ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

CHAIRMAN'S STATEMENT

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

Operating environment in the country

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

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

Results

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

Capital

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

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

Outlook

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

Corporate governance

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

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

The Board of Directors

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

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

*South African based members

** Not a member

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

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

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

Board Committees

The Board Audit Committee

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

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

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

Board Loans Review Committee

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

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

The committee comprises four independent non-executive directors.

Board Credit Committee

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

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

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

Board Risk Committee

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

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

Asset and Liability Committee

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

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

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

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

Stanbic Bank Nominees (Private) Limited

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

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

Acknowledgements

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

Gregory Sebborn

27 March 2018

CHIEF EXECUTIVE'S REPORT

Overview of business results for 2017

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

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

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

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

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

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

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

Compliance and money laundering control function

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

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

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

Statement on corporate social investment ("CSI") responsibilities

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

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

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

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

Our efforts to improve sanitation were centered around the provision of safe drinking water to hospitals around the country. We drilled a borehole for Chitungwiza Central Hospital and resuscitated two already existing ones which had stopped yielding. A 10 000 litre water tank was also purchased for the hospital's maternity ward.

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

Our people

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

Our customers

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

Points of representation

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

Vote of thanks

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

Joshua Tapambgwa
Chief Executive

27 March 2018

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ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	31 December 2017 USD'000	31 December 2016 USD'000
ASSETS			
Cash and cash equivalents	1	729 667	404 700
Derivative assets	2.1	101	120
Financial assets available for sale	3	237 403	82 945
Investment securities		516	516
Loans and advances to customers	4.1	330 409	273 486
Other assets		13 950	6 417
Intangible assets		29 233	26 469
Investment property		21 128	5 964
Property and equipment		36 896	40 168
Deferred and current tax assets		3 810	4 739
Total assets		1 403 113	845 524
EQUITY AND LIABILITIES			
Shareholder's equity		137 665	109 719
Ordinary share capital	5.2	260	260
Ordinary share premium	6.1	10 790	10 790
Reserves	6.2	126 615	98 669
Liabilities			
Derivative liabilities	2.2	6	11
Current income tax liabilities		-	1 032
Deposits and current accounts	7	1 207 768	702 225
Deposits from other banks		12 626	1 478
Deposits from customers		1 195 142	700 747
Other liabilities		57 674	32 537
Total liabilities		1 265 448	735 805
Total equity and liabilities		1 403 113	845 524

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2017

	31 December 2017 USD'000	31 December 2016 USD'000
Net interest income	55 089	47 249
Non interest income	53 867	48 686
Total income	108 956	95 935
Credit impairment charges	(2 109)	(8 364)
Income after credit impairment charges	106 847	87 571
Operating expenses	(64 129)	(57 495)
Staff costs	(31 435)	(29 384)
Other operating expenses	(32 694)	(28 111)
Net income before indirect tax	42 718	30 076
Indirect tax	(2 177)	(1 968)
Profit before direct tax	40 541	28 108
Direct tax	(12 915)	(6 870)
Profit for the year	27 626	21 238

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

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

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

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

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 2017 which have been audited by KPMG (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 ACCOUNTING

Statement of compliance

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

Functional and presentation currency

These financial statements are presented in United States Dollars ("USD") which is the Bank's functional currency.

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 three lines of defence model:

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

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

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

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.

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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 security or cash value; and
  - ***Credit concentration risk:*** The risk of loss to the Bank as a result of excessive build-up of exposure to a specific counterparty or counterparty bank, an industry, market, product, financial instrument or type of security, a country or geography, or a maturity. This concentration typically exists where a number of counterparties are engaged in similar activities and have similar characteristics, which could result in their ability to meet contractual obligations being similarly affected by changes in economic or other conditions.

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

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

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

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

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

Credit risk

Definition

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

Framework and governance

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

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

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

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

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

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

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

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

Credit risk mitigation and hedging

Collateral and guarantees are used by the Bank to mitigate credit risk. The amount and type of credit risk mitigation depends on the circumstances of each counterparty. Credit risk mitigation policies and procedures ensure that credit risk mitigation techniques are used consistently, are acceptable types of mitigation, are valued appropriately and regularly, and meet operational risk 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.

Analysis of exposure to credit risk

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

Performing loans

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

Non-performing loans

Non-performing loans are those loans for which:

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

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

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

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

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

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

	Non-performing loans						Performing loans					
	Gross loans and advances	Sub-Standard	Doubtful	Loss	Total non-performing loans	Balance sheet impairment for non performing loans	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	15 506	278	92	179	549	193	9 485	-	9 485	5 472	14 957	368
Finance leases	16 836	3	23	501	527	277	9 448	-	9 448	6 861	16 309	299
Personal unsecured lending	71 009	251	695	556	1 502	1 302	62 506	-	62 506	7 001	69 507	592
Business term loans and overdrafts	93 831	34	506	3 261	3 801	1 195	69 386	7 018	76 404	13 626	90 030	1 636
Total loans PBB	197 182	566	1 316	4 497	6 379	2 967	150 825	7 018	157 843	32 960	190 803	2 895
Corporate and Investment Banking-("CIB")-Corporate loans	154 464	-	-	2 611	2 611	2 211	140 919	8 732	149 651	2 202	151 853	13 164
Total	351 646	566	1 316	7 108	8 990	5 178	291 744	15 750	307 494	35 162	342 656	16 059
Less impairments for loans and advances	(21 237)											
Net loans and advances	330 409											

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

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

	Non-performing loans						Performing loans					
	Gross loans and advances	Sub-Standard	Doubtful	Loss	Total non-performing loans	Balance sheet impairment for non performing loans	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	7 058	83	74	-	157	69	6 890	-	6 890	11	6 901	229
Finance leases	13 486	-	97	512	609	360	10 293	2 241	12 534	343	12 877	428
Personal unsecured lending	60 480	619	907	689	2 215	2 199	56 369	1 062	57 431	834	58 265	1 043
Business term loans and overdrafts	82 206	565	636	4 810	6 011	1 895	71 914	313	72 227	3 968	76 195	2 482
Total loans PBB	163 230	1 267	1 714	6 011	8 992	4 523	145 466	3 616	149 082	5 156	154 238	4 182
Corporate and Investment Banking-("CIB")-Corporate loans	134 331	1 431	1 325	1 922	4 678	4 859	128 981	-	128 981	672	129 653	10 511
Total	297 561	2 698	3 039	7 933	13 670	9 382	274 447	3 616	278 063	5 828	283 891	14 693
Less impairments for loans and advances	(24 075)											
Net loans and advances	273 486											

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.

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

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

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

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Maturity analysis of assets and liabilities:

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

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

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

Foreign currency liquidity management

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

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

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

Market risk

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

Trading market risk

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

Banking book interest rate risk

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

Interest rate risk measurement

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

Interest rate risk limits

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

Annual net interest income at risk

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

Interest rate sensitivity analysis

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

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

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

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

31 December 2016 Interest rate repricing gap analysis (USD'000)	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	>1 year	Non-interest bearing	Total
Assets							
Cash and cash equivalents	-	42 831	43 000	-	-	318 869	404 700
Derivative assets	-	-	-	-	-	120	120
Financial assets available for sale	-	38 971	3 099	35 669	-	5 206	82 945
Loans and advances to customers	-	282 655	456	2 618	-	(12 243)	273 486
Other assets	-	-	-	-	-	84 273	84 273
Total	-	364 457	46 555	38 287	-	396 225	845 524
Equity and liabilities							
Derivative liability	-	-	-	-	-	11	11
Deposits from customers and other banks	-	171 974	-	541	-	529 710	702 225
Other liabilities	-	-	-	-	-	33 569	33 569
Equity	-	-	-	-	-	109 719	109 719
Total	-	171 974	-	541	-	673 009	845 524
Interest rate repricing gap	-	192 483	46 555	37 746	-	(276 784)	
Cumulative interest rate repricing gap	-	192 483	239 038	276 784	276 784	-	

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

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.

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

Stress tests

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

Other market risk measures

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

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

Foreign currency risk

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

Foreign currency value at risk for December 2017

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

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

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

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

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

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

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

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

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

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

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

		31 December 2017 USD'000	31 December 2016 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	351 646	297 561
	Finance leases (note 4.2)	27 790	22 924
	Overdrafts and other demand lending	144 221	150 515
	Term lending	159 006	117 064
	Home loans	15 506	7 058
	Commercial property loans	5 123	-
	Credit impairments for loans and advances (note 4.3)	(21 237)	(24 075)
	Specific impairment allowances	(5 178)	(9 382)
	Portfolio impairment allowances	(16 059)	(14 693)
	Net loans and advances	330 409	273 486
	Comprising:		
	Gross loans and advances	351 646	297 561
	Less: credit impairment allowances	(21 237)	(24 075)
		330 409	273 486
	Current	262 034	235 546
	Non-current	68 375	37 940
		330 409	273 486
	Maturity analysis:		
	The maturities represent periods to contractual redemption of the loans and advances recorded:		
	Maturing within 1 year	262 034	235 546
	Maturing after 1 year but within 5 years	48 873	35 603
	Maturing over 5 years	40 739	26 412
		351 646	297 561

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

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		31 Deecember 2017 USD'000	31 December 2016 USD'000
4.2	**Finance leases**		
	Gross investment in instalment sale and finance leases	30 543	25 644
	Receivable within 1 month	4 027	3 241
	Receivable after 1 month but within 6 months	7 836	6 813
	Received after 6 months but within 12 months	5 956	4 379
	Receivable between 1 to 5 years	12 724	11 211
	Unearned finance charges	(2 753)	(2 720)
	Net investment in finance leases	27 790	22 924
	1 year	16 165	12 882
	1-5 years	11 625	10 042
		27 790	22 924

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

		31 December 2017 USD'000	31 December 2016 USD'000
	Sectoral analysis of impairment for non-performing loans – industry		
	Agriculture	68	73
	Manufacturing	2 087	2 597
	Individual	1 730	2 462
	Transport	129	225
	Other services	212	733
	Mining	263	1 334
	Distribution	648	688
	Communication	-	1 268
	Construction	41	2
		5 178	9 382
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 (2016:240 000) ordinary shares with a nominal value of USD1 each of which 240 000 (2016:240 000) are under the general authority of the directors.		
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	3 354	3 149
	Statutory credit impairment reserve	818	818
	Available for sale reserve	141	197
	Share-based payments reserve	510	361
	Retained earnings	121 792	94 144
		126 615	**98 669**
7	**Deposits and current accounts**		
	Deposits from other banks	12 626	1 478
	Deposits from customers	1 195 142	700 747
	Current accounts	1 000 380	580 279
	Call deposits	183 515	108 370
	Term deposits	369	649
	Savings accounts	10 878	11 449
	Deposits and current accounts	1 207 768	702 225
	Current	1 207 551	701 818
	Non-current	217	407
		1 207 768	702 225

8 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	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	Equity investments USD'000	Financial instruments measured at amortised costs USD'000	Total carrying amount USD'000	Fair value USD'000
31 December 2017									
Financial assets									
Cash and cash equivalents	-	-	-	-	-	-	729 667	729 667	729 667
Derivative assets	101	-	-	-	-	-	-	101	101
Financial assets available for sale	-	-	-	-	237 403	-	-	237 403	237 403
Investment securities	-	-	-	-	-	516	-	516	516
Loans and advances to customers	-	-	-	330 409	-	-	-	330 409	330 409
Other assets	-	-	-	13 570	-	-	-	13 570	13 570
	101	-	-	343 979	237 403	516	729 667	1 311 666	1 311 666
Financial liabilities									
Derivative liabilities	6	-	-	-	-	-	-	6	6
Deposits from other banks	-	-	-	-	-	-	12 626	12 626	12 626
Deposits from customers	-	-	-	-	-	-	1 195 142	1 195 142	1 195 142
Other liabilities	-	-	-	-	-	-	46 456	46 456	46 456
	6	-	-	-	-	-	1 254 224	1 254 230	1 254 230

	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	Equity investments USD'000	Financial instruments measured at amortised costs USD'000	Total carrying amount USD'000	Fair value USD'000
31 December 2016									
Financial assets									
Cash and cash equivalents	-	-	-	-	-	-	404 700	404 700	404 700
Derivative assets	120	-	-	-	-	-	-	120	120
Financial assets available for sale	-	-	-	-	82 945	-	-	82 945	82 945
Loans and advances to customers	-	-	-	273 486	-	-	-	273 486	273 486
Other assets	-	-	-	6 006	-	516	-	6 522	6 522
	120	-	-	279 492	82 945	516	404 700	767 773	767 773
Financial liabilities									
Derivative liabilities	11	-	-	-	-	-	-	11	11
Deposits from other banks	-	-	-	-	-	-	1 478	1 478	1 478
Deposits from customers	-	-	-	-	-	-	700 747	700 747	700 747
Other liabilities	-	-	-	-	-	-	23 463	23 463	23 463
	11	-	-	-	-	-	725 688	725 699	725 699

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 assets and liabilities that are measured at fair value at 31 December 2017.

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

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

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

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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:

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

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

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

	Note	Fair values USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000
Assets					
Financial assets measured at amortised cost					
Cash and cash equivalents	1	729 667	729 667	-	-
Investment securities		516	-	-	516
Loans and advances to customers	4.1	330 409	-	-	330 409
Other assets		13 570	-	-	13 570
Total assets		1 074 162	729 667	-	344 495
Liabilities					
Financial liabilities measured at amortised cost					
Deposits from other banks	7	12 626	12 626	-	-
Deposits from customers	7	1 195 142	1 195 142	-	-
Other liabilities		46 456	-	-	46 456
Total liabilities		1 254 224	1 207 768	-	46 456

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

	Note	Fair values USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000
Assets					
Financial assets measured at amortised cost					
Cash and cash equivalents	1	404 700	404 700	-	-
Loans and advances to customers	4.1	273 486	-	-	273 486
Other assets		6 522	-	-	6 522
Total assets		684 708	404 700	-	280 008
Liabilities					
Financial liabilities measured at amortised cost					
Deposits from other banks	7	1 478	1 478	-	-
Deposits from customers	7	700 747	700 667	-	80
Other liabilities		23 463	-	-	23 463
Total liabilities		725 688	702 145	-	23 543

10 Contingent liabilities and commitments

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

		31 December 2017 USD'000	31 December 2016 USD'000
10.2	**Commitments**		
	As at 31 December 2017 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	14 463	13 470
	Capital expenditure authorised and contracted	-	-
		14 463	13 470
	The expenditure will be funded from internal resources.		
10.2.2	**Loan commitments**	32 664	51 561
11	**Directors' emoluments and key management compensation**		
	Non-executive directors' emoluments		
	Emoluments of directors in respect of services rendered (included in operating expenses):		
	As directors of the company	272	252
	Key management compensation		
	Key management includes executive directors and other members of the Bank's executive committee- included in staff costs		
	Short term employee benefits	3 839	3 694
	Other long term benefits	51	-
	Post employment benefits	188	286
		4 078	3 980

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 and insurance companies owned by the Standard Bank Group, all of which are undertaken on arms length.

		31 December 2017 USD'000	31 December 2016 USD'000
12.1.1	Amounts due from related parties:		
12.1.1.(a)	**Related through common shareholding**		
	Stanbic Bank Botswana Limited	388	205
	Stanbic Bank Malawi	-	1
	Stanbic Bank Kenya Limited	3	1
	Stanbic Bank Zambia Limited	30	2
	Standard Bank South Africa Limited	15 168	8 527
		15 589	8 736

The above 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. The above transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with customers. The balances are unsecured and no guarantees have been received and cash consideration is not provided in settlement.

		31 December 2017 USD'000	31 December 2016 USD'000
12.1.1.(b)	**Related through shareholding in the parent company**		
	Industrial and Commercial Bank of China	40	26
12.1.2	**Transactions**		
	Interest income from:		
	Standard Bank South Africa Limited	50	17
12.1.3	**Group recharges**	5 147	4 836
12.2	**Loans and advances and deposits with related parties-related through common directorship**		
	Loans and advances	1 370	1 424
	Deposits	620	3 937

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

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 2017, funds under custody amounted to USD2.2 billion (2016: USD1.1 billion) and fee income amounting to USD2.6 million (2016: USD 2.1 million) had been received in return for these services.

15 Dividend declaration

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

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

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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.

REPORT TO SOCIETY

OUR DIVERSITY RESUME

SUPPORT OF VISUALLY IMPAIRED STAFF – Support of visually impaired staff to access computer systems they require to carry out their jobs as well as learning resources.

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

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

ENCOURAGEMENT OF OPEN AND HONEST COMMUNICATION – Encouragement of open and honest communication to ensure that the opinions of staff are heard and taken into consideration.

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

OUR SOCIO-ECONOMIC DEVELOPMENT CONTRIBUTION

ENTERPRISES (SMES)

Women Empowerment – Entrepreneurial programs through our incubator program (described below) specifically designed to empower women. A special savings product that enables groups of women to enjoy savings clubs through the Bank at hugely discounted fees.

Incubator Programs – The programs include capacitating the entrepreneurs financially, creating linkages and facilitating access to markets. Thereafter, the entrepreneurs who would have benefitted from the incubator programs are included in the formal banking system.

Enterprise Online – The introduction of a user friendly Internet based banking platform specific for Enterprise Banking clients has brought about convenient and affordable banking solutions for them.

300+ Enterprises – Financed with facilities worth USD14 million.

DIGITAL BANKING

800% Increase in online banking transactions

1000% Increase in mobile banking transactions

400% Increase in card transactions from 2016

Since the launch of the new Online Banking platform

CORPORATE SOCIAL INVESTMENT

Our CSI projects mainly focus on health, education, and sanitation. Our investment has significantly increased from 2015 and we have adopted a number of sustainable projects over the past year which includes major referral hospitals in the country.

HEALTH

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

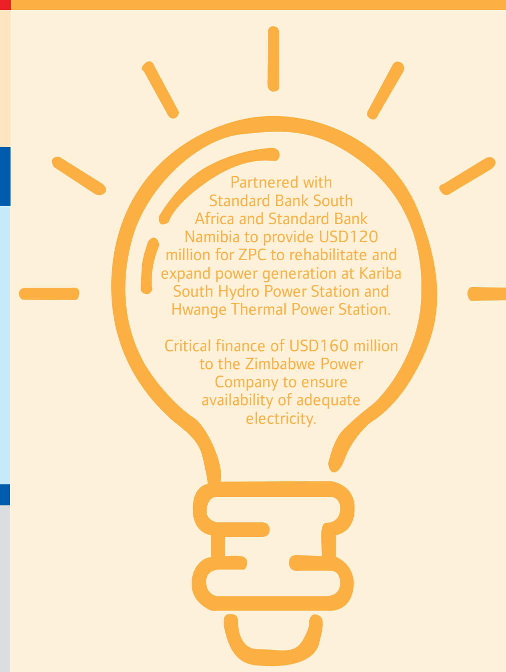
EDUCATION

The Bank runs an educational bursary scheme which enables underprivileged students to access quality education. Our aim is to take on a significant number of children from all districts and provinces to school each year and we will continue to enhance our bursary program for us to reach this goal.

FINANCIAL INCLUSION

Tobacco Blue Card Account
A low cost transactional account for small scale tobacco farmers who previously did not have access to banking services.

ENERGY



ECONOMIC GROWTH

- USD6 million financing to facilitate completion of the Tokwe-Mukosi Dam.
- USD169 million capital provided to the Mining Industry.
- USD103 million contribution to the Retail and Agriculture consumer sectors.
- USD263 million availed to tobacco merchants, and a further USD30 million to individual farmers through outgrower schemes.

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