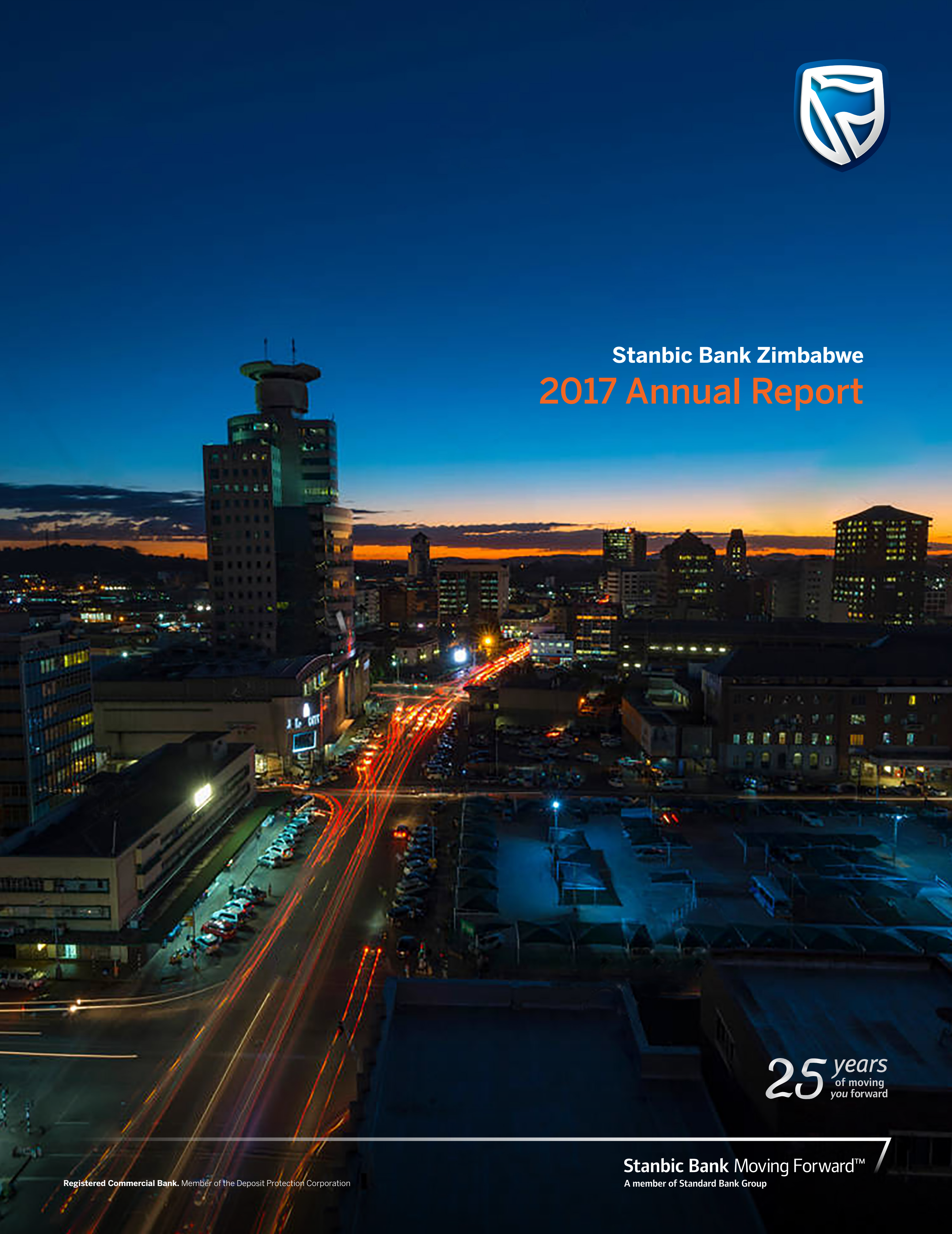


Stanbic Bank Zimbabwe

2017 Annual Report

25 years of moving you forward

Stanbic Bank Moving Forward™

A member of Standard Bank Group

CONTENTS

Our Performance

Governance

Annual Financial Statements

Report to Society 2017

Our Business

Purpose

Africa is our home, we drive her growth

Vision

To be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value

Our Strategy

Client Centricity

Delivering exceptional client service and putting the customer at the center of everything we do

Digitisation

Moving away from manual processes to digital platforms to enhance customer experience and provide exceptional service

Universal Banking

Meeting all our clients financial services needs

We measure our progress using five strategic value drivers

- **Client** centricity
- **Employee** engagement
- **Risk** and conduct
- **Financial** outcome
- **SEE** (Social Economic and Environmental)

Our Business

Our values support our legitimacy, and are the basis on which we earn the trust of our stakeholders.

Personal and Business Banking

Our products

- Transactional banking products
- Lending products
- Saving and investments
- Internet Banking
- Money transfers
- Business Online
- Enterprise Banking
- Vehicle and Asset financing
- Agribusiness
- Private banking
- Insurance
- Structured trade and commodity finance

Corporate and Investment Banking

Our products

- Transactional products and services
- Lending products
- Business Online
- Investor services
- Trade finance
- Fixed income and currencies
- Commodities
- Advisory services
- Debt products
- Structured trade and commodity finance

RISK | FINANCE | IT | OPERATIONS | HUMAN CAPITAL | MARKETING | INTERNAL AUDIT | COMPLIANCE | LEGAL | GRES

Financial Review

Key performance indicators

Stanbic Bank Zimbabwe	2017	2016
Profit after tax	$27.6m	$21.2m
ROE	22%	21%
Cost-to-income ratio	59%	60%
Credit loss ratio	0.6%	2.8%

Financial highlights

Despite the strong headwinds which confronted our economy throughout the year, the Bank achieved a profit after tax of USD27.6 million which was higher than prior year profit of USD21.2 million.

The operating environment remained highly volatile characterised by crippling cash and foreign currency shortages as the depletion of banks nostro holdings continued unabated. The banking environment remained highly regulated which saw the introduction of additional surrender requirements on platinum exports as well as chrome. The Bank was not spared the adverse impact of these difficult operating conditions.

Income statement analysis

Net interest income

The Bank ended the year with net interest income of USD55.1 million which was 17% ahead of prior period income of USD47.2 million spurred on by the growth in our short term investments from USD141 million in 2016 to USD314 million as additional treasury bills, AFTRADE bonds and placements were acquired as we strived to strengthen our balance sheet efficiencies in a tough operating environment inundated by chronic foreign currency shortages.

Non-interest revenue

The 2017 non interest revenue of USD53.9 million grew by 11% from USD48.7 million recorded in the comparative period as the Bank benefitted from its investment in electronic customer channels.

Credit impairment charges

The Bank's 2017 credit impairments declined from USD8.4 million in 2016 ending the year at USD2.1 million reinforced by the strong collection efforts which saw recoveries being realised on previously downgraded facilities as well as some written off facilities.

The 2017 net NPL ratio improved from 4.83% in 2016 to 2.58% as the Bank's enhanced collection efforts continued to bear positive outcomes.

Operating expenses

Staff costs- increased by 7% from USD29.4 million in 2016 to USD31.4 million as the Bank continued to expand its service channels in an effort to bolster customer experience.

Operating expenses- increased by 16% from USD28.1 million in the prior period to USD32.7 million as the Bank focused on enhancing its product offering through increasing its Point of Sale ("POS") terminal footprint, the integration of our Mobile Banking product Blue247 with ZIPIT and also the roll out of Enterprise Online for our small to medium enterprise clients. The increased volumes of transactions which were now being processed on our service channels also led to an increase in the Bank's processing costs.

Cost to income ratio- The Bank's cost to income ratio improved slightly from 60% in 2016 to 59% on the back of the 14% growth in our total income as better net interest income was recorded combined with the strong non-funded income which was partially offset by the growth in our operating expenses.

Balance sheet analysis

Financial investments

The Bank's financial investments closed the period at USD237.9 million having grown by 187% from USD82.9 million in the prior year period as additional treasury bills and AFTRADE bonds were acquired in an effort to enhance our interest earning assets in a struggling economy.

Loans and advances

Despite the intensifying foreign currency shortages which continued to inhibit our borrowing clients from utilising their limits, the Bank's lending book grew by 21% from USD273.5 million in 2016 to USD330.4 million as drawdowns happened on some approved facilities where customers required local funding.

Deposits and current accounts

The Bank's customer deposits ended the year at USD1.2 billion and were ahead of the prior year position of USD700.7 million as foreign currency shortages in the market continued unabated compounded by the increased surrender requirements which inhibited depositors from utilising their funds for the settlement of foreign obligations.

Capital

The Bank's qualifying core capital ended the year at USD134.3 million and had already surpassed the USD100 million capital threshold set for the year 2020. IFRS 9 *Financial Instruments* becomes effective on 1 January 2018 and a transitional adjustment from the IAS30 framework will be effected through equity. Capital is expected to remain above the USD100 million threshold after the IFRS 9 adjustment.

2017 Awards & Recognition

Best Bank in Zimbabwe
EMEA Finance African Banking Awards

Best Commercial Bank in Zimbabwe
Banks and Banking Survey

Best Performing Bank
Banks & Banking Survey

Best Bank in Zimbabwe
Top Companies Survey

Best Wealth Management and Investment Bank
Wealth and Finance Awards

Best Performing Bank in Zimbabwe
Europe Business Assembly

5 Year Financial Review

Income Statement	[1]CAGR %	2017 USD'000	2016 USD'000	2015 USD'000	2014 USD'000	2013 USD'000
Interest income	12%	55 527	47 823	43 481	39 425	35 743
Interest expense	-12%	(438)	(574)	(728)	(849)	(716)
Net Interest Income	12%	55 089	47 249	42 753	38 576	35 027
Net fee and commission revenue	2%	32 569	33 475	36 099	34 533	30 378
Trading income	12%	19 687	15 020	9 001	11 092	12 573
Other income	40%	1 611	191	152	244	421
Total Income	9%	108 956	95 935	88 005	84 445	78 399
Credit impairment charges	-3%	(2 109)	(8 364)	(6 830)	(6 739)	(2 335)
Staff costs	9%	(31 435)	(29 384)	(24 354)	(24 199)	(22 481)
Other operating expenses	8%	(32 694)	(28 111)	(24 182)	(24 454)	(23 098)
Profit before tax	9%	42 718	30 076	32 639	29 053	30 485
Indirect tax	-1%	(2 177)	(1 968)	(1 838)	(1 854)	(2 234)
Direct taxation	7%	(12 915)	(6 870)	(6 870)	(6 498)	(9 949)
Profit for the year	11%	27 626	21 238	23 931	20 701	18 302

Statement of financial position	CAGR %	2017 USD'000	2016 USD'000	2015 USD'000	2014 USD'000	2013 USD'000
ASSETS						
Cash and balances with the Central Bank	40%	729 667	404 700	235 867	261 976	190 198
Derivative assets	-46%	101	120	1 254	4 737	1 154
Financial assets available for sale	96%	237 403	82 945	68 679	28 103	16 243
Investment securities		516	516	-	-	-
Loans and advances to customers	9%	330 409	273 486	254 272	234 423	237 984
Other assets	63%	13 950	6 417	2 879	2 094	1 971
Deferred income tax assets		3 810	4 739	2 608	1 909	-
Intangible assets	164%	29 233	26 469	1 332	527	599
Investment property	40%	21 128	5 964	3 590	3 770	3 770
Property and equipment	17%	36 896	40 168	24 459	23 416	23 110
Total assets	31%	1 403 113	845 524	594 940	560 955	475 029
EQUITY AND LIABILITIES						
Equity	20%	137 665	109 719	88 009	81 667	66 068
Liabilities						
Derivative liabilities	-73%	6	11	1,250	4,730	1,144
Deposits and current accounts	33%	1 207 768	702 225	484 050	449 684	388 034
Deposits from other banks	33%	12 626	1 478	10 384	2 706	4 082
Deposits from customers	33%	1 195 142	700 747	473 666	446 978	383 952
Current tax liabilities	-100%	-	1 032	642	1 761	700
Deferred income tax liabilities	-100%	-	-	-	-	654
Other liabilities	33%	57 674	32 537	20 989	23 113	18 429
Total equity and liabilities	31%	1 403 113	845 524	594 940	560 955	475 029

[1]**CAGR** - compound annual growth rate

Chairman's statement

I have pleasure in presenting the financial results of Stanbic Bank Zimbabwe Limited ("the Bank" or "Stanbic Bank Zimbabwe") for the year ended 31 December 2017.

Operating environment in the country

The state of the operating environment remains highly challenging. This is notwithstanding the optimism that the new Government has brought through its attitude and pronouncements that demonstrate a willingness to introduce extensive reforms to revive the economy. Below are some of the major challenges facing the economy:

- Broad money supply has grown by 47.97% to USD8.02 billion in November 2017 compared to USD5.42 billion in November 2016. The continued financing of the fiscal deficit through domestic borrowing and the RBZ overdraft facility is fuelling money supply growth and creating inflationary pressures;
- Erratic rainfall patterns for the 2017/18 season are likely to negatively impact agricultural productivity;
- The fiscal budget deficit, which grew from 2.5% of GDP in 2014 to 10% by 2016, is expected to increase further in 2018 mainly due to increased quasi-fiscal activities and expenditures related to the election process; and
- Although the export performance during the first nine months of 2017 improved by an estimated 19% compared to same period in 2016, bolstered by increased gold, chrome and ferrochrome exports, other key foreign currency sources such as Foreign Direct Investment ("FDI"), international remittances, portfolio investments, remain significantly subdued.

Results

Despite these challenges in the macroeconomic environment, the Bank continued to sustain growth in profitability, closing the year with a profit after tax of USD27.6 million.

Capital

As at 31 December 2017, the Bank's qualifying core capital stood at USD134.3 million (2016:USD106.6 million) against the regulatory minimum of USD25 million and ahead of the USD100 million threshold set for the year 2020.

The accounting standard IFRS 9 came into effect on 1 January 2018 and is expected to result in a significant decline in capital in order to accommodate increased credit provisions for financial instruments. Despite this decline, the Bank remains adequately capitalised and comfortably compliant with all regulatory requirements, with capital remaining above the USD100 million mark.

Outlook

The country's growth prospects in the short term are projected to remain subdued, pending the outcome of the mid – year elections and the promised structural adjustments and reforms. These reforms are aimed at addressing low business confidence, foreign currency shortages, rising inflationary pressures, restoration of fiscal sustainability, and the fostering of growth. The challenges associated with these anticipated reforms will be significant, but we remain optimistic of medium term sustainable growth in economic activity despite the current challenges.

Corporate governance

The Bank continues to maintain high standards of corporate governance, ensuring that its conduct is above reproach. It complies with regulatory and corporate governance requirements, and is committed to advancing the principles and practice of sustainable development and adherence to the laws of the country.

During the period under review, the Bank complied with all regulatory requirements and RBZ directives, in all material respects.

Chairman's statement

The Board of Directors

The Board and its sub-committees meet at regular intervals during the year, and the record of attendance of each director is as follows for the year ended 31 December 2017:

DIRECTOR'S NAME	MAIN BOARD	AUDIT	LOANS REVIEW	CREDIT	RISK
Gregory Sebborn (Chairman)	6	1^	**	5	1^
Sternford Moyo (Outgoing Chairman)^	1^	**	2^	**	**
Joshua Tapambgwa (Chief Executive)	7	**	**	**	**
Cathrine Chitiyo	1^	**	**	1^	1^
David Ellman-Brown	1^	1^	2^	**	**
Emmanuel Jinda	1^	**	-^	**	**
Malcolm Lowe*	5	**	**	3	3
Linda Masterson	6	3	5***	1^	3
Solomon Nyanhongo (Executive)	6	**	**	**	**
Paul Smith*	4	2***	**	**	4
Pindie Nyandoro*	7	**	**	**	**
Kingston Kamba ***	**	6***	**	2***	
Muchakanakirwa Mkanganwi ***	6	3***	6***	**	**
Valentine Mushayakarara ***	6	3***	6***	**	**
Nellie Tiyago ***	6	**	**	4***	**
Rhett Groves (Executive) ***	5	**	**	**	**

*South African based members

** Not a member

*** Became a member after the 28th of March 2017

^ Ceased to be a member after the 28th of March 2017

As at 31 December 2017, the Board comprised twelve directors, three of whom are executive directors. The Board continues to have an appropriate level of independence and diversity for deliberations and objectivity and has the right mix of competencies and experience. To ensure continued competence, the members undergo an annual board evaluation process. The Board is responsible for the overall corporate governance of the Bank, including matters of Board remuneration and nominations, ensuring that appropriate controls, systems and practices are in place.

Board Committees

The Board Audit Committee

The committee meets at least four times a year. During the year ended 31 December 2017, the committee held four meetings.

As at 31 December 2017 the committee comprised of four non-executive directors. The role of the committee is to provide an independent evaluation of the adequacy and efficiency of the Bank's internal control systems, accounting practices, information systems and auditing processes.

There is extensive communication between the Board, executive management, compliance, internal audit and external audit in order to ensure that the Board Audit Committee mandate is effectively discharged. The committee liaises with the external and internal auditors on accounting procedures and on the adequacy of controls and information systems, and reviews the financial statements, considers loss reports, and the effectiveness of the Bank's compliance plan using a risk based approach.

Board Loans Review Committee

The committee meets at least four times annually and may convene meetings more often as and when necessary. During the year ended 31 December 2017, the committee held eight meetings.

The Loans Review Committee reviews customer facilities and the level of doubtful debt provisioning. It also considers other risk issues in relation to the structure of the Bank's balance sheet as a result of changes in the operating environment.

The committee comprises four independent non-executive directors.

Board Credit Committee

This committee meets at least four times a year, with additional meetings being convened when necessary. During the year ended 31 December 2017, the committee held five meetings.

The Board Credit Committee is tasked with the overall review of the Bank's lending policies. During each meeting, the committee deliberates and considers credit applications beyond the mandate of the Credit Risk Management Committee.

The Board Credit Committee comprises three non-executive directors, including the Board Chairman.

Board Risk Committee

The committee meets four times a year. During the year ended 31 December 2017, the committee held four meetings.

As at 31 December 2017 the committee comprised four non-executive directors two of whom are independent. The committee reviews and assesses the integrity of the risk control systems and ensures that risk policies and strategies are effectively identified, managed and monitored in order to contribute to a climate of discipline and control, which will reduce the opportunity of risk, including fraud, in all areas of operation in line with the requirements of the Banking Act as amended. This Committee has authority for overseeing matters of Information Technology risk, human capital and consumer protection issues.

Asset and Liability Committee

Though not a Board committee, the Asset and Liability Committee is a key management committee that meets a minimum of ten times a year. The membership is comprised of seven strategic members of executive management. During the year ended 31 December 2017, the committee held fifteen meetings.

The committee is responsible for monitoring compliance with policies and for implementing strategies in respect of liquidity, interest rates, foreign exchange and market risk. It is also responsible for setting policies on the deployment of capital resources of the Bank.

The Asset and Liability Committee strives to achieve the following objectives:

- optimise net interest margins and exchange earnings;
- achieve a deposit, lending and investment profile consistent with the Bank's budgetary and strategic targets;
- manage risks within levels which comply with group and/or regulatory limits;
- establish appropriate pricing levels and rates within laid down limits to achieve objectives; and
- achieve the budgeted financial position and performance.

Stanbic Bank Nominees (Private) Limited

Stanbic Nominees (Private) Limited is a wholly owned subsidiary of Stanbic Bank. It is the nominee company which holds the securities for investments made by Stanbic Bank clients on the money and equity markets (the Bank's custodial business), for the purposes of segregating clients' assets from those belonging to the Bank. The Board for Stanbic Nominees comprises two executive directors and three independent non-executive directors, who meet on a quarterly basis to review the operations and the risks associated with the custody business. The assets and income arising from the Investor Services, which includes the custody business, have been disclosed in note 28.

Description of the process by which the Bank assesses the effectiveness of individual Board members and the Board as a whole

The Bank holds an annual Board and director evaluation process as required by the Reserve Bank of Zimbabwe. Weaknesses and areas of concern are identified through this process. The areas of concern are discussed in the Board meetings with a view to rectifying the identified weaknesses.

Corporate Social Responsibility

As Stanbic Bank Zimbabwe Limited, we nurture an unwavering commitment to meeting the needs of our various stakeholders who include customers, staff, shareholders, and most importantly, members of the communities in which we operate. As a subsidiary of the Standard Bank Group, we are spurred by our vision to drive Africa's growth, since Africa is our home. We believe that growth is driven not only by good corporate governance and performance,

Chairman’s statement

but also by contributing to the wellbeing of the societies that make up the African continent.

Acknowledgements

I remain indebted for the unrelenting support from our valued clients, the shareholder and other stakeholders, which have contributed to the success of the Bank. I extend my gratitude to the Board for its wise counsel and guidance in a challenging environment, and to management and staff for their dedication towards the achievement of this pleasing set of results.

Gregory Sebborn

27 March 2018

Overview of business results for 2017

Although the country remained beset by various economic challenges which included among others the intensifying cash and foreign currency shortages, the Bank achieved a profit of USD27.6 million which was higher than the USD21.2 million for the comparative period.

A 17% growth was recorded in the Bank's net interest income which increased from USD47.2 million in 2016 to USD55.1 million bolstered mainly by the additional short term investments which were acquired during the year.

The 2017 fee and commission income deteriorated from USD33.5 million in the prior period to USD32.6 million on account of increased surrender requirements on platinum and chrome exports had a negative impact on the volumes of customer foreign payments which the Bank could process given the depleted nostro reserves.

The charge for credit impairments for 2017 was USD2.1 million having declined from USD8.4 million in 2016 as the Bank's enhanced collection efforts on non-performing loans and written off facilities continued to bear positive results.

Total operating expenses increased by 12% from USD57.5 million in the prior year to USD64.1 million largely because of the impact of business expansion as the Bank remained competitive by rolling out new products into the market as well as extending its digital channels footprint in the country.

The Bank's net lending book increased by 21% from USD273.5 million in 2016 to USD330.4 million largely driven by new assets which were written combined with the increase in facility utilisation by some counterparties who were in need of local funding for working capital purposes.

As the country grappled with chronic foreign currency shortages, the Bank's customer deposit base increased from USD701 million in 2016 to close the year at USD1.2 billion as depositors failed to utilise their funds for settlement of foreign obligations. The Bank's short term investments in the form of treasury bills, AFTRADE bond and placements with other banks grew by 121% from USD141.1 million in 2016 to USD312.5 million as additional assets were written in an effort to bolster earning assets.

Compliance and money laundering control function

Monitoring of compliance risk is carried out by an independent compliance function within the risk management framework. The compliance function seeks to ensure that the Bank meets all requirements of the regulators and the Standard Bank Group (the Bank's ultimate parent).

The Bank remains supportive of international efforts to combat money laundering and terrorism financing, and continues to abide by the requirements of the Money Laundering and Proceeds of Crime Act. The Bank continues to adhere to the required standards of Anti- Money Laundering and Know Your Customer practices.

The Compliance function has a framework in place that ensures that the Bank complies with all regulatory requirements and the Reserve Bank of Zimbabwe ("RBZ") directives, in all material respects.

Statement on corporate social investment ("CSI") responsibilities

As Stanbic Bank Zimbabwe Limited, we nurture an unwavering commitment to meeting the needs of our various stakeholders who include board members, shareholders, staff, customers and most importantly, members of the communities in which we operate. As a subsidiary of the Standard Bank Group, we are excited by the obligation to drive Africa's growth. We believe that growth is driven not only by good corporate governance and performance, but also by contributing towards the wellbeing of the societies that form the African continent.

In 2017, our CSI initiatives, guided by our strategy and policy were focused on health, education and sanitation and sports development.

Under health, donations were made to Albino Charity Organisation of Zimbabwe ("ALCOZ"), Cancer Association of Zimbabwe ("CAZ"), Harare Children's Hospital ("HCH"), Parirenyatwa Group of Hospitals, National Blood Services of Zimbabwe ("NBSZ") and Zimbabwe Medical Association ("ZIMA").

As we continue to care for the education of our future leaders, a donation was made to Jairos Jiri as tuition for 10 students. Our bursary portfolio has grown and now funds the education of eight primary, secondary and university students.

Our efforts to improve sanitation were centered around the provision of safe drinking water to hospitals around the country.

Chief Executive's report

We drilled a borehole for Chitungwiza Central Hospital and resuscitated two already existing ones which had stopped yielding. A 10 000 litre water tank was also purchased for the hospital's maternity ward.

Our partnership with Friends of the Environment is also part of our efforts to support conservation of the environment which is done through planting trees and raising awareness on the importance of conserving the environment.

Our people

As always I remain grateful to the Stanbic team for these pleasant results which would not have been possible without their resilience, team work and commitment to serve customers better in an increasingly fragile operating environment.

Our customers

As the Bank continues to focus on providing excellent customer experience, it enhanced its functionalities on the Mobile Banking platform Blue247 and rolled out Online Banking for customers in the Small to Medium Enterprise. A mobile banking application (Stanbic App) was introduced for the convenience of our customers. A digital banking centre complimented by free Wi-Fi services is now available in one of our branches and we plan to expand this innovation to all our branches. The Bank further expanded its POS terminal footprint bringing more convenience to our customers in a cash starved economy.

Points of representation

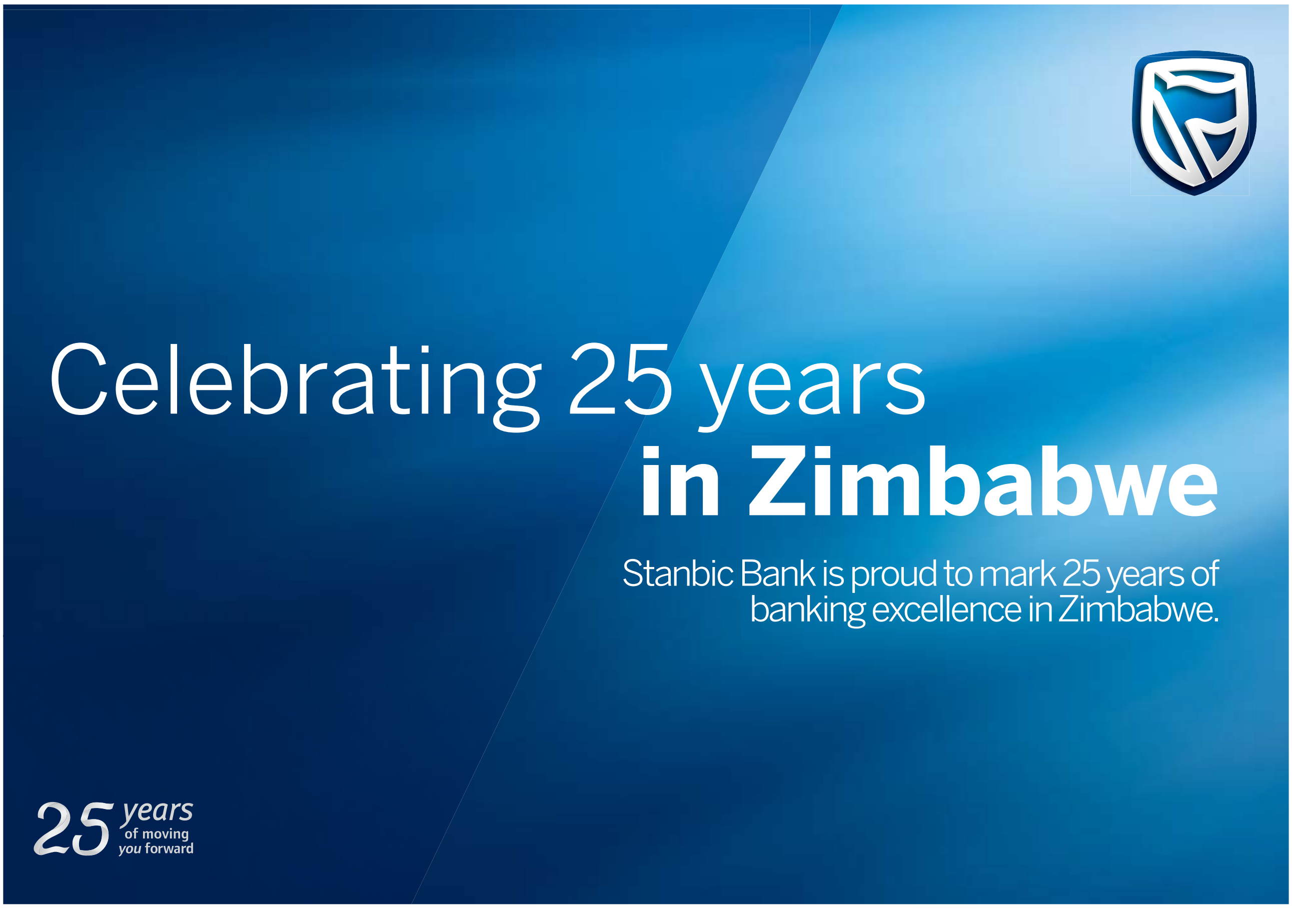
The Bank successfully opened two bigger branches (Duthie Road and Southerton) in an effort to enrich our customer experience.

Vote of thanks

I remain appreciative of the efforts of each and every Board member as well as their counsel and guidance throughout the year. To the Stanbic team, I say thank you for thoroughly applying yourselves and striving to serve our clients well in an increasingly tough operating environment.

Joshua Tapambgwa
Chief Executive

27 March 2018



Corporate Governance Statement

The Standard Bank Group Limited – overview

The Standard Bank Group Limited (the "Group") the Bank's ultimate parent traces its roots back to 1862 and has a primary listing on the Johannesburg Securities Exchange ("JSE"), South Africa, with a secondary listing on the Namibian Stock Exchange ("NSX"). It is a registered bank holding company and its main operating subsidiary is the Standard Bank of South Africa Limited.

The Group remains committed to the practice of good corporate governance in all aspects of its operations and the establishment of subsidiaries within the Group is carefully managed to ensure compliance with both domestic and international regulatory requirements.

The Board of Directors of the Standard Bank Group Limited is responsible for the overall corporate governance of the Group, ensuring that appropriate practices are in place. A number of committees have been established that assist the Board in fulfilling its stated objectives. The committees' roles and responsibilities are set out in terms of agreed mandates, which are reviewed regularly to ensure they remain relevant.

Stanbic Bank Zimbabwe Limited

Codes and regulations

The Bank complies with applicable legislation and regulations including the Banking Act and Regulations, Securities and Exchange Act and Reserve Bank Act. Other standards, directives and codes from the various regulators are also adhered to, with the Board continually monitoring regulatory compliance.

Governance

The Bank operates in a highly regulated industry and is committed to complying with legislation, regulation, and codes of best practice and seeks to maintain the highest standards of corporate governance, including transparency and accountability. Whilst we continue to nurture a strong culture of corporate governance and responsible risk management in line with the Group's risk appetite and governance framework, we are constantly monitoring our practices to ensure that they are the best fit for the Bank and serve to enhance business and community objectives.

Board of Directors

The Board of Directors is responsible for the overall corporate governance of the Bank, ensuring that appropriate controls, systems and practices are in place. The Bank continues to advocate for an integrated approach to corporate governance as evidenced by the governance framework. An effective and independent Board provides strategic direction and has ultimate responsibility for the functioning of the Bank.

The Board comprises twelve directors, three of whom are executive directors:

Gregory Sebborn *(Chairman)**	(appointed 3 October 2014)
Joshua Tapambgwa *(Chief Executive)*	(appointed 1 February 2004)
Malcolm Lowe	(appointed 6 June 2008)
Linda Masterson	(appointed 12 March 2009)
Solomon Nyanhongo *(Executive)*	(appointed 17 April 2009)
Paul Smith	(appointed 20 October 2010)
Pindie Nyandoro	(appointed 15 September 2014)
Nellie Tiyago	(appointed 12 April 2017)
Kingston Kamba	(appointed 12 April 2017)
Valentine Mushayakarara	(appointed 12 April 2017)
Muchakanakirwa Mkanganwi	(appointed 12 April 2017)
Rhett Groves *(Executive)*	(appointed 29 May 2017)

* appointed as Chairman on 28 March 2017

Strategy

The Board is accountable to the Group for the Bank's overall strategy and direction. At an annual meeting with management, the Board considers and approves the Bank's strategy and its plans on how to achieve the agreed objectives, which are in line with the Group's overall objectives. The Board monitors performance against strategies and agreed budgets on a quarterly basis.

Delegation of authority and effective control

The Board retains effective control over its mandate and has established committees to assist in providing detailed attention to specific areas of expertise. Authority has been delegated to the Chief Executive to manage the business on a day to day basis. Board delegated authorities are reviewed regularly.

Corporate Governance Statement

Board effectiveness and evaluation

The Board is led by a majority of non-executive Board members, the majority being independent who, by their skills and diversity, contribute to the efficient running of the Bank. The Board is focused on continued improvements to its effectiveness and corporate governance performance.

During the year under review, the Board conducted a self-assessment evaluation, which was divided into structure, process and effectiveness. A special meeting was convened to discuss the outcome and address any areas of concern. The results were used to further improve Board processes and effectiveness.

Directors' appointments, induction and training

The appointment of directors is made in terms of formal and transparent procedures, which are in compliance with regulatory requirements as well as the Standard Bank Group Limited's policy for Board and executive management appointments. The Board Nominations Committee is tasked with ensuring that the appointment of the directors is in line with the needs of the business.

The directors bring skills, knowledge and experience from their own respective fields to the Board. They receive detailed orientation on the Bank's operations, senior management and the business environment. There are currently three executive directors and nine non-executive directors. The Board has the appropriate mix of competencies and experience, with members undergoing constant training in development areas affecting the business.

Board meetings

The Board schedules quarterly meetings during the year. Additional meetings may be held where necessary.

Board Committees

Board committees have clearly defined and written terms of reference setting out their roles and functions, responsibilities, scope of authority and procedures for reporting to the Board. The committees fulfil an essential role in assisting the Board in the performance of its duties.

Risk management

The Board has ultimate responsibility for risk management, which includes evaluating key risk areas and ensuring the process for risk management and systems of internal control are implemented. To assist in fulfilling this duty, the Board has established various committees.

Risk Oversight Committee

This is a management committee which reports to the Chief Executive. The committee is responsible for monitoring the risks pertaining to the Bank's custodial services operation and ensuring that the unit is operating profitably with the appropriate resources in place.

Going concern

The directors have assessed the ability of the Bank to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.

Sustainability

Social and environmental responsibility remains an important part of the Bank's culture.

Social Investment Policy

As an African business, the Bank owes its existence to the people and societies within which it operates. The Bank recognises that all its activities have a socio-cultural influence on the societies within which it conducts its business programs and therefore requires that it acts with the necessary social sensitivities that accompany responsible business practices.

The Bank believes in acting as a non-exploitative and socially responsible employer through both its core business practices and the support of community programmes aimed at the betterment of the societies within which it operates. The Bank is committed therefore not only to the promotion of economic development but also to the strengthening of civil society and human well being.

The Bank concentrates its social investment expenditure in defined focus areas in order to make the greatest impact. These areas of focus are subject to annual revision as the country's socio-economic needs change.

Directors’ Report

Your directors have pleasure in submitting the directors’ report and the audited financial statements for the year ended 31 December 2017.

1 ACTIVITIES AND INCORPORATION

The Bank, which is incorporated and domiciled in Zimbabwe and whose registered office is 59 Samora Machel Avenue, Harare, is a wholly owned subsidiary of the Standard Bank Group Limited, and provides a wide range of commercial banking and related financial services.

		Year ended 31 December 2017 USD’000	Year ended 31 December 2016 USD’000
2	**RESULTS**		
	Profit after tax for the year	27 626	21 238

3 DIVIDEND DECLARATION

In view of the currency foreign currency shortages combined with the significant negative impact of the IFRS 9 Financial Instruments financial reporting standard which became effective on 1 January 2018, no dividend has been proposed for the year ended 31 December 2017.

4 DIRECTORATE

Directors: Gregory Sebborn *(Chairman)*
Joshua Tapambgwa *(Chief Executive)*
Malcom Lowe
Pindie Nyandoro
Valentine Mushayakarara*
Nellie Tiyago*
Linda Masterson*
Paul Smith
Solomon Nyanhongo *(Executive)*
Kingston Kamba*
Muchakanakirwa Mkanganwi*
Rhett Groves *(Executive)*

*These directors are due to retire by rotation and being eligible, offer themselves for re-election at the Bank’s next Annual General Meeting.

5 INDEPENDENT AUDITOR

Messrs. KPMG Chartered Accountants (Zimbabwe) has expressed their willingness to continue in office and the shareholder will be asked to confirm their re-appointment at the next Annual General Meeting and determine their remuneration for the past year.

By order of the Board

……………………………………..

AISHA TSIMBA
SECRETARY

27 March 2018

Directors' statement of responsibility

To the members of Stanbic Bank Zimbabwe Limited

The directors are responsible for the preparation and integrity of financial statements that fairly present the state of the affairs of the Bank at the end of the financial year, income statement and the statements of comprehensive income, changes in equity and cash flows for the year and other information contained in this report in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of Zimbabwe (Chapter 24:03) and the Banking Act of Zimbabwe (Chapter 24:20).

The Companies Act of Zimbabwe (Chapter 24:03) requires the directors to prepare financial statements for each financial year. The financial statements are required by law and IFRS to present fairly the financial position and performance of the Bank for the year.

In preparing the Bank's financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate or proper accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that its financial statements comply with the Companies Act of Zimbabwe (Chapter 24:03) and Banking Act of Zimbabwe (Chapter 24:20). They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank; and
- we consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Bank's position and performance, business model and strategy.

Accounting convention

The financial statements on pages 23 to 104 have been prepared under the historical cost convention as modified for investment property, financial assets available for sale and freehold property which are stated at fair value and are in agreement with the underlying records.

Preparation of annual report

This annual report has been prepared under the supervision of Solomon Nyanhongo CA (Z) PAAB Registered Accountant number 03078.

Compliance with IFRS and laws and regulations

The financial statements have been prepared in accordance with IFRS and requirements of the Companies Act of Zimbabwe (Chapter 24:03) and Banking Act of Zimbabwe (Chapter 24:20).

Approval

The financial statements for the year ended 31 December 2017 have been approved by the Board of Directors and are signed on its behalf by the Chairman and the Chief Executive.

__________________________________ Chairman

__________________________________ Chief Executive

27 March 2018

KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe
Tel: +263 (4) 303700, 302600
Fax: +263 (4) 303699

Independent Auditor's Report
To the Shareholder of Stanbic Bank Zimbabwe Limited

Opinion

We have audited the financial statements of Stanbic Bank Zimbabwe Limited ("the Bank") set out on pages 23 to 104, which comprise the statement of financial position as at 31 December 2017, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the summary of significant accounting policies and notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Stanbic Bank of Zimbabwe Limited as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of Zimbabwe (Chapter 24:03) and the Banking Act of Zimbabwe (Chapter 24:20).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

1. Allowance for impairment on loans and advances to customers

Refer to the accounting policy on impairment of financial assets on page 36, credit impairment losses on loans and advances note 2.1, loans and advances note 6.1, credit impairment charges note 22.6 and credit risk on pages 85 to 91.

Key audit matter	How the matter was addressed in the audit
The Bank provides loans and advances to individuals, corporates and investment institutions in personal and business banking (PBB) and corporate and investment banking (CIB) portfolios. The impairment allowance on performing loans is determined on a portfolio basis and makes use of factors such as historical loss ratios, the probability of default, loss given default and the loss emergence period which are significant management estimates. The impairment allowance on non-performing loans is determined on an individual or on a case by case basis. The directors are required to estimate the amount and timing of future cash flows as well as the expected time to recover security held. Due to the high credit risk, the significant estimation and judgment made by Directors, the allowance for impairment on loans and advances to customers was considered to be a key audit matter.	Our audit procedures included, among others: **For both PBB and CIB:** • We tested the operating effectiveness of internal controls over loan origination, credit grading, and monitoring of loans and advances; • We evaluated whether centrally modelled inputs to the impairment calculations met the requirements of the Bank's methodology and relevant accounting standards; • We evaluated the judgments and assumptions made by Directors in reflecting market conditions in the determination of the impairment charge; with reference to our knowledge of current market conditions and our expectations of economic growth; • We compared the impairment allowances for prior periods against loans that were subsequently written off against this impairment allowances to assess the adequacy of the impairment allowance in prior years; and • We evaluated the key inputs used in the impairment calculation by comparing the key inputs to externally derived evidence. **Additional procedures for individual impairment on CIB and PBB loans:** • We compared security values used in the impairment calculation to the values in the security valuation report prepared by the directors' valuation expert; • We compared the discounting period used to discount the security values to historical trends of the period taken to realise security; and • We compared the discounting rate used in forecasting recoverable cash flows to the rates in signed loan agreements.

2. Valuation of financial assets available for sale (Treasury bills and AFTRADE bonds)

Refer to the accounting policy on available-for-sale financial assets on page 37, financial assets available-for-sale note 5 and fair value estimation note 21.

Key audit matter	How the matter was addressed in the audit
The Bank holds financial assets available for sale which comprise of treasury bills and AFTRADE bonds. The financial assets available for sale have been sourced from the primary market mainly through outright purchases from the central bank and private placements from corporates and other private transactions. These financial assets are measured at fair value the fair values are determined using the discounted cash flows method at risk adjusted interest rates. As these placements are private placements, it is complex to collate market information required to determine the discounting rates necessary to develop an appropriate yield curve for purposes of determining the fair value for these financial assets available for sale. Due to the degree of complexity involved in determining the fair value of the financial assets available for sale and the significance of the judgments and estimates made by the directors, this was considered to be a key audit matter.	Our audit procedures included, among others: • We evaluated the classification of financial assets as available for sale with the requirements of the relevant financial reporting standard; • We tested the operating effectiveness of internal controls over the capturing of the key inputs relevant to the valuation of financial assets available for sale; • We evaluated key inputs and assumptions relative to the valuation of the financial assets available for sale using comparable market evidence within the Zimbabwean economy and to agree with the Bank's assertion of the unavailability of an active market; and • We compared the valuation method used to other methods.

Other Information

The Directors are responsible for the other information. The other information comprises of all information included in the Annual Report. Other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the requirements of the Companies Act of Zimbabwe (Chapter 24:03) and the Banking Act of Zimbabwe (Chapter 24:20), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

KPMG Zimbabwe

Registered Accountants and Auditors
Chartered Accountants (Zimbabwe)

Per: **Themba Mudidi**
Partner
Registered Public Auditor
PAAB Practicing Certificate Number 0437

27 March 2018

For and on behalf of, **KPMG Chartered Accountants (Zimbabwe), Reporting Auditors**
100 The Chase (West)
Emerald Hill, Harare
Zimbabwe

Statement of financial position

As at 31 December 2017

	Note	31 December 2017 USD'000	31 December 2016 USD'000
ASSETS			
Cash and cash equivalents	3	729 667	404 700
Derivative assets	4.1	101	120
Financial assets available for sale	5	237 403	82 945
Investment securities		516	516
Loans and advances to customers	6.1	330 409	273 486
Other assets	7	13 950	6 417
Intangible assets	8	29 233	26 469
Investment property	9	21 128	5 964
Property and equipment	10	36 896	40 168
Deferred and current tax assets	14	3 810	4 739
Total assets		1 403 113	845 524
EQUITY AND LIABILITIES			
Shareholder's equity		137 665	109 719
Ordinary share capital	11.2	260	260
Ordinary share premium	12.1	10 790	10 790
Reserves	12.2	126 615	98 669
Liabilities			
Derivative liabilities	4.1	6	11
Current income tax liabilities		-	1 032
Deposits and current accounts	13	1 207 768	702 225
Deposits from other banks		12 626	1 478
Deposits from customers		1 195 142	700 747
Other liabilities	15	57 674	32 537
Total liabilities		1 265 448	735 805
Total equity and liabilities		1 403 113	845 524

______________________________ Chairman

______________________________ Chief Executive

______________________________ Chief Finance Officer

______________________________ Company Secretary

27 March 2018

Statement of profit or loss

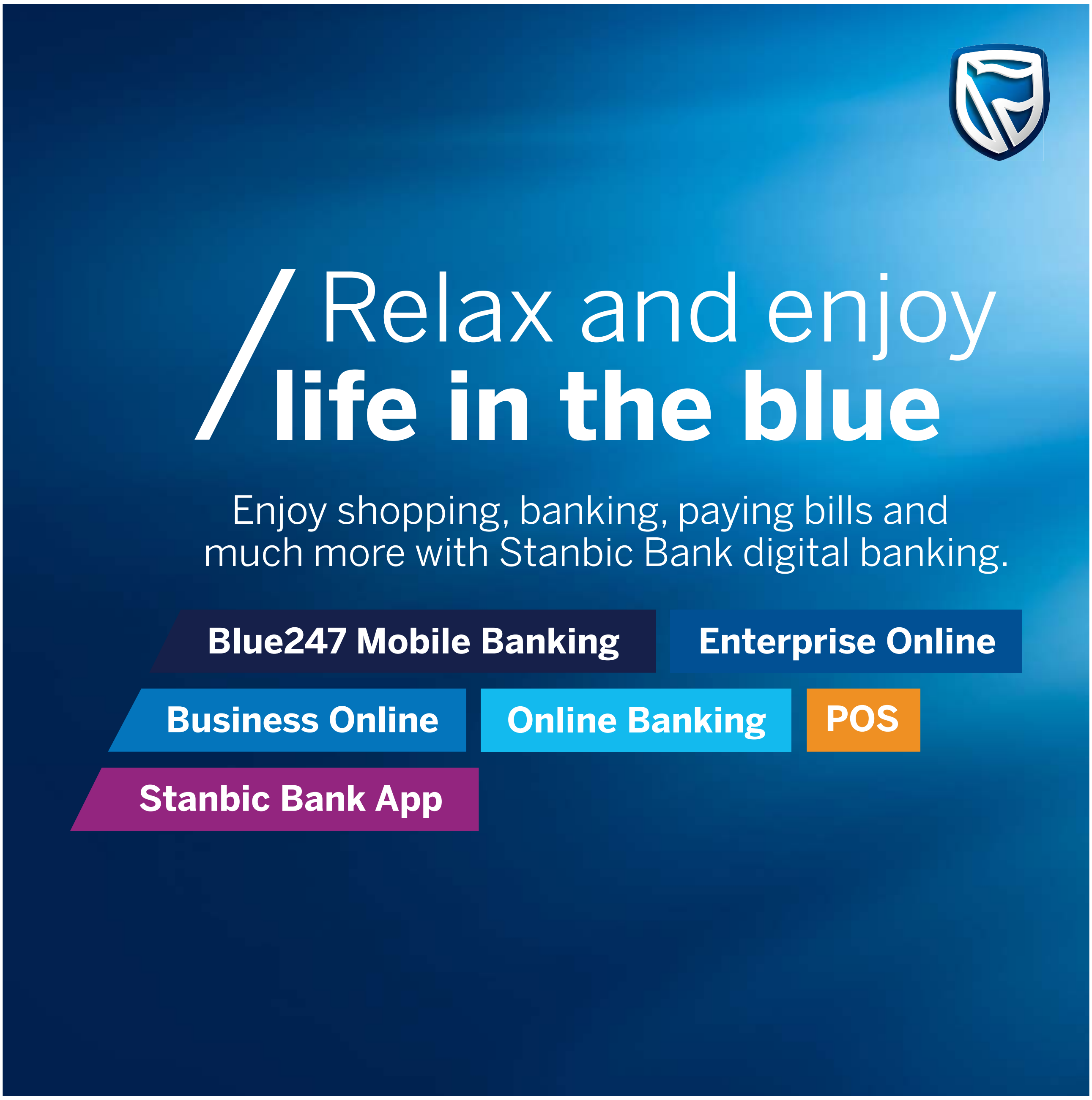
For the year ended 31 December 2017

	Note	31 December 2017 USD'000	31 December 2016 USD'000
Net interest income		55 089	47 249
Interest income	22.1	55 527	47 823
Interest expense	22.2	(438)	(574)
Non interest income		53 867	48 686
Net fee and commission revenue		32 569	33 475
Fee and commission revenue	22.3	35 352	34 254
Fee and commission expense	22.3	(2 783)	(779)
Trading income	22.4	19 687	15 020
Other income	22.5	1 611	191
Total income		108 956	95 935
Credit impairment charges	22.6	(2 109)	(8 364)
Income after credit impairment charges		106 847	87 571
Operating expenses		(64 129)	(57 495)
Staff costs	22.7	(31 435)	(29 384)
Other operating expenses	22.8	(32 694)	(28 111)
Net income before indirect tax		42 718	30 076
Indirect tax	24.1	(2 177)	(1 968)
Profit before direct tax		40 541	28 108
Direct tax	24.2	(12 915)	(6 870)
Profit for the year		27 626	21 238

Statement of comprehensive income

For the year ended 31 December 2017

	31 December 2017 USD'000	31 December 2016 USD'000
Profit for the year	27 626	21 238
Items that will not be reclassified to profit or loss:		
Gain on revaluation of land and buildings	276	-
Related tax	(71)	-
Items that may be subsequently reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets	(76)	405
Related tax	20	(104)
Total comprehensive income for the year attributable to the ordinary shareholder	27 775	21 539



Statement of changes in equity

For the year ended 31 December 2017

	Ordinary share capital USD'000	Ordinary share premium USD'000	Non-distributable reserve USD'000	Revaluation reserve USD'000	Available for sale reserves USD '000	Statutory credit impairment reserve USD'000	Share-based payment reserve USD'000	Retained earnings USD'000	Ordinary shareholder's equity USD'000
Year ended 31 December 2017									
Balance as at 1 January 2017	260	10 790	1 207	1 942	197	818	361	94 144	109 719
Profit for the year	-	-	-	-	-	-	-	27 626	27 626
Other comprehensive income									
Gain on revaluation of land and buildings	-	-	-	276	-	-	-	-	276
Related tax	-	-	-	(71)	-	-	-	-	(71)
Changes in fair value of available for sale financial assets	-	-	-	-	(76)	-	-	-	(76)
Related tax	-	-	-	-	20	-	-	-	20
Total comprehensive income for the year	-	-	-	205	(56)	-	-	27 626	27 775
Equity-settled share based payments	-	-	-	-	-	-	149	22	171
Total transactions with the owner of the Bank recognised directly in equity	-	-	-	-	-	-	149	22	171
Balance as at 31 December 2017	260	10 790	1 207	2 147	141	818	510	121 792	137 665

Statement of changes in equity

For the year ended 31 December 2017

	Ordinary share capital USD'000	Ordinary share premium USD'000	Non-distributable reserve USD'000	Revaluation reserve USD'000	Available for sale reserves USD '000	Statutory credit impairment reserve USD'000	Share-based payment reserve USD'000	Retained earnings USD'000	Ordinary shareholder's equity USD'000
Year ended 31 December 2016									
Balance as at 1 January 2016	260	10 790	1 207	1 942	(104)	818	242	72 854	88 009
Profit for the year	-	-	-	-	-	-	-	21 238	21 238
Other comprehensive income									
Changes in fair value of available-for-sale financial assets	-	-	-	-	405	-	-	-	405
Related tax	-	-	-	-	(104)	-	-	-	(104)
Total comprehensive income for the year	-	-	-	-	301	-	-	21 238	21 539
Equity-settled share based payments	-	-	-	-	-	-	119	52	171
Total transactions with the owner of the Bank recognised directly in equity	-	-	-	-	-	-	119	52	171
Balance as at 31 December 2016	260	10 790	1 207	1 942	197	818	361	94 144	109 719

Statement of cash flows

For the year ended 31 December 2017

	Note	31 December 2017 USD'000	31 December 2016 USD'000
Cash generated from operations			
Net income before indirect and direct tax		42 718	30 076
Adjusted for:			
Credit impairment charges on loans and advances	22.6	2 109	8 364
Amortisation of intangible assets	8	2 265	998
Depreciation of property and equipment	10	3 768	3 235
Equity-settled share-based payments		171	171
Indirect tax paid	24.1	(2 177)	(1 968)
(Gain)/loss on sale of property and equipment		(188)	76
Increase in fair value of investment property	9	(25)	-
Impairment loss on property		1 220	-
Movement in working capital			
Decrease in derivative assets		19	1 134
Increase in loans and advances	25.1	(59 032)	(27 578)
Increase in accrued interest on financial assets available for sale	5	(7 546)	(3 836)
Increase in other assets		(7 533)	(4 054)
Decrease in derivative liabilities		(5)	(1 239)
Increase in deposits and current accounts		505 543	218 175
Increase in other liabilities	25.2	25 137	11 548
Direct tax paid	25.3	(13 069)	(8 715)
Net cash from operating activities		493 375	226 387
Cash used in investment activities			
Purchase of financial assets available for sale	5	(234 991)	(45 984)
Proceeds from financial assets available for sale	5	88 003	35 959
Capital expenditure on:			
- intangible assets	8	(5 077)	(26 158)
- property and equipment	10	(6 896)	(18 354)
- investment property	9	(9 732)	(3 034)
Proceeds from:			
- sale of property and equipment		285	17
Net cash used in investing activities		(168 408)	(57 554)
Cash used in financing activities			
Dividends paid		-	-
Net cash used in financing activities		-	-
Net increase in cash and cash equivalents		324 967	168 833
Cash and cash equivalents at the beginning of the year		404 700	235 867
Cash and cash equivalents at the end of the year	3	729 667	404 700

Accounting policies

For the year ended 31 December 2017

ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These accounting policies have been consistently applied to all the years presented unless otherwise stated. The standards and interpretations that are effective for the current year, have been adopted with no material impact on the Bank.

REPORTING ENTITY

Stanbic Bank Zimbabwe Limited ("the Bank") is incorporated and domiciled in Zimbabwe and its registered office is 59 Samora Machel Avenue, Harare. It is a wholly owned subsidiary of the Standard Bank Group Limited, and provides a wide range of commercial banking and related financial services.

BASIS OF ACCOUNTING

Statement of compliance

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and in the manner required by the Companies Act of Zimbabwe (Chapter 24:03), the Banking Act of Zimbabwe (Chapter 24:20). The financial statements are based on statutory records that are maintained under the historical cost basis except for the following material items in the statement of financial position: owner occupied property measured at fair value less accumulated depreciation; investment property, financial assets available for sale and derivative assets and liabilities measured at fair value. The financial statements were authorised for issue by the Bank's Board of Directors on 27 March 2018.

New standards, amendments and interpretations, not effective for accounting periods beginning on 1 January 2017 and not early adopted by the Bank.

Standard ("IAS")/ interpretation	Content	Applicable for financial years beginning on/after
IAS 19 amendment	Employee Benefits	1 January 2019
IAS 40 amendment	Transfers of Investment property	Annual periods beginning on or after 1 January 2018
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2018
IFRS 9	Financial Instruments amendment	1 January 2018
IFRS 15	Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2018
IFRS 16	Leases	Annual periods beginning on or after 1 January 2019
IFRS 2 (amendment)	Classification and Measurement of Share-based Payment Transactions	Annual periods beginning on or after 1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Annual periods beginning on or after 1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2021

IFRS 9 - Financial instruments

Background

IFRS 9 *Financial Instruments* (IFRS 9) will replace the existing standard dealing with the accounting treatment for financial instruments, IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39), from 1 January 2018.

IFRS 9 consists of the following key areas which represent changes from that of IAS 39:

- Revised requirements for the classification and measurement of financial assets and consequential changes in the classification and measurement of financial liabilities, mainly relating to the recognition of changes in fair value due to changes in own credit risk on fair value designated financial liabilities in other comprehensive income ("OCI") as opposed to the income statement
- An expected credit loss ("ECL") impairment model
- Revised requirements and simplifications for hedge accounting

Comparative financial results and elections

IFRS 9 is required to be adopted retrospectively from 1 January 2018, with the exception of IFRS 9's hedge accounting requirements where the standard permits an entity to choose as its accounting policy to continue to apply IAS 39 hedge accounting requirements instead of the requirements in IFRS 9.

The Bank has elected to not restate its comparative financial statements. Accordingly, the difference between the previous (IAS 39) and new (IFRS 9) carrying values will be recognised in the Bank's opening retained earnings as at 1 January 2018.

The Bank's date of adoption of the IFRS 9 revised hedge accounting requirements will be based on further IFRS developments with respect to the IASB's macro hedge accounting project or on the Bank deeming it opportune to adopt the revised requirements. The Bank has elected to continue with IAS 39's hedge accounting requirements, but will implement IFRS 9's revised hedge accounting disclosures.

Project governance

In an effort to effectively enable the successful implementation of the IFRS 9 standard, the Bank established an IFRS 9 Implementation Steering Committee. The IFRS 9 implementation Steering Committee provided strategic direction to the project, monitored the project's progress, and identified required interventions and project interdependencies with other Bank initiatives.

In order to ensure appropriate board oversight, the IFRS 9 Steering Committee reported on its activities, status and outcomes to the Board Audit Committee ("BAC").

The Bank's IFRS 9 implementation project included a September 2017 hard close process (hard close) which was used to test the Bank's readiness for the transition to IFRS 9. The results of the hard close were assessed by external auditors to assist management in determining the Bank's readiness and the results and findings were communicated to the BAC.

IFRS 9 requirements

The following is a summary of IFRS 9's key requirements and the estimated impact on the Bank is explained below. It should be noted that the Bank's final transition impact was, at the time of the preparation of these financial statements, being finalised and would be more fully explained in the 2018 Financial Statements.

Classification of financial assets and liabilities

IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and its contractual cash flow characteristics.

The accounting for financial assets differs in various other areas from existing requirements such as embedded derivatives and the recognition of fair value adjustments in OCI.

All changes in the fair value of financial liabilities that are designated at fair value through profit or loss due to changes in own credit risk will be required to be recognised in OCI, with no subsequent recognition in the income statement.

Whilst IFRS 9's classification and measurement requirements are expected to have a negligible net impact on the Bank's reserves as at 1 January 2018, there were instances in which the classification and measurement of financial assets and liabilities changed from fair value to amortised cost.

Expected credit loss (ECL) impairment model

IFRS 9's ECL impairment model's requirements will represent the most material IFRS 9 impact.

The IASB developed the IFRS 9 ECL impairment model with the objective of transitioning from an incurred loss approach to an expected loss model which will require entities to recognise

Accounting policies

For the year ended 31 December 2017

impairment losses in advance of an exposure having objective evidence of impairment. The ECL model will apply to financial assets measured at either amortised cost or at fair value through OCI, as well as loan commitments when there is present commitment to extend credit (unless these are measured at fair value through profit or loss).

With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to either 12-month expected credit losses or full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is recognised for a financial asset where the credit risk of that financial asset increased significantly since initial recognition (unless the credit risk of the financial asset is low) as well as for certain contract assets and trade receivables or where the exposure is classified as in default. For all other financial instruments, expected credit losses are measured at an amount equal to 12-month expected credit losses.

Significant increase in credit risk or low credit risk

The assessment of significant increase in credit risk for the Bank's Personal and Business Banking ("PBB") exposures will be based on changes in a customer's credit score and for the Bank's Corporate and Investment Banking ("CIB") exposures on changes in internal credit ratings, together with the expected outlook for the specific sector and industry and other relevant available information. For both the Bank's PBB and CIB exposures, the determination will be set to identify significant deterioration in credit risk before the exposure reaches a past due status of 30 days. Exposures for which there is a significant increase in credit risk but for which the credit risk is low remain in stage one. Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions are unlikely to reduce the exposure's ability to fulfil its contractual obligations.

Forward-looking information

In determining whether there has been a significant increase in credit risk and in determining the expected credit loss calculation, IFRS 9 requires the consideration of forward-looking information. The determination of significant increase in credit risk is required to include consideration of all reasonable and supportable information available without undue cost or effort. This information will typically include forward-looking information based on expected macro-economic conditions and specific factors that are expected to impact individual portfolios.

The incorporation of forward-looking information represents a significant change from existing accounting requirements which are based on observable events. The forward-looking information will be based on the Bank's economic expectations, industry and sub-sector-specific expectations, as well as expert management judgement. The use of such information will incorporate management judgement and is hence expected to increase the volatility of impairment provisions as a result of continuous changes in future expectations.

Default

While default is not specifically defined by IFRS 9, the Bank has aligned the determination of default with its existing internal credit risk management definitions and approaches. Default is determined as occurring at the earlier of:

- when either, based on objective evidence, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

In some cases, additional specific criteria are set according to the nature of the lending product.

Impact assessment

The ECL impairment requirements, which comprise IFRS 9's most material impact for the Bank, is expected to result in an increase of up to USD16 million in balance sheet impairments; an increase of 75% on IAS 39 balance sheet impairments (including interest in suspense). Whilst IFRS 9's classification and measurement requirements are expected to have a negligible net impact on the Bank's reserves as at 1 January 2018, there were instances in which the measurement of certain financial assets and liabilities changed from amortised cost to fair value or vice versa due to the business model implementation within underlying business portfolios.

The following table outlines the key drivers of the estimated impact:

IFRS 9 ECL Driver	Reason
Minimum of a 12-month expected credit loss for performing exposures	The existing emergence period is between three to six months for PBB exposures and 12 months for CIB exposures. The change to a 12-month expected loss requirement will result in an increase in impairments for PBB.
Lifetime credit losses for exposures that exhibit a significant increase in credit risk	IFRS 9 requires a lifetime loss to be recognised for exposures for which there has been a significant increase in credit risk. This requirement will affect both PBB and CIB.
ECL held for unutilised client exposures and guarantees	The IFRS 9 requirement for impairments for unutilised client facilities and guarantees results in additional balance sheet impairments for both PBB and CIB.
Longer outlook period for exposures that are expected to default	Measurement of ECL over a longer time horizon results in the potential for higher loss outcomes which has a greater impact for PBB than CIB.
Forward looking economic expectations for ECL	The inclusion of forward-looking economic information is expected to increase the level of provisions as a result of the nature and timing of both current and forecasted economic assumptions as at 1 January 2018.

Hedge accounting

The revised general hedge accounting requirements are better aligned with an entity's risk management activities and provide both additional opportunities to apply hedge accounting and various simplifications in achieving hedge accounting. The Bank's date of adoption of the IFRS 9 revised hedge accounting requirements will be based on further IFRS developments with respect to the IASB's macro hedge accounting project or on the Bank deeming it opportune to adopt the revised requirements. The Bank has elected to continue with IAS 39's hedge accounting requirements, but will implement IFRS 9's revised hedge accounting disclosures.

Tax implications

In accordance with the Zimbabwe Income Tax Act the IFRS 9 impairments will remain non-deductible as only specific bad debts are considered deductible under the current Income Tax Act and upon satisfying the Commissioner General that the amounts cannot be recovered and all steps have been followed in trying to recover the said amount including litigation. The implementation of IFRS 9 will result in a higher deferred tax asset balance which will have a negative impact on the Bank's capital ratios.

Capital implications

IFRS 9 (including the related tax consequences) will have consequential impacts on the Bank's regulatory capital adequacy. The expected increase in impairment provisions, together with the increase in the Bank's deferred tax asset carrying value, will reduce qualifying core capital. IFRS 9's ECL requirements are expected to reduce the Bank's tier 1 ratio by approximately 2%.

Communication of transition impact

The transition impact will be disclosed in a special purpose set of financial statements which will be prepared at the request of the RBZ.

IFRS 9 Financial Instruments amendment- On 12 October 2017, IASB issued an amendment to IFRS 9 (the amendment). This allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'),

Accounting policies

For the year ended 31 December 2017

to be measured at amortised cost or at fair value through other comprehensive income. The amendment is required to be applied retrospectively. The amendment is not expected to have a material impact on the Bank.

IFRS 15 - Revenue from contracts with customers, will replace the existing revenue standards and their related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments).

The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer.

The standard incorporates a five step analysis to determine the amount and timing of revenue recognition.

The standard will be applied retrospectively. The standard does not apply to revenue associated with financial instruments, and therefore does not impact majority of the Bank's revenue. The Bank has identified and reviewed the contracts with customers that are within the scope of this standard which indicate that IFRS 15 will not materially impact the Bank on transition.

IFRS 16 - Leases, will replace the existing standard IAS 17 Leases as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).

The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment of operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a right of use ("ROU") asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lessor accounting requirements in IAS 17 has not changed substantially in terms of this standard, as a result a lessor continues to classify its leases as operating leases or finance leases and accounts for these as it currently done in terms of IAS 17.

In addition, the standard requires the lessor to provide enhanced disclosures about its leasing activities and in particular about its exposure to residual value risk and how it is managed.

The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

IFRS 2 - Share based payments, the amendments are intended to eliminate diversity in practice in three main areas of the classification and measurement of share based payment transactions:

- The effects of vesting conditions on the measurement of a cash-settled share based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments will be applied prospectively. The impact on the annual financial statements will not be significant.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration-The IFRIC provides guidance on how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The IFRIC will be applied retrospectively or prospectively. The impact on the annual financial statements has not yet been fully determined but is not expected to have a significant impact on the Bank.

IFRIC 23 Uncertainty over Income Tax Treatments- This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. This Interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

Functional and presentation currency

These financial statements are presented in United States Dollars ("USD") which is the Bank's functional currency. Please refer to the determination of the functional currency note 2.15 which details the considerations made in determining the Bank's functional currency.

Foreign currency translations

Transactions and balances

Foreign currency transactions are translated into the Bank's functional currency at spot exchange rates prevailing at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end, are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Financial instruments

Initial recognition and measurement

Financial instruments include cash and cash equivalents, loans and advances to customers, financial assets available for sale, derivative assets and liabilities, deposits and current accounts. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised on the date the Bank commits to purchase the instruments ("trade date accounting").

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or at amortised cost, depending on their classification.

Financial assets

The Bank classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets and liabilities at fair value through profit or loss

Held for trading

Trading assets and liabilities are either those financial assets and liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term, or those forming part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading, unless they are designated as hedging instruments.

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains or losses arising from changes in fair value are recognised in profit or loss as trading income under non-interest income.

Interest earned and dividends received on trading assets are included in trading income.

Designated at fair value through profit or loss

The Bank designates certain financial assets and liabilities, other than those held for trading, as at fair value through profit or loss when:

- this designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Accounting policies

For the year ended 31 December 2017

The designation significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost,

- groups of financial assets, financial liabilities or both are managed, and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and reported to the Bank's key management personnel on a fair value basis, or
- financial instruments contain one or more embedded derivatives that significantly modify the instruments' cash flows.

The fair value designation is made on initial recognition and is irrevocable. Subsequent to initial recognition, the fair values are remeasured at each reporting date. Gains or losses arising from changes in fair value are recognised in interest income (expense) for all dated financial assets (financial liabilities) and in other income within non-interest income for all undated financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Bank as at fair value through profit or loss or available-for-sale.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Transaction costs and origination fees received that are integral to the effective interest rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. All of the Bank's cash and cash equivalents and loans and advances are included in the loans and receivables category.

Cash and cash equivalents

Cash and cash equivalents for cash flow statement purposes comprises cash on hand, bank balances and other short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of change in value.

Available-for-sale

Financial assets classified by the Bank as available-for-sale are generally long term investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or non-derivative financial assets that are not designated as another category of financial assets.

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income, in the available-for-sale reserve until the financial asset is derecognised or impaired. When debt or equity available-for-sale financial assets are disposed of, the cumulative fair value adjustments in other comprehensive income are transferred to other income. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale instruments are recognised in profit or loss when the Bank's right to receive payment has been established. Foreign exchange gains or losses on available-for-sale debt instruments are recognised in profit or loss.

Financial liabilities at amortised cost

Financial liabilities that are neither held for trading nor designated at fair value are subsequently measured at amortised cost.

Reclassification of financial assets

The Bank may choose to reclassify non-derivative trading assets out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets that would not otherwise have met the definition of loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Derivatives or any financial instrument designated at fair value through profit or loss shall not be reclassified out of their respective categories.

Reclassifications are made at fair value as of the reclassification date with prospective effect. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Subsequent increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a trading asset, all embedded derivatives are reassessed and, if necessary, accounted for separately.

Impairment of financial assets

Assets carried at amortised cost

At each reporting date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that loss event had a negative effect on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably. Criteria that are used by the Bank in determining whether there is objective evidence of impairment include:

- known cash flow difficulties experienced by the borrower;
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- breaches of loan covenants or conditions;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Bank would not otherwise consider.

The Bank first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. Retail loans and advances are considered non-performing when amounts are due and unpaid for three months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. The impairment of non-performing loans takes account of past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historical losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan carried at amortised cost has been identified as impaired, the carrying amount of the loan is reduced to an amount equal to the present value of estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised as credit impairment in profit or loss.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

Assets carried at amortised cost

A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition which has a negative effect on the estimated future cash flows of the financial asset that can be estimated reliably. In order to provide for latent losses in a portfolio of loans that have not yet been individually identified as impaired, a credit impairment for incurred but not reported losses is recognised based on historical loss patterns and estimated emergence periods. Loans are also impaired when adverse economic conditions develop after initial recognition, which may affect future cash flows.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in profit or loss. Previously impaired advances are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account with the amount of the reversal recognised as a reduction in impairment for credit losses in profit or loss. Subsequent recoveries of previously written off loans and advances are recognised in profit or loss. Subsequent to impairment, the effects of discounting unwind over time as interest income.

The Banking Regulations (Statutory Instrument 205) of 2000 issued by the Reserve Bank of Zimbabwe also give guidance on provisioning for doubtful debts and stipulate certain minimum percentages to be applied to the respective categories of the loan book. In order to comply with both prescriptions, the Directors have taken the view that where the IAS 39 *Financial Instruments: Recognition and Measurement* charge is less than the amount provided for in the Banking Regulations, the difference is effectively an appropriation and is therefore charged against equity and where it is more, the full amount will be charged to the profit or loss.

Accounting policies

For the year ended 31 December 2017

Non-performing loans

Interest on loans and advances is accrued to income until such time as reasonable doubt exists about 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 income. Such suspended interest is deducted from loans and advances in the statement of financial position. This policy meets the requirements of the Banking Regulations (Statutory Instrument 205) of 2000 issued by the Reserve Bank of Zimbabwe.

Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant, and whose terms have been renegotiated are no longer considered to be past due but are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered impaired or past due. The effective interest rate of renegotiated loans that have not been derecognised (described under the heading derecognition of financial instruments), is determined based on the loan's renegotiated terms.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have a negative impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. In that instance, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is transferred from other comprehensive income to income statement.

If, in a subsequent period, the amount relating to impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for available-for-sale debt instruments. Any reversal of an impairment loss in respect of an available-for-sale equity instrument is recognised directly in other comprehensive income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally current enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently remeasured at fair value as described under the heading "fair value" on page 38.

All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles as described under the heading "offsetting financial instruments".

Embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone

derivative and the combined contract is not measured at fair value through profit or loss. The host contracts are accounted for and measured applying the rules of the relevant financial instrument category.

The method of recognising fair value gains or losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if so, the nature of the hedge relationship. All gains or losses from changes in the fair value of derivatives that are classified as held for trading are recognised in profit or loss as trading income.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Bank ("the issuer") to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at fair value and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payments, when a payment under the guarantee has become probable, and the unamortised premium.

Derecognition and modification of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Bank has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

The Bank enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include securities lending and repurchase agreements.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.
Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability, with the difference in the respective carrying amounts being recognised in profit or loss. In all other instances, the renegotiated asset or liability's effective interest rate is redetermined taking into account the renegotiated terms.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts.

Securities purchased under agreements to resell are recorded as loans granted under resale agreements and included under loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the repurchase agreement using the effective interest method.

Securities lent to counterparties are retained in the financial statements and are classified and measured in accordance with the appropriate measurement policy. Securities borrowed are not recognised in the financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions.

Day one profit or loss

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by

Accounting policies

For the year ended 31 December 2017

comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs. Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models that utilise non-observable market data as inputs. The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at measurement date.

When such valuation models, with only observable market data as inputs, indicate that the fair value differs from the transaction price, this initial difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. If non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the model value is deferred. The timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement, depending on the nature of the instrument and availability of market observable inputs.

Subsequent to initial recognition, the fair values of financial assets and liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow method is used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for a financial asset with similar terms and conditions.

Where the fair value of investments in unquoted equity instruments and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are unable to be reliably determined, those instruments are measured at cost less impairment losses.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investment property

Property held to earn rental income or for capital appreciation or both that is not owner-occupied is classified as investment property. Investment property includes property under construction or development for future use as investment property.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value which represents market conditions at the reporting date with fair value changes recognised in profit or loss as fair value gain or loss on investment property. Subsequent expenditure is included in the assets' carrying amount when it is probable that future economic benefits associated with the item will flow to the Bank and cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

The fair value of investment property is based on the nature, location and condition of the asset at the reporting date. If the valuation information cannot be reliably determined, the Bank uses alternative valuation methods such as discounted cash flow projections or recent prices on active markets.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Intangible assets

Computer software

Generally, costs associated with developing or maintaining computer software programmes and the acquisition of software licenses are recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Bank and have a probable future economic benefit beyond one year, are recognised as intangible assets. Capitalisation is further limited to development costs where the Bank is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to reliably measure costs relating to the development. Direct costs include employee costs arising from software development and an appropriate portion of relevant overheads. Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets (two to fifteen years), and are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when impaired. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.

Property and equipment

Equipment and owner-occupied properties

Equipment, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The carrying amount of the replaced part is derecognised.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Bank and the cost of the item can be measured reliably. Maintenance and repairs, which do not meet this criteria, are recognised in profit or loss as incurred. Depreciation, impairment losses and gains or losses on disposal of assets are included in profit or loss.

Owner-occupied buildings are held for use in the supply of services or for administrative purpose and comprise mainly branches and offices.

Owner-occupied properties are shown at fair value less any subsequent accumulated depreciation and accumulated impairment. Valuations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The valuations are carried out by an independent professional valuer.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to their residual values. Land is not depreciated. Leasehold improvements are depreciated over the shorter of the lease term or its useful life.

The assets' residual values and useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year-end.

The estimated useful lives of tangible assets for the current financial year are as follows:

Property	-	40 years
Computer equipment	-	3 to 5 years
Motor vehicle	-	5 years
Office equipment	-	5 to 10 years
Furniture and fittings	-	13 years

Accounting policies

For the year ended 31 December 2017

There has been no change to the estimated useful lives from those applied in the previous financial year (2016- no change).

Derecognition of property and equipment

The carrying amount of an item of property and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised. When the revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Capitalisation of borrowing costs

Borrowing costs that relate to qualifying assets, i.e. assets that necessarily take a substantial period to get ready for their intended use are capitalised. All other borrowing costs are recognised in profit or loss.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life and goodwill are tested annually for impairment. Intangible assets that are subject to amortisation and other non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use ("cash-generating units"). Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through income statement only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Leases

Bank as lessee

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Leases, where the Bank assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is recognised in profit or loss over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leases of assets are classified as operating leases if the lessor retains a significant portion of the risks and rewards of ownership. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Bank as lessor

Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances in the statement of financial position.

Finance charges earned are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. Initial direct costs and fees are capitalised to the value of the lease receivable and accounted for over the lease term as an adjustment to the effective rate of return. The tax benefits arising from investment allowances on assets leased to clients are accounted for in the direct tax line.

Leases of assets under which the Bank retains a significant portion of the risks and rewards of ownership are classified as operating leases. Operating lease income from properties held as investment properties, net of any incentives given to lessees, is recognised on the straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment to be made by the lessee as a penalty is recognised as income in the period in which termination takes place.

Provisions and contingent liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

Contingent liabilities include certain guarantees, other than financial guarantees, and letters of credit pledged as collateral security. These are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are not probable.

Employee benefits

Pension obligations

The Bank operates both a defined contribution and a defined benefit plan.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Bank pays contributions to a privately administered pension plan on a mandatory and contractual basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plan

A defined benefit plan is a pension plan under which the Bank contribute to the cost of benefits taking into account the recommendation of actuaries.

The Bank provides post-employment medical benefits to former employees, with entitlement to these benefits generally limited to employees who retired from employment on or before 31 December 2017. The Bank contributes to the cost of the post employment medical benefits taking account of the recommendations of the actuaries. Actuarial valuations by independent qualified actuaries are required every three years using the present value method. The assets or liabilities recognised in the statement of financial position in respect of these benefits are measured at the present value of the estimated future cash outflows, using market interest rates with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets, using the following assumptions: expected return on investment, pension increases and medical costs inflation. Past service costs, experience adjustments and the effect of changes in actuarial assumptions are recognised in profit or loss in the current year to the extent that they relate to vested benefits of retired employees or past service.

Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits at the earlier of the following dates: (a) when the Bank can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37, “Provisions, contingent liabilities and contingent assets” and involves the

Accounting policies

For the year ended 31 December 2017

payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Profit-share and bonus plans

The Bank recognises a liability and an expense for bonuses and profit-share, based on a formula that takes into consideration the profit attributable to the Bank's shareholders after certain adjustments. The Bank recognises a provision where contractually it is obliged or where there is a past practice that has created a constructive obligation.

Tax

Direct tax

Direct tax includes current and deferred income tax. Current tax and deferred income tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Zimbabwe. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current income tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred income tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill; and
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses.

The amount of deferred income tax provided is based on the temporary differences arising between the tax bases of assets and the carrying amounts in the financial assets. Deferred income tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses and tax credits can be utilised. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred current tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current income tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Indirect tax

Indirect taxes (mainly non-recoverable Value Added Tax ("VAT")) and other duties for banking activities are disclosed separately in profit or loss.

Equity

Share capital

Ordinary shares are classified as equity.

Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

Dividends on ordinary shares

Dividends are recognised in equity in the period in which they are declared. Dividends declared after the reporting date are disclosed in the notes to the financial statements and are recognised in equity for the following year.

Equity-linked transactions

Equity compensation plans

The Bank operates an equity-settled share-based compensation plan based on shares of its ultimate parent, the Standard Bank Group Limited. The fair value of equity-settled share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against income and equity over the remaining vesting period.

On exercise of equity-settled share options, proceeds received are credited to share capital and premium.

Share-based payments settled in cash are accounted for as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in the liability are recognised in profit or loss.

Revenue and expenditure

Banking activities

Revenue is derived substantially from the business of banking and related activities and comprises interest income, fee and commission income and other non-interest income.

Interest income and Interest expense

Interest income and expense are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

Where the estimates or receipts on financial assets are subsequently revised, the carrying amount of the financial asset is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the estimated cash flows at the financial asset's original effective interest rate. Any adjustment to the carrying value is recognised as interest income.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value based on the original effective interest rate and original amount.

Fair value gains or losses on realised debt financial instruments, including amounts removed from other comprehensive income in respect of available-for-sale financial assets, and excluding those classified as held for trading, are included in interest income.

Non-interest income

Net fee and commission income

Fee and commission income, including transactional fees, account servicing fees, investment management fees, are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.

Fee and commission expense included in net fee and commission income are mainly transaction and service fees relating to financial instruments which are expensed as the services are received. Expenditure is recognised as fee and commission expense where the expenditure is linked to the production of fee and commission income.

The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Trading income

Trading income comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

Other income

Other income includes rental income and profit from disposal of property and equipment, and any other income accruing to the Bank.

Segment reporting

An operating segment is a component of the Bank engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker allocates resources

Accounting policies

For the year ended 31 December 2017

to and assesses the performance of the operating segments of the Bank and has been identified as the Executive Committee. The Executive Committee reviews monthly the internal management reports of the operating segments. It allocates resources and assesses performance of operating segments. The Bank's segmental results are presented in note 1.1 and 1.2.

Fiduciary activities

The Bank commonly acts as a trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising thereon have been disclosed in note 28.

Statement of financial position

	Other assets USD'000	Investment securities USD'000	Net impact USD'000
Balance as at 31 December 2016, as previously stated	6 933	-	-
Reclassification of other assets to investment securities	(516)	516	-
Balance as at 31 December 2016, as restated	6 417	516	-

The reclassification was done in order to appropriately disclose the Bank's investment securities.

1.1 Segment reporting 31 December 2017

	Personal and Business Banking USD'000	Corporate and Investment Banking USD'000	Total USD'000

1.1.1 Statement of profit or loss

	Personal and Business Banking USD'000	Corporate and Investment Banking USD'000	Total USD'000
Net interest income	22 729	32 360	55 089
Total non-interest income	29 421	24 446	53 867
Net fee and commission revenue	28 095	4 474	32 569
Fee and commission revenue	30 878	4 474	35 352
Fee and commission expense	(2 783)	-	(2 783)
Trading income	-	19 687	19 687
Other income	1 326	285	1 611
Total income	52 150	56 806	108 956
Credit impairment charges	(1 914)	(195)	(2 109)
Income after credit impairment charges	50 236	56 611	106 847
Total operating expenses	(37 871)	(26 258)	(64 129)
Staff costs	(19 986)	(11 449)	(31 435)
Other operating expenses	(17 885)	(14 809)	(32 694)
Net income before indirect tax	12 365	30 353	42 718
Indirect tax	(1 379)	(798)	(2 177)
Profit before direct tax	10 986	29 555	40 541
Direct tax	(3 493)	(9 422)	(12 915)
Profit for the year	7 493	20 133	27 626

1.1.2 Operating information

	Personal and Business Banking USD'000	Corporate and Investment Banking USD'000	Total USD'000
Total assets	433 019	970 094	1 403 113
Total liabilities	(355 463)	(909 985)	(1 265 448)
Other information			
Depreciation	2 806	962	3 768
Amortisation	1 699	566	2 265
Property and equipment	28 108	8 788	36 896
Property and equipment additions	5 110	1 786	6 896
Investment property	14 435	6 693	21 128
Investment property additions	7 211	2 521	9 732
Intangible assets	18 939	10 294	29 233
Intangible assets additions	3 293	1 784	5 077
Deferred tax assets	164	447	611

Notes to the financial statements

For the year ended 31 December 2017

1.2 Segment reporting 31 December 2016

	Personal and Business Banking USD'000	Corporate and Investment Banking USD'000	Total USD'000
1.2.1 Statement of profit or loss			
Net interest income	20 147	27 102	47 249
Total non-interest income	27 253	21 433	48 686
Net fee and commission revenue	27 137	6 338	33 475
Fee and commission revenue	27 916	6 338	34 254
Fee and commission expense	(779)	-	(779)
Trading income	-	15 020	15 020
Other income	116	75	191
Total income	47 400	48 535	95 935
Credit impairment charges	(2 871)	(5 493)	(8 364)
Income after credit impairment charges	44 529	43 042	87 571
Total operating expenses	(33 238)	(24 257)	(57 495)
Staff costs	(18 187)	(11 197)	(29 384)
Other operating expenses	(15 051)	(13 060)	(28 111)
Net income before indirect tax	11 291	18 785	30 076
Indirect tax	(1 366)	(602)	(1 968)
Profit before direct tax	9 925	18 183	28 108
Direct tax	(2 458)	(4 412)	(6 870)
Profit for the year	7 467	13 771	21 238
1.2.2 Operating information			
Total assets	324 862	520 662	845 524
Total liabilities	(282 707)	(453 098)	(735 805)
Other information			
Depreciation	2 362	873	3 235
Amortisation	775	223	998
Property and equipment	29 183	10 985	40 168
Property and equipment additions	15 539	5 849	21 288
Investment property	4 333	1 631	5 964
Investment property additions	2 204	830	3 034
Intangible assets	20 555	5 914	26 469
Intangible assets additions	20 314	5 844	26 158
Deferred tax assets	2 148	2 591	4 739

The principal business units for the Bank are as follows:

Business Unit	Scope of operations
Personal and Business Banking	Banking and other financial services to individual customers and small to medium sized enterprises. Transactional and lending products – transactions in products associated with the various points of contact channels such as POS acquiring, ATMs and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products. Lending products – offered to both personal and business markets. Bancassurance – provides short-term insurance products, mainly through third parties. Trade Finance products which include letters of credit and guarantees.
Corporate and Investment Banking	Commercial and investment banking services to large corporates, financial institutions and international counterparties. Vehicle and asset finance – mainly financing of vehicles and equipment. Global markets – mainly comprised of foreign exchange trading and placement of funds available for investment. Transactional products and services – includes transactional banking and investor services. Investment banking – advisory services, project finance, structured finance, structured trade finance, corporate lending, and primary markets units.

No secondary segment information is disclosed because all business activities relate to Zimbabwe. Where reporting responsibility for individual departments within business units' changes, the segmental analysis is reclassified accordingly.

Management has determined the operating segments based on the reports reviewed by the Executive Committee (the "Chief operating decision maker"), which is responsible for allocating resources to the reportable segments and assessing their performance. Both operating segments used by the Bank meet the definition of a reportable segment under IFRS 8 *Operating segments*. The Executive Committee assesses the performance of the operating segments based on a measure of profit or loss. The Executive Committee considers the business from a product perspective. From a product perspective management separately considers Corporate and Investment Banking and Personal and Business Banking. The scope of operations for the two business units are detailed above.

Revenue allocated to the segments is from external customers who are domiciled in Zimbabwe. Costs incurred by support functions are allocated to the two business segments on the basis of determined cost drivers. There was no revenue from transactions with a single external customer that amounted to 10% or more of the Bank's revenue. (2016:USD nil).

Entity wide information

Stanbic Bank Zimbabwe Limited's two business units carry out their operations in Zimbabwe and there is no reliance on any major customers and no one customer makes up a material portion of the revenue streams.

Operating expenses consist of both direct and indirect expenses. Indirect expenses are allocated to the two business units based on the underlying cost drivers.

Notes to the financial statements

For the year ended 31 December 2017

2 Key management estimates and judgements

In preparing the financial statements, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances.

2.1 Credit impairment losses on loans and advances

Performing loans

The Bank assesses its loan portfolios for impairment on a regular basis. In determining whether an impairment loss should be recorded in the profit and loss, the Bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual loan in that portfolio, as well as the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period. At year end, the Bank applied the following loss emergence periods:

	Average loss emergence period 2017 Months	Average loss emergence period 2016 Months
Personal and Business Banking ("PBB")	3	3
Home loans	3	3
Finance leases	3	3
Personal unsecured lending	3	3
Business term loans and overdrafts	3	3
Corporate and Investment Banking ("CIB")	12	12
Corporate loans	12	12

Non –performing loans

PBB loans are individually impaired if the amounts are due and unpaid for three or more months. CIB loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. Management's estimates of future cash flows on individual impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Expected time to recover security and recoveries of individual loans as a percentage of the outstanding balance are estimated as follows:

	Expected time to recover security		Expected recoveries as a percentage of impaired loans	
	2017	2016	2017	2016
	Months	Months	%	%
Personal and Business Banking ("PBB")	7-15	7-15	48	48
Home loans	9	9	80	80
Finance leases	13	13	45	45
Personal unsecured lending	12	12	30	30
Business term loans and overdrafts	15	15	35	35
Corporate and Investment Banking ("CIB")	12	12	42	42
Corporate loans	12	12	42	42

Sensitivity is based on the effect of a change of one percentage point in the value of the estimated recovery on the value of the impairment.

2.2 Income taxes

The Bank is subject to direct tax in Zimbabwe. The Bank recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the current income and deferred tax expense in the year in which such determination is made.

2.3 Property and equipment

The Bank assesses the useful lives and residual values of property and equipment at each financial year end. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is observable data indicating a measurable change in residual values.

2.4 Computer software

Direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Bank and have a highly probable future economic benefit beyond one year, are capitalised and disclosed as computer software intangible assets. Computer software intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The determination of the recoverable amount of each asset requires judgement. The recoverable amount is based on the value in use and calculated by estimating future cash benefits that will result from each asset and discounting these cash benefits at an appropriate pre-tax discount rate. The carrying value of computer software intangible assets capitalised at 31 December 2017 amounted to USD29.2 million (2016: USD26.5 million).

2.5 Investment property

The fair value of investment property is based on a valuation which is reviewed annually and is written off when impaired. If the valuation information cannot be reliably determined, the Bank uses alternative valuation methods such as discounted cash flow projections or recent prices in active markets.

Notes to the financial statements

For the year ended 31 December 2017

2.6 Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and ongoing developments will determine the recognition of deferred tax. The most significant management assumption is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the Bank in order to utilise the deferred tax assets.

Note 14 summarises the details of the carrying amount of the deferred tax assets.

2.7 Share based payment

The Standard Bank Group has a number of cash and equity-settled share incentive schemes which are issued to qualifying employees based on the rules of the schemes. The Standard Bank Group uses the Black-Scholes option pricing model to determine the fair value of awards on grant date for its equity-settled share incentive schemes. The valuation of the obligation with respect to its cash-settled share incentive scheme obligations is determined with reference to the Standard Bank Group's share price, which is an observable market input. In determining the expense to be recognised for both the cash and equity-settled share schemes, the Bank estimates the expected future vesting of the awards by considering staff attrition levels. The Bank also makes estimates of the future vesting of awards that are subject to non-market vesting conditions by taking into account the probability of such conditions being met.

2.8 Provisions

The principal assumptions taken into account in determining the value at which provisions are recorded at, in the Bank's statement of financial position, include determining whether there is an obligation as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation. The probability of an event of a significant nature occurring will be assessed by management and, where applicable, consultation with the Bank's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the balance sheet date up to the date of the approval of the financial statements.

2.9 Fair value

In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at measurement date.

2.10 Valuation of properties

The basis of value is "fair value" which is defined as the price that would be received at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The following assumptions are made:

- a willing seller;
- that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as the date of valuation;
- that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

2.11 Operating lease commitments

The Bank has entered into property leases on some of its rented branches and offsite ATM locations. The Bank's management has determined that the Bank has not obtained substantially all the risks and rewards of ownership of these properties, the leases have been classified as operating leases and accounted for accordingly.

2.12 Fair value of unquoted assets and liabilities

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Where fair values cannot be reliably estimated, assets are measured at cost.

2.13 Impairment of available for sale financial assets

The Bank will impair its available for sale financial asset when a loss event has occurred and this loss event has a reliable measurable impact on future cash flows.

2.14 Defined benefit obligation

Significant estimates are made in valuing the Bank's defined benefit scheme. These include assessing the expected medical aid contributions for the life expectancy of the retirees and the expected effect of inflation on medical aid costs.

2.15 Determination of the functional currency

The acute shortage of cash and foreign currency in the country saw the emergence of different modes of payment for goods and services such as settlement via Real time Gross Settlement ("RTGS"), Point of sale ("POS") and mobile money. In addition:

- products and services were priced differently depending on the mode of payment with the actual USD (cash) being the cheapest alternative and RTGS the most expensive;
- the significant unavailability of the USD in cash and in Nostro accounts made processing of payments to foreign suppliers and creditors extremely difficult for businesses;
- new legislation in the form of Statutory Instruments 133 of 2016 and 122a of 2017 which prescribed bond notes and coins as currency was promulgated.

As a result of these and other factors management had to make an assessment of whether the use of the United States dollar as the Bank's functional currency was still appropriate. In doing this management considered the following factors:

- the currency that mainly influences sales prices for goods and services;
- the currency of the competitive forces and regulations that mainly determine the sales prices of goods and services;
- the currency that mainly influences labour, material and other costs of providing goods or services;
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

The United States dollar remained the primary driver for most of the factors above. Therefore, management concluded that it is still the Bank's functional currency.

	31 December 2017 USD'000	31 December 2016 USD'000
3 Cash and cash equivalents		
Bank notes and coins	6 180	10 886
Balances with the Central Bank	604 948	302 727
Balances with other banks	118 539	91 087
	729 667	404 700
Current	729 667	404 700

Balances with the Central Bank and foreign banks are used to facilitate customer transactions which include payments and cash withdrawals. During the year ended 31 December 2016 the Central Bank through Exchange Control Operational Guide 8 ("ECOGAD8") introduced prioritisation criteria which has to be followed when making foreign payments for customers. After prioritisation, foreign payments are then made subject to availability of bank balances with foreign correspondent banks, resulting in a possible delay of payment of telegraphic transfers. However, no such delay is experienced in the settlement of local transactions through the Real Time Gross Settlement system.

Notes to the financial statements

For the year ended 31 December 2017

Included in cash and cash equivalents are bond notes and coins which are bearer instruments that are pegged at 1:1 with the United States dollar. USD and bond notes and coins transactions are maintained in the same bank account.

Please also refer to note 2.15 above on the determination of functional currency.

4 Derivative instruments

The Bank's derivatives are classified as held for trading.

Fair values

The fair value of a derivative financial instrument represents for quoted instruments the quoted market price and for unquoted instruments the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly market place transaction at year end.

Use and measurement

The Bank entered into derivative transactions for trading purposes during the years ended 31 December 2017 and 31 December 2016. The derivatives used by the Bank are foreign exchange contracts. Foreign exchange contracts are contractual obligations to buy or sell financial instruments on a future date at a specified price.

The Bank trades derivative instruments on behalf of customers and for its own positions. The Bank transacts derivative contracts to address customer demand both as market maker in the wholesale markets and in structuring tailored derivatives for customers.

	Fair value of assets 31 December 2017 USD'000	Fair value of assets 31 December 2016 USD'000
4.1 Derivative assets		
Derivatives held for trading		
Foreign exchange contracts	101	120
Maturity analysis of net fair value		
Up to 1 month	101	120
More than 1 month but within 1 year	-	-
Derivative liabilities	101	120
Derivatives held for trading		
Foreign exchange contracts	(6)	(11)
Maturity analysis of net fair value		
Up to 1 month	(6)	(11)
More than 1 month but within 1 year	-	-
	(6)	(11)

	31 December 2017 USD'000	31 December 2016 USD'000
5 Financial assets available for sale		
Balance at the beginning of the year	82 945	68 679
Additions	234 991	45 984
Accrued interest	7 546	3 836
Total disposals	(88 003)	(35 959)
Disposals	(84 167)	(35 094)
Interest received	(3 836)	(865)
Gain/(loss) from changes in fair value	(76)	405
Balance at the end of the year	237 403	82 945
Current	107 032	82 945
Non -current	130 371	-
	237 403	82 945

Available for sale financial assets include treasury bills and AFTRADE bonds.
None of these financial assets are past due or impaired.

6 Loans and advances

6.1 Loans and advances net of impairment

	31 December 2017 USD'000	31 December 2016 USD'000
Loans and advances to customers		
Gross loans and advances to customers net of interest in suspense	351 646	297 561
Finance leases (note 6.2)	27 790	22 924
Overdrafts and other demand lending	144 221	150 515
Term lending	159 006	117 064
Home loans	15 506	7 058
Commercial property loans	5 123	-
Credit impairment allowance for loans and advances (note 6.3)	(21 237)	(24 075)
Specific impairment allowance	(5 178)	(9 382)
Portfolio impairments allowance	(16 059)	(14 693)
Net loans and advances	330 409	273 486
Comprising:		
Gross loans and advances	351 646	297 561
Less: credit impairment allowances	(21 237)	(24 075)
	330 409	273 486
Current	262 034	235 546
Non-current	68 375	37 940
	330 409	273 486
Maturity analysis:		
The maturities represent periods to contractual redemption of the loans and advances recorded:		
Maturing within 1 year	262 034	235 546
Maturing after 1 year but within 5 years	48 873	35 603
Maturing over 5 years	40 739	26 412
	351 646	297 561

Notes to the financial statements

For the year ended 31 December 2017

Sectoral analysis – industry	31 December 2017 USD'000	31 December 2017 %	31 December 2016 USD'000	31 December 2016 %
Individuals	83 536	24%	70 562	24%
Agriculture	78 744	22%	56 481	19%
Wholesale distribution	65 874	19%	33 982	11%
Other services	45 168	13%	40 966	14%
Manufacturing	40 050	11%	37 577	13%
Mining	23 599	7%	28 839	10%
Construction	9 750	3%	12 099	4%
Transport	3 975	1%	3 360	1%
Finance	552	0%	1 006	0%
Communications	398	0%	12 689	4%
	351 646	100%	297 561	100%

There are material concentrations of loans and advances to individuals 24% (2016:24%), agriculture 22% (2016:19%), wholesale distribution 19% (2016:11%) and other services 13% (2016:14%).

Sectoral analysis – geographical area

The following table sets out the distribution of the loans and advances to customers by geography:

	31 December 2017 USD'000	31 December 2017 %	31 December 2016 USD'000	31 December 2016 %
Harare and Chitungwiza	300 792	86%	251 728	85%
Bulawayo	23 004	7%	17 949	6%
Kwekwe	7 308	2%	5 256	2%
Victoria Falls and Hwange	5 993	2%	3 327	1%
Ngezi	4 986	1%	5 826	2%
Chegutu	2 798	1%	2 619	1%
Gweru	2 726	1%	2 398	1%
Mutare	2 431	0%	6 612	2%
Beitbridge	1 608	0%	1 846	0%
	351 646	100%	297 561	100%

		31 December 2017 USD'000	31 December 2016 USD'000
6.2	**Finance leases**		
	Gross investment in instalment sale and finance leases	30 543	25 644
	Receivable within 1 month	4 027	3 241
	Receivable after 1 month but within 6 months	7 836	6 813
	Receivable after 6 months but within 12 months	5 956	4 379
	Receivable between 1 year- five years	12 724	11 211
	Unearned finance charges	(2 753)	(2 720)
	Net investment in finance leases	27 790	22 924
	Current (net of unearned finance charges)	16 165	12 882
	Non current (net of unearned finance charges)	11 625	10 042
		27 790	22 924
	Maturity analysis		
	Receivable within 1 month	3 952	3 200
	Receivable after 1 month but within 6 months	7 101	5 983
	Receivable after 6 months but within 12 months	5 112	3 699
	Receivable between 1 year – 5 years	11 625	10 042
		27 790	22 924

A general credit impairment allowance of USD1 403 000 (2016:USD1 232 000) was raised on the outstanding finance leases as at 31 December 2017.

Lease entered into are at market-related terms. Under the terms of the lease agreements, no contingent rentals are receivable. Moveable assets are leased or sold to customers under finance leases and instalments sale agreements for periods ranging from 12 and 36 months.

Notes to the financial statements

For the year ended 31 December 2017

6.3 Credit impairments for loans and advances to customers

A reconciliation of the allowance for impairment losses for loans and advances to customers by class:

	Home Loans USD'000	Finance Leases USD'000	Overdrafts USD'000	Medium term loans USD'000	Commercial property loans USD'000	Total USD'000
Year ended 31 December 2017						
Non-performing loans						
Balance as at the beginning of the year	69	359	6 832	2 122	-	9 382
Impaired loans written off	(12)	(207)	(2 587)	(2 141)	-	(4 947)
Net impairment charge for the year	136	124	(651)	1 134	-	743
Balance as at end of the year	193	276	3 594	1 115	-	5 178
Performing loans						
Balance as at the beginning of the year	229	1 232	8 716	4 516	-	14 693
Net impairment charge for the year	45	171	(631)	1 687	94	1 366
Balance as at end of the year	274	1 403	8 085	6 203	94	16 059
Total (performing and non-performing loans)	467	1 679	11 679	7 318	94	21 237
Year ended 31 December 2016						
Non-performing loans						
Balance as at the beginning of the year	-	307	3 478	1 965	-	5 750
Impaired loans written off	-	(145)	(450)	(1 644)	-	(2 239)
Net impairment charge for the year	69	197	3 804	1 801	-	5 871
Balance as at end of the year	69	359	6 832	2 122	-	9 382
Performing loans						
Balance as at the beginning of the year	53	730	7 434	3 983	-	12 200
Net impairment charge for the year	176	502	1 282	533	-	2 493
Balance as at end of the year	229	1 232	8 716	4 516	-	14 693
Total (performing and non-performing)	298	1 591	15 548	6 638	-	24 075

Sectoral analysis of impairment for non-performing loans – industry	31 December 2017 USD'000	31 December 2017 %	31 December 2016 USD'000	31 December 2016 %
Agriculture	68	1%	73	1%
Manufacturing	2 087	40%	2 597	28%
Individual	1 730	33%	2 462	26%
Transport	129	3%	225	2%
Other services	212	4%	733	8%
Mining	263	5%	1 334	14%
Distribution	648	13%	688	7%
Communication	-	0%	1 268	14%
Construction	41	1%	2	0%
	5 178	100%	9 382	100%

6.4 TThe net credit impairment charge for the year ended 31 December 2017 was USD2 109 000 (2016: USD 8 364 000).

	31 December 2017 USD'000	31 December 2016 USD'000
7 Other assets		
Inventories	28	105
Prepayments	352	306
Amounts due from group companies	5	323
Other receivables	1 121	2 612
*Internal clearing accounts	12 444	3 071
	13 950	6 417
Current	13 950	6 417
Non-current	-	-
	13 950	6 417

*Internal clearing accounts include suspense accounts where transactions are held temporarily and are cleared daily to the appropriate ledger accounts.

Notes to the financial statements

For the year ended 31 December 2017

	Intangible assets USD'000	Work in progress USD'000	Total USD'000
8 Intangible assets - computer software			
Year ended 31 December 2017			
Opening net book amount 1 January 2017	25 063	1 406	26 469
Additions	3 521	1 556	5 077
Transfers	1 894	(1 894)	-
Disposal	-	(48)	(48)
Amortization charge (note 22.8)	(2 265)	-	(2 265)
Closing book amount 31 December 2017	28 213	1 020	29 233
As at 31 December 2017			
Cost	34 632	1 020	35 652
Accumulated amortisation	(6 419)	-	(6 419)
Net book amount 31 December 2017	28 213	1 020	29 233
Year ended 31 December 2016			
Opening net book amount 1 January 2016	804	528	1 332
Additions	25 222	936	26 158
Transfers	88	(58)	30
Disposal	(53)	-	(53)
Amortization charge (note 22.8)	(998)	-	(998)
Closing book amount 31 December 2016	25 063	1 406	26 469
As at 31 December 2016			
Cost	29 217	1 406	30 623
Accumulated amortization	(4 154)	-	(4 154)
Net book amount 31 December 2016	25 063	1 406	26 469

None of the intangible assets have restricted title or are pledged as security for liabilities.

	31 December 2017 USD'000	31 December 2016 USD'000
9 Investment property		
Balance as at 1 January	5 964	3 590
Additions	9 732	3 034
Fair value gain	25	-
Transfers into investment property	6 457	-
Transfer out of investment property to owner occupied property	(1 050)	(660)
Balance as at 31 December (note 21)	21 128	5 964

The fair values of the investment properties are determined by an appropriately qualified, experienced and independent valuer with appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The Bank's investment properties consist of buildings owned by the Bank that are being leased out under operating leases and also vacant buildings. Fair values are determined having regard to recent market transactions for similar properties in the same location as the Bank's investment property. The investment properties consist of commercial and residential properties with some of them are being leased to third parties under yearly operating lease agreements.

Valuation, impairments and title

The basis of value is "fair value" which is defined as the price that would be received at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The following assumptions are made:

- a willing seller;
- that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as the date of valuation;
- that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

Direct operating expenses (recognised in profit or loss) arising from investment properties that generated rental income was USD 183 644 (2016: USD58 636). Rental income on investment property recognised in profit or loss was USD552 703 (2016: USD113 600).

The last valuation exercise on investment properties was carried out on 8 September 2017 by an independent valuer.

None of the investment properties has restricted title or is pledged as security for liabilities.

Notes to the financial statements

For the year ended 31 December 2017

	Freehold property USD'000	Leasehold property USD'000	Computer equipment USD'000	Motor vehicles USD'000	Office equipment USD'000	Furniture and fittings USD'000	Working in progress USD'000	Total USD'000
10 Property and equipment								
Year ended 31 December 2017								
Opening net book amount	16 796	580	3 577	811	3 256	903	14 245	40 168
Additions-cost	1 650	11	1 950	1 682	200	129	1 274	6 896
Disposals net book amount	-	-	(3)	(17)	(2)	(4)	(23)	(49)
Impairment loss	(1 813)	-	-	-	-	-	-	(1 813)
Reversal of depreciation	869	-	-	-	-	-	-	869
Transfers in and out	7 648	-	369	50	299	116	(13 889)	(5 407)
Depreciation charge	(610)	(152)	(1 631)	(487)	(747)	(141)	-	(3 768)
Closing net book amount 31 December 2017	24 540	439	4 262	2 039	3 006	1 003	1 607	36 896
As at 31 December 2017								
Cost	24 732	1 289	12 852	4 134	6 591	1 975	1 607	53 180
Accumulated depreciation	(192)	(850)	(8 590)	(2 095)	(3 585)	(972)	-	(16 284)
Net book amount 31 December 2017	24 540	439	4 262	2 039	3 006	1 003	1 607	36 896

10 Property and equipment

	Freehold property USD'000	Leasehold property USD'000	Computer equipment USD'000	Motor vehicles USD'000	Office equipment USD'000	Furniture and fittings USD'000	Working in progress USD'000	Total USD'000
Year ended 31 December 2016								
Opening net book amount	15 957	363	2 595	1 172	3 086	954	332	24 459
Additions-cost	467	356	2 161	182	844	99	14 245	18 354
Disposals net book amount	-	-	(3)	-	(20)	(17)	-	(40)
Transfers in and out	798	-	43	70	51	-	(332)	630
Depreciation charge	(426)	(139)	(1 219)	(613)	(705)	(133)	-	(3 235)
Closing net book amount 31 December 2016	16 796	580	3 577	811	3 256	903	14 245	40 168
As at 31 December 2016								
Cost	17 247	1 278	10 589	3 919	6 119	1 743	14 245	55 140
Accumulated depreciation	(451)	(698)	(7 012)	(3 108)	(2 863)	(840)	-	(14 972)
Net book amount 31 December 2016	16 796	580	3 577	811	3 256	903	14 245	40 168

10.1 The last valuation exercise of freehold properties was carried out on 8 September 2017 by an independent valuer.

None of the property or equipment has restricted title or is pledged as security for liabilities.

10.2 Transfers reconciliation

	Property and equipment WIP USD'000	Intangible assets WIP USD'000	Property and equipment USD'000	Intangible assets USD'000	Investment property USD'000	Total USD'000
2017						
Transfers in/(out)	(13 889)	(1 894)	8 482	1 894	5 407	-
2016						
Transfers in/(out)	(332)	(58)	962	88	(660)	-

Notes to the financial statements

For the year ended 31 December 2017

		31 December 2017 USD'000	31 December 2016 USD'000
11	**Share capital**		
11.1	**Authorised share capital**		
	500 000 ordinary shares with a nominal value of USD1 each	500	500
11.2	**Issued share capital**		
	260 000 ordinary shares with a nominal value of USD1 each	260	260
	Unissued shares		
	240 000 (2016:240 000) ordinary shares with a nominal value of USD1 each of which 240 000 (2016:240 000) ordinary shares are under the general authority of the directors.		
12	**Share premium and reserves**		
12.1	Share premium		
	Share premium on issue of shares	10 790	10 790
12.2	**Reserves**		
	Non-distributable reserves	3 354	3 149
	Statutory credit impairment reserve	818	818
	Available for sale reserve	141	197
	Share-based payments reserve	510	361
	Retained earnings	121 792	94 144
		126 615	98 669

Non-distributable reserves

Included in the Bank's non distributable reserves is the revaluation surplus on owner occupied properties which are revalued by independent valuers after every three years.

Statutory credit impairment reserve

This is the excess of regulatory credit impairment provisions against IAS 39 credit portfolio impairments which the Bank accounted for in 2011.

Available for sale reserve

These are the mark to market adjustments on the Bank's unquoted financial assets available for sale which are measured using the discounted cash flow method.

Equity compensation plans

The Standard Bank Group Limited has two equity-settled schemes, namely the Group Share Incentive Scheme and the Equity Growth Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the Standard Bank Group Limited share price at the date the option is granted. The Equity Growth Scheme was implemented in 2005 and represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights. There were beneficiaries in Stanbic Bank Zimbabwe Limited under the Equity Growth Scheme.

The Group Share Incentive Scheme has five different sub-types of vesting categories as illustrated by the table below:

	Year	% vesting	Expiry
Type A	3,4,5	50,75,100	10 Years
Type B	5,6,7	50,75,100	10 Years
Type C	2,3,4	50,75,100	10 Years
Type D	2,3,4	33,67,100	10 Years
Type E	3,4,5	33,67,100	10 Years

A reconciliation of the movement of share options and appreciation rights is detailed below:

	Option price range (USD) 2017	Number of options 2017	Number of options 2016
Group share incentive scheme			
Options outstanding at 1 January		-	69 876
Net transfers		56 926	-
Transfers out		-	(48 376)
Expired	7.44	(36 737)	(3 000)
Cancelled		-	(6 700)
Exercised		-	(11 800)
Options outstanding at 31 December		20 189	-

The weighted average share price for the year was USD12.71 (2016:11.03).

The following options granted to employees, including executive directors, had not been exercised as at 31 December 2017:

Number of ordinary shares	Option price range (USD)	Weighted average price (USD)	Option expiry period
2 000	5.04	5.04	Year to 31 December 2019
4 688	9.05	9.05	Year to 31 December 2020
13 501	7.99	7.99	Year to 31 December 2021
20 189			

Notes to the financial statements

For the year ended 31 December 2017

		31 December 2017 USD'000	31 December 2016 USD'000
13	**Deposits and current accounts**		
	Deposits from other banks	12 626	1 478
	Deposits from customers	1 195 142	700 747
	Current accounts	1 000 380	580 279
	Call deposits	183 515	108 370
	Term deposits	369	649
	Savings accounts	10 878	11 449
	Deposits and current accounts	1 207 768	702 225
	Current	1 207 551	701 818
	Non- current	217	407
		1 207 768	702 225
	Maturity analysis		
	Maturing within 1 year	1 207 551	701 818
	Maturing after 1 year	217	407
		1 207 768	702 225
14	**Deferred and current tax assets**		
	Deferred and current tax assets	3 810	4 739
14.1	**Deferred and current tax analysis**		
	Deferred establishment fees	1 259	1 497
	Capital gains tax on investment property	(23)	(22)
	Depreciation on property and equipment	(5 686)	(4 484)
	Available for sale reserve	(49)	(69)
	Pension benefit and medical aid provision	904	1 500
	Payroll related provisions	2 196	1 759
	Other temporary differences	(2 733)	(1 035)
	Credit impairment allowance on loans and advances	5 488	6 267
	Revaluation of property	(745)	(674)
	Current tax asset	3 199	-
	Deferred and current tax assets	3 810	4 739

	31 December 2017 USD'000	31 December 2016 USD'000
14.2 Deferred and current tax reconciliation		
Deferred tax asset at beginning of the year	4 739	2 608
Various categories of originating/(reversing) temporary differences for the year recognised in profit or loss:	(4 077)	2 235
Investment property revaluation (gain)/ loss	(1)	10
Credit impairment allowance on loans and advances	(779)	1 777
Pension benefit and medical aid provision	(596)	425
Payroll related provisions	437	163
Other temporary differences	(1 698)	481
Property and equipment accelerated depreciation	(1 202)	(1 434)
Deferred establishment fees	(238)	813
Various categories of originating/reversing temporary differences recognised in the statement of changes in equity:		
Available for sale reserve	20	(104)
Revaluation of property	(71)	-
Current tax asset	3 199	-
	3 810	4 739

Other temporary differences include provisions raised for long outstanding entries in suspense accounts.

	31 December 2017 USD'000	31 December 2016 USD'000
15 Other liabilities		
Provisions (note 16)	8 153	7 133
Post employment benefit obligation (note 17)	3 258	3 212
Accrued expenses	11 583	5 929
Amounts due from group companies	8 079	4 409
Internal clearing accounts	26 601	11 854
	57 674	32 537
Current	52 579	27 832
Non-current	5 095	4 705
	57 674	32 537

Notes to the financial statements

For the year ended 31 December 2017

	Legal claims USD'000	Performance and deferred bonus scheme USD'000	Leave pay provision USD'000	Total USD'000
16 Provisions				
Balance at 1 January 2017	517	5 864	752	7 133
Provisions recognised during the year	-	6 355	374	6 729
Provisions paid during the year	-	(5 419)	-	(5 419)
Provisions reversed during the year	-	-	(290)	(290)
Balance at 31 December 2017	517	6 800	836	8 153
Balance at 1 January 2016	517	6 173	746	7 436
Provisions recognised during the year	-	5 456	382	5 838
Provisions paid during the year	-	(5 249)	-	(5 249)
Provisions reversed during the year	-	(516)	(376)	(892)
Balance at 31 December 2016	517	5 864	752	7 133

	31 December 2017 USD'000	31 December 2016 USD'000
Analysis of provisions		
Current	8 153	7 133
Non-current	-	-
	8 153	7 133

Legal claims

This provision relates to outstanding legal claims against the Bank that can be measured reliably and are likely to result in an outflow of economic resources. The expected outflow of economic benefits is determined on a yearly basis by our Legal department taking into account whether it is probable that the Bank will lose the outstanding court cases.

Performance and deferred bonus scheme

This is the provision for the performance bonus which is raised on a yearly basis based on an approved percentage of profit before tax. The performance bonus provision is paid out in March each year.

Leave pay provision

This is the provision for outstanding leave days for the Bank's employees as at the end of the year. It is calculated based on approved basic salaries and leave days accrued by each employee. The provision for leave days is utilised as staff members take their annual leave.

17 Post – employment medical benefits

The Bank operates a post–employment medical benefit scheme for pensioners and currently active employees who will have retired on or before 31 December 2017. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

	31 December 2017 USD'000	31 December 2016 USD'000
The amounts recognised in the statement of financial position were determined as follows:		
Present value of funded obligations	-	-
Fair value of plan assets	-	-
Deficit of the funded plans	-	-
Present value of unfunded obligations	3 258	3 212
Liability in the statement of financial position	3 258	3 212

17.1 The movement in the defined benefit obligation over the year is as follows:

	31 December 2017 USD'000	31 December 2016 USD'000
Balance as at 1 January 2017	3 212	1 618
Provision raised for the year	46	1 594
Balance as at 31 December 2017	3 258	3 212

The following table shows reconciliation from opening balances to the closing balances of the post-employment medical liability and its components.

	31 December 2017 USD'000	31 December 2016 USD'000
Balance at 1 January	3 212	1 618
Included in profit or loss		
Interest	92	64
New members	167	1 600
	259	3 282
Remeasurement loss:		
Actuarial loss arising from:		
Demographic assumptions	69	289
Experience adjustment	99	75
Medical Aid contribution increase	-	243
	168	607
Other		
Benefit paid	(265)	(297)
Exits	(116)	(116)
Pension top ups	-	(264)
	(381)	(677)
Balance as at 31 December	3 258	3 212

Notes to the financial statements

For the year ended 31 December 2017

Historical information	31 December 2017 USD'000	31 December 2016 USD'000	31 December 2015 USD'000	31 December 2014 USD'000
Present value of unfunded obligations	3 258	3 212	1 618	1 618
Fair value of plan assets	-	-	-	-
Unfunded obligations	3 258	3 212	1 618	1 618
Post employment medical benefits	3 258	3 212	1 618	1 618
Included in statement of financial position	3 258	3 212	1 618	1 618
Comprising				
Post employment medical benefits	3 258	3 212	1 618	1 618

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	31 December 2017
Investment return	8%
Medical costs inflation	5%
Mortality	A67-70 Ultimate standard AIDS loading
Total actuarial liability	USD 3 258 128

17.3 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the post-employment medical benefit by the amounts shown below:

Assumptions	Existing	20% decrease investment return	20% increase medical inflation	20% decrease in mortality
Investment return	8%	6.40%	8%	8%
Medical Aid inflation	5%	5%	6%	5%
Mortality	A67-70 Ultimate standard AIDS loading	A67-70 Ultimate standard AIDS loading	A67-70 Ultimate standard AIDS loading	20% lowerA67-70 Ultimate standard AIDS loading
Total Actuarial liability	3 258 128	3 797 167	3 597 636	3 503 781
% change in liability		17%	10%	8%

18 Classification of Financial instruments

	Note	Held for trading USD'000	At fair value profit through or loss USD'000	Held to maturity USD'000	Loans and receivables USD'000	Available-for-sale USD'000	Equity investments USD'000	Financial instruments measured at amortised cost USD'000	Total carrying amount USD'000	Fair value USD'000
31 December 2017										
Financial assets										
Cash and cash equivalents	3	-	-	-	-	-	-	729 667	729 667	729 667
Derivative assets	4	101	-	-	-	-	-	-	101	101
Financial assets available for sale	5	-	-	-	-	237 403	-	-	237 403	237 403
Investment securities		-	-	-	-	-	516	-	516	516
Loans and advances to customers	6	-	-	-	330 409	-	-	-	330 409	330 409
Other assets	-	-	-	-	13 570	-	-	-	13 570	13 570
		101	-	-	343 979	237 403	516	729 667	1 311 666	1 311 666
Financial liabilities										
Derivative liabilities	4	6	-	-	-	-	-	-	6	6
Deposits from other banks	13	-	-	-	-	-	-	12 626	12 626	12 626
Deposits from customers	13	-	-	-	-	-	-	1 195 142	1 195 142	1 195 142
Other liabilities		-	-	-	-	-	-	46 456	46 456	46 456
		6	-	-	-	-	-	1 254 224	1 254 230	1 254 230

Other assets excludes prepayments and stationery as this analysis is only required for financial instruments.

Other liability excludes current income tax liabilities.

	Note	Held for trading USD'000	At fair value profit through or loss USD'000	Held to maturity USD'000	Loans and receivables USD'000	Available-for-sale USD'000	Equity investments USD'000	Financial instruments measured at amortised cost USD'000	Total carrying amount USD'000	Fair value USD'000
31 December 2016										
Financial assets										
Cash and cash equivalents	3	-	-	-	-	-	-	404 700	404 700	404 700
Derivative assets	4	120	-	-	-	-	-	-	120	120
Financial assets available for sale	5	-	-	-	-	82 945	-	-	82 945	82 945
Loans and advances to customers	6	-	-	-	273 486	-	-	-	273 486	273 486
Other assets		-	-	-	6 006	-	516	-	6 522	6 522
		120	-	-	279 492	82 945	516	404 700	767 773	767 773
Financial liabilities										
Derivative liabilities	4	11	-	-	-	-	-	-	11	11
Deposits from banks	13	-	-	-	-	-	-	1 478	1 478	1 478
Deposits from customers	13	-	-	-	-	-	-	700 747	700 747	700 747
Other liabilities		-	-	-	-	-	-	23 463	23 463	23 463
		11	-	-	-	-	-	725 688	725 699	725 699

19 Financial instruments at fair value

The carrying amount of financial instruments carried at amortised cost approximate their fair value in cases where there are short tenures.

20 Financial liabilities

The fair value movement of financial liabilities attributable to changes in credit risk cumulative to date is negligible for the Bank.

21 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the financial statements

For the year ended 31 December 2017

The following table presents the Bank's assets and liabilities that are measured at fair value at 31 December 2017.

Assets	Note	Fair values USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Valuation techniques and inputs
Financial assets held for trading						
Derivatives assets						
– Foreign exchange contracts	4	101	-	101	-	Discounted cash flows
Available-for-sale financial assets						
Financial assets available for sale	5	237 403	-	-	237 403	Discounted cash flows
Investment property	9	21 128	-	-	21 128	Sales comparison method, market rentals and yields
Freehold property	10	24 732	-	-	24 732	Sales comparison method, market rentals and yields
Total assets		283 364	-	101	283 263	
Liabilities						
Financial liabilities held for trading						
Derivatives liabilities						
– Foreign exchange contracts	4	6	-	6	-	Discounted cash flows
Total liabilities		6	-	6	-	

The following table presents the Bank's assets and liabilities that are measured at fair value at 31 December 2016.

Assets	Note	Fair values USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Valuation techniques and inputs
Financial assets held for trading						
Derivatives assets						
– Foreign exchange contracts	4	120	-	120	-	Discounted cash flows
Available-for-sale financial assets						
Financial assets available for sale	5	82 945	-	-	82 945	Discounted cash flows
Investment property	9	5 964	-	-	5 964	Sales comparison method, market rentals and yields
Freehold property	10	17 247	-	-	17 247	Sales comparison method, market rentals and yields
Total assets		106 276	-	120	106 156	
Liabilities						
Financial liabilities held for trading						
Derivatives liabilities						
– Foreign exchange contracts	4	11	-	11	-	Discounted cash flows
Total liabilities		11	-	11	-	

For fair values of assets and liabilities in level 2 and 3, below are the valuation techniques and inputs

- Foreign exchange contracts fair values are based on exchange rate quotes obtained from Global Markets team and the Standard Bank Group.
- The fair values of financial assets available for sale are determined using the discounted cash flows method at risk adjusted interest rates. Discount rates ranging from 7%-21% were unobservable inputs which were used in measuring the fair values of financial assets available for sale. These financial assets would have been sourced from the primary market through outright purchases from the central bank and private placements from corporates.
- For investment and freehold property the average office rentals per square metre ranges from USD6 to USD10 and a capitalisation rate of around 10% which is the rate at which the annual estimated potential income of a property is capitalised into perpetuity.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

Reconciliation of level 3 items	2017 Investment property USD'000	2017 Freehold property USD'000	2017 Total assets USD'000	2016 Investment property USD'000	2016 Freehold property USD'000	2016 Total assets USD'000
Balance at 1 January	5 964	17 247	23 211	3 590	15 982	19 572
Additions	9 732	1 650	11 382	3 034	467	3 501
Transfers into level 3	6 457	7 648	14 105	-	798	798
Transfers out of level 3	(1 050)	-	(1 050)	(660)	-	(660)
Gains or losses for the period						
Included in profit or loss	25	(1 220)	(1 195)	-	-	-
Recognised in other comprehensive income	-	(593)	(593)	-	-	-
Balance at 31 December	21 128	24 732	45 860	5 964	17 247	23 211

	2017	2016
Reconciliation of level 3 items		
Financial assets available for sale		
Balance at 1 January	82 945	68 679
Additions	234 991	45 984
Transfers into level 3	-	-
Transfers out of level 3	(88 003)	(35 959)
Gains or losses for the period		
Included in profit or loss	7 546	3 836
Recognised in other comprehensive income	(76)	405
Balance at 31 December	237 403	82 945

The table below shows the fair value of financial instruments not measured at fair value as at 31 December 2017:

Assets	Note	Fair values USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000
Financial assets measured at amortised cost					
Cash and cash equivalents	3	729 667	729 667	-	-
Investment securities		516	-	-	516
Loans and advances to customers	6.1	330 409	-	-	330 409
Other assets	7	13 570	-	-	13 570
Total assets		1 074 162	729 667	-	344 495
Liabilities					
Financial liabilities measured at amortised cost					
Deposits from other banks	13	12 626	12 626	-	-
Deposits from customers	13	1 195 142	1 194 773	369	-
Other liabilities	15	46 456	-	-	46 456
Total liabilities		1 254 224	1 207 399	369	46 456

Notes to the financial statements

For the year ended 31 December 2017

The table below shows the fair value of financial instruments not measured at fair value as at 31 December 2016:

Assets	Note	Fair values USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000
Financial assets measured at amortised cost					
Cash and cash equivalents	3	404 700	404 700	-	-
Loans and advances to customers	6.1	273 486	-	-	273 486
Other assets	7	6 522	-	-	6 522
Total assets		684 708	404 700	-	280 008
Liabilities					
Financial liabilities measured at amortised cost					
Deposits from other banks	13	1 478	1 478	-	-
Deposits from customers	13	700 747	700 667	-	80
Other liabilities	15	23 463	-	-	23 463
Total liabilities		725 688	702 145	-	23 543

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Financial instruments in level 3

Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2017 USD'000	31 December 2016 USD'000
22 INCOME STATEMENT INFORMATION		
22.1 Interest income		
Interest on loans and advances	38 760	36 382
Interest on investments	16 767	11 441
	55 527	47 823
Interest income reported above relates to financial assets not carried at fair value through profit or loss.		
22.2 Interest expense		
Current accounts	98	84
Savings and deposit accounts	340	490
	438	574
Interest expense reported above relates to financial liabilities not carried at fair value through profit or loss.		
22.3 Fees and commission revenue		
Transaction fees	4 019	10 959
Knowledge based fees and commission	395	358
Electronic banking fees	11 296	7 184
Foreign currency service fees	6 732	5 907
Documentation and administration fees	6 741	4 241
Card commission	6 169	5 605
	35 352	34 254
All fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss		
22.3.1 Fee and commission expense		
Card based commission paid	2 783	779
22.4 Trading income		
Foreign exchange	19 687	15 020
Trading revenue encompasses income realised from the trading of currencies and the structuring of transactions for customers		
22.5 Other income		
Operating lease income	605	187
Other	1 006	4
	1 611	191

Notes to the financial statements

For the year ended 31 December 2017

		31 December 2017 USD'000	31 December 2016 USD'000
22.6	**Credit impairment charges**		
	Credit impairment raised for loans and advances	7 737	9 965
	Recoveries on loans and advances previously written off	(5 628)	(1 601)
	Net credit impairment raised for loans and advances	2 109	8 364
	Comprising		
	Specific impairment charges (note 6.3)	743	5 871
	General impairment charges (note 6.3)	1 366	2 493
		2 109	8 364
22.7	**Staff costs**		
	Salaries and allowances	22 936	22 750
	Bonus provision	6 762	4 870
	Pension cost	1 566	1 593
	Equity-settled share based payments	171	171
		31 435	29 384
22.8	**Other operating expenses**		
	Amortisation – intangible assets (note 8)	2 265	998
	Auditor's remuneration:		
	-Current year audit fees	150	150
	Communication expenses	1 772	2 230
	Depreciation (note 10)	3 768	3 235
	Information technology	2 900	2 073
	Impairment of property	1 220	200
	Inter-company expenses	5 138	4 836
	Operating lease charges – premises	883	1 042
	Premises	1 917	1 619
	Professional fees	430	253
	Insurance costs	2 597	1 846
	Processing costs	1 844	1 483
	Security expenses	1 430	1 453
	Travel and entertainment	1 356	1 252
	Stationery	555	686
	Marketing and advertising	1 013	899
	Other expenses	3 456	3 856
		32 694	28 111
23	**Directors' emoluments and key management compensation**		
	Non-executive directors' emoluments		
	Emoluments of directors in respect of services rendered (included in operating expenses):		
	As directors of the Bank	272	252
	Key management compensation		
	Key management includes executive directors and other members of the Bank's executive committee - included in staff costs		
	Short term employee benefits	3 839	3 694
	Other long term benefits	51	-
	Post-employment benefits	188	286
		4 078	3 980

	31 December 2017 USD'000	31 December 2016 USD'000
23.1 Transactions with key management personnel and directors		
Loans to key management personnel and directors		
Balance at 1 January 2017	1 938	2 406
Transfers in	149	79
Transfers out	-	(829)
Loans made during the year	811	478
Repayments made during the year	(267)	(196)
Outstanding balance as at 31 December 2017	2 631	1 938

Loans to key management personnel and directors are unsecured and bear interest at the Bank's normal lending rate to staff. These are included in loans and advances. No specific impairments have been raised on the outstanding balances. Compensation to key management is disclosed in note 23.

	31 December 2017 USD'000	31 December 2016 USD'000
23.2 Share based payment scheme		
Balance at 1 January 2017	361	242
Expenses incurred during the year	171	171
Transfer to retained earnings	(22)	(52)
Payments made	-	-
Balance at 31 December 2017	510	361
24 Tax		
24.1 Indirect tax		
Value added tax	2 177	1 968
24.2 Direct tax		
Current income tax	8 838	9 105
Deferred income tax (note 14.2)	4 077	(2 235)
	12 915	6 870
24.3 Tax charge reconciliation		
Accounting profit before tax	40 541	28 108
Income tax based on profit for the year at 25.75% (2016:25.75%)	10 439	7 238
Charge/(credit) resulting from permanent differences:		
Depreciation on motor vehicles above deemed costs	103	137
Entertainment expenses	19	22
Group share incentive scheme	44	44
Donations	3	2
Pension	48	46
Dividend received	(262)	(56)
Group recharges above 1% of operating expenses	1 438	-
Other	2 081	27
Non taxable interest income	(998)	(590)
Tax charge for the year	12 915	6 870

Notes to the financial statements

For the year ended 31 December 2017

	31 December 2017 USD'000	31 December 2016 USD'000
25 Net cash flows from operating activities		
25.1 Increase in loans and advances		
Increase in loans and advances	(56 923)	(19 214)
Credit impairments (note 22.6)	(2 109)	(8 364)
	(59 032)	(27 578)
25.2 Increase/(decrease) in provisions and other liabilities		
Provisions	1 020	(303)
Other liabilities	24 117	11 851
	25 137	11 548
25.3 Direct tax paid		
Current income tax liability at beginning of the year	(1 032)	(642)
Income statement charge (note 24.2)	(8 838)	(9 105)
Current income tax liability at the end of the year	(3 199)	1 032
	(13 069)	(8 715)

26 Related party disclosures

26.1 Controlling entity

The Bank is a wholly owned subsidiary of the Standard Bank Group Limited. The Standard Bank Group Limited is also a shareholder in various banks outside Zimbabwe. Stanbic Bank Zimbabwe Limited does banking business with banks and insurance companies owned by the Standard Bank Group Limited, on an arms length basis.

26.1.1 Balances with related parties:

26.1.1(a) Related through common shareholding

	31 December 2017 USD'000	31 December 2016 USD'000
Stanbic Bank Botswana Limited	388	205
Stanbic Bank Malawi Limited	-	1
Stanbic Bank Kenya Limited	3	1
Stanbic Bank Zambia Limited	30	2
Standard Bank South Africa Limited	15 168	8 527
	15 589	8 736

The above lists of financial institutions are related parties to Stanbic Bank Zimbabwe because they are subsidiaries of the Standard Bank Group Limited, the parent company of the Bank or are shareholders in the parent company. The above transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with customers. The balances are unsecured and no guarantees have been received and cash consideration is not provided in settlement.

26.1.1 (b) Related through shareholding in the parent company

	31 December 2017 USD'000	31 December 2016 USD'000
Industrial and Commercial Bank of China	40	26

	31 December 2017 USD'000	31 December 2016 USD'000
26.1.2 Transactions		
Interest income from:		
Standard Bank South Africa Limited	50	17
26.1.3 Group recharges	5 147	4 836
Group recharges include franchise fees and project expenses incurred by the Standard Bank Group on behalf of its subsidiaries		
26.2 Loans and advances and deposits and loans with related parties- related through common directorship		
Total loans and advances	1 370	1 424
Total customer deposits	620	3 937

27 Contingent liabilities and commitments

The Bank had written letters of credit and guarantees amounting to USD16 million as at 31 December 2017 (31 December 2016: USD18 million). The amount of these letters of credit and guarantees represents the Bank's maximum exposure and no material losses are anticipated from these transactions.

27.1 Commitments

As at 31 December 2017 the contractual amounts of the Bank's commitments to capital expenditure or to extend credit to its customers were as follows:

	31 December 2017 USD'000	31 December 2016 USD'000
Capital commitments		
Capital expenditure authorised but not yet contracted	14 463	13 470
Capital expenditure authorised and contracted	-	-
Total	14 463	13 470
The expenditure will be funded from internal resources.		
27.2 Loan commitments	32 664	51 561
27.3 Operating lease commitments		
The future minimum lease payments under non-cancellable operating leases are:		
Properties		
Within 1 year	620	937
Within 5 years	1 307	2 837
Equipment		
Within 1 year	556	518

These commitments comprise a number of separate operating leases in relation to property and equipment, none of which is individually significant to the Bank.

27.3 Legal proceedings

In the conduct of its ordinary business, the Bank is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations. The directors are satisfied, based on present information and the assessed probability of claims emerging that the Bank has adequate insurance programmes and provisions in place to meet such claims.

Notes to the financial statements

For the year ended 31 December 2017

28 Custodial services

The Bank provides custodial services to individuals and institutions by holding assets (mainly share certificates) on behalf of customers. As at 31 December 2017, funds under custody amounted to USD2.2 billion (2016:USD1.1 billion) and fee income amounting to USD2.6 million (2016:USD2.1 million) had been earned in return for these services.

29 Dividend declaration

In view of the currency foreign currency shortages combined with the significant negative impact of the IFRS 9 Financial Instruments financial reporting standard which became effective on 1 January 2018, no dividend has been proposed for the year ended 31 December 2017.

30 Subsequent events

There are no subsequent events.

31 External credit ratings

The Bank's external credit ratings as conducted by Global Credit Rating Company ("GCR") for the past five years are summarised below:

Rating scale	2017	2016	2015	2014	2013
Long term	AA-	AA-	AA-	AA-	AA-

32 CAMELS RATINGS and Reserve Bank of Zimbabwe inspection

The Reserve Bank of Zimbabwe ("RBZ") conducted a full scope onsite examination from 28 July to 20 August 2014 and the Bank achieved the highest possible rating i.e. a CAMELS rating of 1. The CAMELS rating uses a rating scale of 1-5 where 1 is strong, 2 is satisfactory, 3 is fair, 4 is weak and 5 is critical. Hence, according to these results, the Bank maintained its strong position as measured by the CAMELS rating.

33 RISK ASSESSMENT SYSTEM ("RAS")

The most recent RAS ratings risk matrix assigned by the Reserve Bank of Zimbabwe is summarised in the table below:

SUMMARY RAS – RATINGS

RAS COMPONENT	JULY 2014
Overall Inherent Risk	Low
Overall Risk Management System	Strong
Overall Composite Risk	Low
Direction of Overall Composite Risk	Stable

33.1 SUMMARY RISK MATRIX FORMAT

Type of Risk	Level of inherent risk	Adequacy of Risk Management Systems	Overall composite risk	Direction of overall composite risk
Credit	Moderate	Acceptable	Moderate	Stable
Liquidity	Low	Strong	Low	Stable
Interest Rate	Low	Strong	Low	Stable
Foreign exchange	Low	Strong	Low	Stable
Operational risk	Moderate	Strong	Moderate	Stable
Legal & Compliance	Moderate	Acceptable	Moderate	Stable
Strategic risk	Low	Strong	Low	Stable
Reputation	Low	Strong	Low	Stable
Overall	Acceptable	Acceptable	Moderate	Stable

33.2 KEY

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.

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 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 and 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 recognised 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 polices 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 a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organisation.

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 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.

Risk management and control

For the year ended 31 December 2017

Overview

Effective risk management is fundamental to the business activities of Stanbic Bank Zimbabwe Limited (the "Bank" or "Stanbic Bank Zimbabwe"). Whilst we remain committed to the objective of increasing shareholder value by developing and growing our business in a way that is consistent with our Board's determined risk appetite, we are also cognisant of the need to balance this objective with the interests of both our depositors and regulators. We seek to achieve an appropriate balance between risk and reward in our business and continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled manner.

Risk management is at the core of the operating structures of the Bank. The Bank seeks to limit adverse variations in earnings and equity by managing the risk exposures and capital within agreed levels of risk appetite. Managing and controlling risks, minimising undue concentrations of exposure and limiting potential losses from stress events are all essential elements of the Bank's risk management and control framework. This framework ultimately leads to the protection of the Bank's reputation.

Responsibility and accountability for risk management resides at all levels within the Bank, from the executive down through the organisation to each business manager. The Bank uses the three lines of defence model:

- The first line of defence is the business units. Corporate and Investment Banking ("CIB") and Personal Business Banking ("PBB") management are primarily responsible for risk management. The assessment, evaluation and measurement of risk is an ongoing process that is integrated into the day-to-day activities of the business. This process includes implementing the Bank's risk management framework, identifying issues and taking remedial action where required. Business unit management is also accountable for reporting to the governance bodies within the Bank;
- The second line of defence consists of the risk management function which is appropriately independent of business management. The Bank's risk management function is primarily accountable for setting the Bank's risk management framework and policy, providing oversight and independent reporting to executive management through the various risk management committees e.g. Credit Risk Management Committee ("CRMC"), Assets and Liabilities Committee ("ALCO"). The Risk Management Committee reports to the Board Risk Committee. The risk management function implements the Bank's risk management framework and policy in the business units, approving risks within specific mandates and providing an independent overview of the effectiveness of risk management by the first line of defence; and
- The third line of defence consists of an internal audit function which provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and risk governance structures, and reports to management on a regular basis and to the Board through the Board Audit Committee ("BAC").

Key components of risk management are the risk standards that have been developed for each risk type and which set out the principles for the identification, measurement, management, control and reporting of each risk type. Each standard is approved by the Board Risk Committee and is supported by the Bank and business unit risk policies and procedures.

Risks are controlled at the level of individual exposures and at portfolio level, as well as in aggregate across all business units and risk types. An objective view of risk taking activities is taken, in particular to balance the short and long term interests of the Bank.

Specific information on risk and capital management integral to the audited annual financial statements can be found under the following sections of this risk and capital management report:

- risk categories, page 83;
- capital management, pages 84-85;
- credit risk, pages 85-91;
- liquidity risk, pages 92-96
- market risk, pages 97-100 and
- foreign currency risk, page 100.

The other risks can be found under the following sections of this risk and capital management report:

- operational risk, page 101-102;
- information risk, page 102;
- fraud risk, page 102;
- legal risk, page 102;
- tax risk, page 103;
- compliance risk, page 103-104 and
- reputational risk, page 104.

Risk management framework

Risk governance standards, policies and procedures

The Bank has developed a set of risk governance standards for each major risk type. The standards set out and ensure alignment and consistency in the manner in which the major risk types across the Bank are identified, measured, managed, controlled and reported.

All standards are applied consistently across the Bank and are approved by the Board. It is the responsibility of business unit management to ensure that the requirements of the risk governance standards, policies and procedures are implemented and independently monitored by the Risk Management Department.

Each standard is supported by Bank policies and procedures manuals as required.

Compliance with risk standards, policies and procedures is controlled through annual self- assessments by the business units and the risk Department, supported by the Internal Audit Department (the local internal audit function is augmented by visits and reviews by the Standard Bank Group internal audit).

Risk appetite

Risk appetite is an expression of the maximum level of residual risk that the Bank is prepared to accept to deliver its business objectives. Risk appetite is implemented in terms of various limits, economic capital usage and the risk adjusted performance measures ("RAPM") expected to be achieved, recognising a range of possible outcomes.

The Board establishes the Bank's parameters for risk appetite by:

- providing strategic leadership and guidance;
- reviewing and approving annual budgets and forecasts for the Bank and business units; and
- regularly reviewing and monitoring the Bank's performance in relation to risk through quarterly Board reports.

Stress testing

Stress testing involves identifying possible events or future changes in economic conditions that could have an unfavourable impact on the Bank. It is used to assess and manage the adequacy of regulatory and economic capital and is therefore an integral component of the Bank's internal capital adequacy assessment process. The Bank's stress testing framework guides the regular execution of stress tests at the portfolio, business unit and Bank levels.

Management reviews the outcome of stress tests and selects appropriate mitigating actions to minimise and manage the risks to the Bank at the various levels.

The impact and outcomes of stress scenarios are ultimately assessed against earnings and capital adequacy on a consolidated basis across all risk types and compared with the Bank's set risk appetite. Stress tests are also used to proactively manage the risk profile of the Bank, capital planning and management, strategic business planning and the setting of capital buffers.

Risk management and control

For the year ended 31 December 2017

Risk categories

The principal risks to which the Bank is exposed and which it manages are defined as follows:

- **Credit risk**

  Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due. Credit risk comprises counterparty risk, settlement risk and concentration risk. These risk types are defined as follows:

  - ***Counterparty risk:*** The risk of credit loss to the Bank as a result of the failure by a counterparty to meet its financial and/or contractual obligations to the Bank;
  - ***Settlement risk:*** The risk of loss to the Bank from settling a transaction where value is exchanged, but where the Bank may not receive all or part of the security or cash value; and
  - ***Credit concentration risk:*** The risk of loss to the Bank as a result of excessive build-up of exposure to a specific counterparty or counterparty bank, an industry, market, product, financial instrument or type of security, a country or geography, or a maturity. This concentration typically exists where a number of counterparties are engaged in similar activities and have similar characteristics, which could result in their ability to meet contractual obligations being similarly affected by changes in economic or other conditions.

- **Market risk**

  This is the risk of a change in the actual or effective market value or earnings or future cash flows of a portfolio of financial instruments caused by movements in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of the above.

- **Liquidity risk**

  Liquidity risk arises when the Bank is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so on materially disadvantageous terms.

  This inability to maintain or generate sufficient cash resources occurs when counterparties who provide the Bank with funding withdraw or do not roll over that funding, or as a result of a general disruption in asset markets that renders normally liquid assets illiquid

- **Operational risk**

  Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

- **Business risk**

  Business risk is the risk of loss due to operating revenues not covering operating costs and is usually caused by the following:

  - inflexible cost structure;
  - market-driven pressures, such as decreased demand, increased competition or cost increases; and
  - Bank-specific causes, such as a poor choice of strategy, reputational damage or the decision to absorb costs or losses to preserve reputation.

- **Reputational risk**

  Reputational risk results from damage to the Bank's image which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence and business relationships.

Basel II

The Bank has made all the necessary preparations for the implementation of Basel II Capital Adequacy Framework ("Basel II") and awaits further instructions from the Reserve Bank of Zimbabwe for full switch-over.

Capital management

The Bank's capital management framework is designed to ensure that the Bank is capitalised in a manner consistent with the Bank's risk profile, regulatory standards and economic capital standards. The Bank holds capital in excess of the minimum requirements to achieve the target capital adequacy ratios set by regulators.

The Bank's objectives when managing capital are to:

- comply with the capital requirements set by the banking regulators;
- safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to customers and other stakeholders; and
- maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe for supervisory purposes. The Reserve Bank of Zimbabwe requires each bank to maintain a minimum capital adequacy ratio of 12%. The table below summarises the composition of regulatory capital and the Bank's capital adequacy ratio:

Capital adequacy	**31 December 2017 USD'000**	**31 December 2016 USD'000**
Ordinary paid up share capital	260	260
Share premium	10 790	10 790
Retained earnings	121 792	94 144
Market and operational risk	(8 134)	(5 970)
Reserves	2 676	2 583
Tier 1 capital	127 384	101 807
Revaluation reserve	2 147	1 942
General provisions (limited to 1.25% of risk weighted assets)	7 252	6 108
Tier 2 capital	9 399	8 050
Market risk	2 106	390
Operational risk	6 028	5 580
Tier 3 capital	8 134	5 970
Total Tier 1 and 2 capital	136 784	109 857
Tier 3	8 134	5 970
	144 918	115 827
Risk weighted assets ("RWAs")	478 477	414 015
Operational risk equivalent assets	75 350	69 752
Market risk equivalent assets	26 320	4 872
Total risk weighted assets ("RWAs")	580 147	488 639
Tier 1 capital ratio	22%	21%
Tier 1 and 2 capital ratio	24%	22%
Tier 1, 2 and Tier 3 capital	25%	24%
Capital adequacy ratio excluding market and operational risk weighted assets	25%	24%

Risk management and control

For the year ended 31 December 2017

Regulatory capital

During the period under review, the Bank complied with all externally imposed capital requirements, mainly, but not limited to, the relevant requirements of the Banking Act of Zimbabwe (Chapter 24:20) (which are broadly consistent with the Basel II guidelines issued by the Bank for International Settlements).

In addition to the requirements of the Zimbabwean regulators, the Bank also complies with the capital adequacy requirements in terms of South African banking regulations, required by it being a subsidiary of the Standard Bank Group Limited.

Regulatory capital adequacy is measured via two risk-based ratios, i.e. *Total Tier 1 and Total capital adequacy* ratios. Both measures of capital are stated as a percentage of risk-weighted assets.

Total Tier 1 (primary capital) represents the permanent forms of capital such as share capital, share premium, retained earnings and perpetual, non-cumulative preference shares whilst *total capital adequacy* also includes other items such as non distributable reserves and credit impairment reserves.

Risk-weighted assets are determined on a granular basis by using risk weights calculated from internally derived risk parameters. Both on and off-balance sheet exposures are included in the overall credit risk-weighted assets of the Bank. The risk-weighted assets for the market and operational risk components are determined using the risk drivers that impact on regulatory capital as inputs.

Capital adequacy ratios

Total Tier 1 capital is USD127.4 million as at 31 December 2017, whilst total capital for accounting purposes is USD138 million. The Bank's capital adequacy ratio of 25% at 31 December 2017 (31 December 2016:24%) was comfortably above the minimum ratio of 12% set by the RBZ.

Credit risk

Definition

Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due.

Framework and governance

Credit risk is the Bank's most material risk. It is managed in accordance with the Bank's comprehensive risk management control framework.

The Head of Credit has functional responsibility for credit risk across the Bank and reports to the Chief Executive. Furthermore, the credit function is monitored closely by the Standard Bank Africa Credit function, providing an additional layer of review.

The Board Loans Review Committee and the Board Credit Committee have an oversight role over the credit risk management process.

Each borrower (counterparty) is assigned a risk grade using an appropriate rating model. Rating models are used to achieve objectivity, comparability, transparency and consistency in the rating assignment process.

Most of the models take into account quantitative factors, financial statements and qualitative factors. These are combined to produce a stand-alone rating.

The Bank makes use of an internationally comparable rating scale for counterparties. Each performing risk grade is mapped to a probability of default (credit quality) that is used to quantify the credit risk for each borrower. The mappings are shown in the following table:

Rating	Grading	Credit Quality
A-C	Investment grade	Normal monitoring
D	Sub-investment grade	Close monitoring
E	Default	Default

Absolute default probabilities are assigned to risk grades so that the long-run average default rate predicted by a model is the best estimate of the population default rate over the economic cycle.

Credit risk mitigation and hedging

Collateral and guarantees are used by the Bank to mitigate credit risk. The amount and type of credit risk mitigation depends on the circumstances of each counterparty. Credit risk mitigation policies and procedures ensure that credit risk mitigation techniques are used consistently, are acceptable types of mitigation, are valued appropriately and regularly, and meet operational management risk requirements for legal, practical and timely enforceability. These are supported by detailed processes and procedures for the management of each type of mitigation used.

The main types of collateral taken are mortgage bonds over residential, commercial and industrial properties, cession of book debts, bonds over plant and equipment and for leases and instalment sales, the underlying moveable assets financed.

Guarantees and related legal contracts are often required particularly in support of credit extension to groups of companies and weaker counterparties. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantor as for other counterparty credit approvals.

Risk management and control

For the year ended 31 December 2017

Credit risk mitigation for portfolios under the standardised approach

	Total exposure USD'000	Unsecured exposures USD'000	Secured exposures USD'000	Netting agreements USD'000	Secured exposure after netting	Collateral coverage tangible greater than 0%-50%	50%-100%	Greater than 100%
2017								
Corporate and Investment Banking ("CIB")	154 464	138 066	16 398	-	16 398	5 135	4 024	7 239
Personal and Business Banking ("PBB")	197 182	101 087	96 095	-	96 095	28 622	32 214	35 259
Total	351 646	239 153	112 493	-	112 493	33 757	36 238	42 498
Add financial assets not subject to credit risk	967 687							
Cash and cash equivalents	729 667							
Other financial assets	238 020							
Less impairments for loans and advances	(21 237)							
Net exposure	1 298 096							

Credit risk mitigation for portfolios under the standardised approach

	Total exposure USD'000	Unsecured exposures USD'000	Secured exposures USD'000	Netting agreements USD'000	Secured exposure after netting	Collateral coverage tangible greater than 0%-50%	50%-100%	Greater than 100%
2016								
Corporate and Investment Banking ("CIB")	134 331	123 025	11 306	-	11 306	1 000	2 678	7 628
Personal and Business Banking ("PBB")	163 230	121 215	42 015	-	42 015	12 513	14 015	15 487
Total	297 561	244 240	53 321	-	53 321	13 513	16 693	23 115
Add financial assets not subject to credit risk	487 765							
Cash and cash equivalents	404 700							
Other financial assets	83 065							
Less impairments for loans and advances	(24 075)							
Net exposure	761 251							

Analysis of exposure to credit risk

Loans and advances are analysed and categorised based on credit quality using the following definitions:

Performing loans

Neither past due nor specifically impaired loans are loans that are current and fully compliant with all contractual terms and conditions. Normal monitoring loans within this category are generally rated A-C and close monitoring loans are generally rated D using the Bank's master rating scale. Early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is not expected but could occur if the adverse conditions persist.

Non-performing loans

Non-performing loans are those loans for which:

- the Bank has identified objective evidence of default such as a breach of a material loan covenant or condition: or
- instalments are due and unpaid for 90 days or more.

Non-performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of discontinued future cash flows, including collateral.

Non-performing specifically impaired loans are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows. Specifically impaired loans are further analysed into the following categories:

- Sub-standard: Items that show underlying well-defined weaknesses and are considered to be specifically impaired;
- Doubtful: Items that are not yet considered final losses due to some pending factors that may strengthen the quality of the items; and
- Loss: Items that are considered to be uncollectible in whole or in part. The Bank provides fully for its anticipated loss, after taking collateral into account.

The Bank's exposures in terms of creditworthiness varying from normal monitoring to close monitoring as determined by the internal models and as defined in terms of the Bank's rating scale as at 31 December 2017 are set out in the table below:

Exposure to credit risk by credit quality as at 31 December 2017 (USD'000)

		Non-performing loans					Performing loans					
	Gross loans and advances	Sub-Standard	Doubtful	Loss	Total non-performing loans	Balance sheet impairment for non performing loans	Normal Monitoring	Close Monitoring	Total "Neither past due nor Impaired"	Past due but not impaired	Total performing loans	Balance sheet impairment for performing loans
Personal and Business Banking-("PBB")												
Home loans	15 506	278	92	179	549	193	9 485	-	9 485	5 472	14 957	368
Finance leases	16 836	3	23	501	527	277	9 448	-	9 448	6 861	16 309	299
Personal unsecured lending	71 009	251	695	556	1 502	1 302	62 506	-	62 506	7 001	69 507	592
Business term loans and overdrafts	93 831	34	506	3 261	3 801	1 195	69 386	7 018	76 404	13 626	90 030	1 636
Total loans PBB	197 182	566	1 316	4 497	6 379	2 967	150 825	7 018	157 843	32 960	190 803	2 895
Corporate and Investment Banking-("CIB")-												
Corporate loans	154 464	-	-	2 611	2 611	2 211	140 919	8 732	149 651	2 202	151 853	13 164
Total	351 646	566	1 316	7 108	8 990	5 178	291 744	15 750	307 494	35 162	342 656	16 059
Less impairments for loans and advances	(21 237)											
Net loans and advances	330 409											

Collateral obtained by the Bank

It is the Bank's policy to dispose of repossessed assets in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The collateral obtained by the Bank as at the financial year ended 31 December 2017 amounted to USD136.6 million (2016:USD129.6 million).

Risk management and control

For the year ended 31 December 2017

Exposure to credit risk by credit quality as at 31 December 2016 (USD'000)

		Non-performing loans					Performing loans					
	Gross loans and advances	Sub-Standard	Doubtful	Loss	Total non-performing loans	Balance sheet impairment for non performing loans	Normal monitoring	Close monitoring	Total "neither past due nor impaired"	Past due but not impaired	Total performing loans	Balance sheet impairment for performing loans
Personal and Business Banking-("PBB")												
Home loans	7 058	83	74	-	157	69	6 890	-	6 890	11	6 901	229
Finance leases	13 486	-	97	512	609	360	10 293	2 241	12 534	343	12 877	428
Personal unsecured lending	60 480	619	907	689	2 215	2 199	56 369	1 062	57 431	834	58 265	1 043
Business term loans and overdrafts	82 206	565	636	4 810	6 011	1 895	71 914	313	72 227	3 968	76 195	2 482
Total loans PBB	163 230	1 267	1 714	6 011	8 992	4 523	145 466	3 616	149 082	5 156	154 238	4 182
Corporate and Investment Banking-("CIB")-												
Corporate loans	134 331	1 431	1 325	1 922	4 678	4 859	128 981	-	128 981	672	129 653	10 511
Total	297 561	2 698	3 039	7 933	13 670	9 382	274 447	3 616	278 063	5 828	283 891	14 693
Less impairments for loans and advances	(24 075)											
Net loans and advances	273 486											

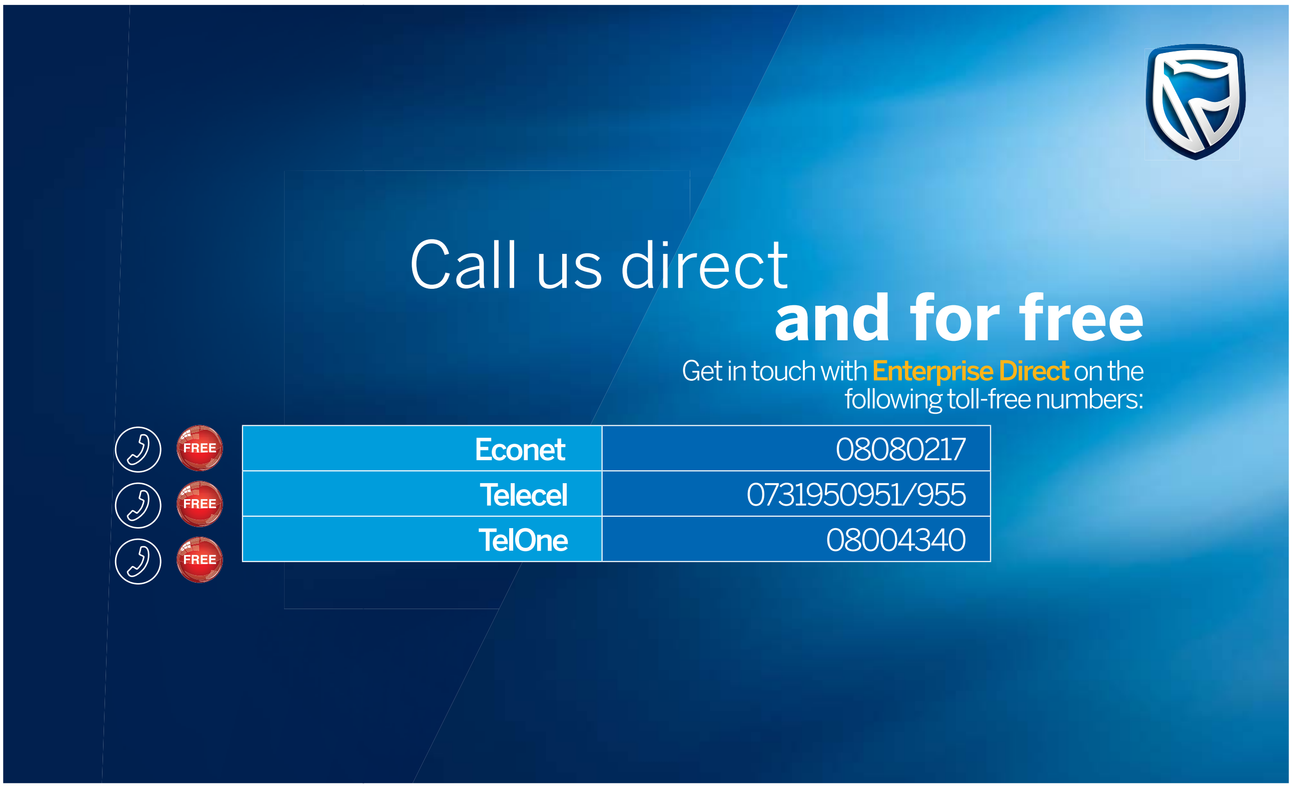
Exposure to credit risk by credit quality as at 31 December 2017 (USD'000)

Non performing loans

	Non-performing loans						
	Sub-Standard	Doubtful	Loss	Total non-performing loans	Security and expected recoveries	Specific impairments for non performing loans	Gross impairment coverage
Personal and Business Banking ("PBB")							
Loans to customers	566	1 316	4 497	6 379	(3 413)	(2 967)	47%
Corporate and Investment Banking ("CIB")							
Loans to customers	-	-	2 611	2 611	(400)	(2 211)	85%
Total	566	1 316	7 108	8 990	(3 813)	(5 178)	58%

Ageing of loans and advances past due but not specifically impaired

	Performing (Early arrears)			Non-performing		
	Less than 31 days	31-60 days	61-89 days	90-180 days	More than 180 days	Total
Personal and Business Banking						
Home loans	5 309	162	-	-	-	5 471
Finance leases	1 765	4 414	682	-	-	6 861
Business term lending	11 665	1 231	730	-	-	13 626
Personal term lending	6 749	214	38	-	-	7 001
Total loans PBB	25 488	6 021	1 450	-	-	32 959
Corporate and Investment Banking						
Term lending	2 202	-	-	-	-	2 202
Total	27 690	6 021	1 450	-	-	35 161



Risk management and control

For the year ended 31 December 2017

Exposure to credit risk by credit quality as at 31 December 2016 (USD'000)

Non performing loans

	Non-performing loans						
	Sub-Standard	Doubtful	Loss	Total non-performing loans	Security and expected recoveries	Specific impairments for non performing loans	Gross impairment coverage
Personal and Business Banking ("PBB")							
Loans to customers	1 267	1 714	6 011	8 992	(4 469)	(4 523)	50%
Corporate and Investment Banking ("CIB")							
Loans to customers	1 431	1 325	1 922	4 678	-	(4 860)	104%
Total	2 698	3 039	7 933	13 670	(4 469)	(9 383)	69%

Ageing of loans and advances past due but not specifically impaired

	Performing (Early arrears)			Non-performing		
	Less than 31 days	31-60 days	61-89 days	90-180 days	More than 180 days	Total
Personal and Business Banking						
Home loans	4	7	-	-	-	11
Finance leases	205	86	52	-	-	343
Business term lending	3 177	708	83	-	-	3 968
Personal term lending	430	247	157	-	-	834
Total loans PBB	3 816	1 048	292	-	-	5 156
Corporate and Investment Banking						
Term lending	-	-	-	672	-	672
Total	3 816	1 048	292	672	-	5 828

Liquidity risk

Definition

Liquidity risk arises when the Bank is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due or can only do so on materially disadvantageous terms. This may be caused by the Bank's inability to liquidate assets or to obtain funding to meet its liquidity needs.

Framework and governance

The Board sets and reviews the liquidity risk governance standard annually in accordance with regulatory requirements, international best practice and the Bank's stated risk appetite. This ensures that a comprehensive and consistent governance framework for liquidity risk management is followed. The Bank has an Asset and Liability Committee ("ALCO") responsible for ensuring compliance with liquidity risk policies. Under the delegated authority of the Board of Directors, ALCO sets liquidity risk standards in accordance with regulatory requirements and international best practice. This ensures that a comprehensive and consistent governance framework for liquidity risk management is followed across the Bank. Furthermore, the Bank's ultimate parent company, the Standard Bank Group Limited runs a Group ALCO function that monitors the various indicators in each country where its subsidiaries operate, thus ensuring a double layer of coverage for ALCO purposes.

Liquidity and funding management

The Bank is substantially aligned to the Basel Committee's principles for sound liquidity management as applied to banks.

The Bank is required to incorporate the following elements in its liquidity management process:

- maintaining a sufficiently large liquidity buffer;
- ensuring a structurally sound statement of financial position;
- short-term and long-term cash flow management;
- foreign currency liquidity management;
- preserving a diversified funding base;
- undertaking regular liquidity stress testing and scenario analysis; and
- maintaining adequate contingency funding plans.

The cumulative impact of the above elements is monitored on a monthly basis by the ALCO and the process is underpinned by a system of extensive controls. These include the application of purpose built technology, documented processes and procedures, independent oversight and regular independent reviews and evaluations of the effectiveness of the system.

In periods of increased volatility, the frequency of ALCO meetings is increased significantly to facilitate appropriate management action.

Funding base

The primary sources of funding are deposits from retail and corporate clients.

Liquidity stress testing and scenario analysis

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the Bank's funding profiles and liquidity positions. The crisis impact is typically measured over a two-month period, as this is considered the most crucial time horizon for a liquidity event. This may however vary depending on the severity of the stress scenario.

Anticipated on and off-balance sheet cash flows are subjected to a variety of bank-specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. Under each scenario, loan portfolios are assumed to roll over. However, the rollover of liabilities will be partially impaired resulting in a funding shortfall. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the Bank's ability to maintain sufficient liquidity under adverse conditions. The results also inform target liquidity buffer positions. The Bank's internal stress tests continue to be updated to align with Basel requirements and also reflect new reporting requirements and annual review amendments.

Risk management and control

For the year ended 31 December 2017

Maturity analysis of assets and liabilities:

The tables below set out the remaining undiscounted contractual maturities of the Bank's assets and liabilities.

31 December 2017 liquidity gap analysis (USD'000)	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	1 to 5 years	Insensitive portion	Total
Assets							
Cash and cash equivalents	654 667	19 000	56 000	-	-	-	729 667
Derivative assets	-	101	-	-	-	-	101
Financial assets available for sale	-	2 034	7 351	97 647	130 180	191	237 403
Investment securities	-	-	-	-	-	516	516
Loans and advances to customers	183 465	6 619	21 650	50 300	89 612	(21 237)	330 409
Other assets	8 217	5 351	-	-	-	91 449	105 017
Total	846 349	33 105	85 001	147 947	219 792	70 919	1 403 113
Equity and liabilities							
Derivative liabilities	-	6	-	-	-	-	6
Deposits from customers and other banks	1 207 547	4	-	-	217	-	1 207 768
Other liabilities	-	32 275	15 770	4 045	3 512	2 072	57 674
Equity	-	-	-	-	-	137 665	137 665
Total	1 207 547	32 285	15 770	4 045	3 729	139 737	1 403 113
Liquidity gap	(361 198)	820	69 231	143 902	216 063	(68 818)	
Cumulative liquidity gap	(361 198)	(360 378)	(291 147)	(147 245)	68 818	-	
Off-balance sheet exposures							
Letters of credit	(6 882)	-	(878)	(1 298)	-	-	
Financial guarantees	(908)	(1 577)	(1 389)	(3 010)	(57)	-	
Total liquidity gap (on-and off balance sheet)	(368 988)	(361 955)	(293 414)	(151 553)	68 761	-	
Total cumulative liquidity gap	(368 988)	(369 745)	(302 781)	(163 187)	52 819	-	

Other assets include intangible assets, current tax asset, deferred tax assets, investment property and plant and equipment. Other liabilities include internal clearing accounts.

Stanbic Chief Finance Officer and Board members handed over 300 Dove soaps, 600 sunscreen lotions, 300 lipbalms and 300 sunhats to the Albino Charity Organisation of Zimbabwe.

Risk management and control

For the year ended 31 December 2017

Maturity analysis of assets and liabilities:

The tables below set out the remaining undiscounted contractual maturities of the Bank's assets and liabilities.

31 December 2016 liquidity gap analysis (USD'000)	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	1 to 5 years	Insensitive portion	Total
Assets							
Cash and cash equivalents	346 700	15 000	43 000	-	-	-	404 700
Derivative assets	-	120	-	-	-	-	120
Financial assets available for sale	-	-	44 706	37 973	-	266	82 945
Loans and advances to customers	170 930	3 888	19 363	41 365	62 015	(24 075)	273 486
Other assets	2 772	3 750	-	-	-	77 751	84 273
Total	520 402	22 758	107 069	79 338	62 015	53 942	845 524
Equity and liabilities							
Derivative liabilities	-	11	-	-	-	-	11
Deposits from customers and other banks	701 817	-	-	-	408	-	702 225
Other liabilities	-	14 867	10 485	3 512	3 512	1 193	33 569
Equity	-	-	-	-	-	109 719	109 719
Total	701 817	14 878	10 485	3 512	3 920	110 912	845 524
Liquidity gap	(181 415)	7 880	96 584	75 826	58 095	(56 970)	
Cumulative on-balance sheet gap	(181 415)	(173 535)	(76 951)	(1 125)	56 970	-	
Off- balance sheet exposures							
Letters of credit	(1 277)	(149)	(250)	(924)	-	-	
Financial guarantees	(103)	-	(10 544)	(3 958)	(838)	-	
Total liquidity gap (on-and off balance sheet)	(182 795)	(173 684)	(87 745)	(6 007)	56 132	-	
Total cumulative liquidity gap	(182 795)	(175 064)	(89 274)	(18 330)	38 927	-	

Other assets include intangible assets, deferred tax assets, investment property and plant and equipment. Other liabilities include current tax liabilities.

Risk management and control

For the year ended 31 December 2017

Foreign currency liquidity management

A number of parameters are observed in order to monitor changes in either market liquidity or exchange rates. The use of the USD as the primary functional currency in Zimbabwe means that significant foreign currencies to the Bank are the South African Rand ("ZAR"), the Euro and the Pound sterling. These three foreign currencies (and other minor ones) contribute 2% (2016:3%) of the overall balance sheet size as depicted below and thus do not pose a significant foreign currency liquidity risk to the Bank:

Statement of financial position by currency as at 31 December 2017	Total USD'000	USD USD'000	ZAR USD'000	EURO USD'000	GBP USD'000	Other USD'000
Assets						
Cash and cash equivalents	729 667	700 374	18 231	9 782	862	418
Derivative assets	101	101	-	-	-	-
Financial assets available for sale	237 403	237 403	-	-	-	-
Investment securities	516	516	-	-	-	-
Loans and advances to customers	330 409	330 405	-	-	4	-
Current tax asset	3 199	3 199	-	-	-	-
Deferred tax	611	611	-	-	-	-
Other assets	13 950	13 881	52	10	4	3
Intangible assets	29 233	29 233	-	-	-	-
Investment property	21 128	21 128	-	-	-	-
Property and equipment	36 896	36 896	-	-	-	-
Total assets	1 403 113	1 373 747	18 283	9 792	870	421
Equity and liabilities						
Equity	137 665	137 665	-	-	-	-
Ordinary share capital	260	260	-	-	-	-
Ordinary share premium	10 790	10 790	-	-	-	-
Reserves	126 615	126 615	-	-	-	-
Liabilities	1 265 448	1 236 301	18 270	9 390	878	609
Derivative liabilities	6	6	-	-	-	-
Total deposits	1 207 768	1 183 369	16 190	6 996	732	481
Deposits from other banks	12 626	8 216	-	4 164	-	246
Deposits from customers	1 195 142	1 175 153	16 190	2 832	732	235
Other liabilities	57 674	52 926	2 080	2 394	146	128
Total equity and liabilities	1 403 113	1 373 966	18 270	9 390	878	609
Currency gap	-	(219)	13	402	(8)	(188)
Currency size as % of overall statement of financial position	100%	98%	1%	1%	0%	0%

Statement of financial position by currency as at 31 December 2016	Total USD'000	USD USD'000	ZAR USD'000	EURO USD'000	GBP USD'000	Other USD'000
Assets						
Cash and cash equivalents	404 700	384 135	17 976	1 521	586	482
Derivative assets	120	120	-	-	-	-
Financial assets available for sale	82 945	82 945	-	-	-	-
Loans and advances to customers	273 486	273 483	3	-	-	-
Deferred tax	4 739	4 739	-	-	-	-
Other assets	6 933	6 480	142	57	6	248
Intangible assets	26 469	26 469	-	-	-	-
Investment property	5 964	5 964	-	-	-	-
Property and equipment	40 168	40 168	-	-	-	-
Total assets	845 524	824 503	18 121	1 578	592	730
Equity and liabilities						
Equity	109 719	109 719	-	-	-	-
Ordinary share capital	260	260	-	-	-	-
Ordinary share premium	10 790	10 790	-	-	-	-
Reserves	98 669	98 669	-	-	-	-
Liabilities	735 805	710 984	21 335	1 670	644	1 172
Derivative liabilities	11	11	-	-	-	-
Total deposits	702 225	679 721	19 377	1 508	537	1 082
Deposits from other banks	1 478	605	-	-	-	873
Deposits from customers	700 747	679 116	19 377	1 508	537	209
Current income tax liabilities	1 032	1 032	-	-	-	-
Other liabilities	32 537	30 220	1 958	162	107	90
Total equity and liabilities	845 524	820 703	21 335	1 670	644	1 172
Currency gap	-	3 800	(3 214)	(92)	(52)	(442)
Currency size as % of overall statement of financial position	100%	97%	3%	0%	0%	0%

Risk management and control

For the year ended 31 December 2017

Market risk

The identification, measurement, control and reporting of market risk is categorised as follows:

Trading market risk

These risks arise in trading activities where the Bank acts as a principal with clients in the market. The Bank's policy is that all trading activities are contained in the Bank's trading operations.

Banking book interest rate risk

These risks arise from the structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities.

Interest rate risk measurement

The analytical techniques used to quantify banking book interest rate risk include both earnings and valuation-based measures. Results are monitored on at least a monthly basis by ALCO. The analysis takes cognisance of embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position. Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet repricing and/or maturity profiles and, where appropriate, the use of derivative instruments.

Interest rate risk limits

Interest rate risk limits are set with respect to changes in forecast banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity. All assets, liabilities and derivative instruments are allocated to time bands based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to time bands based on behavioural profiling (obtained through statistical analysis and, if required, expert judgement).

Annual net interest income at risk

Assuming no management intervention, a downward 100bps parallel rate shock on all yield curves would decrease the forecast net interest income based on balances as at 31 December 2017 by 8.97% (2016:8.33%). The table below indicates the USD equivalent sensitivity of the Bank's banking book earnings (net interest income and banking book mark-to-market profit or loss) and OCI in response to a parallel yield curve shock, before tax.

Interest rate sensitivity analysis	2017 USD'000	2016 USD'000
2017		
Increase in basis points	100	100
Sensitivity of annual net interest income	2 217	2 374
Sensitivity of OCI	-	-
Decrease in basis points	100	100
Sensitivity of annual net interest income	(4 236)	(2 927)
Sensitivity of OCI	-	-

The tables below analyses the Bank's exposure to interest rate and structural liquidity risks:

31 December 2017 interest rate repricing gap analysis (USD'000	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	> 1 year	Non-interest bearing	Total
Assets							
Cash and cash equivalents	27 476	19 000	56 000	-	-	627 191	729 667
Derivative assets	-	-	-	-	-	101	101
Financial investments	-	1 969	7 116	94 527	125 061	8 730	237 403
Investment securities	-	-	-	-	-	516	516
Loans and advances to customers	324 730	1 365	426	1 637	16 557	(14 306)	330 409
Other assets	8 212	-	-	-	-	96 805	105 017
Total	360 418	22 334	63 542	96 164	141 618	719 037	1 403 113
Equity and liabilities							
Derivative liabilities	-	-	-	-	-	6	6
Deposits from customers and other banks	274 293	-	-	-	217	933 258	1 207 768
Other liabilities	-	-	-	-	-	57 674	57 674
Equity	-	-	-	-	-	137 665	137 665
Total	274 293	-	-	-	217	1 128 603	1 403 113
Interest rate repricing gap	86 125	22 334	63 542	96 164	141 401	(409 566)	
Cumulative interest rate repricing gap	86 125	108 459	172 001	268 165	409 566	-	

Other assets include intangible assets, current tax asset, deferred tax assets, investment property and plant and equipment. Other liabilities include internal clearing accounts.

Risk management and control

For the year ended 31 December 2017

The tables below analyses the Bank's exposure to interest rate and structural liquidity risks:

31 December 2016 interest rate repricing gap analysis (USD'000	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	> 1 year	Non-interest bearing	Total
Assets							
Cash and cash equivalents	-	42 831	43 000	-	-	318 869	404 700
Derivative assets	-	-	-	-	-	120	120
Financial assets available for sale	-	38 971	3 099	35 669	-	5 206	82 945
Loans and advances to customers	-	282 655	456	2 618	-	(12 243)	273 486
Investment securities	-	-	-	-	-	516	516
Other assets	-	-	-	-	-	83 757	83 757
Total	-	364 457	46 555	38 287	-	396 225	845 524
Equity and liabilities							
Derivative liability	-	-	-	-	-	11	11
Deposits from customers and other banks	-	171 974	-	541	-	529 710	702 225
Other liabilities	-	-	-	-	-	33 569	33 569
Equity	-	-	-	-	-	109 719	109 719
Total	-	171 974	-	541	-	673 009	845 524
Interest rate repricing gap	-	192 483	46 555	37 746	-	(276 784)	
Cumulative interest rate repricing gap	-	192 483	239 038	276 784	276 784	-	

Other assets include intangible assets, deferred tax assets, investment property and plant and equipment. Other liabilities include current tax liabilities and deferred tax liabilities.

Market risk measurement

The techniques used to measure and control market risk include:

- Daily value-at-risk ("VaR"); and
- Stress tests.

Daily VaR

The Bank uses the historical VaR approach to derive quantitative measures, specifically for market risk under normal conditions. Normal VaR is based on a holding period of one day and a confidence interval of 95%. The use of historical VaR has limitations as it is based on historical correlations and volatilities in market prices and assumes that future prices will follow the observed historical distribution.

The Bank back-tests its VaR models to verify the predictive ability of the VaR calculations, thereby ensuring the appropriateness of models. Back-testing compares the daily hypothetical profits or losses under the one-day buy and hold assumption to the prior day's VaR.

Stress tests

Stress testing provides an indication of the potential losses that could occur in extreme market conditions. The stress tests carried out by the Bank include individual market risk factor testing and combinations of market factors per trading desk and combinations of trading desks. Stress tests include a combination of historical and hypothetical simulations.

Other market risk measures

Other market risk measures specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor and stop loss triggers. In addition, all approved products that can be independently priced and properly processed are permitted to be traded. All VaR limits are approved by both in-country and the Standard Bank Group Limited ALCOs.

The Risk Department independently validates and documents new pricing models and performs an annual review of existing models to ensure they are still relevant and behaving within expectations. In addition, the Risk Department assesses the liquid closing price inputs used to value instruments daily and performs at least a monthly review of less liquid prices from a reasonableness perspective. Where differences are significant, mark-to-market adjustments are made.

Foreign currency risk

The Bank's primary exposures to foreign currency risk arise as a result of cash exposures in currencies other than the functional currency. These exposures mainly arise from the proprietary currency trading business undertaken by the Bank's Global Markets Department and are measured using the value-at-risk approach. Market risk is managed in accordance with the comprehensive risk governance standard, with oversight from the Bank's ALCO.

Foreign currency value at risk for December 2017

	Maximum possible loss in December 2017 USD'000	Minimum possible loss in December 2017 USD'000	Average possible loss USD'000	Possible loss at 31 December 2017 USD'000	Maximum acceptable VaR loss USD'000
Normal VaR	4.28	0.85	1.78	1.26	23
Stress VaR	12.3	7.18	8.54	11.4	119

As depicted in the table above, historical trading data for the foreign currency business indicates that the maximum possible loss for any one day's trading in 2017 was USD4 280 (2016:USD2 080), and the minimum possible loss was USD850 (2016:USD790), with an average possible loss of USD1 780 (2016:USD1 400) in comparison to the maximum acceptable possible loss of USD23 000 (2016:USD23 000).

Risk management and control

For the year ended 31 December 2017

Interest rate risk limits

Interest rate risk limits are set with respect to changes in forecast banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity. All assets, liabilities and derivative instruments are allocated to time bands based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to time bands based on behavioural profiling (obtained through statistical analysis and, if required, expert judgement).

Operational risk

Approach and responsibility for operational risk management and oversight

The Bank's Operational Risk Management ("ORM") framework is articulated in the Bank's compliance manuals which define a common framework for the management of all operational risks. The Bank's ORM framework is designed to be fit-for-purpose. In developing the framework, the Bank has embraced principles that meet and often exceed regulatory requirements. The framework, together with policies and methodologies, ensures a consistent approach to the identification, assessment and monitoring of operational risk across the Bank. In addition, the Board considers operational risk at every meeting, either as a specific agenda item or through the review of the minutes of lower-level operational risk committee.

An independent review of the Bank's ORM framework is also performed by the Internal Audit Department to ensure that operational risk practices are embedded as ORM matures.

The management and measurement of operational risk

Risk assessments are an integral part of the overall risk management process and cover the key components of identification, assessment and management of risk. The Bank's risk and control self-assessment ("RCSA") policy operationalises the need for business to perform self-assessments on an annual basis and initiate actions to mitigate risks or control deficiencies.

Risk assessments are supplemented with loss data experience. The Bank ensures the systematic tracking of operational risk losses and near miss events by business line via a centralised database ("Orbit"). The detailed loss data collection ("LDC") process occurs at a decentralised level within each functional area. The information is centralised by ORM who are responsible for defining the parameters, database fields and maintaining the integrity of the data. Line management in each functional area is responsible for driving the LDC process supported by the independent Risk Department.

The Bank uses key risk indicators ("KRIs") to monitor exposures to key risks identified in the RCSA process. The KRI process is an important component in the management of operational risk and contributes to the development of the Bank's operational risk profile.

The insurance requirements and processes are the responsibility of the Finance and Risk Management Departments who ensure that the Bank maintains adequate insurance to cover key operational and other risks. Insurance is not considered as an alternative to effective preventative and detective controls but as a compensatory control, providing protection from the consequences of control failure.

Operational risk appetite is determined by setting tolerance thresholds for both financial and non-financial impacts. These are used to guide escalation and mitigation strategies. In addition, tolerances are set through specific risk indicators although these are generally reliant on senior management's assessment of acceptable risk.

Business units have developed materiality thresholds (financial and non-financial) for the immediate escalation of material incidents to the various business and risk management structures within the Bank. These materiality thresholds also determine which exposures need to be reported to the various management and Board Risk committees.

Operational risk reports are produced on a monthly and quarterly basis by the ORM function and highlight potential and actual exposures, material incidents and applicable action plans. These reports are circulated to management and the Board on a monthly and quarterly basis respectively.

Business continuity management

Business Continuity Management ("BCM") in the Bank has continued to improve the ability of all critical operations to manage any unexpected business disruptions and/or crises. The Bank continually enhances the process of assessing needs, identifying gaps and single points of failure, improving recovery strategies and keeping plans current by running regular exercises. The Bank has improved its resilience strategy by increasing the number of critical businesses operations utilising the dual site strategy. The Bank also embarked on an awareness campaign to raise awareness of business continuity and to ensure that employees know their roles in the event of a crisis.

The status of the Bank's BCM capability is continually monitored through various reporting structures with relevant information flowing through to the respective governance committees and the Board.

Information risk management

Information risk is defined as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which compromises their confidentiality, integrity or availability.

Information has become indispensable to doing business. The growing dependence on information and the systems that handle it, coupled with the risks, benefits and opportunities these resources present, have made information risk an increasingly critical facet of overall risk management for the Bank.

Information Risk Management ("IRM") deals with all aspects of information whether spoken, written, printed, electronic or relegated to any other medium regardless of whether it is being created, viewed, transported, stored or destroyed.

Fraud risk management

The Bank takes a "Zero Tolerance" approach to fraud and corruption. In the case of any staff member being involved in fraud or corruption, disciplinary or civil or criminal action is taken. Employees found guilty of dishonesty through the Bank's disciplinary processes are listed on appropriate industry databases of dismissed staff.

Fraudulent activities against the banking industry are continuously monitored through the Bank's participation in industry bodies such as the Interbank Committee.

To enable the effective management of fraud risk, it is a requirement that each business unit identifies all inherent fraud risks and implement controls to mitigate these risks following the risk versus reward approach.

Greater emphasis is also being placed on risk factors that contribute to fraud, especially in business units where there are less effective controls to prevent fraud.

Legal risk

Legal risk arises where:

- the Bank's businesses may not be conducted in accordance with applicable laws of Zimbabwe;
- incorrect application of regulatory requirements takes place;
- the Bank may be liable for damages to third parties; and
- contractual obligations may be enforced against the Bank in an adverse way, resulting in legal proceedings being instituted against it.

Risk management and control

For the year ended 31 December 2017

Although the Bank has processes and controls in place to manage legal risk, failure to do so effectively could result in legal proceedings that impact the Bank in both financial and reputational aspects.

Tax risk

Tax risk is the possibility of suffering unexpected loss, financial or otherwise, as a result of the application of tax systems, whether in legislative systems, rulings or practices, applicable to the entire spectrum of taxes and other fiscal imposts to which the Bank is subject.

In terms of the Bank's tax policy the Bank fulfils its responsibilities under tax laws whether in relation to compliance, planning or client service matters. Tax law includes all responsibilities which the Bank may have in relation to company taxes, employee taxes, capital gains taxes, indirect taxes and tax administration.

Compliance with this policy is aimed at ensuring that:

- the Bank pays neither more nor less tax than tax law requires;
- the Bank continually reviews its existing operations and planned operations in this regard; and
- the Bank ensures that, where clients participate in Bank products, these clients are either aware of the probable tax implications, or are advised to consult with independent professionals to assess these implications, or both.

The framework to achieve compliance with the Bank tax policy comprises four elements:

- tax risk - identification and management;
- human resources - an optimal mix of staffing and outsourcing;
- skills development - methods to maintain and improve managerial and technical competency; and
- communication - of information affecting tax within the Bank.

Good corporate governance in the tax context requires that each of these elements are in place as the absence of any one of the elements would seriously undermine the others.

The identification and management of tax risk is one of the key functions of the Bank's Finance Department. This objective is achieved by applying a tax risk matrix approach, which measures the fulfilment of tax responsibilities against the specific requirements of each category of tax to which the Bank is exposed, in the context of the various types of activity the Bank conducts.

Compliance risk

Approach to compliance risk management

The Bank's approach to managing compliance risk exposures is proactive and premised on internationally accepted principles of risk management and aligned with the methodologies used by the Bank's other risk assurance functions. Bank Compliance provides leadership on compliance with money laundering and terrorist financing control, occupational health and safety and emerging legislative developments. In line with international best practice, responsibility for compliance remains with executive management. To support the Bank's approach to compliance risk management, ongoing monitoring takes place to ensure adherence to the Bank compliance policy and standards.

Framework and governance

Compliance Risk Management is an independent core risk management activity overseen by the Bank's Compliance Officer whose position is mandated and approved by the Reserve Bank of Zimbabwe. The Compliance Officer has unrestricted access to the Chief Executive and the Board Audit Chairman, and reports independently to the Board Audit Committee.

The compliance framework is based on the principles of effective compliance risk management issued by the requirements of the Banking Act of Zimbabwe (Chapter 24:20) and the Basel Committee on Banking Supervision. The Bank operates a centralised compliance risk management structure.

Executive management with the responsibility for all aspects of compliance risk management are subject to the appropriate corporate governance reporting structures. All business units are responsible for compliance with relevant legislation and are responsible for reporting on compliance matters to the Chief Compliance Officer.

Money laundering control

Legislation pertaining to money laundering and terrorist financing control imposes significant customer identification, record keeping and training requirements, as well as obligations to detect, prevent and report money laundering and terrorist financing. The Bank is committed to continually improving its control measures as the regulatory environment evolves. The Bank's minimum standards are regularly reviewed to ensure alignment with international best practice and the breadth and depth of money laundering surveillance systems across the Bank are continually expanded.

Occupational health and safety

The health and safety of employees, customers and other stakeholders is a priority and the Bank aims to identify and reduce the potential for accidents or injuries in all its operations. Training of health and safety officers and staff awareness is an ongoing endeavour. Standards to support health and safety requirements to a uniform level across all of our operations are being developed.

Reputational risk

Reputational risk results from damage to the Bank's image which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding the Bank's reputation is of paramount importance to its continued success and is the responsibility of every member of staff.

Independent assurance- Internal audit

The Bank's Internal Audit ("IA") Department reports to and operates under a mandate from the Board Audit Committee ("BAC") and has the authority to independently determine the scope and extent of work to be performed. The IA Department's primary objective is the provision of assurance to the BAC. It assists executive management teams in meeting their business objectives by examining the Bank's activities, including risk management, control and governance processes, assessing the risks involved and evaluating the adequacy and effectiveness of processes, systems and controls to manage these risks. A risk based audit approach has been adopted. Material or significant control weaknesses and planned management remedial actions are reported to the BAC and to other Board committees. These issues are tracked to ensure that agreed remedial actions have been implemented. Overdue issues are reported to the BAC on a quarterly basis.

Stanbic Bank continues to sponsor the annual Stragglers Cricket tournament.

Stanbic Bank and Chitungwiza Central Hospital Management and staff pose for a photo. Stanbic Bank drilled 1 borehole and resuscitated 2 others for the hospital.

Stanbic Bank Zimbabwe's Report to Society 2017

Moving Forward, Together

CONTENTS

STANBIC BANK ZIMBABWE
REPORT TO SOCIETY
2017

Introduction

The Bank is conscious that its operations should be in harmony with the environment. Therefore, as we carry out our business activities, we intentionally embed socially and environmentally conscious strategies therein to ensure that we have the most positive impact in our society and the environment.

Potential environmental and social risks are always looming due to the unpredictable nature of life, but we expend effort in forecasting and mitigating these risks that may be associated with our actions in the present or future.

Our values and code of ethics guide us in doing the right business, the right way. In Zimbabwe, we are committed to upholding the principles of the Constitution, and the associated Bill of Rights. We comply with all applicable legislation in our country.

OUR DIVERSITY RESUME

Support of visually impaired staff

Support of visually impaired staff to access appropriate computer systems they require to carry out their jobs as well as learning resources.

Generational diversity

Generational diversity - The age of our staff is reflective of the demographics of our country's citizens.

Gender diversity

Gender diversity – The gender balance of our workforce has grown over the years to align closer to the country's demographic, and we continue to focus on driving the number of skilled and competent women in senior roles.

Encouragement of open and honest communication

Encouragement of open and honest communication to ensure that the opinions of staff are heard and taken into consideration.

Upholding our core values

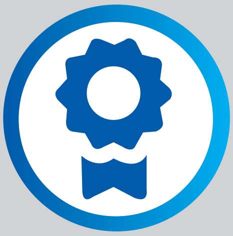
Upholding our core values, which include:

- Respecting each other – we aim to ensure that all staff members respect customers as well as each other despite different opinions, races, political affiliation etc.
- Being proactive – staff are encouraged to be proactive in order for them to showcase their talent and abilities
- Growing our people – learning and development of staff is encouraged to ensure that staff are developed to perform optimally and to have opportunities for growth within the larger Standard Bank Group.

2016 - Institute of Personnel Management HR Excellence Awards - Diversity Impact Award

We recognise that talent is diverse. If we want to hire the best people, we must be able to select from the widest talent pool and select the right mix of talent to understand our diverse customer base;

We Value the diversity of our customers and their need for innovative and unique financial solutions;



We Commit to leveraging the unique diversity of our employees to the benefit of our customers; and

We Aspire to build an inclusive culture, in which all our employees feel empowered and motivated to work together to create value for our customers, our shareholders and the societies in which we operate.

We can confidently confirm our support and acceptance of various age groups, religions, physical capabilities, family status, language, opinions, economic, societal, cultural, racial, geographic and political backgrounds of individuals. All individuals are respected for who they are.

VALUE DERIVED FROM DIVERSITY

Diversity is the creation of an organizational culture where the best people want to work, where everyone is treated with dignity and respect, where people are promoted on their merits and where opportunities for success are available to all .

The Bank makes deliberate efforts to address and support personal characteristics of our staff. We strongly believe there is strength in diversity and we are committed to a culture of inclusion. Our Group-wide principles underscore our philosophy and actions every day.

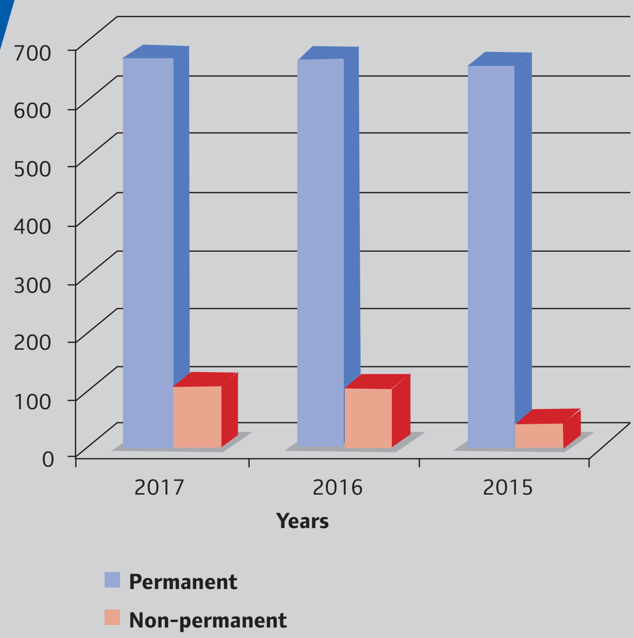
As a commercial bank in Zimbabwe, putting diversity at the heart of our operations is but one of the many trends we are setting. Our business already caters for a diverse clientele base and we also make deliberate efforts to diversify the talent working in the Bank for the benefit of customers.

Our employees are at the heart of our operations. Employees are the Bank's most important asset and we value their physical, intellectual, spiritual and financial wellbeing.

GENDER DIVERSITY

We believe in the empowerment of women and that gender parity is possible. As part of Standard Bank Group, our standards of work are international and we will continue to join the rest of the world in supporting the empowerment of women because their contribution is just as valuable as that of their male counterparts. Stanbic Bank Zimbabwe has 20 branches, 11 of which are managed by female staff who continuously prove that gender stereotypes created by unprogressive cultures require disillusionment.

Total number of employees



ENTERPRISE DEVELOPMENT

According to the FinScope Micro, Small, and Medium Enterprise (MSME) Survey of 2012, Small to Medium Enterprises (known as Enterprise clients within our Group) in Zimbabwe employ approximately 5.7 million people (2.8 million business owners and 2.9 million employees), representing 73% of the total national workforce of 7.8 million.

We provide our services to this sector in order to assist with the development of the country and improvement of livelihoods through these entrepreneurs. Our aim is to empower the youth and women through the financing of projects which make them self-sufficient. The empowerment of the youth is made possible through facilities tailored to meet their needs. The empowerment of women has been facilitated through the Reserve Bank of Zimbabwe's Women Empowerment Fund initiative in which we are deploying $1 million. We have engaged Women's Alliance in Business Association of Zimbabwe (WABAZ), an organization that works with women, for assistance with identifying the candidates that qualify and will benefit the most from the fund.

Enterprise Online

Technological advancement through the digitization of banking activities has contributed to the increase in financial inclusivity. The introduction of a user friendly Internet based banking platform tailormade for Enterprise Banking clients has brought about convenient and affordable banking solutions for them. Out of branch banking has also allowed our customers to spend more time growing their businesses instead of travelling to the bank to access banking services.

Business Registration

Regulatory Know-Your-Client (KYC) requirements that we adhere to promote financial and economic inclusion by requiring entrepreneurs to formally register their businesses before they can open a bank account. This has seen a lot of entrepreneurs formalizing their businesses by registering Private Business Corporations which is a form of Company cheaper to register than the common Private Limited Company. This formalization of business activities contributes to the fiscus as the entrepreneurs now participate in the formal economy.

Financing

The Enterprise sector is playing a critical role in economic development through job creation and poverty alleviation, contributing more than 60% of the country's Gross Domestic Product. Financing these companies' projects then becomes a critical responsibility which has a positive impact on the economy as it boosts production and assists the organizations to contribute to the GDP. In the year 2017, we financed over 300 Enterprise Banking clients with facilities worth $14 million, directly contributing to the annual capital requirements for the sector.

INCUBATOR

As most of the entrepreneurs are financially excluded, the Bank has made a conscious decision to include them into the formal system through incubator programs. The programs include capacitating the entrepreneurs financially, creating linkages and facilitating access to markets. Thereafter, the entrepreneurs who would have benefitted from the incubator programs are included in the formal banking system.

DIGITAL BANKING

In a country where cash challenges were creating major hindrances for individuals, enterprises and corporates alike, we managed to provide means for clients in all segments to have access to their finances and maintain productivity by providing vibrant digital channels for them to execute their transactions.

Following an upgrade of our online banking platform, we observed an 800% increase in online banking transactions, a 1000% increase in mobile banking transactions, and a 400% increase in card transactions from 2016.

Save a tree by reducing paper usage

Digital banking has significantly reduced the use of paper as it is virtually paperless. This is an environmentally friendly transaction platform which reduces costs for customers whilst preserving the environment and energy. Given that a tonne of paper requires a sizable number of trees to be cut down, the savings from going electronic will benefit our environment. We are glad to be achieving this through our digital banking strategy.

Recycling

Paper used on all our premises is recycled through the National Waste collection company. Recycling paper reduces methane and carbon dioxide in the atmosphere. When paper decomposes anaerobically in landfills, it produces the gas methane. Methane, a highly potent greenhouse gas, together with carbon dioxide contribute to global climate change. Trees absorb carbon dioxide and when they are cut down to make paper products, more carbon dioxide is released than absorbed. Recycling paper preserves trees and forests. Recycled paper serves as an environmentally friendly resource for paper manufacturers, saving costs and energy, complementing our efforts of preserving the environment that we exert through our partnership with organisations such as Matobos Heritage Challenge and Friends of the Environment.

FINANCIAL INCLUSION

Tobacco Blue Card Account

The Tobacco Blue Card Account is a low cost transactional account for small scale tobacco farmers who previously did not have access to banking services. Its features have been developed to suit the tobacco farmers in that it does not attract monthly management fees and falls dormant after 1 year instead of the normal 3 months in order to cater to the seasonal nature of the tobacco farming calendar. The Tobacco Account is linked to an ATM card, Blue247 mobile banking and Ecocash mobile money.

We have managed to establish long standing partnerships that allow us to contribute directly and indirectly to resource efficiency projects. Through environmental conservation projects spearheaded by different organizations, we have managed to make positive contributions to resource management causes such as afforestation and the "green" initiative.

RISK MANAGEMENT: DOING THE RIGHT BUSINESS THE RIGHT WAY

A culture of Compliance has become integral to the functions of any organisation more so in the banking industry. The levels at which financial institutions are penalized for non- compliance has notably increased over the years. This has resulted in a significant investment in talent to man our Compliance functions in order to mitigate the risk. The Bank has a Compliance team which proactively supports senior management and business units through effective compliance risk management practices to ensure that all business is conducted within statutory, supervisory and regulatory requirements, thereby mitigating regulatory sanctions and reputational risk. The Bank has strengthened its compliance culture through investing significantly in compliance monitoring and training of staff.

In order to maintain an appropriate level of regulatory awareness in the Bank, the training methodology has been improved to ensure that all staff members complete their compliance training in order for them to understand everyone's role in keeping the Bank on the right regulatory compliance track. Training is the foundation for better understanding and good service to our customers. Our compliance culture is one of our strengths as we aim to adhere to proper conduct in our business.

COMBATING FINANCIAL CRIME

One of our major focus areas is mitigating the risk of money laundering and terrorist financing. The objective of Know Your Customer (KYC) is to prevent the Bank from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC is a crucial compliance requirement for banks the world over. Banking laws in Zimbabwe require banking institutions to conduct customer due diligence (CDD) during the process of opening banking accounts and we are confident that our KYC process enables us to remain compliant.

The KYC process also enables us to understand our customers better and be in a position to provide them with the services that suit their needs whilst simultaneously protecting the Bank and the community at large from fraudulent or criminal transactions, or being used to channel funds to support terrorism or other illegal activities.

Awareness of the reality of financial crime is also a mission we put on our agenda, and our customers need to be aware of the risks in order to avoid being victims. Our efforts have assisted our customers with information that keeps them safe and we have seen a decrease in card fraud related issues following our awareness campaigns.

ENERGY

The unavailability of adequate power remains one of Zimbabwe and sub-Saharan Africa's key challenges. Power remains a critical resource for industrial growth, yet the supply thereof remains extremely limited across large parts of the region resulting in the negative impact on development and economic growth.

We injected USD30 million in financing the Zimbabwe Power Company (ZPC) in a USD120 million deal in collaboration with the Standard Bank of South Africa who partnered with The Eastern and Southern African Trade and Development Bank (PTA Bank) and Standard Bank Namibia to deliver the financing. This deal assisted ZPC with the capital required for the rehabilitation and expansion works at its two power generation stations of Kariba South Hydro Power Station and the Hwange Thermal Power Station. This development will improve industrial growth for the nation as supply of the much needed power will aid in efforts to revive and run businesses in different sectors of the economy.

DEVELOPING AND CONSERVING OUR NATURAL RESOURCES

The completion of the Tokwe Mukosi dam in Masvingo enabled the availability of critical resources needed to drive sustainability in the lives of the Masvingo community. Our role of enabling the main constructor, Salini Impregilo, to access finance for the procurement of equipment to complete the dam is one which brought about a new era in the Masvingo area. Various sustainable projects such as fisheries and irrigation have been commenced to empower the Masvingo populace through agriculture.

DRIVING THE ECONOMY ONE SECTOR AT A TIME

Our Corporate and Investment banking portfolio is a great contributor to the growth of our country's economy as we aim to supply a great percentage of the required industry capital annually in the mining, tobacco farming and power sectors.

In 2017, our contribution towards the mining sector from our balance sheet and Standard Bank South Africa combined was USD169 million. Our investment in the tobacco sector stood at USD263 million with a local component of USD30 million which brings the total up to USD293 million. These two industries were major foreign currency generators for the country and provided the much-needed foreign currency for our economy to continue on a stable trajectory.

A contribution of USD103 million was made towards the consumer sector, both retail and agriculture. It is our mandate to assist various corporates access the required capital for them to be able to unlock more funding or progress their business activities for the benefit of the economy at large.

CASTING OUR CORPORATE CITIZEN STATUS IN CONCRETE

Minerva Branch and Private Banking Suite were relocated from the city center to number 6 Duthie Avenue in Alexandra Park which is a residential neighborhood also housing corporate offices and embassies. We are honoured to have had the chance to resurface the Duthie Avenue road/tarmac as our way of contributing to this specific community, an initiative which continues to benefit the residents of Alexandra Park and all the people who visit this area for business or personal purposes. We look forward to adding value in different communities through construction of infrastructure that benefit the country.

CORPORATE SOCIAL INVESTMENT

In line with our CSI policy, our main focus has been health, education and sanitation projects. Our investment has significantly increased from 2015 and we have adopted a number of sustainable projects over the past year which includes major referral hospitals in the country.

- Provision of clean borehole water to the following health institutions: Mpilo Hospital, Chitungwiza Central Hospital, St Albert's Mission Hospitals.
- Financial support to the Cancer Association of Zimbabwe for the purchase of chemotherapy drugs.
- Purchase of blankets for Harare Children's Hospital.
- Provision of sunscreen lotions and moisturisers to people living with albinism in conjunction with the Albino Charity Organisation of Zimbabwe (ALCOZ).

EDUCATING THE NATION

We are passionate about educating our nation and as the old adage goes, "charity begins at home". Growing our people is one of our values and we ensure that through internal channels, our staff members have access to educational courses via the custom built online platform as well as training at our head office facility in Johannesburg, Global Leadership Centre. We also encourage staff to enroll in different tertiary institutions of their choice in order to upgrade their qualifications thereby enhancing their knowledge and soft skills.

To benefit our wider communities, since 2015, we have invested in our educational bursary scheme which enables underprivileged students to access quality education.

Inforgraphic by Save the Children

Zimbabwe is widely regarded as having the highest literacy rate in Africa. In 2015, according to The World Data Atlas, the adult literacy rate for Zimbabwe was 86.9 % having grown by an average annual rate of 3.79% from 77.8% in 1982. However, it is unfortunate that part of the illiterate population are victims of circumstances. According to Zimstat 2016 statistics, more than 1 159 035 children in Zimbabwe have never been to school and 6 721 958 left school because their guardians could not afford to keep them in school. We have committed ourselves to join in the bid to educate our nation. Our aim is to take on a significant number of children from all districts and provinces to school each year and we will continue to enhance our bursary program.