Member of the Deposit Protection Corporation A Registered Commercial Bank

UNAUDITED ABRIDGED FINANCIAL STATEMENTS

for the Six Months Ended 31 August 2019

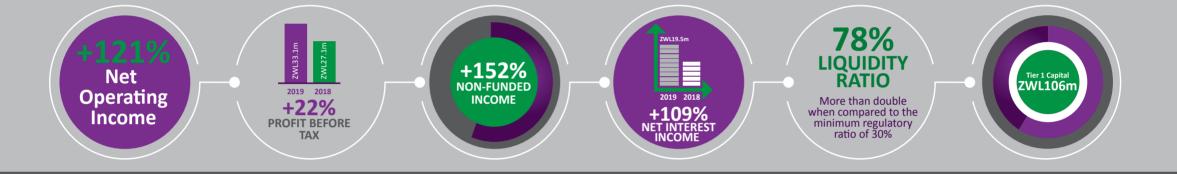






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CHAIRMAN'S STATEMENT

It is my pleasure to report the financial results of Steward Bank Limited for the half-year ended 31 August 2019

Financial Performance review:

For the period under review, the Bank's historical net operating income rose by 121% to \$118 million from \$53.6 million reported in the prior year. Profit before tax grew by 22% to \$33.1 million.The favourable performance continues to be underpinned by the resilience of our transactional banking model which leverages on the digital platforms that we have invested in. Our ability to serve the masses and to address their financial needs through our convenient, userfriendly and innovative platforms remains our core competency that has resulted in us delivering a 152% growth in non-funded income. During the course of the half-year, the number of customer accounts grew exponentially to 1.8 million, with 350,000 more customers being added to the "Purple Family".



The country is experiencing unprecedented power shortages and in line with our mandate to provide relevant solutions to the market, the Bank made a strategic shift to increase lending activities to this sector through a partnership with Distributed Power Africa (DPA) to fund renewable energy projects. The Bank has already started rolling out residential, commercial and industrial solar loans. The loans are accessible through our branches nationwide.

Appreciation

I express my sincere gratitude and appreciation to our customers for your unwavering support in the first 6 months of the financial year. We are excited about the various initiatives that we have lined up for the remaining six months of the year to demonstrate how grateful and thankful we are for your commitment to the "Purple Family".

Lastly, I would like to thank the Board. Management team and Employees at the Bank for their energy, zeal, passion, and commitment towards providing 'Everyday banking for Everyday people'. I am confident that we will continue to work in unison to deliver value on a

Net interest income grew by 109% from the prior year on the back of increased "held-to-maturity" investments and interbank placements. Gross interest-earning assets grew by 28% from prior year largely driven by the acquisition of government instruments.

During the course of the half-year, the Government gazetted SI 142 resulting in recognition of the RTGS Dollar as legal tender with a starting exchange rate of RTGS 2.5 to USD 1. Consequently, the Bank experienced foreign exchange losses of ZWL21 million. The continued devaluation of the RTGS poses a risk to Steward Bank's balance sheet. However, the Bank is currently pursuing a variety of strategic initiatives that will safeguard the balance sheet and shareholder value against future adverse movements in exchange rates.

HyperInflation Adjusted Financial Performance

In line with the Public Accountants and Auditors' Board (PAAB) pronouncement on the application of IAS 29 - "Financial Reporting in Hyperinflationary Environments" for financial years ending on or after 1 July 2019, the financial statements have been restated in accordance with IAS 29

Renewable Energy Rural Finance Kwenga

The inflation adjusted net operating income closed the half year at ZWL133m compared to an adjusted prior year amount of ZWL132m. The inflation adjusted profit before tax for the half year was ZWL20.1 million compared to ZWL51.4 million in prior year, due to an increase in inflation adjusted operating expenses. There were no material changes to the Bank's inflation adjusted balance sheet as most assets are monetary in nature.

Staying ahead in a Competitive Environment

In a bid to deliver on our commitment to continuous value creation, financial inclusion and retention of our position as a market leader in innovation, the Bank launched the *236# Digital Account Opening Platform in December 2018 which has changed the face of banking. Since launch, the Bank has on-boarded more than 1 million customers through this platform, which has aided the Bank in driving its mandate towards financially including every Zimbabwean. Furthermore, 536,000 microloans have been disbursed digitally through the Kashagi product.

Environmental Sustainability

In response to the devastation of Cyclone Idai earlier this year, the Bank embarked on Project Reboot through partnering with its valued customers. Under this project, the Bank disbursed \$2.5 million, with the bulk of these funds channeled to wholesale partners who have a wide distribution network in Chipinge

The Bank is supporting and funding rural finance projects, affordable housing projects, sustainable renewable energy initiatives, and healthcare recapitalisation initiatives.

Looking into the future

In the previous financial year (FY2019), I highlighted that the Bank is committed to investing in digital systems to enhance both customer experience and service delivery. In this regard, the Bank has embarked on a project to upgrade its Core Banking System and Infrastructure. The full implementation and benefits of this project will be realised in Q3 FY2021.

The Bank continues to use artificial intelligence to improve the efficiency and quality of service to our customers. As we continue to explore the use of this modern technology in our business, we are confident that we will emerge as the front runner in customer experience and service delivery in the financial services industry.

Board Responsibilities

The Board of Directors is responsible for the strategic direction and overall corporate governance of the Bank, ensuring that appropriate controls, systems and policies are in place. The Board monitors the implementation of these policies through a structured approach to reporting and accountability.

Board Composition

The Board of Directors is led by an independent non- Executive Chairman, thereby ensuring constructive checks and balances between Executive management and the Board. The Board held five (5) Board meetings during the period to assess risk, review performance and provide guidance to management.

The Board and the Remunerations and Nominations Committee work together to ensure that the Board continues to have the appropriate balance of skills, experience, diversity, independence and depth of working knowledge of the Group's business necessary to properly and effectively discharge its responsibilities.

Executive Changes

Mr. Alfred Chaavure resigned as Chief Finance Officer and Executive Director of the Bank effective 31 July 2019. The Board extends its appreciation for his service to the Bank.

Mrs Theresa Nyemba was appointed as Chief Finance Officer of the Bank, effective 01 October 2019.

Board Capacity Development

The Bank has in place a Board Training and Development Plan designed to enable the Directors to gain an appreciation of Steward Bank's strategic, financial, operational and risk management structures.

Conflict of Interest

The Board has in place a policy that manages conflict of interest including situational and transactional conflict. Directors disclose their interests on joining the Board and at every meeting of the directors, they disclose any additional interests and confirm or update their declarations of interest accordingly.

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sustainable basis to our customers and Shareholders

On behalf of the Board

Bernard T.R. Chidzero **Board Chairman**

27 December 2019

CORPORATE GOVERNANCE STATEMENT

The Board of Directors recognise the importance of good corporate governance and is committed to conducting the business of the Bank with integrity and in accordance with generally accepted corporate practices in order to safeguard stakeholders' interests.

The Board is committed to the creation and sustenance of shareholder value and is accountable to its shareholders as well as to all other stakeholders including the Bank's employees, customers, suppliers, regulatory authorities and the community from which it operates.

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UNAUDITED ABRIDGED FINANCIAL STATEMENTS for the Six Months Ended 31 August 2019









CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Compliance

The Bank complied with the applicable laws and regulations governing its activities throughout the reporting period.

The Bank's Liquidity Ratio stood at 78% as at 31 August 2019 against the minimum prescribed ratio of 30%.

Board Committees

The Board has established and delegated specific roles and responsibilities to six (6) standing Committees, to assist it in discharging its mandate. Each Committee acts within written terms of reference approved by the Board that are reviewed annually, or as necessary. All Board Committees are chaired by Independent non-Executive Chairpersons.

Each Committee has unrestricted access to executive management, all employees and all Company records, tax and other financial advisers, legal advisers, and internal and external auditors, as required.

The Chair of each Committee (or a person nominated by the Chair of the Committee for that purpose), reports to the Board at the Board's next meeting on any matters relevant to the Committee's duties and responsibilities.

To assist the Board in the discharge of its responsibilities, the following Committees have been established namely:

- Board Audit Committee;
- ii. Board Risk, Compliance & Capital Management Committee;
- Board Assets and Liabilities Committee;
- iv. Board ICT Committee;
- v. Board Credit Committee; and
- vi. Board Remuneration and Nominations Committee.

Audit Committee

The Audit Committee consists of three independent non-executive directors of the Bank. The Committee meets quarterly. The role of the Committee is to provide an independent evaluation of adequacy and efficiency of the institution's internal control systems, accounting practices, information systems and auditing processes applied within the Bank. It also considers measures to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the Bank. The Audit Committee met three times.

The Risk, Compliance and Capital Management Committee

The Risk, Compliance and Capital Management Committee comprises 3 non-executive directors, meets quarterly, sets policy guidelines for monitoring risks that are inherent within the Bank and reviews all risk reports generated by the Risk Department. The Committee also sets policy guidelines for ensuring and monitoring compliance with all regulatory laws and directives and internal policies and procedures. This Committee met twice.

Board Assets and Liabilities Committee

This Committee comprises 3 non-executive directors, meets quarterly and is responsible for formulating policies and procedures relating to

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Risk, Compliance And Capital Management Committee

Name of Director	Designation	Meetings Held	Meeting Attended
*N N Chadehumbe	Non-Executive Chairman	2	2
D T Mandivenga	Non-Executive Director	2	1
P M Mbizvo	Non-Executive Director	2	2
* Chairperson			

Assets and Liabilities Committee

Name of Director	Designation	Meetings Held	Meeting Attended
*C Maswi	Non-Executive Chairman	2	2
K Akosah-Bempah	Non-Executive Director	2	2
P M Mbizvo	Non-Executive Director	2	2
* Chairman			

Information Technology Committee

Name of Director	Designation	Meetings Held	Meeting Attended
*C Maswi	Non-Executive Chairman	2	2
J H Gould	Non-Executive Director	2	2
N N Chadehumbe	Non-Executive Director	2	2
D T Mandivenga	Non-Executive Director	2	1
* Chairman			

Credit Committee

Name of Director	Designation	Meetings Held	Meeting Attended
B Chidzero*	Non-Executive Chairman	2	2
K V Chirairo	Non-Executive Director	2	2
J Gould	Non-Executive Director	2	2
* Chairman			

Remuneration and Nominations Committee

control of cash flow, control of short-term borrowing capacity, management of liquid assets portfolio, monitoring and managing structural exposures to changes in foreign exchange rates. The Committee met twice.

Board IT Committee

This Committee comprises of 3 non-executive directors, meets quarterly and formulates policies and strategic issues relating to information and communication technology. The Committee makes recommendations to the Board with respect to the overall scope of the digital strategy. It provides the necessary governance over the direction and ongoing progress of the digital strategy to ensure continued growth, consistent with the Bank's vision and values. The IT Committee met twice.

Board Credit Committee

This Committee comprises 3 non-executive directors, meets quarterly and is mainly responsible for considering and approving credit facilities as mandated by the Board. The Board Credit Committee met twice during the period.

Remuneration and Nominations Committee

This Committee, which comprises of 3 non-executive directors, meets quarterly to review matters relating to the formulation and approval of strategies and policies pertaining to conditions of service and remuneration of the Bank's staff. The Committee also recommends the remuneration of the executive and non-executive directors. The Committee met twice.

Board attendance

As at 31 August 2019, the Main Board held 5 meetings and the record of attendance of each director is as follows:

Main Board

Name of Director	Designation	Meetings Held	Meeting Attended
Bernard T.R. Chidzero*	Independent Non-Executive Chairman	5	5
Peter M Mbizvo	Non-Executive Director	5	5
Christopher Maswi	Non-Executive Director	5	5
Kwaku Akosah-Bempah	Non-Executive Director	5	5
John H Gould	Non-Executive Director	5	5
Nancy N. Chadehumbe	Non-Executive Director	5	5
Krison V Chirairo	Non-Executive Director	5	5
Darlington Mandivenga	Non- Executive Director	5	5
Lance Mambondiani**	Executive Director	5	1
Alfred Chaavure***	Executive Director	5	1
*Chairperson Resigned 31 May 2019** Resigned 31 July 2019***			

Board Committees

The Bank's Board Committees were properly constituted as at 31 August 2019. The record of attendance is as follows:

Audit Committee

Name of Director	Designation	Meetings Held	Meeting Attended
*K Akosah-Bempah	Non-Executive Chairman	3	3
C Maswi	Non-Executive Director	3	3
N N Chadehumbe	Non-Executive Director	3	3
* Chairman			

Name of Director	Designation	Meetings Held	Meeting Attended
P M Mbizvo*	Non-Executive Chairman	2	2
B Chidzero	Non-Executive Director	2	2
J Gould	Non-Executive Director	2	2
* Chairman			

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the half year ended 31 August 2019

		INFLATION	ADJUSTED	HISTORIC	AL COST
		Unaudited	Unaudited	Unaudited	Reviewed
		31 August 2019	31 August 2018	-	31 August 2018
	Notes	ZWL	ZWL	ZWL	ZWL
Interest and related income	3	29,858,111	25,265,010	20,669,718	10,242,018
Interest and related expense	4	(11,115,697)	(2,250,020)	(1,185,792)	(912,121)
Net interest income		18,742,414	23,014,990	19,483,926	9,329,897
Non-interest income	5	123,251,541	102,754,549	104,934,236	41,654,998
Impairment on financial assets (charge)/reversal:					
Expected credit loss allowances	6	(8,739,574)	6,368,057	(6,214,374)	2,581,505
Net operating income		133,254,381	132,137,596	118,203,788	53,566,400
Operating expenditure	7	(117,271,488)	(65,704,204)	(85,056,237)	(26,464,591)
Net monetary adjustment		4,069,304	(15,052,412)	-	-
Profit before tax		20,052,197	51,380,980	33,147,551	27,101,809
Income tax (expense)/credit	8	(34,426,923)	(19,944,271)	10,245,428	(8,085,078)
(Loss)/Profit for the period		(14,374,726)	31,436,709	43,392,979	19,016,731
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Gain arising on revaluation of property and equipment, net of tax		-	-	137,347,969	-
Total comprehensive (loss)/income for the period		(14,374,726)	31,436,709	180,740,948	19,016,731

for the Six Months Ended 31 August 2019

STEWARD BANK Everyday Banking For Everyday People



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STATEMENT OF FINANCIAL POSITION

As at 31 August 2019					
		INFLATION	ADJUSTED	HISTORIC	AL COST
		Unaudited	Unaudited	Unaudited	Audited
		31 August 2019		31 August 2019	•
	Notes	ZWL	ZWL	ZWL	ZWL
ASSETS					
Cash and cash equivalents	9	497,886,000	681,113,262	497,886,000	276,112,073
Financial assets at fair value through profit or loss	10	6,682,561	18,917,334	6,682,561	7,668,775
Loans and advances to customers	11	78,689,379	135,787,994	78,689,379	55,046,211
Debt instruments measured at amortised cost	12	575,167,755	1,148,749,442	575,167,755	465,684,061
Other receivables	13	164,003,428	149,184,859	163,852,042	60,477,079
Inventories	14	14,801,719	14,801,719	5,931,764	5,931,764
Investment property	15	46,971,556	33,532,445	46,971,556	13,593,500
Property and equipment	16	180,776,424	88,522,994	180,776,424	35,885,761
Intangible assets	17	98,823,364	50,487,463	98,823,364	20,466,785
Right of use assets	18	3,499,696	-	3,499,696	-
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Total assets		1,667,301,882	2,321,097,512	1,658,280,541	940,866,009
EQUITY AND LIABILITIES					
EQUITY					
Share capital	19	4,077	4,077	4,077	4,077
Share premium	19	106,317,629	106,317,629	106,317,629	106,317,629
Adjustment to share capital and share premium		155,952,678	155,952,678	-	
Other reserves	20	-	-	160,306,586	22,958,617
Retained earnings		51,041,119	65,415,845	40,508,290	6,248,007
Total equity		313,315,503	327,690,229	307,136,582	135,528,330
LIABILITIES					
Deposits due to banks and customers	21	1,060,165,074	1,853,379,633	1,060,165,074	751,329,509
Loans and borrowings	22	-	5,550,300	-	2,250,000

STATEMENT OF CASH FLOWS For the half-year ended 31 August 2019

	INFLATION	ADJUSTED	HISTORIC	AL COST
	Unaudited 31 August 2019 ZWL	Unaudited 31 August 2018 ZWL	Unaudited 31 August 2019 ZWL	Reviewed 31 August 2018 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	20,052,197	51,380,980	33,147,551	27,101,809
Adjustments for:				
Change in operating assets	619,303,923	(218,852,412)	(242,716,199)	(88,719,155)
Change in operating liabilities	(658,368,984)	828,601,502	517,899,990	335,901,371
Other non-cash items	(86,294,626)	(8,606,611)	(18,705,049)	(3,654,207)
Net monetary adjustment	(4,069,304)	15,052,412	-	-
Net cash (utilised in)/generated from operations	(109,376,794)	667,575,871	289,626,293	270,629,818
Taxation paid	(13,428,239)	(14,600,368)	(10,730,437)	(5,918,748)
	(13,428,239)	(14,000,308)	(10,730,437)	(5,918,748)
Net cash (outflow)/inflow from operating activities	(122,805,033)	652,975,503	278,895,856	264,711,070
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(24,582,272)	(5,028,204)	(24,582,272)	(2,038,351)
Purchase of intangible assets	(21,156,961)	(4,666,670)	(21,156,961)	(1,891,791)
Proceeds from disposal of non-current assets held for sale	-	320,684	-	130,000
Net cash outflow from investing activities	(45,739,233)	(9,374,190)	(45,739,233)	(3,800,142)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(9,132,696)		(9,132,696)	-
Net (decrease)/increase in loans and borrowings	(5,550,300)	2,735,378	(2,250,000)	1,108,877
Net cash (outflow)/inflow from financing activities	(14,682,996)	2,735,378	(11,382,696)	1,108,877
Net (decrease)/increase in cash and cash equivalents	(183,227,262)	646,336,691	221,773,927	262,019,805
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Cash and cash equivalents at the beginning of the period	681,113,262	286,329,752	276,112,073	116,073,355
Cash and cash equivalents at the end of the period	497,886,000	932,666,443	497,886,000	378,093,160

24	2,612,265	2,865,297	2,612,265	1,161,544
25	250,998,730	115,900,123	250,998,730	46,967,987
26	40,210,310	15,711,930	37,367,890	3,628,639
	1,353,986,379	1,993,407,283	1,351,143,959	805,337,679
	1,667,301,882	2,321,097,512	1,658,280,541	940,866,009
	25	25 250,998,730 26 40,210,310 1,353,986,379	25 250,998,730 115,900,123 26 40,210,310 15,711,930 1,353,986,379 1,993,407,283	25 250,998,730 115,900,123 250,998,730 26 40,210,310 15,711,930 37,367,890 1,353,986,379 1,993,407,283 1,351,143,959

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 August 2019

	Share capital ZWL	Share premium ZWL	Adjustment to share capital and share premium ZWL	Other reserves ZWL	Retained earnings ZWL	Total ZWL
INFLATION ADJUSTED:						
Balance as at 1 March 2019	4,077	106,317,629	155,952,678	-	65,415,845	327,690,229
Total comprehensive loss		-	-	-	(14,374,726)	(14,374,726)
Loss for the period	-	-	-	-	(14,374,726)	(14,374,726)
Other comprehensive income	-	-	-	-	-	-
Dividends paid		-	-	-	-	-
Balance at 31 August 2019	4,077	106,317,629	155,952,678	-	51,041,119	313,315,503
Balance as at 1 March 2018	4,077	106,317,629	155,952,678	-	(22,963,540)	239,310,844
Total comprehensive income	-	-		-	31,436,709	31,436,709
Profit for the period	-	-	-	-	31,436,709	31,436,709
Other comprehensive income	-	-	-		-	-
Balance at 31 August 2018	4,077	106,317,629	155,952,678	-	8,473,169	270,747,553
HISTORICAL COST:						
Balance as at 1 March 2019	4,077	106,317,629	-	22,958,617	6,248,007	135,528,330
Total comprehensive income		-	-	137,347,969	43,392,979	180,740,948
Profit for the period	-	-	-	-	43,392,979	43,392,979
Other comprehensive income	-	-	-	137,347,969	-	137,347,969
Dividends paid	-	-	-	-	(9,132,696)	(9,132,696)
Balance at 31 August 2019	4,077	106,317,629	-	160,306,586	40,508,290	307,136,582
Balance as at 1 March 2018	4,077	106,317,629	-	22,049	(15,696,741)	90,647,014
Total comprehensive income		-	-	-	19,016,731	19,016,731
Profit for the period	-	-	-	-	19,016,731	19,016,731
Other comprehensive income	-	-	-	-		-
Balance at 31 August 2018	4,077	106,317,629	-	22,049	3,319,990	109,663,745
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NOTES TO THE ABRIDGED FINANCIAL STATEMENTS For the half-year ended 31 August 2019

GENERAL INFORMATION 1

Steward Bank Limited ("the Bank") was incorporated according to the laws of Zimbabwe on 9 October 1970 and was registered as a commercial bank in March 2008. Its registered office and principal place of business is 101 Union Avenue Building, 101 Kwame Nkrumah Avenue, Harare. The Bank's ultimate holding company is Cassava SmarTech Zimbabwe Limited.

The principal business of the Bank is to provide retail and corporate banking services in the key economic centres of Zimbabwe.

Functional and Presentation Currency

Items included in the abridged financial statements are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The abridged financial statements are presented in Zimbabwe dollar (ZWL).

BASIS OF PREPARATION 2

2.1 Statement of compliance

The Bank's abridged financial statements for the six months ended 31 August 2019 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) and interpretations as issued by the International Accounting Standards Board , the Banking Act of Zimbabwe (Chapter 24:20), the Companies Act of Zimbabwe (Chapter 24:03), the relevant Statutory Instruments ("SI"); SI 62/96 and SI 33/99, and the presentation requirements of IAS 34, Interim Financial Reporting.

The financial statements have been prepared on the going concern basis, which the Directors believe to be appropriate.

2.2 Accounting policies

The significant accounting policies applied in the preparation of the abridged financial statements are consistent with the accounting policies applied in the preparation of the previous annual financial statements with the exception of changes referred to under the paragraphs below.

Changes in accounting policies and disclosures 2.3

In the preparation of these financial statements, the Bank has for the first time applied IFRS 16 Leases ("IFRS 16"), effective for annual periods beginning on or after 1 January 2019 and IAS 29 Financial Reporting in Hyperinflationary Economies. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3.1 IFRS 16 Leases

The Bank has applied IFRS 16 with effect from 1 March 2019 by using the modified retrospective approach. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. IFRS 16 requires the recognition of right of use assets and future lease payment liabilities where the Bank is a lessee under a lease term that exceeds 12 months

Impact on financial statements

Upon transition to IFRS 16, the Bank recognised right of use assests and a corresponding lease liability amounting to ZWL4.5 million.

2.3.2 IAS 29 Financial Reporting in Hyperinflationary Economies

In the current period the Bank adopted IAS 29 Financial Reporting in Hyperinflationary Economies, following the Bank making a significant judgement that the factors and characteristics to apply the Standard in Zimbabwe have been met.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date, and that corresponding figures for previous periods be stated in the same terms to the latest balance sheet date. The restatement has been calculated by means of conversion factors derived from the consumer price index (CPI) prepared by the Zimbabwe Statistical Office (Zimstats). The conversion factors used to restate the financial statements as at 31 August 2019, using February 2019 as the base year are as follows:

Dates	Indices	Conversion Factor
31 August 2019	246.68	1.000
28 February 2019	100.00	2.467

The indices and conversion factors have been applied to the historical cost transactions and balances as follows:

Monetary assets and liabilities are not restated as they are already stated in terms of the measuring unit current at the balance sheet date.

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UNAUDITED ABRIDGED FINANCIAL STATEMENTS for the Six Months Ended 31 August 2019









NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) For the half-year ended 31 August 2019

2.3.2

IAS 29 Financial Reporting in Hyperinflationary Economies (continued) Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders equity are restated by applying the relevant monthly conversion factor. Non-monetary assets and liabilities that are carried at amounts current at the balance sheet date, that is at fair value, are not restated.

Inventories: these are carried at the lower of indexed cost and net realisable value.

Deferred tax: this is provided in respect of temporary differences arising from the restatement of assets and liabilities.

Cash flow items are expressed in terms of the measuring unit current at the balance sheet date.

		INFLATION	ADJUSTED	HISTORIC	AL COST
		Unaudited	Unaudited	Unaudited	Reviewed
		31 August 2019	31 August 2018	31 August 2019	31 August 2018
		ZWL	ZWL	ZWL	ZWL
3	INTEREST AND RELATED INCOME				
	Loans and advances to customers	5,046,413	3,372,930	3,493,454	1,367,330
	Financial assets held-to-maturity	24,811,698	21,892,080	17,176,264	8,874,688
		29,858,111	25,265,010	20,669,718	10,242,018
4	INTEREST AND RELATED EXPENSE				
	Trading activities	11,115,697	2,250,020	1,185,792	912,121
5	NON-INTEREST INCOME				
5.1	Fees and commission income				
	Net dealing gains	1,258,594	2,319,428	871,280	940,258
	Net commissions	148,776,100	94,402,273	95,067,173	38,269,123
5.2	Other	150,034,694	96,721,701	95,938,453	39,209,381
	Fair value adjustment on financial instruments	(53,009)	2,123,167	(986,214)	860,697
	Fair value adjustment on investment property		-	33,378,056	-
	Foreign exchange losses	(28,276,522)	-	(24,466,562)	4 504 000
	Bad debts recovered	1,546,378	3,909,681	1,070,503	1,584,920
		(26,783,153)	6,032,848	8,995,783	2,445,617
		123,251,541	102,754,549	104,934,236	41,654,998

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) For the half-year ended 31 August 2019

		INFLATION	ADJUSTED	HISTORIC	AL COST
		Unaudited 31 August 2019 ZWL	Unaudited 28 February 2019 ZWL	Unaudited 31 August 2019 ZWL	Audited 28 February 2019 ZWL
9	CASH AND CASH EQUIVALENTS				
9.1	Cash and balances with central banks				
	Balances with the Reserve Bank of Zimbabwe Balances with other banks Cash balances	324,609,261 137,695,035 35,581,704 497,886,000	682,422,116 (7,016,277) 5,707,423 681,113,262	324,609,261 137,695,035 35,581,704 497,886,000	276,642,661 (2,844,283) <u>2,313,695</u> 276,112,073
10	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
	Listed equities:				
	Opening balance Additions Net fair value loss Closing balance	18,917,334 - (12,234,773) 6,682,561	2,102,414 4,996,491 <u>11,818,429</u> 18,917,334	7,668,775 - (986,214) 6,682,561	852,284 2,025,495 4,790,996 7,668,775
11	LOANS AND ADVANCES TO CUSTOMERS				
11.1	Total loans and advances				
	Corporate loans Small-to-medium Enterprise loans Consumer loans	4,961,841 20,219,964 63,502,525 88,684,330	8,320,583 17,607,824 <u>119,185,514</u> 145,113,921	4,961,841 20,219,964 63,502,525 88,684,330	3,373,027 7,137,921 <u>48,315,840</u> 58,826,788
	Less: Allowance for Expected Credit Losses	(9,994,951)	(9,325,927)	(9,994,951)	(3,780,577)
		78,689,379	135,787,994	78,689,379	55,046,211

11.2 Maturity analysis

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Europeted eventit loss	8,739,574	(6.260.057)	C 214 274	(2 501 505)
Expected credit loss	8,739,574	(6,368,057)	6,214,374	(2,581,505)

Breakdown of ECL charges on financial instruments for the period recognised in Profit or Loss (Historical): 6.1

	Loans and advances to customers ZWL	Debt instruments measured at amortised cost ZWL	Other receivables ZWL	Commitments to lend and guarantees ZWL	Total ZWL
Net remeasurement of loss allowance	6,214,374		-		6,214,374
	6,214,374	-	-	-	6,214,374

	INFLATION	ADJUSTED	HISTORIC/	AL COST	
	Unaudited	Unaudited	Unaudited	Reviewed	
	31 August 2019	31 August 2018	31 August 2019	31 August 2018	
	ZWL	ZWL	ZWL	ZWI	
OPERATING EXPENDITURE					
Administration expenses	70,213,697	27,305,068	53,078,936	11,069,024	
Amortisation of intangible assets	3,468,708	701,089	2,626,231	284,21	
Audit fees	196,635	897,940	126,045	193,20	
Audit fees: Current year	196,635	619,078	126,045	133,20	
Audit fees : prior year overruns	-	278,862	-	60,00	
Depreciation of property and equipment	7,994,958	3,772,428	5,866,314	1,529,28	
Directors' remuneration	937,281	228,468	815,836	92,61	
- short-term benefits	937,281	228,468	815,836	92,61	
- other emoluments	-	-	-		
Occupancy expenses	4,410,064	2,178,984	2,133,694	883,32	
Professional expenses	5,637,373	5,448,364	3,810,650	2,208,67	
Staff costs	24,412,772	25,171,863	16,598,531	10,204,25	
- Short term benefits	24,066,111	24,275,670	16,363,494	9,840,95	
- post - employment benefits	346,661	896,193	235,037	363,30	
	117,271,488	65,704,204	85,056,237	26,464,59	
INCOME TAX					
The components of income tax expense are as follows:					
Current tax expense	9,928,543	14,659,502	3,647,781	5,942,72	
Deferred tax expense/(credit)	24,498,380	5,284,769	(13,893,209)	2,142,35	
Total income tax expense	34,426,923	19,944,271	(10,245,428)	8,085,07	
Income tax reconciliation					
Accounting profit before income tax			33,147,551	27,101,80	
Taxation at normal rate of 25.75%			8,535,494	6,978,71	
Origination and reversal of temporary differences:			(19,731,608)	973,90	
Effect of non-deductible expenses:					
- Donations expenses			69,519	132,46	
- Other non-deductible expenses			881,167	102,10	
			(10,245,428)	8,085,07	

8,859,378	37,393,313	8,859,378	15,158,632
383,240	517,167	383,240	209,651
1,229,332	1,658,935	1,229,332	672,505
3,837,962	5,179,175	3,837,962	2,099,552
25,554,259	34,484,461	25,554,259	13,979,431
48,820,159	65,880,870	48,820,159	26,707,017
88,684,330	145,113,921	88,684,330	58,826,788
	383,240 1,229,332 3,837,962 25,554,259 48,820,159	383,240 517,167 1,229,332 1,658,935 3,837,962 5,179,175 25,554,259 34,484,461 48,820,159 65,880,870	383,240 517,167 383,240 1,229,332 1,658,935 1,229,332 3,837,962 5,179,175 3,837,962 25,554,259 34,484,461 25,554,259 48,820,159 65,880,870 48,820,159

11.3 Sectorial analysis of utilisations

	I	INFLATION ADJUSTED			HISTORICAL COST			
	31 August 2019		28 February 2019		31 August 2019		28 February 2019	
	ZWL	%	ZWL	%	ZWL	%	ZWL	%
Mining	2,889,879	3.3%	7,287	0.0%	2,889,879	3.3%	2,954	0.0%
Manufacturing	2,390,647	2.7%	7,771,027	5.4%	2,390,647	2.7%	3,150,246	5.4%
Agriculture	2,764,309	3.1%	1,270,249	0.8%	2,764,309	3.1%	514,938	0.9%
Distribution	9,266,400	10.4%	2,565,090	1.8%	9,266,400	10.4%	1,039,845	1.8%
Services and comunication	9,521,897	10.7%	14,611,446	10.1%	9,521,897	10.7%	5,923,239	10.1%
Individuals	61,851,198	69.7%	118,888,822	81.9%	61,851,198	69.7%	48,195,566	81.9%
	88,684,330	100.0%	145,113,921	100.0%	88,684,330	100.0%	58,826,788	100.0%

11.4 ECL Allowance for impairment of loans and advances

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Loans and Advances is, as follows:

	Stage 1 ZWL	Stage 2 ZWL	Stage 3 ZWL	Total ZWL
Gross carrying amounts				
Gross carrying amount as at 1 March 2019	58,395,276	3,888,084	846,816	63,130,176
New loans and advances originated	37,948,380	552,004	128,635	38,629,019
Loans and advances derecognised or repaid (excluding write offs)	(11,310,284)	(1,676,320)	(88,261)	(13,074,865)
Transfers to Stage 1	-	159,574	(159,574)	-
Transfers to Stage 2	(111,025)	22,402	88,623	-
Transfers to Stage 3	(188,830)	91,692	97,138	-
Amounts written off	-	-	-	
Gross carrying amount as at 31 August 2019	84,733,517	3,037,436	913,377	88,684,330
ECL allowance				
ECL allowance as at 1 March 2019	1,872,613	355,435	1,552,529	3,780,577
New loans and advances originated	8,802,944	17,417	17,864	8,838,225
Loans and advances derecognised or repaid (excluding write offs)	(1,869,698)	(60,372)	(693,781)	(2,623,851)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts writted off	-	-	-	-
ECL allowance as at 31 August 2019	8,805,859	312,480	876,612	9,994,951

for the Six Months Ended 31 August 2019

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NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) For the half-year ended 31 August 2018

		INFLATION	ADIUSTED	HISTORIC	
		Unaudited 31 August 2019	Unaudited 28 February 2019	Unaudited 31 August 2019	Audited 28 February 2019
		ZWL	ZWL	ZWL	ZWL
12	DEBT INSTRUMENTS MEASURED AT AMORTISED COST				
	Opening Balance Reclassification from Financial Assets Held-to-Maturity	1,177,677,845		477,411,158	-
	at 1 March 2018	-	617,381,905	-	250,276,433
	Additions	117,150,448	548,040,734	117,150,448	222,166,667
	Repayments received on maturity	(3,333,333)	(4,811,387)	(3,333,333)	(1,950,457)
	Accrued interest	(4,333,421)	17,066,593	(4,333,421)	6,918,515
	Net monetary adjustment	(700,266,687)	-	-	-
		586,894,852	1,177,677,845	586,894,852	477,411,158
	Less: Allowance for ECL	(11,727,097)	(28,928,403)	(11,727,097)	(11,727,097)
	Closing balance	575,167,755	1,148,749,442	575,167,755	465,684,061
	-				

12.1 ECL Allowance for debt instruments measured at amortised cost

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Debt Instruments measured at Amortised Cost is, as follows:

	Stage 1 ZWL	Stage 2 ZWL	Stage 3 ZWL	Total ZWL
Gross carrying amounts				
Gross carrying amount as at 1 March 2019	474,892,825	2,518,333	-	477,411,158
New assets purchased	573,828,171	13,066,681	-	586,894,852
Assets derecognised or matured (excluding write offs)	(474,892,825)	(2,518,333)	-	(477,411,158)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	
Transfers to Stage 3	-	-	-	
Amounts written off	-	-		
Gross carrying amount as at 31 August 2019	573,828,171	13,066,681	-	586,894,852
ECL allowance				
ECL allowance as at 1 March 2018	11,218,059	509,038	-	11,727,097
New assets purchased	11,013,098	713,999	-	11,727,097
Assets derecognised or matured (excluding write offs)	(11,218,059)	(509,038)	-	(11,727,097)
Transfers to Stage 1	-	-	-	
Transfers to Stage 2	-	-	-	
Transfers to Stage 3	-	-	-	
Amounts written off	-	-		
ECL allowance as at 31 August 2018	11,013,098	713,999		11,727,097

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) For the half-year ended 31 August 2019

16 PROPERTY AND EQUIPMENT

				INFLATION	N ADJUSTED			
	Land and buildings ZWL	Leasehold improve- ments ZWL	Furniture and fittings ZWL	Office equipment ZWL	Computer equipment ZWL	Motor Vehicles ZWL	Work in Progress ZWL	Total ZWL
At Cost or Valuation:								
28 February 2018	2,960,160	4,873,410	10,038,971	4,849,090	30,832,432	1,847,730	1,403,929	56,805,722
Additions		162,794	399,158	372,194	942,504		21,080,289	22,956,939
Exchange gain arising from change in functional and		.,	,	- , -	. ,		,,	,,
presentation currency	-	-	-	-	43,300	-	-	43,300
Transfer from Work-in- Progress		657,667	229,290	140,285	622,476		(1,649,718)	
Revaluation adjustment	4,353,361	(2,420,380)	(1,971,659)		6,536,919	(431,515)	9,704,391	13,452,110
28 February 2019	7,313,521	3,273,491	8,695,760	3,042,562	38,977,631	1,416,215	30,538,891	
Additions Transfers from Work-in-	-	-	1,868	-	106,956	-	24,473,447	24,582,271
Progress	-	-	3,204	7,250	80,148	-	(90,602)	-
Revaluation adjustment	5,812,069	1,891,388	3,276,374	12,808	7,743,346	334,115	43,865,982	62,936,082
31 August 2019	13,125,590	5,164,879	11,977,206	3,062,620	46,908,081	1,750,330	98,787,718	180,776,424
Accumulated depreciation and impairment:								
28 February 2018 Depreciation charge for the	-	3,285,728	6,650,858	4,301,628	12,610,980	1,201,087	-	28,050,281
year	90,729	562,702	622,618	479,783	7,207,139	157,128		9,120,099
Eliminated on revaluation	(37,543)	(3,641,446)	(6,833,722)	(4,561,328)	(16,083,637)	(1,277,627)	-	(32,435,303)
28 February 2019 Depreciation charge for the	53,186	206,984	439,754	220,083	3,734,482	80,588	-	4,735,077
period	35,000	291,242	388,964	416,267	5,701,233	136,651	-	6,969,357
Eliminated on revaluation	(88,186)	(498,226)	(828,718)	(636,350)	(9,435,715)	(217,239)	-	(11,704,434)

		INFLATION	ADJUSTED	HISTORIC	AL COST
		Unaudited	Unaudited	Unaudited	Audited
		31 August 2019 ZWL	28 February 2019 ZWL	31 August 2019 ZWL	28 February 2019 ZWL
		2001	2002	2001	2002
13	OTHER RECEIVABLES				
	Sundry receivables	136,997,962	116,554,652	136,846,576	47,249,332
	Amounts due from related parties	27,827,916	34,659,027	27,827,916	14,050,197
	Less: Allowance for ECL	(822,450)	(2,028,820)	(822,450)	(822,450)
		164,003,428	149,184,859	163,852,042	60,477,079
14	INVENTORIES				
	Opening balance Additions	14,801,719 -	- 14,801,719	5,931,764 -	- 5,931,764
	Closing balance	14,801,719	14,801,719	5,931,764	5,931,764
	Inventories consists of housing units developed by the Bank for re-sale.				
15	INVESTMENT PROPERTY				
	Opening balance Exchange gain arising from change in functional and	33,532,445	13,412,978	13,593,500	5,437,400
	presentation currency	-	20,119,467		8,156,100
	Fair value adjustments Net monetary adjustment	33,378,056 (19,938,945)	-	33,378,056	-
	Net monetary aujustment	(19,930,943)	-	-	-
	Closing balance	46,971,556	33,532,445	46,971,556	13,593,500

Investment property comprises of buildings and undeveloped residential land.

31 August 2019		-	-		-	-	-	-
								_
Net carrying amount:								
At 31 August 2019	13,125,590	5,164,879	11,977,206	3,062,620	46,908,081	1,750,330	98,787,718	180,776,424
At 28 February 2019	7,260,335	3,066,507	8,256,006	2,822,479	35,243,149	1,335,627	30,538,891	88,522,994

				HISTORI	CAL COST			
	Land and buildings ZWL	Leasehold improve- ments ZWL	Furniture and fittings ZWL	Office equipment ZWL	Computer equipment ZWL	Motor Vehicles ZWL	Work in Progress ZWL	Total ZWL
At Cost or Valuation:								
28 February 2018 Additions	1,200,000	1,975,600 65,994	4,069,633 161,812	1,965,741 150,881	12,498,959 382,075	749,039 -	569,130 8,545,601	23,028,102 9,306,364
Exchange gain arising from change in functional and								
presentation currency Transfer from Work-in- Progress	-	- 266,607	- 92,950	- 56,869	17,553 252,341	-	- (668,767)	17,553
Revaluation adjustment	1,764,781	(981,182)	(799,278)	(940,087)	2,649,959	(174,929)	3,934,000	5,453,264
28 February 2019	2,964,781	1,327,019	3,525,117	1,233,404	15,800,887	574,110	12,379,964	37,805,283
Additions Transfers from Work-in-Prog-		-	1,868	-	106,957	-	24,473,447	24,582,271
ress	-	-	3,204	7,250	80,148	-	(90,602)	-
Revaluation adjustment	10,160,809	3,837,860	8,447,017	1,821,965	30,920,089	1,176,220	62,024,910	118,388,870
31 August 2019	13,125,590	5,164,879	11,977,206	3,062,619	46,908,081	1,750,330	98,787,719	180,776,424
Accumulated depreciation and impairment:								
28 February 2018 Depreciation charge for the	-	1,331,980	2,696,148	1,743,809	5,112,283	486,901	-	11,371,121
year	36,780	228,110	252,399	194,496	2,921,655	63,697	-	3,697,137
Eliminated on revaluation	(15,219)	(1,476,182)	(2,770,278)	(1,849,087)	(6,520,041)	(517,929)	-	(13,148,736)
28 February 2019	21,561	83,908	178,269	89,218	1,513,897	32,669	-	1,919,522
Depreciation charge for the period	35,000	291,242	388,964	416,267	3,578,064	136,651	-	4,846,188
Eliminated on revaluation	(56,561)	(375,150)	(567,233)	(505,485)	(5,091,961)	(169,320)	-	(6,765,710)
31 August 2019		-	-	-		-		
Net carrying amount:								
At 31 August 2019	13,125,590	5,164,879	11,977,206	3,062,620	46,908,081	1,750,330	09 797 719	180,776,424
At 28 February 2019	2,943,220	1,243,111	3,346,848	1,144,186	14,286,990	541,441	12,379,964	
7 20 1 Col dal y 2015	2,343,220	1,273,111	3,340,040	1,144,100	14,200,330	341,441	12,373,304	33,003,701

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UNAUDITED ABRIDGED FINANCIAL STATEMENTS for the Six Months Ended 31 August 2019



NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) For the half-year ended 31 August 2019

INTANGIBLE ASSETS 17

	IN	FLATION ADJUSTED		
	Computer software ZWL	Current work in progress ZWL	Tota ZWI	
At Cost or Valuation:				
28 February 2018	23,543,287	3,526,076	27,069,363	
Additions	617,324	5,070,742	5,688,06	
Transfer from Work in Progress	7,350,694	11,098,109	18,448,80	
28 February 2019	31,511,305	19,694,927	51,206,23	
Additions	-	21,156,961	21,156,963	
Revaluation adjustment	11,638,440	14,821,731	26,460,17	
31 August 2019	43,149,745	55,673,619	98,823,364	
Accumulated amortisation and impairment:				
28 February 2018	10,650,715	39,493	10,690,20	
Amortisation charge for the year	1,894,263	· .	1,894,26	
Eliminated on revaluation	(11,826,209)	(39,493)	(11,865,702	
28 February 2019	718,769	-	718,76	
Amortisation charge for the period	3,468,708	-	3,468,708	
Eliminated on revaluation	(4,187,477)		(4,187,477	
31 August 2019		-		
Net carrying amount:				
At 31 August 2019	43,149,745	55,673,619	98,823,364	
At 28 February 2019	30,792,536	19,694,927	50,487,463	
		HISTORICAL COST		
	Computer software ZWL	Current work in progress ZWL	Tota ZW	
At Cost or Valuation:				
28 February 2018	9,544,060	1,429,413	10,973,473	
Additions	250,253	2,055,595	2,305,848	
Transfer from Work in Progress	2.979.850	4,498,990	7,478,840	
28 February 2019	12,774,163	7,983,998	20,758,16	



NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) For the half-year ended 31 August 2019

SHARE CAPITAL AND SHARE PREMIUM 19

	31 August 2019 No. of Shares	28 February 2019 No. of Shares	2018 ZWL	2017 ZWL
Share capital:				
Authorised Ordinary shares of \$0.0000001 each 10% Irredeemable non-cumulative preference shares of US\$1 each Issued	70,000,000,000 10,000		7,000 10,000 17,000	7,000 10,000 17,000
Ordinary shares of \$0.0000001 each 10% Irredeemable non-cumulative preference shares of US\$1 each	471,707,887 4,030		47 <u>4,030</u> 4,077	47 <u>4,030</u> 4,077

Subject to the provisions of section 183 of the Companies Act (Chapter 24:03), the unissued shares are under the control of the

un cotors.						
	INFLATION ADJUSTED			HISTORICAL COST		
Movements in share capital and share premium:	Share Capital ZWL	Share premium ZWL	Total ZWL	Share Capital ZWL	Share premium ZWL	Total ZWL
28 February 2019	10,057	262,264,327	262,274,384	4,077	106,317,629	106,321,706
31 August 2019	10,057	262,264,327	262,274,384	4,077	106,317,629	106,321,706

OTHER RESERVES 20

	INFL	ATION ADJUSTED		HISTORICAL COST		
	Revaluation surplus ZWL	Regulatory reserve ZWL	Total ZWL	Revaluation surplus ZWL	Regulatory reserve ZWL	Total ZWL
28 February 2018	-	-	-	22,049	3,388,683	3,410,732
Reclassification adjustment in relation to adopting IFRS 9	-	-	-	-	(3,388,683)	(3,388,683)
Gain on revaluation, net of tax	-	-	-	22,936,568	-	22,936,568
28 February 2019	-		-	22,958,617	-	22,958,617
Gain on revaluation, net of tax		-	-	137,347,969	-	137,347,969

Revaluation adjustment	30,375,582	26,532,660	56,908,242
31 August 2019	43,149,745	55,673,619	98,823,364
Accumulated amortisation and impairment:			
28 February 2018	4,317,624	16,010	4,333,634
Amortisation charge for the year	767,903	-	767,903
Eliminated on revaluation	(4,794,150)	(16,010)	(4,810,160)
28 February 2019	291,377	-	291,377
Amortisation charge for the period	2,626,231	-	2,626,231
Eliminated on revaluation	(2,917,608)	-	(2,917,608)
31 August 2019		-	
Net carrying amount:			
At 31 August 2019	43.149.745	55,673,619	98,823,364
At 28 February 2019	12,482,786	7,983,998	20,466,785

21,156,961

21,156,961

Intangible assets pertain to computer software. The Bank uses the expected usage of the asset to determine the useful life of intangible assets.

18 **RIGHT OF USE ASSETS**

Additions

	INFLA	INFLATION ADJUSTED				
	Bank Branches ZWL	Office Buildings ZWL	Total ZWL			
Balance at 1 March 2019 (transitional adjustment)	2,485,773	1,976,081	4,461,854			
Movements:						
Depreciation	(878,057)	(84,101)	(962,158)			
Balance at 31 August 2019	1,607,716	1,891,980	3,499,696			
Cost	2,485,773	1,976,081	4,461,854			
Accumulated depreciation	(878,057)	(84,101)	(962,158)			
Reconciliation of lease liability:						
Balance at 1 March 2019	2,485,773	1,976,081	4,461,854			
Interest expense	105,644	53,085	158,729			
Repayments	(379,397)	(324,738)	(704,135)			
Balance at 31 August 2019	2,212,020	1,704,428	3,916,448			

	H	HISTORICAL COST			
	Bank Branches ZWL	Office Buildings ZWL	Total ZWL		
Balance at 1 March 2019 (transitional adjustment)	2,485,773	1,976,081	4,461,854		
Movements:					
Depreciation	(878,057)	(84,101)	(962,158)		
Balance at 31 August 2019	1,607,716	1,891,980	3,499,696		
Cost	2,485,773	1,976,081	4,461,854		
Accumulated depreciation	(878,057)	(84,101)	(962,158)		
Reconciliation of lease liability:					
Balance at 1 March 2019	2,485,773	1,976,081	4,461,854		
Interest expense	105,644	53,085	158,729		
Repayments	(379,397)	(324,738)	(704,135)		
Balance at 31 August 2019	2,212,020	1,704,428	3,916,448		

- 160,306,586 160,306,586

VISA

31 August 2019 **Revaluation surplus**

This reserve represents the surplus arising from the revaluation of owner occupied property.

Regulatory reserve This reserve caters for excess credit loss provisions that result from calculation of impairments on loans and receivables according to the expected loss model as required per Reserve Bank of Zimbabwe regulations.

DEPOSITS DUE TO BANKS AND CUSTOMERS 21

	INFLATION	ADJUSTED	HISTORICAL COST		
	Unaudited 31 August 2019 ZWL	Unaudited 28 February 2019 ZWL	Unaudited 31 August 2019 ZWL	Audited 28 February 2019 ZWL	
Due to customers					
Current accounts	1,058,443,806	1,841,800,205	1,058,443,806	746,635,400	
Term deposits	1,721,268	11,579,428	1,721,268	4,694,109	
	1,060,165,074	1,853,379,633	1,060,165,074	751,329,509	

At 31 August 2019, approximately \$702,9 million or 66% of the Bank's deposits due to customers (At 28 February 2019: \$289.3 million or 42.7%) represents balances owed to related party entities in the telecommunications sector.

A concentration of risk therefore exists in the event that the business of the counterparties is adversely affected by changes in economic or other conditions. However, at 31 August 2019 the Bank's management was not aware of any economic or other conditions that may adversely affect the business of the counterparties.

21.1 MATURITY ANALYSIS OF DEPOSITS

	INFLATION	ADJUSTED	HISTORICAL COST		
	Unaudited 31 August 2019 ZWL	Unaudited 28 February 2019 ZWL	Unaudited 31 August 2019 ZWL	Audited 28 February 2019 ZWL	
Less than one month	1 050 777 000	1 942 645 949	1 050 777 000	746 078 210	
1 to 3 months	1,059,777,999	1,842,645,848	1,059,777,999	746,978,210	
1 to 5 months	387,075 1,060,165,074	10,733,785 1,853,379,633	387,075 1,060,165,074	4,351,299 751,329,509	

21.2 SECTORAL ANALYSIS OF DEPOSITS

		_				_			
		NFLATION /	ADJUSTED		HISTORICAL COST				
	31 August 20)19	28 February 2	2019	31 August 20	019	28 February 2	2019	
	ZWL	%	ZWL	%	ZWL	%	ZWL	%	
Financial	7,107,330	0.7%	12,430,398	0.7%	7,107,330	0.7%	5,039,078	0.7%	
Transport and telecom- munications	889,358,514	83.9%	1,555,447,687	83.9%	889,358,514	83.9%	630,552,816	83.9%	
Mining	676,564	0.1%	1,183,280	0.1%	676,564	0.1%	479,682	0.1%	
Manufacturing	12,776,838	1.2%	22,346,110	1.2%	12,776,838	1.2%	9,058,744	1.2%	
Agriculture	2,481,719	0.2%	4,340,414	0.2%	2,481,719	0.2%	1,759,532	0.2%	
Distribution	6,298,619	0.6%	11,015,999	0.6%	6,298,619	0.6%	4,465,704	0.6%	
Services	41,454,256	3.9%	72,501,613	3.9%	41,454,256	3.9%	29,390,957	3.9%	
Government and para- statals	596,649	0.1%	1,043,511	0.1%	596,649	0.1%	423,022	0.1%	
Individuals	87,782,669	8.2%	152,726,926	8.2%	87,782,669	8.2%	61,912,976	8.2%	
Other	11,631,916	1.1%	20,343,695	1.1%	11,631,916	1.1%	8,246,998	1.1%	
	1,060,165,074	100.0%	1,853,379,633	100.0%	1,060,165,074	100.0%	751,329,509	100.0%	

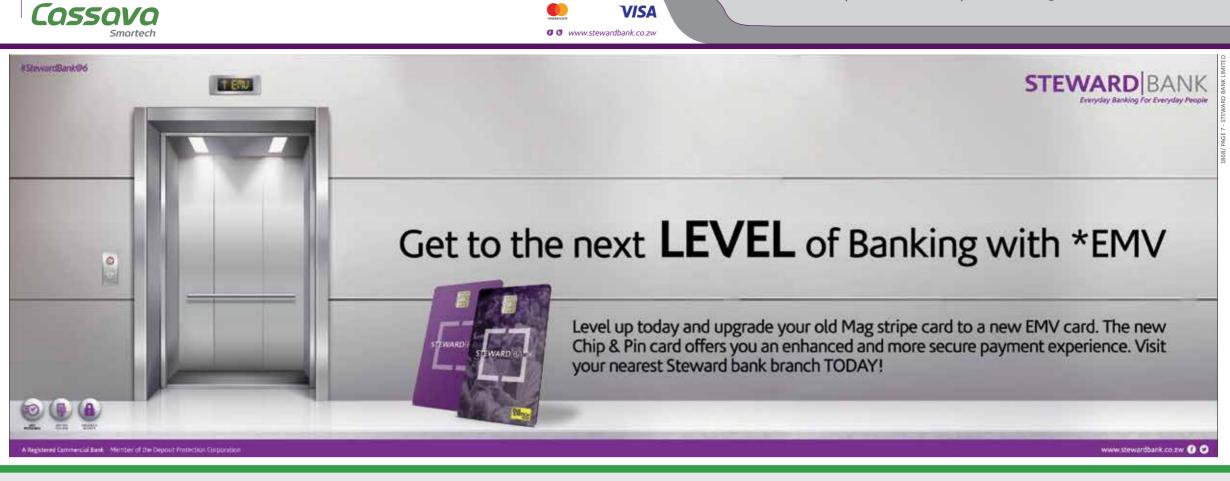
Directors: B.T.R. Chidzero (Chairman), C. Maswi, D.T. Mandivenga, J. Gould, K. Chirairo*, K. Akosah-Bempah, N.N. Chadehumbe (Dr.), P.M. Mbizvo (Dr.). * Executive.

Registered Office: 101 Union Avenue Building, Kwame Nkrumah Avenue, Harare.

for the Six Months Ended 31 August 2019

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NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) For the half-year ended 31 August 2019

LOANS AND BORROWINGS

		INFLATION A	DJUSTED	HISTORICAL COST		
		Unaudited 31 August 2019 ZWL	Unaudited 28 February 2019 ZWL	Audited 31 August 2019 ZWL	Audited 28 February 2019 ZWL	
	Lines of credit		5,550,300	-	2,250,000	
21	MATURITY PROFILE OF LOANS AND BORROWINGS					
	Less than one month		-			
	1 to 6 months	-	-	-	-	
	6 months to 1 year		5,550,300	-	2,250,000	
	1 to 5 years		-	-	-	
		-	5,550,300	-	2,250,000	

FAIR VALUES MEASUREMENT

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities

Quantitative disclosures: fair value measurement hierarchy for assets and liabilities as at 31 August 2019:

					ent using
			Quoted		
			prices in	Significant	Significant
			active	observable u	nobservable
		_	markets	inputs	inputs
	Date of	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value:	Valuation	ZWL	ZWL	ZWL	ZWĹ
Investment property:					
Residential stands	31 August 2019	6,171,206	-	6,171,206	-
Office buildings	31 August 2019	40,800,350	-	40,800,350	-
Total Investment property	U	46,971,556	-	46,971,556	-
,					
Quoted equity shares					
Telecommunications sector	31 August 2019	6,682,561	6.682.561	-	_
	517/4845(2015	0,002,001	0,002,001		

Quantitative disclosures: fair value measurement hierarchy for assets and liabilities as at 28 February 2019:

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) For the half-year ended 31 August 2019

PROVISIONS 24

		INFLATION	ADJUSTED	HISTORICAL COST		
		Unaudited 31 August 2019 ZWL	Unaudited 28 February 2019 ZWL	Unaudited 31 August 2019 ZWL	Audited 28 February 2019 ZWL	
	Provisions	2,612,265	2,865,297	2,612,265	1,161,544	
				Leave Pay and Provision for Demolition costs	Total	
	Balance at 28 February 2019 Current provision Amount utilised Balance at 31 August 2019			1,161,544 1,826,544 (375,823) 2,612,265	1,161,544 1,826,544 (375,823) 2,612,265	
25	OTHER LIABILITIES					
	Sundry creditors and accruals	250,998,730	115,900,123	250,998,730	46,967,987	

DEFERRED TAX LIABILITY 26

		INFLA	TION ADJUSTED		
	Accelerated wear and tear ZWL	Fair value adjustments ZWL	Assessed losses ZWL	Other ZWL	Total ZWL
At 28 February 2018	19,572,392	6,395,395	-	(10,255,857)	15,711,930
Charge to profit for the period	10,515,694	2,565,576	-	11,417,110	24,498,380
At 28 February 2019	30,088,086	8,960,971	-	1,161,253	40,210,310
		HIS	TORICAL COST		
At 28 February 2019	6,409,778	2,295,222		(5,076,361)	3,628,639
Charge to profit for the period	23,102,211	(40,966,711)	-	3,971,291	(13,893,209)
Charge to other comprehensive income	-	47,632,460	-	-	47,632,460
At 31 August 2019	29,511,989	8,960,971	-	(1,105,070)	37,367,890

RELATED PARTY DISCLOSURES 27

Fair value measurement using

Quoted

			prices in active	Significant observable u	Significant
		_	markets	inputs	inputs
	Date of	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value:	Valuation	ZWL	ZWL	ZWL	ZWL
Investment property:					
Residential stands	28 February 2019	11,593,500	-	11,593,500	-
Office buildings	28 February 2019	2,000,000	-	2,000,000	-
Total Investment property	:	13,593,500		13,593,500	
Quoted equity shares					
Telecommunications sector	28 February 2019	7,668,774	7,668,774	-	-

Fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique; Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, loans and advances, deposits and other liabilities approximate their carrying amounts largely due to the shortterm maturities of these instruments.

- Loans and advances excluding mortgages to staff approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of mortgage facilities to employees is estimated considering (i) current or quoted prices for identical instruments in the financial services sector and (ii) a net present value calculated from the average market yield rates with similar maturities and credit risk factors.

- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Bank based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 August 2019, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

- The fair value of unquoted instruments, loans from banks and other financial liabilities and obligations under finance leases are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- Fair value of financial assets at fair value through profit or loss are derived from quoted market prices in active markets.

	31 Augus	t 2019	28 Februar	y 2019
	Carrying amount ZWL	Fair value ZWL	Carrying amount ZWL	Fair value ZWL
Financial assets				
Cash and cash equivalents	497,886,000	497,886,000	276,112,073	276,112,073
Financial assets at fair value through profit or loss	6,682,561	6,682,561	7,668,775	7,668,775
Loans and advances to customers	78,689,379	78,689,379	55,046,211	55,046,211
Debt instruments measured at amortised cost	575,167,755	575,167,755	465,684,061	465,684,061
Other receivables	163,852,042	163,852,042	60,477,079	60,477,079
	1,322,277,737	1,322,277,737	864,988,199	864,988,199
Financial liabilities				
Deposits due to banks and customers	1,060,165,074	1,060,165,074	751,329,509	751,329,509
Loans and borrowings		-	2,250,000	2,250,000
	1,060,165,074	1,060,165,074	753,579,509	753,579,509

INFLATION ADJUSTED HISTORICAL COST Unaudited Unaudited Audited Unaudited 31 August 28 February 2019 31 August 28 February 2019 2019 2019 ZWL ZWL ZWL ZWL Compensation of key management personnel of the Bank: Short-term benefits 4,136,640 4,264,577 2,817,926 1,728,789 268,482 Post-employment benefits 260,428 177,406 108,838 4,397,068 4,533,059 2,995,332 1,837,627

28 **RISK MANAGEMENT**

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk, strategic risk, reputational risk and market risk. It is also subject to country risk and various operating risks.

28.1 CREDIT RISK

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The table below shows the credit quality of the Bank's financial instruments and the maximum exposure to credit risk based on the Bank's internal credit rating system and period end stage classification.

				Sub-	Past due but not	Individually	
	High grade	Standard grade		standard	impaired	impaired	
	Stage 1 ZWL	Stage 1 ZWL	Stage 2 ZWL	Stage 2 ZWL	Stage 3 ZWL	Stage 3 ZWL	Total ZWL
At 31 August 2019:							
Loans and advances to customers:							
Retail portfolio - Consumer and Mortgage loans	61,716,750	-	2,370,813	-	309,086	414,547	64,811,196
Corporate and SME portfolio	9,793,034	13,223,733	666,623	-	23,400	166,344	23,873,134
	71,509,784	13,223,733	3,037,436	-	332,486	580,891	88,684,330
Debt instruments measured at amortised cost:							
Exposure to banks	91,950,518	-	13,066,681	-	-	-	105,017,199
Government debt securities	481,877,653	-	-	-	-	-	481,877,653
	573,828,171	-	13,066,681	-	-	-	586,894,852
Other receivables		-	4,455,657	-	-	-	4,455,657
	645,337,955	13,223,733	20,559,774	-	332,486	580,891	680,034,839

for the Six Months Ended 31 August 2019



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NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) For the half-year ended 31 August 2019

28.2 Interest rate risk

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Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the non-trading interest rate gaps for stipulated periods. The Bank's policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

The table below summaries the Bank's interest rate risk exposure:

	INFLATION ADJUSTED								
TOTAL POSITION	Up to 1 month ZWL	1 month to 3 months ZWL	3 months to 1 year ZWL	1 to 5 years ZWL	Over 5 years ZWL	Non-interest bearing ZWL			
			2002				200		
At 31 August 2019									
Assets									
Cash and cash equivalents	-	-	-	-	-	497,886,000	497,886,00		
Financial assets at fair value									
through profit or loss	-	-	-	-	-	6,682,561	6,682,56		
Loans and advances to customers	7,814,683	340,770	4,499,131	22,689,025	43,345,769	-	78,689,37		
Debt instruments measured at									
amortised cost	28,758,388	184,053,682	310,590,588	51,765,097	-	-	575,167,75		
Other receivables	-	-	-	-	-	164,003,428	164,003,42		
Inventories	-	-	-	-	-	14,801,719	14,801,71		
Investment property	-	-	-	-	-	46,971,556	46,971,55		
Property and equipment	-	-	-	-	-	180,776,424	180,776,42		
Intangible assets	-	-	-	-	-	98,823,364	98,823,36		
Right of use assets	-	-	-	-	-	3,499,696	3,499,69		
	36,573,071	184,394,452	315,089,719	74,454,122	43,345,769	1,013,444,748	1,667,301,88		
Liabilities and equity									
Deposits due to banks and									
customers	1,059,777,999	387,075	-	-	-	-	1,060,165,07		
Provisions	-	-	-	-	-	2,612,265	2,612,26		
Other liabilities	-	-	-	-	-	250,998,730	250,998,73		
Deferred tax liability	-	-	-	-	-	40,210,310	40,210,31		
Equity	-		-	-	-	313,315,503	313,315,50		
	1,059,777,999	387,075	-	-	-	607,136,808	1,667,301,88		
Interest rate repricing gap	(1,023,304,928)	184,007,377	315,089,719	74,454,122	43,345,769	406,307,940			
Cumulative gap	(1,023,304,928)	(839,197,551)	(524,107,831)	(449 653 709)	(406,307,940)				

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) For the half-year ended 31 August 2019

28.2 Interest rate risk (continued)

			нізто	DRICAL COST			
TOTAL POSITION	Up to 1 month ZWL	1 month to 3 months ZWL	3 months to 1 year ZWL	1 to 5 years ZWL	Over 5 years ZWL	Non-interest bearing ZWL	Total ZWL
TOTAL POSITION At 28 February 2019							
Assets							
Cash and cash equivalents	-	-	-	-	-	276,112,073	276,112,073
Financial assets at fair value through profit or loss		_	_	_		7,668,775	7,668,775
Loans and advances to customers Debt instruments measured at	15,158,632	209,651	2,772,058	36,905,870	-	-	55,046,211
amortised cost	4,010,592	202,039,857	71,074,318	188,559,294	-	-	465,684,061
Other receivables	-	-	-	-	-	60,477,079	60,477,079
Inventories	-	-	-	-	-	5,931,764	5,931,764
Investment property	-	-	-	-	-	13,593,500	13,593,500
Property and equipment	-	-	-	-	-	35,885,761	35,885,761
Intangible assets	-	-	-	-	-	20,466,784	20,466,784
-	19,169,224	202,249,508	73,846,376	225,465,164	-	420,135,736	940,866,008
Liabilities and equity							
Deposits due to banks and customers	746,978,210	4,351,299	-	-	-	-	751,329,509
Loans and borrowings		-,001,200	2,250,000	-	-	-	2,250,000
Provisions	-	-		-	-	1,161,544	1,161,544
Other liabilities	-	-	-	-	-	46,967,986	46,967,986
Deferred tax liability						3,628,639	3,628,639
Equity	-	-	-	-	-	135,528,330	135,528,330
	746,978,210	4,351,299	2,250,000	-	-	187,286,499	940,866,008
Interest rate repricing gap	(727,808,986)	197,898,209	71,596,376	225,465,164	-	232,849,237	
Cumulative gap	(727,808,986)	(529,910,777)	(458,314,401)	(232,849,237)	(232,849,237)	-	

28.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

TOTAL POSITION At 28 February 2019

Assets							
Cash and cash equivalents	-	-	-	-	-	681,113,262	681,113,262
Financial assets at fair value through							
profit or loss	-	-	-	-	-	18,917,334	18,917,334
Loans and advances to customers	37,393,313	517,167	6,838,113	91,039,400	-	-	135,787,993
Debt instruments measured at amor-							
tised cost	9,893,328	498,391,919	175,326,128	465,138,066	-	-	1,148,749,441
Other receivables	-	-	-	-	-	149,184,859	149,184,859
Non-current assets held for sale	-	-	-	-	-	14,801,719	14,801,719
Investment property	-	-	-	-	-	33,532,445	33,532,445
Property and equipment	-	-	-	-	-	88,522,994	88,522,994
Intangible assets	-	-	-	-	-	50,487,463	50,487,463
	47,286,641	498,909,086	182,164,241	556,177,466	- :	1,036,560,076	2,321,097,510
Liabilities and equity							
Deposits due to banks and customers	1,842,645,848	10,733,785	-	-	-	-	1,853,379,633
Loans and borrowings	-	-	5,550,300	-	-	-	5,550,300
Provisions	-	-	-	-	-	2,865,297	2,865,297
Other liabilities	-	-	-	-	-	115,900,123	115,900,123
Deferred tax liability	-	-	-	-	-	15,711,930	15,711,930
Equity	-	-	-	-	-	327,690,229	327,690,229
	1,842,645,848	10,733,784	5,550,300	-	-	462,167,579	2,321,097,512
Interest rate repricing gap	(1,795,359,207)	488,175,302	176,613,941	556,177,466	-	574,392,497	-
Cumulative gap	(1,795,359,207) (1,307,183,905) (:	1,130,569,964)	(574,392,497)	(574,392,497)	-	-

	HISTORICAL COST						
TOTAL POSITION	Up to 1 month ZWL	1 month to 3 months ZWL	3 months to 1 year ZWL	1 to 5 years ZWL	Over 5 years ZWL	Non-interest bearing ZWL	Total
At 31 August 2019							
Assets							
Cash and cash equivalents	-	-	-	-	-	497,886,000	497,886,000
Financial assets at fair value through						6,682,561	6 692 F61
profit or loss Loans and advances to customers	- 7,814,683	- 340,770	- 4.499.131	- 22,689,025	- 43,345,769	0,082,501	6,682,561 78,689,379
Debt instruments measured at	7,014,005	540,770	4,455,151	22,005,025	+3,3+3,705		10,005,575
amortised cost	28,758,388	184,053,682	310,590,588	51,765,097	-	-	575,167,755
Other receivables		-	-	-	-	163,852,042	163,852,042
Inventories	-	-	-	-	-	5,931,764	5,931,764
Investment property	-	-	-	-	-	46,971,556	46,971,556
Property and equipment	-	-	-	-	-	180,776,424	180,776,424
Intangible assets	-	-	-	-	-	98,823,364	
Right of use assets		-	-	-	-	3,499,696	3,499,696
	36,573,071	184,394,452	315,089,719	74,454,122	43,345,769	1,004,423,407	1,658,280,541
Liabilities and equity							
Deposits due to banks and customers	1,059,777,999	387,075	-	-	-	-	1,060,165,074
Loans and borrowings	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	2,612,265	
Other liabilities	-	-	-	-	-	250,998,730	
Deferred tax liability	-	-	-	-	-	37,367,890	
Equity			-	-	-	307,138,582	
	1,059,777,999	387,075	-	-	-	598,115,467	1,658,280,541
Interest rate repricing gap	(1,023,204,928)	184,007,377	315,089,719	74,454,122	43,345,769	406,307,940	
Cumulative gap	(1,023,204,928)	(839,197,551)	(524,107,831) (449,653,709)	(406,307,940)	-	

28.3.1 Liquidity ratios

	At 31 August 2019	At 28 February 2019
Loans to deposits ratio	6%	7%
Net liquid assets to customer liabilities ratio	78%	75%

28.3.2 Contractual maturities of undiscounted cash flows of financial assets and liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	On demand ZWL	3 months			Over 5 years	Total ZWL
At 31 August 2019						
Financial assets:						
Cash and cash equivalents	497,886,000) -	-	-	-	497,886,000
Financial assets at fair value through profit or loss	6,682,561		-	-	-	6,682,561
Loans and advances to customers	8,859,378	383,240	5,067,294	25,554,259	48,820,159	88,684,330
Debt instruments measured at amortised cost	29,344,743	187,806,353	316,923,220	52,820,536	-	586,894,852
Other receivables	163,852,042	-	-	-	-	163,852,042
Total undiscounted financial assets	706,624,724	188,189,593	321,990,514	78,374,795	48,820,159	1,343,999,785
Financial liabilities:						
Deposits due to banks and customers	1,059,777,999	387,075	-	-	-	1,060,165,074
Loans and borrowings			-	-	-	_,,,,
Total undiscounted financial liabilities	1,059,777,999	387,075	-	-	-	1,060,165,074
Net undiscounted financial assets/(liabilities)	(353,153,275)	187,802,518	321,990,514	78,374,795	48,820,159	283,834,711
At 28 February 2019:						
Financial assets:						
Cash and cash equivalents	276,112,073	-	-	-	-	276,112,073
Financial assets at fair value through profit or loss	7,668,775					7,668,775
Loans and advances to customers	15,158,632	209,651		13,979,431	26,707,017	58,826,789
Financial assets held-to-maturity		202,039,857	71,074,318	200,286,391	-	477,411,158
Other receivables	60,477,079		-	-	-	60,477,079
Total undiscounted financial assets	363,427,151	202,249,508	73,846,376	214,265,822	26,707,017	880,495,874
Financial liabilities:						
Deposits due to banks and customers	746,978,210	4,351,299	-	-	-	751,329,509
Loans and borrowings		-	2,250,000	-	-	2,250,000
Total undiscounted financial liabilities	746,978,210	4,351,299	2,250,000	-	-	753,579,509
	(222 224 223)					
Net undiscounted financial assets/(liabilities)	(383,551,059)	197,898,209	71,596,376	214,265,822	26,707,017	126,916,365

STEWARD BANK

UNAUDITED ABRIDGED FINANCIAL STATEMENTS

Everyday Banking For Everyday People

Member of the Deposit Protection Corporation A Registered Commercial Bank

for the Six Months Ended 31 August 2019





NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) For the half-year ended 31 August 2019

28.3 Liquidity risk (continued)

28.3.3 Commitments and guarantee

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

	31 August 2019 ZWL	28 February 2019 ZWL
Financial guarantees		319,250
Commitments to lend		7,543,062
	-	7,862,312

ECL Allowances on commitments and guarantees

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Loans and Advances is, as follows:

	Stage 1 ZWL	Stage 2 ZWL	Stage 3 ZWL	Total ZWL
Gross carrying amounts				
Outstanding exposures as at 1 March 2019	7,862,312	_		7.862.312
New exposures	7,002,512			7.002.312
Exposures derecognised or matured/lapsed (excluding write offs)	(7,862,312)	-	-	- (7,862,312)
Transfers to Stage 1	-	-	-	
Transfers to Stage 2	-	-	-	
Transfers to Stage 3	-	-	-	
Amounts writted off	-	-	-	
Gross carrying amount as at 31 August 2019	-	-	-	
ECL allowance				
ECL allowance as at 1 March 2019	16,595	-	-	16,595
New exposures	-	-	-	-
Exposures derecognised or matured (excluding write offs)	(16,595)	-	-	(16,595)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts writted off	-	-	-	
ECL allowance as at 31 August 2019	-	-	-	-

28.4 OTHER RISKS

28.4.1 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

28.4.2 Compliance risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, law, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the institution to fines and payment of damages. Compliance risk can lead to diminished reputation, limited business opportunities, reduced expansion potential, and an inability to enforce contracts. The Internal Audit and the Risk Department ensure that the Bank fully complies with all relevant laws and regulations

28.4.3 Reputational risk

Reputational risk is the current and prospective impact on earnings and capital arising from negative public opinion. This affects the

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) For the half-year ended 31 August 2019

28.5 Reserve Bank Ratings (continued)

Adequacy of Risk Management Systems:

Weak - risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and 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 or procedures.

Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognized and are being addressed. Management information systems are generally adequate

Strong - management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The Board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the bank's risk tolerance, 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 systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in 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 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.

29 **CAPITAL MANAGEMENT**

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The objective of the Bank's capital management is to ensure that it complies with the Reserve Bank of Zimbabwe (RBZ) requirements. In implementing the current capital requirements, the RBZ requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets. Risk weighted assets are arrived at by applying the appropriate risk factor as determined by the RBZ to the monetary value of the various assets as they appear on the Bank's statement of financial position

Regulatory capital consists of:

- Tier 1 Capital ("the core capital"), which comprises of share capital, share premium, retained earnings (including the current year profit or loss), the statutory reserve and other equity reserves.

The core capital shall comprise not less than 50% of the capital base and portfolio provisions are limited to 1.25% of total risk weighted assets

- Tier 2 Capital ("supplementary capital"), which includes subordinated term debt, revaluation reserves and portfolio provisions. - Tier 3 Capital ("tertiary capital") relates to an allocation of capital to meet market and operational risks.

The Bank's regulatory capital position was as follows:

	31 August 2019 ZWL	2019
Share capital	4,077	4,077
Share premium	106,317,629	106,317,629
Retained earnings	40,508,290	6,248,007
	146,829,996	112,569,713
Less: Capital allocated for market and operational risk	(12,848,653)	(5,884,958)
Advances to insiders	(27,827,916)	(14,050,197)
Tier 1 capital	106,153,427	92,634,558
Tier 2 capital		
Other reserves	160,306,586	22,958,617
General provisions		-

institution's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the institution to litigation, financial loss, or a decline in its customer base. The Bank has a Business Development department whose mandate is to manage this risk.

28.5 Reserve Bank Ratings

The Reserve Bank of Zimbabwe conducted an onsite inspection of the Bank in November 2014 and the final ratings that were determined on the Bank are detailed below:

28.5.1 CAMELS* Ratings

CAMELS Component	RBS** Ratings 30/11/2014
Capital Adequacy	1 - Strong
Asset Quality	4 - Weak
Management	2 - Satisfactory
Earnings	4 - Weak
Liquidity	2 - Satisfactory
Sensitivity to Market Risk	2 - Satisfactory
Composite Rating	3 - Fair

*CAMELS is an acronym for Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk. The CAMELS rating system uses a scale of 1-5, where "1" is "Strong", "2" is "Satisfactory", "3" is "Fair", "4" is "Weak" and "5" is "Critical". ** RBS stands for Risk-Based Supervision

28.5.2 Summary risk matrix – 30 November 2014 onsite examination

Type of Inherent Risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit	High	Acceptable	High	Stable
Liquidity	Moderate	Acceptable	Moderate	Stable
Interest Rate	Low	Acceptable	Low	Stable
Foreign Exchange	Low	Acceptable	Low	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	Moderate	Acceptable	Moderate	Stable
Legal and Compliance Risk	Moderate	Acceptable	Moderate	Stable
Reputational Risk	Moderate	Acceptable	Moderate	Stable
Overall	Moderate	Acceptable	Moderate	Stable

KEY

Level of Inherent Risk:

Low - reflects a lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's overall financial condition.

Moderate - could reasonably be expected to result in a loss which could be absorbed by a banking institution 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 significant and harmful loss to the banking institution.

	100,300,580	22,958,017
Total Tier 1 and 2 capital	266,460,013	115,593,175
Tier 3 capital (sum of market and operational risk capital)	12,848,653	5,884,958
Total Capital Base	279,308,666	121,478,133
Total risk weighted assets	584,410,882	177,740,059
Tier 1 ratio	18%	52%
Tier 2 ratio	27%	13%
Tier 3 ratio	2%	3%
Total capital adequacy ratio	47%	68%
RBZ minimum requirement	12%	12%

	Most ro ra October	ating: Pre	vious rating: ctober 2018	Previous rating: October 2017
Rating agent: Global Credit Rating Co (GCR)		BBB	BBB	BBB
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Directors: B.T.R. Chidzero (Chairman), C. Maswi, D.T. Mandivenga, J. Gould, K. Chirairo*, K. Akosah-Bempah, N.N. Chadehumbe (Dr.), P.M. Mbizvo (Dr.). * Executive. Registered Office: 101 Union Avenue Building, Kwame Nkrumah Avenue, Harare.