016 USD | | lited | | Audited per 2015 USD |
| 18. | DEPOSITS FROM BANKS Deposits from related banks Deposits from other banks | | | | 208,264 10,030,467 10,238,731 | | 7,487 1,247 8,734 | | 304,576 <u>4,767</u> 309,343 |
| 19. | OTHER LIABILITIES Accrued interest payable Remittances in transit Long service award Defined benefit plan obligation Accrued interest on customer FCA balances | | | | 186,522 2,703,238 2,812,040 1,554,000 | 2,70 | 1,944 3,238 9,000 - | 2, | 2,899 143,171 762,000 320,000 |
| | held at the Central Bank* Group cross border recharges Provisions Other | | | | 9,326,778 4,348,507 1,675,340 22,606,425 | 5,58 | 6,585 3,038 5,286 | 7, 2, | - 747,296 207,040 027,069 209,475 |
| | * Refer to Note 14 for details | | | | | | , | | |
| 20. | Provisions | | | P | erformance bonus USD | | Other USD | | Total USD |
| | Balance at 1 January 2016 Provisions made during the period Provisions reversed/paid during the period Balance at 30 June 2016 | | | | 2,318,549 1,880,368 (2,427,358) 1,771,559 | 2,86 (5,17 | 8,491 3,873 5,416) 6,948 | 4, (7, | 207,040 744,241 602,774) 348,507 |

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.

25. EXTERNAL CREDIT RATING

| Rating agent | 2016 | 2015 | 2014 |
|------------------------------|------|------|------|
| Global Credit Rating company | AA- | AA- | AA- |

By Order of the Board

| C. Kamba | |
|----------|-----------|
| Company | Secretary |

| 4 August | 2016 |
|----------|------|
| Harare | |