ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

CHAIRMAN'S STATEMENT

I take great pleasure in presenting the financial results of Stanbic Bank Zimbabwe Limited ("the Bank" or "Stanbic Bank Zimbabwe") for the year ended 31 December 2018.

Operating environment in the country

The first half of the year recorded positive economic performance which unfortunately tailed off into a negative third quarter characterised by various challenges including the following:

- Rising inflationary pressures, with annual inflation reaching 42% in December 2018;
- Acute shortage of foreign currency and other imported commodities such as fuels, industrial raw materials and other consumables;
- Low productivity levels and waning internal business confidence; and
- Depressed international commodity prices for key exports.

Though the Government has announced various policy measures that are meant to stabilise the economy, it has not responded well to these measures and key challenges remain around:

- Containment and reduction of the fiscal deficit.
- Resolution of the fuel crisis which has crippled economic activity.
- Resolving remuneration issues after incomes were eroded by the spike in inflation and the dislocation in the exchange rate environment, and
- Attracting meaningful foreign direct investments.

Results

Notwithstanding this myriad of challenges suffocating the economy, the Bank registered a profit after tax of USD39.2 million for the year ended 31 December 2018.

Capital

The Bank ended the year with a qualifying core capital of USD162.2 million (2017: USD134.3 million) against the regulatory minimum of USD25 million and has remained well ahead of the 2020 minimum capital threshold of USD100 million after taking into account the effect of the new accounting standard IFRS 9 Financial instruments which became effective on 1 January 2018.

Outlook

Economic growth prospects for 2019 remain weak as the current challenges described above are showing no sign of being contained in the near future. The situation is further exacerbated by the erratic rains during the 2018/19 agricultural season.

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 2018:

DIRECTOR'S NAME	MAIN BOARD	AUDIT	LOANS REVIEW	CREDIT	RISK
Gregory Sebborn *(Chairman)*	7	**	**	5	**
Joshua Tapambgwa *(Chief Executive)*	7	**	**	**	**
Malcolm Lowe*>	-	**	**	1>	1
Linda Masterson	6	4	7	**	4
Solomon Nyanhongo *(Executive)*	7	**	**	**	**
Paul Smith*<	4	3	**	**	3
Pindie Nyandoro*	6	**	**	**	3***
Kingston Kamba	6	**	7	**	4
Muchakanakirwa Mkanganwi	7	4	8	**	**
Valentine Mushayakarara	7	4	***	4***	**
Nellie Tiyago	7	**	**	5	**
Rhett Groves *(Executive)*	6	**	**	**	**
Jonathan Wood #	-	**	**	**	**

*South African based members
** Not a member
*** Only became a member on the 6th of April 2018
> Ceased to be a member on the 27th of March 2018
< Ceased to be a member on the 30th of September 2018
Became a member with effect from the 28th of November 2018

As at 31 December 2018, the Board comprised eleven directors, three of whom are executive directors. While Messrs Paul Smith and Malcolm Lowe resigned during the course of the year, 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 2018, the committee held four meetings.

As at 31 December 2018 the committee comprised of three 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

In terms of the mandate, the committee shall meet at least four times annually and may convene meetings more often as and when necessary. During the year ended 31 December 2018, 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 three 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 2018, 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 is expected to meet at least four times a year and during the year ended 31 December 2018, the committee held four meetings.

As at 31 December 2018 the committee comprised three 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 2018, the committee held twenty five 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 15.

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

We are dedicated to increasing the impact of our Corporate Social Investment agenda throughout all the Provinces of Zimbabwe. As a Bank, we place great importance on supporting our government and communities through partnerships that speak to the needs of the people and respond to the pertinent issues surrounding the wellbeing of our country. Our values continue to guide our triple bottom-line approach to delivering value to all our stakeholders.

Acknowledgements

My appreciation goes to our valued clients, stakeholders and the shareholder for their steadfast support and commitment in an increasingly challenging environment. I am grateful to the Board for its leadership and wise counsel demonstrated during the period. I remain humbled by the hard work and commitment from our management and staff members towards the achievement of these outstanding results.

I would like to thank my two fellow board members namely Messrs Paul Smith and Malcolm Lowe who retired from the Board during the year. These members have greatly contributed to the success of this Bank through their vast knowledge in the banking business. In the same vein, I would like to welcome Mr Jonathan Wood to the Stanbic Bank board of directors and wish him success in his new role.

Gregory Sebborn
Chairman

26 April 2019

CHIEF EXECUTIVE'S REPORT

Overview of business results for 2018

In what was a challenging year, the Bank managed to close with a profit after tax of USD39.2 million.

The Bank registered a 26% growth in its net interest income from USD55.1 million in the comparative period and ending at USD69.7 million supported largely by the commendable growth in our interest earning assets with short term investments remaining the prime driver of the uplift in this line.

The 2018 net fee and commission income ended at USD38.7 million up from USD32.6 million achieved in the prior period largely driven by the upsurge in transaction volumes passing through our digital channels compounded by the strong growth in the value of our assets under custody.

The Bank's 2018 expected credit loss allowances of USD5.6 million were ahead of 2017 impairments by 166% mainly because of the implementation of IFRS 9 *Financial instruments* on 1 January 2018 which has seen credit loss allowances being recognised on other financial assets such as treasury bills, placements, loan commitments, letters of credit and guarantees which was not the case under the old IAS 39 standard.

Total operating expenses for 2018 increased by 11% from USD64.1 million in the prior period to USD71.3 million mainly because of the impact of business expansion as we continued to strengthen our digital banking capabilities compounded by the impact of inflation on our expenditure in the last half of the year.

The Bank's net lending book grew by 17% from USD330.4 million in 2017 to USD387 million reinforced mainly by new lending assets which were created in the period combined with an improvement in facility utilisation by some borrowing clients.

The worsening foreign currency shortages in the market saw the Bank's customer deposit base growing from USD1.2 billion as at the end of 2017 to USD1.5 billion. Our depositors were unable to access their funds for the settlement of foreign obligations due to the scarcity of foreign currency, hence the growth in deposits.

Compliance and money laundering control function

Stanbic Bank is cognisant of the ever changing regulatory environment and strives to maintain high standards of compliance. 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. It is against this background that the Bank continues to place great emphasis on compliance and has invested significantly in robust compliance management infrastructure in collaboration with reputable vendors. This will go a long way in improving transaction monitoring, surveillance and adoption of international best practice.

The Compliance function has a framework in place that ensures that the Bank complies with all regulatory requirements in all material respects.

Statement on corporate social investment ("CSI") responsibilities

People are at the heart of our operations as Stanbic Bank Zimbabwe. We endeavour to be more than a bank and to reach out to all Zimbabweans as we go about our day to day business. We value our stakeholders and strive to deliver our business to the people in a responsible manner, because we are indeed a part of them and intend to remain rooted within the communities.

Our 2018 CSI activities were, as always, guided by our CSI policy which gives us the mandate to focus on health, education and sanitation related issues.

While organizations like the Albino Charity Organization of Zimbabwe, Cancer Association of Zimbabwe and Stragglers Cricket Club have been constant partners year after year, it is our aim to also impact more livelihoods from diverse walks of life. Following the Cholera epidemic that struck our nation in September 2018, we were part of the many stakeholders who worked in solidarity with the Ministry of Health and Child Care ("MoHCC") to assist in curbing its further spread.

Partnerships help increase the impact of any undertaking, and we took the opportunity to partner the Rotary club in constructing a bridge over Shevanhowe river in Murehwa to guard against further incidents of school children drowning while trying to make their way to school during the rainy season.

Central Hospitals are always on our radar and we reached out to Mpilo Central Hospital to help alleviate water challenges by sinking a borehole, in line with our sanitation commitment.

Education remains a key component necessary for economic growth and we have been steadily increasing our support towards school fees for high performing students from underprivileged backgrounds. Our focus has broadened to include distribution of reusable and disposable sanitary wear to girls in rural areas.

Our biggest project for 2018 is the construction of the Nyamuzuwe Waiting Mothers Home at Nyamuzuwe Rural Hospital in Mutoko, in partnership with Plan International Zimbabwe, an initiative set to benefit the district by reducing the maternal and infant mortality rates.

Our people

I remain indebted to the Stanbic team for its untiring support and contributions in a tough operating environment as we strive to meet our clients' evolving demands.

Our customers

Customer centricity is one of our key pillars as a service provider because they are the reason for our existence. We continue to drive a customer-centric culture in our innovations, leading to the development of user friendly and convenient technologies for our valued customers. Our banking applications, Online and Mobile Banking platforms are under continuous improvement to give the customer more control of their finances. Above all, more security measures continue to be put in place to protect customers from criminal activities such as card fraud, through features that allow customers to deactivate their debit cards and report any suspicious activity immediately. Empowering our customers is indeed an important factor in our operations and we remain compliant with regulators as we serve our customers through our various operations.

Vote of thanks

I thank the Board for its support during the year as we navigated yet another difficult operating environment. I always cherish the Stanbic team for its commitment towards providing unparalleled customer experience and the support shown by the achievement of this pleasing set of financial results.

Joshua Tapambgwa
Chief Executive

26 April 2019

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	31 December 2018 USD'000	31 December 2017 USD'000
ASSETS			
Cash and cash equivalents	2	932 554	729 667
Derivative assets	3.1	17	101
Financial investments	4	326 981	237 403
Investment securities	4.2	2 264	516
Loans and advances to customers	5.1	387 343	330 409
Other assets		25 876	13 950
Intangible assets		28 293	29 233
Investment property		26 963	21 128
Property and equipment		38 939	36 896
Deferred tax assets		-	3 810
Total assets		1 769 230	1 403 113
EQUITY AND LIABILITIES			
Shareholder's equity		165 775	137 665
Ordinary share capital	6.2	260	260
Ordinary share premium	7.1	10 790	10 790
Reserves	7.2	154 725	126 615
Liabilities			
Derivative liabilities	3.2	7	6
Current income and deferred tax liabilities		2 211	-
Deposits and current accounts	8	1 511 618	1 207 768
Deposits from other banks		3 565	12 626
Deposits from customers		1 508 053	1 195 142
Other liabilities		89 619	57 674
Total liabilities		1 603 455	1 265 448
Total equity and liabilities		1 769 230	1 403 113

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018

	31 December 2018 USD'000	31 December 2017 USD'000
Net interest income	69 655	55 089
Non interest income	67 737	53 867
Total income	137 392	108 956
Credit impairment charges	(5 618)	(2 109)
Income after credit impairment charges	131 774	106 847
Operating expenses	(71 260)	(64 129)
Staff costs	(33 386)	(31 435)
Other operating expenses	(37 874)	(32 694)
Net income before indirect tax	60 514	42 718
Indirect tax	(2 929)	(2 177)
Profit before direct tax	57 585	40 541
Direct tax	(18 427)	(12 915)
Profit for the year	39 158	27 626

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	31 December 2018 USD'000	31 December 2017 USD'000
Profit for the year	39 158	27 626
Items that will not be reclassified to profit or loss:		
Gain on revaluation of land and buildings net of tax	-	205
Net change in fair value of equity investments (net of tax)	864	-
Items that may be subsequently reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets net of tax	-	(56)
Total comprehensive income for the year attributable to the ordinary shareholder	40 022	27 775

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	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	Fair value through other comprehensive income 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 2018										
Balance as at 1 January 2018	260	10 790	1 207	2 147	141	-	818	510	121 792	137 665
Transitional adjustment IFRS 9	-	-	-	-	(141)	361	(818)	-	(11 485)	(12 083)
Adjusted opening balance 1 January 2018	260	10 790	1 207	2 147	-	361	-	510	110 307	125 582
Profit for the year	-	-	-	-	-	-	-	-	39 158	39 158
Other comprehensive income										
Net change in fair value of equity investment	-	-	-	-	-	864	-	-	-	864
Total comprehensive income for the year	-	-	-	-	-	864	-	-	39 158	40 022
Equity-settled share-based payments	-	-	-	-	-	-	-	171	-	171
Total transactions with the owner of the Bank recognised directly in equity	-	-	-	-	-	-	-	171	-	171
Balance as at 31 December 2018	260	10 790	1 207	2 147	-	1 225	-	681	149 465	165 775

	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									
Changes in fair value of available-for-sale financial assets	-	-	-	276	-	-	-	-	276
Related tax	-	-	-	(71)	-	-	-	-	(71)
Changes in fair value of available for sale financial assets	-	-	-	-	(76)	-	-	-	(76)
Related tax	-	-	-	-	20	-	-	-	20
Total comprehensive income for the year	-	-	-	205	(56)	-	-	27 626	27 775
Equity-settled share based payments	-	-	-	-	-	-	149	22	171
Total transactions with the owner of the Bank recognised directly in equity	-	-	-	-	-	-	149	22	171
Balance as at 31 December 2017	260	10 790	1 207	2 147	141	818	510	121 792	137 665

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Note	31 December 2018 USD'000	31 December 2017 USD'000
Cash generated from operations			
Net income before indirect and direct tax		60 514	42 718
Adjusted for:			
Expected credit loss (on and off- balance sheet)		5 618	2 109
Amortisation of intangible assets		3 323	2 265
Depreciation of property and equipment		4 372	3 768
Equity-settled share-based payments		171	171
Indirect tax paid		(2 929)	(2 177)
Loss/(gain) on sale of property and equipment		201	(188)
Increase in fair value of investment property		-	(25)
Impairment loss on property		-	1 220
Movement in working capital			
Decrease in derivative assets		84	19
Increase in loans and advances		(65 857)	(59 032)
Increase in accrued interest on financial investments		(15 748)	(7 546)
Purchase of financial investments		(192 964)	(234 991)
Proceeds from sale of financial investments		107 876	88 003
Purchase of equity investments		(99)	-
Increase in other assets		(11 926)	(7 533)
Increase/(decrease) in derivative liabilities		1	(5)
Increase in deposits and current accounts		303 850	505 543
Increase in other liabilities		31 408	25 137
Direct tax paid		(8 514)	(13 069)
Net cash from operating activities		219 381	346 387
Cash used in investment activities			
Capital expenditure on:			
- intangible assets		(2 383)	(5 077)
- property and equipment		(6 882)	(6 896)
-investment property		(5 835)	(9 732)
Proceeds from:			
- sale of property and equipment		263	285
Net cash used in investing activities		(14 837)	(21 420)
Net increase in cash and cash equivalents		204 544	324 967
Cash and cash equivalents at the beginning of the year		729 667	404 700
Cash and cash equivalents at the end of the year	2	934 211	729 667

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 2018 which have been audited by KPMG (Zimbabwe) and an adverse audit opinion on the Financial Statements has been issued because of non-compliance with International Accounting Standard 21 (The Effects of Foreign Exchange Rates). 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 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 and investment securities measured at fair value. The financial statements were authorised for issue by the Bank's Board of Directors on 26 April 2019.

The 2018 financial statements partially comply with the IFRS conceptual framework on account of non-compliance with provisions of IAS 21 *The Effects of Foreign Exchange Rates*. On 22 February 2019, the Reserve Bank of Zimbabwe issued Statutory Instrument 33 of 2019, introducing an electronic currency called Real Time Gross Settlement system (RTGS) Dollar or RTGS$. This SI, fixed the exchange rate between the USD and RTGS balances, bond notes and coins at 1:1 for the period prior to the effective date of the introduction of the RTGS Dollar. The fixing of the exchange rate of 1:1 for the period prior to the effective date of 22 February 2019 is not compliant with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. IAS 21 requires an entity to determine its functional currency by making certain judgements around the appropriate exchange rates to be applied between currencies where a formal foreign exchange rate market is not available.

The need to comply with SI 33 of 2019 has created variations with IAS 21 as well as the principles included in the IFRS conceptual framework and the directors and management do not consider these financial statements to be providing a true and fair view of the Bank's financial performance and position as at 31 December 2018 in accordance with IFRS.

Functional and presentation currency

These financial statements are presented in United States Dollars ("USD") which was the Bank's functional and presentation currency for part of 2018. Please refer to the events after the reporting date note which details the change in the Bank's functional currency from USD to RTGS$.

Adoption of new and amended standards effective for the current financial period

Standard ("IAS")/ Interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2018
IFRS 15	Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Annual periods beginning on or after 1 January 2018

IFRS 9, with effect from 1 January 2018, replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduced new requirements which included an expected credit loss ("ECL") impairment model and new requirements for the classification and measurement of financial assets. IFRS 9, adopted on 1 January 2018, impacted the Bank's results upon transition. The impact to the Bank's reserves on transition to IFRS 9 materially relates to IFRS 9's ECL impairment requirements. IFRS 9's classification and measurement requirements resulted in an immaterial impact to the Bank on transition. Refer to the IFRS 9 transition disclosure for more detail.

IFRS 15 Revenue from Contracts with Customers, with effect from 1 January 2018, replaces the existing revenue standards and the related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition. The Bank adopted IFRS 15 on 1 January 2018 and, as permitted by IFRS 15, did not restate its comparative financial results. The standard does not apply to revenue associated with financial instruments, and therefore does not impact the Bank's revenue.

IFRIC 22, Foreign Currency Transactions and Advance Consideration, provides guidance on how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The above mentioned standards and interpretation to the IFRS standards, adopted on 1 January 2018, did not affect the Bank's previously reported financial results, disclosures or accounting policies.

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ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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.

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 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 2018 are set out in the table below:

Exposure to credit risk by credit quality as at 31 December 2018 (USD'000)

		Normal monitoring		Close monitoring		Special mention		Stage 3			
	Gross total (advances and financial investments)	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Sub standard	Doubtful	Loss	Balance sheet impairments (stage 3)
Personal and Business Banking-("PBB")											
Mortgage loans	20 160	18 014	-	-	-	-	1 805	80	52	209	(133)
Instalment sale and finance leases	22 741	18 272	-	-	-	-	3 457	144	403	465	(714)
Personal unsecured lending	82 927	76 440	-	-	-	-	5 068	186	270	963	(1 060)
Business term loans and overdrafts	95 606	74 273	-	-	-	-	17 004	73	1 110	3 146	(771)
Total loans PBB	221 434	186 999	-	-	-	-	27 334	483	1 835	4 783	(2 678)
Corporate and Investment Banking-("CIB")-Corporate loans	196 499	168 036	-	-	9 234	3 430	15 799	-	-	-	-
Total gross loans and advances	417 933	355 035	-	-	9 234	3 430	43 133	483	1 835	4 783	(2 678)
Financial investments at amortised cost											
Corporate & Investment Banking											
Sovereign	200 557	200 557	-	-	-	-	-	-	-	-	-
Banking	137 491	137 491	-	-	-	-	-	-	-	-	-
Total financial investments	338 048	338 048	-	-	-	-	-	-	-	-	-
Expected credit loss for loans and advances and financial investments											
Stage 1	(14 005)										
Stage 2	(23 704)										
Stage 3	(2 678)										
Net loans and advances and financial investments	715 594										
Off balance sheet exposures											
Letters of credit	10 191	9 764	-	-	227	200	-	-	-	-	-
Guarantees	11 030	10 395	-	-	182	103	350	-	-	-	-
Irrevocable unutilised facilities	55 517	48 486	-	-	5 697	318	1 016	-	-	-	-
Expected credit loss for off balance sheet exposures											
Stage 1	(329)										
Stage 2	(213)										
Add the following other banking activities exposures:											
Cash and balances with central bank	709 615										
Investment securities	2 264										
Derivative assets	17										
Other assets	23 981										
Total exposure to credit risk	1 527 667										

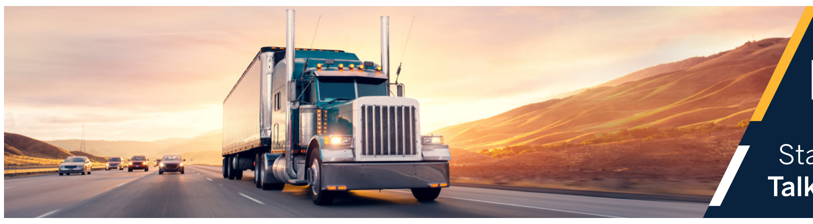
Collateral obtained by the Bank

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 2018 amounted to USD201 million (2017: USD136.6 million).

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											

STANBIC 057



ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 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	793 624	64 269	76 318	-	-	(1 657)	932 554
Derivative assets	17	-	-	-	-	-	17
Financial investments	-	10 090	131 108	196 850	-	(11 067)	326 981
Investment securities	-	-	-	-	-	2 264	2 264
Loans and advances to customers	199 112	7 949	23 931	67 157	118 514	(29 320)	387 343
Other assets	7 184	16 797	-	-	-	96 090	120 071
Total	999 937	99 105	231 357	264 007	118 514	56 310	1 769 230
Equity and liabilities							
Derivative liabilities	7	-	-	-	-	-	7
Deposits from customers and other banks	1 511 189	-	-	175	254	-	1 511 618
Other liabilities	-	65 945	14 936	4 841	3 462	2 646	91 830
Equity	-	-	-	-	-	165 775	165 775
Total	1 511 196	65 945	14 936	5 016	3 716	168 421	1 769 230
Liquidity gap	(511 259)	33 160	216 421	258 991	114 798	(112 111)	
Cumulative liquidity gap	(511 259)	(478 099)	(261 678)	(2 687)	112 111	-	
Off-balance sheet exposures							
Letters of credit	(500)	(6 879)	(14 934)	(14 875)	-	-	
Financial guarantees	(134)	(2 797)	(7 223)	(5 054)	-	-	
Total liquidity gap (on-and off-balance sheet)	(511 893)	(487 775)	(283 835)	(22 616)	112 111	-	
Total cumulative liquidity gap	(511 893)	(488 409)	(294 145)	(55 083)	59 715		

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

Maturity analysis of assets and liabilities:

31 December 2017 Liquidity gap analysis (USD'000)	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	>1 year	Insensitive portion	Total
Assets							
Cash and cash equivalents	654 667	19 000	56 000	-	-	-	729 667
Derivative assets	-	101	-	-	-	-	101
Financial investments	-	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 on-balance sheet 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, deferred tax assets, investment property and property and equipment.
Other liabilities include internal clearing accounts.

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 1% (2017:2%) 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 2018	Total USD'000	USD USD'000	ZAR USD'000	EURO USD'000	GBP USD'000	Other USD'000
Assets						
Cash and cash equivalents	932 554	922 260	7 039	1 677	447	1 131
Derivative assets	17	17	-	-	-	-
Financial investments	326 981	326 981	-	-	-	-
Investment securities	2 264	2 264	-	-	-	-
Loans and advances to customers	387 343	387 343	-	-	-	-
Other assets	25 876	25 016	120	-	-	740
Intangible assets	28 293	28 293	-	-	-	-
Investment property	26 963	26 963	-	-	-	-
Property and equipment	38 939	38 939	-	-	-	-
Total assets	1 769 230	1 758 076	7 159	1 677	447	1 871
Equity and liabilities						
Equity	165 775	165 775	-	-	-	-
Ordinary share capital	260	260	-	-	-	-
Ordinary share premium	10 790	10 790	-	-	-	-
Reserves	154 725	154 725	-	-	-	-
Liabilities	1 603 455	1 586 634	9 549	4 463	710	2 099
Derivative liabilities	7	7	-	-	-	-
Total deposits	1 511 618	1 496 508	7 932	4 399	686	2 093
Deposits from other banks	3 565	2 410	-	-	-	1 155
Deposits from customers	1 508 053	1 494 098	7 932	4 399	686	938
Deferred and current tax liabilities	2 211	2 211	-	-	-	-
Other liabilities	89 619	87 908	1 617	64	24	6
Total equity and liabilities	1 769 230	1 752 409	9 549	4 463	710	2 099
Currency gap	-	5 667	(2 390)	(2 786)	(263)	(228)
Currency size as % of overall statement of financial position	100%	99%	1%	0%	0%	0%

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 investments	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%

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 2018 by 7.56% (2017:8.97%). 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

	2018 USD'000	2017 USD'000
Increase in basis points	100	100
Sensitivity of annual net interest income	2 649	2 217
Sensitivity of OCI	-	-
Decrease in basis points	100	100
Sensitivity of annual net interest income	(3 754)	(4 236)
Sensitivity of OCI	-	-

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

31 December 2018 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	84 009	64 000	76 000	-	-	708 545	932 554
Derivative assets	-	-	-	-	-	17	17
Financial investments	-	9 620	125 000	187 680	-	4 681	326 981
Investment securities	-	-	-	-	-	2 264	2 264
Loans and advances to customers	407 745	450	705	2 399	1 427	(25 383)	387 343
Other assets	6 982	-	-	-	-	113 089	120 071
Total	498 736	74 070	201 705	190 079	1 427	803 213	1 769 230
Equity and liabilities							
Derivative liabilities	-	-	-	-	-	7	7
Deposits from customers and other banks	359 679	-	-	170	245	1 151 524	1 511 618
Other liabilities	-	-	-	-	-	91 830	91 830
Equity	-	-	-	-	-	165 775	165 775
Total	359 679	-	-	170	245	1 409 136	1 769 230
Interest rate repricing gap	139 057	74 070	201 705	189 909	1 182	(605 923)	
Cumulative interest rate repricing gap	139 057	213 127	414 832	604 741	605 923	-	

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

STANBIC 057

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 liability	-	-	-	-	-	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, deferred tax assets, investment property and property and equipment.
Other liabilities include internal clearing accounts.

Market risk measurement

The techniques used to measure and control market risk include:

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

Daily VaR

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

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

Stress tests

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

Other market risk measures

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

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

Foreign currency risk

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

Foreign currency value at risk for December 2018

	Maximum possible loss in December 2018 USD'000	Minimum possible loss in December 2018 USD'000	Average possible loss USD'000	Possible loss at 31 December 2018 USD'000	Maximum acceptable VaR loss USD'000
Normal VaR	5.049	3.554	4.476	4.552	23.0
Stress VaR	15.195	10.358	13.568	13.824	119.0

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 2018 was USD5 049 (2017:USD4 280), and the minimum possible loss was USD3 554 (2017:USD850), with an average possible loss of USD4 476 (2017:USD1 780) in comparison to the maximum acceptable possible loss of USD23 000 (2017: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 2018

1. IFRS 9 transition

Background

With effect from 1 January 2018, IFRS 9 replaced IAS 39. IFRS 9 introduced new requirements which included an ECL impairment model and new requirements for the classification and measurement of financial assets as follows:

Expected credit losses ("ECL") impairment requirements	IFRS 9's ECL impairment model's requirements represented the most material IFRS 9 transition impact for the Bank. OCI, loan commitments when there is a present commitment to extend credit (unless these are measured at fair value through profit or loss (FVTPL)) and guarantees. ECL is, at a minimum, required to be measured through a loss allowance at an amount equal to the 12-month ECL. However, where the lifetime is less than 12 months, lifetime ECL will be measured for the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.
Classification and measurement	IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The accounting for financial assets differs in various other areas to the IAS 39 requirements such as embedded derivatives and the recognition of fair value adjustments in OCI.

Adoption of IFRS 9

The Bank retrospectively adopted IFRS 9 on 1 January 2018 with an adjustment to the Bank's opening 1 January 2018 reserves and, as permitted by IFRS 9, did not restate its comparative financial results. Accordingly, the Bank's previously reported financial results up to 31 December 2017 are presented in accordance with the requirements of IAS 39 and for 2018, and future reporting periods, are presented in terms of IFRS 9.

IFRS 9's ECL requirements

The most material IFRS 9 transition impact for the Bank is that of IFRS 9's new ECL requirements which results in the earlier recognition of credit impairment provisions primarily as a result of the drivers outlined in the table below. This impact was solely as a result of the adoption of IFRS 9 and is not as a result of changes in the credit quality of the Bank's loan exposures.

12-month ECL for performing loans (stage 1)	IFRS 9 contains a minimum 12-month ECL for exposures for which there has not been a significant increase in credit risk (SICR), whereas IAS 39 required credit impairments to be recognised only following the identification of objective evidence of impairment.
Significant increase in credit risk (SICR) (stage 2)	A lifetime ECL is recognised for all exposures for which there has been a SICR, being a material change in the probability of default, since origination.
Off-balance sheet exposures	IFRS 9's scope includes off-balance sheet exposures, such as unutilised loan commitments (except those loan commitments at fair value through profit and loss), bankers acceptances, guarantees, and letters of credit.
Lifetime model work out requirement	In terms of determining ECL for stage 1 and 2 exposures where there is a probability of default, the potential loss from a lifetime perspective is considered, which would include the probability of recovery post default and subsequent re-default. For stage 3 exposures, being exposures that are either in default or where default is imminent, this would include consideration of cures and subsequent re-default.
Forward looking economic expectations	IFRS 9 requires an adjustment for forward looking economic expectations in the determination of SICR and in the measurement of the ECL.

1.1 IFRS 9 key financial impact

Table 1: Impact on the Bank's extracted statement of financial position on 1 January 2018

	IAS 39 at 31 December 2017 USD'000	IFRS 9 transition adjustment at 1 January 2018: IFRS 9 ECL USD'000	IFRS 9 classification and measurements USD'000	Total USD'000	IFRS 9 at 1 January 2018 USD'000
Assets					
Cash and cash equivalents	729 667	(2 090)	-	(2 090)	727 577
Loans and advances to customers	330 409	(7 932)	-	(7 932)	322 477
Financial investments	237 403	(5 955)	(191)	(6 146)	231 257
Investment securities	516	-	485	485	1 001
Deferred tax assets *	3 810	4 267	(76)	4 191	8 001
Total	1 301 805	(11 710)	218	(11 492)	1 290 313
Equity and liabilities					
Other liabilities**	57 674	593	-	593	58 267
Equity	137 665	(12 301)	218	(12 083)	125 582
Total	195 339	(11 708)	218	(11 490)	183 849

*materially relates to the recognition of additional deferred tax assets following the recognition of the IFRS 9 ECL transition adjustment
** materially relates to the recognition of ECL on off balance sheet loan commitments, letters of credit and guarantees

Table 2: Impact on the Bank's extracted statement of changes in equity on 1 January 2018

	IAS 39 at 31 December 2017 USD'000	IFRS 9 transition adjustment at 1 January 2018 USD'000	IFRS 9 at 1 January 2018 USD'000
Ordinary share capital and share premium	11 050	-	11 050
Retained earnings	121 792	(11 485)	110 307
Other	4 823	(598)	4 225
Total equity	137 665	(12 083)	125 582

The change in the retained earnings relates to IFRS ECL changes. Of the USD191 000 in the Bank's available for sale reserve as at 31 December 2017, the entire amount was reclassified to amortised cost. The Bank's equity investment which was previously measured at cost and is now measured at fair value through OCI. The FVOCI election was made as this is a strategic investment in Zimswitch Holdings and the intention is not to make a profit on trading it.

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

1.2 Table 3: Impact on financial instrument classification (excluding impact of IFRS 9 ECL)

	IAS 39 at 31 December 2017 USD'000	Held for trading USD'000	Fair value through profit or loss default USD'000	Amortised cost USD'000	Fair value through OCI USD'000	IFRS 9 at 1 January 2018 USD'000	Transitional adjustment USD'00
Financial assets							
Held for trading	101	101	-	-	-	101	-
Loans and receivables	1 073 646	-	6 180	1 067 466	-	1 073 646	-
Available for sale	273 403	-	-	273 212	-	273 212	(191)
Equity investments	516	-	-	-	1 001	1 001	485
Total financial assets	1 347 666	101	6 180	1 340 678	1 001	1 347 960	(294)
Financial liabilities							
Held for trading	6	6	-	-	-	6	-
Other amortised cost	1 254 224	-	-	1 254 224	-	1 254 224	-
Total financial liabilities	1 254 230	6	-	1 254 224	-	1 254 230	-

Cash and balances with Central Bank was in terms of IAS 39 classified as loans and receivables. Coins and notes have been classified as at fair value through profit or loss- default as the contractual terms do not give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding.

The Bank applied IFRS 9's classification and measurement requirements based on the facts and circumstances at 1 January 2018 in determining the transition adjustment. As at 1 January 2018 the Bank determined the classification of financial assets on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. An assessment of the instrument's contractual terms was performed to determine whether the terms give rise, on specified dates, to cash flows that are solely payments of principal and interest of the principal amount outstanding (referred to as SPPI) and whether there is an accounting mismatch.

For debt financial assets that meet IFRS 9's business model (held to collect) and the SPPI tests and are to be classified as amortised cost or at fair value through OCI, the Bank assessed whether there is an accounting mismatch based on the facts and circumstances as at 1 January 2018.

Equity financial assets are assessed to be designated as at fair value through OCI based on the facts and circumstances as at 1 January 2018.

From a classification perspective, with the exception of what is noted below, both IAS 39 and IFRS 9 have the same requirements for the classification of financial liabilities. From a recognition of gains and losses perspective, the amount of the change in fair value that is attributable to changes in the credit risk of financial liabilities that have been designated at fair value through profit and loss shall, in terms of IFRS 9, be recognised in OCI with the remaining amount of the change in the fair value of the financial liability being presented in profit or loss. The gains and losses presented in OCI are not subsequently recognised in profit or loss. Where, however, presenting the changes in the fair value of the liability due to changes in credit risk in OCI would create or enlarge an accounting mismatch in profit or loss, IFRS 9 permits the gains and losses due to changes in the credit risk of that liability to be recognised in profit or loss. The Bank re-assessed its financial liabilities to be designated as at fair value through profit and loss based on the facts and circumstances at 1 January 2018. These financial liabilities are either continued to be designated as at fair value through profit and loss or were reclassified to amortised cost under IFRS 9.

1.3 The transition from IAS 39 to IFRS 9's impairments by asset class

Statement of financial position	Portfolio impairments IAS 39- 31 December 2017	Specific provisions IAS 39 – 31 December 2017	Total IAS 39 impairments	Stage 1- IFRS 9- 31 December 2017	Stage 2- IFRS 9- 31 December 2017	Stage 3- IFRS 9- 31 December 2017	Total IFRS 9 impairment provision	Transitional adjustment including tax
Cash and cash equivalents	-	-	-	2 090	-	-	2 090	2 090
Financial investments	-	-	-	5 955	-	-	5 955	5 955
Loans and advances to customers	16 059	5 178	21 237	5 090	19 166	4 913	29 169	7 932
Off balance sheet	-	-	-	483	110	-	593	593
Total	16 059	5 178	21 237	13 618	19 276	4 913	37 807	16 570

	31 December 2018 USD'000	31 December 2017 USD'000
2 Cash and cash equivalents		
Bank notes and coins	11 492	6 180
Balances with the Central Bank	698 123	604 948
Balances with other banks	224 596	118 539
	934 211	729 667
Expected credit loss on balances with other banks	(1 657)	-
Current	932 554	729 667
A reconciliation of the allowances for expected credit losses on balances with other banks		
Stage 1		
Balance as at the beginning of the year	-	-
IFRS 9 transitional adjustment	(2 090)	-
Net movement	443	-
Originated impairments raise	443	-
Derecognised or write offs	-	-
Other movements	(10)	-
Balance at the end of the year	(1 657)	-

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.

3 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 2018 and 31 December 2017. 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 2018 USD'000	Fair value of assets 31 December 2017 USD'000
3.1 Derivative assets		
Derivatives held for trading		
Foreign exchange contracts	17	101
Maturity analysis of net fair value		
Up to 1 month	17	101
More than 1 month but within 1 year	-	-
	17	101

	Fair value of liabilities 31 December 2018 USD'000	Fair value of liabilities 31 December 2017 USD'000
3.2 Derivative liabilities		
Derivatives held for trading		
Foreign exchange contracts	(7)	(6)
Maturity analysis of net fair value		
Up to 1 month	(7)	(6)
More than 1 month but within 1 year	-	-
	(7)	(6)

	31 December 2018 USD'000	31 December 2017 USD'000
4 Financial investments		
Balance at the beginning of the year	237 403	82 945
Less IFRS 9 transitional adjustment (note 1.1)	(6 146)	-
Additions	192 964	234 991
Interest accrued	15 748	7 546
Total disposals	(107 876)	(88 003)
Disposals	(104 554)	(84 167)
Interest received	(3 322)	(3 836)
Loss from changes in fair value	-	(76)
Expected credit loss allowances	(5 112)	-
Balance at the end of the year	326 981	237 403
Current	326 981	107 032
Non-current	-	130 371
	326 981	237 403
4.1 Financial investments		
Other financial investments		
Comprising:		
Debt at available for sale	-	237 403
Debt at amortised cost		
Corporate & Investment Banking	326 981	-
Sovereign	189 497	-
Bank	137 484	-
4.1.2 Gross financial investments		
Sovereign	200 557	-
Bank	137 491	-
Expected credit loss		
Stage 1	(11 067)	-
Net debt financial investments	326 981	-
Comprising		
Gross debt financial investments	338 048	-
Less: Expected credit loss	(11 067)	-
	326 981	-

4.1.3 Expected credit loss for debt financial investments

	Stage 1	Stage 2	Stage 3	Total
Sovereign	(11 060)	-	-	(11 060)
Bank	(7)	-	-	(7)
	(11 067)	-	-	(11 067)

4.1.4 A reconciliation of the expected credit losses for debt financial investments at amortised cost, by class:

	Sovereign	Bank	Total
Stage 1			
Balance at beginning of the year (IFRS 9 transitional adjustment)	5 879	76	5 955
Net movement	5 181	(69)	5 112
Originated impairments raised	5 181	-	5 181
Subsequent decrease in expected credit loss	-	(69)	(69)
Derecognised including written off	-	-	-
Balance at the end of period	11 060	7	11 067

STANBIC 057

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

		31 December 2018 USD'000	31 December 2017 USD'000
4.1.5	**Maturity analysis**		
	The maturities represent periods to contractual redemption of the financial investments recorded:		
	Maturing within one year	326 981	107 032
	Maturing after one year but within 5 years	-	130 371
		326 981	237 403
4.2	**Investment securities**		
	Balance at the beginning of the period	516	516
	IFRS 9 transitional adjustment	485	-
	Additions	99	-
	Net change in fair value	1 164	-
	Balance as at 31 December 2018	2 264	516
5	**Loans and advances**		
	Personal & Business Banking: Loans and advances	221 434	197 182
	Mortgage loans	20 160	15 506
	Instalment sale and finance leases	22 741	16 836
	Personal unsecured lending	82 927	71 009
	Business lending and other	95 606	93 831
	Corporate & Investment Banking loans and advances		
	Corporate lending	196 499	154 464
	Expected credit loss (after 1 January 2018)		
	Stage 1	(2 938)	-
	Stage 2	(23 704)	-
	Stage 3	(3 948)	-
	Credit impairment allowances for loans and advances before January 2018		
	Specific impairment allowances	-	(5 178)
	Portfolio impairment allowances	-	(16 059)
	Net loans and advances	387 343	330 409
5.1	**Comprising:**		
	Gross loans and advances	417 933	351 646
	Expected credit loss	(30 590)	-
	Credit impairments before 1 January 2018	-	(21 237)
	Net loans and advances	387 343	330 409
	Maturity analysis		
	The maturity analysis is based on the remaining periods to contractual maturity from period end		
	Redeemable on demand	199 112	183 465
	Maturing within 1 month	7 949	6 619
	Maturing after 1 month but within 12 months	91 088	71 950
	Maturing after 12 months	119 784	89 612
	Gross loans and advances	417 933	351 646

		31 December 2018 USD'000	31 December 2018 %	31 December 2017 USD'000	31 December 2017 %
5.2	**Sectoral analysis-industry**				
	Individuals	56 386	13%	83 536	24%
	Agriculture	105 838	25%	78 744	22%
	Wholesale distribution	85 814	21%	65 874	19%
	Other services	34 161	8%	45 168	13%
	Manufacturing	79 391	19%	40 050	11%
	Mining	23 128	6%	23 599	7%
	Construction	21 583	6%	9 750	3%
	Transport	10 179	2%	3 975	1%
	Communications	1 453	0%	398	0%
	Finance	-	0%	552	0%
		417 933	100%	351 646	100%

		31 December 2018 USD'000	31 December 2017 USD'000
5.3	**Finance leases**		
	Gross investment in instalment sale and finance leases	34 896	30 543
	Receivable within 1 month	6 517	4 027
	Receivable after 1 month but within 6 months	12 782	7 836
	Received after 6 months but within 12 months	6 792	5 956
	Receivable between 1 to 5 years	8 805	12 724
	Unearned finance charges	(2 576)	(2 753)
	Net investment in finance leases	32 320	27 790
	Maturity analysis		
	Receivable within 1 month	6 455	3 952
	Receivable after 1 month but within 6 months	11 481	7 101
	Receivable after 6 months but within 12 months	6 202	5 112
	1 - 5 years	8 182	11 625
		32 320	27 790

5.4 Expected credit loss for loans and advances

Total impairments	Stage 1 USD'000	Stage 2 USD'000	Stage 3 USD'000	Total USD'000
Mortgage loans	78	1 112	159	1 349
Instalment sale and finance leases	302	2 089	714	3 105
Personal unsecured lending	327	3 705	1 243	5 275
Business lending and other	726	5 043	1 832	7 601
Corporate lending	1 505	11 755	-	13 260
Balance as at 31 December 2018	2 938	23 704	3 948	30 590

A reconciliation of the allowances for expected credit losses for loans and advances by class for the year ended 31 December 2018

	Mortgage loans USD'000	Instalment sale and finance leases USD'000	Personal unsecured lending USD'000	Business lending and other USD'000	Corporate lending USD'000	Total USD'000
Stage 1						
Balance as at the beginning of the year	151	373	893	1 938	1 735	5 090
Net movement	(73)	(71)	(566)	(1 258)	(230)	(2 198)
Originated impairments raised	46	67	567	1 099	947	2 726
Subsequent changes in expected credit loss	(174)	(127)	(1 113)	(1 911)	(918)	(4 243)
Transfers from stage 2	39	(3)	95	(59)	622	694
Transfers from stage 3	(6)	(5)	(36)	(237)	-	(284)
Derecognised including write offs	22	(3)	(79)	(150)	(881)	(1 091)
Other movements	-	-	-	46	-	46
Balance at the end of the year	78	302	327	726	1 505	2 938
Stage 2						
Balance as at the beginning of the year	395	2 001	1 186	6 532	9 052	19 166
Net movement	717	88	2 519	(1 464)	2 703	4 563
Originated impairments raised	1	3	44	32	3 120	3 200
Subsequent changes in expected credit loss	755	84	2 577	(1 548)	(1 354)	514
Transfers from stage 1	(39)	3	(95)	59	(622)	(694)
Transfers from stage 3	-	(2)	(7)	(7)	1 684	1 668
Derecognised including write offs	-	-	-	-	(125)	(125)
Other movements	-	-	-	(25)	-	(25)
Balance at the end of the year	1 112	2 089	3 705	5 043	11 755	23 704
Stage 3						
Balance as at the beginning of the year	207	277	1 464	2 524	2 075	6 547
Net movement	(46)	473	253	(74)	(1 970)	(1 364)
Originated impairments raised	-	-	-	-	-	-
Subsequent changes in expected credit loss	(52)	466	489	(88)	(262)	553
Transfers from stage 1	6	5	36	237	-	284
Transfers from stage 2	-	2	7	7	(1 684)	(1 668)
After write off recoveries	-	-	(279)	(230)	(24)	(533)
Write offs	(13)	(36)	(496)	(350)	24	(871)
Other movements	11	-	22	(268)	(129)	(364)
Balance at the end of the year	159	714	1 243	1 832	-	3 948

5.5 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

		31 December 2018 USD'000	31 December 2017 USD'000
5.6	**Credit impairment charges for the year ended 31 December 2018**		
	Credit impairment charges raised/ (recoveries) under IAS 39		
	Specific impairments	-	6 371
	Portfolio impairments	-	1 366
	Net expected credit loss raised and released on financial investments (note 4.1.4)	5 112	-
	Stage 1	5 112	-
	Stage 2	-	-
	Stage 3	-	-
	Net expected credit loss raised and released on balances with other banks (note 2)	(443)	-
	Stage 1	(443)	-
	Stage 2	-	-
	Stage 3	-	-
	Net expected credit loss raised and released on loans and advances (note 5.4)	6 888	-
	Stage 1	(2 198)	-
	Stage 2	4 563	-
	Stage 3	4 523	-
	Net expected credit loss raised and released on off- balance sheet exposures (note 11.2.3)	(52)	-
	Stage 1	(155)	-
	Stage 2	103	-
	Stage 3	-	-
	Recoveries on loans and advances	(5 887)	(5 628)
	Total credit impairment charges (on and off-balance sheet)	5 618	2 109

STANBIC 057

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

		31 December 2018 USD'000	31 December 2017 USD'000
5.7	**Sectoral analysis of impairment for non-performing loans – industry**		
	Agriculture	63	68
	Manufacturing	574	2 087
	Individual	1 015	1 730
	Transport	406	129
	Other services	184	212
	Mining	-	263
	Distribution	369	648
	Communication	-	-
	Construction	67	41
		2 678	5 178
6	**Share capital**		
6.1	**Authorised share capital**		
	500 000 ordinary shares with a nominal value of USD1 each	500	500
6.2	**Issued share capital**		
	260 000 ordinary shares with a nominal value of USD1 each	260	260
	Unissued shares		
	240 000 (2017:240 000) ordinary shares with a nominal value of USD1 each of which 240 000 (2017:240 000) are under the general authority of the directors.		
7	**Share premium and reserves**		
7.1	**Share premium**		
	Share premium on issue of shares	10 790	10 790
7.2	**Reserves**		
	Non-distributable reserve	3 354	3 354
	Statutory credit impairment reserve	-	818
	Fair value through other comprehensive income	1 225	-
	Available for sale reserve	-	141
	Share-based payments reserve	681	510
	Retained earnings	149 465	121 792
		154 725	126 615
8	**Deposits and current accounts**		
	Deposits from other banks	3 565	12 626
	Deposits from customers	1 508 053	1 195 142
	Current accounts	1 322 670	1 000 380
	Call deposits	175 868	183 515
	Term deposits	479	369
	Savings accounts	9 036	10 878
	Deposits and current accounts	1 511 618	1 207 768
	Current	1 511 364	1 207 551
	Non-current	254	217
		1 511 618	1 207 768

9 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Held for trading USD'000	At fair value through profit or loss default USD'000	Fair value through OCI USD'000	Amortised cost USD'000	Total carrying amount USD'000	Fair value USD'000
31 December 2018						
Financial assets						
Cash and cash equivalents	-	27 808	-	904 746	932 554	932554
Derivative assets	17	-	-	-	17	17
Financial investments	-	-	-	326 981	326 981	326 981
Investment securities	-	-	2 264	-	2 264	2 264
Loans and advances to customers	-	-	-	387 343	387 343	387 343
Other assets	-	-	-	23 981	23 981	23 981
	17	27 808	2 264	1 643 051	1 673 140	1 673 140
Financial liabilities						
Derivative liabilities	7	-	-	-	7	7
Deposits from other banks	-	-	-	3 565	3 565	3 565
Deposits from customers	-	-	-	1 508 053	1 508 053	1 508 053
Other liabilities	-	-	-	56 044	56 044	56 044
	7	-	-	1 567 662	1 567 669	1 567 669

	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 investments	-	-	-	-	237 403	-	-	237 403	237 403
Investments 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

10 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 2018.

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	3	17	-	17	-	Discounted cash flows
Fair value through OCI						
Investment securities	4.2	2 264	-	-	2 264	Discounted cash flows
Investment property		26 963	-	-	26 963	Sales comparison method, market rentals and yields
Freehold property		38 939	-	-	38 939	Sales comparison method, market rentals and yields
Total assets		68 183	-	17	68 166	
Liabilities						
Financial liabilities held for trading						
Derivative liabilities						
– Foreign exchange contracts	3	7	-	7	-	Discounted cash flows
Total liabilities		7	-	7	-	

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	3	101	-	101	-	Discounted cash flows
Available-for-sale financial assets						
Financial assets available for sale	4.1	237 403	-	-	237 403	Discounted cash flows
Investment property		21 128	-	-	21 128	Sales comparison method, market rentals and yields
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	3	6	-	6	-	Discounted cash flows
Total liabilities		6	-	6	-	

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	2018 Investment property USD'000	2018 Freehold property USD'000	2018 Total assets USD'000	2017 Investment property USD'000	2017 Freehold property USD'000	2017 Total assets USD'000
Balance at 1 January	21 128	24 732	45 860	5 964	17 247	23 211
Additions	5 835	1 076	6 911	9 732	1 650	11 382
Transfers into level 3	-	237	237	6 457	7 648	14 105
Transfers out of level 3	-	-	-	(1 050)	-	(1 050)
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	26 963	26 045	53 008	21 128	24 732	45 860

Reconciliation of level 3 items	2018 Financial assets available for sale	2017 Financial assets available for sale	2018 Investment securities	2017 Investment securities
Balance at 1 January	-	82 945	1 001	516
Additions	-	234 991	99	-
Transfers into level 3	-	-	-	-
Transfers out of level 3	-	(88 003)	-	-
Gains or losses for the period				
Included in profit or loss	-	7 546	-	-
Recognised in other comprehensive income	-	(76)	1 164	-
Balance at 31 December	-	237 403	2 264	516

The table below shows the fair value of financial instruments not measured at fair value as at 31 December 2018:

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	2	932 554	932 554	-	-
Financial investments		341 620	-	-	341 620
Loans and advances to customers	5.1	387 343	-	-	387 343
Other assets		23 981	-	-	23 981
Total assets		1 685 498	932 554	-	752 944
Liabilities					
Financial liabilities measured at amortised cost					
Deposits from other banks	8	3 565	3 565	-	-
Deposits from customers	8	1 508 053	1 507 574	479	-
Other liabilities		56 044	-	-	56 044
Total liabilities		1 567 662	1 511 139	479	56 044

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

Assets	Note	Fair values USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000
Financial assets measured at amortised cost					
Cash and cash equivalents	2	729 667	729 667	-	-
Investment securities		516	-	-	516
Loans and advances to customers	5.1	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	8	12 626	12 626	-	-
Deposits from customers	8	1 195 142	1 194 773	369	-
Other liabilities		46 456	-	-	46 456
Total liabilities		1 254 224	1 207 399	369	46 456

STANBIC 057

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

11 Contingent liabilities and commitments

11.1 Letters of credit and guarantees

The Bank had written letters of credit and guarantees amounting to USD52.4 million as at 31 December 2018 (2017: USD16 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 2018 USD'000	31 December 2017 USD'000
11.2 Commitments		
As at 31 December 2018 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:		
Capital commitments		
Capital expenditure authorised but not yet contracted	18 233	14 463
Capital expenditure authorised and contracted	-	-
	18 233	14 463
The expenditure will be funded from internal resources.		
Loan commitments	95 395	32 664

11.2.3 IFRS 9 impairments on off balance sheet items

	Letters of credit USD'000	Guarantees USD'000	Loan commitments USD'000	Total USD'000
31 December 2018				
Stage 1				
Balance at the beginning of the year (IFRS 9 transitional adjustment)	32	90	361	483
Net movement	30	(20)	(165)	(155)
Originated impairments raised	28	40	136	204
Subsequent changes in expected credit losses	3	(66)	(111)	(174)
Transfer to stage 2	-	8	-	8
Derecognised including write offs	(1)	(2)	(190)	(193)
Balance at the end of the period	62	70	196	328
Stage 2				
Balance at the beginning of the year (IFRS 9 transitional adjustment)	3	10	97	110
Net movement	(2)	(2)	107	103
Originated impairments raised	1	5	77	83
Subsequent changes in expected credit losses	-	2	106	108
Transfer to stage 2	-	(8)	-	(8)
Derecognised including write offs	(3)	(1)	(76)	(80)
Balance at the end of the period	1	8	204	213
Total expected credit loss stage 1 and 2 (note 5.6)	28	(22)	(58)	(52)
Total transitional ECL stage 1 and 2 (note 1.1)	35	100	458	593
Total ECL balance at 31 December 2018	63	78	400	541

	31 December 2018 USD'000	31 December 2017 USD'000
12 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	302	272
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	3 881	3 839
Other long term benefits	454	51
Post employment benefits	316	188
	4 651	4 078

13 Related party disclosures

13.1 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 2018 USD'000	31 December 2017 USD'000
13.1.1 Amounts due from related parties:		
13.1.1. (a) Related through common shareholding		
Stanbic Bank Botswana Limited	1 058	388
Stanbic Bank Malawi	8	-
Stanbic Bank Kenya Limited	8	3
Stanbic Bank Zambia Limited	2	30
Standard Bank South Africa Limited	6 243	15 168
	7 319	15 589

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 each consideration is not provided in settlement.

	31 December 2018 USD'000	31 December 2017 USD'000
13.1.1. (b) Related through shareholding in the parent company		
Industrial and Commercial Bank of China	38	40
13.1.2 Transactions		
Interest income from:		
Standard Bank South Africa Limited	15	50
13.1.3 Group recharges	6 864	5 147
13.2 Loans and advances and deposits with related parties-related through common directorship		
Loans and advances		
Total	1 332	1 370
Deposits		
Total	538	620

14 Capital management

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

The Bank's objectives when managing capital are to:

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

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

Capital adequacy

	31 December 2018 USD'000	31 December 2017 USD'000
Ordinary paid up share capital	260	260
Share premium	10 790	10 790
Retained earnings	149 465	121 792
Market and operational risk	(8 766)	(8 134)
Reserves	3 113	2 676
Tier 1 capital	154 862	127 384
Revaluation reserve	2 147	2 147
General provisions (limited to 1.25% of risk weighted assets)	8 929	7 252
Tier 2 capital	11 076	9 399
Market risk	1 419	2 106
Operational risk	7 346	6 028
Tier 3 capital	8 765	8 134
Total Tier 1 and 2 capital	165 938	136 784
Tier 3	8 765	8 134
Total capital base	174 703	144 918
Risk weighted assets ("RWAs")	604 743	478 477
Operational risk equivalent assets	91 827	75 350
Market risk equivalent assets	17 742	26 320
Total risk weighted assets ("RWAs")	714 312	580 147
Tier 1 capital ratio	22%	22%
Tier 1 and 2 capital ratio	23%	24%
Tier 1, 2 and Tier 3 capital ratio	24%	25%
Capital adequacy ratio excluding market and operational risk weighted assets	24%	25%

15 Custodial services

The Bank provides custodial trust services to individuals and institutions by holding assets (mainly share certificates) on behalf of customers. As at 31 December 2018, funds under custody amounted to USD3.9 billion (2017: USD2.2 billion) and fee income amounting to USD4.5 million (2017: USD 2.6 million) had been received in return for these services.

16 Dividend declaration

On account of the intensifying foreign currency shortages in the market coupled with the adverse 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 2018.

17 Events after reporting date

In the Monetary Policy Statement ("MPS") which was issued on 20 February 2019, the Reserve Bank of Zimbabwe ("RBZ") announced a new currency called the RTGS Dollar (RTGS$) which became part of the multi- currency system used in Zimbabwe. The existing RTGS balances, bond notes and coins in circulation were denominated as RTGS Dollar. The RTGS Dollars were to be used by all entities and individuals in Zimbabwe for the purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions. The use of RTGS Dollars for domestic transactions was expected to eliminate the existence of the multi-tier pricing system and charging of goods and services in foreign currency within the domestic economy. An Exchange Control Directive RU 28 of 2019 was issued on 22 February 2019 introducing an interbank foreign exchange market to formalise the trading of RTGS balances and bond notes with USD and other currencies on a willing-buyer willing-seller basis through banks and bureaux de change. The exchange rate between the RTGS$ and the USD initially traded at 1:2.5 from the previous rate of 1:1. On 22 February, Statutory Instrument ("SI") 33 of 2019 was introduced which, for accounting and other purposes, deemed all assets and liabilities that were valued in USD immediately before the 22nd of February 2019 to be valued in RTGS Dollars at a rate of 1:1.

17.1 The Bank has analysed the elements of the statement of financial position in three categories namely: Monetary Assets and Liabilities (Nostro FCA USD), Monetary Assets and Liabilities (RTGS Dollar) and Non-Monetary Assets and Liabilities (whose underlying values or amounts are denominated in USD). The below table shows the outcome of the sensitivity analysis of our statement of financial position using different hypothetical exchange rates between the RTGS$ and USD as at 31 December 2018.

	Components of reported amounts				Sensitivity Analysis		
	Monetary assets/liabilities Nostro FCA USD'000	Monetary assets/ liabilities RTGS$'000	Non-Monetary assets/ liabilities USD'000	Total USD'000 @1:1	Total RTGS$'000 @1:2.5	Total RTGS$'000 @1:3	Total RTGS$'000 @1:4
Element							
Cash and cash equivalents	76 828	855 726	-	932 554	1 047 796	1 086 209	1 163 037
Derivative assets	17	-	-	17	43	51	68
Financial investments	-	326 981	-	326 981	326 981	326 981	326 981
Investment securities	-	2 264	-	2 264	2 264	2 264	2 264
Loans and advances to customers	-	387 343	-	387 343	387 343	387 343	387 343
Other assets	9 508	15 806	562	25 876	40 138	44 892	54 400
Intangible assets	-	-	28 293	28 293	70 733	84 879	113 172
Investment property	-	-	26 963	26 963	67 408	80 889	107 852
Property and equipment	-	-	38 939	38 939	97 348	116 817	155 756
Total assets	86 353	1 588 120	94 757	1 769 230	2 040 054	2 130 325	2 310 873
Shareholder's equity	-	-	-	165 775	271 056	306 146	376 333
Derivative liabilities	7	-	-	7	18	21	28
Current income and deferred tax liabilities	-	2 211	-	2 211	2 211	2 211	2 211
Deposits and current accounts	96 811	1 414 807	-	1 511 618	1 656 834	1 705 240	1 802 050
Other liabilities	13 544	76 075	-	89 619	109 935	116 707	130 251
Total equity and liabilities	110 362	1 493 093	-	1 769 230	2 040 054	2 130 325	2 310 873

The following key assumptions were made in the preparation of the above sensitivity analysis:

The interbank foreign currency exchange rate will continue to be a floating rate influenced by the forces of demand and supply of foreign currency in the market. As demand for foreign currency continues to increase and liquidity in the market remains constrained, the RTGS$ might weaken to 1USD:3 RTGS$ and further depreciate to 1USD:4RTGS$ in the medium-term period. The amounts presented in the above table might not reflect the opening balances in RTGS$ going forward.

STANBIC 057

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

18 External Credit Ratings

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

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

19 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.

20 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

20.1 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

20.2 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.