UNAUDITED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016

CHAIRMAN'S STATEMENT

I take great pleasure in presenting to you the unaudited financial results of Stanbic Bank Zimbabwe Limited ("the Bank" or "Stanbic Bank") for the half year ended 30 June 2016.

State of the operating environment in the country
The economy appears to be slipping into a recession as evidenced by the following:

- A high probability that the economy will register a decline in GDP for the first time since dollarization in 2009;
- Key productive sectors continue to underperform, underpinned by the following developments in each sector:
  - Agriculture - El Nino induced drought conditions;
  - Mining - low international commodity prices;
  - Manufacturing - high cost of production and obsolete production technology; and
  - Distribution - foreign currency shortages and weak internal demand.
- During the first quarter of the year, Government revenues were 16% below budget and 9.8% below collections attained in the prior year. Government issued Treasury Bills amounting to USD245 million during the first quarter of 2016 to cover the deficit;
- During the first five months of 2016, exports receipts of USD948 million were 8.8% below the comparative period in 2015. Imports over the same period amounted to USD2.2 billion and were 7.5% below 2015 levels. The country is required to import cereals worth USD700 million to mitigate the impact of drought. The Balance of Payments position is projected to further deteriorate in the outlook to December 2016;
- Most listed companies on the Zimbabwe Stock Exchange continue to record reduced sales volumes and profit levels; and
- Money supply (M3) level is rapidly growing on the back of accelerating credit to Government. As at the end of April 2016, annual money supply increased by 12.8% to USD5 billion. During this period credit to Government rose by 171% while credit to the productive sector declined by 3.4%.

Results
The Bank ended the first half of the year with a profit of USD10.5 million which was level with the prior period's performance. The stagnation in the Bank's performance during the period under review has been largely as a result of the unexpected decline in the volumes of transactions passing through our channels as the market wide cash and nostro shortages had a significant negative impact on our business, coupled with the regulatory directives on charges. This was partially offset by the 11% growth in our net interest income from USD20.8 in June 2015 to USD23.1 million as additional interest earning assets were acquired.

Capital
As at 30 June 2016, the Bank's qualifying core capital stood at USD95.3 million (June 2015:USD81.6 million) against the regulatory minimum of USD25 million. The Bank is confident that it will meet the regulatory minimum core capital of USD100 million by 2020.

Outlook
Going forward, the acute foreign exchange shortages are expected to significantly constrain productivity levels as most companies import critical raw materials, machinery, spare parts and other production inputs. While the Reserve Bank of Zimbabwe must be commended for putting in place foreign exchange demand management measures, there is also a need for the Government to put in place a sustainable policy framework that promotes increased foreign exchange mobilisation through external lines of credit, increased exports receipts, foreign direct investments and Diaspora remittances.

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 regulatory requirements and central bank directives, in all material respects.

The Board of Directors
The Board meets a minimum of four times per year, and the record of attendance of each director is as follows for the half year ended 30 June 2016:

DIRECTOR'S NAME	MAIN BOARD	AUDIT	L R	CREDIT	HR	NOM	RISK
Sternford Moyo *(Chairman)*	2	**	3	**	**	1	**
Joshua Tapambgwa *(Chief Executive)*	2	**	**	**	**	**	**
Cathrine Chitiyo	2	**	**	3	1	**	2
Gregory Sebborn	2	2	**	3	**	**	2
David Ellman-Brown	2	2	3	**	**	**	**
Emmanuel Jinda	2	**	2	**	1	1	**
Malcolm Lowe*	1	**	**	3	**	**	2
Weston Makwara *(Executive)*	2	**	**	**	**	**	**
Linda Masterson	2	2	**	3	0	0	2
Solomon Nyanhongo *(Executive)*	2	**	**	**	**	**	**
Paul Smith*	2	**	**	**	**	**	1
Pindie Nyandoro*	2	**	**	**	**	1	**

*South African based members
** Not a member

HR - Human Resources and Remuneration Committee
NOM - Board Nominations Committee
LR - Board Loans Review Committee

As at 30 June 2016, the Board comprised twelve directors, three of whom are executive directors. The Board has an appropriate level of independence for deliberations and objectivity and has the right mix of competencies and experience. The Board is responsible for the overall corporate governance of the Bank, 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 half year ended 30 June 2016, the committee held two meetings.

As at 30 June 2016 the committee comprised three independent 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.

Communication between the Board, executive management, compliance, internal audit, and external audit is encouraged. 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 on major defalcations, and the effectiveness of Bank's compliance plan.

Board Loans Review Committee
The committee meets at least four times annually and may convene more often as and when necessary. During the half year ended 30 June 2016, the committee held three meetings.

The Loans Review Committee reviews customer facilities and the level of bad 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 three independent non-executive directors, inclusive of the Chairman of the Board.

Board Credit Committee
This committee meets at least four times a year, with additional meetings being convened when necessary. During the half year ended 30 June 2016, the committee held three 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 four non-executive directors, two of whom are independent.

Board Human Resources and Remuneration Committee
The committee meets twice a year and during the half year ended 30 June 2016, the committee held one meeting.

The committee is made up of three non-executive directors, two of whom are independent non-executives. The committee considers all human resources issues including the recruitment policy, industrial relations, succession planning, safety and health and remuneration terms and packages for management and staff.

Summary of the remuneration policies for directors and senior management
Remuneration for directors and senior management is set taking into account compensation trends at comparable organisations in the Zimbabwean market, the performance of the Bank, affordability to the Bank, Standard Bank Group policies and advice from independent human resources consultants.

Board Risk Committee
The committee meets four times a year. During the half year ended 30 June 2016, the committee held two meetings.

As at 30 June 2016 the committee comprised five 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.

Board Nominations Committee
The committee meets as and when necessary. During the half year ended 30 June 2016, the committee held one meeting.

As at 30 June 2016 the committee comprised four non-executive directors three of whom are independent.

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. During the half year ended 30 June 2016, the committee held six 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
- grow statement of financial position size and profits for the period in line with budget.

Stanbic Bank Nominees (Private) Limited
Stanbic Bank Nominees (Private) Limited is a wholly owned subsidiary of Stanbic Bank. It is the nominee company for investments made by Stanbic Bank clients on the money and equity markets (the Bank's custodial business). The Board for Stanbic Bank Nominees comprises two executive directors and three non-executive directors, who meet on a quarterly basis to review the operations of the company and the risks associated with the custody business. The assets and income arising thereon have been disclosed in note 14.

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
The Bank prides itself in making a positive difference to the communities in which it operates as we recognise that our success comes from these communities. We will continue to strive for the betterment of the various environments we operate in by contributing to community initiatives, developing our employees and delivering value to our valued customers and shareholders.

Acknowledgements

I take this opportunity to express my sincere appreciation to our customers for their unwavering support during the difficult period under review. I remain grateful for the support from my fellow board members, management and staff without whom the Bank's results would not have been achieved.

Sternford Moyo
Chairman

30 August 2016

CHIEF EXECUTIVE'S REPORT

Overview of business results for the half year ended 30 June 2016

Stanbic Bank Zimbabwe successfully navigated yet another challenging period which was characterised by debilitating cash and nostro shortages.

The Bank closed the first half of the year with a profit after tax of USD10.5 million remaining level with the comparative period's performance.

Net interest income of USD23.1 million grew by 11% from USD20.8 million as the Bank's interest earning assets increased by 10% from USD375 million in December 2015 to USD413 million due to new loans and additional short term investments that were made during the period under review.

The Bank experienced a 12% decline in its fee and commission income from USD17.8 million in June 2015 to USD15.6 million. This is a reflection of the downside impact of the current market wide cash and nostro shortages which saw a decline in transaction volumes passing through our delivery channels. The recent monetary policy measures which included, among others, the introduction of surrender requirements on mineral and tobacco exports, compounded by the directive for banks to cut bank charges also had a negative impact on our fee and commission income.

Operating expenses grew by 1% from USD25.1 million in the comparative prior period to USD25.5 million as the Bank invested in various initiatives in a bid to improve our customer service experience. Despite this increase in operating expenses, the Bank's cost to income ratio improved from 60% to 59%. Given the deterioration in our fee and commission income, our focus remains directed at further reducing our cost base through a reengineering of our existing processes which is expected to result in a shift of resources from areas of inefficiencies to areas where they are required.

The Bank's loan to deposit ratio deteriorated from 57% in December 2015 to 44% largely because of the unforeseen growth in our customer deposit base from USD474 million to USD625 million which could not be matched with asset creation in light of the increasingly fragile economic environment which has been characterised by increasing default risk. The Bank's lending portfolio grew slightly from USD272 million in December 2015 to USD273 million as we continued to cautiously drive the growth of a quality loan book.

Compliance and money laundering control function
Monitoring of compliance risk is carried out by an independent compliance function as part of the overall risk management framework of the Bank and the Standard Bank Group. The Compliance function of Stanbic Bank Zimbabwe proactively supports senior management and business 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 remains supportive of local and 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 (Chapter 9:24), Bank Use Promotion Act (Chapter 24:24) and the Suppression and Foreign and International Terrorism Act (Chapter 11:21).

The Bank remains committed to ensuring that all regulatory requirements and RBZ Directives are complied with in all material respects.

Statement on corporate social investment responsibilities
We continue to engage and support communities by focusing on different areas of need which include health, social welfare, nature conservation, education and sports. Our activities so far in 2016 include financial support to KidzCan, the Cancer Association of Zimbabwe, Albino Charity Association of Zimbabwe, and the donation of a borehole to St Alberts Mission Referral Hospital in Centenary. The borehole will also alleviate the running water challenges of both the secondary and primary schools in the area, and the surrounding community. The Bank is also conscious of the need to preserve our heritage and annually continues to sponsor the three day Matobo Hills World Heritage Challenge.

In sport, we continued to fund cricket talent development through Stragglers Junior Cricket. Through Deaf Zimbabwe Trust, the Bank has sponsored two deaf women to train as sign language teachers at United Education College in Bulawayo. Once qualified, these women will be expected to teach sign language to those whose hearing is impaired. In addition, the bank continues to support disadvantaged students in schools and universities through a bursary program.

In the arts, we partnered HIFA as one of the sponsors to promote the arts and culture. The festival has grown significantly over the years, attracting artists from around the globe. The Bank is proud to be involved in exposing Zimbabweans to the diversity of talent and entertainment that exists locally and beyond our borders. The Bank also supported the Wild Geese Arts Festival that sought to expose the talent of Zimbabwe's many artists.

Our people
I extend my thanks to the team within Stanbic Bank for their persistent commitment in the face of an increasingly challenging environment which has been characterised by the cash and Nostro shortages. The Stanbic Bank team's rigorous management of risk and liquidity allowed us to deliver remarkable results in a struggling economy.

Our customers
Our continued drive to offer customers greater service convenience and accessibility with low cost self-service channels saw the Bank deploying additional POS terminals and enhancing the functionalities of our Blue247 mobile banking platform in an effort to promote the use of electronic banking services given the current market wide cash shortages.

Points of representations
In an effort to enhance our customer service experience, the Bank opened a bigger private banking suite in Bulawayo during the period under review.

Our core banking system
The Bank went through a core banking transformation journey which successfully ended on 18 July 2016 with the implementation of an efficient and flexible Finacle system which will go a long way in enhancing our customer service experience.

Vote of thanks
My sincere gratitude is extended to the Board for the diligent service and support shown during the period under review. I remain highly appreciative of our staff and management for their untiring commitment in a difficult operating environment. I would also like to thank our valued customers for their continued support.

Joshua Tapambgwa
Chief Executive

30 August 2016

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016

STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	30 June 2016 USD'000	31 December 2015 USD'000
ASSETS			
Cash and cash equivalents	1	374 911	235 867
Derivative assets	2.1	175	1 254
Financial assets available for sale	3	83 288	68 679
Loans and advances	4.1	253 344	254 272
Other assets		3 656	2 879
Current tax assets		410	-
Deferred income tax assets		1 953	2 608
Intangible assets		6 943	1 332
Investment property		3 590	3 590
Property and equipment		26 987	24 459
Total assets		**755 257**	**594 940**
EQUITY AND LIABILITIES			
Equity		98 407	88 009
Ordinary share capital	5.2	260	260
Ordinary share premium	6.1	10 790	10 790
Reserves	6.2	87 357	76 959
Liabilities			
Derivative liabilities	2.2	170	1 250
Deposits and current accounts	7	630 362	484 050
Deposits from other banks		5 050	10 384
Deposits from customers		625 312	473 666
Current tax liabilities		-	642
Other liabilities		26 318	20 989
Total liabilities		**656 850**	**506 931**
Total equity and liabilities		**755 257**	**594 940**

INCOME STATEMENT
For the half year ended 30 June 2016

	30 June 2016 USD'000	30 June 2015 USD'000
Net interest income	23 087	20 754
Non interest income	21 840	22 610
Net fee and commission income	15 572	17 771
Trading income	6 158	4 759
Other income	110	80
Total income	44 927	43 364
Credit impairment charges	(4 007)	(3 285)
Income after credit impairment charges	40 920	40 079
Operating expenses	(25 460)	(25 121)
Staff costs	(12 523)	(12 568)
Other operating expenses	(12 937)	(12 553)
Net income before indirect tax	15 460	14 958
Indirect tax	(935)	(868)
Profit before direct tax	14 525	14 090
Direct tax	(4 067)	(3 570)
Profit for the period	**10 458**	**10 520**

STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 30 June 2016

	30 June 2016 USD'000	30 June 2015 USD'000
Profit for the period	10 458	10 520
Items that may be subsequently reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets	(196)	(54)
Related tax	50	14
Total comprehensive income for the half year attributable to the ordinary shareholder	10 312	10 480

STATEMENT OF CASH FLOWS
For the half year ended 30 June 2016

	Note	30 June 2016 USD'000	30 June 2015 USD'000
Cash generated from operations			
Net income before indirect tax		15 460	14 958
Adjusted for:			
Amortisation and impairment of intangible assets		142	102
Credit impairment charges on loans and advances		4 007	3 285
Depreciation of property and equipment		1 567	1 408
Equity-settled share-based payments		86	84
Indirect tax paid		(935)	(868)
Profit from sale of property and equipment		(8)	(54)
Decrease in derivative assets		1 079	3 417
Increase in loans and advances		(3 079)	(15 765)
Increase in financial assets available for sale		(2 838)	(1 658)
Increase in other assets		(777)	(974)
Decrease in derivative liabilities		(1 080)	(3 415)
Increase/(decrease) in deposits		146 312	(358)
Increase in other liabilities		5 329	1 889
Direct tax paid		(4 414)	(4 149)
Net cash from operating activities		160 851	(2 098)
Cash used in investment activities			
Purchase of financial assets available for sale		(49 395)	(49 536)
Proceeds from sale of financial assets available for sale		37 428	10 755
Capital expenditure on:			
- property		(1 899)	(800)
- equipment, furniture and vehicles		(2 199)	(1 953)
- intangible assets		(5 754)	(92)
Proceeds from:			
- sales of property and equipment		12	62
Net cash used in investing activities		(21 807)	(41 564)
Cash used in financing activities			
Dividend paid		-	(7 500)
Net increase/(decrease) in cash and cash equivalents		139 044	(51 162)
Cash and cash equivalents at beginning of the half year		235 867	261 976
Cash and cash equivalents at end of the half year	1	374 911	210 814

STATEMENT OF CHANGES IN EQUITY
For the half year ended 30 June 2016

	Ordinary share capital USD'000	Ordinary share premium USD'000	Non-distributable reserve USD'000	Revaluation reserve USD'000	Available for sale reserve USD'000	Statutory credit impairment reserve USD'000	Share-based payment reserve USD'000	Retained earnings USD'000	Ordinary shareholder's equity USD'000
Half year ended 30 June 2016									
Balance as at 1 January 2016	260	10 790	1 207	1 942	(104)	818	242	72 854	88 009
Profit for the period	-	-	-	-	-	-	-	10 458	10 458
Other comprehensive income									
Changes in fair value of available-for-sale financial assets	-	-	-	-	(146)	-	-	-	(146)
Total comprehensive income for the period	-	-	-	-	(146)	-	-	10 458	10 312
Equity-settled share based payments	-	-	-	-	-	-	86	-	86
Total transactions with owner of the Bank recognised directly in equity	-	-	-	-	-	-	86	-	86
Balance as at 30 June 2016	260	10 790	1 207	1 942	(250)	818	328	83 312	98 407

	Ordinary share capital USD'000	Ordinary share premium USD'000	Non-distributable reserve USD'000	Revaluation reserve USD'000	Available for sale reserve 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 2015									
Balance as at 1 January 2015	260	10 790	1 207	1 943	5	818	289	66 355	81 667
Profit for the year	-	-	-	-	-	-	-	23 931	23 931
Other comprehensive income									
Revaluation of property and equipment	-	-	-	(1)	-	-	-	-	(1)
Deferred taxation charge	-	-	-	-	-	-	-	-	-
Changes in fair value of available-for-sale financial assets	-	-	-	-	(109)	-	-	-	(109)
Total comprehensive income for the period	-	-	-	(1)	(109)	-	-	23 931	23 821
Equity-settled share based payments	-	-	-	-	-	-	(47)	68	21
Dividend declared and paid	-	-	-	-	-	-	-	(17 500)	(17 500)
Transactions with owner of the Bank recognised directly in equity	-	-	-	-	-	-	(47)	(17 432)	(17 479)
Balance as at 31 December 2015	260	10 790	1 207	1 942	(104)	818	242	72 854	88 009

ACCOUNTING POLICIES

The significant 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.

BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to the understanding of the Bank's financial position and performance since the last annual financial statements as at and for the year ended 31 December 2015.

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in the United States of America dollar ("USD"), which is the functional currency of Stanbic Bank Zimbabwe Limited. All amounts are stated in thousands of United States of America dollars (USD'000), unless indicated otherwise.

RISK MANAGEMENT AND CONTROL

Overview

Effective risk management is fundamental to the business activities of Stanbic Bank Zimbabwe Limited (the "Bank" or "Stanbic Bank"). 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 environment.

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.

Components of risk management are the risk standards that have been developed for each risk type and which set out the principles for the governance, identification, measurement, management, control and reporting of each risk type. Each standard is approved by the Board Risk committee and is supported by 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 businesses 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.

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.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016

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 its business units; and
- regularly reviewing and monitoring the Bank's performance in relation to risk through quarterly Board reports.

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 countervalue.
  - ***Credit concentration risk:*** The risk of loss to the Bank as a result of excessive build-up of exposure to a specific counterparty, industry, market, product, financial instrument or type of security, or geography, or 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, or
  - market-driven pressures, such as decreased demand, increased competition or cost increases,or
  - 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 or business relationships.

Credit risk

Credit risk arises mostly from lending and related banking activities, including underwriting transactions. It may also arise when the fair value due to credit risk of the Bank's exposure to financial instruments falls. 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.

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

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. 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.

Analysis of exposure to credit risk

The Bank's exposure to credit risk, 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 30 June 2016 are set out in the table below.

Exposure to credit risk by credit quality as at 31 December 2015 (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	Nominal 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	1 930	-	-	-	-	-	1 930	-	1 930	-	1 930	53
Finance leases	10 456	12	382	166	560	308	8 568	-	8 568	1 328	9 896	270
Personal unsecured lending	63 549	1 251	631	187	2 069	2 017	60 748	-	60 748	732	61 480	1 180
Business term loans and overdrafts	72 911	1 777	894	3 292	5 963	2 229	61 834	4 283	66 117	831	66 948	1 821
Total loans PBB	148 846	3 040	1 907	3 645	8 592	4 554	133 080	4 283	137 363	2 891	140 254	3 324
Corporate and Investment Banking-("CIB")												
Corporate loans	123 376	3 563	191	-	3 754	1 196	106 863	8 262	115 125	4 497	119 622	8 876
Total	272 222	6 603	2 098	3 645	12 346	5 750	239 943	12 545	252 488	7 388	259 876	12 200
Less impairments for loans and advances	(17 950)											
Net loans and advances	254 272											

Exposure to credit risk by credit quality as at 30 June 2016 (USD'000)

	Non-performing loans						Performing loans					
	Total	Sub-Standard	Doubtful	Loss	Total non-performing loans	Balance sheet impairment for non performing loans	Nominal 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	3 825	-	-	-	-	-	3 825	-	3 825	-	3 825	161
Finance leases	11 339	86	13	444	543	288	9 654	-	9 654	1 142	10 796	347
Personal unsecured lending	64 329	1 074	771	389	2 234	2 217	61 352	-	61 352	743	62 095	1 263
Business term loans and overdrafts	64 941	1 247	1 755	4 018	7 020	2 506	50 413	7 013	57 426	495	57 921	1 862
Total loans PBB	144 434	2 407	2 539	4 851	9 797	5 011	125 244	7 013	132 257	2 380	134 637	3 633
Corporate and Investment Banking-("CIB")												
Corporate loans	129 053	4 131	-	-	4 131	1 526	122 412	2 510	124 922	-	124 922	9 973
Total	273 487	6 538	2 539	4 851	13 928	6 537	247 656	9 523	257 179	2 380	259 559	13 606
Less impairments for loans and advances	(20 143)											
Net loans and advances	253 344											

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 repay the outstanding loan. In general, the Bank does not use repossessed assets for business purposes. The collateral obtained by the Bank as at 30 June 2016 amounted to USD129.8 million (31 December 2015: USD124 million).

Liquidity risk

Definition

Liquidity risk arises when the Bank is unable to meet its payment obligations when they fall due. 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 nature of banking and trading activities results in a continuous exposure to liquidity risk. The Bank's liquidity risk management framework, which is consistent with the previous financial reporting period, is designed to measure and manage liquidity positions such that payment obligations can be met at all times, under both normal and considerably stressed conditions. Under the delegated authority of the Board of Directors, the Bank's Asset and Liability Committee ("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 parent company (The Standard Bank Group Limited) runs a Group ALCO function that monitors the various indicators in each country where the Group operates, thus ensuring a double layer of coverage for ALCO purposes.

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

Maturity analysis assets and liabilities:

30 June 2016 Liquidity gap analysis (USD'000)	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	Above 1 year	Insensitive portion	Total
Assets							
Cash and cash equivalents	311 031	13 880	50 000	-	-	-	374 911
Derivative assets	-	109	66	-	-	-	175
Financial assets available for sale	-	-	10 483	72 805	-	-	83 288
Loans and advances to customers	127 696	13 231	8 442	40 704	83 414	(20 143)	253 344
Other assets	465	1 248	-	-	-	41 826	43 539
Total	439 192	28 468	68 991	113 509	83 414	21 683	755 257
Equity and liabilities							
Derivative liabilities	-	106	64	-	-	-	170
Deposits from customers and other banks	626 423	3 686	-	-	253	-	630 362
Other liabilities	-	10 111	2 350	10 448	3 206	203	26 318
Equity	-	-	-	-	-	98 407	98 407
Total	626 423	13 903	2 414	10 448	3 459	98 610	755 257
Liquidity gap	(187 231)	14 565	66 577	103 061	79 955	(76 927)	-
Cumulative liquidity gap	(187 231)	(172 666)	(106 089)	(3 028)	76 927	-	-
Letters of credit	(9 393)	-	-	-	-	-	-
Financial guarantees	(8 006)	-	-	-	-	-	-
Total liquidity gap (on-and off balance sheet)	(204 630)	(172 666)	(106 089)	(3 028)	76 927	-	-
Total cumulative liquidity gap	(204 630)	(190 065)	(123 488)	(20 427)	59 528	-	-

Other assets include deferred tax assets, intangible assets, investment property and property and equipment.
Other liabilities include clearing accounts.

Maturity analysis assets and liabilities:

31 December 2015 Liquidity gap analysis (USD'000)	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	Above 1 year	Insensitive portion	Total
Assets							
Cash and cash equivalents	187 910	16 957	31 000	-	-	-	235 867
Derivative assets	-	531	723	-	-	-	1 254
Financial assets available for sale	2 271	17 296	6 452	17 797	24 863	-	68 679
Loans and advances to customers	136 493	23 719	3 080	28 943	79 987	(17 950)	254 272
Other assets	557	637	-	-	-	33 674	34 868
Total	327 231	59 140	41 255	46 740	104 850	15 724	594 940
Equity and liabilities							
Derivative liabilities	-	529	721	-	-	-	1 250
Deposits from customers and other banks	475 963	7 007	897	38	145	-	484 050
Other liabilities	-	7 505	8 650	3 709	1 564	203	21 631
Equity	-	-	-	-	-	88 009	88 009
Total	475 963	15 041	10 268	3 747	1 709	88 212	594 940
Liquidity gap	(148 732)	44 099	30 987	42 993	103 141	(72 488)	
Cumulative liquidity gap	(148 732)	(104 633)	(73 646)	(30 653)	72 488	-	
Off-balance sheet exposures							
Letters of credit	(17 049)	-	-	-	-	-	
Financial guarantees	(12 056)	-	-	-	-	-	
Total liquidity gap (on-and off balance sheet)	(177 837)	(104 633)	(73 646)	(30 653)	72 488	-	
Total cumulative liquidity gap	(177 837)	(133 738)	(102 751)	(59 758)	43 383	-	

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

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 ("GBP"). These three foreign currencies (and other minor ones) contribute 2% (2015:2%) of the overall statement of financial position 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 30 June 2016	Total USD'000	USD USD'000	ZAR USD'000	EURO USD'000	GBP USD'000	Other USD'000
Assets						
Cash and cash equivalents	374 911	365 367	6 276	766	2 011	491
Derivative assets	175	175	-	-	-	-
Financial investments	83 288	83 288	-	-	-	-
Loans and advances to customers	253 344	253 339	5	-	-	-
Current tax asset	410	410	-	-	-	-
Deferred tax asset	1 953	1 953	-	-	-	-
Other assets	3 656	3 591	52	1	1	11
Intangible assets	6 943	6 943	-	-	-	-
Investment property	3 590	3 590	-	-	-	-
Property and equipment	26 987	26 987	-	-	-	-
Total assets	755 257	745 643	6 333	767	2 012	502
Equity and liabilities						
Equity	98 407	98 407	-	-	-	-
Ordinary share capital	260	260	-	-	-	-
Ordinary share premium	10 790	10 790	-	-	-	-
Reserves	87 357	87 357	-	-	-	-
Liabilities	656 850	641 649	11 935	806	2 096	363
Derivative liabilities	170	170	-	-	-	-
Total deposits	630 362	616 607	10 553	779	2 062	361
Deposits from other banks	5 050	4 339	158	86	256	211
Deposits from customers	625 312	612 268	10 395	693	1 806	150
Current taxation liability	-	-	-	-	-	-
Other liabilities	26 318	24 872	1 382	27	34	2
Total equity and liabilities	755 257	740 056	11 935	806	2 096	363
Currency gap	-	5 587	(5 602)	(39)	(84)	139
Currency size as % of overall statement of financial position	100%	98%	2%	0%	0%	0%

Statement of financial position by currency as at 31 December 2015	Total USD'000	USD USD'000	ZAR USD'000	EURO USD'000	GBP USD'000	Other USD'000
Assets						
Cash and cash equivalents	235 867	224 837	6 908	2 719	998	405
Derivative assets	1 254	1 254	-	-	-	-
Financial assets available for sale	68 679	68 679	-	-	-	-
Loans and advances to customers	254 272	254 268	4	-	-	-
Deferred tax	2 608	2 608	-	-	-	-
Other assets	2 879	2 875	4	-	-	-
Intangible assets	1 332	1 332	-	-	-	-
Investment property	3 590	3 590	-	-	-	-
Property and equipment	24 459	24 459	-	-	-	-
Total assets	594 940	583 902	6 916	2 719	998	405
Equity and liabilities						
Equity	88 009	88 009	-	-	-	-
Ordinary share capital	260	260	-	-	-	-
Ordinary share premium	10 790	10 790	-	-	-	-
Reserves	76 959	76 959	-	-	-	-
Liabilities	506 931	495 508	7 731	2 694	823	175
Derivative liabilities	1 250	1 250	-	-	-	-
Total deposits	484 050	472 979	7 494	2 625	784	168
Deposits from other banks	10 384	8 522	819	879	83	81
Deposits from customers	473 666	464 457	6 675	1 746	701	87
Current income tax liabilities	642	642	-	-	-	-
Other liabilities	20 989	20 637	237	69	39	7
Total equity and liabilities	594 940	583 517	7 731	2 694	823	175
Currency gap	-	385	(815)	25	175	230
Currency size as % of overall statement of financial position	100%	98%	1%	1%	0%	0%

Market risk

The identification, management, control, measurement 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-statement of financial position 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. Economic value of equity sensitivity is calculated as the net present value of aggregate asset cash flows less the net present value of aggregate liability cash flows. All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals 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 30 June 2016 by 2.65% (December 2015:1.91%). 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 other comprehensive income ("OCI") in response to a parallel yield curve shock, before tax.

Interest rate sensitivity analysis

	USD'000
30 June 2016	
Increase in basis points	100
Sensitivity of annual net interest income	235
Sensitivity of OCI	-
Decrease in basis points	100
Sensitivity of annual net interest income	(946)
Sensitivity of OCI	-
31 December 2015	
Increase in basis points	100
Sensitivity of annual net interest income	1 1 73
Sensitivity of OCI	-
Decrease in basis points	100
Sensitivity of annual net interest income	(721)
Sensitivity of OCI	-

30 June 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	18 464	13 915	50 000	-	-	292 532	374 911
Derivative assets	-	-	-	-	-	175	175
Financial assets available for sale	-	-	10 552	70 232	-	2 504	83 288
Loans and advances to customers	134 015	93 139	1 217	11 894	19 294	(6 215)	253 344
Other assets	-	-	-	-	-	43 539	43 539
Total	152 479	107 054	61 769	82 126	19 294	332 535	755 257
Equity and liabilities							
Derivative liabilities	-	-	-	-	-	170	170
Deposits from customers and other banks	268 450	3 704	-	-	253	357 955	630 362
Other liabilities	-	-	-	-	-	26 318	26 318
Equity	-	-	-	-	-	98 407	98 407
Total	268 450	3 704	-	-	253	482 850	755 257
Interest rate repricing gap	(115 971)	103 350	61 769	82 126	19 041	(150 315)	
Cumulative interest rate repricing gap	(115 971)	(12 621)	49 148	131 274	150 315	-	

Other assets include deferred tax assets, intangible assets, investment property and property and equipment.
Other liabilities include clearing accounts.

31 December 2015 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	18 255	16 956	31 000	-	-	169 656	235 867
Derivative assets	-	-	-	-	-	1 254	1 254
Financial investments	-	17 296	6 452	17 797	24 863	2 271	68 679
Loans and advances to customers	121 997	107 388	1 072	3 800	25 619	(5 604)	254 272
Other assets	-	-	-	-	-	34 868	34 868
Total	140 252	141 640	38 524	21 597	50 482	202 445	594 940
Equity and liabilities							
Derivative liabilities	-	-	-	-	-	1 250	1 250
Deposits from customers and other banks	172 089	7 014	897	38	145	303 867	484 050
Other liabilities	-	-	-	-	-	21 631	21 631
Equity	-	-	-	-	-	88 009	88 009
Total	172 089	7 014	897	38	145	414 757	594 940
Interest rate repricing gap	(31 837)	134 626	37 627	21 559	50 337	(212 312)	
Cumulative interest rate repricing gap	(31 837)	102 789	140 416	161 975	212 312	-	

Other assets include intangible assets, investment property and property and equipment.
Other liabilities include current 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 profit 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, only 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 of South Africa 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 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.

Foreign currency value at risk for June 2016

	Maximum possible loss in June 2016 USD'000	Minimum possible loss in June 2016 USD'000	Average possible loss USD'000	Possible loss at 30 June 2016 USD'000	Maximum acceptable VaR loss USD'000
Normal VaR	3.48	0.64	1.91	2.33	23
Stress VaR	13.38	4.56	9.18	8.85	119

As depicted in the table, historical trading data for the foreign currency business indicates that the maximum possible loss for any one day's trading in 2016 was USD3 480 (2015:USD2 980), and the minimum possible loss was USD640 (2015:USD1 350), with an average possible loss of USD1 910 (2015:USD2 030) in comparison to the maximum acceptable possible loss of USD23 000 (2015:USD12 000).

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.

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 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.

Compliance risk

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. The Compliance Department provides leadership through specialist support units on compliance with money laundering and terrorist financing control, occupational health and safety and emerging legislative developments. The compliance framework is based on the principles of effective compliance risk management in accordance with the requirements of the Zimbabwe Banking Act (Chapter 24:20) and the Basel Committee on Banking Supervision. The Bank operates a centralised compliance risk management structure.

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2016

		30 June 2016 USD'000	31 December 2015 USD'000
1	**Cash and cash equivalents**		
	Bank notes	17 042	23 002
	Balances with the Central Bank	275 360	146 653
	Balances with other banks	82 509	66 212
		374 911	235 867
	Current	374 911	235 867
		374 911	235 867

2 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 purpose during the half year ended 30 June 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 30 June 2016 USD'000	Fair value of assets 31 December 2015 USD'000
2.1	**Derivative assets**		
	Derivatives held for trading		
	Foreign exchange contracts	175	1 254
	Maturity analysis of net fair value		
	Up to 1 month	109	531
	More than 1 month but within 1 year	66	723
		175	1 254

		Fair value of liabilities 30 June 2016 USD'000	Fair value of liabilities 31 December 2015 USD'000
2.2	**Derivatives liabilities**		
	Derivatives held for trading		
	Foreign exchange contracts	(170)	(1 250)
	Maturity analysis of net fair value		
	Up to 1 month	(106)	(529)
	More than 1 month but within 1 year	(64)	(721)
		(170)	(1 250)

		30 June 2016 USD'000	31 December 2015 USD'000
3	**Financial assets available for sale**		
	Balance at the beginning of the period	68 679	28 103
	Additions	49 395	66 993
	Accrued interest	2 838	2 271
	Total disposals	(37 428)	(28 541)
	Disposals	(35 794)	(27 788)
	Interest received	(1 634)	(753)
	Loss from changes in fair value	(196)	(147)
	Balance at the end of the period	83 288	68 679
	Current	83 288	43 816
	Non- current	-	24 863
		83 288	68 679

		30 June 2016 USD'000	31 December 2015 USD'000
4	**Loans and advances**		
4.1	**Loans and advances net of impairment**		
	Loans and advances to customers		
	Gross loans and advances to customers net of interest in suspense	273 487	272 222
	Finance leases (note 4.2)	22 443	15 941
	Overdrafts and other demand lending	134 418	129 900
	Term lending	112 801	124 451
	Home loans	3 825	1 930
	Credit impairments for loans and advances (note 4.3)	(20 143)	(17 950)
	Specific impairment allowances	(6 537)	(5 750)
	Portfolio impairment allowances	(13 606)	(12 200)
	Net loans and advances	253 344	254 272
	Comprising:		
	Gross loans and advances	273 487	272 222
	Less: credit impairment allowances	(20 143)	(17 950)
		253 344	254 272
	Current	190 073	192 235
	Non-current	63 271	62 037
		253 344	254 272
	Maturity analysis:		
	The maturities represent periods to contractual redemption of the loans and advances recorded:		
	Maturing within 1 year	190 073	192 235
	Maturing after 1 year but within 5 years	62 627	65 133
	Maturing over 5 years	20 787	14 854
		273 487	272 222

	30 June 2016 USD'000	30 June 2016 %	31 December 2015 USD'000	31 December 2015 %
Sectoral analysis-industry				
Individuals	71 088	26%	68 422	25%
Agriculture	42 108	15%	51 127	19%
Wholesale distribution	35 553	13%	30 758	11%
Manufacturing	31 169	11%	34 808	13%
Mining	30 872	11%	34 642	13%
Other services	24 978	9%	22 816	8%
Communications	20 928	8%	16 915	6%
Construction	11 936	4%	7 611	3%
Transport	3 390	2%	4 420	2%
Finance	1 465	1%	703	0%
	273 487	100%	272 222	100%

		30 June 2016 USD'000	31 December 2015 USD'000
4.2	**Finance leases**		
	Finance leases		
	Gross investment in instalment sale and finance leases	24 862	17 215
	Receivable within 1 month	2 946	2 609
	Receivable after 1 month but within 6 months	7 027	5 582
	Receivable after 6 months but within 12 months	5 616	4 312
	Receivable after 12 month	9 273	4 712
	Unearned finance charges	(2 419)	(1 274)
	Net investment in finance leases	22 443	15 941
	Current (net of unearned finance charges)	14 203	11 619
	Non current (net of unearned finance charges)	8 240	4 322
		22 443	15 941
	Maturity analysis		
	Receivable within 1 month	2 897	2 532
	Receivable after 1 month but within 6 months	6 269	5 052
	Receivable after 6 months but within 12 months	5 037	4 035
	Receivable after 12 months	8 240	4 322
		22 443	15 941

A general credit impairment allowance of USD1 661 000 (2015: USD730 000) was raised on the outstanding finance leases as at 30 June 2016.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016

4.3 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	Total USD'000
30 June 2016					
Non-performing loans					
Balance as at the beginning of the year	-	307	3 478	1 965	5 750
Impaired accounts written off	-	(146)	(1 105)	(563)	(1 814)
Net impairment charge for the half year	-	127	1 714	760	2 601
Balance at end of the half year	-	288	4 087	2 162	6 537
Performing loans					
Balance as at the beginning of the year	53	730	7 434	3 983	12 200
Net impairment charge for the half year	70	643	878	(185)	1 406
Balance at end of the half year	123	1 373	8 312	3 798	13 606
Total (performing and non-performing loans)	123	1 661	12 399	5 960	20 143
31 December 2015					
Non-performing loans					
Balance as at the beginning of the year	-	301	5 962	2 846	9 109
Impaired accounts written off	-	(117)	(3 521)	(2 554)	(6 192)
Net impairment charge for the year	-	123	1 037	1 673	2 833
Balance at end of the year	-	307	3 478	1 965	5 750
31 December 2015					
Performing loans					
Balance as at the beginning of the year	-	225	4 441	3 537	8 203
Net impairment charge for the year	53	505	2 993	446	3 997
Balance at end of the year	53	730	7 434	3 983	12 200
Total (performing and non-performing loans)	53	1 037	10 912	5 948	17 950

	30 June 2016 USD'000	31 December 2015 USD'000
Segmental analysis of impairment for non-performing loans – industry		
Individual	2 217	2 018
Manufacturing	646	597
Mining	1 344	9
Agriculture	93	1 044
Distribution	1 167	1 122
Other services	819	791
Financial	10	-
Transport	241	169
	6 537	5 750

		30 June 2016 USD'000	31 December 2015 USD'000
5	**Share capital**		
55.1	**Authorised share capital**		
	500 000 ordinary shares of USD1 each	500	500
5.2	Issued share capital		
	260 000 ordinary shares of USD1 each	260	260
6	**Share premium and reserves**		
6.1	**Share premium**		
	Share premium on issue of shares	10 790	10 790
6.2	**Reserves**		
	Non-distributable reserve	3 149	3 149
	Statutory credit impairment reserve	818	818
	Available for sale reserve	(250)	(104)
	Share-based payments reserve	328	242
	Retained earnings	83 312	72 854
		87 357	76 959
7	**Deposits and current accounts**		
	Deposits from other banks	5 050	10 384
	Deposits from customers	625 312	473 666
	Current accounts	357 842	303 640
	Call deposits	251 008	147 768
	Term deposits	607	1 610
	Savings accounts	15 855	20 648
	Deposits and current accounts	630 362	484 050
	Current	630 109	483 905
	Non-current	253	145
		630 362	484 050

8 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Held for trading USD'000	At fair value through profit or loss USD'000	Held to maturity USD'000	Loans and receivables USD'000	Available-for-sale USD'000	Total carrying amount USD'000	Fair value USD'000
30 June 2016							
Financial assets							
Cash and cash equivalents	-	-	-	374 911	-	374 911	374 911
Derivative assets	175	-	-	-	-	175	175
Financial assets available for sale	-	-	-	-	83 288	83 288	83 288
Loans and advances to customers	-	-	-	253 344	-	253 344	253 344
Other financial assets	-	-	-	2 873	-	2 873	2 873
	175	-	-	631 128	83 288	714 591	714 591
Financial liabilities							
Derivative liabilities	170	-	-	-	-	170	170
Deposits from other banks	-	-	-	5 050	-	5 050	5 050
Deposits from customers	-	-	-	625 312	-	625 312	625 312
Other financial liabilities	-	-	-	26 318	-	26 318	26 318
	170	-	-	656 680	-	656 850	656 850

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

	Held for trading USD'000	At fair value through profit or loss USD'000	Held to maturity USD'000	Loans and receivables USD'000	Available-for-sale USD'000	Total carrying amount USD'000	Fair value USD'000
31 December 2015							
Financial assets							
Cash and cash equivalents	-	-	-	235 867	-	235 867	235 867
Derivative assets	1 254	-	-	-	-	1 254	1 254
Financial assets available for sale	-	-	-	-	68 679	68 679	68 679
Loans and advances to customers	-	-	-	254 272	-	254 272	254 272
Other assets	-	-	-	2 354	-	2 354	2 354
	1 254	-	-	492 493	68 679	562 426	562 426
Financial liabilities							
Derivative liabilities	1 250	-	-	-	-	1 250	1 250
Deposits from other banks	-	-	-	10 384	-	10 384	10 384
Deposits from customers	-	-	-	473 666	-	473 666	473 666
Other liabilities	-	-	-	21 631	-	21 631	21 631
	1 250	-	-	505 681	-	506 931	506 931

Other assets excludes prepayments and stationery as this analysis is only required for financial instruments.
Other liabilities includes current income tax liabilities.

9 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).

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 30 June 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Assets	Note	Fair values USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Valuation techniques and inputs
Financial assets at fair value through profit or loss						
Derivatives assets						
– Foreign exchange contracts	2.1	175	-	175	-	Exchange rate
Available-for-sale financial assets						
Financial assets available for sale	3	83 288	-	83 288	-	Discounted cash flows
Investment property		3 590	-	-	3 590	Discounted cash flows at risk adjusted interest rates
Freehold property		16 727	-	-	16 727	Sales comparison method
Total assets		103 780	-	83 463	20 317	
Liabilities						
Financial liabilities at fair value through profit or loss						
Derivatives liabilities						
– Foreign exchange contracts	2.2	170	-	170	-	Exchange rate
Total liabilities		170	-	170	-	

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 December 2015

Assets	Note	Fair values USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Valuation techniques and inputs
Financial assets at fair value through profit or loss						
Derivatives assets						
– Foreign exchange contracts	2.1	1 254	-	1 254	-	Exchange rate
Available-for-sale financial assets						
Financial assets available for sale	3	68 679	-	-	68 679	Discounted cash flows
Investment property		3 590	-	-	3 590	Discounted cash flows at risk adjusted interest rates
Freehold property		15 982	-	-	15 982	Sales comparison method
Total assets		89 505	-	1 254	88 251	
Liabilities						
Financial liabilities at fair value through profit or loss						
Derivatives liabilities						
– Foreign exchange contracts	2.2	1 250	-	1 250	-	Exchange rate
Total liabilities		1 250	-	1 250	-	

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The following unobservable inputs were used in measuring the level 2 and 3 fair values:

Level 2- discount rates ranging from 9% to 32%
Level 3- average office rentals per square metre from USD6 to USD10 and the 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:

	30 June 2016			31 December 2015		
Reconciliation of level 3 items	Investment property USD'000	Freehold property USD'000	Total assets USD'000	Investment property USD'000	Freehold property USD'000	Total assets USD'000
Balance at 1 January	3 590	15 982	19 572	3 770	16 196	19 966
Additions	-	607	607	-	857	857
Transfers into level 3	-	138	138	-	257	257
Gains or losses for the period	-	-	-	-	-	-
Included in profit or loss	-	-	-	(180)	(453)	(633)
Recognised in other comprehensive income	-	-	-	-	(875)	(875)
Balance at the end of the period	3 590	16 727	20 317	3 590	15 982	19 572

The table below shows the fair value of financial instruments not measured at fair value as at 30 June 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	1	374 911	374 911	-	-
Loans and advances to customers	4	253 344	-	-	253 344
Total assets		628 255	374 911	-	253 344
Liabilities					
Financial liabilities measured at amortised cost					
Deposits from other banks	7	5 050	-	-	5 050
Deposits from customers	7	625 312	-	-	625 312
Total liabilities		630 362	-	-	630 362

10 Contingent liabilities and commitments

10.1 The Bank had written letters of credit and guarantees amounting to USD17.4 million as at 30 June 2016 (31 December 2015: USD29.1 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.

		30 June 2016 USD'000	31 December 2015 USD'000
10.2	**Commitments** As at 30 June 2016 the contractual amounts of the Bank's commitments to engage in capital expenditure or to extend credit to its customers were as follows:		
10.2.1	**Capital commitments**		
	Capital expenditure authorised but not yet contracted	7 756	12 608
	Capital expenditure authorised and contracted	20 016	25 016
		27 772	37 624
10.2.2	**Loan commitments**	50 741	45 083

		30 June 2016 USD'000	30 June 2015 USD'000
11	**Directors' emoluments and key management compensation**		
	Non-executive directors' emoluments		
	Emoluments of directors in respect of services rendered:		
	As directors of the company	116	148
	Key management compensation		
	Key management includes executive directors and other members of the Bank's executive committee.	1 808	1 911

12 Related party disclosures

12.1 Controlling entity

The Bank is a wholly owned subsidiary of The Standard Bank Group Limited. Standard Bank Group Limited is also a shareholder in various banks and insurance companies outside Zimbabwe. Stanbic Bank Zimbabwe Limited does business with banks and insurance companies in The Standard Bank Group Limited, all of which are undertaken on arms length.

		30 June 2016 USD'000	31 December 2015 USD'000
12.1.1	Amounts due from related parties:		
	Stanbic Bank Botswana Limited	62	28
	Stanbic Bank Malawi Limited	2	2
	Stanbic Bank Kenya Limited	2	1
	Stanbic Bank Zambia Limited	9	2
	Standard Bank South Africa Limited	5 660	3 265
		5 735	3 298
	Related through shareholding in the parent company		
	Industrial and Commercial Bank of China	27	32

The above list 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.

		30 June 2016 USD'000	30 June 2015 USD'000
12.1.2	**Transactions**		
	Interest income from:		
	Standard Bank South Africa Limited	14	2
12.1.3	Group recharges	1 775	2 346

		30 June 2016 USD'000	31 December 2015 USD'000
12.2	**Deposits and loans with related parties-related through common directorship**		
	Total loans and advances	1 799	1 725
	Total customer deposits	9 190	4 451

13 CAMELS RATINGS

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.

14 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 management and 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	30 June 2016 USD'000	31 December 2015 USD'000
Ordinary paid up share capital	260	260
Share premium	10 790	10 790
Retained earnings	83 312	72 854
Operational risk	(6 335)	(5 812)
Reserves	2 103	2 163
Tier 1 capital	90 130	80 255
Revaluation reserve	1 942	1 942
General provisions (limited to 1.25% of risk weighted assets)	5 205	5 071
Tier 2 capital	7 147	7 013
Market risk	635	535
Operational risk	5 700	5 277
Tier 3 capital	6 335	5 812
Total Tier 1 and 2 capital	97 277	87 268
Tier 3	6 335	5 812
Total capital base	103 612	93 080
Risk weighted assets ("RWAs")	337 180	332 998
Operational risk equivalent assets	71 246	65 960
Market risk equivalent assets	7 940	6 691
Total risk weighted assets ("RWAs")	416 366	405 649
Tier 1 capital ratio	22%	20%
Tier 1 and 2 capital ratio	23%	22%
Tier 1, 2 and Tier 3 capital ratio	25%	23%
Capital adequacy ratio excluding market and operational risk weighted assets	25%	23%

15 Custodial services

The Bank provides custodial trust services to individuals and institutions by holding assets (mainly share certificates) on behalf of customers. As at 30 June 2016, funds under custody amounted to USD867 million (31 December 2015: USD818 million) and fee income amounting to USD975 095 (30 June 2015: USD1 million) had been received in return for these services.

16 Dividend declaration

In view of the need to build the Bank's qualifying core capital towards the 2020 set threshold of USD100 million, no interim dividend has been proposed for the half year ended 30 June 2016.

17 External Credit Ratings

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

Rating scale	**2016**	**2015**	**2014**	**2013**	**2012**
Long term	AA-	AA-	AA-	AA-	AA-

18 CAMELS RATINGS

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.

19 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

19.1 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

19.2 KEY

Low -reflects a lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in afunctional 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.