STANBIC BANK ZIMBABWE

Annual Report 2019

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Historical information is unaudited and has been included as supplementary information

OUR BUSINESS

Our Purpose

Africa is our home, we drive her growth

Our Vision

To be the leading financial services organization in, for and across Africa, delivering exceptional client experience and superior value

Our Values

Being proactive

Growing our people

Constantly raising the bar

Working in teams

Delivering to our stakeholders

Respecting each other

Serving our clients

Upholding the highest levels of integrity

FINANCIAL REVIEW

Key Performance Indicators (historical cost)

Growth	2019	2018
Cost to income	41%	52%
Net interest margin	4.3%	4.4%
Profit growth	>100%	52%

Resilience		
Liquidity Coverage	133%	156%
Net Stable Funding	228%	369%
Capital adequacy	27%	24%

Returns		
Return on equity	89%	26%
Dividend	nil	nil

Financial highlights

The year 2019 was characterised by a deepening economic crisis which was evidenced by persistent inflation which ended the year at 521%, increasing from 42% in the prior period, rapid depreciation of the local currency against major currencies, and unrelenting foreign currency shortages. In addition, the crippling energy shortages, mainly fuel and electricity, continued to constrain business operations. The numerous policy changes which were announced during the period which included the change in our functional currency from USD to ZWL and the abrupt abandonment of the multi currency regime also had a negative impact on the Bank's operations.

Income statement analysis

Net interest income

The Bank closed the period with an inflation adjusted net interest income of ZWL451.1 million growing from ZWL432.6 million in the comparative period largely reinforced by the growth in our net lending book from a historical cost of ZWL387 million to ZWL939 million on the back of increasing demand for working capital requirements by our customers given the surging inflationary environment. In addition, the upward review of lending rates during the year in an effort to remain competitive as the cost of doing business continued to increase, led to an uplift in our net interest income.

Non-interest revenue

The 2019 inflation adjusted non-interest revenue closed the year at ZWL1.4 billion increasing from the prior period's ZWL424.9 million. This significant growth in non-interest revenue was largely supported by the revaluation gains which were recognised on the Global Markets foreign denominated sales margins achieved during the period on currency switch transactions. In addition, the revaluation of our investment property towards the end of the year saw large fair value gains being recorded on our investment properties as the local currency had extensively depreciated against the USD from the previous exchange rate of USD1:RTGS$1 to USD1:ZWL16.8 as at the end of December 2019. The impact of the continued depreciation of the local currency against the USD also led to an uplift in the local currency equivalents of foreign denominated fee and commission income earned during the period. The review of our charges during the period in an effort to absorb the escalating cost of doing business also had a positive impact on our fee and commission income.

FINANCIAL REVIEW *(cont'd)*

Credit impairment charges

The Bank ended the year with inflation adjusted credit impairments of ZWL136.9 million growing from ZWL34.9 million in the previous period largely driven by the growth in interest earning assets from ZWL896 million to ZWL1.2 billion as new lending assets were written compounded by expected credit loss allowances which had to be raised on the outstanding foreign currency denominated receivable which had been registered with the Reserve Bank of Zimbabwe under the legacy debt framework.

The 2019 net NPL ratio improved from 1.43% in the prior period to 0.4% largely spurred by the growth in our lending book on account of increased borrowing appetite by customers given the spiralling inflationary environment.

Operating expenses

Staff costs – inflation adjusted staff costs closed the period at ZWL463 million growing from ZWL207.4 million in 2018 largely because of the cost of living adjustments combined with cushioning allowances that were introduced in an effort to protect staff members from the impact of the rapid deterioration in the purchasing power of the local currency. In addition, the cost of medical aid service provision had sharply increased as some service providers were pegging their prices against the exchange rate movements on the market.

Operating expenses – the gruelling operating environment which was characterised by runaway inflation saw the Bank's inflation adjusted operating expenses growing from ZWL243.6 million in 2018 to ZWL494 million in 2019 as service providers continued to elevate their prices in an effort to minimise value erosion. In addition, the Bank had foreign denominated operating expenses which had substantially increased in local currency terms as the ZWL currency plunged against major currencies from the previous exchange rate of USD1:RTGS$1 to USD1:ZWL16.8 as at the end of December 2019.

Cost to income ratio – The 2019 inflation adjusted cost to income ratio improved slightly from 53% in 2018 to 51% largely supported by the robust growth in our total income which was on the back of fair value adjustments on our investment properties following the independent valuation exercise carried out during the period. Furthermore, the revaluation gains which were rcorded on the foreign denominated Global Markets sales margins contributed significantly to the improvement in this key metric.

Balance sheet analysis

Financial investments

The Bank's financial investments declined from ZWL327.2 million in 2018 to ZWL152.5 million as the additional investments acquired during the year had matured towards year end.

Loans and advances

The inflationary environment which was characterised by alarming price increases led to an increased demand for local funding by our borrowing customers as their working capital requirements continued on an upward trend. In turn, the Bank wrote additional lending assets which saw the net loans and advances book growing from ZWL387.3 million to ZWL939.2 million in the period.

Deposits and current accounts

The 2019 customer deposit base grew by 270% from ZWL1.5 billion in 2018 to ZWL5.6 billion largely driven by the impact of the continued weakening of the local currency against the USD on our foreign currency denominated customer deposits compounded by the rapid increase in money supply from ZWL10 billion to ZWL34.5 billion as quasi-fiscal operations by the Reserve Bank of Zimbabwe continued to increase through funding of agriculture.

Capital

The Bank ended the year with a qualifying core capital of ZWL652 million which has already surpassed the recently introduced minimum capital threshold of the local currency equivalent of USD30 million (ZWL503.2 million) which has been set for the end of 2020.

FINANCIAL REVIEW *(cont'd)*

	Inflation adjusted		Historical cost unaudited	
	2019	2018	2019	2018
Income Statement	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Interest income	453 500	435 597	200 153	70 134
Interest expense	(2 362)	(2 974)	(1 204)	(479)
Net Interest Income	451 138	432 623	198 949	69 655
Net fee and commission revenue	381 762	240 170	182 291	38 669
Trading income	801 649	167 817	348 559	27 020
Other income	254 539	16 923	470 598	2 048
Total Income	1 889 088	857 533	1 200 397	137 392
Credit impairment charges	(136 941)	(34 894)	(11 320)	(5 618)
Staff costs	(463 038)	(207 360)	(269 783)	(33 386)
Other operating expenses	(493 957)	(243 585)	(200 078)	(37 874)
Loss on monetary position	(515 721)	-	-	-
Profit before tax	279 431	371 694	719 216	60 514
Indirect tax	(36 991)	(18 191)	(17 117)	(2 929)
Direct tax	(252 170)	(119 907)	(224 672)	(18 427)
(Loss)/profit for the year	(9 730)	233 596	477 427	39 158

	Inflation adjusted		Historical cost unaudited	
	2019	2018	2019	2018
Statement of financial position	ZWL'000	ZWL'000	ZWL'000	ZWL'000
ASSETS				
Cash and cash equivalents	4 454 788	5 792 047	4 454 788	932 554
Derivative assets	112	106	112	17
Pledged assets	49 408	-	49 408	-
Financial investments	152 537	2 030 863	152 537	326 981
Investment securities	17 426	14 059	17 426	2 264
Loans and advances to customers	939 203	2 405 766	939 203	387 343
Other assets	1 058 308	162 937	1 037 552	25 876
Intangible assets	217 580	209 223	38 075	28 293
Investment property	446 536	167 466	446 536	26 963
Property and equipment	469 184	256 142	393 519	38 939
Right of use assets	10 524	-	1 908	-
Total assets	7 815 606	11 038 609	7 531 064	1 769 230
EQUITY AND LIABILITIES				
Equity	1 208 416	1 079 476	908 291	165 775
Liabilities				
Derivative liabilities	15	45	15	7
Deposits and current accounts	5 600 193	9 388 577	5 600 193	1 511 618
Deposits from other banks	133 854	22 142	133 854	3 565
Deposits from customers	5 466 339	9 366 435	5 466 339	1 508 053
Current tax liability	31 062	12 855	31 062	2 070
Deferred tax liability	186 662	1 041	202 245	141
Other liabilities	789 258	556 615	789 258	89 619
Total equity and liabilities	7 815 606	11 038 609	7 531 064	1 769 230

CHAIRMAN'S STATEMENT

I am pleased to present the financial results of Stanbic Bank Zimbabwe Limited ("the Bank" or "Stanbic Bank Zimbabwe") for the year ended 31 December 2019.

Operating environment in the country

The economic crisis afflicting the country continued to deepen during the second half of the year with the economic performance estimated to have declined by over 6.5% in 2019, largely on account of the following major downside risks confronting the economy:

- Volatile macroeconomic policy environment, characterised by frequent policy pronouncements;
- Low business confidence and intensifying foreign currency shortages;
- Crippling fuel and power shortages which stifled business performance;
- Surging inflation which leapt to 521% as at the end of December 2019 growing from 42.1% in December 2018, thus propelling the country into hyperinflation;
- Waning disposable incomes;
- Rapid depreciation of the local currency against other major currencies; and
- Declining foreign currency inflows into the country combined with the high import dependency which is estimated to account for 70-80% of the retail sector commodities.

The attainment of the Government's projected 3% growth for the year 2020 remains largely dependent on the successful revival of the domestic output which is currently constrained by the downside risks described above.

Results

The Bank recorded a loss after tax of ZW9.7 million on an inflation adjusted basis as hyperinflation took root, and a profit after tax of ZWL477 million on a historical cost basis for the year ended 31 December 2019.

Capital

The Bank closed the year with a qualifying core capital of ZWL651.2 million (2018: ZWL162.2 million) against the regulatory minimum of ZWL25 million and has remained ahead of the 2020 minimum capital threshold which is the local currency equivalent of USD30 million.

Outlook

The outlook to the year 2020 remains grim on account of the potential recurrence of the myriad of challenges besetting the economy as mentioned above, including the unfavourable weather conditions that have affected the agricultural sector. Unless Government makes some serious interventions, the situation is unlikely to improve.

Corporate governance

The Bank continues to maintain high standards of corporate governance, ensuring that its conduct is within the parameters set by both local and international best practice. It complies with regulatory and corporate governance requirements and is committed to advancing the principles and practice of sustainable development and adherence to the laws of the country.

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

CHAIRMAN'S STATEMENT *(cont'd)*

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 2019:

DIRECTOR'S NAME	MAIN BOARD	AUDIT	LOANS REVIEW	CREDIT	RISK	IT
Gregory Sebborn *(Chairman)*	7	**	**	6	1	2
Joshua Tapambgwa *(Chief Executive)*	7	**	**	**	**	**
Simbarashe Mhuriro>	5	**	**	2	**	2
Linda Masterson <	2	1	1	**	1	**
Solomon Nyanhongo *(Executive)*	7	**	**	**	**	**
Pindie Nyandoro*	5	**	**	1	3	**
Kingston Kamba	7	**	6	**	4	**
Muchakanakirwa Mkanganwi	7	5	6	**	**	2
Valentine Mushayakarara	7	5	***	6	**	**
Nellie Tiyago	7	**	1	4	1	2
Rhett Groves *(Executive)*	4	**	**	**	**	**
Jonathan Wood #	6	1	**	5	2	2

* South African based member
** Not a member
> Became a member on the 12th of June 2019
< Ceased to be a member on the 31st of March 2019
Became a member with effect from the 28th of November 2018

As at 31 December 2019, the Board comprised eleven directors, three of whom are executive directors. Whilst two directors resigned in 2019 namely Mrs Linda Masterson and Mr Rhett Groves, 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 2019, the committee held five meetings.

As at 31 December 2019 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.

CHAIRMAN'S STATEMENT *(cont'd)*

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 2019, the committee held six 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 2019, the committee held six 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 2019, the committee held four meetings.

As at 31 December 2019 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.

Board IT Committee

The committee is expected to meet at least four times a year and during the year ended 31 December 2019, the committee held two meetings.

As at 31 December 2019 the committee comprised three non-executive directors, two of whom are independent. The committee's responsibility is to ensure that prudent and reasonable steps are taken with respect to Information Technology ("IT") governance. The committee reviews and assesses risks associated with IT including disaster recovery, business continuity and IT security. This committee has authority for overseeing matters of Information Technology risk including the cultivation and promotion of an ethical IT governance and management culture and awareness.

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 2019, 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 custody business have been disclosed in note 27.

CHAIRMAN'S STATEMENT *(cont'd)*

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 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 guided by our values to safeguard the interests of all our stakeholders. One of those values, Working in Teams, has led us to establish partnerships through our Corporate Social Investment agenda in various provinces of Zimbabwe. We realise that whilst we can achieve a great deal as a single entity, we produce greater impact for the beneficiaries when we collaborate with others. This increases the impact of our contributions and extends our reach as we value creating a profoundly positive impact on those in need.

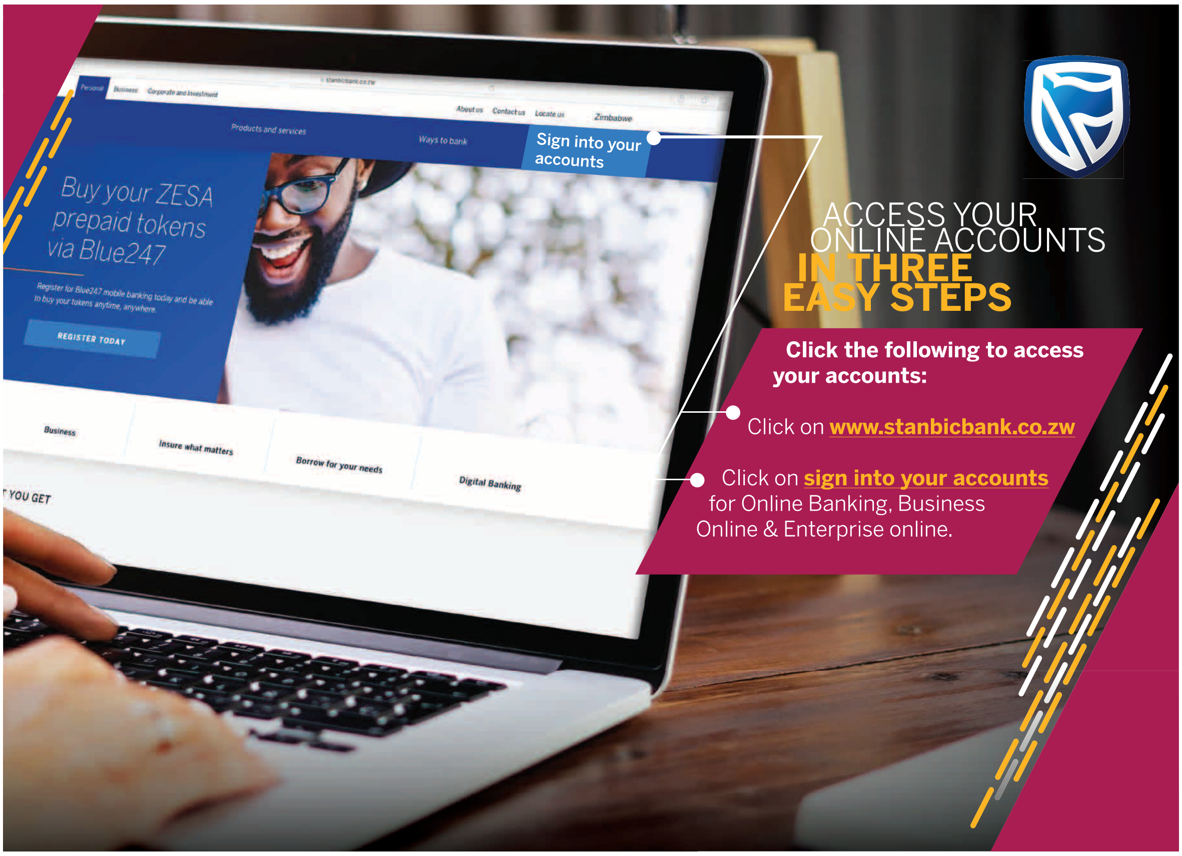
Acknowledgements

I would like to thank our valued clients, stakeholders and the shareholder for their continued support and trust as the Bank navigated through yet another tough financial year. I am grateful to the Board for its diligence, dedication and persistent efforts to navigate the Bank through this period. I extend my most sincere appreciation to our management and staff members for their high level of commitment, resilience and contribution in an increasingly difficult operating environment.

Two Board members retired from the Board during the year; Mrs Linda Masterson, a non- Executive Director who served on the Board for ten years and Mr Rhett Groves, the Executive Director of our Corporate and Investment Banking segment for the past three years. I would like to thank these members for their immeasurable contribution to the Bank and wish them well in their future endeavours. I would like to welcome Messrs Jonathan Wood and Simbarashe Mhuriro to the Stanbic Bank Board of Directors and wish them a fruitful tenure.

Gregory Sebborn
Chairman

14 May 2020



CHIEF EXECUTIVE'S REPORT

Overview of business results for 2019

The Bank ended the year with an inflation adjusted loss after tax of ZWL9.7 million (historical cost profit after tax of ZWL477 million) as the country went through a period with significant policy changes which included the introduction of a local currency (the Zimbabwe dollar), the abandonment of the multi currency system which had been in existence since February 2009, and the fulfilment of conditions required to be termed a hyperinflationary economy.

The 2019 inflation adjusted net interest income of ZWL451 million increased from ZWL432.6 million in the prior period largely buttressed by the growing demand for local funding as working capital requirements continued to increase in a spiralling inflationary environment. This was compounded by the acquisition of short-term investments in the period to strengthen our balance sheet efficiencies.

The Bank's inflation adjusted net fee and commission income closed the period at ZWL381.8 million growing from ZWL240.2 million in the comparative period spurred chiefly by the impact of the continued depreciation of our local currency against the USD on our foreign denominated fee and commission lines. This was coupled with the regular upward reviews of fees in response to the elevated cost of doing business in a surging inflationary environment.

The 2019 inflation adjusted expected credit loss allowances ended at ZWL136.9 million up from ZWL34.9 million in the prior period largely because of the new interest earning assets which were written in the period, both customer lending assets and short-term investments.

The increasing turbulence in the operating environment which was characterised by inflation and increased currency volatility, impacted negatively on the Bank's inflation adjusted operating expenses which ended the period at ZWL957 million growing from ZWL451 million in the previous year. The extensive depreciation of the local currency against the USD led to an exponential increase in the Bank's foreign denominated expenses when expressed in local currency terms. These expenses included hardware and software licence fees, data line requirements, travelling expenses, bank charges, and insurance.

The increased demand for local funding in a period plagued by price escalations as suppliers continued to price defensively in a volatile operating environment, saw the Bank's net lending book growing by 142% from a historical cost ZWL387 million in 2018 to ZWL938 million as working capital requirements continued on an upward trend.

The 2019 customer deposits ended at ZWL5.6 billion increasing from ZWL1.5 billion in the comparative period largely reinforced by the impact of the continued weakening of the local currency against the USD on our foreign denominated customer funding which, in turn, had increased significantly in local currency terms. In addition, the growth in money supply from ZWL10.3 billion in 2018 to ZWL34.5 billion also led to an increase in customer local currency cash inflows.

Compliance and money laundering control function

Stanbic Bank is committed to maintaining the highest standards of compliance, particularly in the face of an ever-changing regulatory environment. The monitoring of compliance risk is conducted by an independent compliance function within the risk management framework of the Bank under the oversight of the Board of Directors, through governance structures such as the Board Audit Committee and Board Risk Committee. The compliance function has a framework in place that 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 [Chapter 9:24]. It is against this background that the Bank continues to invest in compliance management infrastructure and resources to improve transaction monitoring, surveillance and the adoption of international best practice.

Statement on corporate social investment ("CSI") responsibilities

Stanbic Bank Zimbabwe operates within business and social communities, and we remain guided by our CSI policy to support these social communities in the aspects of health, education and sanitation related issues. We strive to be more than a bank, we are people who reach out to all Zimbabweans to the best of our ability to improve and save lives.

CHIEF EXECUTIVE'S REPORT *(cont'd)*

Our 2019 activities focused on our regular beneficiaries which are the Albino Charity Organization of Zimbabwe, Cancer Association of Zimbabwe and Stragglers Cricket Club. However, our support to Cancer Association of Zimbabwe this year moved from the provision of medication to the improvement of infrastructure. We refurbished Tariro Hostel, which is a halfway house for cancer patients living outside Harare who come for regular treatment at Parirenyatwa and Harare Central Hospitals. It had been closed for 11 years due to dilapidation and loss of donors for operational expenses. Other partners joined us to provide furnishing, kitchen and laundry equipment.

Due to an acute and critical shortage of analgesic drugs earlier in the year, we donated various forms of post-surgery painkillers to Harare Central Hospital. This was to ensure quick recovery and comfort of patients after surgical procedures. This supply covered three months, which was sufficient time for the government to adequately restock.

The Nyamuzuwe Waiting Mothers Home project at Nyamuzuwe Rural Hospital in Mutoko which commenced in 2018 has now been completed. The buildings are now undergoing certification and will be ready for use by expectant mothers within the first quarter of 2020. This project was accomplished in partnership with Plan International Zimbabwe, as we sought to benefit the district by reducing the maternal and infant mortality rates.

In support of educational development, we commenced the construction of a two-classroom block at Nyarutombo Primary School in Muzarabani. We are working in partnership with MEDRA. Our objective is to complete two more classroom blocks of the same size and an administration office by the end of 2021. This will enable the school to achieve Examination Centre status, relieving grade seven students from the current 20km walk to the nearest examination centre.

We continue to grow our education bursary by enrolling more deserving children in financially challenging situations. We closed 2019 with ten students on our bursary programme, ranging from primary, secondary and first-degree stages of education.

Towards the end of 2019 we launched Ruyamuro, our flagship CSI activity focused on supporting major health care projects around the country. Ruyamuro is premised on the concept of partnerships to achieve more, therefore these projects will invite corporate and individual donors to contribute over and above Stanbic Bank Zimbabwe's own contributions. Together we accomplish more than a single entity.

Our people

I remain thankful to all our staff members for their continued hard work and commitment towards providing better customer service under very challenging circumstances which has led to the achievement of this set of financial results.

Our customers

Client Centricity is at the heart of what we do and is one of the key strategic pillars of the Bank. We are excited in our digitization space as we endeavour to make banking more accessible to the client through the rollout of new product initiative such as Slydepay, an automated payment system which allows registered customers to transact with different merchants, FCA debit cards for our nostro FCA account holders were introduced. Our online banking channels were enabled for foreign currency transactions, allowing our customers to conveniently transfer funds from FCA Nostro to RTGS accounts in the comfort of their homes. In addition, the Bank launched Remote Account Onboarding, a digital platform that provides the convenience of quick customer onboarding at the workplace. We continually seek to improve our client experience by optimizing on banking channels, continuously improving transactability, system availability and quick handling of client queries.

Vote of thanks

I am sincerely grateful to the Board for its unwavering support during the year as we steered yet another difficult operating environment. To the Stanbic team, I pay special tribute to your priceless dedication and commitment in these challenging times.

Joshua Tapambgwa
Chief Executive

14 May 2020

CORPORATE GOVERNANCE STATEMENT

The Standard Bank Group Limited – overview

The Standard Bank Group Limited (the "Group"), the Bank's ultimate parent, traces its roots back to 1862 and has a primary listing on the Johannesburg Securities Exchange ("JSE"), South Africa, with a secondary listing on the Namibian Stock Exchange ("NSX"). It is a registered bank holding company and its main operating subsidiary is the Standard Bank of South Africa Limited.

The Group remains committed to the practice of good corporate governance in all aspects of its operations and the establishment of subsidiaries within the Group is carefully managed to ensure compliance with both domestic and international regulatory requirements.

The Board of Directors of the Standard Bank Group Limited is responsible for the overall corporate governance of the Group, ensuring that appropriate practices are in place. A number of committees have been established that assist the Board in fulfilling its stated objectives. The committees' roles and responsibilities are set out in terms of agreed mandates, which are reviewed regularly to ensure they remain relevant.

Stanbic Bank Zimbabwe Limited

Codes and regulations

The Bank complies with applicable legislation and regulations including the Banking Act and Regulations, Securities and Exchange Act and Reserve Bank Act. Other standards, directives and codes from the various regulators are also adhered to, with the Board continually monitoring regulatory compliance.

Governance

The Bank operates in a highly regulated industry and is committed to complying with legislation, regulation, and codes of best practice and seeks to maintain the highest standards of corporate governance, including transparency and accountability. Whilst we continue to nurture a strong culture of corporate governance and responsible risk management in line with the Group's risk appetite and governance framework, we are constantly monitoring our practices to ensure that they are the best fit for the Bank and serve to enhance business and community objectives.

Board of Directors

The Board of Directors is responsible for the overall corporate governance of the Bank, ensuring that appropriate controls, systems and practices are in place. The Bank continues to advocate for an integrated approach to corporate governance as evidenced by the governance framework. An effective and independent Board provides strategic direction and has ultimate responsibility for the functioning of the Bank.

The Board comprises eleven directors, three of whom are executive directors:

Gregory Sebborn *(Chairman)*	(appointed 3 October 2014)
Joshua Tapambgwa *(Chief Executive)*	(appointed 1 February 2004)
Solomon Nyanhongo *(Executive)*	(appointed 26 April 2009)
Pindie Nyandoro	(appointed 15 September 2014)
Nellie Tiyago	(appointed 12 April 2017)
Kingston Kamba	(appointed 12 April 2017)
Valentine Mushayakarara	(appointed 12 April 2017)
Muchakanakirwa Mkanganwi	(appointed 12 April 2017)
*Rhett Groves *(Executive)*	(appointed 29 May 2017)
Jonathan Wood	(appointed 28 November 2018)
Simbarashe Mhuriro	(appointed 12 June 2019)

*Retired on 31 December 2019

Strategy

The Board is accountable to the Group for the Bank's overall strategy and direction. At an annual meeting with management, the Board considers and approves the Bank's strategy and its plans on how to achieve the agreed objectives, which are in line with the Group's overall objectives. The Board monitors performance against strategies and agreed budgets on a quarterly basis.

Delegation of authority and effective control

The Board retains effective control over its mandate and has established committees to assist in providing detailed attention to specific areas of expertise. Authority has been delegated to the Chief Executive to manage the business on a day to day basis. Board delegated authorities are reviewed regularly.

CORPORATE GOVERNANCE STATEMENT *(cont'd)*

Board effectiveness and evaluation

The Board is led by a majority of non-executive Board members, the majority being independent who, by their skills and diversity, contribute to the efficient running of the Bank. The Board is focused on continued improvements to its effectiveness and corporate governance performance.

During the year under review, the Board conducted a self-assessment evaluation, which was divided into structure, process and effectiveness. A special meeting was convened to discuss the outcome and address any areas of concern. The results were used to further improve Board processes and effectiveness.

Directors' appointments, induction and training

The appointment of directors is made in terms of formal and transparent procedures, which are in compliance with regulatory requirements as well as the Standard Bank Group Limited's policy for Board and executive management appointments. The Board Nominations Committee is tasked with ensuring that the appointment of the directors is in line with the needs of the business.

The directors bring skills, knowledge and experience from their own respective fields to the Board. They receive detailed orientation on the Bank's operations, senior management and the business environment. There are currently three executive directors and nine non-executive directors. The Board has the appropriate mix of competencies and experience, with members undergoing constant training in development areas affecting the business.

Board meetings

The Board schedules quarterly meetings during the year. Additional meetings may be held where necessary.

Board Committees

Board committees have clearly defined and written terms of reference setting out their roles and functions, responsibilities, scope of authority and procedures for reporting to the Board. The committees fulfil an essential role in assisting the Board in the performance of its duties.

Risk management

The Board has ultimate responsibility for risk management, which includes evaluating key risk areas and ensuring the process for risk management and systems of internal control are implemented. To assist in fulfilling this duty, the Board has established various committees.

Risk Oversight Committee

This is a management committee which reports to the Chief Executive. The committee is responsible for monitoring the risks pertaining to the Bank's custodial services operation and ensuring that the unit is operating profitably with the appropriate resources in place.

Going concern

The directors have assessed the ability of the Bank to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.

Sustainability and social investment

A sustainability report accompanies this annual report.

DIRECTORS' REPORT

Your directors have pleasure in submitting the directors' report and the separate audited financial statements for the year ended 31 December 2019.

1 ACTIVITIES AND INCORPORATION

The Bank, which is incorporated and domiciled in Zimbabwe and whose registered office is 59 Samora Machel Avenue, Harare, is a wholly owned subsidiary of the Standard Bank Group Limited, and provides a wide range of commercial banking and related financial services.

	Inflation-adjusted		Historical cost unaudited	
	Year ended 31 December 2019 ZWL'000	Year ended 31 December 2018 ZWL'000	Year ended 31 December 2019 ZWL'000	Year ended 31 December 2018 ZWL'000
2 RESULTS				
(Loss)/profit after tax for the year	(9 730)	233 596	477 427	39 158

3 DIVIDEND DECLARATION

No dividend has been proposed by the directors.

4 DIRECTORATE

Directors: Gregory Sebborn *(Chairman)*
Joshua Tapambgwa *(Chief Executive)*
Pindie Nyandoro
Valentine Mushayakarara
Nellie Tiyago
Solomon Nyanhongo *(Executive)*
Kingston Kamba
Muchakanakirwa Mkanganwi
Rhett Groves *(Executive)*
Jonathan Wood
Simbarashe Mhuriro*

*This director is due to retire by rotation and being eligible, offer himself for re-election at the Bank's next Annual General Meeting.

5 INDEPENDENT AUDITOR

Messrs. KPMG Chartered Accountants (Zimbabwe) has expressed their willingness to continue in office and the shareholder will be asked to confirm their re-appointment at the next Annual General Meeting and determine their remuneration for the past year.

By order of the Board

…………………………………..….

AISHA TSIMBA
SECRETARY
14 May 2020

DIRECTORS' STATEMENT OF RESPONSIBILITY

To the members of Stanbic Bank Zimbabwe Limited

The directors are responsible for the preparation and integrity of financial statements that fairly present the state of the affairs of the Bank at the end of the financial year, income statement and the statements of comprehensive income, changes in equity and cash flows for the year and other information contained in this report in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of Zimbabwe (Chapter 24:03) and the Banking Act of Zimbabwe (Chapter 24:20).

The Companies Act of Zimbabwe (Chapter 24:03) requires the directors to prepare financial statements for each financial year. The financial statements are required by law and IFRS to present fairly the financial position and performance of the Bank for the year.

In preparing the Bank's financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that its financial statements comply with the Companies Act of Zimbabwe (Chapter 24:03) and Banking Act of Zimbabwe (Chapter 24:20). They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website.

Functional currency of Stanbic Bank Zimbabwe Limited

Stanbic Bank Zimbabwe's functional currency changed from the United States Dollar (USD) to the Zimbabwe Dollar (ZWL) on 1 October 2018 following the issuance of a directive by the Reserve Bank of Zimbabwe which required banks to separate Nostro FCA accounts from RTGS accounts. As at 1 October 2018, the Bank's transactions were largely denominated in local currency and this marked the effective date of the change in functional currency. However, the 2018 financial statements were presented in USD because of the requirements of Statutory Instrument ("SI") 33 which was issued on 22 February 2019. This SI stated that, for accounting and other purposes, all assets and liabilities recorded prior to 22 February were supposed to be recorded as ZWL at an exchange rate of 1:1 to the USD.

Accounting convention

The financial statements on pages 21 to 132 have been prepared under the historical cost convention as restated to take account of the effects of inflation in accordance with International Accounting Standard 29, 'IAS 29' (Financial Reporting in Hyperinflationary Economies).

With effect from 1 July 2019, Zimbabwe was considered to be a hyperinflationary economy as the three year cumulative inflation figure was above 100%. IAS 29 (Financial Reporting in Hyperinflationary Economies) requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. The same standard discourages the presentation of historical financial statements when inflation-adjusted financial statements are presented. However, historical results have been included to allow comparability of results. The Zimbabwe Accounting Practices Board and the Zimbabwe Stock Exchange have permitted companies in Zimbabwe to present historical results in conjunction with inflation-adjusted results.

DIRECTORS' STATEMENT OF RESPONSIBILITY *(cont'd)*

Preparation of annual report

This annual report has been prepared under the supervision of Solomon Nyanhongo CA (Z) PAAB Registered Accountant number 03078.

Compliance with IFRS and laws and regulations

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

Approval

The financial statements for the year ended 31 December 2019 have been approved by the Board of Directors and are signed on its behalf by the Chairman and the Chief Executive.

_________________________________ Chairman

_________________________________ Chief Executive

14 May 2020

KPMG

KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe
Tel: +263 (4) 303700, 302600
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Independent Auditors' Report
To the shareholders of Stanbic Bank Zimbabwe Limited

Adverse Opinion

We have audited the inflation adjusted separate financial statements of Stanbic Bank Zimbabwe Limited ("the Bank") set out on pages 21 to 132 which comprise the inflation adjusted statement of financial position as at 31 December 2019, and the inflation adjusted statement of profit or loss, inflation adjusted statement of comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, accounting policies, the notes to the inflation adjusted financial statements and the risk management and control section to the inflation adjusted financial statements.

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of our report, the inflation adjusted separate financial statements do not present fairly the inflation adjusted separate financial position of Stanbic Bank Zimbabwe Limited as at 31 December 2019, and its inflation adjusted separate financial performance and inflation adjusted separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and in the manner required by the Companies Act (Chapter 24:03) of Zimbabwe and the Banking Act (Chapter 24:20) of Zimbabwe.

Basis for Adverse Opinion

Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates (IAS 21) in the prior and current financial year and inappropriate application of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8)

As described in note 2.17 to the inflation adjusted financial statements for the period 1 January 2019 to 22 February 2019, the Bank applied the United States dollar (US$) as its functional currency. In order to comply with Statutory Instrument 33 (S.I.33), issued on 22 February 2019, the Bank changed its functional currency to the Zimbabwe dollar (ZWL$) with effect from 23 February 2019. S.I.33 precluded the use of any other currency other than US$ as the functional currency prior to 22 February 2019 and this impacted on the financial statements as at 31 December 2018. The inflation adjusted financial statements are presented in Zimbabwe dollar, also referred to as the RTGS dollar in S.I.33.

The directors, based on their interpretation of IAS 21, acknowledged that there was a functional currency change in the prior year from the US$ to RTGS dollar, with effect from 1 October 2018, and that the market exchange rate between the US$ and RTGS dollar was not 1:1 after 1 October 2018. However, the Bank accounted for the change in functional currency prospectively from 23 February 2019, in compliance with S.I.33. This constitutes a departure from the requirements of IAS 21 due to the need to comply with local regulations as enunciated under S.I.33. An adverse opinion was issued in the prior year for the departure from IAS 21. The directors have not restated the financial statements, as required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, to resolve the matters which resulted in the adverse opinion in the prior year relating to the non-compliance with IAS 21, due to the need to comply with S.I.33 and the difficulty in determining an appropriate exchange rate, and therefore the matter continued into 2019.

Due to the matters discussed above, we were unable to obtain sufficient appropriate audit evidence that the closing balances as at 31 December 2018 were free of material misstatement and have been brought forward correctly. We were unable to satisfy ourselves by alternative means concerning the opening balances. Since opening balances have a bearing on the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the movements in the inflation adjusted statement of profit or loss, inflation adjusted statement of comprehensive income, the net cash flows from operating activities reported in the inflation adjusted statement of cash flows and the changes in equity reported in the inflation adjusted statement of changes in equity.

Hyperinflation Reporting

As described in note 3 to the inflation adjusted financial statements, Zimbabwe became a hyperinflationary economy with effect from 1 July 2019. IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29) has been applied to the 2018 comparatives with effect 1 January 2018. IAS 29 has also been applied to the incorrect balances due to non-compliance with IAS 21 and IAS 8 as described above.

Subsequent events: The impact of uncertainties of COVID-19

We draw attention to Note 29 to the inflation adjusted financial statements, which deals with subsequent events and specifically the possible effects of the future implications of COVID-19 on the Bank's future prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances. Our opinion is not modified in respect of this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Inflation Adjusted Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the inflation adjusted financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matters described in the *Basis for Adverse Opinion* section, we have determined that there are no other key audit matters to be communicated in our report.

Other Information

The Directors are responsible for the other information. The other information comprises the Financial Review, Chairman's statement, Chief Executive's report, Corporate Governance statement, Directors' report and Directors' statement of responsibility and the financial information in the inflation adjusted financial statements titled "Historical cost unaudited", but does not include the inflation adjusted financial statements and our auditors' report thereon.

Our opinion on the inflation adjusted financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the inflation adjusted financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Adverse Opinion* section above, the Bank should have accounted for the change in functional currency from US$ to RTGS in the prior year and should have translated its US$ transactions and balances to local currency using a rate determined in accordance with IAS 21. We have therefore concluded that the other information is materially misstated for the same reason with respect to the financial information in the Financial Review, Chief Executive's report, Directors' report and in the inflation adjusted financial statements titled "Historical cost unaudited", affected by the failure to comply with the requirements of IAS 21.

Responsibilities of the Directors for the Inflation Adjusted Financial Statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03) of Zimbabwe and the Banking Act (Chapter 24:20) of Zimbabwe, and for such internal control as the directors determine is necessary to enable the preparation of the inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Inflation Adjusted Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these inflation adjusted financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the inflation adjusted financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the inflation adjusted financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the inflation adjusted financial statements, including the disclosures, and whether the inflation adjusted financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Directors' we determine those matters that were of most significance in the audit of the inflation adjusted financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

KPMG Zimbabwe

Registered Accountants and Auditors
Chartered Accountants (Zimbabwe)

Per: **Themba Mudidi**
Partner
Registered Public Auditor
PAAB Practicing Certificate Number 0437

14 May 2020

For and on behalf of, **KPMG Chartered Accountants (Zimbabwe), Reporting Auditors**
100 The Chase (West)
Emerald Hill, Harare
Zimbabwe

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		Inflation adjusted		Historical cost unaudited	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Note	ZWL'000	ZWL'000	ZWL'000	ZWL'000
ASSETS					
Cash and cash equivalents	4	4 454 788	5 792 047	4 454 788	932 554
Derivative assets	5.1	112	106	112	17
Pledged assets	6	49 408	-	49 408	-
Financial investments	7	152 537	2 030 863	152 537	326 981
Investment securities	7.2	17 426	14 059	17 426	2 264
Loans and advances to customers	8	939 203	2 405 766	939 203	387 343
Other assets	9	1 058 308	162 937	1 037 552	25 876
Intangible assets	10	217 580	209 223	38 075	28 293
Investment property	11	446 536	167 466	446 536	26 963
Property and equipment	12	469 184	256 142	393 519	38 939
Right of use assets	13	10 524	-	1 908	-
Total assets		7 815 606	11 038 609	7 531 064	1 769 230
EQUITY AND LIABILITIES					
Shareholder's equity		1 208 416	1 079 476	908 291	165 775
Ordinary share capital	14.2	1 615	1 615	260	260
Ordinary share premium	15.1	67 016	67 016	10 790	10 790
Reserves	15.2	1 139 785	1 010 845	897 241	154 725
Liabilities					
Derivative liabilities	5.1	15	45	15	7
Deposits and current accounts	16	5 600 193	9 388 577	5 600 193	1 511 618
Deposits from other banks		133 854	22 142	133 854	3 565
Deposits from customers		5 466 339	9 366 435	5 466 339	1 508 053
Current tax liability		31 062	12 855	31 062	2 070
Deferred tax liability	17	186 662	1 041	202 245	141
Other liabilities	18	789 258	556 615	789 258	89 619
Total liabilities		6 607 190	9 959 133	6 622 773	1 603 455
Total equity and liabilities		7 815 606	11 038 609	7 531 064	1 769 230

_______________________________ Chairman

_______________________________ Chief Executive

_______________________________ Chief Finance Officer

_______________________________ Company Secretary

14 May 2020

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

		Inflation adjusted		Historical cost unaudited	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Note	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Net interest income		451 138	432 623	198 949	69 655
Interest income	21.1	453 500	435 597	200 153	70 134
Interest expense	21.2	(2 362)	(2 974)	(1 204)	(479)
Non interest income		1 437 950	424 910	1 001 448	67 737
Net fee and commission revenue		381 762	240 170	182 291	38 669
Fee and commission revenue	21.3	441 614	268 994	209 449	43 310
Fee and commission expense	21.3	(59 852)	(28 824)	(27 158)	(4 641)
Trading income	21.5	801 649	167 817	348 559	27 020
Other income	21.6	254 539	16 923	470 598	2 048
Total income		1 889 088	857 533	1 200 397	137 392
Total expected credit losses	21.7	(136 941)	(34 894)	(11 320)	(5 618)
Income after credit impairment charges		1 752 147	822 639	1 189 077	131 774
Operating expenses		(956 995)	(450 945)	(469 861)	(71 260)
Staff costs	21.8	(463 038)	(207 360)	(269 783)	(33 386)
Other operating expenses	21.9	(493 957)	(243 585)	(200 078)	(37 874)
(Loss)/ gain on monetary position		(515 721)	-	-	-
Net income before indirect tax		279 431	371 694	719 216	60 514
Indirect tax	23.1	(36 991)	(18 191)	(17 117)	(2 929)
Profit before direct tax		242 440	353 503	702 099	57 585
Direct tax	23.2	(252 170)	(119 907)	(224 672)	(18 427)
(Loss)/profit for the year		(9 730)	233 596	477 427	39 158

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		Inflation adjusted		Historical cost unaudited	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Note	ZWL'000	ZWL'000	ZWL'000	ZWL'000
(Loss)/profit for the year		(9 730)	233 596	477 427	39 158
Items that will not be reclassified to profit or loss:					
Gain on revaluation of land and buildings (net of tax)		135 333	-	253 428	-
Net change in fair value of equity investment (net of tax)		2 500	5 366	11 258	864
Total comprehensive income for the year attributable to the ordinary shareholder		128 103	238 962	742 113	40 022

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Ordinary share capital ZWL'000	Ordinary share premium ZWL'000	Non-distributable reserve ZWL'000	Revaluation reserve ZWL'000	Fair value through other comprehensive income ZWL'000	Share-based payment reserve ZWL'000	Retained earnings ZWL'000	Ordinary shareholder's equity ZWL'000
Inflation adjusted								
Year ended 31 December 2019								
Opening balance rebased to 31 December 2019 index	1 615	67 016	7 497	13 335	7 608	4 230	978 175	1 079 476
Loss for the year	-	-	-	-	-	-	(9 730)	(9 730)
Other comprehensive income								
Gain on revaluation of land and buildings (net of tax)	-	-	-	135 333	-	-	-	135 333
Net change in fair value of equity investment	-	-	-	-	2 500	-	-	2 500
Total comprehensive income for the year	-	-	-	135 333	2 500	-	(9 730)	128 103
Equity-settled share based payments	-	-	-	-	-	837	-	837
Total transactions with the owner of the Bank recognised directly in equity	-	-	-	-	-	837	-	837
Balance as at 31 December 2019	1 615	67 016	7 497	148 668	10 108	5 067	968 445	1 208 416

STATEMENT OF CHANGES IN EQUITY *(cont'd)*

For the year ended 31 December 2019

	Ordinary share capital ZWL'000	Ordinary share premium ZWL'000	Non-distributable reserve ZWL'000	Revaluation reserve ZWL'000	Available for sale reserves ZWL'000	Fair value through other comprehensive income ZWL'000	Statutory credit impairment reserve ZWL'000	Share-based payment reserve ZWL'000	Retained earnings ZWL'000	Ordinary shareholder's equity ZWL'000
Inflation adjusted										
Year ended 31 December 2018										
Balance as at 1 January 2018	1 615	67 016	7 497	13 335	876	-	5 081	3 168	815 911	914 499
Transitional adjustment IFRS 9	-	-	-	-	(876)	2 242	(5 081)	-	(71 332)	(75 047)
Adjusted opening balance 1 January 2018	1 615	67 016	7 497	13 335	-	2 242	-	3 168	744 579	839 452
Profit for the year	-	-	-	-	-	-	-	-	233 596	233 596
Other comprehensive income										
Net change in fair value of equity investment	-	-	-	-	-	5 366	-	-	-	5 366
Total comprehensive income for the year	-	-	-	-	-	5 366	-	-	233 596	238 962
Equity-settled share based payments	-	-	-	-	-	-	-	1 062	-	1 062
Total transactions with the owner of the Bank recognised directly in equity	-	-	-	-	-	-	-	1 062	-	1 062
Balance as at 31 December 2018	1 615	67 016	7 497	13 335	-	7 608	-	4 230	978 175	1 079 476

STATEMENT OF CHANGES IN EQUITY *(cont'd)*

For the year ended 31 December 2019

	Ordinary share capital ZWL'000	Ordinary share premium ZWL'000	Non-distributable reserve ZWL'000	Revaluation reserve ZWL'000	Fair value through other comprehensive income ZWL'000	Share-based payment reserve ZWL'000	Retained earnings ZWL'000	Ordinary shareholder's equity ZWL'000
Historical cost unaudited								
Year ended 31 December 2019								
Balance as previously reported at 31 December 2018	260	10 790	1 207	2 147	1 225	681	149 465	165 775
Profit for the year	-	-	-	-	-	-	477 427	477 427
Other comprehensive income								
Gain on revaluation of land and buildings (net of tax)	-	-	-	253 428	-	-	-	253 428
Net change in fair value of equity investment	-	-	-	-	11 258	-	-	11 258
Total comprehensive income for the year	-	-	-	253 428	11 258	-	477 427	742 113
Equity-settled share based payments	-	-	-	-	-	403	-	403
Total transactions with the owner of the Bank recognised directly in equity	-	-	-	-	-	403	-	403
Balance as at 31 December 2019	260	10 790	1 207	255 575	12 483	1 084	626 892	908 291

STATEMENT OF CHANGES IN EQUITY *(cont'd)*

For the year ended 31 December 2019

	Ordinary share capital ZWL'000	Ordinary share premium ZWL'000	Non-distributable reserve ZWL'000	Revaluation reserve ZWL'000	Available for sale reserves ZWL'000	Fair value through other comprehensive income ZWL'000	Statutory credit impairment reserve ZWL'000	Share-based payment reserve ZWL'000	Retained earnings ZWL'000	Ordinary shareholder's equity ZWL'000
Historical cost unaudited										
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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

		Inflation adjusted		Historical cost unaudited	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Note	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Cash generated from operations					
Net income before indirect and direct tax		279 431	371 694	719 216	60 514
Adjusted for:					
Expected credit loss (on and off-balance sheet)	21.7	136 941	34 894	11 320	5 618
Amortisation of intangible assets	10	20 797	24 573	3 434	3 323
Depreciation of property and equipment	12	25 386	31 582	6 096	4 372
Equity-settled share-based payments		837	1 062	403	171
Indirect tax paid	23.1	(36 991)	(18 191)	(17 117)	(2 929)
(Gain)/loss on sale of property and equipment		(1 469)	(1 467)	(1 453)	201
Increase in fair value of investment property	11	(230 159)	-	(407 501)	-
Unrealised exchange gains		(74 344)	-	(74 344)	-
Depreciation on right of use assets		3 235	-	1 496	-
Interest expense on lease liability		130	-	52	-
Movement in working capital					
(Increase)/decrease in derivative assets		(6)	524	(95)	84
Decrease/(increase) in loans and advances	24.1	1 484 876	(409 034)	(549 122)	(65 857)
Increase in accrued interest on financial investments	7	(3 759)	(97 810)	(3 759)	(15 748)
Purchase of financial investments	7	(662 000)	(1 198 489)	(662 000)	(192 964)
Proceeds from sale of financial investments	7	2 456 048	670 012	800 048	107 876
Increase in equity investment	7.2	-	(615)	-	(99)
Increase in other assets		(942 560)	(67 815)	(968 554)	(11 926)
Increase in derivative liabilities		30	6	8	1
(Decrease)/increase in deposits and current accounts		(3 788 384)	1 887 196	4 096 395	303 850
Increase in other liabilities	24.2	216 792	195 073	696 249	31 408
Direct tax paid		(96 154)	(52 880)	(85 369)	(8 514)
Net cash from operating activities	24.3	(1 211 323)	1 370 315	3 565 403	219 381
Cash used in investment activities					
Capital expenditure on:					
- intangible assets	10	(29 155)	(17 624)	(13 216)	(2 383)
- property and equipment	12	(57 237)	(47 671)	(19 462)	(6 882)
- investment property	11	(48 911)	(36 241)	(12 072)	(5 835)
Proceeds from:					
- sale of property and equipment		2 550	1 633	1 552	263
Net cash used in investing activities		(132 753)	(99 903)	(43 198)	(14 837)
Net cash flows used in financing activities					
Lease payments		(3 365)	-	(1 522)	-
Net (decrease)/ increase in cash and cash equivalents		(1 347 441)	1 270 412	3 520 683	204 544
Cash and cash equivalents at the beginning of the year		5 802 335	4 531 923	934 211	729 667
Cash and cash equivalents at the end of the year	4	4 454 894	5 802 335	4 454 894	934 211

ACCOUNTING POLICIES

For the year ended 31 December 2019

ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the accounting standards mentioned below. The standards and interpretations that are effective for the current year, have been adopted with no material impact on the Bank.

REPORTING ENTITY

Stanbic Bank Zimbabwe Limited ("the Bank") is incorporated and domiciled in Zimbabwe and its registered office is 59 Samora Machel Avenue, Harare. It is a wholly owned subsidiary of the Standard Bank Group Limited, and provides a wide range of commercial banking and related financial services. Stanbic Bank Zimbabwe has a wholly owned subsidiary called Stanbic Nominees Private Limited. No consolidated financial statements have been prepared for Stanbic Bank Zimbabwe because of the following:

- The Bank is a wholly-owned subsidiary of Standard Bank Group;
- debt or equity instruments are not traded in a public market;
- The Bank is not in the process of filing its annual financial statements for the purpose of issuing instruments in the public market
- The Bank's ultimate parent produces consolidated financial statements.

BASIS OF ACCOUNTING

The financial statements are based on the statutory records, which are maintained under the historical cost convention 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, investment securities measured at fair value. These financial statements have been restated to take account of the effects of inflation in accordance with International Accounting Standard 29, 'IAS 29' (Financial Reporting in Hyperinflationary Economies).

With effect from 1 July 2019, Zimbabwe was considered to be a hyperinflationary economy as the three year cumulative inflation figure was above 100%. IAS 29 (Financial Reporting in Hyperinflationary Economies) requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. The same standard discourages the presentation of historical financial statements when inflation-adjusted financial statements are presented.The inflation adjusted financial information is the principal financial information. However, historical results have been included to allow comparability of results. The Zimbabwe Accounting Practices Board and the Zimbabwe Stock Exchange have permitted companies in Zimbabwe to present historical results in conjunction with inflation-adjusted results.

Accordingly, the financial statements and the corresponding figures for the previous period have been restated to take account of the changes in the general purchasing power of the Zimbabwe dollar and as a result are stated in terms of the measuring unit current at the balance sheet date. The restatement is based on conversion factors derived from the Zimbabwe Consumer Price Index (CPI) compiled by the Zimbabwe Central Statistical Office. The indices and conversion factors used were as follows:

Date	**Indices**	**Conversion factors**
December 2019	551.57	1.0000
December 2018	88.81	6.2109
October 2018	74.59	7.3948

The main procedures applied in the above mentioned restatement of transactions and balances are as follows:

- All comparative figures as of and for the period ended 31 December 2019 are restated by applying the change in the index from 31 December 2018 to 31 December 2019;

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

- The 2018 statement of profit and loss was split into two periods, the first one ending on 30 September 2018 and the second one starting October 2018. This was done in en effort to take into account the fact that the Bank's functional currency changed on 1 October 2018 following the issuance of a directive by the Reserve Bank of Zimbabwe for banks to separate nostro FCA accounts from RTGS accounts. The profit or loss as at 30 September 2018 was treated as a base for inflation adjusted numbers.The monthly statement of profit or loss from October to December 2018 were restated separately using the respective monthly indices against the 31 December 2018 index. The statement of profit and loss for these individual months was then restated to 31 December 2019 index.

- Monetary assets and liabilities are not restated because they are already stated in terms of the measuring unit current at the balance sheet date;

- Non monetary assets and liabilities that are not carried at amounts current at balance sheet date and components of shareholders' funds are restated by applying the change in index from the date of transaction, or if applicable, from the date of their most recent revaluation to the balance sheet date, 31 December 2019. Depreciation is based on the restated amounts;

- Income statement transactions, except for depreciation charge explained above, are restated by applying the change in the index from the month of the transactions to the balance sheet date, 31 December 2019;

- Net gain or loss arising from the net monetary asset or liability positions are included in the income statement; and

- All items in the cash flow statement are expressed in terms of the measuring unit current at the balance sheet date.

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).

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 (amendment)	Annual periods beginning on or after 1 January 2019
IAS 19	Employee Benefits (amendments)	Annual periods beginning on or after 1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	Annual periods beginning on or after 1 January 2019
IFRS 16	Leases	Annual periods beginning on or after 1 January 2019
IAS 1/ IAS 8	Presentation of Financial Statements/ Accounting Policies, Changes in Accounting Estimates and Errors	Annual periods beginning on or after 1 January 2020

IFRS 9 Financial Instruments (amendment) (IFRS 9), the amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendment is required to be applied retrospectively.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

IAS 19 Employee Benefits (amendments) (IAS 19), the amendments require a company to use the updated assumptions when a change to a plan either an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendment will be applied retrospectively.

IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23), this interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. This interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively only if possible without the use of hindsight. The impact on the annual financial statements is not expected to be significant.

IAS 1 / IAS 8 the amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments will be applied prospectively. The adoption of new and amended standards on 1 January 2019 did not affect the Bank's previously reported financial results, disclosures or accounting policies and did not impact the Bank's results upon transition.

IFRS 16 with effect from 1 January 2019, replaced IAS 17 as well as the related interpretations. IFRS 16 introduced a single lease accounting model for lessees which impacted the group's results upon transition and materially impacted the group's accounting policies for lessees, refer to the note 13 for more detail on IFRS 16 transition.

Background

With effect from 1 January 2019, IFRS 16 replaced IAS 17 as well as the related interpretations. The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, and as was required by IAS 17, and introduces a single lessee accounting model, where a right of use (ROU) asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors, as a result the accounting policies applicable to the group as a lessor are not different from those under IAS 17. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

Adoption and transition

The Bank adopted IFRS 16 on 1 January 2019, as permitted by IFRS 16, and did not restate its comparative financial information. Accordingly, the Bank's previously reported financial results up to 31 December 2018 are presented in accordance with the requirements of IAS 17, whereas IFRS 16 is adopted for 2019 and future reporting periods.

On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. This incremental borrowing rate was calculated utilising the internal funding rate of each Bank.

Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Practical expedients applied:

In applying IFRS 16 for the first time, the Bank used the following practical expedients permitted by IFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases provided there was no option to extend the term
- the exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Bank has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Bank relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Bank's lease activities and how these are accounted for:

The Bank leases various branches, residential buildings and ATM spaces. Rental contracts are typically made for fixed average periods of between 3 - 5 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, all existing operating leases, which were either not less than 12 months or not deemed a low value asset, were recognised as a right-of-use asset and a corresponding lease liability.

Extension and termination options:

Extension and termination options are included in a number of building and branch space leases across the Bank. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term when there is reasonable certainty that an option to extend will be exercised, and an option to terminate will not be exercised. The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

IFRS 16 key financial impacts

The single lessee accounting model which comprises IFRS 16's most material impact for the Bank is expected to result in an increase of ZWL1.3 million gross in both total assets and total liabilities. The Bank had undiscounted operating lease commitments of ZWL2 million as at 31 December 2018 against lease liability of ZWL1.3 million as at 1 January 2019. The variance relate largely to operating leases for for short term periods which have been eliminated under IFRS 16.

	IAS 17 as at 31 December 2018 ZWL'000	IFRS 16 transitional adjustment at 1 January 2019 ZWL'000	IFRS 16 at 1 January 2019 ZWL'000
Property, equipment and right of use assets	38 939	1 346	40 285
Total liabilities	1 603 455	1 346	1 604 801

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

New standards not yet adopted

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2019 and have not been applied in preparing these annual financial statements.

IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments (amendments) and IAS 39 Financial Instruments: Recognition and Measurement

Effective date: 1 January 2020 with earlier application permitted

Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

IFRS 17 Insurance Contracts

Effective date: 1 January 2021 (proposed deferral to 1 January 2022) with earlier application permitted

This standard replaces IFRS 4 Insurance Contracts which provided entities with dispensation to account for insurance contracts (particularly measurement) using local actuarial practice, resulting in a multitude of different approaches.

The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally. The standard requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. A general measurement model (GMM) will be applied to long-term insurance contracts, and is based on a fulfilment objective (risk-adjusted present value of best estimate future cash flows) and uses current estimates, informed by actual trends and investment markets. IFRS 17 establishes what is called a contractual service margin (CSM) in the initial measurement of the liability which represents the unearned profit on the contract and results in no gain on initial recognition. The CSM is released over the life of the contract, but interest on the CSM is locked in at inception rates. The CSM will be utilised as a "shock absorber" in the event of changes to best estimate cash flows. On loss making (onerous) contracts, no CSM is set up and the full loss is recognised at the point of contract inception. The GMM is modified for contracts which have participation features.

Functional and presentation currency

The financial statements are presented in Zimbabwe dollar ("ZWL"), which is the functional currency of Stanbic Bank Zimbabwe Limited. All amounts are stated in thousands of Zimbabwe dollars (ZWL'000), unless indicated otherwise. The 2019 comparatives have been presented in Zimbabwe dollar as the exchange rate between the United States dollar and the RTGS$ was 1:1. Please refer to note 2.15 which details how the Bank changed its functional currency and its net impact.

Subsidiaries

Separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment losses (where applicable) in the separate financial statements. The carrying amounts of these investments are reviewed annually for impairment indicators and, where an indicator of impairment exists, are impaired to the higher of the investment's fair value less costs to sell or value in use.

Foreign currency translations

Transactions and balances

Foreign currency transactions are translated into the Bank's functional currency at spot exchange rates prevailing at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end, are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Financial instruments

Initial recognition and measurement IFRS 9

Financial instruments include cash and cash equivalents, loans and advances to customers, financial investments,investment securities, derivative assets and liabilities, financial assets and liabilities included in other assets and liabilities, deposits and current accounts. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised on the date the Bank commits to purchase the instruments ("trade date accounting").

Financial assets

Below are the financial assets categories under IFRS 9:

Amortised cost

A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):

- held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.

Fair value through OCI

Includes:

Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by instrument basis) to be presented at fair value through OCI. The Bank has an equity investment in Zimswitch Technologies which is measured at fair value through OCI.

Held for trading

These are financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-trader margin.

Fair value through profit or loss – default

These are financial assets that are not classified into one of the above mentioned financial asset categories. Our note and coins and reserving balance are measured at fair value through profit and loss.

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Amortised cost

Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate. Our loans and advances to customers, balances with the Central Bank, balances with other banks are measured at amortised cost.

Fair value through OCI

Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income. Dividends received on equity instruments are recognised in other revenue within non-interest income.

Held for trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

Fair value through profit or loss - default

Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

Impairment

Expected credit losses ("ECL") is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate. The measurement basis of the ECL of a financial asset includes assessing whether there has been a significant increase in credit risk ("SICR") at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information (SICR par).

Loss allowances for expected credit losses are recognised for the following financial instruments that are not measured at FVTPL: financial guarantee contracts, loan commitments, lease receivables and financial assets that are debt instruments.

The key components of the impairment methodology are described as follows:

Significant increase in credit risk ("SICR")

At each reporting date the Bank assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.

Low credit risk

Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.

Default

The Bank's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower),
- a breach of contract, such as default or delinquency in interest and/or principal payments,
- disappearance of active market due to financial difficulties, and
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Bank would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Forward-looking information

Forward-looking information is incorporated into the Bank's impairment methodology calculations and in the Bank's assessment of SICR. The Bank includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.

Write-off

Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

Stage 1

A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.

Stage 2

A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.

Stage 3 (credit impaired assets)

A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired:

- Default,
- significant financial difficulty of borrower and/or modification,
- probability of bankruptcy or financial reorganisation, and
- disappearance of an active market due to financial difficulties.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost
Recognised as a deduction from the gross carrying amount of the asset (group of assets).

Off-balance sheet exposures (including loan commitments)
Recognised as a provision within other liabilities.

Financial assets measured at fair value through OCI
Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

Financial liabilities

Held-for-trading

Held for trading liabilities are those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Designated at fair value through profit or loss

Financial liabilities are designated to be measured at fair value in the following instances:

- to eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.

Amortised cost

All other financial liabilities not included in the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held for trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

Amortised cost

Amortised cost using the effective interest method recognised in interest expense.

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

Financial assets

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Bank has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

Potential gain/loss on derecognition is recognised:
On derecognition of a financial asset in its entirety, the difference between:
(a) the carrying amount (measured at the date of derecognition) and
(b) the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in profit or loss.

Modification

Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes. If the terms are not substantially different for financial assets or financial liabilities, the Bank recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non interest revenue (for all other modifications).

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Financial liabilities

Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Bank (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee
- unamortised premium.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparties to the transaction.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently remeasured at fair value as described under the heading "fair value" on page 39.

All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles as described under the heading "offsetting financial instruments".

Embedded derivatives included in hybrid instruments, where the host is a financial asset, is assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant group accounting policy.

The method of recognising fair value gains or losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if so, the nature of the hedge relationship. All gains or losses from changes in the fair value of derivatives that are classified as held for trading are recognised in profit or loss as trading income.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts.

Securities purchased under agreements to resell are recorded as loans granted under resale agreements and included under loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the repurchase agreement using the effective interest method.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Securities lent to counterparties are retained in the financial statements and are classified and measured in accordance with the appropriate measurement policy. Securities borrowed are not recognised in the financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions.

Fair value

In terms of IFRS, the Bank is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction in the principal (or most advantageous) market between knowledgeable market participants at the measurement date under current market conditions. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Fair value hierarchy

The Bank's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Hierarchy levels

The levels have been defined as follows:

Level 1

Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3

Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Day one profit or loss

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs. Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models that utilise non-observable market data as inputs. The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement, depending on the nature of the instrument and availability of market observable inputs.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at measurement date.

Subsequent to initial recognition, the fair values of financial assets and liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow method is used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for a financial asset with similar terms and conditions.

Where the fair value of investments in unquoted equity instruments and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are unable to be reliably determined, those instruments are measured at cost less impairment losses.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investment property

Property held to earn rental income or for capital appreciation or both that is not owner-occupied is classified as investment property. Investment property includes property under construction or development for future use as investment property.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value which represents market conditions at the reporting date with fair value changes recognised in profit or loss as fair value gain or loss on investment property.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Subsequent expenditure is included in the assets' carrying amount when it is probable that future economic benefits associated with the item will flow to the Bank and cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

The fair value of investment property is based on the nature, location and condition of the asset at the reporting date. If the valuation information cannot be reliably determined, the Bank uses alternative valuation methods such as discounted cash flow projections or recent prices on active markets.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Intangible assets

Computer software

Generally, costs associated with developing or maintaining computer software programmes and the acquisition of software licenses are recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Bank and have a probable future economic benefit beyond one year, are recognised as intangible assets. Capitalisation is further limited to development costs where the Bank is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to reliably measure costs relating to the development. Direct costs include employee costs arising from software development and an appropriate portion of relevant overheads. Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets (two to fifteen years for both current and prior period) and are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying amount of capitalised computer software is assessed whether there is an indication of impairment, annually. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.

Property and equipment

Equipment and owner-occupied properties

Equipment, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The carrying amount of the replaced part is derecognised.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Bank and the cost of the item can be measured reliably. Maintenance and repairs, which do not meet this criteria, are recognised in profit or loss as incurred. Depreciation, impairment losses and gains or losses on disposal of assets are included in profit or loss.

Owner-occupied buildings are held for use in the supply of services or for administrative purpose and comprise mainly branches and offices.

Leasehold property relate of improvements that would have been made to leased property under a lease agreement. These improvements are depreciated over a five year period.

In cases where payment for either equipment or freehold properties has been made but the purchased assets are not yet in use, these payments are classified as work in progress and no depreciation is charged on these balances until the assets have been put into use.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Owner-occupied properties are shown at fair value less any subsequent accumulated depreciation and accumulated impairment. Valuations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The valuations are carried out by an independent professional valuer.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to their residual values. Land is not depreciated. Leasehold improvements are depreciated over the shorter of the lease term or its useful life.

The assets' residual values and useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year-end.

The estimated useful lives of tangible assets for the current financial year are as follows:

Freehold property	-	40 years
Computer equipment	-	3 to 5 years
Motor vehicle	-	5 years
Office equipment	-	5 to 10 years
Furniture and fittings	-	13 years

There has been no change to the estimated useful lives from those applied in the previous financial year (2018- no change).

Derecognition of property and equipment

The carrying amount of an item of property and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised. When the revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Impairment of non-financial assets

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use ("cash-generating units"). Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through income statement only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Leases after 1 January 2019

Single lessee accounting model

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

All leases that meet the criteria as either a lease of a low value asset or a short term lease are accounted for on a straight-line basis over the lease term.

Right of use assets:

Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Bank is contractually required to dismantle, remove or restore the leased asset.

The Bank applies the cost model subsequent to the initial measurement of the right of use assets.

Lease liabilities:

Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the Bank) this is not readily determinable, in which case the Bank's incremental borrowing rate on commencement of the lease is used. The Bank's internal funding rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Bank, should it be reasonably certain that this option will be exercised;
- Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Interest expense on lease liabilities:

A lease finance cost, determined with reference to the interest rate implicit in the lease or the Bank's incremental borrowing rate, is recognised within interest expense over the lease period.

Depreciation on right of use assets:

Subsequent to initial measurement, the right of use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the group at the end of the lease term, whereby the right of use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses.

Termination of leases:

When the Bank or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised. On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:

When the group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss.

For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.

Lease modifications that are accounted for as a separate lease:

When the Bank modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Bank accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the group elected the short-term lease exemption and the lease term is subsequently modified.

Lessor accounting IFRS 16 and IAS 17 (before 1 January 2019)

Finance leases

Leases, where the Bank transfers substantially all the risk and rewards incidental to ownership, are classified as finance leases

Finance lease receivable, including intial direct costs and fees, are primarily accounted for as financing transaction in backing activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances.

Finance charges earned within interest income are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. The tax benefits arising from investment allowances on assets leased to clients are accounted for within direct taxation.

Operating leases

All leases that do not meet the criteria of a financial lease are classified as operating leases.

The asset underlying the lease continues to be recognised and accounted for in terms of the relevant group accounting policies. Accruals for outstanding lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease income are recognised.

Operating lease income net of any incentives given to lessees, is recognised on the straight-line basis, or a more representative basis where applicable, over the lease term and is recognised in operating income.

When an operating lease is terminated before the lease period has expired, any payment received/(paid) by the Bank by way of a penalty is recognised as income/(expense) in the period in which termination takes place.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

IFRS 16 leasor lease modification

Finance leases

When the Bank modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease.

All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.

Operating leases

Modifications are accounted for as a new lease from the effective date of the modification.

IAS 17 lessee accounting

Finance leases

Leases, where the Bank assumes substantially all the risk and rewards incidental to ownership, are classified as finance leases

The leased asset is capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments together with an associated liability to the lessor. Refer to non-financial assets accounting policy for the treatment of the leased asset.

Lease payments less the interest component, which is calculated using the interest rate implicit in the lease or the group's incremental borrowing rate, are recognised as a capital repayment which reduces the liability to the lessor.

A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.

Operating leases

All leases that do not meet the criteria of a financial lease are classified as operating leases.

Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.

Payments made under operating leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. Contingent rentals are expensed as they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.

Provisions and contingent liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Contingent liabilities include certain guarantees, other than financial guarantees, and letters of credit pledged as collateral security. These are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are not probable.

Employee benefits

Pension obligations

The Bank operates both a defined contribution and a defined benefit plan.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Bank pays contributions to a privately administered pension plan on a mandatory and contractual basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. The defined contribution plan expense for 2019 was ZWL4.5 million. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plan

A defined benefit plan is a pension plan under which the Bank contribute to the cost of benefits taking into account the recommendation of actuaries.

The Bank provides post-employment medical benefits to former employees, with entitlement to these benefits generally limited to employees who retired from employment on or before 31 December 2017. The Bank contributes to the cost of the post employment medical benefits taking account of the recommendations of the actuaries. Actuarial valuations by independent qualified actuaries are required every three years using the present value method. The assets or liabilities recognised in the statement of financial position in respect of these benefits are measured at the present value of the estimated future cash outflows, using market interest rates with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets, using the following assumptions: expected return on investment, pension increases and medical costs inflation. Past service costs, experience adjustments and the effect of changes in actuarial assumptions and actuarial gains or losses due to remeasurement of the net defined liability (asset) is recognised in OCI. Service cost and net interest are recognised in profit or loss.

Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits at the earlier of the following dates: (a) when the Bank can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37, "Provisions, contingent liabilities and contingent assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Profit-share and bonus plans

The Bank recognises a liability and an expense for bonuses and profit-share, based on a formula that takes into consideration the profit attributable to the Bank's shareholders after certain adjustments. The Bank recognises a provision where contractually it is obliged or where there is a past practice that has created a constructive obligation.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Tax

Direct tax

Direct tax includes current and deferred income tax. Current tax and deferred income tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Zimbabwe. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current income tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill; and
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses.

The amount of deferred tax provided is based on the temporary differences arising between the tax bases of assets and the carrying amounts in the assets. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses and tax credits can be utilised. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current income tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Indirect tax

Indirect taxes (mainly non-recoverable Value Added Tax ("VAT")) and other duties for banking activities are disclosed separately in profit or loss.

Equity

Share capital

Ordinary shares are classified as equity.

Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

Dividends on ordinary shares

Dividends are recognised in equity in the period in which they are declared. Dividends declared after the reporting date are disclosed in the notes to the financial statements and are recognised in equity for the following year.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Equity-linked transactions

Equity compensation plans

The Bank operates an equity-settled share-based compensation plan based on shares of its ultimate parent, the Standard Bank Group Limited. The fair value of equity-settled share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against income and equity over the remaining vesting period.

On exercise of equity-settled share options, proceeds received are credited to share capital and premium.

Share-based payments settled in cash are accounted for as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in the liability are recognised in profit or loss.

Revenue and expenditure

Banking activities

Revenue is derived substantially from the business of banking and related activities and comprises interest income, fee and commission income and other non-interest income.

Net interest income

Interest income and expense (with the exception of borrowing costs that are capitalised on qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value) are recognised in net interest income using the effective interest method for all interest-bearing financial instruments.

In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the gross carrying amount of the financial asset or amortised cost of a financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

Where the estimates of payments or receipts on financial assets or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the adjusted cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income.

When a financial asset is classified as Stage 3 impaired, interest income is calculated on the amortised cost based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in credit impairments when the financial asset is reclassified out of Stage 3.

Non-interest income

Net fee and commission income

Fee and commission revenue, including accounting transaction fees, card-based commission, documentation and administration fees, electronic banking fees, foreign currency service fees, insurance based fees and commissions, and knowledge-based fees and commissions are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

Loan syndication fees, where the Bank does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

Trading income

Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

Other gains/losses on financial instruments

Includes:

- Fair value gains and losses on financial assets that are classified at fair value through profit or loss (designated and default)
- The gain or loss on the derecognition of a debt financial asset classified as at fair value through OCI
- Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost
- Gains and losses arising from the reclassification of a financial asset from amortised cost to fair value
- Gains and losses arising from the modification of a financial asset (which is not distressed) and financial liability as at amortised cost.

Other income

Other income includes rental income and profit from disposal of property and equipment, and any other income accruing to the Bank.

Segment reporting

An operating segment is a component of the Bank engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker allocates resources to and assesses the performance of the operating segments of the Bank and has been identified as the Executive Committee. The Executive Committee reviews monthly the internal management reports of the operating segments. It allocates resources and assesses performance of operating segments. The Bank's segmental results are presented in note 1.1 and 1.2.

ACCOUNTING POLICIES *(cont'd)*

For the year ended 31 December 2019

The principal business units for the Bank are as follows:

Business Unit	Scope of operations
Personal and Business Banking	Banking and other financial services to individual customers and small to medium sized enterprises. Transactional and lending products – transactions in products associated with the various points of contact channels such as POS acquiring, ATMs and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products. Lending products – offered to both personal and business markets. Bancassurance – provides short-term insurance products, mainly through third parties. Trade Finance products which include letters of credit and guarantees.
Corporate and Investment Banking	Commercial and investment banking services to large corporates, financial institutions and international counterparties. Vehicle and asset finance – mainly financing of vehicles and equipment. Global markets – mainly comprised of foreign exchange trading and placement of funds available for investment. Transactional products and services – includes transactional banking and investor services. Investment banking – advisory services, project finance, structured finance, structured trade finance, corporate lending, and primary markets units.

No secondary segment information is disclosed because all business activities relate to Zimbabwe. Where reporting responsibility for individual departments within business units' changes, the segmental analysis is reclassified accordingly.

Management has determined the operating segments based on the reports reviewed by the Executive Committee (the "Chief operating decision maker"), which is responsible for allocating resources to the reportable segments and assessing their performance. Both operating segments used by the Bank meet the definition of a reportable segment under IFRS 8, Operating Segments. The Executive Committee assesses the performance of the operating segments based on a measure of profit or loss. The Executive Committee considers the business from a product perspective. From a product perspective management separately considers Corporate and Investment Banking and Personal and Business Banking. The scope of operations for the two business units are detailed above.

Revenue allocated to the segments is from external customers who are domiciled in Zimbabwe. Costs incurred by support functions are allocated to the two business segments on the basis of determined cost drivers. There was no revenue from transactions with a single external customer that amounted to 10% or more of the Bank's revenue. (2018: ZWL nil).

Entity wide information

Stanbic Bank Zimbabwe Limited's two business units carry out their operations in Zimbabwe and there is no reliance on any major customers and no one customer makes up a material portion of the revenue streams.

Operating expenses consist of both direct and indirect expenses. Indirect expenses are allocated to the two business units based on the underlying cost drivers.

Fiduciary activities

The Bank commonly acts as a trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising thereon have been disclosed in note 27.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1.1 Segment reporting 31 December 2019- inflation-adjusted

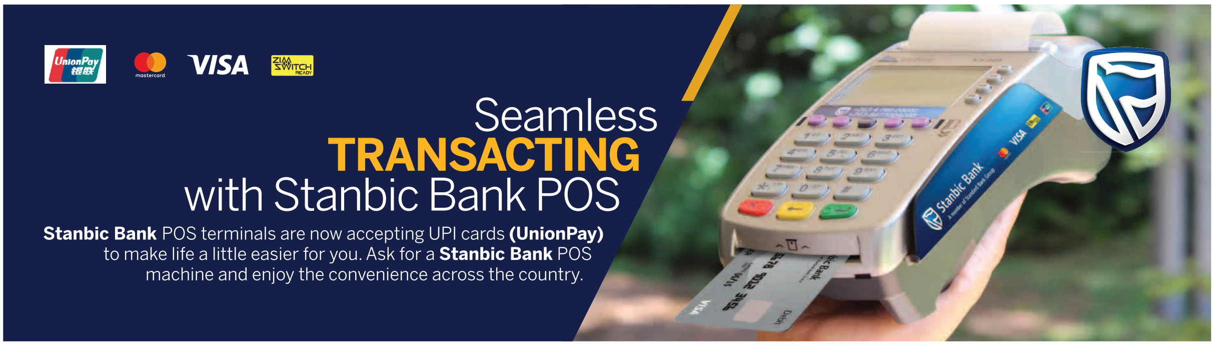
1.1.1 Statement of profit or loss

	Personal and Business Banking ZWL'000	Corporate and Investment Banking ZWL'000	Total ZWL'000
Net interest income	192 499	258 639	451 138
Total non-interest income	550 779	887 171	1 437 950
Net fee and commission revenue	371 553	10 209	381 762
Fee and commission revenue	431 405	10 209	441 614
Fee and commission expense	(59 852)	-	(59 852)
Trading income	-	801 649	801 649
Other income	179 226	75 313	254 539
Total income	743 278	1 145 810	1 889 088
Total expected credit losses	(71 044)	(65 897)	(136 941)
Income after credit impairment charges	672 234	1 079 913	1 752 147
Total operating expenses	(515 625)	(441 370)	(956 995)
Staff costs	(277 986)	(185 052)	(463 038)
Operating expenses	(237 639)	(256 318)	(493 957)
Loss on net monetary position	(128 930)	(386 791)	(515 721)
Net income before indirect tax	27 679	251 752	279 431
Indirect tax	(17 796)	(19 195)	(36 991)
Profit before direct tax	9 883	232 557	242 440
Direct tax	(10 280)	(241 890)	(252 170)
Loss for the year	(397)	(9 333)	(9 730)
Operating information			
Total assets	2 897 882	4 470 931	7 815 606
Total liabilities	(2 510 670)	(4 023 726)	(6 607 323)
Other information			
Depreciation	19 822	5 564	25 386
Amortisation	11 428	9 369	20 797
Property and equipment	320 150	149 034	469 184
Property and equipment additions	51 971	5 267	57 238
Investment property	290 248	156 288	446 536
Investment property additions	38 717	10 194	48 911
Intangible assets	171 195	46 385	217 580
Intangible assets additions	25 219	3 936	29 155
Funding (loss)/profit	(2 204)	2 204	-

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Personal and Business Banking ZWL'000	Corporate and Investment Banking ZWL'000	Total ZWL'000
1.1 Segment reporting 31 December 2018- inflation-adjusted			
Statement of profit or loss			
Net interest income	163 987	268 636	432 623
Total non-interest income	225 205	199 705	424 910
Net fee and commission revenue	210 687	29 483	240 170
Fee and commission revenue	239 511	29 483	268 994
Fee and commission expense	(28 824)	-	(28 824)
Trading income	-	167 817	167 817
Other income	14 518	2 405	16 923
Total income	389 192	468 341	857 533
Total expected credit losses	(2 950)	(31 944)	(34 894)
Income after credit impairment charges	386 242	436 397	822 639
Total operating expenses	(264 351)	(186 594)	(450 945)
Staff costs	(132 673)	(74 687)	(207 360)
Operating expenses	(131 678)	(111 907)	(243 585)
Net income before indirect tax	121 891	249 803	371 694
Indirect tax	(11 993)	(6 198)	(18 191)
Profit before direct tax	109 898	243 605	353 503
Direct tax	(40 071)	(79 836)	(119 907)
Profit for the year	69 827	163 769	233 596
Operating information			
Total assets	3 399 271	7 038 358	11 038 613
Total liabilities	(3 029 545)	(6 717 591)	(9 959 133)
Other information			
Depreciation	23 710	7 883	31 593
Amortisation	14 236	9 815	24 051
Property and equipment	194 341	61 801	256 142
Property and equipment additions	35 265	12 406	47 671
Investment property	114 313	53 153	167 466
Investment property additions	20 614	15 627	36 241
Intangible assets	152 305	56 918	209 223
Intangible assets additions	4 430	13 194	17 624
Deferred tax assets	517	524	1 041
Funding (loss)/profit	(6 368)	6 368	-



NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Personal and Business Banking ZWL'000	Corporate and Investment Banking ZWL'000	Total ZWL'000
1.1.2 Segment reporting 31 December 2019- historical cost unaudited			
Statement of profit or loss			
Net interest income	84 891	114 058	198 949
Total non-interest income	508 807	492 641	1 001 448
Net fee and commission revenue	177 449	4 842	182 291
Fee and commission revenue	204 607	4 842	209 449
Fee and commission expense	(27 158)	-	(27 158)
Trading income	-	348 559	348 559
Other income	331 358	139 240	470 598
Total income	593 698	606 699	1 200 397
Total expected credit losses	(21 845)	10 525	(11 320)
Income after credit impairment charges	571 853	617 224	1 189 077
Total operating expenses	(258 221)	(211 640)	(469 861)
Staff costs	(161 965)	(107 818)	(269 783)
Other operating expenses	(96 256)	(103 822)	(200 078)
Net income before indirect tax	313 632	405 584	719 216
Indirect tax	(8 235)	(8 882)	(17 117)
Profit before direct tax	305 397	396 702	702 099
Direct tax	(100 278)	(124 394)	(224 672)
Profit for the year	205 119	272 308	477 427
Operating information			
Total assets	2 786 425	4 298 972	7 531 064
Total liabilities	(2 516 541)	(4 033 135)	(6 622 773)
Other information			
Depreciation	4 760	1 336	6 096
Amortisation	1 887	1 547	3 434
Property and equipment	268 520	124 999	393 519
Property and equipment additions	17 672	1 791	19 463
Investment property	290 248	156 288	446 536
Investment property additions	9 556	2 516	12 072
Intangible assets	29 958	8 117	38 075
Intangible assets additions	11 432	1 784	13 216
Funding (loss)/profit	(960)	960	-

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Personal and Business Banking ZWL'000	Corporate and Investment Banking ZWL'000	Total ZWL'000
1.2 Segment reporting 31 December 2018-historical cost unaudited			
1.2.1 Statement of profit or loss			
Net interest income	26 403	43 252	69 655
Total non-interest income	35 679	32 058	67 737
Net fee and commission revenue	33 922	4 747	38 669
Fee and commission revenue	38 563	4 747	43 310
Fee and commission expense	(4 641)	-	(4 641)
Trading income	-	27 020	27 020
Other income	1 757	291	2 048
Total income	62 082	75 310	137 392
Total expected credit losses	(475)	(5 143)	(5 618)
Income after credit impairment charges	61 607	70 167	131 774
Total operating expenses	(41 835)	(29 425)	(71 260)
Staff costs	(21 361)	(12 025)	(33 386)
Other operating expenses	(20 474)	(17 400)	(37 874)
Net income before indirect tax	19 772	40 742	60 514
Indirect tax	(1 931)	(998)	(2 929)
Profit before direct tax	17 841	39 744	57 585
Direct tax	(6 158)	(12 269)	(18 427)
Profit for the year	11 683	27 475	39 158
1.2.1 Operating information			
Total assets	544 755	1 127 942	1 769 230
Total liabilities	(485 504)	(1 076 537)	(1 603 455)
Other information			
Depreciation	3 281	1 091	4 372
Amortisation	1 967	1 356	3 323
Property and equipment	29 544	9 395	38 939
Property and equipment additions	5 091	1 791	6 882
Investment property	18 405	8 558	26 963
Investment property additions	3 319	2 516	5 835
Intangible assets	20 596	7 697	28 293
Intangible assets additions	599	1 784	2 383
Deferred tax assets	70	71	141
Funding (loss)/profit	(1 025)	1 025	-

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

2.1 Key management estimates and judgements

In preparing the financial statements, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. No material changes to assumptions have occurred during the year. The following represents the most material key management assumptions applied in preparing these financial statements.

2.2 Expected credit loss on financial assets - IFRS 9 drivers

For the purpose of determining the ECL:

- The PBB portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. To ensure consistency with market practice in South Africa, the IFRS 9 impairment provision calculation has been amended to exclude post write off recoveries ("PWOR") from the loss given default ("LGD") in calculating the expected credit loss impairments. This change in the modelling assumption and estimates have been applied prospectively.
- CIB exposures are calculated separately based on rating models for each of the asset classes.

ECL measurement period

PBB

- The ECL measurement period at a minimum, is equal to the 12-month ECL of 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.
- The impact of the lifetime loss given default (LGD) workout, being an increase in the lifetime period over which subsequent cures and re-defaults are considered.
- The IFRS 9 requirement to hold ECL on unutilised loan commitments, notably pertaining to PBB's card and other lending portfolios.

CIB

- The ECL measurement period at a minimum, is equal to the 12-month ECL of 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.
- The requirement to hold ECL on unutilised loan commitments has been included, where appropriate, within this classification.

Significant increase in credit risk ("SICR") and low credit risk

A lifetime ECL requirement for all exposures for which there has been SICR. This included the impact of the LGD work out, being an increase in the life time period over which subsequent cures and re-defaults are considered. The requirement to hold ECL on off-balance sheet exposures has been included where appropriate within this classification.

PBB

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk.

The Bank also determines an appropriate transfer rate of exposures from stage 1 to stage 2 by taking into account the expected levels of arrears status for similar exposures. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR throughout the life of the exposure and consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, IFRS 9's non-rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

Forward looking economic expectations are included in the ECL by adjusting the probability of default (PD), LGD and SICR. Adjustments are made based on the Bank's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the Bank's macro-economic outlook expectations.

CIB (including certain PBB business banking exposures)

The Bank uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the Bank's 25-point master rating scale. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the Bank's master rating scale as investment grade are assessed for SICR at each reporting date but are considered to be of a low credit risk for IFRS 9 purposes.

Forward looking economic expectations are incorporated in CIB's client ratings. The client rating thus reflects the expected client risk for the Bank's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions. To determine whether a client's credit risk has increased significantly since origination, the Bank would need to determine the extent of the change in credit risk using the table below.

Master rating scale band	SICR trigger (from origination)
SB 1-12	Low credit risk
SB 13-20	3 rating or more
SB 21-25	1 rating or more

Forward looking expectations

- The Group Economics Research team determines the macroeconomic outlook for each country and a group view of commodities over a planning horizon of at least three years. The outlook is provided to the Bank's Chief Financial Officer for review and asset and liability committee for approval.
- Macroeconomic outlooks take into account various variables such as gross domestic product, central bank policy interest rates, inflation, exchange rates and treasury bill rates.
- Narratives for each of the country economic outlooks, being bear, base and bull cases, are compiled and typically include consideration of the country's economic background, sovereign risk, foreign exchange risk, financial sector, liquidity and monetary policy stance.
- Probabilities are assigned to each of the bear, base and bull cases based on primary macroeconomic drivers and are reviewed monthly.
- The forward looking economic expectations are updated on a bi-annual basis or more regularly when deemed appropriate.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

Default

The Bank's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the Basel definition) as occurring at the earlier of:

- where, in the Bank's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Bank will not rebut IFRS 9's 90 days past due rebuttable presumption.

Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the Bank is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with the expectation that the probability of recovery is nil and this probability is not expected to change in the future.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). However, in the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the Bank's Credit Governance Committee, such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, when compared to the credit rating at initial recognition, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively. In retail portfolios, a rehabilitation period of at least 6 months (subsequent to a customer repaying all outstanding facilities) would be needed for the customer's internal rating to decrease back to its rating scale at initial recognition and move from stage 2 to stage 1 accordingly.

The Bank's forward-looking economic expectations were applied in the determination of the ECL at the reporting date:

A range of base, bearish and bullish forward looking economic expectations were determined, as at 31 December 2019, for inclusion in the Bank's forward-looking process and ECL calculation.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

Zimbabwean economic expectation

- The base case for Zimbabwe is that there will be little or no extrenal support and external debt and arrears will remain unresolved. In addition, there will be an increase in regulations with possible relaxation of fiscal and monetary control. Production constraints will remain on account of mounting foreign currency shortages, relentless energy crisis combined with unbearable foreign currency shortages.

- The bear case for Zimbabwe is that the economy will quickly dollarize on account of the current runaway inflationary environment compounded by the exchange rate volatility. In addition, social unrest will increase on the back of a crash in living standards as well as growing poverty.Redollarisation is expected to gurantee price stability.Production is expected to decline on account of deepening foreign currency shortages. Furthermore, failure by companies to restock is likely to drive redollarisation.
- There is a rather low probability on the bullish case in which an increase in foreign investment is expected which will result in a structuring of a packaged solution for the whole economy which will address the current challenges such as power, agriculture, currency stability and infrastructure. In addition, the country might achieve a funding breakthrough from a sympathetic partner which will result in improved foreign currency inflows.

Main Macroeconomic Factors

The following table shows the main macroeconomic factors used to estimate the allowances for credit losses on loans. For each scenario, namely, the base case, bullish and bearish scenario, the average values of the factors over the next 12 months and over the remaining forecast period are presented below.

	Base scenario		Bearish scenario		Bullish scenario	
Macroeconomic factors	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**
Zimbabwe						
Inflation (end period)	200%	91%	1 000%	1 000%	50	8
Real GDP growth (yoy%)	-2%	1%	-5%	-5%	0%	10%
Exchange rate ZWL:USD	1:110	1:140	Re-dollarisation risk	Re-dollarisation risk	1:30	1:25

Sensitivity analysis of CIB forward looking impact on IFRS 9 provision

Management assessed and considered the sensitivity of the IFRS 9 provision against the forward looking economic conditions at a client level. The reviews and ratings of each client are performed at least annually. This process entails credit analysts completing a credit scorecard and incorporating forward looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting IFRS 9 provision for the individual client. Therefore the impact of forward looking economic conditions is embedded into the total IFRS 9 provision for each CIB client and cannot be stressed or separated out of the overall CIB IFRS 9 provision.

Sensitivity Analysis of PBB allowances for credit losses on non-impaired loans

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired exposures under IFRS 9 as at 31 December 2019 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

Forward looking impact on IFRS 9 provision	Allowances for credit losses (ZWL'000)
Scenarios	
100% Base	11 443
100% Bear	20 159
100% Bull	5 527

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

2.3 Income taxes

The Bank is subject to direct tax in Zimbabwe. The Bank recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the current income and deferred tax expense in the year in which such determination is made.

2.4 Property and equipment

The Bank assesses the useful lives and residual values of property and equipment at each financial year end. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is observable data indicating a measurable change in residual values.

2.5 Computer software

Direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Bank and have a highly probable future economic benefit beyond one year, are capitalised and disclosed as computer software intangible assets. Computer software intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The determination of the recoverable amount of each asset requires judgement. The recoverable amount is based on the value in use and calculated by estimating future cash benefits that will result from each asset and discounting these cash benefits at an appropriate pre-tax discount rate. The carrying value of computer software intangible assets capitalised at 31 December 2019 amounted to ZWL38.1 million (2018: ZWL28.3 million) on a historical cost basis and ZWL217.6 million (2018:ZWL209.2 million) under inflation adjusted.

2.6 Investment property

The fair value of investment property is based on a valuation which is reviewed annually and is written off when impaired. If the valuation information cannot be reliably determined, the Bank uses alternative valuation methods such as discounted cash flow projections or recent prices in active markets.

2.7 Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and ongoing developments will determine the recognition of deferred tax. The most significant management assumption is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the Bank in order to utilise the deferred tax assets.

Note 17 summarises the details of the carrying amount of the deferred tax assets and liabilities.

2.8 Share based payment

The Standard Bank Group has a number of cash and equity-settled share incentive schemes which are issued to qualifying employees based on the rules of the schemes. The Standard Bank Group uses the Black-Scholes option pricing model to determine the fair value of awards on grant date for its equity-settled share incentive schemes. The valuation of the obligation with respect to its cash-settled share incentive scheme obligations is determined with reference to the Standard Bank Group's share price, which is an observable market input. In determining the expense to be recognised for both the cash and equity-settled share schemes, the Bank estimates the expected future vesting of the awards by considering staff attrition levels. The Bank also makes estimates of the future vesting of awards that are subject to non-market vesting conditions by taking into account the probability of such conditions being met.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

2.9 Provisions

The principal assumptions taken into account in determining the value at which provisions are recorded at, in the Bank's statement of financial position, include determining whether there is an obligation as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation. The probability of an event of a significant nature occurring will be assessed by management and, where applicable, consultation with the Bank's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the balance sheet date up to the date of the approval of the financial statements.

2.10 Fair value

In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at measurement date.

2.11 Valuation of properties

The basis of value is "fair value" which is defined as the price that would be received at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The following assumptions are made:

- a willing seller;
- that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as the date of valuation;
- that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

2.12 Operating lease commitments

The Bank has entered into property leases on some of its rented parking bays and office equipment. The Bank's management has determined that the Bank has not obtained substantially all the risks and rewards of ownership of these facilities, the leases have been classified as operating leases and accounted for accordingly.

2.13 Fair value of equity investment

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Where fair values cannot be reliably estimated, assets are measured at cost.

2.14 Impairment of amortised cost financial assets

The Bank will impair its amortised cost financial asset when a loss event has occurred and this loss event has a reliable measurable impact on future cash flows.

2.15 Defined benefit obligation

Significant estimates are made in valuing the Bank's defined benefit scheme. These include assessing the expected medical aid contributions for the life expectancy of the retirees and the expected effect of inflation on medical aid costs.

2.16 Other assets

Included in other receivables is ZWL864 million relating to legacy debts. This receivable is a recovery of the foreign currency which over the years has been transferred to the RBZ in line with the exchange control directives of 2012, 2015 and 2016 which required banks to limit their nostro holdings to a certain percentage of their customer deposits with the excess being

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

surrendered to the central bank in return for electronic currency (RTGS$) which was at that time trading at par to the USD. This receivable is measured at amortised cost as the Bank expects to receive only the foreign currency which was previously transferred to RBZ.The balance is denominated in foreign currency and the recovery of this amount is largely supported by correspondence received from RBZ confirming the repayment plan through the Bank's retention of foreign denominated export proceeds from qualifying exporters that are in the mining and tobacco industry. Recoveries have started happening and we expect that this debt will be settled over two years.

2.17 Determination of the functional currency

The Bank's functional currency changed from United States dollars (USD) to Zimbabwe dollar (ZWL) on 1 October 2018. This followed the issuance of a directive by the Reserve Bank of Zimbabwe for banks to separate Nostro FCA accounts from RTGS accounts. At that point in time, the exchange rate between the local currency and the USD was still fixed at 1:1. The Bank carried out an analysis which indicated that the majority of its transactions were now happening in RTGS. In the entire market, most of the transactions were now happening in RTGS on account of the intensifying foreign currency shortages which were plaguing the country. Statutory Instrument 33 of 2019 was issued on 22 February 2019, introducing an electronic currency called Real Time Gross Settlement system (RTGS dollar or RTGS$). It specified, among other things, that for accounting and other purposes, all RTGS assets and RTGS liabilities that were immediately before the effective date valued in United States Dollars shall on and after the effective date be deemed to be valued in RTGS$ at a rate of one-to-one to the United States Dollar. This led to the directors concluding that the appropriate exchange rate to use, in compliance with S.I.33, at the date of the change in functional currency and subsequent to the change in functional currency up until 22 February is the official rate of 1:1. Accordingly our 2018 financial information has been presented in ZWL as the exchange rate between the local currency and USD as at 31 December 2018 was still 1:1.

The net impact of the change in functional currency was determined through the separation of foreign denominated assets and liabilities as at the date of the change in functional currency and this impact amounted to ZWL6.8 million on a historical cost basis. This net impact was accounted for through the Bank's statement of profit or loss in the other income line.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

3 The table below shows the impact of the restatement of the statement of financial position as at 31 December 2018 following the adoption of IAS 29 with effect from 1 July 2019 when the conditions of a hyperinflationary environment were fulfilled in Zimbabwe. Inflation-adjusted columns shown below represent the primary financial statements of the Bank.

3.1 Impact of the restatement of the statement of financial position as at 31 Decemer 2018

	Historical cost unaudited 31 December 2018 Previously reported ZWL'000	Restatements	Inflation-adjusted 31 December 2018 restated ZWL'000
Assets			
Cash and cash equivalents	932 554	4 859 493	5 792 047
Derivative assets	17	89	106
Financial investments	326 981	1 704 498	2 031 479
Investment securities	2 264	11 179	13 443
Loans and advances to customers	387 343	2 018 423	2 405 766
Other assets	25 876	137 061	162 937
Intangible assets	28 293	180 930	209 223
Investment property	26 963	140 503	167 466
Property and equipment	38 939	217 203	256 142
Total assets	1 769 230	9 269 379	11 038 609
Shareholder's equity	165 775	913 701	1 079 476
Liabilities			
Derivative liabilities	7	38	45
Deposits and current accounts	1 511 618	7 876 959	9 388 577
Current tax liability	2 070	10 785	12 855
Deferred tax liability	141	900	1 041
Other liabilities	89 619	466 996	556 615
Total equity and liabilities	1 769 230	9 269 379	11 038 609

3.2 Impact of restatement of statement of profit or loss

	Historical cost unaudited 31 December 2018 Previously reported ZWL'000	Restatements	Inflation-adjusted 31 December 2018 restated ZWL'000
Net interest income	69 655	362 968	432 623
Non interest income	67 737	357 173	424 910
Net fee and commission income	38 669	201 501	240 170
Trading income	27 020	140 797	167 817
Other income	2 048	14 875	16 923
Total income	137 392	720 141	857 533
Total expected credit losses	(5 618)	(29 276)	(34 894)
Staff costs	(33 386)	(173 974)	(207 360)
Other operating expenses	(37 874)	(205 711)	(243 585)
Indirect tax	(2 929)	(15 262)	(18 191)
Direct tax	(18 427)	(101 480)	(119 907)
Profit for the year	39 158	194 438	233 596

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
4 Cash and cash equivalents				
Bank notes and coins	312 813	71 376	312 813	11 492
Balances with the Central Bank	1 895 875	4 336 005	1 895 875	698 123
Balances with other banks	2 246 206	1 394 957	2 246 206	224 596
	4 454 894	5 802 338	4 454 894	934 211
Expected credit loss on balances with other banks	(106)	(10 291)	(106)	(1 657)
Current	4 454 788	5 792 047	4 454 788	932 554
A reconciliation of the allowances for expected credit losses on balances with other banks				
Stage 1				
Balance as at the beginning of the year	(10 291)	-	(1 657)	-
IFRS 9 transitional adjustment	-	(12 981)	-	(2 090)
Net movement	7 900	2 751	1 551	443
Originated impairments raise	(106)	2 751	(106)	443
Susequent movement	8 006	-	1 657	-
Other movements	2 285	(61)	-	(10)
Balance at end of the year	(106)	(10 291)	(106)	(1 657)

The decline in expected credit loss allowances from ZWL1.7 million in 2018 to ZWL106 000 was largely because of the placements with other banks which matured during the period.

5 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 2019 and 31 December 2018. 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.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	Fair value of assets 31 December 2019 ZWL'000	Fair value of assets 31 December 2018 ZWL'000	Fair value of assets 31 December 2019 ZWL'000	Fair value of assets 31 December 2018 ZWL'000
5.1 Derivative assets				
Derivatives held for trading				
Foreign exchange contracts	112	106	112	17
Maturity analysis of net fair value				
Up to 1 month	112	106	112	17
More than 1 month but within 1 year	-	-	-	-
	112	106	112	17
Derivative liabilities				
Derivatives held for trading				
Foreign exchange contracts	(15)	(45)	(15)	(7)
Maturity analysis of net fair value				
Up to 1 month	(15)	(45)	(15)	(7)
More than 1 month but within 1 year	-	-	-	-
	(15)	(45)	(15)	(7)

6 Pledged assets

The following table presents details of other financial assets which have been transferred, but which have not been derecognised in their entirety.

	Carrying amount of transferred assets ZWL'000	Carrying amount of associated liabilities ZWL'000	Fair value of transferred assets ZWL'000	Fair value of associated liabilities ZWL'000	Net fair value of transferred assets ZWL'000
Savings bonds					
Pledged assets (as recognised on the statement of financial position)	49 408	42 000	50 082	42 000	8 082
Total pledged assets	49 408	42 000	50 082	42 000	8 082

The assets pledged by the Bank are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets. These transactions are conducted under terms that are customary to standard repurchase agreements and securities borrowing activities.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
7 Financial investments				
Balance at the beginning of the year	2 030 863	1 474 498	326 981	237 403
Less IFRS 9 transitional adjustment	-	(38 172)	-	(6 146)
Additions	662 000	1 198 489	662 000	192 964
Interest accrued	3 759	97 810	3 759	15 748
Total disposals	(2 456 048)	(670 012)	(800 048)	(107 876)
Disposals	(2 399 368)	(649 379)	(743 368)	(104 554)
Interest received	(56 680)	(20 633)	(56 680)	(3 322)
Expected credit loss allowances (note 21.7)	(38 629)	(31 750)	9 253	(5 112)
Transfer to pledged assets	(49 408)	-	(49 408)	-
Balance at the end of the year	152 537	2 030 863	152 537	326 981
7.1 Financial investments				
Other financial investments				
Comprising:				
Debt at amortised cost				
Corporate & Investment Banking	154 351	2 030 863	154 351	326 981
Sovereign (treasury bills and bonds)	154 351	1 176 956	154 351	189 497
Bank (AFTRADE bond)	-	853 907	-	137 484
7.1.2 Gross financial investments				
Sovereign	154 351	1 245 649	154 351	200 557
Bank	-	853 949	-	137 491
Expected credit loss				
Stage 1	(1 814)	(68 735)	(1 814)	(11 067)
Net debt financial investments	152 537	2 030 863	152 537	326 981

	Stage 1	Stage 2	Stage 3	Total
7.1.3 Expected credit loss for debt financial investments				
Inflation- adjusted				
Sovereign	(1 814)	-	-	(1 814)
	(1 814)	-	-	(1 814)

	Stage 1	Stage 2	Stage 3	Total
7.1.3 Expected credit loss for debt financial investments				
Historical cost				
Sovereign	(1 814)	-	-	(1 814)
	(1 814)	-	-	(1 814)

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

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

	Sovereign	Bank	Total
Stage 1- inflation-adjusted			
Restated opening balance	68 693	42	68 735
Net movement (note 21.7)	38 671	(42)	38 629
Originated impairments raised	107 364	-	107 364
Subsequent decrease in expected credit loss	(68 693)	(42)	(68 735)
Other movements	(105 550)	-	(105 550)
Balance at the end of period	1 814	-	1 814

	Sovereign	Bank	Total
Stage 1- historical cost			
Balance at beginning of the year	11 060	7	11 067
Net movement (note 21.7)	(9 246)	(7)	(9 253)
Originated impairments raised	1 814	-	1 814
Subsequent decrease in expected credit loss	(11 060)	(7)	(11 067)
Balance at the end of period	1 814	-	1 814

The decline in expected credit loss allowances on financial investments from ZWL11.1 million in 2018 to ZWL1.8 million was largely driven by the reduction in our financial investment holdings following the maturity of some investments.

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
Maturity analysis				
The maturities represent periods to contractual redemption of the financial investments recorded:				
Maturing within one year	152 537	2 030 863	152 537	326 981
Maturing after one year but within 5 years	-	-	-	-
	152 537	2 030 863	152 537	326 981
7.2 Investment securities				
Balance at the beginning of the period	14 059	3 205	2 264	516
IFRS 9 transitional adjustment	-	3 012	-	485
Additions	-	615	-	99
Net change in fair value	3 367	7 227	15 162	1 164
Balance as at 31 December 2019	17 426	14 059	17 426	2 264

The Bank has a 15.97% shareholding in Zimswitch Holdings, an entity which provides a central national switch for banks in Zimbabwe, facilitating clearing and settlement of local payments and transfers. This is a strategic investment by the Bank and it is measured at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
8 Loans and advances				
Personal & Business Banking: Gross loans and advances measured at amortised cost	504 923	1 375 277	504 923	221 434
Mortgage loans	19 784	125 213	19 784	20 160
Instalment sale and finance leases	56 545	141 243	56 545	22 741
Personal unsecured lending	173 539	515 055	173 539	82 927
Business lending and other	255 055	593 766	255 055	95 606
Corporate & Investment Banking:Gross loans and advances measured at amortised cost				
Corporate lending	462 638	1 220 482	462 638	196 499
Expected credit loss	(28 358)	(189 993)	(28 358)	(30 590)
Stage 1	(9 733)	(18 248)	(9 733)	(2 938)
Stage 2	(16 439)	(147 224)	(16 439)	(23 704)
Stage 3	(2 186)	(24 521)	(2 186)	(3 948)
Net loans and advances	939 203	2 405 766	939 203	387 343
Maturity analysis				
The maturity analysis is based on the remaining periods to contractual maturity from period end				
Redeemable on demand	431 617	1 236 674	431 617	199 112
Maturing within 1 month	22 134	49 371	22 134	7 949
Maturing after 1 month but within 12 months	283 965	565 743	283 965	91 088
Maturing after 12 months	229 845	743 971	229 845	119 784
Gross loans and advances	967 561	2 595 759	967 561	417 933

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	31 December 2019 ZWL'000	31 December 2019 %	31 December 2018 ZWL'000	31 December 2018 %
8.1 Sectoral analysis				
Sectoral analysis – industry- inflation adjusted				
Agriculture	271 999	28%	532 986	21%
Wholesale distribution	215 208	22%	350 210	13%
Individuals	215 131	22%	657 354	25%
Other services	128 996	13%	493 093	19%
Manufacturing	89 432	9%	212 172	8%
Construction	19 141	2%	134 051	6%
Mining	11 464	2%	143 647	6%
Transport	11 158	2%	63 221	2%
Finance	2 893	0%	-	0%
Communications	2 139	0%	9 025	0%
	967 561	100%	2 595 759	100%

	31 December 2019 ZWL'000	31 December 2019 %	31 December 2018 ZWL'000	31 December 2018 %
Sectoral analysis – industry- historical cost unaudited				
Agriculture	271 999	28%	85 814	21%
Wholesale distribution	215 208	22%	56 386	13%
Individuals	215 131	22%	105 838	25%
Other services	128 996	13%	79 391	19%
Manufacturing	89 432	9%	34 161	8%
Construction	19 141	2%	21 583	6%
Mining	11 464	2%	23 128	6%
Transport	11 158	2%	10 179	2%
Finance	2 893	0%	-	0%
Communications	2 139	0%	1 453	0%
	967 561	100%	417 933	100%

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

8.1 Sectoral analysis

There are material concentrations of loans and advances to agriculture 28% (2018:21%), individuals 22% (2018:25%), distribution 22% (2018:13%), other services 13% (2018:19%)

Sectoral analysis - geographical area inflation- adjusted

The following table sets out the distribution of loans and advances to customers by geography:

	31 December 2019 ZWL'000	31 December 2019 %	31 December 2018 ZWL'000	31 December 2018 %
Harare and Chitungwiza	864 070	89%	2 168 490	84%
Bulawayo	29 096	3%	173 074	7%
Kwekwe	10 221	1%	60 693	2%
Victoria Falls and Hwange	19 664	2%	60 433	2%
Ngezi	14 330	2%	32 005	1%
Chegutu	6 254	1%	24 204	1%
Gweru	18 080	2%	38 930	2%
Mutare	4 768	0%	25 838	1%
Beitbridge	1 078	0%	12 092	0%
	967 561	100%	2 595 759	100%
Sectoral analysis - geographical area historical cost unaudited				
Harare and Chitungwiza	864 070	89%	349 140	84%
Bulawayo	29 096	3%	27 866	7%
Kwekwe	10 221	1%	9 772	2%
Victoria Falls and Hwange	19 664	2%	9 730	2%
Ngezi	14 330	2%	5 153	1%
Chegutu	6 254	1%	3 897	1%
Gweru	18 080	2%	6 268	2%
Mutare	4 768	0%	4 160	1%
Beitbridge	1 078	0%	1 947	0%
	967 561	100%	417 933	100%

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
For the year ended 31 December 2019

8.2 Expected credit loss for loans and advances

The Bank's expected credit loss allowances on loans and advances had declined from ZWL30.6 million in 2018 to ZWL28.4 million largely because of the release of previously raised impairments on some counter parties whose performance had improved during the period compounded by an uplift in the recoveries made on stage 3 facilities.The allowances for expected credit losses for loans and advances by class for the year ended 31 December 2019 is as follows:

	Stage 1 ZWL'000	Stage 2 ZWL'000	Stage 3 ZWL'000	Total ZWL'000
Total impairments inflation-adjusted				
Mortgage loans	39	973	213	1 225
Instalment sale and finance leases	800	3 115	1	3 916
Personal unsecured lending	1 367	5 366	860	7 593
Business lending and other	1 404	6 493	1 112	9 009
Corporate lending	6 123	492	-	6 615
Balance as at 31 December 2019 (note 8)	9 733	16 439	2 186	28 358
Total impairments historical cost unaudited				
Mortgage loans	39	973	213	1 225
Instalment sale and finance leases	800	3 115	1	3 916
Personal unsecured lending	1 367	5 366	860	7 593
Business lending and other	1 404	6 493	1 112	9 009
Corporate lending	6 123	492	-	6 615
Balance as at 31 December 2019 (note 8)	9 733	16 439	2 186	28 358

8.3 A reconciliation of the allowances for expected credit losses for loans and advances by class for the year ended 31 December 2019

	Mortgage loans ZWL'000	Instalment sale and finance leases ZWL'000	Personal unsecured lending ZWL'000	Business lending and other ZWL'000	Corporate lending ZWL'000	Total ZWL'000
Stage 1- inflation adjusted 2019						
Restated opening balance	485	1 876	2 031	4 509	9 347	18 248
Net movement (note 21.7)	(138)	1 765	3 686	2 404	16 369	24 086
Originated impairments raised	67	911	1 297	5 700	9 174	17 149
Subsequent changes in expected credit loss	(89)	907	2 878	(213)	6 660	10 143
Transfers to stage 2	(116)	(53)	(496)	(3 087)	535	(3 217)
Transfers from stage 3	-	-	7	4	-	11
Other movements	(308)	(2 841)	(4 350)	(5 509)	(19 593)	(32 601)
Closing balance	39	800	1 367	1 404	6 123	9 733

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

8.3 Reconciliation of the allowances for expected credit losses for loans and advances (cont'd)

	Mortgage loans ZWL'000	Instalment sale and finance leases ZWL'000	Personal unsecured lending ZWL'000	Business lending and other ZWL'000	Corporate lending ZWL'000	Total ZWL'000
Stage 2- inflation adjusted 2019						
Restated opening balance	6 905	12 975	23 012	31 322	73 010	147 224
Net movement (note 21.7)	(680)	5 010	8 110	7 080	(54 992)	(35 472)
Originated impairments raised	807	328	2 912	2 601	-	6 648
Subsequent changes in expected credit loss	(1 603)	4 629	4 541	928	(54 457)	(45 962)
Transfers from stage 1	116	53	496	3 087	(535)	3 217
Transfers from stage 3	-	-	161	464	-	625
Other movements	(5 252)	(14 870)	(25 756)	(31 909)	(17 526)	(95 313)
Closing balance	973	3 115	5 366	6 493	492	16 439

	Mortgage loans ZWL'000	Instalment sale and finance leases ZWL'000	Personal unsecured lending ZWL'000	Business lending and other ZWL'000	Corporate lending ZWL'000	Total ZWL'000
Stage 3- inflation adjusted 2019						
Restated opening balance	988	4 435	7 720	11 378	-	24 521
Net movement (note 21.7)	97	(2 196)	(1 478)	(2 538)	(812)	(6 927)
Originated impairments raised	-	-	-	-	-	-
Subsequent changes in expected credit loss	104	(2 178)	953	175	-	(946)
Transfers to stage 1	-	-	(7)	(4)	-	(11)
Transfers to stage 2	-	-	(161)	(464)	-	(625)
After write off recoveries	(7)	(18)	(2 263)	(2 245)	(812)	(5 345)
Other movements	(872)	(2 238)	(5 382)	(7 728)	812	(15 408)
Closing balance	213	1	860	1 112	-	2 186

	Mortgage loans ZWL'000	Instalment sale and finance leases ZWL'000	Personal unsecured lending ZWL'000	Business lending and other ZWL'000	Corporate lending ZWL'000	Total ZWL'000
Stage 1 historical cost unaudited 2019						
Balance as at the beginning of the year	78	302	327	726	1 505	2 938
Net movement (note 21.7)	(39)	498	1 040	678	4 618	6 795
Originated impairments raised	19	257	366	1 608	2 588	4 838
Subsequent changes in expected credit loss	(25)	256	812	(60)	1 879	2 862
Transfers to stage 2	(33)	(15)	(140)	(871)	151	(908)
Transfers from stage 3	-	-	2	1	-	3
Balance at the end of the year	39	800	1 367	1 404	6 123	9 733

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

8.3 Reconciliation of the allowances for expected credit losses for loans and advances (cont'd)

	Mortgage loans ZWL'000	Instalment sale and finance leases ZWL'000	Personal unsecured lending ZWL'000	Business lending and other ZWL'000	Corporate lending ZWL'000	Total ZWL'000
Stage 2 historical cost unaudited 2019						
Balance as at the beginning of the year	1 112	2 089	3 705	5 043	11 755	23 704
Net movement (note 21.7)	(139)	1 026	1 661	1 450	(11 263)	(7 265)
Originated impairments raised	156	63	558	294	-	1 071
Subsequent changes in expected credit loss	(328)	948	963	285	(11 112)	(9 244)
Transfers from stage 1	33	15	140	871	(151)	908
Balance at the end of the year	973	3 115	5 366	6 493	492	16 439
Stage 3 historical cost unaudited 2019						
Balance as at the beginning of the year	159	714	1 243	1 832	-	3 948
Net movement (note 21.7)	32	(719)	(484)	(831)	(266)	(2 268)
Originated impairments raised	-	-	-	-	-	-
Subsequent changes in expected credit loss	34	(713)	222	(192)	-	(649)
Transfers from stage 1	-	-	2	1	-	3
Transfers from stage 2	-	-	33	95	-	128
After write off recoveries	(2)	(6)	(741)	(735)	(266)	(1 750)
Write offs	(17)	-	(480)	(24)	-	(521)
TVM unwinding	(26)	(16)	(21)	(456)	-	(519)
Other movements	65	22	602	591	266	1 546
Balance at the end of the year	213	1	860	1 112	-	2 186

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

8.3 Reconciliation of the allowances for expected credit losses for loans and advances (cont'd)

	Mortgage loans ZWL'000	Instalment sale and finance leases ZWL'000	Personal unsecured lending ZWL'000	Business lending and other ZWL'000	Corporate lending ZWL'000	Total ZWL'000
Stage 1 inflation adjusted 2018						
Restated opening balance	938	2 317	5 546	12 037	10 776	31 614
Net movement (note 21.7)	(454)	(441)	(3 515)	(7 813)	(1 429)	(13 652)
Originated impairments raised	286	416	3 522	6 826	5 882	16 932
Subsequent changes in expected credit loss	(1 082)	(788)	(6 912)	(11 869)	(5 702)	(26 353)
Transfers from stage 2	242	(19)	590	(366)	3 863	4 310
Transfers from stage 3	(37)	(31)	(224)	(1 472)	-	(1 764)
Derecognised including write offs	137	(19)	(491)	(932)	(5 472)	(6 777)
Other movements	1	-	-	285	-	286
Closing balance	485	1 876	2 031	4 509	9 347	18 248
Stage 2 inflation adjusted 2018						
Restated opening balance	2 454	12 428	7 366	40 570	56 221	119 039
Net movement (note 21.7)	4 453	547	15 646	(9 093)	16 788	28 341
Originated impairments raised	6	19	273	199	19 378	19 875
Subsequent changes in expected credit loss	4 689	522	16 006	(9 615)	(8 410)	3 192
Transfers to stage 1	(242)	19	(590)	366	(3 863)	(4 310)
Transfers to stage 3	-	(13)	(43)	(43)	10 459	10 360
Derecognised including write offs	-	-	-	-	(776)	(776)
Other movements	(2)	-	-	(155)	1	(156)
Closing balance	6 905	12 975	23 012	31 322	73 010	147 224

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

8.3 Reconciliation of the allowances for expected credit losses for loans and advances (cont'd)

	Mortgage loans ZWL'000	Instalment sale and finance leases ZWL'000	Personal unsecured lending ZWL'000	Business lending and other ZWL'000	Corporate lending ZWL'000	Total ZWL'000
Stage 3 inflation adjusted 2018						
Restated opening balance	1 286	1 720	9 093	15 676	12 888	40 663
Net movement (note 21.7)	(286)	2 937	1 571	(460)	(12 234)	(8 472)
Originated impairments raised	-	-	-	-	-	-
Subsequent changes in expected credit loss	(323)	2 894	3 037	(547)	(1 626)	3 435
Transfers from stage 1	37	31	224	1 472	-	1 764
Transfers from stage 2	-	12	43	43	(10 459)	(10 361)
After write off recoveries	-	-	(1 733)	(1 428)	(149)	(3 310)
Write offs	(81)	(224)	(3 081)	(2 174)	149	(5 411)
Other movements	69	2	137	(1 664)	(803)	(2 259)
Closing balance	988	4 435	7 720	11 378	-	24 521

	Mortgage loans ZWL'000	Instalment sale and finance leases ZWL'000	Personal unsecured lending ZWL'000	Business lending and other ZWL'000	Corporate lending ZWL'000	Total ZWL'000
Stage 1 historical cost unaudited 2018						
Balance as at the beginning of the year	151	373	893	1 938	1 735	5 090
Net movement (note 21.7)	(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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

8.3 Reconciliation of the allowances for expected credit losses for loans and advances (cont'd)

	Mortgage loans ZWL'000	Instalment sale and finance leases ZWL'000	Personal unsecured lending ZWL'000	Business lending and other ZWL'000	Corporate lending ZWL'000	Total ZWL'000
Stage 2 historical cost unaudited 2018						
Balance as at the beginning of the year	395	2 001	1 186	6 532	9 052	19 166
Net movement (note 21.7)	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 historical cost 2018						
Balance as at the beginning of the year	207	277	1 464	2 524	2 075	6 547
Net movement (note 21.7)	(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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	31 December 2019 ZWL'000	31 December 2019 %	31 December 2018 ZWL'000	31 December 2018 %
8.5 Credit impairments inflation-adjusted				
Sectoral analysis of impairment for non-performing loans – industry				
Agriculture	15	0%	391	2%
Manufacturing	233	12%	3 565	21%
Individual	1 011	54%	6 304	38%
Transport	-	0%	2 522	15%
Other services	472	25%	1 143	7%
Mining	-	0%	-	0%
Distribution	121	7%	2 292	14%
Communication	-	0%	-	0%
Construction	37	2%	416	3%
	1 889	100%	16 633	100%

	31 December 2019 ZWL'000	31 December 2019 %	31 December 2018 ZWL'000	31 December 2018 %
Credit impairments historical cost unaudited				
Sectoral analysis of impairment for non-performing loans – industry				
Agriculture	15	0%	63	2%
Manufacturing	233	12%	574	21%
Individual	1 011	54%	1 015	38%
Transport	-	0%	406	15%
Other services	472	25%	184	7%
Mining	-	0%	-	0%
Distribution	121	7%	369	14%
Communication	-	0%	-	0%
Construction	37	2%	67	3%
	1 889	100%	2 678	100%

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
9 Other assets				
Inventories	9 028	4 157	3 459	562
Prepayments	27 422	9 765	12 145	1 333
Amounts due from group companies	1 385	1 248	1 385	201
Other receivables	864 058	7 379	864 058	1 188
*Internal clearing accounts	187 727	140 388	187 727	22 592
	1 089 620	162 937	1 068 774	25 876
Expected credit loss allowances (note 21.7)	(119 223)	-	(23 404)	-
Other movements	87 911	-	(7 818)	-
	1 058 308	162 937	1 037 552	25 876
Maturity analysis				
Maturing within 1 year	189 433	162 937	189 433	23 981
Maturing after 1 year	868 875	-	848 119	1 895
	1 058 308	162 937	1 037 552	25 876

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
Financial assets	1 021 858	154 015	1 021 789	23 981
Non financial assets	36 450	13 922	15 763	1 895
	1 058 308	162 937	1 037 552	25 876

*Internal clearing accounts include suspense accounts where transactions are held temporarily and are cleared daily to the appropriate ledger accounts.

Included in other receivables is ZWL864 million relating to legacy debts and effects of allocation of foreign currency to customers with local currency deposits in line with the previous monetary policies prevailing before 1 October 2018. This receivable is a recovery of the foreign currency which over the years has been transferred to the RBZ in line with the exchange control directives of 2012, 2015 and 2016 which required banks to limit their nostro holdings to a certain percentage of their customer deposits with the excess being surrendered to the central bank in return for electronic currency (RTGS$) which was at that time trading at par to the USD.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Intangible assets ZWL'000	Work in progress ZWL'000	Total ZWL'000
10 Intangible assets- computer software			
Inflation adjusted opening balance 1 January 2019	199 097	10 126	209 223
Additions	28	29 126	29 154
Amortisation charge	(20 797)	-	(20 797)
Closing book amount 31 December 2019	178 328	39 252	217 580
Inflation adjusted cost as at 31 December 2019	271 163	39 252	310 415
Accumulated amortisation	(92 835)	-	(92 835)
Net book amount 31 December 2019	178 328	39 252	217 580
Year ended 31 December 2018			
Inflation adjusted			
Opening net book amount 1 January 2018	208 629	7 543	216 172
Additions	7 861	9 763	17 624
Transfers	7 180	(7 180)	-
Amortisation charge	(24 573)	-	(24 573)
Closing book amount 31 December 2018	199 097	10 126	209 223
Inflation adjusted cost as at 31 December 2018	271 137	10 126	281 263
Accumulated amortisation	(72 040)	-	(72 040)
Net book amount 31 December 2018	199 097	10 126	209 223
Year ended 31 December 2019			
Historical cost unaudited			
Opening net book amount 1 January 2019	26 924	1 369	28 293
Additions	12	13 204	13 216
Amortisation charge (note 21.9)	(3 434)	-	(3 434)
Closing book amount 31 December 2019	23 502	14 573	38 075
As at 31 December 2019			
Cost	36 677	14 573	51 250
Accumulated amortisation	(13 175)	-	(13 175)
Net book amount 31 December 2019	23 502	14 573	38 075
Year ended 31 December 2018			
Historical cost unaudited			
Opening net book amount 1 January 2018	28 213	1 020	29 233
Additions	1 063	1 320	2 383
Transfers	971	(971)	-
Amortisation charge (note 21.9)	(3 323)	-	(3 323)
Closing book amount 31 December 2018	26 924	1 369	28 293
As at 31 December 2018			
Cost	36 666	1 369	38 035
Accumulated amortisation	(9 742)	-	(9 742)
Net book amount 31 December 2018	26 924	1 369	28 293

None of the intangible assets have restricted title or are pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
11 Investment property				
Balance as at 1 January	167 466	131 225	26 963	21 128
Additions	48 911	36 241	12 072	5 835
Fair value gain (note 21.6)	230 159	-	407 501	-
Balance as at 31 December	446 536	167 466	446 536	26 963

The fair values of the investment properties are determined by an appropriately qualified, experienced and independent valuer with recent experience in the location and category of the property being valued. The Bank's investment properties consist of buildings owned by the Bank that are being leased out under operating leases and also vacant buildings. Fair values are determined having regard to recent market transactions for similar properties in the same location as the Bank's investment property. The investment properties consist of commercial and residential properties with some of them are being leased to third parties under yearly operating lease agreements.

Valuation, impairments and title

The basis of value is "fair value" which is defined as the price that would be received at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The following assumptions are made:

- a willing seller;
- that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as the date of valuation;
- that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

Direct operating expenses (recognised in profit or loss) arising from investment properties that generated rental income were ZWL8.1 million (2018:ZWL4.1 million) on an inflation adjusted basis, and ZWL5.1 million (2018: ZWL658 877) on a historical cost basis. Rental income on investment property recognised in profit or loss was ZWL8.6 million (2018:ZWL6.8 million) on inflation adjusted basis, and ZWL3.7 million (2018: ZWL1.1 million) on a historical cost basis.

The last valuation exercise on investment properties was carried out on 31 October 2019 by an independent valuer. The directors believe that the fair value of the properties has not significantly changed since this date.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Freehold property ZWL'000	Leasehold property ZWL'000	Computer equipment ZWL'000	Motor vehicles ZWL'000	Office equipment ZWL'000	Furniture and fittings ZWL'000	Working in progress ZWL'000	Total ZWL'000
12 Property and equipment- inflation-adjusted								
Year ended 31 December 2019								
Opening net book amount	156 646	2 166	30 674	14 228	22 525	8 201	21 702	256 142
Additions	1 289	-	7 097	3 134	149	166	45 402	57 237
Disposal net book amount	-	(3)	(89)	(477)	(249)	(256)	-	(1 074)
Revaluation	175 778	-	-	-	-	-	-	175 778
Reversal of depreciation	6 486	-	-	-	-	-	-	6 486
Depreciation charge (note 21.9)	(2 123)	(942)	(12 722)	(4 016)	(4 616)	(966)	-	(25 385)
Closing net book amount 31 December 2019	338 076	1 221	24 960	12 869	17 809	7 145	67 104	469 184
As at 31 December 2019								
Cost	338 831	9 517	112 031	29 996	53 528	16 061	67 104	627 068
Accumulated depreciation	(755)	(8 296)	(87 071)	(17 127)	(35 719)	(8 916)	-	(157 884)
Net book amount 31 December 2019	338 076	1 221	24 960	12 869	17 809	7 145	67 104	469 184
Inflation- adjusted								
Year ended 31 December 2018								
Opening net book amount	152 417	3 246	31 517	15 078	22 229	7 417	11 225	243 129
Additions	6 682	-	11 270	1 863	5 236	932	21 688	47 671
Disposal net book amount	-	-	(52)	(414)	(22)	(52)	(2 536)	(3 076)
Transfers in(out)	1 472	-	2 943	2 389	717	1 154	(8 675)	-
Depreciation charge (note 21.9)	(3 925)	(1 080)	(15 004)	(4 688)	(5 635)	(1 250)	-	(31 582)
Closing net book amount 31 December 2018	156 646	2 166	30 674	14 228	22 525	8 201	21 702	256 142
As at 31 December 2018								
Cost	161 764	9 531	107 388	30 711	54 559	16 439	21 702	402 094
Accumulated depreciation	(5 118)	(7 365)	(76 714)	(16 483)	(32 034)	(8 238)	-	(145 952)
Net book amount 31 December 2018	156 646	2 166	30 674	14 228	22 525	8 201	21 702	256 142

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Freehold property ZWL'000	Leasehold property ZWL'000	Computer equipment ZWL'000	Motor vehicles ZWL'000	Office equipment ZWL'000	Furniture and fittings ZWL'000	Working in progress ZWL'000	Total ZWL'000
12 Property and equipment (cont'd)								
Historical cost unaudited								
Year ended 31 December 2019								
Opening net book amount	25 221	293	4 128	1 924	3 046	1 109	3 218	38 939
Additions-cost	1 113	-	2 231	1 311	41	66	14 700	19 462
Disposals net book amount	-	-	(9)	(36)	(11)	(26)	(20)	(102)
Revaluation	339 124	-	-	-	-	-	-	339 124
Reversal of depreciation	2 192	-	-	-	-	-	-	2 192
Transfers in/(out)	77	-	98	400	242	323	(1 140)	-
Depreciation charge (note 21.9)	(2 123)	(127)	(2 091)	(809)	(763)	(183)	-	(6 096)
Closing net book amount								
31 December 2019	365 604	166	4 357	2 790	2 555	1 289	16 758	393 519
As at 31 December 2019								
Cost	366 359	1 288	16 558	5 440	7 544	2 553	16 758	416 500
Accumulated depreciation	(755)	(1 122)	(12 201)	(2 650)	(4 989)	(1 264)	-	(22 981)
Net book amount 31 December 2019	365 604	166	4 357	2 790	2 555	1 289	16 758	393 519
Historical cost unaudited								
Year ended 31 December 2018								
Opening net book amount	24 540	439	4 262	2 039	3 006	1 003	1 607	36 896
Additions-cost	1 076	-	1 524	252	708	126	3 196	6 882
Disposals net book amount	-	-	(7)	(56)	(3)	(7)	(394)	(467)
Impairment loss	-	-	-	-	-	-	-	-
Reversal of depreciation	-	-	-	-	-	-	-	-
Transfers in/(out)	237	-	378	323	97	156	(1 191)	-
Depreciation charge (note 21.9)	(632)	(146)	(2 029)	(634)	(762)	(169)	-	(4 372)
Closing net book amount								
31 December 2018	25 221	293	4 128	1 924	3 046	1 109	3 218	38 939
As at 31 December 2018								
Cost	26 045	1 289	14 502	4 153	7 378	2 223	3 218	58 808
Accumulated depreciation	(824)	(996)	(10 374)	(2 229)	(4 332)	(1 114)	-	(19 869)
Net book amount 31 December 2018	25 221	293	4 128	1 924	3 046	1 109	3 218	38 939

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

12.1 The last valuation exercise of freehold properties was carried out on 31 October 2019 by an independent valuer and the directors believe that the fair values of the properties has not significantly changed since the last valuation. The carrying amount that would have been recognised had the assets been carried under the cost model is ZWL23.7 million.

None of the property or equipment has restricted title or is pledged as security for liabilities.

12.2 Transfers reconciliation

	Property and equipment WIP ZWL'000	Intangible assets WIP ZWL'000	Property and equipment ZWL'000	Intangible assets ZWL'000	Investment property ZWL'000	Total ZWL'000
2019 Transfers in/(out)	(1 140)	-	1 140	-	-	-
2018 Transfers in/(out)	(1 211)	(971)	1 211	971	-	-

13 Right of use assets as at 31 December 2019- inflation adjusted

	Branches ZWL'000	Buildings ZWL'000	Leased assets ATM space ZWL'000	Other ZWL'000	Total ZWL'000
Inflation adjusted cost	16 072	1 429	1 093	182	18 776
Inflation adjusted accumulated depreciation	(7 413)	(552)	(265)	(22)	(8 252)
Balance at 31 December 2019	8 659	877	828	160	10 524

Right of use assets as at 31 December 2019- historical cost unaudited

	Branches ZWL'000	Buildings ZWL'000	Leased assets ATM space ZWL'000	Other ZWL'000	Total ZWL'000
Balance at 1 January 2019					
Cost (IFRS 16 transitional adjustment)	1 012	201	105	28	1 346
Movements	558	(42)	45	1	562
Additions	-	-	-	-	-
Terminations	(106)	(164)	(20)	-	(290)
Depreciation	(1 348)	(96)	(48)	(4)	(1 496)
Modifications	2 012	218	113	5	2 348
Balance at 31 December 2019	1 570	159	150	29	1 908
Cost	2 913	259	198	33	3 403
Accumulated depreciation	(1 343)	(100)	(48)	(4)	(1 495)

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
14 Share capital				
14.1 Authorised share capital				
500 000 ordinary shares with a nominal value of ZWL1 each	3 105	3 105	500	500
14.2 Issued share capital				
260 000 ordinary shares with a nominal value of ZWL1 each	1 615	1 615	260	260

Unissued shares

240 000 (2018:240 000) ordinary shares with a nominal value of ZWL1 each of which 240 000 (2018:240 000) ordinary shares are under the general authority of the directors.

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
15 Share premium and reserves				
15.1 Share premium				
Share premium on issue of shares	67 016	67 016	10 790	10 790
15.2 Reserves				
Non-distributable reserves	156 165	20 832	256 782	3 354
Fair value through other comprehensive income	10 108	7 608	12 483	1 225
Share-based payments reserve	5 067	4 230	1 084	681
Retained earnings	968 445	978 175	626 892	149 465
	1 139 785	1 010 845	897 241	154 725

Non-distributable reserves

Included in the Bank's non distributable reserves is the revaluation surplus on owner occupied properties which are revalued by independent valuers after every three years.

Fair value through other comprehensive income

This is the fair value adjustments on the Bank's equity investment in Zimswitch Holdings which is valued using the discounted cash flow method.

Equity compensation plans

The Standard Bank Group Limited has two equity-settled schemes, namely the Group Share Incentive Scheme and the Equity Growth Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the Standard Bank Group Limited share price at the date the option is granted. The Equity Growth Scheme was implemented in 2005 and represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights. There were beneficiaries in Stanbic Bank Zimbabwe Limited under the Equity Growth Scheme.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

15.2 Reserves (cont'd)

Equity compensation plans (cont'd)

The Group Share Incentive Scheme has five different sub-types of vesting categories as illustrated by the table below:

	Year	% vesting	Expiry
Type A	3,4,5	50,75,100	10 Years
Type B	5,6,7	50,75,100	10 Years
Type C	2,3,4	50,75,100	10 Years
Type D	2,3,4	33,67,100	10 Years
Type E	3,4,5	33,67,100	10 Years

A reconciliation of the movement of share options and appreciation rights is detailed below:

	Option price range (ZWL) 2019	Number of options 2019	Number of options 2018
Group share incentive scheme			
Options outstanding at 1 January	-	16 063	20 189
Net transfers	-	-	-
Transfers out	-	-	-
Exercised	118.3	(6 688)	(4 126)
Options outstanding at 31 December		9 375	16 063

The weighted average share price for the year was ZWL219.6 (2018:13.36).
The following options granted to employees, including executive directors, had not been exercised as at 31 December 2019:

Number of ordinary shares	Option price range (ZWL)	Weighted average price (ZWL)	Option expiry period
9 375	118.25	118.25	Year to 31 December 2021

Equity compensation plans

Equity growth scheme	2019	2018
Rights outstanding at the beginning of the period	1 250	1 250
Net transfers	(1 250)	-
Rights outstanding at end of the period	-	1 250

All the rights granted to employees as at 31 December 2019 had been exercised

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

		Inflation adjusted		Historical cost unaudited	
		31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
16	**Deposits and current accounts**				
	Deposits from other banks	133 854	22 142	133 854	3 565
	Deposits from customers	5 466 339	9 366 435	5 466 339	1 508 053
	Current accounts	2 790 409	8 215 034	2 790 409	1 322 670
	Call deposits	2 627 184	1 092 307	2 627 184	175 868
	Term deposits	43 298	2 975	43 298	479
	Savings accounts	5 448	56 119	5 448	9 036
	Deposits and current accounts	5 600 193	9 388 577	5 600 193	1 511 618
	Maturity analysis				
	Maturing within 1 year	5 593 028	9 387 002	5 593 028	1 511 364
	Maturing after 1 year	7 165	1 575	7 165	254
		5 600 193	9 388 577	5 600 193	1 511 618
17	**Deferred liability**				
	Deferred tax liability	186 662	1 041	202 245	141
17.1	**Deferred tax analysis**				
	Capital gains tax on investment property	11 678	170	20 398	23
	Depreciation of property and equipment	37 807	52 414	8 036	7 088
	Fair value through other comprehensive income	4 006	3 135	4 329	424
	Pension benefit and medical aid provision	(10 157)	(6 588)	(10 157)	(891)
	Payroll related provisions	(29 363)	(17 104)	(29 363)	(2 313)
	Other temporary differences	117 383	44 751	117 515	6 052
	Unreaslised exchange gains on trading income	19 143	-	19 143	-
	Credit impairment allowance on loans and advances	(16 279)	(81 246)	(16 279)	(10 987)
	Revaluation of property	52 444	5 509	88 623	745
	Deferred tax liability	186 662	1 041	202 245	141

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
17.2 Deferred tax reconciliation				
Deferred tax liability/(asset) at beginning of the year	1 041	(4 481)	141	(611)
IFRS 9 transitional adjustment	-	(30 992)	-	(4 191)
Various categories of originating/(reversing) temporary differences for the year recognised in profit or loss:	137 809	34 303	110 311	4 644
Investment property revaluation (gain)/ loss	11 508	-	20 375	-
Credit impairment allowance on loans and advances	64 968	(9 110)	(5 291)	(1 232)
Pension benefit and medical aid provision	(3 565)	96	(9 265)	13
Payroll related provisions	(12 260)	(865)	(27 050)	(117)
Unrealised exchange gains on trading income	19 143	-	19 143	-
Other temporary differences	72 619	24 505	111 450	3 319
Property and equipment accelerated depreciation	(14 604)	10 367	949	1 402
Deferred establishment fees	-	9 310	-	1 259
Various categories of originating/reversing temporary differences recognised in the statement of changes in equity:				
Fair value through other comprehensive income	867	2 211	3 904	299
Revaluation of property	46 945	-	87 889	-
	186 662	1 041	202 245	141

Other temporary differences include provisions raised for long outstanding entries in suspense accounts.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	**31 December 2018 ZWL'000**	**31 December 2019 ZWL'000**	**31 December 2018 ZWL'000**
18 Other liabilities				
Provisions (note 18.1)	112 406	52 489	112 406	8 451
Post employment benefit obligation (note 18.3)	40 777	21 502	40 777	3 462
Accrued expenses	127 608	119 225	127 608	19 196
Amounts due to group companies	101 097	40 880	101 097	6 582
Lease liability (note 18.2)	1 933	-	1 933	-
*Internal clearing accounts	405 437	322 519	405 437	51 928
	789 258	556 615	789 258	89 619
Current	738 163	519 589	738 163	83 657
Non-current	51 095	37 026	51 095	5 962
	789 258	556 615	789 258	89 619
Financial liablities	519 320	348 086	519 320	56 044
Non financial liabilities	269 938	208 529	269 938	33 575
	789 258	556 615	789 258	89 619

*Internal clearing accounts include suspense accounts where transactions are held temporarily and are cleared daily to the appropriate ledger accounts.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Legal claims ZWL'000	Performance and deferred bonus scheme ZWL'000	Leave pay provision ZWL'000	Total ZWL'000
18.1 Provisions- inflation-adjusted				
IAS 29 restated balance at 1 January 2019	3 478	45 110	3 900	52 488
Provisions recognised during the year	1 090	113 796	3 304	118 190
Provisions paid during the year	(44)	(14 231)	-	(14 275)
Provisions reversed during the year	-	230	(190)	40
Inflation adjustment	(2 918)	(37 847)	(3 272)	(44 037)
Balance at 31 December 2019	1 606	107 058	3 742	112 406
Balance at 1 January 2018	3 211	42 234	5 192	50 637
Provisions recognised during the year	466	45 110	(894)	44 682
Provisions paid during the year	(199)	(41 352)	-	(41 551)
Provisions reversed during the year	-	(882)	(398)	(1 280)
Balance at 31 December 2018	3 478	45 110	3 900	52 488
18.1.1 Provisions- historical cost unaudited				
Balance at 1 January 2019	560	7 263	628	8 451
Provisions recognised during the year	1 090	113 796	3 304	118 190
Provisions paid during the year	(44)	(14 231)	-	(14 275)
Provisions reversed during the year	-	230	(190)	40
Balance at 31 December 2019	1 606	107 058	3 742	112 406
Balance at 1 January 2018	517	6 800	836	8 153
Provisions recognised during the year	75	7 263	(144)	7 194
Provisions paid during the year	(32)	(6 658)	-	(6 690)
Provisions reversed during the year	-	(142)	(64)	(206)
Balance at 31 December 2018	560	7 263	628	8 451

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
18 Other liabilities (cont'd)				
Analysis of provisions				
Maturing within 1 year	112 406	52 488	112 406	8 451
Maturing after 1 year	-	-	-	-
	112 406	52 488	112 406	8 451

18.2 Reconciliation of lease liability

	Branches ZWL'000	Buildings ZWL'000	ATM space ZWL'000	Other ZWL'000	Total ZWL'000
Reconciliation of lease liability					
Balance at 1 January 2019	1 012	201	105	28	1 346
Movements					
Additions	-	-	-	-	-
Terminations	(106)	(165)	(20)	-	(291)
Modifications	2 007	223	113	5	2 348
Interest expense	42	6	3	1	52
Payments	(1 367)	(102)	(49)	(4)	(1 522)
Balance at 31 December 2019	1 588	163	152	30	1 933

The Bank's incremental borrowing cost is 2% and it is the rate applied for internal funding purposes between the two business units PBB and CIB

Legal claims

This provision relates to outstanding legal claims against the Bank that can be measured reliably and are likely to result in an outflow of economic resources. The expected outflow of economic benefits is determined on a yearly basis by our Legal department taking into account whether it is probable that the Bank will lose the outstanding court cases.

Performance and deferred bonus scheme

This is the provision for the performance bonus which is raised on a yearly basis based on an approved percentage of profit before tax. The performance bonus provision is paid out in March each year.

Leave pay provision

This is the provision for outstanding leave days for the Bank's employees as at the end of the year. It is calculated based on approved basic salaries and leave days accrued by each employee. The provision for leave days is utilised as staff members take their annual leave.

18.3 Post – employment medical benefits

The Bank operates a post–employment medical benefit scheme for pensioners and currently active employees who will have retired on or before 31 December 2017. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. The monthly medical aid expenses for the qualifying pensioners are paid using the cash flows from the Bank's operations.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
18.3 Post employment medical benefit (cont'd)				
The amounts recognised in the statement of financial position were determined as follows:				
Present value of funded obligations	-	-	-	-
Fair value of plan assets	-	-	-	-
Deficit of the funded plans	-	-	-	-
Present value of unfunded obligations	40 777	21 502	40 777	3 462
Liability in the statement of financial position	40 777	21 502	40 777	3 462
18.3.1 The movement in the defined benefit obligation over the year is as follows:				
Balance as at 1 January 2019	21 502	20 235	3 462	3 258
Provision raised for the year	37 315	1 267	37 315	204
Inflation adjustment	(18 040)	-	-	-
Balance as at 31 December 2019	40 777	21 502	40 777	3 462

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

The following table shows reconciliation from opening balances to the closing balances of the post-employment medical liability and its components.

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
Balance at 1 January	21 502	20 235	3 462	3 258
Included in profit or loss				
Interest	12 210	553	4 692	89
New members	190	335	73	54
	12 400	888	4 765	143
Remeasurement loss:				
Actuarial loss arising from:				
Demographic assumptions	4 411	1 789	1 695	288
Experience adjustment	(13 167)	323	(5 060)	52
Medical Aid contribution increase	(43 387)	1 143	(16 673)	184
Impact of change in functional currency	89 661	-	57 431	-
Inflation adjustment	(18 040)	-	-	-
	19 478	3 255	37 393	524
Other				
Benefit paid	(11 882)	(1 640)	(4 566)	(264)
Exits	(721)	(1 236)	(277)	(199)
	(12 603)	(2 876)	(4 843)	(463)
Balance as at 31 December	40 777	21 502	40 777	3 462

18.3.2 Historical Information

	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2017 ZWL'000	31 December 2016 ZWL'000
Present value of unfunded obligations	40 777	3 462	3 258	3 212
Fair value of plan assets	-	-	-	-
Unfunded obligations	40 777	3 462	3 258	3 212
Post employment medical benefits	40 777	3 462	3 258	3 212
Included in statement of financial position	40 777	3 462	3 258	3 212
Comprising				
Post employment medical benefits	40 777	3 462	3 258	3 212

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

18.3.2 Historical Information(cont'd)

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	Inflation adjusted		Historical cost unaudited	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Investment return	8%	8%	8%	8%
Medical costs inflation	2%	6%	2%	6%
Mortality	A67-70 Ultimate standard AIDS loading	A67-70 Ultimate standard AIDS loading	A67-70 Ultimate standard AIDS loading	A67-70 Ultimate standard AIDS loading
Total actuarial liability (ZWL)	40 776 605	21 502 000	40 776 605	3 461 890

18.3.3 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the post-employment medical benefit by the amounts shown below:

Assumptions	Existing	20% decrease in investment return	20% increase in medical inflation	20% decrease in mortality
Investment return	8%	6.40%	8%	8%
Medical Aid inflation	2%	2%	7.2%	6%
Mortality	A67-70 Ultimate standard AIDS loading	A67-70 Ultimate standard AIDS loading	A67-70 Ultimate standard AIDS loading	20% lower A67-70 Ultimate standard AIDS loading
Total actuarial liability	40 776 605	46 229 520	42 215 293	43 533 582
% change in liability		13%	4%	7%

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Note	Held for trading ZWL'000	At fair value through profit or loss default ZWL'000	Equity investments fair value through OCI ZWL'000	Amortised cost ZWL'000	Total carrying amount ZWL'000	Fair value ZWL'000
19 Classification of Financial instruments							
31 December 2019							
Financial assets							
Cash and cash equivalents	4	-	472 082	-	3 982 706	4 454 788	4 454 788
Derivative assets	5	112	-	-	-	112	112
Pledged assets	6	-	-	-	49 408	49 408	49 408
Financial investments	7	-	-	-	152 537	152 537	152 537
Investment securities	7.2	-	-	17 426	-	17 426	17 426
Loans and advances to customers	8	-	-	-	939 203	939 203	939 203
Other assets	9	-	-	-	1 021 789	1 021 789	1 021 789
		112	472 082	17 426	6 145 643	6 635 263	6 635 263
Financial liabilities							
Derivative liabilities	5	15	-	-	-	15	15
Deposits from other banks	16	-	-	-	133 854	133 854	133 854
Deposits from customers	16	-	-	-	5 466 339	5 466 339	5 466 339
Other liabilities		-	-	-	519 320	519 320	519 320
		15	-	-	6 119 513	6 119 528	6 119 528

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

Other liabilities excludes current income tax liabilities.

	Note	Held for trading ZWL'000	At fair value through profit or loss default ZWL'000	Equity investments fair value through OCI ZWL'000	Amortised cost ZWL'000	Total carrying amount ZWL'000	Fair value ZWL'000
19.2 Classification and measurement of financial instruments							
31 December 2018							
Financial assets							
Cash and cash equivalents	4	-	27 808	-	904 746	932 554	932554
Derivative assets	5	17	-	-	-	17	17
Financial investments	7	-	-	-	326 981	326 981	326 981
Investment securities	7.2	-	-	2 264	-	2 264	2 264
Loans and advances to customers	8	-	-	-	387 343	387 343	387 343
Other assets	9	-	-	-	23 981	23 981	23 981
		17	27 808	2 264	1 643 051	1 673 140	1 673 140
Financial liabilities							
Derivative liabilities	5	7	-	-	-	7	7
Deposits from banks	16	-	-	-	3 565	3 565	3 565
Deposits from customers	16	-	-	-	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

20 Financial instruments at fair value

The carrying amount of financial instruments carried at amortised cost approximate their fair value in cases where there are short tenures.

20.1 Financial liabilities

The fair value movement of financial liabilities attributable to changes in credit risk cumulative to date is negligible for the Bank.

20.2 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).

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

20.2 Fair value estimation (cont'd)

The following table presents the Bank's assets and liabilities that are measured at fair value at 31 December 2019.

Assets	Note	Fair values ZWL'000	Level 1 ZWL'000	Level 2 ZWL'000	Level 3 ZWL'000	Valuation techniques and inputs
Inflation- adjusted 2019						
Financial assets						
Derivatives assets						
– Foreign exchange contracts		112	-	112	-	Discounted cash flows
Investment securities		17 426	-	-	17 426	Discounted cash flows
Investment property		446 536	-	-	446 536	Sales comparison method, market rentals and yields
Freehold property		372 272	-	-	372 272	Sales comparison method, market rentals and yields
Total assets		836 346	-	112	836 234	
Liabilities						
Financial liabilities						
Derivatives liabilities						
– Foreign exchange contracts	5	15	-	15	-	Discounted cash flows
Total liabilities		15	-	15	-	
Inflation adjusted 2018						
Financial assets						
Derivatives assets						
– Foreign exchange contracts		106	-	106	-	Discounted cash flows
Investment securities		14 059	-	-	14 059	Discounted cash flows
Investment property		167 466	-	-	167 466	Sales comparison method, market rentals and yields
Freehold property		166 868	-	-	166 868	Sales comparison method, market rentals and yields
Total assets		348 499	-	106	348 393	
Liabilities						
Financial liabilities						
Derivatives liabilities						
– Foreign exchange contracts		45	-	45	-	Discounted cash flows
Total liabilities		45	-	45	-	
Historical 2019						
Financial assets						
Derivatives assets						
– Foreign exchange contracts	5	112	-	112	-	Discounted cash flows
Investment securities	6.2	17 426	-	-	17 426	Discounted cash flows
Investment property	11	446 536	-	-	446 536	Sales comparison method, market rentals and yields
Freehold property		372 272	-	-	372 272	Sales comparison method, market rentals and yields
Total assets		836 346	-	112	836 234	
Liabilities						
Financial liabilities						
Derivatives liabilities						
– Foreign exchange contracts	5	15	-	15	-	Discounted cash flows
Total liabilities		15	-	15	-	

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

20.2 Fair value estimation (cont'd)

The following table presents the Bank's assets and liabilities that are measured at fair value at 31 December 2018 historical cost.

Assets	Note	Fair values ZWL'000	Level 1 ZWL'000	Level 2 ZWL'000	Level 3 ZWL'000	Valuation techniques and inputs
Historical 2018						
Financial assets						
Derivatives assets						
– Foreign exchange contracts	5	17	-	17	-	Discounted cash flows
Investment securities	6.2	2 264	-	-	2 264	Discounted cash flows
Investment property	11	26 963	-	-	26 963	Sales comparison method, market rentals and yields
Freehold property		26 045	-	-	26 045	Sales comparison method, market rentals and yields
Total assets		55 289	-	17	55 272	
Liabilities						
Financial liabilities held for trading						
Derivatives liabilities						
– Foreign exchange contracts	5	7	-	7	-	Discounted cash flows
Total liabilities		7	-	7	-	

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

20.2 Fair value estimation (cont'd)

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	2019 Investment property ZWL'000	2019 Freehold property ZWL'000	2019 Total assets ZWL'000	2018 Investment property ZWL'000	2018 Freehold property ZWL'000	2018 Total assets ZWL'000
Inflation-adjusted						
Balance at 1 January	167 466	166 868	334 334	131 225	156 528	287 753
Additions	48 911	25 263	74 174	36 241	8 868	45 109
Transfers in/(out)	-	-	-	-	1 472	1 472
Gains or losses for the period						
Included in profit or loss	230 159	4 363	234 522	-	-	-
Recognised in other comprehensive income	-	175 778	175 778	-	-	-
Balance at 31 December	446 536	372 272	818 808	167 466	166 868	334 334

Reconciliation of level 3 items	2019 Investment property ZWL'000	2019 Freehold property ZWL'000	2019 Total assets ZWL'000	2018 Investment property ZWL'000	2018 Freehold property ZWL'000	2018 Total assets ZWL'000
Historical cost unaudited						
Balance at 1 January	26 963	26 045	53 008	21 128	24 732	45 860
Additions	12 072	1 112	13 184	5 835	1 076	6 911
Transfers into level 3	-	77	77	-	237	237
Transfers out of level 3	-	-	-	-	-	-
Gains or losses for the period						
Included in profit or loss	407 501	-	407 501	-	-	-
Recognised in other comprehensive income	-	339 124	339 124	-	-	-
Balance at 31 December	446 536	366 358	812 894	26 963	26 045	53 008

	Inflation adjusted		Historical cost	
Reconciliation of level 3 items	**2019 Investment securities**	**2018 Investment securities**	**2019 Investment securities**	**2018 Investment securities**
Balance at 1 January	14 059	6 217	2 264	1 001
Additions	-	612	-	99
Gains or losses for the period				
Other movements	-	-	-	-
Recognised in other comprehensive income	3 367	7 230	15 162	1 164
Balance at 31 December	17 426	14 059	17 426	2 264

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

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

Assets	Note	Fair values ZWL'000	Level 1 ZWL'000	Level 2 ZWL'000	Level 3 ZWL'000
Financial assets measured at amortised cost					
Loans and advances to customers		89 194	-	-	89 194
Other assets		-	-	-	-
Total assets		89 194	-	-	89 194
Liabilities					
Financial liabilities measured at amortised cost					
Deposits from customers		254	-	254	-
Other liabilities		3 462	-	-	3 462
Total liabilities		3 716	-	254	3 462

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Financial instruments in level 3

Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
21 INCOME STATEMENT INFORMATION				
21.1 Interest income				
Interest on loans and advances	319 573	284 835	145 774	45 860
Interest on investments	133 927	150 762	54 379	24 274
	453 500	435 597	200 153	70 134
Interest is calculated using the effective interest rate method				
21.2 Interest expense				
Current accounts	1 042	2 074	304	121
Savings and deposit accounts	1 320	900	900	358
	2 362	2 974	1 204	479
Interest expense reported above relates to financial liabilities not carried at fair value through profit or loss.				
21.3 Fees and commission revenue				
Transaction fees	141 509	42 596	69 718	6 858
Knowledge based fees and commission	1 607	2 268	1 075	365
Electronic banking fees	73 184	58 636	37 652	9 441
Other service fees	66 955	68 915	28 966	11 096
Documentation and administration fees	96 422	43 570	42 828	7 015
Card commission	61 937	53 009	29 210	8 535
	441 614	268 994	209 449	43 310
21.3.1 All fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss				
21.4 Fee and commission expense				
Card based commission paid	59 852	28 824	27 158	4 641
21.5 Trading income				
Foreign exchange	801 649	167 817	348 559	27 020

Trading revenue encompasses income realised from the trading of currencies and the structuring of transactions for customers.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

		Inflation adjusted		Historical cost unaudited	
		31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
21.6	**Other income**				
	Operating lease income	2 502	4 251	1 064	684
	Fair value adjustment- investment property (note 11)	230 159	-	407 501	-
	Other	21 878	12 672	62 033	1 364
		254 539	16 923	470 598	2 048
21.7	**Credit impairment charges for the year ended 31 December 2019:**				
	Net expected credit loss raised and released on financial investments (note 7)	38 629	31 750	(9 253)	5 112
	Stage 1	38 629	31 750	(9 253)	5 112
	Stage 2	-	-	-	-
	Stage 3	-	-	-	-
	Net expected credit loss raised and released on balances with other banks (note 4)	(7 900)	(2 751)	(1 551)	(443)
	Stage 1	(7 900)	(2 751)	(1 551)	(443)
	Stage 2	-	-	-	-
	Stage 3	-	-	-	-
	Net expected credit loss raised and released on loans and advances (note 8.3)	(18 313)	6 217	(2 738)	1 001
	Stage 1	24 086	(13 652)	6 795	(2 198)
	Stage 2	(35 472)	28 341	(7 265)	4 563
	Stage 3	(6 927)	(8 472)	(2 268)	(1 364)
	Net expected credit loss raised and released on other assets (note 9)	119 223	-	23 404	-
	Stage 1	119 223	-	23 404	-
	Stage 2	-	-	-	-
	Stage 3	-	-	-	-
	Net expected credit loss raised and released on off- balance sheet exposures (note 26.3)	5 302	(322)	1 458	(52)
	Stage 1	5 298	(963)	1 403	(155)
	Stage 2	4	641	55	103
	Stage 3	-	-	-	-
	Total credit impairment charges (on and off balance sheet)	136 941	34 894	11 320	5 618

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
21.8 Staff costs				
Salaries and allowances	285 426	150 226	150 593	24 187
Bonus provision	166 198	45 824	114 284	7 378
Pension cost	10 577	10 248	4 503	1 650
Equity-settled share based payments	837	1 062	403	171
	463 038	207 360	269 783	33 386
21.9 Other operating expenses				
Amortisation – intangible assets (note 10)	20 797	20 640	3 434	3 323
Auditor's remuneration:				
- Current year audit fees	4 606	963	1 457	155
Communication expenses	16 819	11 129	8 291	1 792
Depreciation (note 12)	25 385	31 582	6 096	4 372
Depreciation right of use assets (note 13)	8 252	-	1 496	-
Information technology	64 297	23 178	35 873	3 732
Inter-company expenses	110 054	42 632	47 480	6 864
Operating lease charges – premises	1 408	4 383	524	706
Premises	26 768	24 661	14 425	3 265
Professional fees	6 195	3 179	3 396	290
Insurance costs	29 182	21 621	14 067	3 481
Processing costs	15 647	4 015	6 965	646
Security expenses	7 394	9 486	3 683	1 527
Travel and entertainment	23 562	8 356	11 099	1 346
Stationery	8 493	2 917	3 310	470
Marketing and advertising	9 539	6 382	3 700	1 028
Other expenses	115 559	28 461	34 782	4 877
	493 957	243 585	200 078	37 874
22 Directors' emoluments and key management compensation				
Non-executive directors' emoluments				
Emoluments of directors in respect of services rendered (included in operating expenses):	6 183	1 876	3 419	302
As directors of the Bank				
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	48 541	24 104	12 870	3 881
Other long term benefits	5 678	2 820	6 549	454
Post-employment benefits	3 953	1 963	685	316
	58 172	28 887	20 104	4 651

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
22.1 Transactions with key management personnel and directors				
Loans to key management personnel and directors				
Balance at 1 January 2019	19 738	16 341	3 178	2 631
Transfers in	296	1 304	296	210
Transfers out	(755)	-	(755)	-
Loans made during the year	3 382	5 652	3 382	910
Repayments made during the year	(1 703)	(3 559)	(1 703)	(573)
Inflation adjustment	(16 560)	-	-	-
Outstanding balance as at 31 December 2019	4 398	19 738	4 398	3 178

Loans to key management personnel and directors bear interest at the Bank's normal lending rate to staff. These are included in loans and advances. No specific impairments have been raised on the outstanding balances. Compensation to key management is disclosed in note 22.

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
22.2 Share based payment scheme (Group share incentive scheme)				
Balance at 1 January	4 230	3 168	681	510
Expenses incurred during the year	837	1 062	403	171
Transfer to retained earnings	-	-	-	-
Payments made	-	-	-	-
Balance at 31 December 2019	5 067	4 230	1 084	681
23 Tax				
23.1 Indirect tax				
Value added tax	36 991	18 191	17 117	2 929
23.2 Direct tax				
Current income tax (note 24.3)	114 361	85 604	114 361	13 783
Deferred income tax (note 17.2)	137 809	34 303	110 311	4 644
	252 170	119 907	224 672	18 427

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
23.3 Tax charge reconciliation				
Accounting profit before tax	242 440	353 503	702 099	57 585
Income tax based on profit for the year at 25.75% (2018:25.75%)	62 428	91 027	180 790	14 828
Charge/(credit) resulting from permanent differences:				
Depreciation on motor vehicles above deemed costs	1 539	814	405	131
Entertainment expenses	21	25	8	4
Group share incentive scheme	216	273	104	44
Donations	737	161	503	26
Pension	181	329	77	53
Dividend received	(1 898)	(2 242)	(1 137)	(361)
Group recharges above 1% of operating expenses	25 905	10 254	12 724	1 651
Non taxable interest income	(5 774)	(13 987)	(2 208)	(2 252)
Transaction taxes	1 001	-	456	-
Other	167 814	33 253	32 950	4 303
Tax charge for the year	252 170	119 907	224 672	18 427
24 Net cash flows from operating activities				
24.1 Decrease/ (increase) in loans and advances				
Decrease/ (increase) in loans and advances	1 466 563	(353 614)	(551 860)	(56 934)
Credit impairments IFRS 9 transitional adjustment	-	(49 265)	-	(7 932)
Impairment transfers	-	62	-	10
Credit impairments (note 21.7)	18 313	(6 217)	2 738	(1 001)
	1 484 876	(409 034)	(549 122)	(65 857)
24.2 Increase in provisions and other liabilities				
Provisions	59 917	1 851	103 955	298
Other liabilities	156 875	193 222	592 294	31 110
	216 792	195 073	696 249	31 408
24.3 Direct tax paid				
Current income tax (liability)/asset at beginning of the year	(12 855)	19 869	(2 070)	3 199
Income statement charge (note 23.2)	(114 361)	(85 604)	(114 361)	(13 783)
Current income tax liability at the end of the year	31 062	12 855	31 062	2 070
	(96 154)	(52 880)	(85 369)	(8 514)

25 Related party disclosures

25.1 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 Limited, on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
25.1.1 (a)Stanbic Nominees Limited	-	-	-	-
Stanbic Nominees Limited is a wholly owned subsidiary of Stanbic Bank Zimbabwe				
25.1.1(b) Related through common shareholding				
Stanbic Bank Botswana Limited	3 782	6 571	3 782	1 058
Stanbic Bank Swaziland Limited	5	-	5	-
Stanbic Bank Malawi Limited	53	50	53	8
Stanbic Bank Kenya Limited	21	50	21	8
Stanbic Bank Zambia Limited	2 352	12	2 352	2
Standard Bank South Africa Limited	206 544	38 775	206 544	6 243
	212 757	45 458	212 757	7 319

The above lists of financial institutions are related parties to Stanbic Bank Zimbabwe because they are subsidiaries of the Standard Bank Group Limited, the parent company of the Bank or are shareholders in the parent company. The above transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with customers. The balances are unsecured and no guarantees have been received and cash consideration is not provided in settlement.

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
25.1.1 (c) Related through shareholding in the parent company				
Industrial and Commercial Bank of China	133	236	133	38
25.1.2 Transactions				
Interest income from:				
Standard Bank South Africa Limited	3 992	93	1 738	15
25.1.3 Group recharges	110 054	42 632	47 480	6 864
Group recharges include franchise fees and project expenses incurred by the Standard Bank Group on behalf of its subsidiaries				
25.2 Loans and advances and deposits with related parties-related through common directorship				
Total loans and advances	1 848	8 273	1 848	1 332
Total customer deposits	2 643	3 341	2 643	538

26 Contingent liabilities and commitments

The Bank had written letters of credit and guarantees amounting to ZWL475.3 million as at 31 December 2019 (2018: ZWL52.4 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.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
26.1 Commitments				
As at 31 December 2019 the contractual amounts of the Bank's commitments to capital expenditure or to extend credit to its customers were as follows:				
Capital commitments				
Capital expenditure authorised but not yet contracted	376 413	113 803	376 413	18 323
The expenditure will be funded from internal resources.				
26.2 Loan commitments	224 101	592 493	224 101	95 395

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

26.3 IFRS 9 impairments on off balance sheet items

	Letters of credit ZWL'000	Guarantees ZWL'000	Loan commitments ZWL'000	Total ZWL'000
31 December 2019				
Stage 1- inflation-adjusted				
Balance at the beginning of the year	385	435	1 217	2 037
Net movement	1 288	1 261	2 749	5 298
Originated impairments raised	189	528	2 349	3 066
Subsequent changes in expected credit losses	1 152	744	642	2 538
Transfer to stage 2	4	-	109	113
Derecognised including write offs	(57)	(11)	(351)	(419)
Other movements	(1 270)	(1 292)	(3 042)	(5 604)
Balance at the end of the period	403	404	924	1 731
Stage 2- inflation-adjusted				
Balance at the beginning of the year	6	50	1 267	1 323
Net movement	-	(1)	5	4
Originated impairments raised	-	-	9	9
Subsequent changes in expected credit losses	1	(1)	7	7
Transfer to stage 1	(4)	-	(109)	(113)
Derecognised including write offs	3	-	98	101
Other movements	(6)	(49)	(1 004)	(1 059)
Balance at the end of the period	-	-	268	268
Total expected credit loss stage 1 and 2 (note 21.7)	1 288	1 260	2 754	5 302
Total ECL balance at 31 December 2019	403	404	1 192	1 999
31 December 2018				
Stage 1 inflation adjusted				
Balance at the beginning of the year	199	559	2 242	3 000
Net movement	186	(124)	(1 025)	(963)
Originated impairments raised	174	248	845	1 267
Subsequent changes in expected credit losses	19	(410)	(690)	(1 081)
Transfer to stage 2	-	50	-	50
Derecognised including write offs	(7)	(12)	(1 180)	(1 199)
Balance at the end of the period	385	435	1 217	2 037
Stage 2 inflation adjusted				
Balance at the beginning of the year	19	62	602	683
Net movement	(12)	(12)	665	641
Originated impairments raised	7	31	478	516
Subsequent changes in expected credit losses	-	13	659	672
Transfer to stage 1	-	(50)	-	(50)
Derecognised including write offs	(19)	(6)	(472)	(497)
Other movements	(1)	-	-	(1)
Balance at the end of the period	6	50	1 267	1 323
Total expected credit loss stage 1 and 2 (note 21.7)	174	(136)	(360)	(322)
Total ECL balance at 31 December 2018	391	485	2 484	3 360

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

26.3 IFRS 9 impairments on off balance sheet items (cont'd)

	Letters of credit ZWL'000	Guarantees ZWL'000	Loan commitments ZWL'000	Total ZWL'000
31 December 2019				
Stage 1 historical cost unaudited				
Balance at the beginning of the year	62	70	196	328
Net movement	341	334	728	1 403
Originated impairments raised	50	140	622	812
Subsequent changes in expected credit losses	305	197	170	672
Transfer to stage 2	1	-	29	30
Derecognised including write offs	(15)	(3)	(93)	(111)
Balance at the end of the period	403	404	924	1 731
Stage 2 historical cost unaudited				
Balance at the beginning of the year	1	8	204	213
Net movement	(1)	(8)	64	55
Originated impairments raised	-	-	130	130
Subsequent changes in expected credit losses	7	(7)	97	97
Transfer to stage 1	-	(1)	(29)	(30)
Derecognised including write offs	(8)	-	(134)	(142)
Balance at the end of the period	-	-	268	268
Total expected credit loss stage 1 and 2 (note 21.7)	340	326	792	1 458
Total ECL balance at 31 December 2019	403	404	1 192	1 999
31 December 2018				
Stage 1 historical cost unauditeds				
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 21.7)	28	(22)	(58)	(52)
Total ECL balance at 31 December 2018	63	78	400	541

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

	Inflation adjusted		Historical cost unaudited	
	31 December 2019 ZWL'000	31 December 2018 ZWL'000	31 December 2019 ZWL'000	31 December 2018 ZWL'000
26.4 Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases are:				
Properties				
Within 1 year	-	3 671	-	591
Within 5 years	-	6 962	-	1 121
Equipment				
Within 1 year	-	4 621	-	744

These commitments comprise a number of separate operating leases in relation to property and equipment, none of which is individually significant to the Bank.

26.5 Legal proceedings

In the conduct of its ordinary business, the Bank is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations. The directors are satisfied, based on present information and the assessed probability of claims emerging that the Bank has adequate insurance programmes and provisions in place to meet such claims.

27 Custodial services

The Bank provides custodial services to individuals and institutions by holding assets (mainly share certificates) on behalf of customers. As at 31 December 2019, funds under custody amounted to ZWL6 billion (2018: ZWL3.9 billion) and fee income amounting to ZWL31.6 million on an inflation adjusted basis (2018: ZWL32.4 million) had been earned in return for these services. The historical cost fee and commission income earned amounted to ZWL12.4 million (2018:4.5 million).

28 Dividend declaration

No dividend has been proposed by the directors for 2019 (2018:nil).

29 Subsequent events

At the time of preparing this report the existence of the novel coronavirus (Covid-19) had been confirmed in Zimbabwe. During this outbreak, protecting the health and well-being of our staff, clients and other key stakeholders is at the centre of our response plans. Precautionary measures have been put in place and are consistent with protocol from the World Health Organisation and the Bank's policies. We have activated our business continuity plans to ensure continued performance of essential functions even under stressed conditions and identified appropriate mitigants to address the challenges being faced. We are also working with other key partners to identify appropriate interventions that will support our clients through this challenging time and ensure the continued stability and smooth operations of the financial system.

The Bank is well capitalised and liquid.

We are also working closely with our clients to identify and remediate any potential challenges they may face and are confident that the right attention is being applied across the spectrum of risks that need to be managed.

Given that the outbreak occurred post the 2019 year-end, it is a non-adjusting post reporting date event.

The Bank has carried out an initial impact assessment of the virus on business operations. These impact assessments will remain ongoing during and post the COVID-19 period. Credit risk assessments on the Bank's lending and trade finance products in both CIB and PBB have been carried out and the expected deterioration in credit risk was included in deriving the revised credit risk grades for customers in the tourism sector which is, so far, the hardest hit industry. In addition, credit risk grades for customers that rely heavily on imported raw materials have been reviewed downwards on account of the challenges brought about by COVID-19 which will see companies failing to restock and, in turn, resulting in job losses and company closures.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

29 Subsequent events (cont'd)

Additional IFRS 9 impairments brought about by COVID-19 have already been recognised and attention remains directed at maintaining a quality lending book through enhanced monitoring of facilities that are showing signs of stress and taking the necessary corrective actions before the facilities reach the 30 days and over IFRS 9 bucket where lifetime impairments are recognised. The IFRS 9 forward looking information has already been updated taking into account the significant changes in the macro economic indicators brought in by the virus. Given the expected increase in demand for credit during and after the COVID-19 period, the Bank continues to track its liquidity ratios and its balance sheet efficiency ratios in order to ensure compliance with regulatory requirements during this challenging period. We continue to monitor our key performance indicators as we strive to minimise the impact of the deadly pandemic on business performance through taking the necessary actions in time such as deciding on the number of points of representation available to our customers during this period as well as strengthening our digitisation drive in order to support our customers as they navigate through these trying times.

At this time, the situation is still evolving and the impact on communities and business activities is difficult to quantify. The impact will be considered and included in strategy, long and short-term budget plans as well as the 2020 macroeconomic forecasts that are incorporated into the IFRS 9 expected credit loss provisions, and all other financial estimates.

30 External credit ratings

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

Rating scale	2019	2018	2017	2016	2015
Long term	AA	AA-	AA-	AA-	AA-

31 CAMELS RATINGS and Reserve Bank of Zimbabwe inspection

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

32 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

32.1 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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

For the year ended 31 December 2019

32.2 KEY

Low - reflects a lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's overall financial condition.

Summary risk matrix key

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.

RISK MANAGEMENT AND CONTROL

For the year ended 31 December 2019

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.

Specific information on risk and capital management integral to the audited annual financial statements can be found under the following sections of this risk and capital management report:

- risk categories, pages 112-113;
- capital management, pages 113-115;
- credit risk, pages 115-119;
- liquidity risk, pages 120-124,
- market risk, pages 125-128 and
- foreign currency risk, page 128.

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

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

- operational risk, page 129;
- information risk, page 130;
- fraud risk, page 130;
- legal risk, page 131;
- tax risk, page 131;
- compliance risk, page 131 and
- reputational risk, page 132.

Risk management framework

Risk governance standards, policies and procedures

The Bank has developed a set of risk governance standards for each major risk type. The standards set out and ensure alignment and consistency in the manner in which the major risk types across the Bank are identified, measured, managed, controlled and reported.

All standards are applied consistently across the Bank and are approved by the Board. It is the responsibility of business unit management to ensure that the requirements of the risk governance standards, policies and procedures are implemented and independently monitored by the Risk Management Department.

Each standard is supported by Bank policies and procedures manuals as required.

Compliance with risk standards, policies and procedures is controlled through annual self- assessments by the business units and the risk Department, supported by the Internal Audit Department (the local internal audit function is augmented by visits and reviews by the Standard Bank Group internal audit).

Risk appetite

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

The Board establishes the Bank's parameters for risk appetite by:

- providing strategic leadership and guidance;
- reviewing and approving annual budgets and forecasts for the Bank and business units; and
- regularly reviewing and monitoring the Bank's performance in relation to risk through quarterly Board reports.

Stress testing

Stress testing involves identifying possible events or future changes in economic conditions that could have an unfavourable impact on the Bank. It is used to assess and manage the adequacy of regulatory and economic capital and is therefore an integral component of the Bank's internal capital adequacy assessment process. The Bank's stress testing framework guides the regular execution of stress tests at the portfolio, business unit and Bank levels.

Management reviews the outcome of stress tests and selects appropriate mitigating actions to minimise and manage the risks to the Bank at the various levels.

The impact and outcomes of stress scenarios are ultimately assessed against earnings and capital adequacy on a consolidated basis across all risk types and compared with the Bank's set risk appetite. Stress tests are also used to proactively manage the risk profile of the Bank, capital planning and management, strategic business planning and the setting of capital buffers.

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

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.

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

- **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.

Basel II

The Bank has made all the necessary preparations for the implementation of Basel II Capital Adequacy Framework ("Basel II") and awaits further instructions from the Reserve Bank of Zimbabwe for full switch-over.

Capital management

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

The Bank's objectives when managing capital are to:

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

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

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 2019 ZWL'000**	**31 December 2018 ZWL'000**
Ordinary paid up share capital	260	260
Share premium	10 790	10 790
Retained earnings	626 892	149 465
Market and operational risk	(62 681)	(8 766)
Less exposure to insiders	(1 848)	(3 452)
Reserves	14 774	3 113
Tier 1 capital	588 187	151 410
Revaluation reserve	255 575	2 147
General provisions (limited to 1.25% of risk weighted assets)	43 745	8 929
Tier 2 capital	299 320	11 076
Market risk	20 384	1 419
Operational risk	42 297	7 346
Tier 3 capital	62 681	8 765
Total Tier 1 and 2 capital	887 507	162 486
Tier 3	62 681	8 765
	950 188	171 251
Risk weighted assets ("RWAs")	2 716 090	604 743
Operational risk equivalent assets	528 707	91 827
Market risk equivalent assets	254 805	17 742
Total risk weighted assets ("RWAs")	3 499 602	714 312
Tier 1 capital ratio	17%	21%
Tier 1 and 2 capital ratio	25%	23%
Tier 1, 2 and Tier 3 capital	27%	24%
Capital adequacy ratio excluding market and operational risk weighted assets	27%	24%

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

Regulatory capital

During the period under review, the Bank complied with all externally imposed capital requirements, mainly, but not limited to, the relevant requirements of the Banking Act of Zimbabwe (Chapter 24:20) (which are broadly consistent with the Basel II guidelines issued by the Bank for International Settlements).

In addition to the requirements of the Zimbabwean regulators, the Bank also complies with the capital adequacy requirements in terms of South African banking regulations, required by it being a subsidiary of the Standard Bank Group Limited.

Regulatory capital adequacy is measured via two risk-based ratios, i.e. *Total Tier 1 and Total capital adequacy* ratios. Both measures of capital are stated as a percentage of risk-weighted assets.

Total Tier 1 (primary capital) represents the permanent forms of capital such as share capital, share premium, retained earnings and perpetual, non-cumulative preference shares whilst *total capital adequacy* also includes other items such as non distributable reserves and credit impairment reserves.

Risk-weighted assets are determined on a granular basis by using risk weights calculated from internally derived risk parameters. Both on and off-balance sheet exposures are included in the overall credit risk-weighted assets of the Bank. The risk-weighted assets for the market and operational risk components are determined using the risk drivers that impact on regulatory capital as inputs.

Capital adequacy ratios

Total Tier 1 capital is ZWL588.2 million as at 31 December 2019, whilst total capital for accounting purposes is ZWL908 million. The Bank's capital adequacy ratio of 27% at 31 December 2019 (31 December 2018:24%) was comfortably above the minimum ratio of 12% set by the RBZ.

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 uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the Bank's 25-point master rating scale. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

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:

Master rating scale band	SICR trigger (from origination)
SB1-12	Low credit risk
SB13-20	3 rating or more
SB21-25	1 rating or more

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the Bank's master rating scale as investment grade (within credit risk grade 1 - 12 of the Bank's 25-point master rating scale) are assessed for SICR at each reporting date but are considered to be of a low credit risk for IFRS 9 purposes.

Credit risk mitigation

Wherever warranted, the Bank will attempt to mitigate credit risk, including CCR to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

Collateral, parental guarantees, credit derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Credit risk mitigation policies and procedures ensure that risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

In the case of collateral where the Bank has an unassailable legal title, the Bank's policy is such that collateral is required to meet certain criteria for recognition in loss given default (LGD) modelling, including that it:

- is readily marketable and liquid
- is legally perfected and enforceable
- has a low valuation volatility
- is readily realisable at minimum expense
- has no material correlation to the obligor credit quality
- has an active secondary market for resale.

The main types of collateral obtained by the Bank for its banking book exposures include:

- mortgage bonds over residential, commercial and industrial properties
- cession of book debts
- pledge and cession of financial assets
- bonds over plant and equipment
- the underlying movable assets financed under leases and
- instalment sales.

Reverse repurchase agreements and commodity leases to customers are collateralised by the underlying assets.
Guarantees and related legal contracts are often required, particularly in support of credit extension to groups of companies and weaker obligors. Guarantors include banks, parent companies, shareholders and associated obligors. Creditworthiness is established for the guarantor as for other obligor credit approvals.

Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if the mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

Wrong-way risk arises in transactions where the likelihood of default (i.e. the probability of default (PD) by a counterparty and the size of credit exposure (as measured by EAD) to that counterparty tend to increase at the same time. This risk is managed both at an individual counterparty level and at an aggregate portfolio level by limiting exposure to such transactions, taking adverse correlation into account in the measurement and mitigation of credit exposure and increasing oversight and approval levels. The Bank has no appetite for wrong-way risk arising where the correlation between EAD and PD is due to a legal, economic, strategic or similar relationship (i.e. specific wrong-way risk). General wrong-way risk, which arises when the correlation between EAD and PD for the counterparty, due mainly to macro factors, is closely managed within existing risk frameworks.

To manage actual or potential portfolio risk concentrations in areas of higher credit risk and credit portfolio growth, the Bank implements hedging and other strategies from time-to-time. This is done at individual counterparty, sub-portfolio and portfolio levels through the use of syndication, distribution and sale of assets, asset and portfolio limit management, credit derivatives and credit protection.

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

Credit risk mitigation for portfolios under the standardised approach (historical cost and inflation-adjusted)

	Total exposure ZWL'000	Unsecured exposures ZWL'000	Secured exposures ZWL'000	Netting agreements ZWL'000	Secured exposure after netting	Collateral coverage tangible greater than 0%-50%	50%-100%	Greater than 100%
2019								
Corporate and Investment Banking ("CIB")	462 638	436 316	26 322	-	26 322	2 198	6 728	17 396
Personal and Business Banking ("PBB")	504 923	431 792	73 132	-	73 132	17 220	12 005	43 907
Total	967 561	868 108	99 454	-	99 454	19 418	18 733	61 303
Add financial assets subject to credit risk	4 676 079							
Cash and cash equivalents	4 454 894							
Other financial assets	221 185							
Less impairments for financial assets	(61 203)							
Net exposure	5 582 437							

Collateral includes the following: immovable property, guarantee, tradeable security, insurance policy, book debts.

Credit risk mitigation for portfolios under the standardised approach (historical cost and inflation adjusted)

	Total exposure ZWL'000	Unsecured exposures ZWL'000	Secured exposures ZWL'000	Netting agreements ZWL'000	Secured exposure after netting	Collateral coverage tangible greater than 0%-50%	50%-100%	Greater than 100%
2018								
Corporate and Investment Banking ("CIB")	196 499	164 786	31 713	-	31 713	19 640	4 584	7 489
Personal and Business Banking ("PBB")	221 434	115 888	105 546	-	105 546	22 505	41 583	41 458
Total	417 933	280 674	137 259	-	137 259	42 145	46 167	48 947
Add financial assets subject to credit risk	1 272 883							
Cash and cash equivalents	932 554							
Other financial assets	340 329							
Less impairments for loans and advances	(42 044)							
Net exposure	1 648 772							

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

Credit portfolio characteristics and metrics

Maximum exposure to credit risk

Debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using the Bank's master rating scale. Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of the Bank's master rating scale. The Bank uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table below. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable PPB portfolios. The Bank distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

Default

The Bank's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the BASEL definition) as occurring at the earlier of:

- where, in the Bank's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Bank will not rebut IFRS 9's 90 days past due rebuttable presumption.

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)
- a breach of contract, such as default or delinquency in interest and/or principal payments
- disappearance of active market due to financial difficulties
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Bank would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

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 2019 are set out in the table below:

Exposure to credit risk by credit quality as at 31 December 2019 (ZWL'000)- historical cost and inflation adjusted

	Gross total (advances and financial investments)	Credit risk grade SB1 - SB12		Credit risk grade SB13 - SB20		Credit risk grade SB21 - SB25			Stage 3 Balance sheet impairments
		Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Default	(stage 3)
Personal and Business Banking-("PBB")									
Mortgage loans	19 784	19 052	-	-	-	-	397	336	(213)
Instalment sale and finance leases	56 545	-	-	54 699	-	-	1 847	-	-
Personal unsecured lending	173 539	14 869	-	147 007	-	-	10 648	1 014	(860)
Business lending and other	255 055	11 740	-	234 289	-	-	5 763	3 262	(1 113)
Total loans PBB	504 923	45 661	-	435 995	-	-	18 655	4 612	(2 186)
Corporate and Investment Banking- loans and advances-("CIB")									
Corporate lending (CIB)	462 638	18 925	-	392 910	28 905	21 424	474	-	-
Total gross loans and advances	967 561	64 586	-	828 905	28 905	21 424	19 129	4 612	(2 186)
Pledged assets	49 408	-	-	-	-	49 408	-	-	-
Financial investments at amortised cost									
Corporate & Investment Banking									
Sovereign	154 351	-	-	-	-	154 351	-	-	-
Banking	-	-	-	-	-	-	-	-	-
Total financial investments	154 351	-	-	-	-	154 351	-	-	-
Expected credit loss for loans and advances and financial investments									
Stage 1	(11 547)	(387)	-	(5 345)	-	(5 815)	-	-	-
Stage 2	(16 438)	-	-	-	(460)	-	(15 978)	-	-
Stage 3	(2 186)	-	-	-	-	-	-	(2 186)	-

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

Exposure to credit risk by credit quality as at 31 December 2019 (ZWL'000)- historical cost and inflation adjusted (cont'd)

	Gross total (advances and financial investments)	Risk grade SB1 - SB12 Stage 1	Risk grade SB1 - SB12 Stage 2	Risk grade SB13 - SB20 Stage 1	Risk grade SB13 - SB20 Stage 2	Risk grade SB21 - SB25 Stage 1	Risk grade SB21 - SB25 Stage 2	Default	Stage 3 Balance sheet impairments (stage 3)
Net loans and advances and financial investments	1 141 149	64 199	-	823 560	28 445	219 368	3 151	2 426	-
Off balance sheet exposures									
Letters of credit	98 244	81 167	-	15 422	-	1 655	-	-	-
Guarantees	46 460	26 010	-	20 432	-	5	13	-	-
Irrevocable unutilised facilities	148 924	83 433	-	59 904	1 297	2 260	2 030	-	-
Expected credit loss for off balance sheet exposures									
Stage 1	(1 731)	(493)	-	(736)	-	(502)	-	-	-
Stage 2	(268)	-	-	-	(54)	-	(214)	-	-
Add the following other banking activities exposures:									
Cash and balances with central bank	4 454 788								
Investment securities	17 426								
Derivative assets	112								
Other assets	1 021 789								
Total exposure to credit risk	6 926 893								

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 as at the financial year ended 31 December 2019 amounted to ZWL746.8 million (2018: ZWL201 million).

Exposure to credit risk by credit quality as at 31 December 2018 (ZWL'000) (historical cost and inflation adjusted)

	Gross total (advances and financial investments)	Risk grade SB1 - SB12 Stage 1	Risk grade SB1 - SB12 Stage 2	Risk grade SB13 - SB20 Stage 1	Risk grade SB13 - SB20 Stage 2	Risk grade SB21 - SB25 Stage 1	Risk grade SB21 - SB25 Stage 2	Default	Stage 3 Balance sheet impairments (stage 3)
Personal and Business Banking-("PBB")									
Home loans	20 160	18 014	-	-	-	-	1 805	341	(133)
Instalment sale and finance leases	22 741	18 272	-	-	-	-	3 457	1 012	(714)
Personal unsecured lending	82 927	76 440	-	-	-	-	5 068	1 419	(1 060)
Business term loans and overdrafts	95 606	74 273	-	-	-	-	17 004	4 329	(771)
Total loans PBB	221 434	186 999	-	-	-	-	27 334	7 101	(2 678)
Corporate and Investment Banking-("CIB")-Corporate loans	196 499	168 036	-	-	9 234	3 430	15 799	-	-
Total	417 933	355 035	-	-	9 234	3 430	43 133	7 101	(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)	(13 855)	-	-	-	(150)	-	-	-
Stage 2	(23 704)	-	-	-	(3 308)	-	(20 396)	-	-
Stage 3	(2 678)	-	-	-	-	-	-	(2 678)	-
Net loans and advances and financial investments	715 594	341 180	-	-	5 926	3 280	360 785	4 423	-
Off balance 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	(542)	(329)	-	-	(213)	-	-	-	-
Stage 1	(329)	(329)	-	-	-	-	-	-	-
Stage 2	(213)	-	-	-	(213)	-	-	-	-
Add the following other banking activities exposures									
Cash and cash equivalents	932 554								
Investment securities	2 264								
Derivative assets	17								
Other assets	23 981								
Total exposure to credit risk	1 750 064								

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

Liquidity risk

Definition

Liquidity risk arises when the Bank is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due or can only do so on materially disadvantageous terms. This may be caused by the Bank's inability to liquidate assets or to obtain funding to meet its liquidity needs.

Framework and governance

The Board sets and reviews the liquidity risk governance standard annually in accordance with regulatory requirements, international best practice and the Bank's stated risk appetite. This ensures that a comprehensive and consistent governance framework for liquidity risk management is followed. The Bank has an Asset and Liability Committee ("ALCO") responsible for ensuring compliance with liquidity risk policies. Under the delegated authority of the Board of Directors, ALCO sets liquidity risk standards in accordance with regulatory requirements and international best practice. This ensures that a comprehensive and consistent governance framework for liquidity risk management is followed across the Bank. Furthermore, the Bank's ultimate parent company, the Standard Bank Group Limited runs a Group ALCO function that monitors the various indicators in each country where its subsidiaries operate, thus ensuring a double layer of coverage for ALCO purposes.

Liquidity and funding management

The Bank is substantially aligned to the Basel Committee's principles for sound liquidity management as applied to banks.

The Bank is required to incorporate the following elements in its liquidity management process:

- maintaining a sufficiently large liquidity buffer;
- ensuring a structurally sound statement of financial position;
- short-term and long-term cash flow management;
- foreign currency liquidity management;
- preserving a diversified funding base;
- undertaking regular liquidity stress testing and scenario analysis; and
- maintaining adequate contingency funding plans.

The cumulative impact of the above elements is monitored on a monthly basis by the ALCO and the process is underpinned by a system of extensive controls. These include the application of purpose built technology, documented processes and procedures, independent oversight and regular independent reviews and evaluations of the effectiveness of the system.

In periods of increased volatility, the frequency of ALCO meetings is increased significantly to facilitate appropriate management action.

Funding base

The primary sources of funding are deposits from retail and corporate clients.

Liquidity stress testing and scenario analysis

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the Bank's funding profiles and liquidity positions. The crisis impact is typically measured over a two-month period, as this is considered the most crucial time horizon for a liquidity event. This may however vary depending on the severity of the stress scenario.

Anticipated on and off-balance sheet cash flows are subjected to a variety of bank-specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. Under each scenario, loan portfolios are assumed to roll over. However, the rollover of liabilities will be partially impaired resulting in a funding shortfall. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the Bank's ability to maintain sufficient liquidity under adverse conditions. The results also inform target liquidity buffer positions. The Bank's internal stress tests continue to be updated to align with Basel requirements and also reflect new reporting requirements and annual review amendments.

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

Maturity analysis of assets and liabilities:

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

31 December 2019 liquidity gap analysis (ZWL'000)	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	Above 1 year	Insensitive portion	Total
Assets							
Cash and cash equivalents	4 444 746	-	10 148	-	-	(106)	4 454 788
Derivative assets	112	-	-	-	-	-	112
Pledged assets	-	49 408	-	-	-	-	49 408
Financial investments	-	154 351	-	-	-	(1 814)	152 537
Investment securities	-	-	-	-	-	17 426	17 426
Loans and advances to customers	431 617	22 134	137 574	146 391	229 845	(28 358)	939 203
Other assets	10 943	178 490	-	-	863 578	(31 222)	1 021 789
Total	4 887 418	404 383	147 722	146 391	1 093 423	(44 074)	6 635 263
Equity and liabilities							
Derivative liabilities	15	-	-	-	-	-	15
Deposits from customers and other banks	5 550 305	723	-	42 000	7 165	-	5 600 193
Other liabilities	97	542 921	211 386	16 154	39 443	212 564	1 022 565
Total	5 550 417	543 644	211 386	58 154	46 608	212 564	6 622 773
Liquidity gap	(662 999)	(139 261)	(63 664)	88 237	1 046 815	(256 638)	
Cumulative liquidity gap	(662 999)	(802 260)	(865 924)	(777 687)	269 128	-	
Off-balance sheet exposures							
Letters of credit	(4 062)	(338 309)	(66 059)	-	-	-	
Financial guarantees	(2 372)	(9 579)	(11 798)	(43 160)	-	-	
Total liquidity gap (on-and off balance sheet)	(669 433)	(1 150 148)	(943 781)	(820 847)	269 128	-	
Total cumulative liquidity gap	(669 433)	(1 156 582)	(1 298 103)	(1 253 026)	(206 211)	-	

Other assets include intangible assets, investment property and plant and equipment. Other liabilities include internal clearing accounts.

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

Maturity analysis of assets and liabilities:

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

31 December 2018 liquidity gap analysis (ZWL'000)	Redeemable on demand	Up to 1 month	1-3 months	3-12 months	Above 1 year	Insensitive portion	Total
Assets							
Cash and cash equivalents	793 624	64 269	76 318	-	-	(1 657)	932 554
Derivative assets	17	-	-	-	-	-	17
Financial assets available for sale	-	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	-	-	-	-	23 981
Total	999 937	99 105	231 357	264 007	118 514	(39 780)	1 673 140
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
Total	1 511 196	65 945	14 936	5 016	3 716	2 646	1 603 455
Liquidity gap	(511 259)	33 160	216 421	258 991	114 798	(42 426)	
Cumulative on-balance sheet 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, deferred tax assets, investment property and plant and equipment. Other liabilities include current tax liabilities.

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

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 ZWL as the primary functional currency in Zimbabwe means that significant foreign currencies to the Bank are the United States dollar ("USD"), South African Rand ("ZAR") and the Pound sterling. These three foreign currencies (and other minor ones) contribute 45% (2018:1%) 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 2019	**Total ZWL'000**	**ZWL ZWL'000**	**USD ZWL'000**	**ZAR ZWL'000**	**GBP ZWL'000**	**Other ZWL'000**
Assets						
Cash and cash equivalents	4 454 788	1 691 933	2 518 880	133 945	9 595	100 435
Derivative assets	112	112	-	-	-	-
Pledged assets	49 408	49 408	-	-	-	-
Financial investments	152 537	152 537	-	-	-	-
Investment securities	17 426	17 426	-	-	-	-
Loans and advances to customers	939 203	926 542	12 661	-	-	-
Other assets	1 037 552	25 154	998 073	5 706	840	7 779
Intangible assets	38 075	36 795	1 280	-	-	-
Investment property	446 536	446 536	-	-	-	-
Property and equipment	393 519	393 519	-	-	-	-
Right of use assets	1 908	1 908	-	-	-	-
Total assets	7 531 064	3 741 870	3 530 894	139 651	10 435	108 214
Equity and liabilities						
Equity	908 291	908 291	-	-	-	-
Ordinary share capital	260	260	-	-	-	-
Ordinary share premium	10 790	10 790	-	-	-	-
Reserves	897 241	897 241	-	-	-	-
Liabilities	6 622 773	3 220 443	3 101 491	152 061	19 570	129 208
Derivative liabilities	15	15	-	-	-	-
Total deposits	5 600 193	2 931 800	2 438 514	96 828	18 172	114 879
Deposits from other banks	133 854	-	63 696	26 430	16	43 712
Deposits from customers	5 466 339	2 931 800	2 374 818	70 398	18 156	71 167
Deferred and current tax liabilities	233 307	233 307	-	-	-	-
Other liabilities	789 258	55 321	662 977	55 233	1 398	14 329
Total equity and liabilities	7 531 064	4 128 734	3 101 491	152 061	19 570	129 208
Currency gap	-	(386 864)	429 403	(12 410)	(9 135)	(20 994)
Currency size as % of overall statement of financial position	100%	55%	41%	2%	0%	2%

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

Statement of financial position by currency as at 31 December 2018	Total ZWL'000	ZWL ZWL'000	ZAR ZWL'000	EURO ZWL'000	GBP ZWL'000	Other ZWL'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%

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

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 2019 by 8.05% (2018:7.56%). The table below indicates the ZWL 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	**2019 ZWL'000**	**2018 ZWL'000**
Increase in basis points	100	100
Sensitivity of annual net interest income	9 834	2 649
Sensitivity of OCI	-	-
Decrease in basis points	100	100
Sensitivity of annual net interest income	(10 871)	(3 754)
Sensitivity of OCI	-	-

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

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

31 December 2019 interest rate repricing gap analysis (ZWL'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	-	2 074 943	-	-	-	2 379 845	4 454 788
Derivative assets	-	-	-	-	-	112	112
Pledged assets	-	49 408	-	-	-	-	49 408
Financial investments	-	154 351	-	-	-	(1 814)	152 537
Investment securities	-	-	-	-	-	17 426	17 426
Loans and advances to customers	-	956 191	-	-	-	(16 988)	939 203
Other assets	-	-	-	-	-	1 021 789	1 021 789
Total	-	3 234 893	-	-	-	3 400 370	6 635 263
Equity and liabilities							
Derivative liabilities	-	-	-	-	-	15	15
Deposits from customers and other banks	-	2 738 131	-	42 000	594	2 819 468	5 600 193
Other liabilities	-	-	-	-	-	1 022 565	1 022 565
Total	-	2 738 131	-	42 000	594	3 842 048	6 622 773
Interest rate repricing gap	-	496 762	-	(42 000)	(594)	(441 678)	
Cumulative interest rate repricing gap	-	496 762	496 762	454 762	454 168	-	

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

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

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

31 December 2018 interest rate repricing gap analysis (ZWL'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	-	-	-	-	16 999	23 981
Total	498 736	74 070	201 705	190 079	1 427	707 123	1 673 140
Equity and liabilities							
Derivative liability	-	-	-	-	-	7	7
Deposits from customers and other banks	359 679	-	-	170	245	1 151 524	1 511 618
Other liabilities	-	-	-	-	-	91 830	91 830
Total	359 679	-	-	170	245	1 243 361	1 603 455
Interest rate repricing gap	139 057	74 070	201 705	189 909	1 182	(536 238)	
Cumulative interest rate repricing gap	139 057	213 127	414 832	604 741	605 923	-	

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

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

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 2019

	Maximum possible loss in December 2019 ZWL'000	Minimum possible loss in December 2019 ZWL'000	Average possible loss ZWL'000	Possible loss at 31 December 2019 ZWL'000	Maximum acceptable VaR loss ZWL'000
Normal VaR	253.677	165.884	204.508	253.677	510.196
Stress VaR	2065.075	1129.520	1606.503	2065.075	2341.562

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

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 2019 was ZWL253 677 (2018:ZWL5 049), and the minimum possible loss was ZW165 884 (2018:ZWL3 554), with an average possible loss of ZWL204 508 (2018:ZWL4 476) in comparison to the maximum acceptable possible loss of ZWL510 196 (2018:ZWL23 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.

The management and measurement of operational risk

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

Risk assessments are supplemented with loss data experience. The Bank ensures the systematic tracking of operational risk losses and near miss events by business line via a centralised database ("Orbit"). The detailed loss data collection ("LDC") process occurs at a decentralised level within each functional area. The information is centralised by ORM who are responsible for defining the parameters, database fields and maintaining the integrity of the data. Line management in each functional area is responsible for driving the LDC process supported by the independent Risk Department.

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

The insurance requirements and processes are the responsibility of the Finance and Risk Management Departments who ensure that the Bank maintains adequate insurance to cover key operational and other risks. Insurance is not considered as an alternative to effective preventative and detective controls but as a compensatory control, providing protection from the consequences of control failure.

Operational risk appetite is determined by setting tolerance thresholds for both financial and non-financial impacts. These are used to guide escalation and mitigation strategies. In addition, tolerances are set through specific risk indicators although these are generally reliant on senior management's assessment of acceptable risk.

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

Business units have developed materiality thresholds (financial and non-financial) for the immediate escalation of material incidents to the various business and risk management structures within the Bank. These materiality thresholds also determine which exposures need to be reported to the various management and Board Risk committees.

Operational risk reports are produced on a monthly and quarterly basis by the ORM function and highlight potential and actual exposures, material incidents and applicable action plans. These reports are circulated to management and the Board on a monthly and quarterly basis respectively.

Business continuity management

Business Continuity Management ("BCM") in the Bank has continued to improve the ability of all critical operations to manage any unexpected business disruptions and/or crises. The Bank continually enhances the process of assessing needs, identifying gaps and single points of failure, improving recovery strategies and keeping plans current by running regular exercises. The Bank has improved its resilience strategy by increasing the number of critical businesses operations utilising the dual site strategy. The Bank also embarked on an awareness campaign to raise awareness of business continuity and to ensure that employees know their roles in the event of a crisis.

The status of the Bank's BCM capability is continually monitored through various reporting structures with relevant information flowing through to the respective governance committees and the Board.

Information risk management

Information risk is defined as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which compromises their confidentiality, integrity or availability.

Information has become indispensable to doing business. The growing dependence on information and the systems that handle it, coupled with the risks, benefits and opportunities these resources present, have made information risk an increasingly critical facet of overall risk management for the Bank.

Information Risk Management ("IRM") deals with all aspects of information whether spoken, written, printed, electronic or relegated to any other medium regardless of whether it is being created, viewed, transported, stored or destroyed.

Fraud risk management

The Bank takes a "Zero Tolerance" approach to fraud and corruption. In the case of any staff member being involved in fraud or corruption, disciplinary or civil or criminal action is taken. Employees found guilty of dishonesty through the Bank's disciplinary processes are listed on appropriate industry databases of dismissed staff.

Fraudulent activities against the banking industry are continuously monitored through the Bank's participation in industry bodies such as the Interbank Committee.

To enable the effective management of fraud risk, it is a requirement that each business unit identifies all inherent fraud risks and implement controls to mitigate these risks following the risk versus reward approach.

Greater emphasis is also being placed on risk factors that contribute to fraud, especially in business units where there are less effective controls to prevent fraud.

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

Legal risk

Legal risk arises where:

- the Bank's businesses may not be conducted in accordance with applicable laws of Zimbabwe;
- incorrect application of regulatory requirements takes place;
- the Bank may be liable for damages to third parties; and
- contractual obligations may be enforced against the Bank in an adverse way, resulting in legal proceedings being instituted against it.

Although the Bank has processes and controls in place to manage legal risk, failure to do so effectively could result in legal proceedings that impact the Bank in both financial and reputational aspects.

Tax risk

Tax risk is the possibility of suffering unexpected loss, financial or otherwise, as a result of the application of tax systems, whether in legislative systems, rulings or practices, applicable to the entire spectrum of taxes and other fiscal imposts to which the Bank is subject.

In terms of the Bank's tax policy the Bank fulfils its responsibilities under tax laws whether in relation to compliance, planning or client service matters. Tax law includes all responsibilities which the Bank may have in relation to company taxes, employee taxes, capital gains taxes, indirect taxes and tax administration.

Compliance with this policy is aimed at ensuring that:

- the Bank pays neither more nor less tax than tax law requires;
- the Bank continually reviews its existing operations and planned operations in this regard; and
- the Bank ensures that, where clients participate in Bank products, these clients are either aware of the probable tax implications, or are advised to consult with independent professionals to assess these implications, or both.

The framework to achieve compliance with the Bank tax policy comprises four elements:

- tax risk - identification and management;
- human resources - an optimal mix of staffing and outsourcing;
- skills development - methods to maintain and improve managerial and technical competency; and
- communication - of information affecting tax within the Bank.

Good corporate governance in the tax context requires that each of these elements are in place as the absence of any one of the elements would seriously undermine the others.

The identification and management of tax risk is one of the key functions of the Bank's Finance Department. This objective is achieved by applying a tax risk matrix approach, which measures the fulfilment of tax responsibilities against the specific requirements of each category of tax to which the Bank is exposed, in the context of the various types of activity the Bank conducts.

Compliance risk

Approach to compliance risk management

The Bank's approach to managing compliance risk exposures is proactive and premised on internationally accepted principles of risk management and aligned with the methodologies used by the Bank's other risk assurance functions. Bank Compliance provides leadership on compliance with money laundering and terrorist financing control, occupational health and safety and emerging legislative developments. In line with international best practice, responsibility for compliance remains with executive management. To support the Bank's approach to compliance risk management, ongoing monitoring takes place to ensure adherence to the Bank compliance policy and standards.

RISK MANAGEMENT AND CONTROL *(cont'd)*

For the year ended 31 December 2019

Framework and governance

Compliance Risk Management is an independent core risk management activity overseen by the Bank's Compliance Officer whose position is mandated and approved by the Reserve Bank of Zimbabwe. The Compliance Officer has unrestricted access to the Chief Executive and the Board Audit Chairman, and reports independently to the Board Audit Committee.

The compliance framework is based on the principles of effective compliance risk management issued by the requirements of the Banking Act of Zimbabwe (Chapter 24:20) and the Basel Committee on Banking Supervision. The Bank operates a centralised compliance risk management structure.

Executive management with the responsibility for all aspects of compliance risk management are subject to the appropriate corporate governance reporting structures. All business units are responsible for compliance with relevant legislation and are responsible for reporting on compliance matters to the Chief Compliance Officer.

Money laundering control

Legislation pertaining to money laundering and terrorist financing control imposes significant customer identification, record keeping and training requirements, as well as obligations to detect, prevent and report money laundering and terrorist financing. The Bank is committed to continually improving its control measures as the regulatory environment evolves. The Bank's minimum standards are regularly reviewed to ensure alignment with international best practice and the breadth and depth of money laundering surveillance systems across the Bank are continually expanded.

Occupational health and safety

The health and safety of employees, customers and other stakeholders is a priority and the Bank aims to identify and reduce the potential for accidents or injuries in all its operations. Training of health and safety officers and staff awareness is an ongoing endeavour. Standards to support health and safety requirements to a uniform level across all of our operations are being developed.

Reputational risk

Reputational risk results from damage to the Bank's image which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding the Bank's reputation is of paramount importance to its continued success and is the responsibility of every member of staff.

Independent assurance- Internal audit

The Bank's Internal Audit ("IA") Department reports to and operates under a mandate from the Board Audit Committee ("BAC") and has the authority to independently determine the scope and extent of work to be performed. The IA Department's primary objective is the provision of assurance to the BAC. It assists executive management teams in meeting their business objectives by examining the Bank's activities, including risk management, control and governance processes, assessing the risks involved and evaluating the adequacy and effectiveness of processes, systems and controls to manage these risks. A risk based audit approach has been adopted. Material or significant control weaknesses and planned management remedial actions are reported to the BAC and to other Board committees. These issues are tracked to ensure that agreed remedial actions have been implemented. Overdue issues are reported to the BAC on a quarterly basis.

STANBIC BANK ZIMBABWE

Report to society 2019

HUMAN CAPITAL ZIMBABWE

The Challenge

Zimbabwe is faced with a difficult macroeconomic environment, with per capita GDP at USD1 380, unemployment rate at over 90% and 72.3% of the population living below the poverty datum line. Whilst the country has made some progress in terms of empowering women in the area of education and health, gaps are still visible in the economic and political empowerment of women. It is against this background that the Stanbic Bank's Human Capital approach prioritizes the empowerment of women and youth in skills development with a special focus on entrepreneurial competencies. Various interventions have also been put in place to empower women to acquire more strategic roles in the society.

Interventions

1. **Internship Opportunities:**

   The Bank provides internship opportunities for 20 students yearly. The program caters for students in universities who are required to go through work-related learning as part of the requirement to fulfilling their University studies. The program also caters for recent graduates in need of workplace experience. Stanbic Bank Zimbabwe Human Capital has seized the opportunity to offer a very comprehensive internship program which equips students with practical insights in future skills areas such as Data and Robotics. Besides technical skills, the program also focuses on developing "soft skills" such as communication, grooming & etiquette and confidence. The students who go through the internship program are very appreciative of the impact of the program. Below are some of their verbatim comments:

> I would like to thank Stanbic Bank for an awesome experience and opportunity to work and learn with you. This has been an exciting journey and I hope that I will be able to work with you in the nearest future and keep moving forward together.

> I would like to say thank you for the opportunity, Stanbic Bank is a respected name in the market and I know it will definitely open great opportunities for me whether it is back here or out there in the bigger world.

> Overall, I gained a lot in the respective departments I worked in. It has been a great journey and I hope that one day I get to work with or for Stanbic bank again. Thank you to the HC team and the whole of Stanbic. Special mention goes to Mr. Isaac Gwanani, despite the busy schedule he took time to teach me a lot with a lot of passion. Thank you Stanbic.

HUMAN CAPITAL ZIMBABWE *(cont'd)*

2. Career Guidance

Recognizing the need to reach the less privileged, the Bank partnered with its the Swedish Embassy to run a career guidance session at Domboramwari Primary School in the high-density suburb of Epworth. The programme was aimed at equipping school children from an impoverished background with knowledge to make career choices that are relevant and aligned to the ever-changing world of work. Positive feedback was received on Banking Sector careers awareness created during the session. More sessions are scheduled to be held in 2020 and beyond.

3. Women's Forum

Closer to home, the Bank recognizes the marginalization of women in the workplace. To enhance current platforms for women empowerment such as Ignite, Last Mile and various inspirational platforms, the Bank launched a Women's Forum whose agenda is to empower women to compete effectively for strategic positions in the workplace and society. At 22% women in leadership, the forum's objective is to achieve 40% of women leadership by 2023. This is done through deep insights on hindrances of women's progression followed by appropriate interventions. It also aims to inspire women through showcasing successful women and how they have overcome their challenges to be where they are. With Exco ladies as sponsors, the aim for Zimbabwe is to actively drive skills development for women focusing on future skills and subsequently increase female bench strength for succession.

Women's Forum Launch in Pictures

FINANCIAL INCLUSION

The Bank has put in place interventions to fully comply and respond to the Reserve Bank of Zimbabwe Financial Inclusion Strategy (2015-2020) initiatives. A number of initiatives as listed below have been undertaken by the bank in fulfilment of the financial inclusion goal.

Low income households – The Bank has conducted financial literacy initiatives targeting low income workers. To date a total of 19 financial literacy training sessions have been conducted throughout the country. Financial literacy sessions are designed to empower low income workers with financial knowledge and financial planning skills.

The Bank introduced Remote Account On-boarding for low income earners at their workplaces. This facility enables workers to open bank accounts without leaving their workplaces and the Bank will facilitate the issuing of ATM cards, scanning of documents and the customer is enabled to transact immediately. This saves low income earners from travel costs and time to the Bank.

Youth - An Incubator Hub was setup and opened its doors to the public on 17 September 2019. The Incubator hub will run with various initiatives designed to promote the marginalised groups and enhance their incorporation into main stream business and banking. The facility offers co-working space to the Entrepreneurs for free. The Hub since opening its doors to the public has allowed youths from different backgrounds to collaborate on innovative business ideas that will impact the economy.

In the three months that the Hub has been operating more than four hundred individuals have visited or inquired about the Hub.

In line with the goal of empowering and tooling SMEs and Entrepreneurs the Incubator hosted networking events at the Hub to foster interactions between entrepreneurs. The Pitch Night selection processes have been instrumental in providing SMEs with a platform to showcase their ideas, which will be developed in 2020 during Incubation Programs.
The 2020 Masterclass program facilitated by skilled Stanbic staff members will be one of the many competency development programs by Stanbic for Entrepreneurs.

i) **Pitch Night** - The Incubator Hub has successfully organised its first pitch night held at Celebration Centre to select entrepreneurs who will be incubated. This was in partnership with Celebration Church and WWF. That night we had 7 entrepreneurs pitching.

FINANCIAL INCLUSION *(cont'd)* - FINANCIAL LITERACY

ii. **Networking facilities -** A speed networking session was held at the hub on 19 November 2019 and this was to facilitate networking amongst the Entrepreneurs who are utilizing the space. This was a success as the Entrepreneurs gave positive feedback on the event as they made meaningful connections.

FINANCIAL LITERACY

We have engaged in educating our clients, enterprise leaders, high school and tertiary students on financial matters. In 2019, we held a total of 24 financial literacy sessions in the different provinces of the country, complemented by our social media financial literacy campaigns which run throughout the year. The total number of clients reached were 1 722 for the year. These were held from February to December 2019.

We conducted training sessions for HR Practitioners, Students and training of MSMEs. These sessions have targeted employers and employees throughout the country.

i) **Kwekwe Region -** Plan International session had a total of 32 participants. The target audience was Plan staff members from throughout the Midlands province. The understanding being that the trained staff members will impart knowledge to their other colleagues.

ii) **Victoria Falls & Hwange -** The financial literacy session was attended by 53 participants. The participants were largely HR practitioners from our diverse clients in Victoria Falls and Hwange. The session was designed to impart knowledge to the HR practitioners so that in turn they pass it on to their employees. We have witnessed a couple of employers now requesting Stanbic to conduct the same financial literacy awareness sessions for their camps around Hwange and Victoria Falls targeting their staff members.

iii) **Chitungwiza –** The Bank conducted Financial literacy training to Nyatsime College students during the Global Money week. This was targeting the senior students in Forms 4, 5 and 6. The total number of attendees was 350 students and teaching staff. The students appreciated the workshop judging from the level of engagement and enthusiasm. The Bank also created an active on-line presence that reached a total of 10 905 people on Facebook.

Small and Medium Enterprises – A Financial training session for women in collaboration with ACT in Africa in November 2019 had an audience of +30 women.

FINANCIAL LITERACY *(cont'd)*

Zimplats HR practitioners following proceedings at a literacy session

Nyatsime Students participating in the question and answer session during Global Money week

Mollie Mashevedze addressing delegates at the Victorial Falls Financial Literacy session

Patson Mahatchi (Head PBB) interacting with clients during tea break at Victoria Falls Financial Literacy Session

Mollie Mashevedze addressing delegates at the Victorial Falls Financial Literacy session

Alfred Mandara, Frank Mapisa & some of the delegates from Audiomax Clinic following proceedings

FINANCIAL LITERACY *(cont'd)*

Kudzanayi Nyoni taking the Trinity Pharmacies delegation through our Africa Regions footprint

Bryan Mombechena outlining the Homeownership strategies to Trinity Pharmacy delegates

Auxillia Kambasha responding to questions raised by some of the doctors regarding small businesses loans at the Women Doctors Financial Literacy Session whilst Sharon Misihairabwi listened on

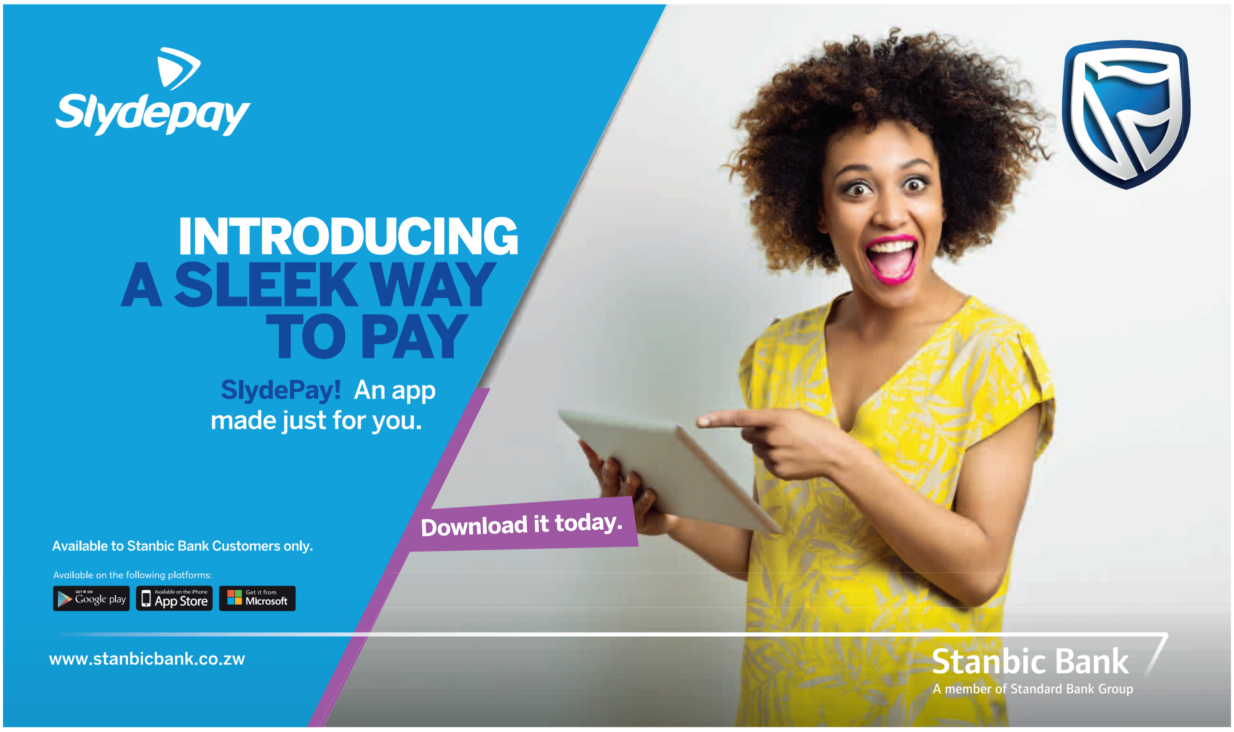
Participants at Plan International Kwekwe Financial Literacy Session

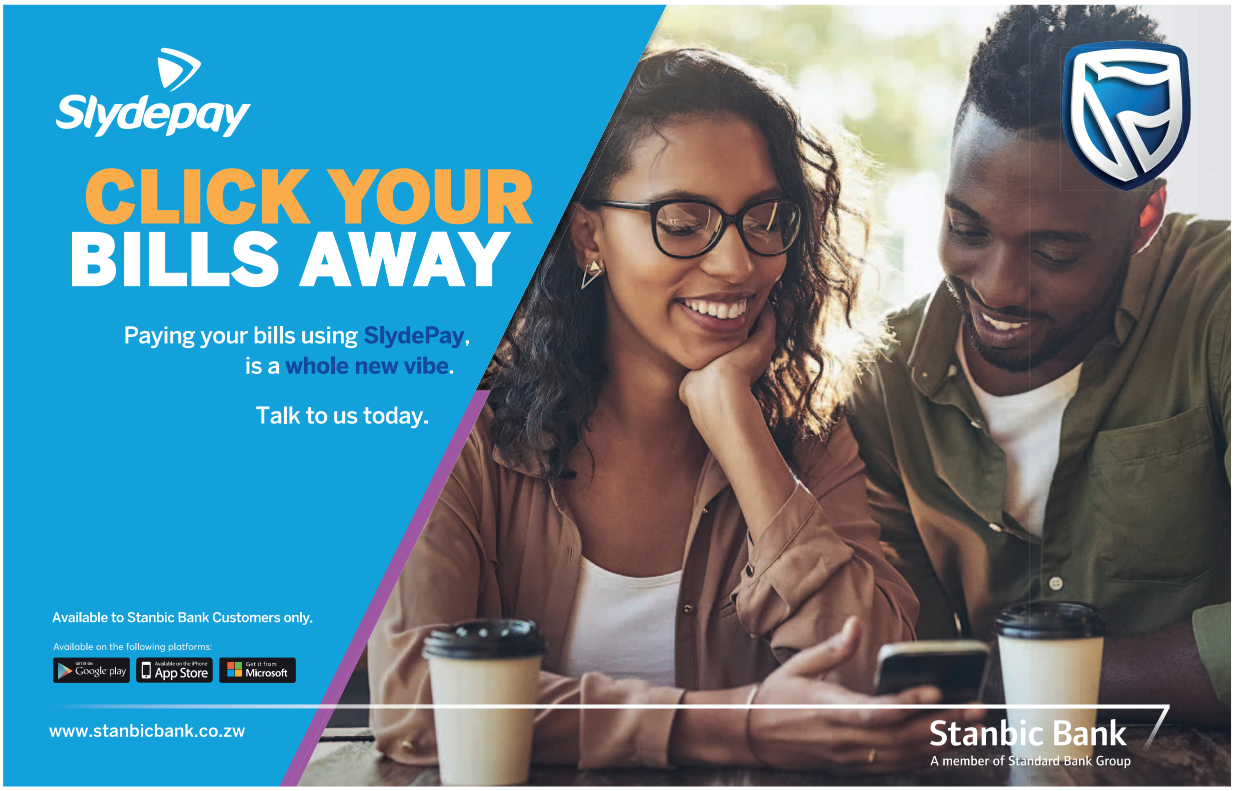
Participants at ZETDC Financial Literacy Session in Chitungwiza

DIGITAL CHANNELS

As we continue our digital journey, we have introduced a new product called Slydepay. It is a mobile payment service which enables customers to pay their bills and merchant payments. This mobile payment service is simple, reliable and secure. Customers enjoy faster and secure payments, track their money and pay numerous billers. We also added more features and functionality on our Digital channels such as DSTV payments, social media data bundle purchase and QR code scanning.

SLYDEPAY!





CORPORATE AND INVESTMENT BANKING (CIB)

Feeding the Nation

Food security is of paramount importance to any nation, and the prevalence of a drought from 2019 to date has resulted in a food crisis in the country. The food crisis was exacerbated by the effects of Cyclone Idai which affected the Eastern parts of the country, including Mozambique and Malawi. According to the World Food Program, the country has a 'very difficult humanitarian situation', following protracted drought conditions for the past five years. Estimates are that about 7.7 million people (over half the population) are food insecure.

The Bank availed a ZWL90 million facility to Paperhole Industries, the grain importing arm of Innscor which was drawn down in series during the course of the year. This critical step was to avert further food crisis, and the down-stream effects included subsidized mealie meal through government efforts and food distribution to both urban and rural constituencies. Whilst our efforts may not satiate demand for food aid, we believe it was a critical step to complement food availability and distribution efforts by various food agencies, government and well-wishers.

AGRIBUSINESS

National Dipping Program

Through our Agribusiness portfolio, we participated in a national dipping program by providing structured financing for the drug procurement bills and foreign currency mobilization in partnership with an animal health company, an NGO and the government of Zimbabwe. The program was designed to protect the national herd from devastating effects of January disease, approximately 2 million cattle with an approximate value of USD500 million will benefit from the program which is targeted at smallholder communal farmers. More than 50 000 cattle died from the tick-borne disease during the 2018/19 rainy season, and this move was meant to avoid the same from recurring and has been successful.

ECONOMIC OUTLOOK/RISK

GDP contracted by 8-10% in 2019, largely attributed to (a) severe drought, (b) crippling power outages, and (c) unstable currency, among other factors. Average capacity utilization dropped from 48% in 2018 to 30% in 2019.

Selected indicators below illustrate the gravity of these three factors:

Drought vulnerability	Electricity shortages	Currency instability
• Agriculture output shrunk by 16% due to sub normal rains. • Approximately 20% of arable land is irrigated, hence agriculture remains vulnerable to drought/ erratic rains. • Grains output fell by 55%. • Kariba dam was 8% full at close of 2019 (other major dams were on average less than 30% full)	• Electricity supply averages 640MW compared to demand at 1 500MW (with exporting miners demand at 410MW). • Current generation: - Kariba 340MW (installed 1 050MW) - Hwange 150MW (installed 920MW) - Firmed imports: Eskom (50MW), HCB (50MW), & EDM (50MW) • Load shedding lasting 15 – 18 hours for non-prioritized sectors.	• A large amount of local money chasing forex for imports • Local money supply (M3 grew 248% from ZWL10 billion in Jan 2019 to ZWL34.5 billion in Dec 2019. • The rate for the USD 1 depre-ciated 1:1 to official (ZWL 17), parallel market (ZWL24), and OMIR (ZWL27).

DOING THE RIGHT BUSINESS, THE RIGHT WAY

DOING THE RIGHT BUSINESS, THE RIGHT WAY

Due to the ever-increasing regulatory requirements and sanctions within the banking industry, inculcating a culture of Compliance has become vital to the effective functioning of banks. Banking Regulators locally and globally have increased their supervision of banks in a bid to ensure banks operate within the confines of regulations. This increased supervision has resulted in non-compliant banks being penalised for various regulatory breaches. To mitigate against the risks associated with non- compliance, the Bank has invested in a fully automated transaction monitoring system that will assist in making sure that the Bank is not used to facilitate money laundering/terrorist financing. The Bank's Compliance function proactively supports senior management and business units through effective compliance risk management practices; to ensure that all business is conducted within statutory requirements, which in turn mitigates against regulatory sanctions and safe guards the Bank's reputation. The Bank has strengthened its compliance culture through compliance monitoring and training of staff on key regulatory requirements that impact the operations of the bank.

To raise awareness on key regulatory requirements all staff members complete compliance training, which is done online and face to face for staff to understand their role in keeping the Bank on the right regulatory compliance track. Training is the foundation for better understanding and good service to our customers. Our compliance culture is one of our strengths as we ensure that we do the right business, the right way.

CORPORATE SOCIAL INVESTMENT (CSI)

CORPORATE SOCIAL INVESTMENT (CSI)

CSI remains at the heart of our business as we are committed to ensure that the country benefits from our presence as a socially responsible corporate citizen. People, (all our various stakeholders) are at the centre of our operations and they are the reason for our existence, and that is a fact we know, understand and appreciate through our CSI initiatives.

USIZO-RUYAMURO

In 2019, our CSI focus was to drive sustainability of our philanthropy efforts, and we continue to push that agenda to ensure that we achieve great impact that will cater to generations to come.

Our health flagship program, Usizo-Ruyamuro came to life in November 2019 and it seeks to help, support and facilitate the growth and sustainable development of public health services in Zimbabwe.

Stanbic Bank believes that USIZO-RUYAMURO can and will achieve great feats through sustainable partnerships that:

- Bring together different local and international entities that seek to contribute towards the support of Zimbabwean hospitals and clinics;
- Provide material and non-material support to Zimbabwe's healthcare facilities for the benefit of the ordinary citizen;
- Provide equipment for different hospitals and clinics across the country; and
- Support the government's efforts to provide better healthcare to the nation

Stanbic Bank Non-Executive Director-Mr. Simba Mhuriro cuts the ribbon with Ms. J. Chikurunhe representing the Minister of Health & Child Care, Dr. O. Moyo

Beds and linen are some of the donations we handed over following the refurbishment of the hostel

USIZO-RUYAMURO is an initiative structured to change the mindset which gives the impression that public healthcare services are the responsibility of the government alone, but to instill a sense of pride and ownership of our hospitals and clinics within all Zimbabweans.

Cancer Association of Zimbabwe (CAZ) Half-way House (Tariro Hostel)

We refurbished Tariro Hostel and purchased beds, linen and other utilities. The Hostel provides rent-free accommodation for cancer patients who do not stay in Harare when they come for their chemotherapy and radiotherapy treatments at Parirenyatwa and Harare Central Hospitals.

Established in 1974 by CAZ, Tariro Hostel has been lying idle since 2007 as it succumbed to the then harsh economic environment. The 40-bed hostel stopped housing cancer patients up until our intervention in partnership with other health-conscious institutions who pooled resources to refurbish and furnish the Hostel.

Our relationship with the CAZ spans over 7 years as we have been providing funds to purchase medicines for underprivileged cancer patients.

CORPORATE SOCIAL INVESTMENT (CSI) - *(cont'd)*

Over and above refurbishing the entire structure, we donated three (3) solar geysers, 32 beds; 32 mattresses; 35 blankets; 35 sets of bedsheets; 32 pillows and covers as well as 32 bedcovers for the previously dilapidated Hostel.

Cyclone Idai Relief

Cyclone Idai, which hit Zimbabwe's mountainous Manicaland province on the night of 15 March 2019 caused great devastation in the Chimanimani, Chipinge and Masvingo areas.

We joined the nation by extending a helping hand to the Cyclone Idai victims, and our staff also assisted by donating various essential items such as clothes, blankets, shoes and food stuffs. The Bank further donated: 700 blankets; 5 x 2.5KVA generators; 39 tents; 2 000 packs of reusable sanitary pads; black plastic sheeting; bottled water (2 000 cases x 12 bottles per case).

Staff members contributed supplies to assist Cyclone Idai victims

Harare Central Hospital Analgesics Donation

Through a plea that came to the Bank from medical practitioners based at this major referral hospital, we donated pain relief medication to Harare Central Hospital worth ZWL89 000 in March 2019.

The drug shortage which greatly impacted the hospital's post-surgery patients in the pediatric, maternity and adult wards, was temporarily averted by this assortment of pain relief medication which was availed to cover the hospital for three months.

The Bank's decision for this intervention was exceptional to allow Government through the Ministry of Health and Child Care to have some breathing space as they put together sustainable channels of medication supplies, so that the hospital would not face such devastating shortages which affect over 3 000 patients who seek assistance from this institution monthly.

We handed over 9 000 units of 15mg/ml injection of Morphine, 11 066 units of 75mg/3ml injections of Diclofenac, 150 units of 362.5mg of Tramol tablets in 100s, 300 units of 50 mg Tramol capsules in 100 packs and 1 200 units of 50mg/5ml Varistan Suspension.

CORPORATE SOCIAL INVESTMENT (CSI) - *(cont'd)*

Stanbic Bank CE J. Tapambgwa handing over the donation to Harare Central Hospital Acting CEO Dr. Pasi in February of 2019.

ALBINO CHARITY ORGANIZATION DONATION

Annually we support people living with albinism, by donating a variety of sun protection products to members of the Albino Charity Organisation of Zimbabwe (ALCOZ).

We donated 1 000 units of sunscreen lotions; 1 000 units of antibacterial soap; 1 000 units of lip balm and 1 000 sun hats. The donation was handed over at a point in time when the prices of commodities, inclusive of the sun protection products, continued to sky rocket out of the reach of this community due to the prevailing harsh economic environment.

ALCOZ has been a beneficiary of Stanbic Bank's quest to meet the sun protection needs of people living with albinism over the last four years and in 2019 we doubled the previous year's allocation for each product.

Our four-year partnership with ALCOZ continuously opens our eyes to the circumstances people living with albinism find themselves in due to environmental, social and economic factors. All these factors guide us to understand their needs and the support required for them to pursue their dreams and live their lives as normally as possible. People living with albinism need protection from the harmful effects of the sun owing to their lack of melanin which serves as a shield from the sun.

CORPORATE SOCIAL INVESTMENT (CSI) - *(cont'd)*

Non-Executive Directors and Executive Committee members with ALCOZ beneficiaries

Our partnership with Zimplats

Having learnt that eyesight challenges are common among people with albinism, we combined forces with Zimplats with a common goal, a move which benefitted people in Binga, Hwange and Lupane districts.

We handed over spectacles and sunscreen lotions to 27 beneficiaries who were in need of the goods. People with albinism have a reduced amount of melanin, and this can affect their eyesight, hence, the spectacles go a long way in improving their quality of life. The three districts of Binga, Lupane and Hwange have the highest population of people with albinism in Matabeleland North Province. People with albinism in this region regularly need access to sun protection materials due to the extreme heat in the region.

Stanbic Bank Zimbabwe and Zimplats team handing over eye spectacles to the beneficiaries.

CORPORATE SOCIAL INVESTMENT (CSI) - *(cont'd)*

EXPANSION OF THE BURSARY PROGRAM

Six students from the country's leading tertiary institutions were beneficiaries of state-of-the-art laptops purchased by Stanbic Bank as additional support towards our existing bursary program. Our role as part of the foundational pillar of education will only be complete when the young academics graduate to become avid professionals, which is why we decided to take a step further beyond providing tuition and residence fees.

The purchase of the laptops is in line with one of our key strategic drive of focusing on sustainability to help the students achieve their set goals without unnecessary limitations.

The number of students under the program has grown significantly since the launch of the bursary support program and to date we have witnessed some of our beneficiaries graduating as engineers, medical doctors and accountants.

Amongst the beneficiaries who graduated is an engineer who is now a successful entrepreneur and another is now a medical Doctor, currently doing his residency at Chitungwiza Central Hospital.

Laptops handed over to the students

CORPORATE SOCIAL INVESTMENT (CSI) - *(cont'd)*

Staff member join the bursary beneficiaries in a photo moment at the handover ceremony

KEEPING GIRLS IN SCHOOL THROUGH THE SANITARY WEAR DRIVE

The sanitary wear drive which started in 2018 continued and we donated reusable and disposable sanitary wear to a total of 90 girls from Wankie Secondary School, Sir Humphrey Gibbs Secondary school and Lusumbami Primary School in Hwange. Through this initiative we assist these girls to have access to clean and safe sanitary wear and also attend school throughout the school terms just like their male counterparts. Total number of girls across the country who have benefitted from this initiative between 2018 & 2019 is 883.

Gilrs from Wankie Secondary School, Sir Humphrey Gibbs Secondary school and Lusumbami Primary School

CORPORATE SOCIAL INVESTMENT (CSI) - *(cont'd)*

GOOD HOPE MOTHERS

Hunger in rural parts of Zimbabwe is now affecting children of school going age to the extent that they are dropping out of school as they cannot cope with school demands on an empty stomach. We donated various food stuffs to a drop-in community centre called Good Hope Mothers which runs a feeding scheme for orphans and vulnerable children. The centre is run by 3 women who identified a need to feed the children so that they do not go to school on an empty stomach, we applaud and support their efforts.

The food items donated to Good Hope Mothers included mealie-meal, soya chunks, sugar, salt and an assortment of soft-drinks

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