

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

### 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 Kagwi 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.

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 Financial Position

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
<b>ASSETS</b>			
Cash and cash equivalents	9	184,456,714	178,234,974
Financial assets available for sale	11	87,554,461	44,574,200
Loans and advances to customers	12.3	135,940,496	184,114,836
Non-current assets held for sale		4,772,116	-
Other assets	13	4,388,040	7,344,065
Restricted balances with the Central Bank	14	245,400	17,068,620
Investment property	15	6,050,000	6,230,000
Property and equipment	16	24,835,173	29,674,896
<b>Total assets</b>		<b>448,242,400</b>	<b>467,241,591</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital		825,000	825,000
Share premium		20,625,000	20,625,000
Foreign currency translation reserve		5,936,639	5,936,639
Revaluation reserve		10,299,759	9,147,077
Retained earnings		34,138,368	30,172,504
<b>Total equity</b>		<b>71,824,766</b>	<b>66,706,220</b>
<b>Liabilities</b>			
Deposits from customers	17	341,562,778	363,090,331
Deposits from banks	18	10,238,731	8,734
Other liabilities	19	22,606,425	34,726,548
Current tax liability		915,078	1,953,580
Deferred tax liability		1,094,622	756,178
<b>Total liabilities</b>		<b>376,417,634</b>	<b>400,535,371</b>
<b>Total equity and liabilities</b>		<b>448,242,400</b>	<b>467,241,591</b>

### 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
<b>Balance as at 1 January 2016</b>	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
<b>Balance as at 30 June 2016</b>	825,000	20,625,000	5,936,639	10,299,759	34,138,368	71,824,766
<b>Restated balance as at 1 January 2015</b>	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)
<b>Balance as at 30 June 2015</b>	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

	Unaudited 6 months to June 2016 USD	Unaudited 6 months to June 2015 USD	Audited 12 months to December 2015 USD
<b>Cash flow from operating activities:</b>			
Profit before tax	8,406,103	4,418,848	9,137,297
<b>Adjustments for:</b>			
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)
<b>Operating cash flow before changes in operating assets and liabilities</b>	<b>8,568,015</b>	<b>7,166,281</b>	<b>9,368,520</b>
<b>Changes in operating assets and liabilities:</b>			
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
Corporate tax paid	(2,066,989)	(2,623,028)	(4,739,959)
<b>Net cash generated from operating activities</b>	<b>56,653,958</b>	<b>51,142,276</b>	<b>983,804</b>
<b>Cash flow from investing activities:</b>			
Proceeds on disposal of property and equipment	340,099	54,999	77,644
Purchase of property and equipment	(357,184)	(649,425)	(928,731)
<b>Net cash utilised in investing activities</b>	<b>(17,085)</b>	<b>(594,426)</b>	<b>(851,087)</b>
<b>Cash flow from financing activities:</b>			
Dividend paid	-	(4,700,000)	(4,700,000)
<b>Net cash utilised in financing activities</b>	<b>-</b>	<b>(4,700,000)</b>	<b>(4,700,000)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>56,636,873</b>	<b>45,847,850</b>	<b>(4,567,283)</b>
Cash and cash equivalents at the beginning of the period	127,819,841	132,387,124	132,387,124
<b>Cash and cash equivalents at the end of the period</b>	<b>184,456,714</b>	<b>178,234,974</b>	<b>127,819,841</b>

### 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*	✓	✓
I J Mackenzie	✓	✓
C Mwerenga**	✓	✓
S M Mushiri	✓	✓
S Nhakaniso**	✓	✗
L T Manatsa	✓	✓
J Pohl	✓	✓

Key  
✓ Present ✗ Apology

\* 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	

\* Chairman

### 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 2016
S V Rushwaya*	2	
R Watungwa	2	2
J. Pohl	2	

\* Chairman

#### 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 2016
I J Mackenzie*	2	
S V Rushwaya	2	2
C Mwerenga	2	

\* Chairman

#### 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 2016
L T Manatsa*	2	
R Watungwa	2	2
S M Mushiri	2	

\* Chairman

#### 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

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

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 qualitative and quantitative 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 control 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 Asset 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

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, systems or external events. The Bank follows a philosophy of pro-actively managing operational risk, optimising the 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.

#### 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 covers 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.

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

For the half year ended 30 June 2016

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

### 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 quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, less impairment losses.

##### Fair Valuation measurement principles

The fair value of financial instruments is based on their market price at the statement of financial position date without any deduction for transaction costs. If a market price is not available, the fair value of the instrument is estimated using discounted cashflow techniques. Where this technique is used, estimated future cashflows are based on management's best estimates and the discount rate is a market related rate at the statement of financial position date for an instrument with similar terms and conditions.

##### 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

#### 1. INCORPORATION AND ACTIVITIES

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

	Unaudited 6 months to June 2016 USD	Unaudited 6 months to June 2015 USD	Audited 12 months to December 2015 USD
Loans and advances to banks	41,258	24,545	61,803
Loans and advances to customers	8,020,980	11,647,016	21,948,131
Bonds, bills and other debt securities	2,156,824	1,164,762	2,921,411
<b>Total</b>	<b>10,219,062</b>	<b>12,836,323</b>	<b>24,931,345</b>

#### 2. INTEREST INCOME

Loans and advances to banks	41,258	24,545	61,803
Loans and advances to customers	8,020,980	11,647,016	21,948,131
Bonds, bills and other debt securities	2,156,824	1,164,762	2,921,411
<b>Total</b>	<b>10,219,062</b>	<b>12,836,323</b>	<b>24,931,345</b>

#### 3. INTEREST EXPENSE

Customer accounts	Unaudited 6 months to June 2016 USD	Unaudited 6 months to June 2015 USD	Audited 12 months to December 2015 USD
- Time deposits	231,535	290,355	690,622
- Savings deposits	2,991	240,119	322,013
<b>Total</b>	<b>234,526</b>	<b>530,474</b>	<b>1,012,635</b>

#### 4. OTHER INCOME

Fair value loss on investment property	-	-	(180,000)
Rental income from investment property	245,241	303,409	630,225
Profit/(loss) on sale of property and equipment	248,714	43,098	130,004
Other miscellaneous income	1,040	6,428	178,090
<b>Total</b>	<b>494,995</b>	<b>352,935</b>	<b>758,319</b>

#### 5. OPERATING EXPENDITURE

Audit fees	63,789	78,822	136,279
Depreciation	734,274	859,724	1,649,038
Staff costs	10,991,309	11,197,660	24,579,271
Directors' emoluments	667,271	445,795	925,049
Group cross border recharges	356,800	6,350,461	14,005,380
Premises and equipment costs	2,139,572	2,579,916	4,859,970
VAT on imported services	678,299	1,424,382	4,067,784
Communication costs	914,036	459,488	1,003,012
Other	2,467,169	2,097,460	4,207,789
<b>Total</b>	<b>19,012,519</b>	<b>25,493,708</b>	<b>55,433,572</b>

#### 6. DIRECTORS' EMOLUMENTS

Fees for services as directors	42,125	27,000	87,900
Pension	34,795	39,276	69,180
Salaries	542,999	368,822	647,376
Other emoluments	47,352	10,697	120,593
<b>Total</b>	<b>667,271</b>	<b>445,795</b>	<b>925,049</b>

#### 7. TAX EXPENSE

Charge for taxation based on taxable income for the period	1,467,250	2,387,976	4,479,838
Provision for Aids levy	44,018	71,639	134,395
<b>Total</b>	<b>1,511,268</b>	<b>2,459,615</b>	<b>4,614,233</b>
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)
<b>Total</b>	<b>2,355,391</b>	<b>3,231,206</b>	<b>8,734,385</b>

#### 8. CAPITAL MANAGEMENT

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 regulatory 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
<b>Tier 1 capital</b>	<b>48,597,999</b>	<b>48,500,985</b>	<b>38,271,449</b>
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	34,138,368	30,172,504	28,087,656
Less intangible assets	(80,487)	(53,539)	(85,239)
Less Capital allocated for market and operational risk	(11,362,361)	(7,520,459)	(15,633,447)
<b>Tier 2 capital</b>	<b>14,611,004</b>	<b>14,905,383</b>	<b>15,061,225</b>
Foreign currency translation reserve (limited to 25% of closing balance)	1,484,160	1,484,160	1,484,160
Revaluation reserve	10,299,759	9,147,077	10,299,759
General provisions (limited to 1.25% of risk weighted assets)	2,827,085	4,274,146	3,277,306
<b>Total capital - Tier 1 and 2</b>	<b>63,209,003</b>	<b>63,406,368</b>	<b>53,332,674</b>
<b>Tier 3 capital</b>	<b>11,362,361</b>	<b>7,520,459</b>	<b>15,633,447</b>
Capital allocated for market and operational risk	11,362,361	7,520,459	15,633,447
<b>Total capital base</b>	<b>74,571,364</b>	<b>70,926,827</b>	<b>68,966,121</b>
Risk weighted assets	226,166,836	341,931,669	262,184,462
Tier 1 capital ratio	21.49%	14.18%	14.60%
Tier 2 capital ratio	6.46%	4.36%	5.74%
Tier 3 capital ratio	5.02%	2.20%	5.96%
Capital adequacy ratio	32.97%	20.74%	26.30%

#### 9. CASH AND CASH EQUIVALENTS

Cash and balances with banks	41,989,190	68,594,640	50,558,801
Unrestricted balances with the Central Bank	142,467,524	109,640,334	77,261,040
<b>Total cash and cash equivalents</b>	<b>184,456,714</b>	<b>178,234,974</b>	<b>127,819,841</b>

#### 10. LIQUIDITY

Cash and cash equivalents	184,456,714	178,234,974	127,819,841
Financial assets available for sale	87,554,461	44,574,200	51,955,129
Restricted balances with the Central Bank	245,400	17,068,620	245,000
<b>Total liquid assets</b>	<b>272,256,575</b>	<b>239,877,794</b>	<b>180,019,970</b>
Customer deposits	341,562,778	363,090,331	291,302,230
Deposits from banks	10,238,731	8,734	309,343
<b>Total liabilities to the public</b>	<b>351,801,509</b>	<b>363,099,065</b>	<b>291,611,573</b>
Liquidity ratio (minimum - 30%)	77.39%	66.06%	61.73%

### Notes to the Financial Results (continued)

	Unaudited June 2016 USD	Unaudited June 2015 USD	Audited December 2015 USD
<b>11. FINANCIAL ASSETS AVAILABLE FOR SALE</b>			
Bonds and notes issued by the Government	3,377,682	4,664,646	48,513,871
Money market instruments issued by others	84,176,779	39,909,554	3,441,258
<b>Total</b>	<b>87,554,461</b>	<b>44,574,200</b>	<b>51,955,129</b>

#### 11.1 Maturities

More than 5 years	1,927,703	-	1,927,772
5 years or less but over 1 year	1,328,930	29,985,650	35,953,078
1 year or less but over 3 months	79,948,009	10,189,646	9,408,746
3 months or less including payable on demand	4,349,819	4,398,904	4,665,533
<b>Total</b>	<b>87,554,461</b>	<b>44,574,200</b>	<b>51,955,129</b>

#### 12. LOANS AND ADVANCES TO CUSTOMERS

	Unaudited June 2016 USD	Unaudited June 2015 USD	Audited December 2015 USD
<b>12.1 Maturity analysis</b>			
Repayable on demand	-	249,591	-
3 months or less	57,041,769	66,496,978	56,752,091
Between 3 and 12 months	12,196,990	36,025,269	38,436,751
Over one year	77,649,853	97,615,125	79,462,413
<b>Total</b>	<b>146,888,612</b>	<b>200,386,963</b>	<b>174,651,255</b>

#### 12.2 Loan impairment allowance

Balance at beginning of the period	7,249,430	9,683,507	9,683,507
(Recovery)/charge through profit and loss	(732,286)	2,086,217	(2,434,077)
<b>Total</b>	<b>6,517,144</b>	<b>11,769,724</b>	<b>7,249,430</b>

Recognised during the period	172,565	3,109,460	5,182,522
Amounts recovered during the period	(904,851)	(1,023,243)	(7,616,599)
<b>Total</b>	<b>6,517,144</b>	<b>11,769,724</b>	<b>7,249,430</b>

#### 12.3 Net loans

Gross loans and advances to customers	146,888,612	200,386,963	174,651,255
Less loan impairment allowance	(6,517,144)	(11,769,724)	(7,249,430)
Less interest in suspense	(4,430,972)	(4,502,403)	(4,099,742)
<b>Net loans and advances to customers</b>	<b>135,940,496</b>	<b>184,114,836</b>	<b>163,302,083</b>

#### 12.4 Non-performing loans and advances

Total loans and advances on which interest is suspended	10,212,831	12,777,408	9,988,021
Interest in suspense	(4,430,972)	(4,502,403)	(4,099,742)
Specific impairment provision	(3,701,774)	(4,811,697)	(3,188,297)
<b>Net non-performing loans</b>	<b>2,080,085</b>	<b>3,463,308</b>	<b>2,699,982</b>

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

	Unaudited June 2016 USD		Unaudited June 2015 USD		Audited December 2015 USD	
	Gross	Net	Gross	Net	Gross	Net
Past due up to 120 days	171,398	-	3,030,315	1,493,875	991,950	507,463
Past due up to 180 days	143,071	181,671	2,071,651	306,031	2,630,161	607,811
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	1,594,708
<b>Total</b>	<b>10,212,831</b>	<b>2,080,085</b>	<b>12,777,408</b>	<b>3,463,308</b>	<b>9,988,021</b>	<b>2,699,982</b>

These are loans and advances on which interest is no longer being accrued or taken into income unless the borrower pays in cash. Non accrual assets include those assets that are non-performing, i.e. assets on which:

1) the principal amount and/or the interest is due and unpaid for 90 days or more; or

2) interest payments equal to 90 days or more have been capitalised, refinanced or rolled over.

#### 12.5 Recoveries for amounts written off

	Unaudited June 2016 USD	Unaudited June 2015 USD	Audited December 2015 USD
	400,712	261,641	647,731

The recovery relates to loans that were previously written off.

#### 12.6 Sectoral analysis of utilisations

	Unaudited June 2016 USD	Unaudited June 2015 USD	Audited December 2015 USD			
Agriculture and horticulture	19,780,414	13%	27,104,447	14%	32,029,976	18%
Construction and property	1,546,798	1%	2,441,274	1%	1,337,943	1%
Commerce	29,148,438	20%	39,777,369	20%	34,221,737	20%
Mining	6,000,000	4%	138,045	0%	6,000,000	3%
Manufacturing	50,799,850	35%	76,351,780	38%	52,610,143	30%
Transport	486,253	0%	1,940,144	1%	2,312,813	1%
Individual loans	38,246,804	26%	50,881,728	25%	44,626,921	25%
Other	880,055	1%	1,752,176	1%	1,511,722	1%
<b>Total</b>	<b>146,888,612</b>					