AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 USD42.8 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.

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.

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 operations.

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 14.

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

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

Corporate Social Responsibility

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

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 requirements of the regulators and the Standard Bank Group (the Bank's ultimate parent).

The Bank remains supportive of international efforts to combat money laundering and terrorism financing, and continues to abide by the requirements of the Bank Use Promotion and Suppression of Money Laundering Act (Chapter 24:24). The Bank continues to adhere to the required standards of Anti- Money Laundering and Know Your Customer practices.

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.

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

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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	1	235 867	261 976
Derivative assets	2.1	1 254	4 737
Financial assets available for sale	3	68 679	28 103
Loans and advances to customers	4.1	254 272	234 423
Other assets		2 879	2 094
Deferred tax assets		2 608	1 909
Intangible assets		1 332	527
Investment property		3 590	3 770
Property and equipment		24 459	23 416
Total assets		594 940	560 955
EQUITY AND LIABILITIES			
Shareholder's equity		88 009	81 667
Ordinary share capital	5.2	260	260
Ordinary share premium	6.1	10 790	10 790
Reserves	6.2	76 959	70 617
Liabilities			
Derivative liabilities	2.2	1 250	4 730
Deposits and current accounts	7	484 050	449 684
Deposits from other banks		10 384	2 706
Deposits from customers		473 666	446 978
Current tax liabilities		642	1 761
Other liabilities		20 989	23 113
Total liabilities		506 931	479 288
Total equity and liabilities		594 940	560 955

INCOME STATEMENT
For the year ended 31 December 2015

	31 December 2015 USD'000	31 December 2014 USD'000
Net interest income	42 753	38 576
Non interest income	45 252	45 869
Fees and commission income	36 099	34 533
Trading income	9 001	11 092
Other income	152	244
Total income	88 005	84 445
Credit impairment charges	(6 830)	(6 739)
Income after credit impairment charges	81 175	77 706
Operating expenses	(48 536)	(48 653)
Staff costs	(24 354)	(24 199)
Other operating expenses	(24 182)	(24 454)
Net income before indirect tax	32 639	29 053
Indirect tax	(1 838)	(1 854)
Profit before direct tax	30 801	27 199
Direct tax	(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:		
Gains 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		6 830	6 739
Amortisation of intangible assets		235	227
Depreciation of property and equipment		2 919	2 728
Equity-settled share-based payments		21	-
Indirect tax paid		(1 838)	(1 854)
Loss/(profit) on sale of property and equipment		27	(104)
Decrease in fair value of investment property		180	-
Impairment loss on property		453	-
Decrease/(increase) in derivative assets		3 483	(3 583)
Increase in loans and advances		(26 679)	(3 178)
Increase in financial assets available for sale		(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		(2 124)	4 684
Direct tax paid		(8 650)	(7 978)
Net cash from operating activities		35 326	91 092

STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2015

	Note	31 December 2015 USD'000	31 December 2014 USD'000
Cash used in investment activities			
Purchase of financial assets available for sale		(66 993)	(21 000)
Proceeds from sale of financial assets available for sale		28 541	9 808
Capital expenditure on:			
- intangible assets		(1 124)	(155)
- property and equipment		(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)	(5000)
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 provision 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 shareholder 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

	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 provision 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 shareholder 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

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.

AUDITOR'S STATEMENT

The financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2015 which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe) and an unqualified audit opinion thereon. The auditor's report on the financial statements which forms the basis of these financial results is available at the Bank's registered office.

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.

Functional and presentation currency

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

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

RISK MANAGEMENT AND CONTROL

Overview

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

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

Responsibility and accountability for risk management resides at all levels within the Bank, from the executive down through the organisation to each business manager.

A key component 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 appropriate Board Risk committee and is supported by Bank and business unit risk policies and procedures.

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

Risk appetite

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

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.

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.

- **Liquidity risk**
  Liquidity risk arises when the Bank is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so on materially disadvantageous terms.
  This inability to maintain or generate sufficient cash resources occurs when counterparties who provide the Bank with funding withdraw or do not roll over that funding, or as a result of a general disruption in asset markets that renders normally liquid assets illiquid.

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

- **Business risk**
  Business risk is the risk of loss due to operating revenues not covering operating costs and is usually caused by the following:
  - inflexible cost structure, or
  - market-driven pressures, such as decreased demand, increased competition or cost increases,or
  - Bank-specific causes, such as a poor choice of strategy, reputational damage or the decision to absorb costs or losses to preserve reputation.

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

Credit risk

Credit risk arises mostly from lending and related banking activities, including underwriting transactions. It may also arise when the fair value due to credit risk of the Bank's exposure to financial instruments falls. Each borrower (counterparty) is assigned a risk grade using an appropriate rating model. Rating models are used to achieve objectivity, comparability, transparency and consistency in the rating assignment process.

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

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

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

Credit risk mitigation

Collateral and guarantees are used by the Bank to mitigate credit risk. The amount and type of credit risk mitigation depends on the circumstances of each counterparty. The main types of collateral taken are mortgage bonds over residential, commercial and industrial properties, cession of book debts, bonds over plant and equipment and, for leases and instalment sales, the underlying moveable assets financed.

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

Analysis of exposure to credit risk

The Bank's 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	Nominal Monitoring	Close Monitoring	Total "Neither past due nor Impaired"	Past due but not impaired	Total performing loans	Balance sheet impairment for performing loans
Personal and Business Banking-("PBB")												
Home loans	1 930	-	-	-	-	-	1 930	-	1 930	-	1 930	53
Finance leases	10 456	12	382	166	560	308	8 568	-	8 568	1 328	9 896	270
Personal unsecured lending	63 549	1 251	631	187	2 069	2 017	60 748	-	60 748	732	61 480	1 180
Business term loans and overdrafts	72 911	1 777	894	3 292	5 963	2 229	61 834	4 283	66 117	831	66 948	1 821
Total loans PBB	148 846	3 040	1 907	3 645	8 592	4 554	133 080	4 283	137 363	2 891	140 254	3 324
Corporate and Investment Banking ("CIB")												
-Corporate loans	123 376	3 563	191	-	3 754	1 196	106 863	8 262	115 125	4 497	119 622	8 876
Total	272 222	6 603	2 098	3 645	12 346	5 750	239 943	12 545	252 488	7 388	259 876	12 200
Less impairments for loans and advances	(17 950)											
Net loans and advances	254 272											

Exposure to credit risk by credit quality as at 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	Nominal Monitoring	Close Monitoring	Total "Neither past due nor Impaired"	Past due but not impaired	Total performing loans	Balance sheet impairment for performing loans
Personal and Business Banking-("PBB")												
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 for 2015 amounted to USD124 million (2014:USD107 million).

Liquidity risk

Definition

Liquidity risk arises when the Bank is unable to maintain or generate sufficient cash resources to meet its payment obligations when 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 reviews and sets 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 subsidiary operates, thus ensuring a double layer of coverage for ALCO purposes.

The table 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.

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)	
Cumulative liquidity gap	(99 062)	(72 427)	(27 311)	5 978	75 125	-	
Off- balance sheet exposures							
Letters of credit	(9 448)	-	-	-	-	-	
Financial guarantees	(21 731)	-	-	-	-	-	
Total liquidity gap							
(on-and off balance sheet)	(130 241)	(72 427)	(27 311)	5 978	75 125	-	
Total cumulative liquidity gap	(130 241)	(103 606)	(58 490)	(25 201)	43 946	-	

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

Foreign currency liquidity management

A number of parameters are observed in order to monitor changes in either market liquidity or exchange rates. The use of the USD as the primary functional currency in Zimbabwe means that significant foreign currencies to the Bank are the South African Rand ("ZAR"), the Euro and the Pound Sterling. 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 assets	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%

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 assets	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%

Market risk

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

Trading market risk

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

Banking book interest rate risk

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

Interest rate risk measurement

The analytical techniques used to quantify banking book interest rate risk include both earnings and valuation-based measures. Results are monitored on at least a monthly basis by the relevant ALCOs. 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 gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling (obtained through statistical analysis and, if required, expert judgement).

Annual net interest income at risk

Assuming no management intervention, a downward 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	-	-	

31 December 2015 Interest rate repricing gap analysis (USD'000)	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	>1 year	Non-interest bearing	Total
Assets							
Cash and balances with the Central Bank	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.

31 December 2014 Interest rate repricing gap analysis (USD'000)	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	>1 year	Non-interest bearing	Total
Assets							
Cash and balances with the Central Bank	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 liabilities	-	-	-	-	-	4 730	4 730
Deposits from customers and 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.

Market risk measurement

The techniques used to measure and control market risk include:

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

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Daily VaR

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

The Bank back-tests its VaR models to verify the predictive ability of the VaR calculations, thereby ensuring the appropriateness of models. Back-testing compares the daily hypothetical profit and 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 includes individual market risk factor testing and combinations of market factors per trading desk and combinations of trading desks. Stress tests include a combination of historical and hypothetical simulations.

Other market risk measures

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

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

Foreign currency risk

The Bank's primary exposures to foreign currency risk arise as a result of cash exposures in currencies other than functional currency. These exposures mainly arise from the proprietary currency trading business undertaken by the Bank's Global Markets department and are measured using the value-at-risk approach.

Foreign currency value at risk for 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, 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:USD 1 440), and the minimum possible loss was USD1 350 (2014:USD700), with an average possible loss of USD2 030 (2014: USD 1 080) in comparison to the maximum acceptable possible loss of USD12 000 (2014:12 000).

Operational risk

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

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

The Bank maintains adequate insurance to cover key operational and other risks. Insurance is not considered as an alternative to effective preventative and detective controls but as a compensatory control, providing protection from the consequences of control failure.

Compliance risk

The Bank's approach to managing compliance risk exposures is proactive and premised on internationally accepted principles of risk management and aligned with the methodologies used by the Bank's other risk assurance functions. Bank Compliance provides leadership through specialist support units on compliance with money laundering and terrorist financing control, occupational health and safety and emerging legislative developments. The compliance framework is based on the principles of effective compliance risk management in accordance with the requirements of the Zimbabwe Banking Act (Chapter 24:20) and the Basel Committee on Banking Supervision. The Bank operates a centralised compliance risk management structure.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

		31 December 2015 USD'000	31 December 2014 USD'000
1	**Cash and balances with the Central Bank**		
	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

2 Derivative instruments

The Bank's derivatives are classified as held for trading

Fair values

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

Use and measurement

The Bank entered into derivative transactions for trading purposes during the year 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
2.1	**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

		Fair value of liabilities 31 December 2015 USD'000	Fair value of liabilities 31 December 2014 USD'000
2.2	**Derivatives 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
3	**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

		31 December 2015 USD'000	31 December 2014 USD'000
4	**Loans and advances**		
4.1	**Loans and advances net of impairment**		
	Loans and advances to customers		
	Gross loans and advances to customers net of interest in suspense	272 222	251 735
	Finance leases (note 4.2)	15 941	13 512
	Overdrafts and other demand lending	129 900	129 107
	Term lending	124 451	109 116
	Home loans	1 930	-
	Credit impairments for loans and advances (note 4.3)	(17 950)	(17 312)
	Specific impairment allowances	(5 750)	(9 109)
	Portfolio impairment allowances	(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	47 787
		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

	31 December 2015 USD'000	31 December 2015 %	31 December 2014 USD'000	31 December 2014 %
Sectoral analysis-industry				
Individuals	68 422	25%	51 937	20%
Agriculture	51 127	19%	39 974	16%
Manufacturing	34 808	13%	27 398	11%
Mining	34 642	12%	34 471	14%
Wholesale distribution	30 758	11%	30 850	12%
Other services	22 816	9%	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%

		31 December 2015 USD'000	31 December 2014 USD'000
4.2	**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
	Received 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	11 619	11 207
	Non-current	4 322	2 305
		15 941	13 512

4.3 Credit impairments for loans and advances to customers

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

	Home loans USD'000	Finance leases USD'000	Overdrafts USD'000	Medium term loans USD'000	Total USD'000
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	-	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 at the end of the year	-	225	4 441	3 537	8 203
Total (performing and non-performing loans)	-	526	10 403	6 383	17 312

	31 December 2015 USD'000	31 December 2014 USD'000
Segmental analysis of impairment for non-performing loans – industry		
Agriculture	1 044	1 289
Manufacturing	597	1 900
Individual	2 018	1 687
Transport	169	165
Other services	791	463
Mining	9	51
Distribution	1 122	563
Construction	-	2 991
	5 750	9 109

		31 December 2015 USD'000	31 December 2014 USD'000
5	**Share capital**		
5.1	**Authorised share capital**		
	500 000 ordinary shares with a nominal value of USD1 each	500	500
5.2	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.		
6	**Share premium and reserves**		
6.1	**Share premium**		
	Share premium on issue of shares	10 790	10 790
6.2	**Reserves**		
	Non-distributable reserve	3 149	3 150
	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
7	**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

8 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

	Held for trading USD'000	Designated at fair value 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	-	-	-	261 976	-	261 976	261 976
Derivative assets	4 737	-	-	-	-	4 737	4 737
Financial assets available for sale	-	-	-	-	28 103	28 103	28 103
Loans and advances to customers	-	-	-	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	4 730	-	-	-	-	4 730	4 730
Deposits from other banks	-	-	-	2 706	-	2 706	2 706
Deposits from customers	-	-	-	446 978	-	446 978	446 978
Other liabilities	-	-	-	24 875	-	24 875	24 875
	4 730	-	-	474 559	-	479 289	479 289

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

9 Fair value estimation

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

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

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

Assets	Note	Fair values USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Valuation techniques and inputs
Financial assets at fair value through profit or loss						
Derivatives assets						
– Foreign exchange contracts	2	1 254	-	1 254	-	Exchange rate
Available-for-sale financial assets						
Financial assets available for sale	3	68 679	-	-	68 679	Discounted cash flows
Investment property		3 590	-	-	3 590	Discounted cash flow at risk adjusted interest rates
Freehold property		15 982	-	-	15 982	Sales comparison method
Total assets		89 505	-	1 254	88 251	
Liabilities						
Financial liabilities at fair value through profit or loss						
Derivatives liabilities						
–Foreign exchange contracts	2	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	2	4 737	-	4 737	-	Exchange rate
Available-for-sale financial assets						
Financial assets available for sale	3	28 103	-	-	28 103	Discounted cash flows
Investment property		3 770	-	-	3 770	Discounted cash flow at risk adjusted interest rates
Freehold property		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	2	4 730	-	4 730	-	Exchange rate
Total liabilities		4 730	-	4 730	-	

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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:

	2015			2014		
Reconciliation of level 3 items	**Investment property USD'000**	**Freehold property USD'000**	**Total assets USD'000**	**Investment property USD'000**	**Freehold property USD'000**	**Total assets USD'000**
Balance at 1 January	3 770	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	1	235 867	235 867	-	-
Loans and advances to customers	4	254 272	-	-	254 272
Total assets		490 139	235 867	-	254 272
Liabilities					
Financial liabilities measured at amortised cost					
Deposits from other banks	7	10 384	-	-	10 384
Deposits from customers	7	473 666	-	-	473 666
Total liabilities		484 050	-	-	484 050

10 Contingent liabilities and commitments

10.1 The Bank had written letters of credit and guarantees amounting to USD29.1 million as at 31 December 2015 (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.

		31 December 2015 USD'000	31 December 2014 USD'000
10.2	**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:		
10.2.1	**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.		
10.2.2	**Loan commitments**	45 083	62 029
11	**Directors' emoluments and key management compensation**		
	Non-executive directors' emoluments		
	Emoluments of directors in respect of services rendered:		
	As directors of the company	315	246
	Key management compensation		
	Key management includes executive directors and other members of the Bank's executive committee.	4 067	3 692

12 Related party disclosures

12.1 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 in The Standard Bank Group, all of which are undertaken on arms length.

		31 December 2015 USD'000	31 December 2014 USD'000
12.1.1	Amounts due from related parties:		
12.1.1.(a)	**Related through common shareholding**		
	Stanbic Bank Botswana Limited	28	113
	Stanbic Bank Malawi	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
	The above list of financial institutions are related parties to Stanbic Bank Zimbabwe because they are subsidiaries of The Standard Bank Group the parent company of the Bank.		
12.1.1.(b)	**Related through shareholding in the parent company**		
	Industrial and Commercial Bank of China	32	33
12.1.2	**Transactions**		
	Interest income from:		
	Standard Bank South Africa Limited	16	-
12.1.3	**Group recharges**	2 346	3 558

		31 December 2015 USD'000	31 December 2014 USD'000
12.2	**Loans and advances and deposits and with related parties-related through common directorship**		
	Loans and advances		
	Total	1 725	6 592
	Deposits		
	Total	4 451	10 065

13 Capital management

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

The Bank's objectives when managing capital are to:

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

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

Capital adequacy	**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
Total capital base	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 ratio	23%	24%
Capital adequacy ratio excluding market and operational risk weighted assets	23%	23%

14 Custodial services

The Bank provides custodial trust 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: USD 1.8 million) had been received in return for these services.

15 Dividend declaration

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

16 External Credit Ratings

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

Rating scale	**2015**	**2014**	**2013**	**2012**	**2011**
Long term	AA-	AA-	AA-	AA-	AA-

17 CAMELS RATINGS

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

18 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

18.1 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

18.2 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.

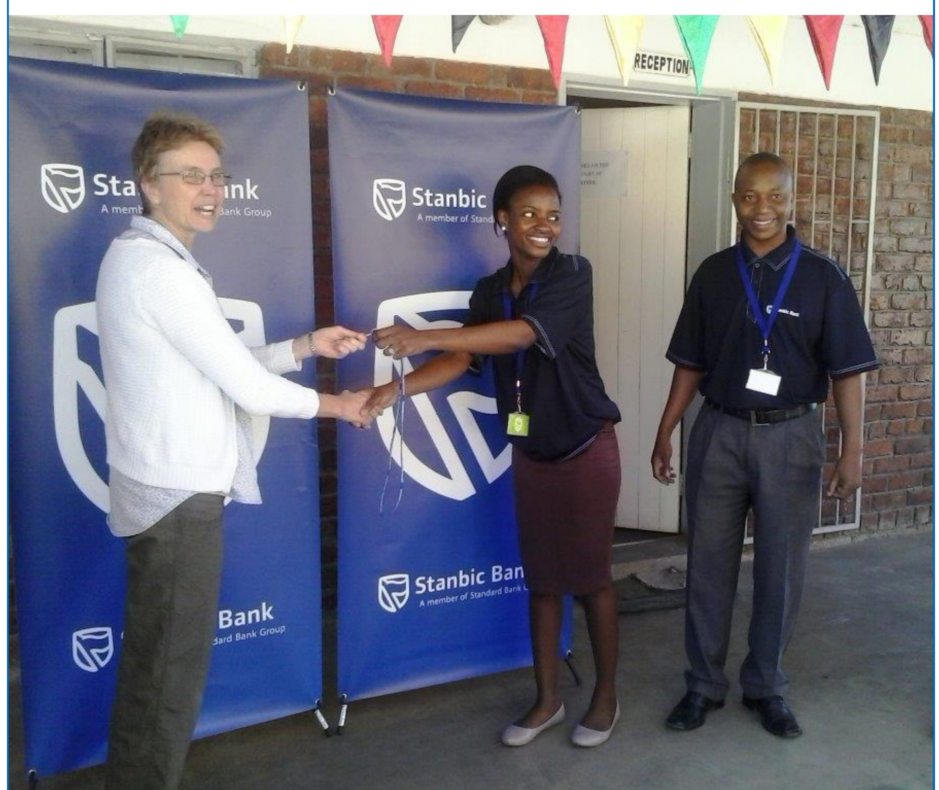
Direction of Overall Composite risk

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.

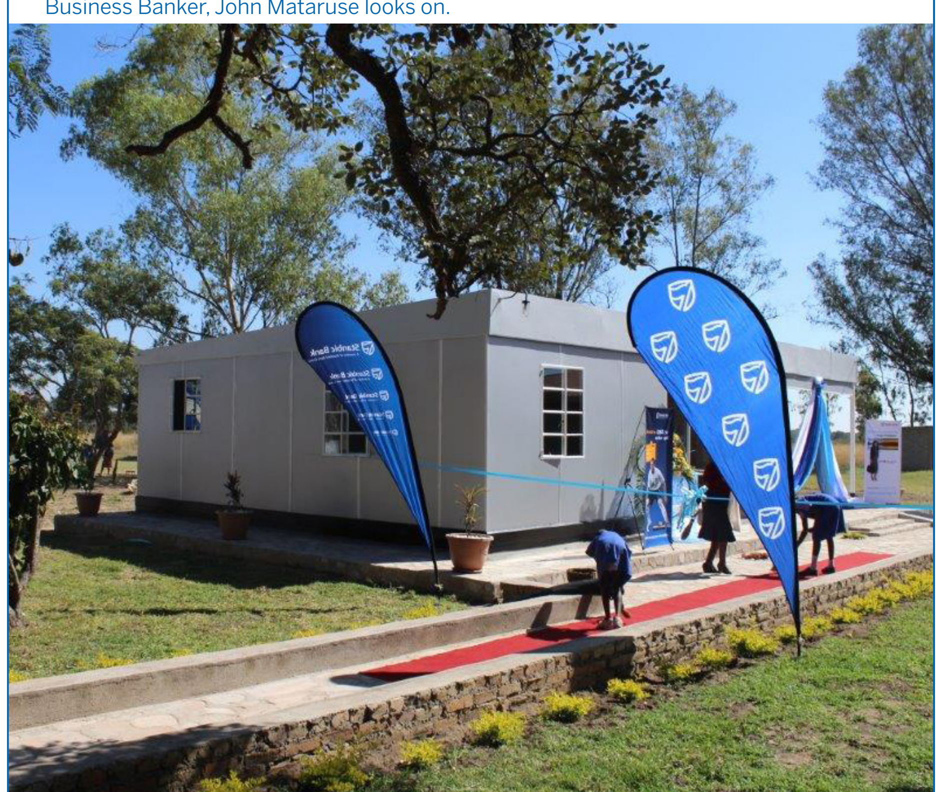
Stanbic Bank Board member, Mr. Dave Ellman-Brown hands over a certificate to one of the high achieving junior cricketers at Stragglers Cricket Week

Archbishop R. C.Ndlovu (holding the ribbon) from ZCBC officially opens the building donated to St. Bernard's Primary School

Stanbic Bank Account Executive, Sarah Charangwa (right) hands over mosquito repellent kits to Doctor Neela from St. Albert's Mission Hospital (middle)



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



The former Ngezi branch building donated to St Bernard Primary School