Annual
2015 report

STANBIC BANK ZIMBABWE LIMITED

Stanbic Bank Moving Forward™

"Africa is our home,
We drive her growth."

Stanbic Bank Moving Forward™
A Member of the Standard Bank Group

CONTENTS

Our business

Profile

Stanbic Bank Zimbabwe Limited (the "Bank" or "Stanbic Bank Zimbabwe") is part of Africa's leading banking and financial services group, The Standard Bank Group Limited, which is based in South Africa and listed on the Johannesburg Securities Exchange.

Vision

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

Our Values

Serving our customers	We do everything in our power to ensure that we provide our customers with the products, services and solutions to suit their needs provided that everything we do for them is based on sound business principles.
Growing our people	We encourage and help our people to develop to their full potential, and measure our leaders on how well they grow and challenge the people they lead.
Delivering to our shareholders	We understand that we earn the right to exist by providing appropriate long-term returns to our shareholders. We try extremely hard to meet our various targets and deliver on our commitments.
Being proactive	We strive to stay ahead by anticipating rather than reacting, but our actions are always carefully considered.
Working in teams	We, and all aspects of our work are interdependent. We appreciate that, as teams, we can achieve much greater things than as individuals. We value teams within and across business units, divisions and countries.
Constantly raising the bar	We have confidence in our ability to achieve ambitious goals and we celebrate success, but we must never allow ourselves to become complacent or arrogant
Respecting each other	We have the highest regard for the dignity of all people. We respect each other and what Standard Bank stands for. We recognise that there are corresponding obligations associated with our individual rights.
Upholding the highest levels of integrity	Our entire business model is based on trust and integrity as perceived by our stakeholders, especially our customers.

Our business

Business model

Our two main business units are: Personal and Business Banking and Corporate and Investment Banking.

Personal and Business Banking

Personal and Business Banking offers banking and other financial services to individual customers and businesses – from small to large enterprises in Zimbabwe. We strive to continuously maintain high standards of service to our customers.

We offer a range of solutions to our customers – from the most basic to the most sophisticated of financial services – and ensure that our customers' requirements are always met through the most cost effective and convenient method.

Our products

- Transactional banking products
- Other lending products
- Saving and investments
- Internet Banking
- Money transfers
- New Business Online
- Vehicle and asset financing
- Agribusiness
- Private banking
- Insurance

Corporate and Investment Banking

Corporate and Investment Banking provides services to parastals, large corporates, financial institutions and international counterparties. Our team combines an in-depth understanding of local market conditions and drivers. With our experience in emerging markets, we can develop client-focused solutions, customised to each client's unique requirements.

Moreover, we are able to leverage Standard Bank's extensive presence to create cross-border solutions, supported by our global network of experts along with world-class risk and capital management systems. Zimbabwe is still largely reliant on imports, with top trading partners such as South Africa, the United States and China. Stanbic Bank Zimbabwe plays a leading role in connecting Zimbabwe to its partners, and identifying and connecting international investors to opportunities across the country.

Our Products

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

Business Unit Performance

	Profit for the year			Loans and advances		
	2015 USD'000	2014 USD'000	% Change	2015 USD'000	2014 USD'000	% Change
Personal & Business Banking	9 660	9 050	7	140 968	112 425	25
Corporate & Investment Banking	14 271	11 651	22	113 304	121 998	-7
Total	23 931	20 701	15	254 272	234 423	8

Financial Review

Financial Highlights

Return on equity
28%
2014: 27%

Cost to income
57%
2014: 60%

Net NPL ratio
4.5%
2014: 6%

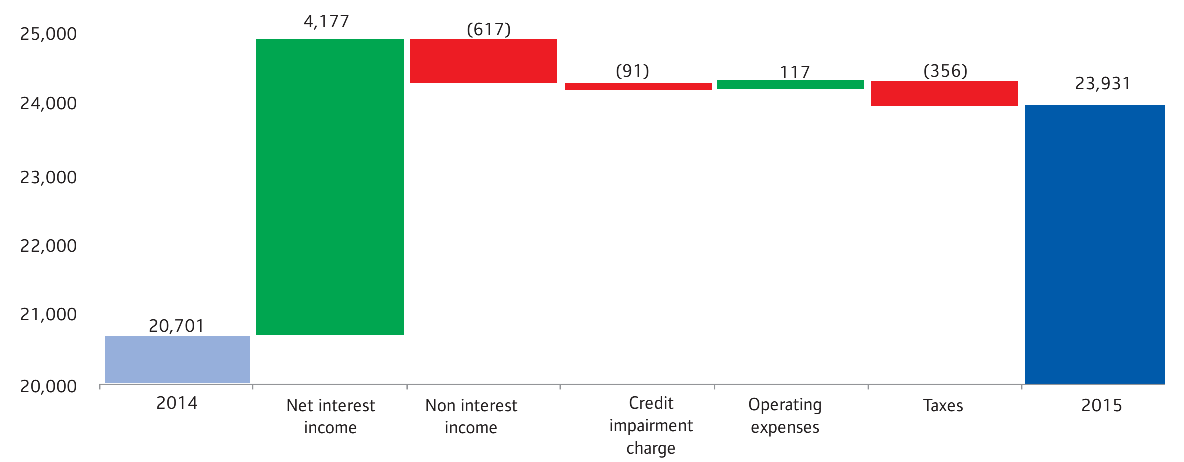
Capital adequacy
23%
2014: 23%

Branches
20
2014: 19 Branches

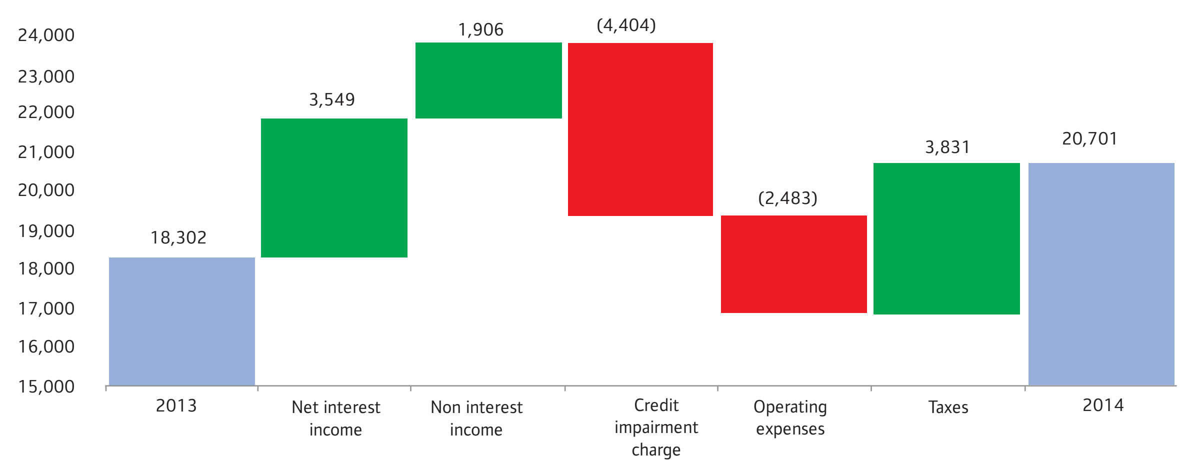
ATMs
28
2014: 28 ATMs

Employees
659
2014: 649 Employees

Profit movement for 2015



Profit movement for 2014



Financial Review

Awards and Recognition

Best Commercial Bank :
World Finance Banking Awards

Best Commercial Bank in Zimbabwe:
Banks and Banking Survey

Best Bank in Southern Africa:
African Banker Magazine

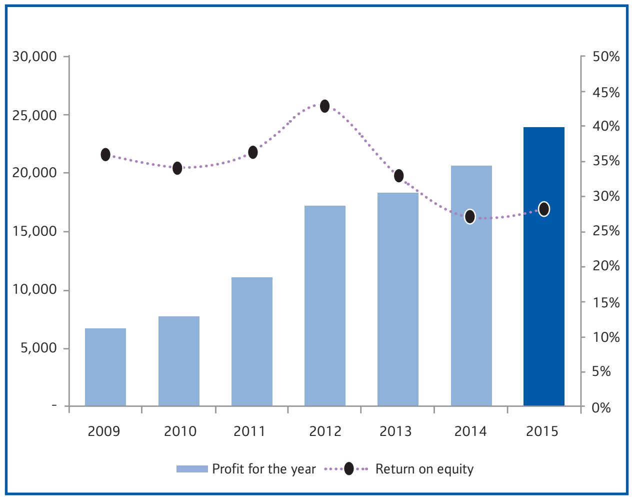
Best Bank in Zimbabwe:
Banker Magazine

Best Payments System:
Commerz Bank

Best Enterprise:
Europe Business Assembly

Best Sub Custodian in Zimbabwe:
Global Investor

Results overview



Key features of 2015

In a year marked by continued low market liquidity and deflation, the Bank registered a profit for the year of USD23.9 million against a prior year profit of USD20.7 million. The key features of the Bank's performance were:

❖ ***Purchase of the Aftrade Bond*** - the Bank played its part in addressing persistent market liquidity challenges by participating in the Aftrades.

❖ ***Treasury bills*** – the Bank was actively involved in the primary and secondary market for treasury bills, improving returns to shareholders while supporting the economy.

❖ ***Introduction of new products*** – the Bank introduced Blue 247, a mobile banking platform that gives our customers access to their bank accounts via their mobile phones 24 hours a day.

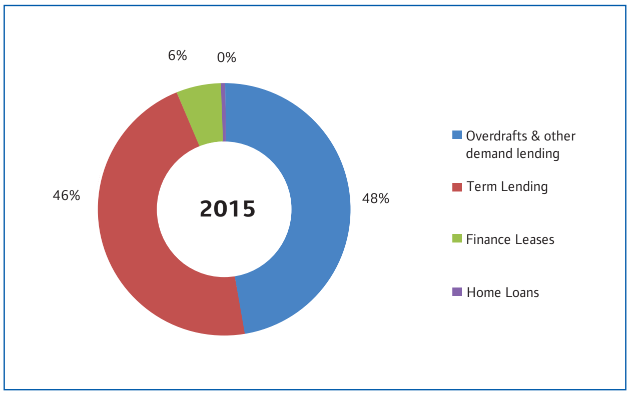
❖ ***Depressed currency trading business*** – the Bank saw a depressed performance in this area as the struggling economy has affected transactional volumes compounded by the depreciation of the South African Rand which has seen most of our customers being quoted in United States dollars by their South African suppliers.

❖ ***Deteriorating credit environment*** – the credit environment continued to deteriorate as companies continued to close and credit risk increased. The Bank continues to operate a robust credit granting process and the escalated credit risk has been taken into account.

❖ ***Home loans product*** – the Bank rolled out the home loans product during the year and as at the end of the year the portfolio had grown to USD2 million as attention remained directed at improving balance sheet utilisation.

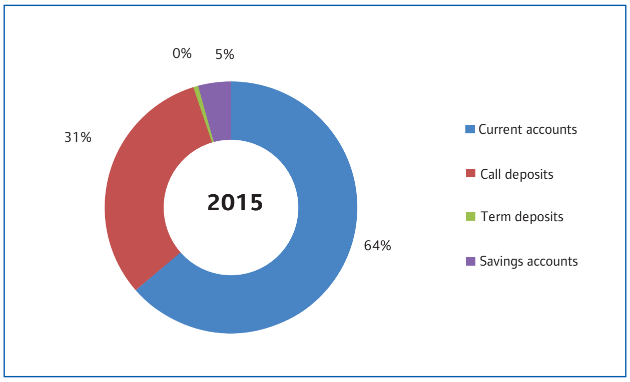
Financial Review

Balance sheet analysis



Loans and advances

The Bank's loans and advances to customers increased from USD234 million in 2014 to USD254 million in 2015 mainly driven by an increase in lending to the private sector, with the Bank introducing mortgage lending in the year. The Bank also saw an increase in lending in the agriculture sector as our Agribusiness division wrote more assets in an effort to improve the Bank's return while supporting the economy. This was partially offset by a decline in lending in our Corporate & Investment Banking division across all sectors with the exception of the mining sector, a key sector that the Bank continues to support.

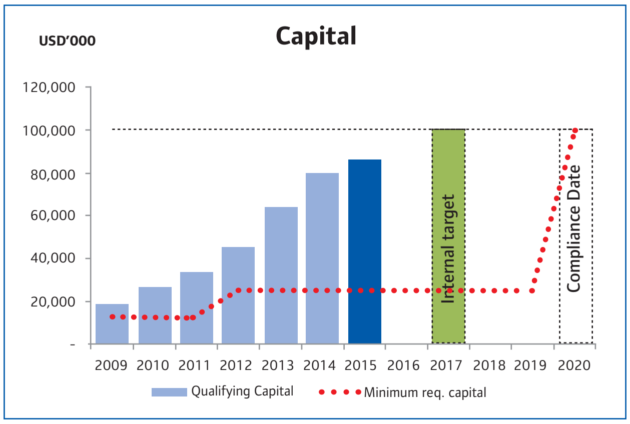


Deposits and current accounts

The Bank's customer deposits grew by 6% from USD447 million in 2014 to USD474 million driven by increased cash inflows experienced by customers in our Personal & Business Banking unit with the following sectors within the unit showing significant growth: mining (351%), construction (403%) and services (7%). Our Corporate & Investment Banking unit saw a 3% decline in customer deposits with significant declines experienced in the mining and services sector which was offset by an increase in deposits by clients in the financial services, distribution and construction sectors.

Capital

The Bank had a healthy capital base of USD88 million and is on track to meet the minimum required capital of USD100 million by 31 December 2020. An interim dividend of USD10 million was paid during the year in addition to USD7.5 million final dividend for the year ended 31 December 2014 which was declared after the reporting date, the amount was recognized in the financial statements for the current year. In turn, return on equity improved to 28% in 2015 from 27% in 2014 despite the challenging environment.



Liquidity

The financial services sector has seen persistent liquidity challenges during the year and over this period the Bank continued to manage its liquidity risk exposures proactively within prudent risk parameters. A sound structural liquidity mismatch profile, an adequate diversified funding base and the Bank's unencumbered surplus liquidity of USD89 million as at 31 December 2015 (USD81 million as at 31 December 2014) were maintained, reflecting the Bank's prudent liquidity management approach as informed by stress testing requirements and prevailing market conditions.

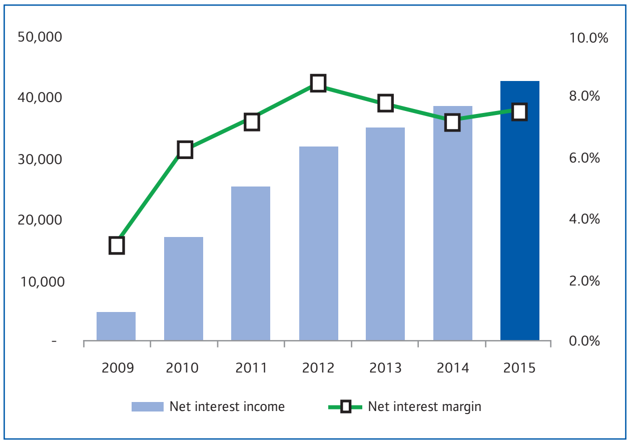
Statement of comprehensive income analysis

Net interest income

The Bank closed the year with net interest income of USD42.8 million which was above the prior year's income of USD38.6 million by 11%. This growth was driven mainly by the USD69 million in financial assets held by the Bank after increasing its treasury bill holdings and participating in the Aftrade Bond that was floated by the Central Bank in an effort to address market liquidity challenges.

Financial Review

Net interest income (continued)



Non- interest income

Non-interest income declined by 1% during the year with net fee and commission income up by 5%, trading income down by 19% and other income down by 38%.

Fees and commissions grew by 5% from USD35 million in 2014 to USD36 million mainly because of opportunities in the market that our Global Markets unit was able to earn income from, compounded by an increase in our trade finance business. Our custody business continued to improve, with fee income increasing by 20% though the Zimbabwe Stock Exchange recorded significant losses during the year.

Trading income declined by 19% from the prior year as the Bank saw a decline in transactional volumes. South Africa, Zimbabwe's biggest trading partner is experiencing depreciation in the Rand against the United States dollar which has seen some of our clients being invoiced in United States dollars resulting in a reduction in transaction volumes. This trend is expected to continue and the Bank remains active in increasing its income streams.

Credit impairment charges

Credit impairment charges increased by 1% from USD6.7 million to USD6.8 million in 2015 and this translated to a credit loss ratio of 2.6%. Credit risk remains high as companies continue to close, with others exhibiting signs of financial stress. The Bank maintains a robust credit granting process to retain a quality loan book while providing funding to key sectors of the economy.

The Net NPL ratio improved from 6% to 5% as the Bank continued with its efforts to maintain a quality loan book through maintaining a robust credit granting process.

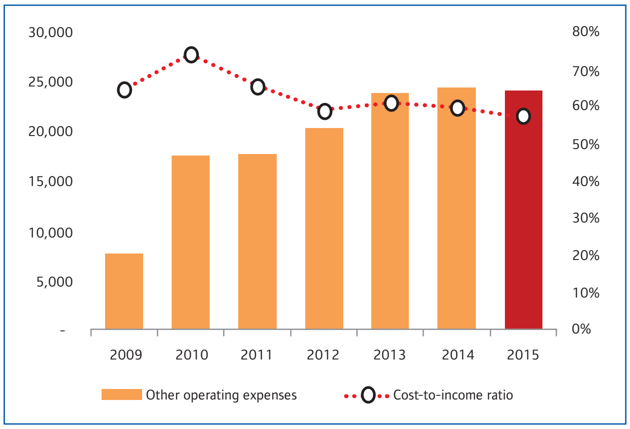
Operating expenses

Staff costs ended the year at USD24.4 million and were 1% high than prior year mainly due to annual salary increments and promotions that took place during the year. The Bank's revenue per employee increased by 2.6% reflecting the dedication of our employees to delivering excellent returns in an efficient manner.

	2015	2014
Revenue per employee	133 542	130 115
Number of employees	659	649

Other operating expenses closed the year 1% below prior year at USD24.2 million. The Bank's transactional processing costs increased in the year compounded by the impact of business expansions as we opened a branch in Hwange and renovated some branches to improve on their ambience.

The cost to income ratio improved from 60% in 2014 to 57% in 2015 as the Bank managed to reduce costs by identifying cost efficiencies throughout the business. Continued attention will be paid to this efficiency drive as we strive to reach a cost to income ratio of 50%.



Looking Forward

In the outlook to December 2016, the country's economic growth prospects remain weak due to the El Nino weather conditions, continued decline of international commodity prices and low internal demand. We are confident that Stanbic Bank Zimbabwe will achieve its 2016 targets despite the challenges faced by the economy.

Financial Review

Income Statement	*CAGR %	2015 USD'000	2014 USD'000	2013 USD'000	2012 USD'000	2011 USD'000
Interest income	14%	43 481	39 425	35 743	32 465	25 889
Interest expenses	7%	(728)	(849)	(716)	(423)	(547)
Net interest income	14%	42 753	38 576	35 027	32 042	25 342
Net fee and commission revenue	10%	36 099	34 533	30 378	29 042	24 443
Trading revenue	11%	9 001	11 092	12 573	11 188	5 864
Other revenue	-33%	152	244	421	89	739
Total income	12%	88 005	84 445	78 399	72 361	56 388
Credit impairment charges	13%	(6 830)	(6 739)	(2 335)	(5 817)	(4 243)
Staff costs	9%	(24 354)	(24 199)	(22 481)	(20 454)	(17 285)
Other operating expenses	7%	(26 020)	(26 308)	(25 332)	(22 202)	(19 729)
Profit before direct tax	19%	30 801	27 199	28 251	23 888	15 131
Direct tax	15%	(6 870)	(6 498)	(9 949)	(6 688)	(3 985)
Profit for the year	21%	23 931	20 701	18 302	17 200	11 146

Statement of financial position	*CAGR %	2015 USD'000	2014 USD'000	2013 USD'000	2012 USD'000	2011 USD'000
ASSETS						
Cash and balances with the Central Bank	7%	235 867	261 976	190 198	133 916	179 191
Derivative assets	-12%	1 254	4 737	1 154	2 288	2 124
Financial assets available for sale		68 679	28 103	16 243	17 229	-
Loans and advances to customers	13%	254 272	234 423	237 984	213 417	153 482
Other assets	14%	2 879	2 094	1 971	2 475	1 729
Deferred income tax assets		2 608	1 909	-	-	-
Intangible assets	-3%	1 332	527	599	997	1 501
Investment Property	101%	3 590	3 770	3 770	2 730	220
Property and equipment	1%	24 459	23 416	23 110	22 234	23 157
Total assets	13%	594 940	560 955	475 029	395 286	361 404
EQUITY AND LIABILITIES						
Equity	26%	88 009	81 667	66 068	46 426	34 548
Liabilities						
Derivative liabilities	-12%	1 250	4 730	1 144	2 266	2 097
Deposits and current accounts	12%	484 050	449 684	388 034	331 494	312 790
Deposits from other banks	64%	10 384	2 706	4 082	3 622	1 447
Deposits from customers	11%	473 666	446 978	383 952	327 872	311 343
Current tax liabilities	-12%	642	1,761	700	378	1 049
Deferred income tax liabilities	-100%	-	-	654	509	1 621
Other liabilities	23%	20 989	23 113	18 429	14 213	9 299
Total equity and liabilities	13%	594 940	560 955	475 029	395 286	361 404

*CAGR - Compounded Annual Growth Rate

Chairman's statement

I am pleased to report on the financial performance of Stanbic Bank Zimbabwe Limited ("the Bank" or "Stanbic Bank Zimbabwe") for the year ended 31 December 2015.

Operating environment in the country

The state of the operating environment remained challenging throughout the year 2015. Gross Domestic Product is estimated to have grown by a mere 1.5% in 2015 compared to growth rates of between 8% and 10% during the initial years of dollarization. The growth rate is also below the average Sub-Saharan growth rates of around 4-5%.

The key challenges that impacted economic growth in 2015 include:

- Continued decline in international commodity prices for Zimbabwe's key exports including gold, platinum, ferrochrome and cotton lint;
- Loss of export competitiveness among local producers due to the usage of a stronger USD. The USD appreciated by an average of 15% to 30%, during 2015 against most regional and international currencies. The situation is further exacerbated by Zimbabwe being a country with high production costs.
- Limited long term capital, constrained lines of credit and low foreign direct investments ("FDIs"). The perceived high country risk continues to thwart the mobilisation of foreign capital;
- Uncertainty on the implementation of key policies such as the Indigenisation and Economic Empowerment legislation. Despite commendable attempts by the Governor of our Central Bank and relevant Ministers to clarify the legislation, challenges and uncertainties remain. Increased competition from imports mainly South Africa and China;
- Deflationary pressures as evidenced by negative annual average inflation, depressed company profitability levels and generally low internal demand for goods and services; and
- Worsening power shortages.

Results

The Bank's profit for the year of USD23.9 million increased by 15% from the USD20.7 million achieved in the same period last year despite the increasingly challenging economic environment. Net interest income at USD42.7 million grew by 11% from the previous period largely because of the additional short term investments and lending assets which were written during the year. The Bank's fee and commission income increased marginally by 5% to USD36 million mainly on account of the improved transaction volumes passing through our various banking channels. The Bank's gross lending book grew by 8% to USD272 million largely due to the increase in facility utilisation by customers and the creation of new interest earning assets. The cost to income ratio for the Bank improved to 57% from 60% for the same period last year driven by the 4% growth in total income to USD88 million. The Bank will remain focused on identifying cost containment initiatives and eliminating areas of cost inefficiencies in an effort to reduce its cost base.

Capital

As at 31 December 2015, the Bank's qualifying core capital stood at USD84.9 million (2014: USD78.5 million) against the regulatory minimum of USD25 million. The Bank remains on course to meet the regulatory requirements of USD100 million in qualifying capital by 2020.

Outlook

In the outlook to December 2016, the country's economic growth prospects remain weak due to the El Nino weather conditions, continued decline of international commodities prices and low internal demand. We are comfortable that Stanbic Bank Zimbabwe will achieve its 2016 targets despite the challenges faced by the economy.

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 meets a minimum of four times per year, and the record of attendance of each director is as follows for the year ended 31 December 2015:

DIRECTOR'S NAME	MAIN BOARD	AUDIT	L R	CREDIT	HR	NOM	RISK
Sternford Moyo *(Chairman)*	4	**	11	**	**	2	**
Joshua Tapambgwa *(Chief Executive)*	4	**	**	**	****1	****1	**
Cathrine Chitiyo	4	**	**	5	2	**	4
Gregory Sebborn	4	4	****3	***4	**	**	***3
David Ellman-Brown	4	4	11	**	**	**	**
Emmanuel Jinda	4	**	***8	****1	2	2	**
Malcolm Lowe*	3	**	**	3	**	**	4
Weston Makwara *(Executive)*	4	**	**	**	**	**	****1
Linda Masterson	4	3	****2	***3	***1	***1	3
Solomon Nyanhongo *(Executive)*	3	**	**	**	**	**	****1
Paul Smith*	4	**	**	**	**	**	***1
Pindie Nyandoro*	4	**	**	**	**	***0	**

*South African based members

** Not a member

***Became a member of the Committee as at 30 March 2015

****Ceased to be a member of the Committee as at 30 March 2015

HR - Human Resources and Remuneration Committee

NOM - Board Nominations Committee

LR - Board Loans Review Committee

As at 31 December 2015, 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 year ended 31 December 2015 the committee held four meetings.

As at 31 December 2015 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 year ended 31 December 2015, the committee held eleven meetings.

Chairman's statement

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. During the year ended 31 December 2015, 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 four non-executive directors, two of whom are independent.

Board Human Resources and Remuneration Committee

The committee meets twice a year. During the year ended 31 December 2015, the committee held two meetings.

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 year ended 31 December 2015, the committee held four meetings.

As at 31 December 2015 the committee comprised five non-executive directors. 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.

Board Nominations Committee

The committee meets twice a year. During the year ended 31 December 2015, the committee held two meetings.

As at 31 December 2015 the committee comprised three non-executive directors.

Asset and Liability Committee

Though not a Board committee, the Asset and Liability Committee is a key management committee that meets a minimum of twelve times a year. During the year ended 31 December 2015, 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
- grow statement of financial position size and profits for the period in line with budget.

Stanbic Nominees (Private) Limited

Stanbic Nominees (Private) Limited is a wholly owned subsidiary of Stanbic Bank Zimbabwe. It is the nominee company for investments made by Stanbic Bank Zimbabwe clients on the money and equity markets (the Bank's custodial business). The Board for Stanbic Nominees (Private) Limited 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 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.

Chairman's statement

Corporate Social Responsibility

Stanbic Bank Zimbabwe's approach to Corporate Social Responsibility ("CSR") is to use its available resources and partnerships to identify and assist communities in ways that create long term sustainability. Our CSR targets all communities and is needs based. The areas of focus include health, education (from primary to tertiary), arts and sports to mention a few. Our philosophy is to invest in and develop the communities from which we derive our business existence. This is made possible by own resources, the strong relationship that we share with our clients, investors, partners and all other stakeholders. This as a Bank gives us a sense of belonging through making a significant difference in our communities.

Acknowledgements

My gratitude and appreciation go to our valued customers, shareholders and stakeholders for their unwavering support and contributions throughout the year. As always I am humbled by the continued dedication of our management and staff which has made the achievement of such remarkable results possible in a deteriorating economic environment. I am truly grateful for the counsel and guidance provided by our non-executive directors throughout the year.

Sternford Moyo
Chairman

29 March 2016

Nzeve Children's Home Director, Libby Foster (left) receives the keys to the safe from Mutare Acting Branch Manager, Irene Chapwanya (second left) while Mutare Branch Business Banker, John Mataruse looks on.

Head of Commercial Banking, Isaac Gwanani hands over prizes at Mother Patrick Convent prize giving speech.

Chief Executive's report

Overview of business results for 2015

The slowdown in economic growth that prevailed in the first half of the year persisted into the second half of the year characterised by the following: tight liquidity, decline in aggregate demand, softening of commodity prices, company closures and job losses. All these factors had a negative impact on the banking industry's performance. Despite the increasingly difficult operating environment, the Bank continued to drive solid financial performance.

The Bank ended the year with a profit of USD23.9 million, which represents growth of 15% from the profit of USD20.7 million reported for the prior year.

Net interest income of USD42.8 million was 11% ahead of the USD38.6 million achieved in the previous year largely because of the 8% growth in the lending book to USD272 million as new interest earning assets were created, compounded by the growth in short term investments as efforts continued to be directed at effective utilisation of the balance sheet.

The Bank achieved a 5% growth in its net fee and commission income which closed the year at USD36.1 million driven mainly by the improvement in the volumes of transactions which were passing through our banking channels.

2015 operating expenses of USD48.5 million remained level with the prior year as the Bank continued to focus on cost containment and cost efficiencies through implementation of cost reduction initiatives. Consequently, the Bank's cost to income ratio improved from 60% in the previous period to 57% mainly because of the 4% growth in total income as additional interest earning assets were written whilst operating costs remained level with prior year.

The 2015 loan to deposit ratio declined marginally by 1% to 57% driven by the growth in customer deposits from USD447 million to USD474 million on account of the increase in inflows which were experienced by some of our customers during the year. The growth in customer deposits was ahead of asset creation as we continue to tread cautiously in creating lending assets in the difficult economic environment which poses significant default risk.

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 regulatory requirements and the Standard Bank Group Policies (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 (Chapter 9 :24), The Bank Use Promotion Act (Chapter 24:24) and The Suppression of Foreign and International Terrorism Act (Chapter 11:21). The Bank continues to adhere to the required standards of Anti- Money Laundering and combating of terrorism financing.

During the period under review, the Bank complied with all regulatory requirements and the Reserve Bank of Zimbabwe ("RBZ") directives, in all material respects.

Statement on corporate social investment responsibilities

We continue to support communities by focusing on different areas of need including health, social welfare, nature conservation, education and sports. Our activities in 2015 included financial support of the Cancer Association, Albino Association of Zimbabwe, and the donation of a pre-fabricated structure to St.Bernard's Primary school in Makwiro to accommodate the Early Learning Centre, ICT room and the Administration block. We also donated malaria repellent kits to St.Albert's Mission hospital in Centenary, a safe to Nzeve Deaf Children's Home in Mutare and built an ablution block (bathroom and toilet) for the Gwizo family's two sons who suffer from a deadly genetic condition in Odzi through the District Outreach for Care and Support ("DOCAS"). 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, and assisted the Tennis Association of Zimbabwe by refurbishing a tennis court at Harare Sports Club to bring it to international standards and give them the capacity to host international tournaments. Apart from grassroots sport development, we continued to support disadvantaged students in schools and universities through our bursary program.

In the arts, we participated in HIFA as one of the sponsors. The festival has grown tremendously over the last 15 years, attracting artists from around the global. The bank is proud to be involved in exposing Zimbabweans to the diversity of talent and entertainment that exits locally and beyond our borders.

Chief Executive's report

Our people

The careful and effective management of extremely challenging conditions during the period under review is a testimony to the strength and resilience of our people. Proactive and rigorous management of risk, liquidity and costs allowed the Bank to deliver commendable results in a stressful environment. I take this opportunity to extend a heartfelt "Thank you" to the entire Stanbic Bank team.

Our customers

The Bank launched the competitive home loans product during the period under review, growing the portfolio to USD2 million at the end of the year. In a technologically demanding environment the Bank responded to market demands through the deployment of additional electronic self-service channels which included POS terminals and the Blue247 mobile banking product as efforts continue to be directed at enhancing our customer service experience.

Points of representations

The Bank opened an additional point of representation in the resort town of Hwange in March 2015 and renovated two of its branches in Harare and Bulawayo as we strive to improve on service delivery. Plans are currently underway to open a new branch in Gweru before the end of 2016.

Outlook for the year 2016

The year ahead is expected to be yet another challenging one. The Bank will remain focused on growing its lending book without losing focus on the quality of its earning assets. We will continue to respond to the growing customer demands through driving our electronic banking channels and providing products that meet customer needs. We will increase our focus on process reengineering in an effort to further reduce our cost base in this deteriorating operating environment.

Vote of thanks

I would like to thank our customers for their continued support and loyalty and the Board, management and staff for the support and contributions made in strengthening the Bank and achieving commendable financial performance in an increasingly difficult operating environment.

Joshua Tapambgwa
Chief Executive

29 March 2016

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, regulations, standards and codes, 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;

Mr Sternford Moyo *(Chairman)*	(appointed 1 June 2001)
Mr Joshua Tapambgwa *(Chief Executive)*	(appointed 1 February 2004)
Ms Cathrine Chitiyo	(appointed 1 April 2004)
Mr David Ellman-Brown	(appointed 18 July 2002)
Mr Emmanuel Jinda	(appointed 7 August 2003)
Mr Malcolm Lowe	(appointed 6 June 2008)
Mr Weston Makwara *(Executive)*	(appointed 1 March 2008)
Mrs Linda Masterson	(appointed 12 March 2009)
Mr Solomon Nyanhongo *(Executive)*	(appointed 17 April 2009)
Mr Paul Smith	(appointed 20 October 2010)
Ms Pindie Nyandoro	(appointed 15 September 2014)
Mr Gregory Sebborn	(appointed 3 October 2014)

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.

Board effectiveness and evaluation

The Board is led by a majority of non-executive Board members 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.

Corporate Governance Statement

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 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.

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 accompanies 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 2015.

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 2015 USD'000	Year ended 31 December 2014 USD'000
2	**RESULTS**		
	Profit for the year	23 931	20 701

3 DIVIDEND DECLARATION

On 30 June 2015 the directors declared and paid an interim dividend of USD10 million for the year ending 31 December 2015. A final dividend of USD7.5 million for the year ended 31 December 2014 was declared and paid in 2015.

4 DIRECTORATE

Chairman: Mr Sternford Moyo

Directors: S. Moyo *(Chairman)**
J. Tapambgwa *(Chief Executive)*
C.C. Chitiyo
D.A. Ellman-Brown*
E. Jinda*
M. Lowe
W. Makwara
L. Masterson
P. Smith
S. Nyanhongo*
P. Nyandoro
G. Sebborn

*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. PricewaterhouseCoopers Chartered Accountants (Zimbabwe)'s five year term as the Bank's Auditors expired at the end of 2015 in terms of regulatory requirements and the shareholder will appoint another independent firm of Auditors at the next Annual General Meeting.

By order of the Board

……………………………………..….

AISHA TSIMBA
SECRETARY
29 March 2016

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 in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Banking Act (Chapter 24:20).

The Zimbabwe Companies Act (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 and prudent;
- state whether they have been prepared in accordance with IFRS; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Bank and enable them to prepare financial statements in accordance with IFRS and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Banking Act (Chapter 24:20). The directors have a 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.

Accounting convention

The financial statements on pages 43 to 95 have been prepared under the historical cost convention as modified by investment property and freehold property which are stated at fair value and are in agreement with the underlying records.

Compliance with IFRS and laws and regulations

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

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 still appropriate.

Approval

The financial statements for the year ended 31 December 2015 have been approved by the Board of Directors and are signed on its behalf by the Chairman and the Chief Executive.

_________________________________ Chairman

_________________________________ Chief Executive

29 March 2016

Independent Auditor's Report to the Shareholders of Stanbic Bank Zimbabwe Limited

Report on the financial statements

We have audited the financial statements of Stanbic Bank Zimbabwe Limited ("the Bank" or "Stanbic Bank Zimbabwe"), which comprise the statement of financial position as at 31 December 2015, income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, set out on pages 43 to 95 and specified sections of the risk management report contained within pages 21 to 39.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Banking Act (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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Banking Act (Chapter 24:20)

Pricewaterhouse Coopers

PricewaterhouseCoopers
Chartered Accountants (Zimbabwe)

Harare 29 March 2016

Risk management and control

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 four 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;
- 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"); and.
- The fourth line of defence consists of the Board Risk Committee ("BRC") which 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.

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, pages 22-23
- capital management, pages 23-25
- credit risk, pages 25-30
- liquidity risk, pages 31-35
- market risk, pages 36-39 and;
- foreign currency risk, page 39

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

- operational risk, page 40
- information risk, page 41
- fraud risk, page 41
- legal risk, page 41
- tax risk, page 41
- compliance risk, page 42 and;
- reputational risk, page 42

Risk management and control

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 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 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.

Risk management and control

- **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 or business relationships.

Basel II

The Bank has made all the necessary preparations for the implementation of Basel II Capital Adequacy Framework ("Basel II") and is awaiting advise from the Reserve Bank of Zimbabwe to fully adopt this framework.

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.

Risk management and control

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 2015 USD'000	31 December 2014 USD'000
Ordinary paid up share capital	260	260
Share premium	10 790	10 790
Retained earnings	72 854	66 355
Operational risk	(5 812)	(5 129)
Reserves	2 163	2 319
Tier 1 capital	80 255	74 595
Revaluation reserve	1 942	1 943
General provisions (limited to 1.25% of risk weighted assets)	5 071	4 581
Tier 2 capital	7 013	6 524
Market risk	535	167
Operational risk	5 277	4 962
Tier 3 capital	5 812	5 129
Total Tier 1 and 2 capital	87 268	81 119
Tier 3	5 812	5 129
	93 080	86 248
Risk weighted assets ("RWAs")	332 998	302 344
Operational risk equivalent assets	65 960	62 023
Market risk equivalent assets	6 691	2 089
Total risk weighted assets ("RWAs")	405 649	366 456
Tier 1 capital ratio	20%	20%
Tier 1 and 2 capital ratio	22%	22%
Tier 1, 2 and Tier 3 capital	23%	24%
Capital adequacy ratio excluding market and operational risk weighted assets	23%	23%

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 Zimbabwe Banking Act (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.

Risk management and control

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 USD80.3 million as at 31 December 2015, whilst total capital for accounting purposes is USD88 million. The Bank's capital adequacy ratio of 23% at 31 December 2015 (31 December 2014:23%) was comfortably above the minimum ratio of 12% set by the RBZ.

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	2015	2014	2013	2012	2011
Long term	AA-	AA-	AA-	AA-	AA-

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.

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

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 0%-50%	50%-100%	Greater than 100%
2015								
Corporate and Investment Banking ("CIB")	123 376	103 672	19 704	-	19 704	530	3 468	15 706
Personal and Business Banking ("PBB")	148 846	97 945	50 901	-	50 901	4 726	19 752	26 423
Total	272 222	201 617	70 605	-	70 605	5 256	23 220	42 129
Add financial assets not subject to credit risk	305 800							
Cash and cash equivalents	235 867							
Other financial assets	69 933							
Less impairments for loans and advances	(17 950)							
Net exposure	560 072							

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 0%-50%	50%-100%	Greater than 100%
2014								
Corporate and Investment Banking ("CIB")	137 042	114 552	22 490	-	22 490	360	11 079	11 051
Personal and Business Banking ("PBB")	114 693	82 254	32 439	-	32 439	2 503	10 120	19 816
Total	251 735	196 806	54 929	-	54 929	2 863	21 199	30 867
Add financial assets not subject to credit risk	296 566							
Cash and cash equivalents	261 976							
Other financial assets	34 590							
Less impairments for loans and advances	(17 312)							
Net exposure	530 989							

Risk management and control

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.
- 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 2015 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	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	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											

Risk management and control

Exposure to credit risk by credit quality as at 31 December 2014 (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")												
Finance leases	7 359	166	59	97	322	301	5 300	-	5 300	1 737	7 037	206
Personal unsecured lending	49 840	1 131	417	190	1 738	1 687	47 452	-	47 452	650	48 102	986
Business term loans and overdrafts	57 494	492	1 270	2 528	4 290	1 435	43 594	8 769	52 363	841	53 204	1 580
Total loans PBB	114 693	1 789	1 746	2 815	6 350	3 423	96 346	8 769	105 115	3 228	108 343	2 772
Corporate and Investment Banking ("CIB")												
-Corporate loans	137 042	3 078	190	4 639	7 907	5 686	124 616	2 470	127 086	2 049	129 135	5 431
Total	251 735	4 867	1 936	7 454	14 257	9 109	220 962	11 239	232 201	5 277	237 478	8 203
Less impairments for loans and advances	(17 312)											
Net loans and advances	234 423											

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. In general, the Bank does not use repossessed assets for business purposes. The collateral obtained by the Bank as at the financial year ended 31 December 2015 amounted to USD124 million (2014:USD107 million).

Risk management and control

Exposure to credit risk by credit quality as at 31 December 2015 (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	3 040	1 907	3 645	8 592	(4 038)	(4 554)	53%
Corporate and Investment Banking ("CIB")							
Loans to customers	3 563	191	-	3 754	(2 558)	(1 196)	32%
Total	6 603	2 098	3 645	12 346	(6 596)	(5 750)	47%

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						
Finance leases	1 187	18	124	-	-	1 329
Business term lending	165	154	512	-	-	831
Personal term lending	142	158	431	-	-	731
Total loans PBB	1 494	330	1 067	-	-	2 891
Corporate and Investment Banking						
Term lending	4 497	-	-	1 668	-	6 165
Total	5 991	330	1 067	1 668	-	9 056

Risk management and control

Exposure to credit risk by credit quality as at 31 December 2014 (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	1 789	1 746	2 815	6 350	(2 927)	(3 423)	54%
Corporate and Investment Banking ("CIB")							
Loans to customers	3 078	190	4 639	7 907	(2 221)	(5 686)	72%
Total	4 867	1 936	7 454	14 257	(5 148)	(9 109)	64%

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						
Finance leases	166	108	1 462	-	-	1 736
Business term lending	602	72	167	-	-	841
Personal term lending	263	130	258	-	-	651
Total loans PBB	1 031	310	1 887	-	-	3 228
Corporate and Investment Banking						
Term lending	1 137	-	-	912	-	2 049
Total	2 168	310	1 887	912	-	5 277

Risk management and control

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

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 2015 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	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 intangible assets, deferred tax assets, investment property and plant and equipment.

Other liabilities include current tax liabilities.

Risk management and control

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 2014 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	207 755	24 221	30 000	-	-	-	261 976
Derivative assets	694	-	4 043	-	-	-	4 737
Financial assets available for sale	755	-	10 000	17 348	-	-	28 103
Loans and advances to customers	138 638	9 604	14 632	24 062	70 708	(23 221)	234 423
Other assets	-	1 750	-	-	-	29 966	31 716
Total	347 842	35 575	58 675	41 410	70 708	6 745	560 955
Equity and liabilities							
Derivative liabilities	692	-	4 038	-	-	-	4 730
Deposits from customers and other banks	446 212	2 658	450	364	-	-	449 684
Other liabilities	-	6 282	9 071	7 757	1 561	203	24 874
Equity	-	-	-	-	-	81 667	81 667
Total	446 904	8 940	13 559	8 121	1 561	81 870	560 955
Liquidity gap	(99 062)	26 635	45 116	33 289	69 147	(75 125)	
	(99 062)	(72 427)	(27 311)	5 978	75 125	-	
Cumulative on-balance sheet gap							
Off- balance sheet exposures							
Letters of credit	(9 448)	-	-	-	-	-	
Financial guarantees	(21 731)	-	-	-	-	-	
	(130 241)	(72 427)	(27 311)	5 978	75 125	-	
Total liquidity gap (on-and off balance sheet)	(130 241)	(103 606)	(58 490)	(25 201)	43 946	-	
Total cumulative on-balance sheet gap							

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

Other liabilities include current tax liabilities.

Risk management and control

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% (2014:3%) of the overall balance sheet size as depicted below and thus do not pose a significant forex liquidity risk to the Bank:

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%

Risk management and control

Statement of financial position by currency as at 31 December 2014	Total USD'000	USD USD'000	ZAR USD'000	EURO USD'000	GBP USD'000	Other USD'000
Assets						
Cash and cash equivalents	261 976	250 328	7 332	3 252	706	358
Derivative assets	4 737	4 737	-	-	-	-
Financial assets available for sale	28 103	28 103	-	-	-	-
Loans and advances to customers	234 423	234 419	4	-	-	-
Deferred tax	1 909	1 909	-	-	-	-
Other assets	2 094	1 938	112	-	-	44
Intangible assets	527	527	-	-	-	-
Investment property	3 770	3 770	-	-	-	-
Property and equipment	23 416	23 416	-	-	-	-
Total assets	560 955	549 147	7 448	3 252	706	402
Equity and liabilities						
Equity	81 667	81 667	-	-	-	-
Ordinary share capital	260	260	-	-	-	-
Ordinary share premium	10 790	10 790	-	-	-	-
Reserves	70 617	70 617	-	-	-	-
Liabilities	479 288	462 787	12 416	3 099	727	259
Derivative liabilities	4 730	4 730	-	-	-	-
Total deposits	449 684	437 667	8 001	3 066	694	256
Deposits from other banks	2 706	2 211	205	31	130	129
Deposits from customers	446 978	435 456	7 796	3 035	564	127
Current income tax liabilities	1 761	1 761	-	-	-	-
Other liabilities	23 113	18 629	4 415	33	33	3
Total equity and liabilities	560 955	544 454	12 416	3 099	727	259
Currency gap	-	4 693	(4 968)	153	(21)	143
Currency size as % of overall statement of financial position	100%	97%	2%	1%	0%	0%

Risk management and control

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 75bps parallel rate shock on all yield curves would decrease the forecast net interest income based on balances as at 31 December 2015 by 1.47% (2014:3.95%), whilst a 200bps downward parallel shock would decrease forecast net income by 1.91% (2014:11.68%) . 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	USD'000	USD'000	Total USD'000
2015			
Increase in basis points	75	200	
Sensitivity of annual net interest income	880	2 345	3 225
Sensitivity of OCI	-	-	
Decrease in basis points	75	200	
Sensitivity of annual net interest income	(554)	(721)	(1 275)
Sensitivity of OCI	-	-	
2014			
Increase in basis points	75	200	
Sensitivity of annual net interest income	1 135	3 027	4 162
Sensitivity of OCI	-	-	
Decrease in basis points	75	200	
Sensitivity of annual net interest income	(1 368)	(4 045)	(5 413)
Sensitivity of OCI	-	-	

Risk management and control

The tables below analyses the Bank's exposure to interest rate risk:

31 December 2015 interest rate repricing gap analysis (USD'000	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	> 1 years	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, deferred tax assets, investment property and plant and equipment

Other liabilities include current tax liabilities

Risk management and control

The tables below analyses the Bank's exposure to interest rate risk:

31 December 2014 interest rate repricing gap analysis (USD'000)	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	> 1 years	Non-interest bearing	Total
Assets							
Cash and cash equivalents	26 594	24 221	30 000	-	-	181 161	261 976
Derivative assets	-	-	-	-	-	4 737	4 737
Financial assets available for sale	-	755	10 000	17 348	-	-	28 103
Loans and advances to customers	138 638	92 687	19	4 951	21 349	(23 221)	234 423
Other assets	-	-	-	-	-	31 716	31 716
Total	165 232	117 663	40 019	22 299	21 349	194 393	560 955
Equity and liabilities							
Derivative liability	-	-	-	-	-	4 730	4 730
Deposits from customers and other banks	166 535	2 679	450	364	-	279 656	449 684
Other liabilities	-	-	-	-	-	24 874	24 874
Equity	-	-	-	-	-	81 667	81 667
Total	166 535	2 679	450	364	-	390 927	560 955
Interest rate repricing gap	(1 303)	114 984	39 569	21 935	21 349	(196 534)	
Cumulative interest rate repricing gap	(1 303)	113 681	153 250	175 185	196 534	-	

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

Other liabilities include current tax liabilities.

Risk management and control

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 2015

	Maximum possible loss in December 2015 USD'000	Minimum possible loss in December 2015 USD'000	Average possible loss USD'000	Possible loss at 31 December 2015 USD'000	Maximum acceptable VaR loss USD'000
Normal VaR	2.98	1.35	2.03	1.70	12
Stress VaR	21.99	7.25	12.81	10.7	113

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 2015 was USD2 980 (2014:USD1 440), and the minimum possible loss was USD1 350 (2014:USD700), with an average possible loss of USD2 030 (2014:USD1 080) in comparison to the maximum acceptable possible loss of USD12 000 (2014:USD12 000).

Risk management and control

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

Risk management and control

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.

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 law 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.

Risk management and control

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 Zimbabwe Banking Act (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.

Statement of financial position

As at 31 December 2015

	Note	31 December 2015 USD'000	31 December 2014 USD'000
ASSETS			
Cash and cash equivalents	3	235 867	261 976
Derivative assets	4.1	1 254	4 737
Financial assets available for sale	5	68 679	28 103
Loans and advances to customers	6.1	254 272	234 423
Other assets	7	2 879	2 094
Deferred tax assets	14	2 608	1 909
Intangible assets	8	1 332	527
Investment property	9	3 590	3 770
Property and equipment	10	24 459	23 416
Total assets		594 940	560 955
EQUITY AND LIABILITIES			
Shareholder's equity		88 009	81 667
Ordinary share capital	11.2	260	260
Ordinary share premium	12.1	10 790	10 790
Reserves	12.2	76 959	70 617
Liabilities			
Derivative liabilities	4.1	1 250	4 730
Deposits and current accounts	13	484 050	449 684
Deposits from other banks		10 384	2 706
Deposits from customers		473 666	446 978
Current income tax liabilities		642	1 761
Other liabilities	15	20 989	23 113
Total liabilities		506 931	479 288
Total equity and liabilities		594 940	560 955

____ Chairman

____ Chief Executive

____ Chief Finance Officer

____ Company Secretary

29 March 2016

Income statement

For the year ended 31 December 2015

	Note	31 December 2015 USD'000	31 December 2014 USD'000
Net interest income		42 753	38 576
Interest income	22.1	43 481	39 425
Interest expense	22.2	(728)	(849)
Non interest income		45 252	45 869
Fees and commission income	22.3	36 099	34 533
Trading income	22.4	9 001	11 092
Other income	22.5	152	244
Total income		88 005	84 445
Credit impairment charges	22.6	(6 830)	(6 739)
Income after credit impairment charges		81 175	77 706
Operating expenses		(48 536)	(48 653)
Staff costs	22.7	(24 354)	(24 199)
Other operating expenses	22.8	(24 182)	(24 454)
Net income before indirect tax		32 639	29 053
Indirect tax	24.1	(1 838)	(1 854)
Profit before direct tax		30 801	27 199
Direct tax	24.2	(6 870)	(6 498)
Profit for the year		23 931	20 701

Statement of comprehensive income

For the year ended 31 December 2015

	31 December 2015 USD'000	31 December 2014 USD'000
Profit for the year	23 931	20 701
Items that will not be reclassified to profit or loss:		
Loss on revaluation of land and buildings	(1)	-
Tax thereof	-	-
Items that may be subsequently reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets	(147)	(87)
Tax thereof	38	22
Total comprehensive income for the year attributable to the ordinary shareholder	23 821	20 636

Statement of cash flows

For the year ended 31 December 2015

	Note	31 December 2015 USD'000	31 December 2014 USD'000
Cash generated from operations			
Net income before indirect and direct tax		32 639	29 053
Adjusted for non cash items:			
Credit impairment charges on loans and advances	6.4	6 830	6 739
Amortisation of intangible assets	8	235	227
Depreciation of property and equipment	10	2 919	2 728
Equity-settled share-based payments		21	-
Indirect tax paid	24.1	(1 838)	(1 854)
Loss/(profit) on sale of property and equipment		27	(104)
Decrease in fair value of investment property	9	180	-
Impairment loss on property		453	-
Decrease/(increase) in derivative assets		3 483	(3 583)
Increase in loans and advances	25.1	(26 679)	(3 178)
Increase in financial assets available for sale	5	(2 271)	(755)
Increase in other assets		(785)	(123)
(Decrease)/increase in derivative liabilities		(3 480)	3 586
Increase in deposits and current accounts		34 366	61 650
(Decrease)/increase in other liabilities	25.2	(2 124)	4 684
Direct tax paid	25.3	(8 650)	(7 978)
Net cash from operating activities		35 326	91 092
Cash used in investment activities			
Purchase of financial assets available for sale	5	(66 993)	(21 000)
Proceeds from financial assets available for sale	5	28 541	9 808
Capital expenditure on:			
- intangible assets	8	(1 124)	(155)
- property and equipment	10	(4 425)	(3 042)
Proceeds from:			
- sale of property and equipment		66	75
Net cash used in investing activities		(43 935)	(14 314)
Cash used in financing activities			
Dividends paid		(17 500)	(5 000)
Net cash used in financing activities		(17 500)	(5 000)
Net (decrease)/increase in cash and cash equivalents		(26 109)	71 778
Cash and cash equivalents at the beginning of the year		261 976	190 198
Cash and cash equivalents at the end of the year	3	235 867	261 976

Statement of changes in equity

For the year ended 31 December 2015

	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 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
Items that will not be reclassified to profit or loss:	-	-	-	-	-	-	-	-	-
Revaluation of property and equipment	-	-	-	(1)	-	-	-	-	(1)
Deferred taxation charge	-	-	-	-	-	-	-	-	-
Items that may be subsequently reclassified to profit or loss:									
Changes in fair value of available-for-sale financial assets	-	-	-	-	(109)	-	-	-	(109)
Total comprehensive income for the year	-	-	-	(1)	(109)	-	-	23 931	23 821
Equity-settled share based payments	-	-	-	-	-	-	(47)	68	21
Dividend declared and paid	-	-	-	-	-	-	-	(17 500)	(17 500)
Total 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

Statement of changes in equity

For the year ended 31 December 2015

	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 2014									
Balance as at 1 January 2014	260	10 790	1 207	1 943	70	818	326	50 654	66 068
Profit for the year	-	-	-	-	-	-	-	20 701	20 701
Items that may be subsequently reclassified to profit or loss:									
Changes in fair value of available for sale financial assets	-	-	-	-	(65)	-	-	-	(65)
Total comprehensive income for the year	-	-	-	-	(65)	-	-	20 701	20 636
Equity-settled share based payments	-	-	-	-	-	-	(37)	-	(37)
Dividend declared and paid	-	-	-	-	-	-	-	(5 000)	(5 000)
Total transactions with owner of the Bank recognised directly in equity	-	-	-	-	-	-	(37)	(5 000)	(5 037)
Balance as at 31 December 2014	260	10 790	1 207	1 943	5	818	289	66 355	81 667

Accounting policies

For the year ended 31 December 2015

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.

BASIS OF PREPARATION

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 the International Financial Reporting Interpretations Committee, ("IFRIC") interpretations and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Banking Act (Chapter 24:20). The financial statements are based on statutory records that are maintained under the historical cost convention as modified by owner occupied property whose values have been determined at valuation less accumulated depreciation and; investment property, financial assets available for sale and derivative assets and liabilities whose values are based on fair value.

New standards, amendments and interpretations, effective on or after 1 January 2015

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2015 and are relevant to the Bank:

Standard ("IAS")/ Interpretation	Content	Applicable for financial years beginning on/after
International Accounting Standard ("IAS 19") (amendment)	Employee benefits, regarding defined benefit plans	1 July 2014

IAS 19 (amendment) 'Employee benefits', regarding defined benefit plans. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

The above new standard, amendment and interpretation does not have a material impact on the Bank's financial statements.

New standards, amendments and interpretations, not effective for accounting periods beginning on 1 January 2015 and not early adopted by the Bank.

The following new standards, amendments and interpretations have been issued but are not yet effective and are relevant to the Bank's operations:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 1 (amendment)	Presentation of financial statements' disclosure initiative	1 January 2016
IAS 7 (amendment)	Statement of cash flows	1 January 2017
IAS 12 (amendment)	Income tax	1 January 2017
IAS 16 and IAS 38 (amendment)	Property, plant and equipment and Intangible assets	1 January 2016
IAS 16 and IAS 41 (amendment)	Property, plant and equipment and Agriculture on bearer plants	1 January 2016
IFRS 9 (amendment)	'Financial instruments', on general hedge accounting	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

Accounting policies

For the year ended 31 December 2015

Amendment to IAS 1, 'Presentation of financial statements' disclosure initiative. In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to IAS 7, 'Statement of cash flows'. The amendments as part of the disclosure Initiative requiring entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment requires that the following changes in liabilities arising from financing activities be disclosed and should be separate from other assets and liabilities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

Amendments to IAS 12, 'Income tax'. The amendments in recognition of deferred tax assets for unrealised losses clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38 'Intangible assets'. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

IFRS 9, 'Financial instruments'. This IFRS is part of the IASB's project to replace IAS 39, Financial instruments: recognition and measurement. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

Amendments to IFRS 9, 'Financial instruments', on general hedge accounting. The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:
The own credit risk requirements for financial liabilities.
Classification and measurement ("C&M") requirements for financial assets.
C&M requirements for financial assets and financial liabilities.
The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).

Amendment to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture on bearer plants. In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant include examples of non-bearer plants and remove current examples of bearer plants from IAS 41.

IFRS 15 'Revenue from contracts with customers'. The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

IFRS 16 'Leases' This standard 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). 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. In addition, the standard requires 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 Bank is considering the implications of these new standards, amendments and interpretations, and the impact on the Bank and timing of their adoption.

The following new standards, amendments and interpretations have been issued but are not yet effective and are not relevant to the Bank's operations:

Standard/Interpretation	**Content**	**Applicable for financial years beginning on/after**
IAS 27 (amendment)	Separate financial statements on equity accounting	1 January 2016
IFRS 10 (amendment)	'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption	1 January 2016
IFRS 10 (amendment)	'Consolidated financial statements' and IAS 28,' Investments in associates and joint ventures' on sale or contribution of assets	1 January 2016
IFRS 11(amendment)	Joint arrangement on acquisition of an interest in a joint operation	I January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016

IAS 27 (amendment) 'Separate financial statements on equity accounting'. In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

IFRS 10 (amendment) 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on applying the consolidation exemption. The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

IFRS 10(amendment) 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets. The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

IFRS 11 (amendment) 'Joint arrangement on acquisition of an interest in a joint operation'. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

Accounting policies

For the year ended 31 December 2015

IFRS 14 'Regulatory deferral accounts'. This is an interim standard on the accounting for certain balances that arise from rate-regulated activities ("regulatory deferral accounts"). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.

Foreign currency translations

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 United States of America dollars ("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.

Transactions and balances

Foreign currency transactions are translated into the Bank's functional currency at 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 exchange rates are recognised in the income statement.

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.

Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of cash flows consist of cash on hand, balances with the Central Bank and other foreign banks. 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.

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.

Initial recognition and measurement

Financial instruments include all financial assets and liabilities held for liquidity, investment, trading or hedging purposes. 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 the income statement. Financial instruments are recognised (derecognised) on the date the Bank commits to purchase (sell) 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 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 the income statement 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. 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, or

- groups of financial assets, financial liabilities or both that 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 revenue 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 loans and advances are included in the loans and receivables category.

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 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 the income statement. Dividends on available-for-sale instruments are recognised in the income statement 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 the income statement.

Financial liabilities at amortised cost

Financial liabilities that are neither held for trading nor designated at fair value are 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

Accounting policies

For the year ended 31 December 2015

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 the income statement.

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.

Impairment of performing loans is only recognised if there is objective evidence that a loss event has occurred after the initial recognition of the financial asset but before the reporting date. 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 the income statement. 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 the income statement. Subsequent recoveries of previously written off loans and advances are recognised in the income statement. Subsequent to impairment, the effects of discounting unwind over time as interest income.

The Banking Regulations 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 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 income statement.

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 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 predetermined 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 the income statement, the impairment loss is reversed through income statement 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 OCI.

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 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

A derivative is a financial instrument whose value changes in response to an underlying variable, requires little or no initial net investment and is settled at a future date. 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 54.

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 the income statement 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 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.

Accounting policies

For the year ended 31 December 2015

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.

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.

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 the income statement 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.

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 the income statement 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 income statement 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 ten 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 yearend 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 the income statement as incurred. Depreciation, impairment losses and gains or losses on disposal of assets are included in the income statement.

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.

Accounting policies

For the year ended 31 December 2015

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

There has been no change to the estimated useful lives from those applied in the previous financial year (2014- no change).

Derecognition of property and equipment

The carrying amount of an item of property, plant 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 the income statement.

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 the income statement 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 the income statement 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 the income statement 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. Contingent liabilities 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

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.

Other post-employment obligations

The Bank provides post-employment medical benefits to former employees, with entitlement to these benefits generally limited to employees who were in the employment of the Bank at specified dates. 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 projected unit credit 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 the income statement in the current year to the extent that they relate to vested benefits of retired employees or past service.

A defined benefit asset is only recognised to the extent that economic benefits are available to the Bank from reductions in future contributions or future refunds from the plan.

Accounting policies

For the year ended 31 December 2015

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 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 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 the income statement 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 the income statement.

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 the financial statements 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 the income statement.

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 the income statement 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.

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.

Accounting policies

For the year ended 31 December 2015

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 to and assesses the performance of the operating segments of the Bank and has been identified as the Executive Committee. 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 on note 28.

Comparative figures

Where necessary, comparative figures within notes have been restated to conform to changes in presentation in the current year.

Notes to the financial statements

For the year ended 31 December 2015

1.1 Segment reporting 31 December 2015

	Personal and Business Banking USD'000	Corporate and Investment Banking USD'000	Total USD'000
1.1.1 Income statement			
Net interest income	18 897	23 856	42 753
Total non-interest income	25 975	19 277	45 252
Fee and commission income	25 899	10 200	36 099
Trading income	-	9 001	9 001
Other income	76	76	152
Total income	44 872	43 133	88 005
Credit impairment charges	(3 334)	(3 496)	(6 830)
Income after credit impairment charges	41 538	39 637	81 175
Total operating expenses	(28 080)	(20 456)	(48 536)
Staff costs	(14 932)	(9 422)	(24 354)
Other operating expenses	(13 148)	(11 034)	(24 182)
Net income before indirect tax	13 458	19 181	32 639
Indirect tax	(970)	(868)	(1 838)
Profit before direct tax	12 488	18 313	30 801
Direct tax	(2 827)	(4 043)	(6 870)
Profit for the year	9 661	14 270	23 931
1.1.2 Operating information			
Total assets	258 082	336 858	594 940
Total liabilities	(258 082)	(336 858)	(594 940)
Other information			
Depreciation	2 036	883	2 919
Amortisation	140	95	235
Property and equipment	18 618	5 841	24 459
Property and equipment additions	3 368	1 057	4 425
Investment property	2 926	664	3 590
Intangible assets	1 014	318	1 332
Intangible assets additions	856	268	1 124
Deferred tax assets	1 182	1 426	2 608
Fair value loss on investment property	37	143	180
Impairment loss on owner occupied properties	275	1 053	1 328

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.

Notes to the financial statements

For the year ended 31 December 2015

1.2 Segment reporting 31 December 2014

	Personal and Business Banking USD'000	Corporate and Investment Banking USD'000	Total USD'000
1.2.1 Income statement			
Net interest income	17 138	21 438	38 576
Total non-interest income	25 451	20 418	45 869
Fee and commission income	25 329	9 204	34 533
Trading income	-	11 092	11 092
Other income	122	122	244
Total income	42 589	41 856	84 445
Credit impairment charges	(3 110)	(3 629)	(6 739)
Income after credit impairment charges	39 479	38 227	77 706
Total operating expenses	(26 669)	(21 984)	(48 653)
Staff costs	(15 454)	(8 745)	(24 199)
Other operating expenses	(11 215)	(13 239)	(24 454)
Net income before indirect tax	12 810	16 243	29 053
Indirect tax	(938)	(916)	(1 854)
Profit before direct tax	11 872	15 327	27 199
Direct tax	(2 822)	(3 676)	(6 498)
Profit for the year	9 050	11 651	20 701
1.2.2 Operating information			
Total assets	231 429	329 526	560 955
Total liabilities	(231 429)	(329 526)	(560 955)
Other information			
Depreciation	1 897	831	2 728
Amortisation	111	116	227
Property and equipment	17 976	5 440	23 416
Property and equipment additions	2 335	707	3 042
Investment property	3 073	697	3 770
Intangible assets	406	121	527
Intangible assets additions	119	36	155
Deferred tax assets	769	1 140	1 909

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.
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. (2014:USD nil).

Notes to the financial statements

For the year ended 31 December 2015

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 income statement 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 2015 Months	Average loss emergence period 2014 Months
Personal and Business Banking ("PBB")	3	3
Finance leases	3	3
Personal Unsecured lending	3	3
Business term loans and overdrafts	3	3
Corporate and Investment Banking ("CIB")	8	8
Corporate loans	8	8

The loss factors applied by the Bank were as follows: 3.83% for the year ended 31 December 2015 (3.87%: 31 December 2014)

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:

Notes to the financial statements

For the year ended 31 December 2015

	Expected time to recover security		Expected recoveries as a percentage of impaired loans	
	2015	2014	2015	2014
	Months	Months	%	%
Personal and Business Banking ("PBB)				
Personal and Business Banking ("PBB")	7-12	7-12	38	38
Finance leases	12	12	45	45
Personal Unsecured lending	7	7	37	37
Business term loans and overdrafts	12	12	33	33
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.

Notes to the financial statements

For the year ended 31 December 2015

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 the income statement 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 2015 amounted to USD1 332 000 (2014: USD527 000).

2.5 Investment property

The fair value of investment property is based on a valuation which is reviewed annually and is written 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.

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.

Notes to the financial statements

For the year ended 31 December 2015

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.

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.

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.

	31 December 2015 USD'000	31 December 2014 USD'000
3 Cash and cash equivalents		
Bank notes	23 002	59 861
Balances with the Central Bank	146 653	121 300
Balances with other banks	66 212	80 815
	235 867	261 976
Current	235 867	261 976
Non –current	-	-
	235 867	261 976

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.

Notes to the financial statements

For the year ended 31 December 2015

Use and measurement

The Bank entered into derivative transactions for trading purposes during the years ended 31 December 2014 and 31 December 2015. 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 2015 USD'000	Fair value of assets 31 December 2014 USD'000
4.1	**Derivative assets**		
	Derivatives held for trading		
	Foreign exchange contracts	1 254	4 737
	Maturity analysis of net fair value		
	Up to 1 month	531	694
	More than 1 month but within 1 year	723	4 043
		1 254	4 737
	Derivative liabilities		
	Derivatives held for trading		
	Foreign exchange contracts	(1 250)	(4 730)
	Maturity analysis of net fair value		
	Up to 1 month	(529)	(692)
	More than 1 month but within 1 year	(721)	(4 038)
		(1 250)	(4 730)

		31 December 2015 USD'000	31 December 2014 USD'000
5	**Financial assets available for sale**		
	Balance at the beginning of the year	28 103	16 243
	Additions	66 993	21 000
	Accrued interest	2 271	755
	Total disposals	(28 541)	(9 808)
	Disposals	(27 788)	(9 755)
	Interest received	(753)	(53)
	Loss from changes in fair value	(147)	(87)
	Balance at the end of the year	68 679	28 103
	Current	43 816	28 103
	Non -current	24 863	-
		68 679	28 103

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

	31 December 2015 USD'000	31 December 2014 USD'000
6 Loans and advances		
6.1 Loans and advances net of impairment		
Loans and advances to customers		
Gross loans and advances to customers net of interest in suspense	272 222	251 735
Finance leases (note 6.2)	15 941	13 512
Overdrafts and other demand lending	129 900	129 107
Term lending	124 451	109 116
Home loans	1 930	-
Credit impairment allowance for loans and advances (note 6.3)	(17 950)	(17 312)
Specific impairment allowance	(5 750)	(9 109)
Portfolio impairments allowance	(12 200)	(8 203)
Net loans and advances	254 272	234 423
Comprising:		
Gross loans and advances	272 222	251 735
Less: credit impairment allowances	(17 950)	(17 312)
	254 272	234 423
Current	192 235	186 936
Non-current	62 037	47 487
	254 272	234 423
Maturity analysis:		
The maturities represent periods to contractual redemption of the loans and advances recorded:		
Maturing within 1 year	192 235	186 936
Maturing after 1 year but within 5 years	65 133	56 227
Maturing over 5 years	14 854	8 572
	272 222	251 735

Notes to the financial statements

For the year ended 31 December 2015

Sectoral analysis – industry	31 December 2015 USD'000	31 December 2015 %	31 December 2014 USD'000	31 December 2014 %
Individuals	68 422	25%	51 937	20%
Agriculture	51 127	19%	39 974	16%
Manufacturing	34 808	13%	27 398	11%
Mining	34 642	13%	34 471	14%
Wholesale distribution	30 758	11%	30 850	12%
Other services	22 816	8%	24 472	10%
Communications	16 915	6%	27 756	11%
Construction	7 611	3%	9 549	4%
Transport	4 420	2%	5 328	2%
Finance	703	0%	-	0%
	272 222	100%	251 735	100%

There are material concentrations of loans and advances to individuals 25% (2014:20%), agriculture 19% (2014:16%) manufacturing 13% (2014:11%) and mining 13% (2014:14%)

Sectoral analysis – geographical area

The following table sets out the distribution of the loans and advances to customers by geographic area where the loans are recorded:

	31 December 2015 USD'000	31 December 2015 %	31 December 2014 USD'000	31 December 2014 %
Harare and Chitungwiza	225 763	83%	212 315	84%
Bulawayo	16 654	6%	19 568	8%
Kwekwe	6 836	3%	3 991	2%
Ngezi	6 705	2%	4 761	2%
Victoria Falls and Hwange	4 643	2%	1 383	0%
Gweru	4 257	2%	3 582	1%
Chegutu	3 018	1%	2 020	1%
Beitbridge	2 237	1%	1 450	1%
Mutare	2 109	0%	2 665	1%
	272 222	100%	251 735	100%

		31 December 2015 USD'000	31 December 2014 USD'000
6.2	**Finance leases**		
	Gross investment in instalment sale and finance leases	17 215	14 318
	Receivable within 1 month	2 609	2 489
	Receivable after 1 month but within 6 months	5 582	5 764
	Receivable after 6 months but within 12 months	4 312	3 591
	Receivable after 12 months	4 712	2 474
	Unearned finance charges	(1 274)	(806)
	Net investment in finance leases	15 941	13 512
	Current (net of unearned finance charges)	11 619	11 207
	Non current (net of unearned finance charges)	4 322	2 305
		15 941	13 512
	Maturity analysis		
	Receivable within 1 month	2 532	2 443
	Receivable after 1 month but within 6 months	5 052	5 386
	Receivable after 6 months but within 12 months	4 035	3 379
	Receivable after 12 months	4 322	2 304
		15 941	13 512

A general credit impairment allowance of USD730 000 (2014:USD225 000) was raised on the outstanding finance leases as at 31 December 2015.

Notes to the financial statements

For the year ended 31 December 2015

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	Total USD'000
Year ended 31 December 2015					
Non-performing loans					
Balance as at the beginning of the year	-	301	5 962	2 846	9 109
Impaired loans written off	-	(117)	(3 521)	(2 554)	(6 192)
Net impairment charge for the year	-	123	1 037	1 673	2 833
Balance as at end of the year	-	307	3 478	1 965	5 750
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 as 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
Year ended 31 December 2014					
Non-performing loans					
Balance as at the beginning of the year	-	179	4 604	3 353	8 136
Impaired loans written off	-	-	(1 165)	(2 702)	(3 867)
Net impairment charge for the year	-	122	2 523	2 195	4 840
Balance as at end of the year	-	301	5 962	2 846	9 109
Performing loans					
Balance as at the beginning of the year	-	147	4 401	1 756	6 304
Net impairment charge for the year	-	78	40	1 781	1 899
Balance as at end of the year	-	225	4 441	3 537	8 203
Total (performing and non-performing)	-	526	10 403	6 383	17 312

Segmental analysis of impairment for non-performing loans – industry	31 December 2015 USD'000	31 December 2015 %	31 December 2014 USD'000	31 December 2014 %
Agriculture	1 044	18%	1 289	14%
Manufacturing	597	10%	1 900	20%
Individual	2 018	35%	1 687	19%
Transport	169	3%	165	2%
Other services	791	14%	463	5%
Mining	9	0%	51	1%
Distribution	1 122	20%	563	6%
Construction	-	0%	2 991	33%
	5 750	100%	9 109	100%

6.4 The net credit impairment charge for the year ended 31 December 2015 was USD6 830 000 (2014: USD 6 739 000).

	31 December 2015 USD'000	31 December 2014 USD'000
7 Other assets		
Inventories	316	175
Prepayments	209	169
Amounts due from group companies	226	134
Other receivables	1 384	961
Internal clearing accounts	744	655
	2 879	2 094
Current	2 879	2 094
Non-current	-	-
	2 879	2 094

Notes to the financial statements

For the year ended 31 December 2015

8 Intangible assets- computer software

	Intangible assets USD'000	Work in progress USD'000	Total USD'000
Year ended 31 December 2014			
Opening net book amount 1 January 2014	477	122	599
Additions	47	108	155
Transfers	63	(63)	-
Disposal	(13)	-	(13)
Reversal of accumulated amortization	13	-	13
Amortization charge (note 22.8)	(227)	-	(227)
Closing book amount 31 December 2014	360	167	527
As at 31 December 2014			
Cost	3 361	167	3 528
Accumulated amortization	(3 001)	-	(3 001)
Net book amount 31 December 2014	360	167	527
Year ended 31 December 2015			
Opening net book amount 1 January 2015	360	167	527
Additions	596	528	1 124
Transfers	83	(93)	(10)
Disposal	-	(74)	(74)
Amortization charge (note 23.8)	(235)	-	(235)
Closing book amount 31 December 2015	804	528	1 332
As at 31 December 2015			
Cost	4 041	528	4 569
Accumulated amortisation	(3 237)	-	(3 237)
Net book amount 31 December 2015	804	528	1 332

There are no significant intangible assets whose title is restricted or which are pledged as security for liabilities.

Notes to the financial statements

For the year ended 31 December 2015

		31 December 2015 USD'000	31 December 2014 USD'000
9	**Investment property**		
	Balance as at 1 January	3 770	3 770
	Fair value adjustment	(180)	-
	Balance as at 31 December	3 590	3 770

The fair value 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. 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 some of which are being leased to third parties under yearly operating lease agreements.

Direct operating expenses (recognised in the income statement) arising from investment properties that generated rental income was USD 3 065 (2014: USD14 261). Rental income on investment property recognised in the income statement was USD63 135 (2014: USD151 500).

The last valuation exercise of investment properties was carried out on 30 November 2015. The Bank's investment property was impaired by USD180 000 following the 30 November valuation exercise. The decline in the value of the Bank's investment property was mainly as a result of the adverse macro-economic environment which was characterised by an illiquid market, increasing tenant defaults on lease obligations, declining occupancy levels and declining rentals in commercial sectors.

Notes to the financial statements

For the year ended 31 December 2015

	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 2015								
Opening net book amount	15 718	255	1 912	1 286	2 597	704	944	23 416
Additions-cost	857	96	1 679	465	660	335	333	4 425
Disposals net book amount	-	-	(2)	(1)	(4)	(11)	-	(18)
Transfers in and out	257	132	93	3	427	43	(945)	10
Impairment of property and equipment	(1 328)	-	-	-	-	-	-	(1 328)
Reversal of depreciation on impaired property and equipment	873	-	-	-	-	-	-	873
Depreciation charge	(420)	(120)	(1 086)	(581)	(595)	(117)	-	(2 919)
Depreciation on transfers	-	-	(1)	-	1	-	-	-
Closing net book amount 31 December 2015	15 957	363	2 595	1 172	3 086	954	332	24 459
As at 31 December 2015								
Cost	15 982	922	8 466	3 766	5 330	1 684	332	36 482
Accumulated depreciation	(25)	(559)	(5 871)	(2 594)	(2 244)	(730)	-	(12 023)
Net book amount 31 December 2015	15 957	363	2 595	1 172	3 086	954	332	24 459

	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 (cont'd)								
Year ended 31 December 2014								
Opening net book amount	16 033	345	1 835	1 521	2 509	682	185	23 110
Additions-cost	57	26	1 108	293	500	130	928	3 042
Disposals net book amount	56	-	(18)	(2)	(30)	(14)	-	(8)
Transfers in and out	2	17	1	-	77	72	(169)	-
Depreciation charge	(431)	(133)	(1 014)	(526)	(484)	(140)	-	(2 728)
Depreciation on transfers	1	-	-	-	25	(26)	-	-
Closing net book amount								
31 December 2014	15 718	255	1 912	1 286	2 597	704	944	23 416
As at 31 December 2014								
Cost	16 196	693	6 873	3 471	4 267	1 339	944	33 783
Accumulated depreciation	(478)	(438)	(4 961)	(2 185)	(1 670)	(635)	-	(10 367)
Net book amount 31 December 2014	15 718	255	1 912	1 286	2 597	704	944	23 416

10.1 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.

The last valuation exercise of freehold properties was carried out on 30 November 2015. The Bank's freehold property was impaired by USD1.3 million following the 30 November valuation exercise. The decline in the value of the Bank's freehold property was mainly as a result of the adverse macro-economic environment which was characterised by an illiquid market, increasing tenant defaults on lease obligations, declining occupancy levels and declining rentals in commercial sectors.

Notes to the financial statements

For the year ended 31 December 2015

		31 December 2015 USD'000	31 December 2014 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 (2014:240 000) ordinary shares with a nominal value of USD1 each of which 240 000 (2014:240 000) are under the general authority of the directors which authority expires at the annual general meeting to be held on 29 March 2016.		
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	3 149	3 150
	Statutory credit impairment reserve	818	818
	Available for sale reserve	(104)	5
	Share-based payments reserve	242	289
	Retained earnings	72 854	66 355
		76 959	70 617

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) 2015	Number of options 2015	Number of options 2014
Group share incentive scheme			
Options outstanding at 1 January	-	159 000	154 600
Transfers in	-	-	6 700
Transfers out	-	-	-
Granted	-	-	-
Exercised	4.01	(89 124)	(2 300)
Options outstanding at 31 December		69 876	159 000

The weighted average share price for the year was USD8.67 (2014:11.66)

The following options granted to employees, including executive directors, had not been exercised as at 31 December 2015:

Number of ordinary shares	Option price range (USD)	Weighted average price (USD)	Option expiry period
3 000	5.11	5.11	Year to 31 December 2016
1 300	6.30	6.30	Year to 31 December 2017
8 900	5.91	5.91	Year to 31 December 2018
17 550	4.01	4.01	Year to 31 December 2019
10 688	7.20	7.20	Year to 31 December 2020
28 438	6.35	6.35	Year to 31 December 2021
69 876			

Notes to the financial statements

For the year ended 31 December 2015

The following options granted to employees, including executive directors, had not been exercised as at 31 December 2014:

Number of ordinary shares	Option price range (USD)	Weighted average price (USD)	Option expiry period
8 500	5.67	5.67	Year to 31 December 2015
7 500	6.87	6.87	Year to 31 December 2016
6 800	8.47	8.47	Year to 31 December 2017
31 400	7.95	7.95	Year to 31 December 2018
37 300	5.39	5.39	Year to 31 December 2019
28 750	9.68	9.68	Year to 31 December 2020
38 750	8.54	8.45	Year to 31 December 2021
159 000			

	31 December 2015 USD'000	31 December 2014 USD'000
13 Deposits and current accounts		
Deposits from other banks	10 384	2 706
Deposits from customers	473 666	446 978
Current accounts	303 640	277 956
Call deposits	147 768	153 856
Term deposits	1 610	3 477
Savings accounts	20 648	11 689
Deposits and current accounts	484 050	449 684
Current	483 905	449 684
Non- current	145	-
	484 050	449 684
Maturity analysis		
Maturing within 1 year	483 905	449 684
Maturing after 1 year	145	-
	484 050	449 684

Notes to the financial statements

For the year ended 31 December 2015

		31 December 2015 USD'000	31 December 2014 USD'000
14	**Deferred tax asset**		
	Deferred tax asset	(2 608)	(1 909)
	Current	-	-
	Non-current	(2 608)	(1 909)
		(2 608)	(1 909)
14.1	**Deferred tax analysis**		
	Deferred establishment fees	(684)	(422)
	Capital gains tax on investment property	32	41
	Depreciation on property and equipment	3 050	3 216
	Available for sale reserve	(38)	2
	Pension benefit and medical aid provision	(1 075)	(1 075)
	Payroll related provisions	(1 596)	(583)
	Other temporary differences	1 519	564
	Credit impairment allowance on loans and advances	(4 490)	(4 326)
	Revaluation of property	674	674
	Deferred tax asset	(2 608)	(1 909)
14.2	**Deferred tax reconciliation**		
	Deferred tax liability at beginning of the year	(1 909)	654
	Various categories of originating/(reversing) temporary differences for the year recognised in the income statement:	(661)	(2 541)
	Investment property revaluation loss	(9)	-
	Credit impairment allowance on loans and advances	(164)	(596)
	Pension benefit and medical aid provision	-	(1 075)
	Payroll related provisions	(1 013)	(583)
	Other temporary differences	952	(284)
	Property and equipment accelerated depreciation	(166)	49
	Deferred establishment fees	(261)	(52)
	Various categories of originating/reversing temporary differences recognised in the statement of changes in equity:		
	Available for sale reserve	(38)	(22)
		(2 608)	(1 909)

Notes to the financial statements

For the year ended 31 December 2015

		31 December 2015 USD'000	31 December 2014 USD'000
15	**Other liabilities**		
	Provisions (note 16)	7 436	6 596
	Post employment benefit obligation (note 17)	1 618	1 618
	Accrued expenses	4 516	7 598
	Amounts due from group companies	2 477	3 798
	Internal clearing accounts	4 942	3 503
		20 989	23 113
	Current	19 222	21 349
	Non- current	1 767	1 764
		20 989	23 113

		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 2014	385	4 347	795	5 527
	Provisions made during the year	292	4 817	284	5 393
	Provisions paid during the year	(50)	(3 891)	-	(3 941)
	Provisions reversed during the year	-	-	(383)	(383)
	Balance at 31 December 2014	627	5 273	696	6 596
	Balance at 1 January 2015	627	5 273	696	6 596
	Provisions made during the year	19	5 450	255	5 724
	Provisions paid during the year	(129)	(4 550)	-	(4 679)
	Provisions reversed during the year	-	-	(205)	(205)
	Balance at 31 December 2015	517	6 173	746	7 436

	31 December 2015 USD'000	31 December 2014 USD'000
Analysis of provisions		
Current	7 436	6 596
Non-current	-	-
	7 436	6 596

Notes to the financial statements

For the year ended 31 December 2015

17 Post –employment medical benefits

The Bank operates a post–employment medical benefit scheme. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

	31 December 2015 USD'000	31 December 2014 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	1 618	1 618
Liability in the statement of financial position	1 618	1 618
17.1 The movement in the defined benefit obligation over the year is as follows:		
Balance as at 1 January 2015	1 618	1 555
Provision raised	-	63
Balance as at 31 December 2015	1 618	1 618

Historical information	31 December 2015 USD'000	31 December 2014 USD'000	31 December 2013 USD'000	31 December 2012 USD'000
Present value of unfunded obligations	1 618	1 618	1 555	1 450
Fair value of plan assets	-	-	-	-
Unfunded obligations	1 618	1 618	1 555	1 450
Post employment medical benefits	1 618	1 618	1 555	1 450
Included in statement of financial position	1 618	1 618	1 555	1 450
Comprising				
Post employment medical benefits	1 618	1 618	1 555	1 450

The principal actuarial assumptions used for accounting purposes were:

	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Investment return	10%	10%	10%	10%
Pension increase	5%	5%	5%	5%
Medical costs inflation	5%	5%	5%	5%

Notes to the financial statements

For the year ended 31 December 2015

	Note	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
18 Classification of Financial Assets and Financial Liabilities								
31 December 2015								
Financial assets								
Cash and cash equivalents	3	-	-	-	235 867	-	235 867	235 867
Derivative assets	4	1 254	-	-	-	-	1 254	1 254
Financial assets available for sale	5	-	-	-	-	68 679	68 679	68 679
Loans and advances to customers	6	-	-	-	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	4	1 250	-	-	-	-	1 250	1 250
Deposits from other banks	13	-	-	-	10 384	-	10 384	10 384
Deposits from customers	13	-	-	-	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.

	Note	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 2014								
Financial assets								
Cash and cash equivalents	3	-	-	-	261 976	-	261 976	261 976
Derivative assets	4	4 737	-	-	-	-	4 737	4 737
Financial assets available for sale	5	-	-	-	-	28 103	28 103	28 103
Loans and advances to customers	6	-	-	-	234 423	-	234 423	234 423
Other assets		-	-	-	1 750	-	1 750	1 750
		4 737	-	-	498 149	28 103	530 989	530 989
Financial liabilities								
Derivative liabilities	4	4 730	-	-	-	-	4 730	4 730
Deposits from banks	13	-	-	-	2 706	-	2 706	2 706
Deposits from customers	13	-	-	-	446 978	-	446 978	446 978
Other liabilities		-	-	-	24 875	-	24 875	24 875
		4 730	-	-	474 559	-	479 289	479 289

19 Financial instruments at fair value

The Bank's financial instruments approximate their fair values because of their short tenor.

20 Loans and advances

There are no cumulative gains or losses due to credit risk. The change in fair value of the designated loans and advances that is attributable to changes in credit risk is determined as the amount of change in fair value that is not attributable to changes in market conditions.

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).

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 held for trading						
Derivatives assets						
– Foreign exchange contracts	4	1 254	-	1 254	-	Exchange rate
Available-for-sale financial assets						
Financial assets available for sale	5	68 679	-	-	68 679	Discounted cash flows
Investment property	9	3 590	-	-	3 590	Discounted cash flows at risk adjusted interest rates
Freehold property	10	15 982	-	-	15 982	Sales comparison method
Total assets		89 505	-	1 254	88 251	
Liabilities						
Financial liabilities held for trading						
Derivatives liabilities						
– Foreign exchange contracts	4	1 250	-	1 250	-	Exchange rate
Total liabilities		1 250	-	1 250	-	

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 December 2014.

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	4 737	-	4 737	-	Exchange rate
Available-for-sale financial assets						
Financial assets available for sale	5	28 103	-	-	28 103	Discounted cash flows
Investment property	9	3 770	-	-	3 770	Discounted cash flows at risk adjusted interest rates
Freehold property	10	16 196	-	-	16 196	Sales comparison method
Total assets		52 806	-	4 737	48 069	
Liabilities						
Financial liabilities held for trading						
Derivatives liabilities						
– Foreign exchange contracts	4	4 730	-	4 730	-	Exchange rate
Total liabilities		4 730	-	4 730	-	

Notes to the financial statements

For the year ended 31 December 2015

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	2015 Investment property USD'000	2015 Freehold property USD'000	2015 Total assets USD'000	2014 Investment property USD'000	2014 Freehold property USD'000	2014 Total assets USD'000
Balance at 1 January	3 770	16 196	19 966	3 770	16 137	19 907
Additions	-	857	857	-	57	57
Transfers into level 3	-	257	257	-	2	2
Gains or losses for the period						
Included in profit or loss	(180)	(453)	(633)	-	-	-
Recognised in other comprehensive income	-	(875)	(875)	-	-	-
Balance at 31 December	3 590	15 982	19 572	3 770	16 196	19 966

The table below shows the fair value of financial instruments not measured at fair value:

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	235 867	235 867	-	-
Loans and advances to customers	6.1	254 272	-	-	254 272
Total assets		490 139	235 867	-	254 272
Liabilities					
Financial liabilities measured at amortised cost					
Deposits from other banks	13	10 384	-	-	10 384
Deposits from customers	13	473 666	-	-	473 666
Total liabilities		484 050	-	-	484 050

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	2015 Loans and advances USD'000	2014 Loans and advances USD'000
Balance at 1 January	234 423	237 984
Net movement during the year	26 679	3 178
Gains or losses for the year included in profit or loss	(6 830)	(6 739)
Balance at 31 December	254 272	234 423

Reconciliation of level 3 items	2015 Deposits from other banks USD'000	2015 Deposits from customers USD'000	2015 Total Liabilities USD'000	2014 Deposits from other banks USD'000	2014 Deposits from customers USD'000	2014 Total Liabilities USD'000
Balance at 1 January	2 706	446 978	449 684	4 082	383 952	388 034
Net movement during the year	7 678	26 688	34 366	(1 376)	63 026	61 650
Gains or losses for year	-	-	-	-	-	-
included in profit or loss	-	-	-	-	-	-
Balance at 31 December	10 384	473 666	484 050	2 706	446 978	449 684

Notes to the financial statements

For the year ended 31 December 2015

		31 December 2015 USD'000	31 December 2014 USD'000
22	**Income Statement Information**		
22.1	**Interest income**		
	Interest on loans and advances	35 894	35 580
	Interest on investments	7 587	3 845
		43 481	39 425
	Interest income reported above relates to financial assets not carried at fair value through profit or loss.		
22.2	**Interest expense**		
	Current accounts	58	81
	Savings and deposit accounts	670	768
		728	849
	Interest expense reported above relates to financial liabilities not carried at fair value through profit or loss.		
22.3	**Fees and commission income**		
	Transaction fees	20 721	20 553
	Knowledge based fees and commission	159	696
	Electronic banking fees	2 162	2 017
	Foreign currency service fees	8 707	6 356
	Documentation and administration fees	1 184	1 806
	Card commission	3 166	3 105
		36 099	34 533
	All fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss		
22.4	**Trading income**		
	Foreign exchange	9 001	11 092
	Trading revenue encompasses income realised from the trading of currencies and the structuring of transactions for customers		
22.5	**Other income**		
	Operating lease income	125	201
	Other	27	43
		152	244

Notes to the financial statements

For the year ended 31 December 2015

		31 December 2015 USD'000	31 December 2014 USD'000
22.6	**Credit impairment charges**		
	Credit impairment raised for loans and advances	8 144	7 487
	Recoveries on loans and advances previously written off	(1 314)	(748)
	Net credit impairment raised for loans and advances	6 830	6 739
	Comprising		
	Specific impairment charges (note 6.3)	2 833	4 840
	General impairment (reversals)/charges (note 6.3)	3 997	1 899
		6 830	6 739
22.7	**Staff costs**		
	Salaries and allowances	17 361	19 101
	Bonus provision	5 171	3 634
	Pension cost	1 653	1 414
	Equity-settled share based payments	169	50
		24 354	24 199
22.8	**Other operating expenses**		
	Amortisation – intangible assets (note 8)	235	227
	Auditor's remuneration:		
	-Current year audit fees	155	152
	-Other services	-	-
	Communication expenses	2 437	2 133
	Depreciation (note 10)	2 919	2 728
	-Freehold property	420	431
	-Leasehold property	120	133
	-Computer equipment	1 086	1 014
	-Motor vehicles	581	526
	-Office equipment	595	484
	- Furniture and fittings	117	140
	Information technology	1 507	1 260
	Impairment of property	633	-
	Inter-company expenses	2 346	3 558
	Operating lease charges – premises	954	837
	Premises	1 809	1 642
	Professional fees	417	395
	Insurance costs	1 955	1 175
	Processing costs	1 750	2 048
	Security expenses	1 514	1 501
	Travel and entertainment	1 257	1 061
	Stationery	465	617
	Marketing and advertising	892	945
	Pension benefit accrual	-	2 033
	Other expenses	2 937	2 142
		24 182	24 454
23	**Directors' emoluments and key management compensation**		
	Non-executive directors' emoluments		
	Emoluments of directors in respect of services rendered:		
	As directors of the Bank	315	246

		31 December 2015 USD'000	31 December 2014 USD'000
	Key management compensation		
	Key management includes executive directors and other members of the Bank's executive committee.	4 067	3 692
24	**Tax**		
24.1	**Indirect tax**		
	Value added tax	1 838	1 854
24.2	**Direct tax**		
	Current income tax	7 531	9 039
	Prior year income tax under provision	-	-
	Deferred income tax (note 14.2)	(661)	(2 541)
		6 870	6 498
24.3	**Tax charge reconciliation**		
	Accounting profit before tax	30 801	27 199
	Income tax based on profit for the year at 25.75% (2014:25.75%)	7 931	7 003
	Charge/(credit) resulting from permanent differences:		
	Depreciation on motor vehicles above deemed costs	128	174
	Entertainment expenses	15	19
	Group share incentive scheme	43	13
	Sponsorship	-	49
	Pension	22	24
	Dividend received	(8)	(5)
	Other	(434)	(275)
	Non taxable interest income	(827)	(504)
	Tax charge for the year	6 870	6 498
25	**Net cash flows from operating activities**		
25.1	**Increase in loans and advances**		
	(Increase)/decrease in loans and advances	(19 849)	3 561
	Credit impairments (note 22.6)	(6 830)	(6 739)
		(26 679)	(3 178)
25.2	**Increase/(decrease) in provisions and other liabilities**		
	Provisions	840	1 069
	Other liabilities	(2 964)	3 615
		(2 124)	4 684

Notes to the financial statements

For the year ended 31 December 2015

	31 December 2015 USD'000	31 December 2014 USD'000
25.3 Direct tax paid		
Current income tax liability at beginning of the year	(1 761)	(700)
Income statement charge (note 24.2)	(7 531)	(9 039)
Current income tax liability at the end of the year	642	1 761
	(8 650)	(7 978)
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 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		
Stanbic Bank Botswana Limited	28	113
Stanbic Bank Malawi Limited	2	-
Stanbic Bank Kenya Limited	1	2
Stanbic Bank Zambia Limited	2	3
Standard Bank South Africa Limited	3 265	2 338
	3 298	2 456
26.1.1 (b) Related through shareholding in the parent company		
Industrial and Commercial Bank of China	32	33
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.		
26.1.2 Transactions		
Interest income from:		
Standard Bank South Africa Limited	16	-
26.1.3 Group recharges	2 346	3 558
Group recharges include franchise fees and project expenses incurred by The Standard Bank Group on behalf of its subsidiaries		

		31 December 2015 USD'000	31 December 2014 USD'000
26.2	**Deposits and loans with related parties- related through common directorship**		
	Total loans and advances	1 725	6 592
	Total customer deposits	4 451	10 065
26.3	**Transactions with key management personnel and directors**		
26.3.1	**Loans to key management personnel and directors**		
	Balance at 1 January 2015	1 835	1 616
	Transfers in	35	302
	Transfers out	(209)	-
	Loans made during the year	1 175	220
	Repayments made during the year	(430)	(303)
	Outstanding balance as at 31 December 2015	2 406	1 835
26.3.2	**Share based payment scheme**		
	Balance at 1 January 2015	289	326
	Expenses incurred during the year	169	50
	Transfer to retained earnings	(68)	-
	Payments made	(148)	(87)
	Balance at 31 December 2015	242	289

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

27 Contingent liabilities and commitments

The Bank had written letters of credit and guarantees amounting to USD29.1 million as at 31 December 2015 (31 December 2014:USD31.2 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 2015 the contractual amounts of the Bank's commitments that commits it to engage in capital expenditure or to extend credit to its customers were as follows:

		31 December 2015 USD'000	31 December 2014 USD'000
	Capital commitments		
	Capital expenditure authorised but not yet contracted	12 608	11 485
	Capital expenditure authorised and contracted	25 016	-
	Total	37 624	11 485
	The expenditure will be funded from internal resources.		
27.1.2	**Loan commitments**	45 083	62 029
27.2	**Operating lease commitments**		
	The future minimum lease payments under non-cancellable operating leases are:		
	Properties		
	Within 1 year	962	929
	Equipment		
	Within 1 year	540	521

Notes to the financial statements

For the year ended 31 December 2015

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.

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 2015, funds under custody amounted to USD818 million (2014:USD1.1 billion) and fee income amounting to USD2.1 million (2014:USD1.8 million) had been earned in return for these services.

29 Dividend declaration

On 30 June 2015 the directors declared and paid an interim dividend of USD10 million for the year ending 31 December 2015. A final dividend of USD7.5 million for the year ended 31 December 2014 was declared and paid in 2015.

30 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.

31 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

31.1 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

31.2 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.

Notes

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