Standard Chartered

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

Here for good

Contents

These Financial Statements have been prepared under the supervision of Christopher Mwerenga, a fellow of the Chartered Institute of Management Accountants, Registration Member Number 1-MW23.

Chairman's Statement

Operating Environment

The operating environment remained depressed in 2016. Economic growth slowed down from 1.1% per annum in December 2015 to an estimated 0.6% per annum in December 2016 as a result of weak domestic demand, foreign currency as well as cash shortages. The El Nino induced drought experienced during the 2015/2016 farming season and poor infrastructure also compounded the challenges faced during the year.

While the good rains experienced in the 2016/2017 farming season are expected to reduce pressure on foreign currency to import food products, the general economic performance is expected to remain weak. Re-engagement efforts between Zimbabwe and international financiers as well as economic structural reforms are key to stimulating a sustainable economic recovery.

Given the fact that the country uses a mix of foreign currencies in the absence of a local currency, the banking sector continues to experience cash shortages due to the worsening trade deficit and high demand for physical cash. The promotion of the use of electronic platforms and the introduction of bond notes has eased the pressure on the limited cash stocks.

Standard Chartered Bank remains committed to working with all stakeholders for the development of the economy in line with our brand promise, **Here for good.**

Financial Performance

The Bank reported a profit after tax of USD13.4 million for the financial year ended 31 December 2016, compared to USD0.4 million for the same period in 2015. The improved financial performance was achieved on the back of cost efficiencies attained during the year as the Bank continues to innovate and improve its operating systems and processes. Considerable efforts have been made to contain loan impairments through continuous collaboration with our customers. Revenue momentum declined year-on-year due to a prudent lending strategy which ensured that only those customers with the capacity to repay could access lines of credit. The Bank will continue to monitor market developments and will take advantage of opportunities as capacity utilisation increases. The Bank's balance sheet remains strong with capital levels above the minimum regulatory requirements. The Bank is on course to meet the targeted capital of USD100 million by 31 December 2020.

Sustainability

The Bank has been operating in Zimbabwe for over 125 years. Our sustainability approach to business ensures that we deliver value through our economic, environmental, governance and social contributions to the communities where we operate. The Bank's sustainability agenda focuses on three pillars, as below:

- **Contributing to the real economy**
  The Bank has contributed significantly to the key economic sectors such as agriculture, trade, commodities and Small to Medium Enterprises. It continues to serve its clients through its Global Banking, Commercial Banking and Retail Banking segments.

- **Leading as a responsible company**
  Standard Chartered Bank is the oldest financial institution in Zimbabwe. Despite the challenging operating environment, the Bank has remained fully committed to its business in the country and has continued to support and build its franchise through investment in cutting edge digital platforms and branch "look and feel". The Bank has been recognised as a compliant and significant taxpayer over the years.

- **Investing in communities**

  Our brand promise, **Here for good**, means sustainable and long term commitment to the people of Zimbabwe. The Bank continues to contribute significantly to social and developmental programmes in Zimbabwe both on its own and in partnership with other organisations.

  The Bank's USD1million investment into the '**Seeing is Believing**' program, in partnership with Christian Blind Mission (CBM), continues to change lives and improve the quality of services rendered by selected beneficiary institutions. The program aims to make eye-care services accessible to over 100,000 adults and children over the next two years. In 2016, three institutions, namely, Sekuru Kaguvi Children's Home, Sakubva and Norton Eye Units were renovated and this will benefit society for the foreseeable future.

  The Bank remains a key member of the Zimbabwe Business Council on Wellness, which assists in the fight against HIV/AIDS, among other wellness challenges by offering valuable leadership skills to advance the agenda of fighting the disease. In recognition of the importance of equipping the younger generation with life skills, the peer educator training program in tertiary institutions has continued to grow with a target of reaching 30,000 youths over the next two years.

  In addition to annual leave, every staff member in the Bank is accorded three days of volunteering leave to take part in community initiatives of their choice. In 2016, Bank staff achieved 337 Employee Volunteering days in support of community investment programmes. Initiatives are focused on youth, financial education and health.

  The Bank's contribution to the real economy goes beyond catering for its own clients to the community at large. It continuously recognises the areas of need in society and rewards progressive behaviour through the sponsorship of events such as the Kutsaga Tobacco Improved Productivity Sites awards in recognition of the efforts by small scale farmers.

Corporate Governance

The Bank remains committed to the maintenance of high standards of corporate governance across all its banking activities. A strong Risk Management Framework is in place to govern adherence to internal processes and procedures as well as regulatory requirements. The framework is reviewed regularly to align with the operating environment. To enhance Board oversight, its sub-committees are chaired by Independent Non-Executive Directors and constituted by experienced individuals. The Bank continues to reinforce high expectations of good conduct from all staff and stakeholders to ensure accountability.

Board composition continues to be reviewed to ensure that a healthy mix of skills is maintained to facilitate comprehensive Board discussions and to comply with regulatory expectations. In this regard, Millicent Clarke was appointed as a Non Executive Director of Standard Chartered Bank Zimbabwe Limited in June 2016. Millicent is a member of the Standard Chartered Bank Africa and Middle East regional management team and brings with her a wealth of experience in human resources, both within and outside the Bank. We look forward to her contribution.

Outlook

Subsequent to the announcement in the first half of 2016 on the Group's rejuvenated operating model, we are pleased to say that Standard Chartered Bank Zimbabwe is now fully aligned to the new model. 2017 will see clients starting to benefit from the efficiencies of our refreshed approach which aims to make service delivery simple, faster and better. Digitisation will play a pivotal role in ensuring that customers' evolving needs are met.

Outlook (continued)

In line with global trends and standardisation across the Group, the Bank has committed to spend USD9 million over the 2016/2017 financial year towards branch optimisation and refurbishment and digital platforms. The branch optimisation strategy is aimed at reducing excess space by creating world class, lean and cost efficient branches which recognise the advent of digital banking options. To date, refurbishment of three branches, namely, Robert Mugabe, Gweru and Bulawayo is now complete with the remaining six branches targeted for completion by mid-year. Contracts for these projects were awarded to local Small to Medium Enterprises ('SMEs') in line with our quest to support this important sector. We are delighted by the quality of workmanship from all the contractors we are working with.

The Bank will continue to invest in improving systems and processes and up-skilling of staff as part of its drive to lead the way in fighting financial crime.

The Group has recently launched an exciting new mantra to capture the essence of the Bank in the word, "HUMAN". Whilst pursuing the objectives of doing business, the Bank and its employees are committed to remain customer friendly in our quest to deliver world class products and services to our clients.

Acknowledgement

I would like to thank the Bank's customers for their loyalty throughout the year and to reassure them that the Bank's brand promise remains the same - to be **Here for good**. The Bank's aim is to leverage on its network and channels in delivering relevant world class products and services. I would also like to thank staff, management and my fellow Directors for their dedication and commitment. Your hard work and our customers' loyalty saw us receiving the following accolades in 2016:

- Best Foreign Bank in Zimbabwe – Europe, the Middle East and Africa ('EMEA') Finance;
- Best Emerging Markets Bank - Global Finance;
- Best Consumer Digital Bank – Global Finance; and
- 3rd Position, Top Five performing Banks in Zimbabwe - Banks and Banking Survey.

S. V. Rushwaya
CHAIRMAN

23 March, 2017

Directors

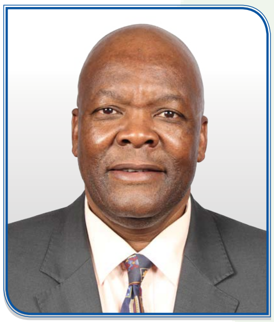
S. V. Rushwaya
Chairman

J. Pohl
Non Executive Director

L. T. Manatsa
Non Executive Director

I. J. Mackenzie
Non Executive Director

M. Clarke
Non Executive Director



S. Mushiri
Non Executive Director

R. Watungwa
Chief Executive Officer

C. Mwerenga
Executive Director

S. Nhakaniso
Executive Director

Report of the Directors

for the year ended 31 December 2016

1 SHARE CAPITAL

The authorised and issued share capital of Standard Chartered Bank Zimbabwe Limited ('the Bank') remained unchanged at 1 000 000 and 825 000 ordinary shares respectively. The par value of the shares was redenominated in 2009 to USD1 per ordinary share upon the change in functional currency and remains the same ever since.

2 BASIS OF PREPARATION AND PRESENTATION OF ACCOUNTS

The financial statements have been prepared and presented in compliance with International Financial Reporting Standards, the Companies Act (Chapter 24:03) of Zimbabwe, the Banking Act (Chapter 24:20) of Zimbabwe and other relevant Statutory Instruments.

3 DIRECTORS' RESPONSIBILITY

The Directors are responsible for ensuring implementation of effective internal controls 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 for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

4 DIRECTORATE

Chairman	S. V. Rushwaya***
Directors	R. Watungwa (Chief Executive)*
	S. Nhakaniso*
	J. Pohl**
	I. J. Mackenzie***
	C. Mwerenga*
	L. T. Manatsa***
	S. M. Mushiri***
	M. Clarke**

* Executive
** Non-Executive
*** Independent Non-Executive

5 CORPORATE GOVERNANCE

The Board

The Board, which comprises three Executive Directors, two Non-Executive Directors and four Independent Non-Executive Directors, meets a minimum of four times each year and has oversight over the Bank's affairs. It sets and monitors the Bank's strategy, reviews the Bank's performance and ensures that adequate financial resources are available to operate the Bank. The Board of Directors oversees compliance with Corporate Governance best practice, the Reserve Bank of Zimbabwe ('RBZ') regulations and other regulatory requirements, as well as policies and procedures of Standard Chartered Bank Zimbabwe Limited.

Directors' Attendance at Board Meetings

Director	Date of Meeting			
	24-Mar-16	2-Jun-16	8-Sep-16	24-Nov-16
S. V. Rushwaya*	√	√	√	√
R. Watungwa	√	√	√	√
I. J. Mackenzie	√	√	√	√
C. Mwerenga	√	√	√	√
S. M. Mushiri	√	√	√	√
S. Nhakaniso	√	x	√	√
L. T. Manatsa	√	√	√	√
J. Pohl	√	√	√	√
M. Clarke**	N/A	N/A	√	√

Key: √ Present | x Absent

* Chairman

** Appointed with effect from 22 June, 2016

The Board has four sub-committees that deal with Audit, Risk, Loans Review and Credit issues.

Audit Committee

The Audit Committee, inter alia, reviews the Bank's financial statements and liaises with the external and internal auditors on accounting policies, procedures and other internal controls in operation.

Director	Number of meetings attended	Number of meetings held in 2016	Minimum number of meetings to be held in a year
I. J. Mackenzie*	4	4	4
L. T. Manatsa	3		
S. M. Mushiri	4		

* Chairman

Risk Committee

The Risk Committee's mandate is to ensure the quality, integrity and reliability of the Bank's risk management systems and processes. The Committee has the responsibility, inter alia, of reviewing and assessing the Bank's risk control systems, and to ensure that risk policies and strategies are effectively managed. The Committee also makes an independent review of management actions and decisions pertaining to enterprise risk.

Director	Number of meetings attended	Number of meetings held in 2016	Minimum number of meetings to be held in a year
S. V. Rushwaya*	4	4	4
R. Watungwa***	2		
M. Clarke**	2		
J. Pohl	3		

* Chairman

** Appointed with effect from 22 June, 2016

***Ceased to be a member of the Committee following the promulgation of the Banking Amendment Act number 12 of 2015

Loans Review Committee

The Loans Review Committee reviews the quality of the Bank's loan portfolio in order to ensure its conformity to sound lending policies approved and adopted by the Board. The Committee ensures that the Board is adequately informed regarding portfolio risk.

Director	Number of meetings attended	Number of meetings held in 2016	Minimum number of meetings to be held in a year
I. J. Mackenzie*	4	4	4
C. Mwerenga	4		
S. V. Rushwaya	4		

*Chairman

Credit Committee

The Credit Committee oversees the overall lending policy of the Bank. It ensures that there are effective processes and procedures to identify and manage irregular problem exposures and minimise credit losses while maximising recoveries.

Director	Number of meetings attended	Number of meetings held in 2016	Minimum number of meetings to be held in a year
L. T. Manatsa*	4	4	4
R. Watungwa	4		
S. M. Mushiri	4		

*Chairman

6 STATEMENT OF COMPLIANCE

The Bank complied with all statutes regulating financial institutions as well as corporate governance best practice. The Bank also complied with the RBZ's directives on liquidity management, capital adequacy, as well as prudential lending guidelines.

7 GOING CONCERN BASIS

The Directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

8 APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The audited annual financial statements were approved at a Board meeting held on 23 March, 2017.

By order of the Board

C. Kamba
Company Secretary
23 March, 2017

KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
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Zimbabwe
Tai: +283 (4) 303700, 302800
Fax: +263 (41303699

Report of the Independent Auditors

To the members of Standard Chartered Bank Zimbabwe Limited

Opinion

We have audited the financial statements of Standard Chartered Bank Zimbabwe Limited (the Bank) set out on pages 14 to 70, which comprise the statement of financial position at 31 December 2016, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Standard Chartered Bank Zimbabwe Limited at 31 December 2016, and its financial performance and its 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 Opinion

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 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 financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Valuation of loans and advances to customers *Refer to note 3.3 on assumptions and estimation uncertainties relating to impairment of financial assets measured at amortised cost, note 4.1.2.1 on the significant accounting policy relating to impairment of loans and advances, note 15 on loans and advances and note 28.2 on credit risk management disclosures.*	
Impairment of loans and advances to customers is an area of high estimation uncertainty. The Bank advances loans within the retail and corporate portfolios. Loans and advances within the corporate portfolio comprise loans that are monitored individually, based on the knowledge of each individual borrower. The retail portfolio, on the other hand, comprise loans of smaller value to a greater number of customers. Accordingly, retail loans and advances are not monitored on an individual basis, but are grouped by product into homogeneous exposures. Exposures are then monitored by levels of arrears with considerations for credit utilisation and loan collateral ratios which then drive the assessment of impairment of loans and advances. Due to the high credit risk, the significance of loans and advances to customers in respect of both portfolios, and the significant judgements applied by the Directors, valuation of loans and advances to customers was considered a key audit matter.	Our audit procedures included: **For both portfolios:** • testing the design, implementation and operating effectiveness of key controls over loan origination, credit risk grading and monitoring of loans and advances; and • testing that the credit risk grades allocated to counterparties were appropriate and processes were in place for timely identification of loans that are impaired. **For the corporate portfolio, specifically for individually impaired corporate loans and advances:** • testing the appropriateness and reasonability of forecasted recoverable cash flows as well as the realisation of collateral and other possible sources of repayment by comparing them against externally derived evidence in determining the appropriateness of the specific impairment allowance. **For the retail portfolio:** • testing the reasonableness of the key inputs into the impairment allowance models and model validation through the use of our own valuation specialists that formed part of the audit team; and • challenging the appropriateness of the adjustments made by Directors to reflect market conditions, with reference to our own knowledge of current market and economic conditions.

Key audit matter	How the matter was addressed in the audit
Valuation of financial assets available for sale *Refer to note 3.3 on assumptions and estimation uncertainties relating to fair value measurement of financial assets available for sale, note 4.1.2.4 on fair value measurement of financial instruments, note 14 on financial assets available for sale and note 29 on fair value of financial instruments.*	
The Bank holds treasury bills, government and corporate bonds amounting to US$139.16 million acquired through direct purchases, settlement of debts and conversion of statutory reserves by the Reserve Bank of Zimbabwe (RBZ). These instruments are classified as available for sale financial assets. The issuance of these instruments have been through private placements making it difficult to collate market information required in determining an appropriate yield curve for the purposes of fair value measurement. Some of the instruments were also acquired as part settlement of distressed assets. There is a risk that these financial instruments may not be accounted for in accordance with the relevant accounting standards as there is no objective external prices or, where external prices do exist they are not easily observable. Valuation of financial assets available for sale was considered a key audit matter as the Directors exercise significant judgement in determining the fair value of these instruments and concluding that the carrying amount of the portfolio approximates fair value in the absence of an observable market.	Our audit procedures included: • critically assessing key inputs and assumptions into the valuation of the available for sale financial assets using comparable market evidence within the Zimbabwean economy to confirm the Bank's assertion of the unavailability of an active market; • considering alternative valuation methods to challenge the approach and method used by the Directors in concluding that the fair value approximates the carrying amount; • considering proxies within similar economies in order to determine availability of similar instruments being issued in other economies to evaluate management's assumptions in the determination of fair value; and • considering the market approach in comparison to judgements and estimates made by Directors through alternative valuation methods benchmarked against yields on similar instruments adjusted to suit the Zimbabwean economy.

KPMG

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Information systems and processes
Refer to note 28.6 on operational risk.</td></tr>
<tr><td>The recognition of total revenue and accounting over loans and advances to customers and deposits are highly dependent on the effective functioning of the Bank's general and application controls of the information systems. These transactions and balances are automated and calculated in line with business rules as configured in the system.

The Bank's operational systems are heavily dependent on complex Information Technology (IT) systems and processes which are housed locally and outsourced centrally from the IT hubs which are out of the country, hosted in Kenya, India, Singapore and the United Kingdom as part of the Standard Chartered Group across the globe.

There is a risk that automated accounting procedures and related IT dependent manual controls performed at the IT Hubs may not be designed, implemented and operating effectively.

We focused on this area due to the significance of information systems in respect of accounting for revenue, loans and advances to customers and deposits which are pervasive to the financial statements as well as the significant risk of error and/or fraud arising from the decentralisation of key IT general and application controls supporting critical business operations.</td><td>Our audit procedures included engaging KPMG Information Risk Management specialists, as part of the audit team, who performed the following procedures locally and at centralised hubs respectively:
• evaluating the design, implementation and operating effectiveness of the IT systems that are relevant to financial reporting;
• examining the controls over programme development and changes, access to programs, data and IT operations in respect of those IT systems;
• testing automated IT controls relevant to the creation of financial information; and
• analysing data through a recalculation of interest income and expense and fees and commission income and expenses.</td></tr>
</table>

Other Information

The Directors are responsible for the other information. The other information comprises the Chairman's Statement, Directors and the Report of the Directors. Other information does not include the financial statements and our auditors' report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate 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 financial statements of the current period 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

Brian Njikizana
Partner
Registered Public Auditor
PAAB Practising Certificate Number 0363

23 March, 2017

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

Statement of Comprehensive Income

for the year ended 31 December 2016

	Notes	2016 USD	2015 USD
Interest income	6	21 765 813	24 931 345
Interest expense	7	(418 074)	(1 012 635)
Net interest income		**21 347 739**	**23 918 710**
Fee and commission income	8.1	35 992 312	40 157 515
Commission expense	8.2	(5 972 838)	(5 288 886)
Foreign currency trading income	8.3	3 653 657	3 607 400
Non-interest income		**33 673 131**	**38 476 029**
Total revenue		**55 020 870**	**62 394 739**
Other income	8.4	1 053 538	758 319
Total income		**56 074 408**	**63 153 058**
Operating expenses	9	(38 523 230)	(55 433 572)
Profit before impairment (charge)/recovery		**17 551 178**	**7 719 486**
Bad debts written off		(173 152)	(1 016 266)
Other impairment charges		(103 800)	-
Loan impairment recovery	15.3	186 807	2 434 077
Net impairment (charge)/recovery		**(90 145)**	**1 417 811**
Profit before tax		**17 461 033**	**9 137 297**
Tax expense	10.1	(4 027 283)	(8 734 385)
Profit after tax		**13 433 750**	**402 912**
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Remeasurements of the defined benefit liability	24.1	167 000	(1 751 001)
Gains on property revaluation		-	1 258 440
Tax relating to components of comprehensive income		(43 003)	345 125
Other comprehensive income/(loss), net of tax		**123 997**	**(147 436)**
Total comprehensive income for the year		**13 557 747**	**255 476**
Basic and diluted earnings per share (USD)	**12**	**16.28**	**0.49**

Statement of Financial Position

as at 31 December 2016

	Notes	2016 USD	2015 USD
ASSETS			
Cash and cash equivalents	13	199 084 791	127 819 841
Financial assets available for sale	14	139 162 491	51 955 129
Loans and advances to customers	15.1	125 140 962	163 302 083
Other assets	16	4 281 093	2 964 843
Non-current assets held for sale	20	6 908 000	295 000
Restricted balances with the Central Bank	17	245 400	245 400
Investment property	18	3 000 000	6 050 000
Property and equipment	19	26 183 890	30 684 104
Total assets		**504 006 627**	**383 316 400**
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	11.2	825 000	825 000
Share premium	11.3	20 625 000	20 625 000
Foreign currency translation reserve	11.3	5 936 639	5 936 639
Revaluation reserve	11.6	9 926 759	10 299 759
Retained earnings	11.4	42 018 403	28 087 656
Total equity		**79 331 801**	**65 774 054**
Liabilities			
Deposits from customers	21.1	395 156 159	291 302 230
Deposits from banks	22	2 163 520	309 343
Other liabilities	23	26 096 624	24 209 475
Current tax liability	10.5	1 109 874	1 357 745
Deferred tax liability	10.3	148 649	363 553
Total liabilities		**424 674 826**	**317 542 346**
Total equity and liabilities		**504 006 627**	**383 316 400**

S. V. Rushwaya
Chairman
23 March, 2017

R. Watungwa
Chief Executive Officer
23 March, 2017

C. Mwerenga
Chief Financial Officer
23 March, 2017

C. Kamba
Company Secretary
23 March, 2017

Statement of Changes in Equity

for the year ended 31 December 2016

	Share capital USD	Share premium USD	Foreign currency translation reserve USD	Revaluation reserve USD	Retained earnings USD	Total USD
Balance at 1 January 2016	**825 000**	**20 625 000**	**5 936 639**	**10 299 759**	**28 087 656**	**65 774 054**
Profit for the year	-	-	-	-	13 433 750	13 433 750
Other comprehensive income	-	-	-	-	123 997	123 997
Transfer to distributable reserves	-	-	-	(373 000)	373 000	-
Balance at 31 December 2016	**825 000**	**20 625 000**	**5 936 639**	**9 926 759**	**42 018 403**	**79 331 801**
Balance at 1 January 2015	**825 000**	**20 625 000**	**5 936 639**	**9 147 077**	**33 684 862**	**70 218 578**
Profit for the year	-	-	-	-	402 912	402 912
Other comprehensive income/(loss)	-	-	-	1 152 682	(1 300 118)	(147 436)
Dividend paid	-	-	-	-	(4 700 000)	(4 700 000)
Balance at 31 December 2015	**825 000**	**20 625 000**	**5 936 639**	**10 299 759**	**28 087 656**	**65 774 054**

Statement of Cash Flows

for the year ended 31 December 2016

	Note	2016 USD	2015 USD
Cash flows from operating activities			
Profit before tax		**17 461 033**	**9 137 297**
Adjustments for:			
Fair value loss on investment property	18	-	180 000
Profit on disposal of property and equipment		(563 623)	(130 004)
Depreciation	19	1 554 616	1 649 038
Net loan impairment charge/(recovery)		90 145	(1 417 811)
Other non cash items		-	(50 000)
Operating cash flows before changes in operating assets and liabilities		18 542 171	9 368 520
Changes in operating assets and liabilities			
Increase in financial assets available for sale		(87 207 362)	(35 792 790)
Decrease in gross loans and advances to customers		38 070 976	38 123 200
Increase in other assets		(1 316 250)	(1 604 662)
Decrease in restricted balances with the Central Bank		-	16 938 976
Increase in deposits from customers		103 853 929	2 983 121
Increase/(decrease) in deposits from banks		1 854 177	(5 182 798)
Increase/(decrease) in other liabilities		817 149	(19 109 804)
		74 614 790	5 723 763
Tax paid	10.5	(3 296 061)	(4 739 959)
Net cash generated from operating activities		**71 318 729**	**983 804**
Cash flows from investing activities			
Proceeds from disposal of property and equipment		2 619 495	77 644
Improvements and additions to property and equipment	19	(2 673 274)	(928 731)
Net cash used in investing activities		**(53 779)**	**(851 087)**
Cash flows from financing activities:			
Dividend paid		-	(4 700 000)
Net cash used in financing activities		**-**	**(4 700 000)**
Net increase/(decrease) in cash and cash equivalents		**71 264 950**	**(4 567 283)**
Cash and cash equivalents at beginning of the year		127 819 841	132 387 124
Cash and cash equivalents at the end of the year	13	**199 084 791**	**127 819 841**

1 INCORPORATION AND ACTIVITIES

Standard Chartered Bank Zimbabwe Limited ('the Bank') is a commercial bank registered and domiciled in Zimbabwe and is owned by Standard Chartered Bank, Standard Chartered Holdings Africa (BV) and Standard Chartered Holdings International (BV). The address of the Bank's registered office is First Floor, Africa Unity Square Building, Cnr. Nelson Mandela Avenue/Sam Nujoma Avenue, Harare. The Bank provides retail and corporate banking as well as custody services.

2 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in United States dollars, which is the Bank's functional currency. Except where indicated, financial information presented has been rounded to the nearest United States dollar.

3 BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in a form applicable to a commercial bank registered in terms of the Banking Act (Chapter 24:20) of Zimbabwe, the Companies Act (Chapter 24:03) of Zimbabwe and in conformity with International Financial Reporting Standards ('IFRS').

Furthermore, the Bank complied with the following statutes inter alia: - the Banking Regulations, Statutory Instrument 205 of 2000, the Exchange Control Act (Chapter 22:05), the Bank Use Promotion (Chapter 24:24), Money Laundering and Proceeds of Crime Act (Chapter 9:24), the Banking Amendment Act No.12 of 2015 and the National Payments Systems Act (Chapter 24:23).

In addition, the Bank also complied with the RBZ's directives on liquidity management, capital adequacy and prudential lending guidelines.

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment property, financial assets available for sale, non-current assets held for sale whose values have been stated at fair value and property and equipment measured at the revalued carrying amount.

3.3 Assumptions and estimation uncertainties

In the application of the Bank's accounting policies, which are described in Note 4, the Directors have made, estimates and assumptions that affect the application of the Bank's accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised, if the revision affects only that reporting period and future reporting periods.

The main assumptions and estimates are made in relation to the following:

Fair value of investment property and revaluation of land and buildings

The Bank carries its investment properties at fair value, with the changes in fair value being recognised in profit or loss. The Bank, engaged an independent valuation specialist every year to determine fair value of investment

3 BASIS OF PREPARATION (continued)

3.3 Assumptions and estimation uncertainties (continued)

Fair value of investment property and revaluation of land and buildings (continued)

property, with the latest valuation date being 31 December 2016. In addition, the Bank measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The fair value of land and buildings is performed by an independent valuation specialist on a three year cycle, with annual desktop valuations being performed on an annual basis. The key assumptions used to determine the fair value of the properties and sensitivity analysis are provided in Notes 18 and 19.

Defined benefit obligations

Defined obligations comprise of the Bank's pension and long service awards defined obligations. The defined obligations are determined using actuarial valuations. Actuarial valuations involve making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in these valuations and their long term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds, in currencies consistent with the currencies of the post employment benefit obligation with at least an 'AA' rating or above as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined obligation.

The mortality rate is based on publicly available mortality tables for Zimbabwe. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates.

Further details about long term employee obligations are provided in Note 24.

Fair value of financial assets available for sale

The fair values of financial assets available for sale are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as discount rates.

Details about fair value of financial instruments are disclosed in Note 29.

Impairment of financial assets

The Bank reviews its individually significant financial assets at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance for impairment losses.

3 BASIS OF PREPARATION (continued)

3.3 Assumptions and estimation uncertainties (continued)

Financial assets that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant financial assets in groups of assets with similar risk characteristics. This is to determine whether impairment should be made due to incurred loss events, for which there is objective evidence but the effects of which are not yet evident. The collective assessment takes account of data from the portfolio (such as levels of arrears, credit utilisation and loan-to-collateral ratios) and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate price indices, country risk and performance of individual groups). The impairment loss on loans and advances is disclosed in more detail in Note 15.

3.4 Going concern

These financial statements were prepared on a going concern basis. In the opinion of the Directors, the Bank's business is sound and adequate resources exist to support this basis.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity.

Classification of financial instruments

The Bank classifies its financial instruments into classes that reflect the characteristics of those financial instruments as follows:

<table>
<tr><th>Category as defined by IAS 39</th><th>Description IFRS 7 paragraph 8</th><th>Classes as shown on statement of financial position</th></tr>
<tr><td rowspan="2">Financial assets</td><td>Loans and receivables</td><td>• Loans and advances to customers
• Other assets
• Cash and Cash equivalents
• Restricted balances due from the Central Bank</td></tr>
<tr><td>Available for sale financial assets</td><td>• Financial assets available for sale</td></tr>
<tr><td>Financial liabilities</td><td>Other financial liabilities measured at amortised cost</td><td>• Deposits from customers
• Deposits from banks
• Other liabilities</td></tr>
</table>

4.1.2 Initial recognition and subsequent measurement

4.1.2.1 Financial assets

Initial recognition and measurement

All financial assets not recorded through profit or loss are recognised initially at fair value, including transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables; and
- Available for sale financial assets.

The Bank currently has loans and receivables and available for sale financial assets.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.2 Initial recognition and subsequent measurement (continued)

4.1.2.1 Financial assets (continued)

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method, less subsequent impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate ('EIR'). The effective interest ('EI') amortisation is included in interest income in profit or loss. The losses arising on impairment are recognised in profit or loss, net of impairment charges. For more information on loans and receivables, refer to Notes 13, 15, 16 and 17.

Available for sale assets

The Bank's available for sale financial assets comprise of debt securities. Debt securities in this category are those that are intended to be held for a defined period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or the investment is determined to be impaired when the cumulative loss is reclassified from the available for sale reserve to profit or loss. Interest earned whilst holding available for sale financial assets is reported as interest income using the effective interest method and is recognised in profit or loss.

For a financial asset reclassified from available for sale, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference, between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Refer to Note 14 for more details on available for sale financial assets.

Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset has expired; or
- The Bank has transferred its rights to receive cash flows in full without material delay to a third party under a pass through arrangement, and either
  a) The Bank has transferred substantially all the risks and rewards of the asset; or
  b) The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.2 Initial recognition and subsequent measurement (continued)

4.1.2.1 Financial assets (continued)

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Cash and cash equivalents

Cash and cash equivalents includes notes and coins on hand, balances held with other banks, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short term commitments.
Further disclosures relating to cash and cash equivalents are also provided in the Note 13

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosure for significant estimates and assumptions (Note 3.3);
- Loans and advances to customers (Note 15); and
- Credit risk (Note 28.2).

The Bank assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment exists if one or more events that has occurred since the initial recognition of the asset has an impact on estimated future cash flows of the financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of financial assets measured at amortised cost

For a financial asset carried at amortised cost, the Bank first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment impairment.

Any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.2 Initial recognition and subsequent measurement (continued)

4.1.2.1 Financial assets (continued)

The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows, for the purpose of measuring the impairment loss. Loans and advances, together with the associated allowances, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is recorded as bad debts recovered in profit or loss.

The Bank also provides for loan impairment in accordance with the provisions of the Banking Act (Chapter 24:20), Banking Regulations, Statutory Instrument 205 of 2000 and IFRS.

nterest income on loans and advances is accrued in profit or loss until such time a reasonable doubt exists with regards to its collectability. Thereafter and until all or part of the loan or advance is written off, interest income continues to accrue on customers' accounts using the rate of interest used to discount future cash flows for the purposes of measuring impairment loss, but is not included in profit or loss. Such suspended interest is deducted from loans and advances on reporting. A loan is considered non-performing where principal or interest or both is due and unpaid for 90 days or more or where interest payments equal 90 days or more have been capitalised, refinanced or rolled over.

Past due but not impaired loans are loans and advances where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

Impairment of available for sale financial assets

For available for sale financial assets, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

For debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.2 Initial recognition and subsequent measurement (continued)

4.1.2.2 Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities measured at amortised cost, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

Other financial liabilities

After initial recognition, other financial liabilities are measured at amortised costs. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are incurred in the process of acquiring the liability. For more information on financial liabilities classified as loans and borrowings, refer to Note 21, Note 22 and Note 23.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

4.1.2.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.1.2.4 Fair value measurement

The Bank measures financial instruments such as available for sale financial assets at fair value at each reporting date. Fair value related disclosures for financial instruments and non financial assets that are measured at fair value are summarised in the following notes:

- Assumptions and estimation uncertainties - Note 3.3; and
- Fair value of financial instruments - Note 29.

Fair value is the amount that would be received on sell of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the most advantageous market for the asset or liability.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.2 Initial recognition and subsequent measurement (continued)

4.1.2.4 Fair value measurement (continued)

The principal or the most advantageous market must be accessible by the Bank. The fair value of a financial asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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 reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

4.2 Property and equipment

Owned assets

Items of property and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Motor vehicles, office equipment and furniture and fittings are stated at cost less accumulated depreciation and accumulated impairment losses. Land and buildings are stated at fair value less accumulated depreciation (for buildings) and impairment losses.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised with the carrying amount of the component being written off. Other subsequent expenditure is capitalised only when it is probable that economic benefits will flow to the entity from the expenditure. All other expenditure is recognised in profit or loss as an expense when incurred.

Properties in the course of construction for administrative or other uses are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Such properties are classified as appropriate categories of property and equipment when completed and are ready for intended use. Depreciation on these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Revaluation

Revaluations of land and buildings are performed with sufficient regularity, by external independent valuers, such that the carrying amounts of the land and buildings do not differ materially from those that would be determined using fair values at the end of each reporting date. Any accumulated depreciation on buildings at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Subsequent depreciation is based on the revalued amount.

Any increase arising on the revaluation of land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same buildings previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that land or building. Upon disposal, any revaluation reserve relating to the particular land or building being sold is transferred to retained earnings.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Property and equipment (continued)

Depreciation and residual values

Depreciation is recognised in profit or loss to write off the cost, less estimated residual value, of motor vehicles, furniture and fittings, computers and office equipment, and buildings on a straight line basis over their estimated remaining useful lives.

Asset residual values and useful lives are reviewed and adjusted as appropriate at each reporting date. The change in residual values and useful lives is treated as a change in accounting estimate.

The depreciation rates for assets are as follows:

Buildings	2.50%
Premises	10.00%
Motor vehicles	33.33%
Computer equipment	20.00%
Office equipment	33.33%
Furniture, fixtures and fittings	33.33%

Impairment

The carrying amount of the Bank's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised in profit or loss or other comprehensive income for properties previously revalued.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, and no impairment loss has been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Derecognition

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

4.3 Investment property

Investment properties are properties held to earn rentals or capital appreciation. Investment properties are initially measured at cost, including transaction costs and subsequently at fair value with the gains and losses arising from changes in the fair value of investment properties being recognised in profit or loss in the reporting period in which they arise. Rental income from investment property is accounted in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Investment property (continued)

Fair value is determined annually by an independent registered valuer. Fair value is based on current prices in the market for similar properties, in the same location and condition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Bank accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the reporting period in which the property is derecognised.

4.4 Employee benefits

The Bank operates both defined contribution and defined benefit schemes for its employees.

Defined contribution plan

Contributions to the defined contribution scheme are recognised as an expense in profit or loss when incurred. The Bank has no further obligation once the contribution has been paid.

Defined benefit plan

The Bank's net obligation in respect of the defined benefit scheme is calculated separately by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior reporting periods. That future benefit is discounted to determine its present value and compared to the fair value of existing plan assets. The calculation is performed by a qualified actuary every three years using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Bank recognises related and restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank recognises the following changes in the net defined benefit obligation in profit or loss:

- Service costs, comprising current service costs, past service costs, gains and losses on curtailments and non routine settlements; and
- Net interest expense or income.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Employee benefits (continued)

Termination benefits

The Bank recognises a liability and expense for termination benefits at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the Bank, 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.

Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Other long term employee benefits

The Bank's obligation in respect of long term employee benefits is the future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine present value. Remeasurements are recognised in profit and loss in the period in which they arise.

4.5 Provisions

A provision is recognised in the statement of financial position when the Bank has a legal or constructive obligation, as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Restructuring provisions are recognised only when the Bank has a constructive obligation, which is when the Bank has approved a detailed formal plan identifying the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline, and the employees affected have been notified of the plan's main features.

4.6 Revenue

Interest

Interest income and expense are recognised in profit or loss on accrual, taking into account the effective interest rate of the financial asset or an applicable floating rate using the effective interest method. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated using the effective interest method.

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate of that financial asset or liability.

Fees and commission

Fees and commission income, including account servicing fees, investment management fees, sales commission and placement fees are recognised in profit or loss as the related services are performed.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Revenue (continued)

Fees and commission (continued)

Loan commitment fees for loans that are likely to be drawn and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised in the profit or loss over the commitment period on a straight line basis.

Foreign currency trading income

Gains and losses arising from foreign currency dealings are recognised in profit or loss as the foreign currency dealings are performed.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

4.7 Leases

Leases are classified as finance leases when the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Bank does not have any finance leases.

Operating lease expenses are recognised in profit or loss on a straight line basis over the term of the lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the reporting period in which they are incurred. The aggregate benefit of incentives received to enter into operating leases are recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern of the Bank's benefit from the use of the leased asset.

4.8 Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity or other comprehensive income is also recognised in equity or other comprehensive income respectively.

Deferred tax

Deferred tax is provided using the statement of financial position method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the reporting period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of VAT, included.

The net amount of VAT recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

4.9 Related parties

The Bank has related party relationships with fellow subsidiaries, the parent company and key management employees. Transactions and balances with related parties are shown in Note 26.

4.10 Assets under custody

The Bank commonly acts as a trustee and in other fiduciary capacities that result in the holding and placing of assets on behalf of individuals, trusts and other institutions. These assets are not recognised in the Bank's statements of profit or loss and other comprehensive income and financial position, as they are not assets of the Bank but are disclosed in the notes to the financial statements as shown in Note 30.

4.11 Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as deduction to equity net of related tax. Share capital is disclosed in detail in Note 11.

5 STANDARDS ISSUED BUT NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016; however, the Bank has not applied the following new or amended standards in preparing these financial statements:

5.1 IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Bank currently plans to apply IFRS 9 initially on 1 January 2018.

5 STANDARDS ISSUED BUT NOT YET ADOPTED (continued)

5.1 IFRS 9 Financial Instruments (continued)

Possible impact

The actual impact of adopting IFRS 9 on the Bank's financial statements in 2018 is not yet known and cannot be reliably estimated because it will be dependent on the financial instruments that the Bank holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Bank to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its positions at 30 September 2016.

Classification – Financial assets

Based on its preliminary assessment, the Bank does not believe that the new classification requirements, if applied at 31 December 2016, would have had a material impact on its accounting for financial assets measured at amortised costs and financal assests available for sale.

At 31 December 2016, the Bank had unlisted investments classified as available-for-sale with a fair value of USD 139 million that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Bank may elect then to classify them as fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTP'L). The Bank has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognised in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognised in profit or loss as they arise, increasing volatility in the Bank's profits.

Impairment – Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ('ECL') model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Bank believes that impairment losses are likely to significantly increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Bank's preliminary assessment indicated that application of IFRS 9's impairment requirements at 31 December 2016 would probably have resulted in a significant increase in impairment allowances at that date compared with impairment losses recognised under IAS 39. However, the Bank has not yet finalised the impairment methodologies that it will apply under IFRS 9.

5 STANDARDS ISSUED BUT NOT YET ADOPTED (continued)

5.1 IFRS 9 Financial Instruments (continued)

Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Bank has not designated any financial liabilities at FVTPL and the Bank has no current intention to do so. The Bank's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 December 2016.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Bank's preliminary assessment included an analysis to identify data gaps against current processes and the Bank's plans to implement the system and controls changes that it believes will be necessary to capture the required data.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

The Bank plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.

5.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Bank has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its financial statements. This focused on a review of fees and commission income. The Bank earns fee and commission income (other than fees included in the calculation of the effective interest rate) on provision of the following services:

- Retail Banking;
- Global Banking; and
- Commercial banking.

The initial review indicates that IFRS 15 will not have a material impact on the timing of recognition or measurement of fees and commission income. The Bank is currently performing a detail impact assessment.

5 STANDARDS ISSUED BUT NOT YET ADOPTED (continued)

5.3 IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Bank has started an initial assessment of the potential impact on its financial statements. So far, the most significant impact identified is that the Bank will recognise new assets and liabilities for its operating leases of branch facilities. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Bank has not yet decided whether it will use the optional exemptions. No significant impact is expected for the Bank's finance leases.

5.4 Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Bank will assess the potential impact on these financial statements resulting from the new amendments and possibly present reconciliation between the opening and closing balances for liabilities with changes arising from financing activities in the financials for year ending 31 December 2017.

5.5 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The Bank is assessing the potential impact on its financial statements resulting from the amendments and does not expect a significant impact.

5.6 New standards or amendments for 2016 and forthcoming requirements

The following new or amended standards are not expected to have a significant impact on the Bank's financial statements:

- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).
- Disclosure Initiative (Amendments to IAS 1).
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).

		2016 USD	2015 USD
6	**INTEREST INCOME**		
	Loans and advances to banks	71 570	61 803
	Loans and advances to customers	14 734 214	21 948 131
	Bonds, bills and acceptances	6 960 029	2 921 411
		21 765 813	**24 931 345**
7	**INTEREST EXPENSE**		
	Savings deposits	412 788	690 622
	Time deposits	5 286	322 013
		418 074	**1 012 635**
8	**NON - INTEREST INCOME**		
8.1	**FEE AND COMMISSION INCOME**		
	Account service fees and charges	6 039 014	7 115 917
	Lending fees	4 805 503	6 158 954
	Transaction related commissions	25 032 372	26 070 355
	Other fees and commissions	115 423	812 289
		35 992 312	**40 157 515**
8.2	**COMMISSION EXPENSE**		
	Card transactions	2 569 679	2 462 180
	Cash repatriation and cash in transit charges	1 001 131	817 935
	Real time gross settlement	906 620	674 827
	Deposit protection insurance	725 709	614 408
	Nostro bank charges	247 540	354 399
	Paynet charges	471 705	346 520
	Other	50 454	18 617
		5 972 838	**5 288 886**
8.3	**FOREIGN CURRENCY TRADING INCOME**		
	Dealing income	3 653 657	3 607 400
8.4	**OTHER INCOME**		
	Fair value loss on investment property	-	(180 000)
	Rental income from investment property	443 930	630 225
	Profit on sale of property and equipment	563 623	130 004
	Other miscellaneous income	45 985	178 090
		1 053 538	**758 319**

	2016 USD	2015 USD
9 OPERATING EXPENSES		
Audit fees	132 372	132 393
Depreciation	1 554 616	1 649 038
Staff costs (Note 9.1)	24 580 098	24 579 271
Directors' emoluments (Note 9.2)	998 140	925 049
Group cross border recharges	922 676	14 005 380
Premises and equipment costs	4 524 652	4 859 970
VAT on services	1 235 371	4 067 784
Communication costs	1 186 326	1 003 012
Deposit Protection Corporation penalty*	116 486	-
Other	3 272 493	4 211 675
	38 523 230	**55 433 572**

*The penalty relates to interest levied by the Deposit Protection Corporation relating to late payment of premiums in 2013.

9.1 Staff costs

	2016 USD	2015 USD
Salaries and allowances	17 639 370	16 443 092
Bonuses	2 788 621	3 303 103
Compulsory social security contributions	351 569	365 555
Defined contribution pension expense	852 716	1 988 921
Defined benefit pension expense (Note 24.1)	(18 000)	(289 000)
Staff separation costs	273 567	454 844
Medical expenses	1 312 559	1 357 737
Long service awards	384 004	33 000
Staff insurance	191 928	197 249
Other staff costs	803 764	724 770
	24 580 098	**24 579 271**

The average number of employees during 2016 was 613 (2015: 652).

9.2 Directors' emoluments

	2016 USD	2015 USD
Fees for services as Directors	104 500	87 900
Pension	37 710	69 180
Salaries	743 825	647 376
Other emoluments	112 105	120 593
	998 140	**925 049**

	2016 USD	2015 USD
10. TAXATION		
10.1 Analysis of tax charge		
Charge for taxation based on taxable income for the year	2 830 064	4 479 838
Provision for aids levy	84 902	134 395
Income tax expense	2 914 966	4 614 233
Capital gains tax expense	107 500	24 500
Prior year tax adjustment (Note 10.1.1)	1 262 724	5 192 190
Deferred tax credit	(257 907)	(1 096 538)
Total tax expense	**4 027 283**	**8 734 385**

The income tax rate applicable to the Bank's 2016 taxable income is 25.75% (2015: 25.75%)

10.1.1 Prior year tax adjustment

The prior year tax adjustment include an additional tax expense of USD1 237 000 (2015: USD4 062 583) arising from an assessment carried out by the Zimbabwe Revenue Authority (ZIMRA) in 2012. The Bank has disputed the liability and the matter is currently with the courts.

	2016 USD	2015 USD
10.2 Reconciliation of the tax charge		
Notional tax charge based on profit for the year	4 496 216	2 352 854
Additional tax charge/(savings) resulting from:		
Prior year under provision of taxes	1 262 724	5 192 190
Non deductible expenses	353 078	1 127 491
Capital gains tax	107 500	24 500
Income taxed at different rates	-	37 350
Change in estimates relating to prior years	(2 192 235)	-
Total tax charge	**4 027 283**	**8 734 385**
10.3 Deferred tax liability		
The deferred tax liability is attributable to the following:		
Property and equipment and non-current assets held for sale	3 808 302	5 982 900
Investment property	262 500	302 500
Loan impairment allowance	(1 015 380)	(1 866 728)
Foreign exchange revaluation loss/(gains)	388	(2 535)
Deferred income	(56 566)	(34 134)
Suspended income	(379 626)	(1 055 683)
Defined long service awards obligation	(810 096)	(711 215)
Defined pension obligation	-	(414 318)
Provisions	(1 665 062)	(1 855 813)
Prepaid expenses	4 189	18 579
Balance at 31 December	**148 649**	**363 553**

		2016 USD	2015 USD
10.	**TAXATION (contiuned)**		
10.4	**Deferred tax movement during the year**		
	Balance at 1 January	363 553	1 805 216
	Recognised in profit or loss	(257 907)	(1 096 538)
	Recognised in Other Comprehensive Income:		
	- Re-measurements of defined benefit liability	43 003	(450 883)
	- Gains on property revaluation	-	105 758
	Balance at 31 December	**148 649**	**363 553**
10.5	**Current tax liability/(asset) movement**		
	Balance at 1 January	1 357 745	329 363
	Current tax expense for the year	2 914 966	4 614 233
	Capital gains tax expense for the year	107 500	24 500
	Payment made during the year	(3 296 061)	(4 739 959)
	Prior year under provision	25 724	1 129 608
	Balance at 31 December	**1 109 874**	**1 357 745**

11. CAPITAL AND RESERVES

		2016 USD	2015 USD
11.1	**Authorised share capital**		
	1 000 000 ordinary shares of USD1 each	1 000 000	1 000 000
11.2	**Issued share capital**		
	825 000 ordinary shares of USD1 each	825 000	825 000

Subject to the provisions of section 183 of the Companies Act (Chapter 24:03), unissued shares are under the control of the Directors. This is in accordance with the Articles and Memorandum of Association of the Bank. Holders of the shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the general meetings. All rights attached to the Bank's shares are suspended until they are reissued.

		2016 USD	2015 USD
11.3	**Capital reserves**		
	Share premium	20 625 000	20 625 000
	Foreign currency translation reserve (Note 11.5)	5 936 639	5 936 639
		26 561 639	**26 561 639**
11.4	**Retained earnings**		
	Retained earnings	42 018 403	28 087 656

11.5 Foreign currency translation reserve

The reserves arose from the change in functional currency exercise carried out as at 1 January 2009. Upon conversion to United States dollars, a special reserve was created to account for the net of the converted assets and liabilities.

11. CAPITAL AND RESERVES (continued)

11.6 Revaluation reserve

The revaluation reserve arises from the revaluation of land and buildings, net of deferred tax. When revalued land and buildings are sold, the portion of the property revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the revaluation reserve will not be reclassified subsequently to profit and loss.

12. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings and a weighted average number of ordinary shares.

Basic earnings per share amounts are calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year. There were no dilutive potential ordinary shares at the reporting date and as a result basic earnings per share and diluted earnings per share are the same.

	2016	2015
Profit attributable to shareholders of the Bank (USD)	13 433 750	402 912
Weighted average number of ordinary shares	825 000	825 000
Basic and diluted earnings per share (USD)	**16.28**	**0.49**

	2016 USD	2015 USD
13 CASH AND CASH EQUIVALENTS		
Cash and balances with banks	34 731 034	50 558 801
Unrestricted balances with the Central Bank	164 353 757	77 261 040
Total cash and cash equivalents	**199 084 791**	**127 819 841**

Restrictions on the use of balances held in foreign banks

Cash and balances with banks and unrestricted balances with the Central Banks are used to facilitate customer transactions which include payments and cash withdrawals. During the year, the Central Bank through Exchange Control Operational Guide 8 ('ECOGAD8') introduced prioritisation criteria which have to be followed when making foreign payments for customers. After prioritisation, foreign payments are then made subject to availability of funds with our foreign correspondent banks, resulting in possible delay of payment of telegraphic transfers. However, no delay is expected in the settlement of local transactions through the Real Time Gross Settlement ('RTGS') system.

	2016 USD	2015 USD
14 FINANCIAL ASSETS AVAILABLE FOR SALE		
Debt and other fixed-income instruments		
Treasury bills and bonds issued by the Government	135 719 643	48 513 871
Corporate bonds	3 442 848	3 441 258
	139 162 491	**51 955 129**
Maturities		
More than 5 years	1 607 772	1 927 772
5 years or less but over 1 year	1 364 736	35 953 078
1 year or less but over 3 months	81 957 907	9 408 746
3 months or less including payable on demand	54 232 076	4 665 533
	139 162 491	**51 955 129**

Treasury bills and bonds issued by the Government are classified as available for sale and have coupon interest, ranging from 5% to 10% (2015: 2% to 10%) with a maturity profile ranging from in one to ten years. Corporate bonds are classified as available for sale investments have interest ranging from 5% to 10% (2015: 5% to 10%) and mature in three to six months.

Information about the Bank's exposure to credit and market risks, and fair value measurement, is included in Notes 28 and 29 respectively.

	2016 USD	2015 USD
15 LOANS AND ADVANCES TO CUSTOMERS		
15.1 Loans and advances		
Loans and advances to customers measured at amortised cost	130 772 135	174 651 255
Less:		
- Specific and portfolio impairment allowance (Note 15.3)	(3 943 223)	(7 249 430)
- Interest in suspense (Note 15.3)	(1 687 950)	(4 099 742)
	125 140 962	**163 302 083**
Maturities		
With a residual maturity of:		
- 3 months or less	44 636 323	56 752 091
- Between 3 months and 1 year	36 207 281	38 436 751
- Between 1 and 5 years	49 928 531	79 462 413
	130 772 135	**174 651 255**
Less:		
- Specific and portfolio impairment provision (Note 15.3)	(3 943 223)	(7 249 430)
- Interest in suspense (Note 15.3)	(1 687 950)	(4 099 742)
	125 140 962	**163 302 083**

15 LOANS AND ADVANCES TO CUSTOMERS

15.2 Sectoral analysis of utilisations

	2016		2015	
	USD	%	USD	%
Agriculture and horticulture	16 702 881	13%	32 029 976	18%
Construction and property	1 063 643	1%	1 337 943	1%
Commerce	22 617 367	17%	34 221 737	20%
Mining	6 000 000	5%	6 000 000	3%
Manufacturing	42 274 573	32%	52 610 143	30%
Transport and communications	232 208	0%	2 312 813	1%
Individuals	41 075 495	31%	44 626 921	26%
Other	805 968	1%	1 511 722	1%
	130 772 135	**100%**	**174 651 255**	**100%**

The Bank's concentrations of risk are managed by client/counterparty, geographical region and industry sector. The above loans and advances are secured by various collateral, refer to Note 28.2 for details.

15.3 Impairment allowance on loans and advances

	2016			2015		
	Specific USD	Portfolio USD	Total USD	Specific USD	Portfolio USD	Total USD
Balance at 1 January	3 188 297	4 061 133	7 249 430	5 406 810	4 276 697	9 683 507
Allowance created during the year	1 863 813	-	1 863 813	2 448 769	2 733 753	5 182 522
Allowance reversed/utilised during the year	(439 048)	(1 611 572)	(2 050 620)	(4 667 282)	(2 949 317)	(7 616 599)
Loan impairment charge/ (recovery) through profit or loss	1 424 765	(1 611 572)	(186 807)	(2 218 513)	(215 564)	(2 434 077)
Loan written off	(3 119 400)	-	(3 119 400)	-	-	-
Balance at 31 December	**1 493 662**	**2 449 561**	**3 943 223**	**3 188 297**	**4 061 133**	**7 249 430**

15.4 Non-performing loans and advances to customers

	2016 USD	2015 USD
Total loans and advances on which interest is suspended	4 661 302	9 988 021
Interest in suspense	(1 687 950)	(4 099 742)
Specific impairment allowance	(1 493 662)	(3 188 297)
Net non-performing loans	**1 479 690**	**2 699 982**

15.4.1 Ageing of non-performing loans as at 31 December

	2016		2015	
	USD Gross	USD Net	USD Gross	USD Net
Past due up to 30 days	-	-	-	-
Past due up to 60 days	-	-	-	-
Past due up to 90 days	1 657 309	526 098	-	-
Past due up to 180 days	54 061	17 161	991 950	507 463
Past due up to 365 days	415 737	131 972	2 630 161	607 811
Over 1 year	2 534 195	804 459	6 365 910	1 584 708
Balance at 31 December	**4 661 302**	**1 479 690**	**9 988 021**	**2 699 982**

	2016 USD	2015 USD
16 OTHER ASSETS		
Accrued interest receivable	415 977	447 765
Amounts due from other SCB subsidiaries	732 424	350 638
Other receivable	760 000	-
Prepaid withholding taxes	1 488 648	1 133 551
Other prepaid expenses*	884 044	1 032 889
	4 281 093	**2 964 843**

*Work in progress of USD903 000 included in other prepaid expenses in 2015 has been reclassified to property and equipment to achieve fair presentation (Refer to Note 19).

17 RESTRICTED BALANCES WITH THE CENTRAL BANK

	2016 USD	2015 USD
Customers' refundable Foreign Exchange Licensed Warehouses and Retail Shops ('FOLIWARS') deposits	**245 400**	**245 400**

Restricted balances with the Central Bank relate to customer foreign currency account funds ('FCA') that were transferred to the Central Bank during the Zimbabwe dollar era in line with exchange control regulations in force at the time. These balances are not available for use in the Bank's day to day operations.

	2016 USD	2015 USD
18 INVESTMENT PROPERTY		
Balance at 1 January	6 050 000	6 230 000
Disposals	(800 000)	-
Fair value loss	-	(180 000)
Transfer to non-current assets held for sale	(2 250 000)	-
Balance at 31 December	**3 000 000**	**6 050 000**

The Bank's entire investment property portfolio is held under freehold interests and comprise of office and residential buildings.

Rental income and expenses relating to investment property

	2016 USD	2015 USD
Rental income derived from investment property	443 930	630 225
Direct operating expenses (including repairs and maintenance) generating rental income	(43 585)	(52 247)
Net rental income	**400 345**	**577 978**

The Bank has no restrictions on the reliability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancements.

Reconciliation of fair value:

	Office USD	Residential USD	Total USD
Balance at 1 January 2015	5 540 000	690 000	6 230 000
Fair value recognised in profit or loss	(180 000)	-	(180 000)
Balance at 31 December 2015	**5 360 000**	**690 000**	**6 050 000**
Transfer to non current assets held for sale	(1 560 000)	(690 000)	(2 250 000)
Disposals	(800 000)	-	(800 000)
Balance at 31 December 2016	**3 000 000**	**-**	**3 000 000**

Valuation process

The fair value of the Bank's investment property at 31 December 2016 and 31 December 2015 was arrived at on the basis of a valuation carried out on the respective dates by Integrated Properties, independent valuers not related to the Bank. The valuers are members of the Real Estate Institute of Zimbabwe, the Estate Agency Council of Zimbabwe and the Valuers' Council of Zimbabwe, and they have appropriate qualifications and relevant experience in the valuation of properties in the relevant locations.

The fair value measurement for all the properties has been categorised as a level 3 fair value based on the inputs of the valuation technique used.

18 INVESTMENT PROPERTY (continued)

Valuation techniques

Discounted cash flows:

- The discounted cash flows method was applied on all income producing properties. The valuation method considers the present value of net cash flows to be generated from the property, taking into account expected growth rate, void periods, occupancy rate;
- The expected net cash flows are discounted using market related risk-adjusted discount rates; and
- Among other factors, the discount rate estimation considers the quality of the building and its location (prime vs. secondary), tenant credit quality and lease terms.

Significant unobservable inputs

- Risk adjusted discount rate 10%; and
- Rentals per square metre - USD10.

Inter relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- Expected market rental growth were higher (lower);
- Void periods were shorter (longer);
- The occupancy rates were higher (lower); and
- The risk adjusted discount rates were lower (higher).

19 PROPERTY AND EQUIPMENT

Movement for the year ended 31 December 2016

	Premises USD	Furniture and fittings USD	Motor vehicles USD	Computer equipment USD	Office equipment USD	Work in progress USD	Total USD
Cost/Valuation							
Balance at 1 January 2016	28 362 532	415 133	2 931 688	1 788 125	1 111 214	903 340	35 512 032
Improvements and purchases	660 326	675 933	126 803	526 777	27 724	655 711	2 673 274
Disposals	(980 000)	(28 946)	(861 204)	(1 495)	-	-	(1 871 645)
Transfer to non-current assets held for sale	(4 658 000)	-	-	-	-	-	(4 658 000)
Balance at 31 December 2016	**23 384 858**	**1 062 120**	**2 197 287**	**2 313 407**	**1 138 938**	**1 559 051**	**31 655 661**
Depreciation							
Balance at 1 January 2016	-	346 514	2 207 697	1 671 768	601 949	-	4 827 928
Charge for the year	610 292	123 436	395 893	244 176	180 819	-	1 554 616
Disposals	(44113)	(20 456)	(846 204)	-	-	-	(910 773)
Balance at 31 December 2016	**566 179**	**449 494**	**1 757 386**	**1 915 944**	**782 768**	**-**	**5 471 771**
Carrying amount at 31 December 2016	**22 818 679**	**612 626**	**439 901**	**397 463**	**356 170**	**1 559 051**	**26 183 890**

Movement for the year ended 31 December 2015

	Premises USD	Furniture and fittings USD	Motor vehicles USD	Computer equipment USD	Office equipment USD	**Work in progress USD	Total USD
Cost/Valuation							
Balance at 1 January 2015	29 402 651	335 514	2 522 830	1 712 121	1 005 258	-	34 978 374
Improvements and purchases	151 177	79 619	515 975	76 004	105 956	-	928 731
Additions to work in progress						903 340	903 340
Disposals	(443 841)	-	(107 117)	-	-	-	(550 958)
Restatement of an asset *	50 000	-	-	-	-	-	50 000
Transfer to non-current assets held for sale	(295 000)	-	-	-	-	-	(295 000)
Revaluation	1 258 440	-	-	-	-	-	1 258 440
Depreciation eliminated on revaluation	(1 760 895)	-	-	-	-	-	(1 760 895)
Balance at 31 December 2015	**28 362 532**	**415 133**	**2 931 688**	**1 788 125**	**1 111 214**	**903 340**	**35 512 032**
Depreciation							
Balance at 1 January 2015	1 193 529	245 286	1 747 572	1 513 766	381 125	-	5 081 278
Charge for the year	613 644	101 228	555 340	158 002	220 824	-	1 649 038
Disposals	(46 278)	-	(95 215)	-	-	-	(141 493)
Eliminated on revaluation	(1 760 895)	-	-	-	-	-	(1 760 895)
Balance at 31 December 2015	**-**	**346 514**	**2 207 697**	**1 671 768**	**601 949**	**-**	**4 827 928**
Carrying amount at 31 December 2015	**28 362 532**	**68 619**	**723 991**	**116 357**	**509 265**	**903 340**	**30 684 104**

* The USD50 000 reinstatement of an asset relates to a Bulawayo residential property that had been omitted from the asset register upon the change of reporting currency in 2009.

** Work in progress of USD903 000 was reclassified from other prepaid expenses to property and equipment to achieve fair presentation.

19 PROPERTY AND EQUIPMENT (continued)

Valuation process

The fair value of the Bank's properties classified as property and equipment at 31 December 2016 and 31 December 2015 was arrived at on the basis of a valuation carried out on the respective dates by Integrated Properties, independent valuers not related to the Bank. The valuers are members of the Real Estate Institute of Zimbabwe, the Estate Agency Council of Zimbabwe and the Valuers' Council of Zimbabwe, and they have appropriate qualifications and relevant experience in the valuation of properties in the relevant locations.

The fair value measurement for all the properties has been categorised as a level 3 fair value based on the inputs of the valuation technique used.

Valuation techniques

Discounted cash flows:

- The discounted cash flows method was applied on all income producing properties. The valuation method considers the present value of net cash flows to be generated from the property, taking into account expected growth rate, void periods, occupancy rate;
- The expected net cash flows are discounted using market related risk-adjusted discount rates; and
- Among other factors, the discount rate estimation considers the quality of the building and its location (prime vs. secondary), tenant credit quality and lease terms.

Direct comparison:

- The direct comparison method was applied on all residential properties, after identification of various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent ('MSE') principle. The total MSE of comparable areas was then used to determine the value per square metre of MSE.

Significant unobservable inputs

- Risk adjusted discount rates (9%-14%); and
- Average rentals per square metre – USD6 to USD15.

Inter relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- Expected market rental growth were higher (lower);
- Void periods were shorter (longer);
- The occupancy rates were higher (lower); and
- The risk adjusted discount rates were lower (higher).

20 NON-CURRENT ASSETS HELD FOR SALE

A decision was taken to dispose the Bank's branch and residential properties which have been vacant and surplus to the Bank's requirements following a decision to close five branches. Efforts to dispose of the properties have commenced and this is expected to be completed in the next twelve months.

	2016 USD	2015 USD
Balance at 1 January	295 000	-
Disposals	(295 000)	-
Transfer from property and equipment	4 658 000	295 000
Transfer from investment property	2 250 000	-
Balance at 31 December	**6 908 000**	**295 000**

Valuation techniques

Discounted cash flows:

- The discounted cash flows method was applied on all income producing properties. The valuation method considers the present value of net cash flows to be generated from the property, taking into account expected growth rate, void periods, occupancy rate;
- The expected net cash flows are discounted using market related risk-adjusted discount rates; and
- Among other factors, the discount rate estimation considers the quality of the building and its location (prime vs. secondary), tenant credit quality and lease terms.

Direct comparison:

- The direct comparison method was applied on all residential properties, after identification of various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent ('MSE') principle. The total MSE of comparable areas was then used to determine the value per square metre of MSE.
- For residential properties, the revalued amounts were arrived at by reference to recent market transactions at arms' length terms while for commercial properties the revalued amounts were arrived at by reference to market rental yields.

Significant unobservable inputs

- Risk adjusted discount rates (11%-14%); and
- Average rentals per square metre – USD4 to USD15.

Inter relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- Expected market rental growth were higher (lower);
- Void periods were shorter (longer);
- The occupancy rates were higher (lower); and
- The risk adjusted discount rates were lower (higher).

Valuation of the Bank's land and buildings is performed at least every three years by Integrated Properties, independent valuers not related to the Bank. The last revaluation was carried out at 31 December 2015 and adjustments were made to the land and buildings' carrying amounts.

	2016 USD	2015 USD
21 DEPOSITS FROM CUSTOMERS		
21.1 Deposits by type*		
Payable on demand	392 398 409	291 244 480
Savings deposits	2 757 750	57 750
	395 156 159	291 302 230
21.2 Maturity analysis		
Payable on demand	395 156 159	291 302 230
	395 156 159	291 302 230

*Please refer to Note 13 in respect of restrictions on use of balances held in foreign banks.

21.3 Concentration of deposits from customers

	2016 USD	2016 %	2015 USD	2015 %
Individuals	95 869 861	24%	95 133 218	33%
Agriculture	10 436 682	3%	13 716 241	5%
Mining	2 237 097	1%	2 062 916	1%
Manufacturing	55 080 255	14%	34 887 891	12%
Distribution	89 786 614	23%	46 957 769	16%
Construction	1 678 548	0%	2 336 400	1%
Transport	35 333 868	9%	10 980 758	4%
Services	77 010 261	19%	71 873 524	24%
Other	27 722 973	7%	13 353 513	4%
	395 156 159	**100%**	**291 302 230**	**100%**

	2016 USD	2015 USD
22 DEPOSITS FROM BANKS		
Deposits from related banks	717 357	304 576
Deposits from other banks	1 446 163	4 767
	2 163 520	309 343

All the above deposits are payable on demand

	2016 USD	2015 USD
23 OTHER LIABILITIES		
Accrued interest payable	131	2 899
Remittances in transit	2 634 580	2 143 171
Visa settlement suspense	3 065 304	275 034
Defined benefit plan (Note 24.1)	-	1 320 000
Long service awards (Note 24.2)	3 146 004	2 762 000
Card suspense	1 544 718	331 128
Group cross border recharges	6 767 836	8 747 296
Provisions (Note 23.1)	6 519 627	7 207 040
Other	2 418 424	1 420 907
	26 096 624	**24 209 475**

23.1 PROVISIONS

	Performance bonus USD	Other USD	Total USD
Balance at 1 January 2016	2 318 549	4 888 491	7 207 040
Provisions made during the year	2 649 689	3 869 938	6 519 627
Provisions reversed during the year	-	(1 189 022)	(1 189 022)
Provisions utilised during the year	(2 318 549)	(3 699 469)	(6 018 018)
Balance at 31 December 2016	**2 649 689**	**3 869 938**	**6 519 627**
Balance at 1 January 2015	2 620 837	1 725 256	4 346 093
Provisions made during the year	2 318 549	7 617 491	9 936 040
Provisions reversed during the year	(190 307)	(2 104 725)	(2 295 032)
Provisions utilised during the year	(2 430 530)	(2 349 531)	(4 780 061)
Balance at 31 December 2015	**2 318 549**	**4 888 491**	**7 207 040**

All provisions are payable within 12 months.

Performance bonus:
Performance bonus is recognised in relation to expected bonus payments to employees. It is expected that the bonus will be paid in the next financial year. The bonus provision was based on the Bank's financial results for the current financial year, the Bank's policy and the history of actual payments. The final payment is subject to approval by the Directors.

Other provisions:
Included in other provisions are staff redundancy costs of USD818 173 (2015: USD2 166 001), leave pay accrual of USD1 312 684 (2015: USD1 189 022) and tax provision of USD1 237 000(2015: USD nil).

24 DEFINED BENEFIT OBLIGATIONS

The Bank operates a defined contribution and a defined benefit scheme and also offers long service awards to its employees.

A. Defined benefit pension plan

The Bank sponsors a funded defined benefit pension plan for qualifying employees. The defined benefit pension plan is administered by a separate Fund that is legally separated from the entity. The Trustees of the pension fund comprises of an equal number of representatives from both employers and employees. The Trustees of the pension fund are required by law to act in the interest of the Fund and of all relevant stakeholders in the scheme i.e. active employees, inactive employees, retired employees and the employer. The Trustees of the pension fund are responsible for the investment policy with regard to the assets of the Fund. The Trustees have discretion subject to the agreement of the Bank and after consultations with the actuary, to apply or deal with any surpluses in the value of the Fund's assets in excess of its actuarially calculated liabilities in any manner they consider appropriate.

Under the defined benefit pension plan, employees are entitled to a post retirement monthly instalment amounting to 67% of final salary at the time of retirement, with the retirement age being 60. The pensionable salary is not limited. The defined benefit plan typically exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk, and salary risk as described below.

Risk type	Description
Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, property and money market placements. Due to the long-term nature of the plan liabilities, the Trustees of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in property to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan assets.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan liability.

Defined benefit plan sensitivity analysis

	Defined benefit obligation	
	USD	**% impact**
Base	13 188	
Discount rate (+1%)	12 391	-11%
Discount rate (-1%)	15 724	13%
General inflation (+1%)	14 474	4%

Significant actuarial assumptions for the determination of the defined obligation plan are the discount rate and inflation rate. The sensitivity analysis above has been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting date, while holding other assumptions constant.

24 DEFINED BENEFIT OBLIGATIONS (continued)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The principal assumptions used for the purposes of the defined benefit plan actuarial valuations were as follows:

	Defined benefit obligation	
	2016	**2015**
Discount rate	4.4%	4.6%
Expected return on plan assets	4.4%	4.6%
Salary inflation rate	4.0%	4.0%
Pension inflation rate	0.0%	0.0%

Plan assets

Plan assets comprise the following:

	2016 USD	**2015 USD**
Equities	6 160 000	4 291 000
Government Bonds	1 620 000	1 190 000
Corporate Bonds	109 000	13 000
Property	1 851 000	1 756 000
Other	5 787 000	4 565 000
Fair value of plan assets	**15 527 000**	**11 815 000**

B. Long service awards

The Bank offers awards to its long serving employees. Employees are entitled to a long service award on the basis of every five year period served up to a maximum of 40 years. The factor is derived by dividing the number of years by 12 calendar months.

The obligation is unfunded and is determined by an independent actuarial valuation carried out on annual basis with the last one having been done on 31 December 2016.

Long service awards plan sensitivity analysis

	Defined benefit obligation	
	2016	**2015**
Discount rate	4.4%	4.6%
Expected return on plan assets	4.4%	4.6%
Salary inflation rate	4.0%	4.0%
Pension inflation rate	0.0%	0.0%

Significant actuarial assumptions for the determination of the long service award obligation are the discount rate and inflation rate. The sensitivity analysis above has been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting date, while holding other assumptions constant.

24 DEFINED BENEFIT OBLIGATIONS (continued)

B. Long service awards (continued)

The sensitivity analysis presented above may not be representative of the actual change in the long service awards obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The principal assumptions used for the purposes of the long service awards actuarial valuations were as follows:

24.1 Defined benefit pension plan: quantitative information requirements

Movement in net defined benefit (asset)/liability

	Defined benefit obligation		Fair value of plan assets		Asset ceiling		Net defined benefit liability/(asset)	
	2016 USD	**2015 USD**	**2016 USD**	**2015 USD**	**2016 USD**	**2015 USD**	**2016 USD**	**2015 USD**
Balance at 1 January	**13 135 000**	**11 166 000**	**(11 815 000)**	**(12 769 000)**	**-**	**1 603 000**	**1 320 000**	**-**
Included in profit and loss:								
Current service cost (excluding expenses)	173 000	201 000	-	-	-	-	173 000	201 000
Curtailment gain	(279 000)	(821 000)	-	-	-	-	(279 000)	(821 000)
Net interest cost	599 000	802 000	(511 000)	(538 000)	-	67 000	88 000	331 000
	493 000	**182 000**	**(511 000)**	**(538 000)**	**-**	**67 000**	**(18 000)**	**(289 000)**
Included in the other comprehensive income								
Remeasurements loss/(gain)								
(a) Actuarial loss/(gain) arising from:								
- Assumptions	365 000	(890 000)	(2 050 000)	-	-	-	(1 685 000)	(890 000)
- Experience adjustments	(121 000)	3 614 001		-	-	-	(121 000)	3 614 001
(b) Return on planned assets excluding interest income	-	-	-	697 000	-	-	-	697 000
Effects of Asset Ceiling not in profit or loss	-	-	-	-	1 639 000	(1 670 000)	1 639 000	(1 670 000)
	244 000	**2 724 001**	**(2 050 000)**	**697 000**	**1 639 000**	**(1 670 000)**	**(167 000)**	**1 751 001**
Other								
Contribution paid by the employer (excluding expenses)	-	(1)	(1 142 000)	(149 000)	-	-	(1 142 000)	(149 001)
Contributions paid by members and other parties	66 000	69 000	(66 000)	(69 000)	-	-	-	-
Transfer from defines benefit fund	961 000	-	(961 000)	-	-	-	-	-
Benefits paid	(1 011 000)	(1 006 000)	1 011 000	1 006 000	-	-	-	-
Expenses	-	-	7 000	7 000	-	-	7 000	7 000
Balance at 31 December	**13 888 000**	**13 135 000**	**(15 527 000)**	**(11 815 000)**	**1 639 000**	**-**	**-**	**1 320 000**

24 DEFINED BENEFIT OBLIGATIONS (continued)

24.2 Long service awards: quantitative information

Movement in net defined benefit (asset)/liability

	Defined benefit obligation		Fair value of plan assets		Asset ceiling		Net defined benefit liability/(asset)	
	2016 USD	2015 USD	2016 USD	2015 USD	2016 USD	2015 USD	2016 USD	2015 USD
Balance at 1 January	**2 762 000**	**2 729 000**	**-**	**-**	**-**	**-**	**2 762 000**	**2 729 000**
Included in profit and loss:								
Current service cost (excluding expenses)	174 004	179 000	-	-	-	-	174 004	179 000
Curtailment loss								
Actuarial loss/(gain) arising from:								
Assumptions	333 000	(320 000)	-	-	-	-	333 000	(320 000)
Experience adjustments	-	277 000	-	-	-	-	-	277 000
Net interest cost	130 000	118 000	-	-	-	-	130 000	118 000
	637 004	**254 000**	**-**	**-**	**-**	**-**	**637 004**	**254 000**
Other								
Contribution paid by employer (excluding expenses)	-	-	-	(221 000)	-	-	-	(221 000)
Benefits paid	(253 000)	(221 000)	-	221 000	-	-	(253 000)	-
Balance at 31 December	**3 146 004**	**2 762 000**	**-**	**-**	**-**	**-**	**3 146 004**	**2 762 000**

25 NATIONAL SOCIAL SECURITY AUTHORITY SCHEME

All employees are members of the National Social Security Authority Scheme, to which both the Bank and the employees contribute. Contributions by the employer are charged to profit or loss.

26 RELATED PARTIES

Related parties comprise of the Bank's key management personnel, shareholders, fellow subsidiaries, holding company and/or entities related to the Bank's key management personnel, shareholders, fellow subsidiaries and holding company. Key management comprises the Directors (executive and non-executive) of the Bank and all Heads of business units and functions. From time to time Directors of the Bank, or their related entities, may access banking services and facilities offered by the Bank. Transactions with related parties including non executive Directors are done at arm's length. Interest rates are at the same rates offered to all other customers.

The Bank's Heads of units and functions comprise the Chief Executive Officer, Chief Financial Officer, Head of Global Banking, Head of Commercial Banking, Head of Retail Banking, Head of Financial Markets, Head of Compliance, Head of Human Resources, Chief Information Officer, Company Secretary, Head of Internal Audit, Head of Corporate Affairs, Brand and Marketing and the Country Chief Risk Officer.

Key management personnel compensation

	2016 USD	2015 USD
Short term employee benefits	2 522 127	2 344 235
Post employment benefits	122 796	432 376
Total compensation paid to key management personnel	**2 644 923**	**2 776 611**

Transactions and balances with key management personnel

	Loan balance		Interest income	
	2016 USD	**2015 USD**	**2016 USD**	**2015 USD**
Loans extended to key management	420 629	396 400	21 031	10 335
Loans extended to Non Executive Directors	23 301	34 202	303	948
Loans to companies under the control of management:				
Nectorfield (Private) Limited*	-	50 362	-	4 193

Loans to executive management are on the same terms and conditions as relating to all other staff. The Bank provides unsecured short term loans with a maximum tenure of three years to its staff at an annual interest rate of 9%.

*Nectorfield (Private) Limited is a company co- owned by S. Nhakaniso, a Director of the Bank.

26 RELATED PARTIES (continued)

Transactions and balances with related entities

Transaction with related entities comprise of transactions between the Bank and its shareholders, fellow subsidiaries, holding company and/or entities related to the shareholders, fellow subsidiaries and holding company.

			Amount of transaction Income/(Expense)		Outstanding balance Asset/(Liability)	
Name of related party	**Nature of relationship**	**Nature of transaction**	**2016**	**2015**	**2016**	**2015**
Standard Chartered PLC	Parent	Shared service costs paid	(922 676)	(14 005 380)	(6 105 672)	(8 675 193)
	Parent	Offshore loan revenue received	927 367	353 322	375 561	353 327
Various SCB banks	Fellow subsidiaries	Banking deposits (Vostro)	-	-	(717 357)	(304 576)
		Banking deposits (Nostro)	-	-	18 047 546	4 713 689
Africa Enterprise Network Trust*	Trustees on behalf of shareholders	Banking deposits	240	240	442 054	(442 294)

The amount owed to related parties have been disclosed under deposits from banks and under loans and advances to customers. No loans or balances receivable from related parties were provided for or written off during the current and prior year.

*Africa Enterprise Network Trust is a fund that was created to hold dividends declared but not paid to the shareholders during the hyperinflation era. These funds were utilised to purchase shares of counters listed on the Zimbabwe Stock Exchange. The amount outstanding represents the bank deposits with the Bank and related charges.

27 COMMITEMENTS AND CONTINGENT LIABILITIES

27.1 Operating lease commitments — Bank as lessee

The Bank has several operating leases with tenors up to five years. The leases with tenors of more than one year provides for annual reviews of the terms based on prevailing market conditions. The Bank has the option to renew some of its leases. Future minimum rentals payable, based on the latest reviews, under non-cancellable operating leases at 31 December 2016 are as follows:

	2016 USD	2015 USD
Within one year	431 701	505 033
After one year but not more than five years	279 579	197 673
Total	**711 280**	**702 706**

27 COMMITEMENTS AND CONTINGENT LIABILITIES (continued)

27.2 Operating lease commitments - Bank as lessor

The Bank has entered into operating leases on its investment property portfolio consisting of certain office, retail and residential buildings. These leases have tenors up to five years, with the terms reviewable annually according to prevailing market conditions.

The Bank does not recognise rental income until all necessary accrual conditions have been met. Future minimum rentals receivable, based on the latest reviews, under non-cancellable operating leases at 31 December 2016 are as follows:

	2016	2015
	USD	**USD**
Within one year	288 571	309 298
After one year but not more than five years	890 754	1 091 718
More than 5 years	-	544 359
	1 179 325	**1 945 375**
27.3 Commitments and contingent liabilities		
Letters of credit	287 371	352 035
Foreign currency forwards	3 901 898	6 286 827
Disputed FCA balances (Note 27.3.1)	769 000	1 690 658
Guarantees	13 611 123	14 414 268
Other commitments (Note 27.3.2)	35 035 669	19 767 211
	53 605 061	**42 510 999**

27.3.1 Disputed FCA balances

The amount relates to cases where customers have taken the Bank to court over their FCA balances held by the Central Bank. Negotiations are currently underway to encourage customers to accept the Treasury Bills issued by the Government and withdraw the court cases.

27.3.2 Other commitments

Other commitments relate to obligations arising from unutilised available limits on all other committed facilities amounting to USD1 million (2015: USD4 million) and uncommitted facilities amounting to USD 24 million (2015: USD16 million).

28 RISK MANAGEMENT FRAMEWORK

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Foreign exchange risk;
- Interest rate risk;
- Operational risk;
- Reputational risk;
- Legal and compliance risk;
- Strategic risk; and
- Capital risk.

28 RISK MANAGEMENT FRAMEWORK (continued)

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk and the Bank's management of capital.

28.1 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank's Asset and Liability ('ALCO'), Credit and Operational Risk Committees, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. The Audit committee comprises of independent non-executive Directors while all other Board committees have both executive and non-executive members. These committees report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through training and management standards and procedures, aims to develop and maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in these functions by internal audit which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

28.2 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Bank's loans and advances (to customers and other banks) and investment securities. The Bank actively manages its credit risk at the individual transaction, counterparty and other portfolio levels, using a variety of qualitative and quantitative measures. The Bank endeavours to minimise risk as far as possible by only granting a loan where the probability of default is acceptable.

Based on evaluation of the counterparty's creditworthiness and the type of credit arrangement desired, credit limits are assigned by experienced credit officers and approved by the Board Credit Committee. Loan advances in the agricultural sector are 100% secured by tangible collateral in the form of bonds over properties or are backed by commodity structures. The remainder of the loan advances are to the mining, commercial and manufacturing sectors where the lending is largely to established large multinational corporates which in most instances are multi-banked. These are generally secured by intra group guarantees and Notarial General Covering Bonds over movable assets subject to individual risk profiles.

28 RISK MANAGEMENT FRAMEWORK (continued)

28.2 Credit risk (continued)

Movement in net defined benefit (asset)/liability

	Loans and advances to customers		Financial assets available for sale		Lending commitments and financial guarantees	
	2016 USD	**2015 USD**	**2016 USD**	**2015 USD**	**2016 USD**	**2015 USD**
Gross carrying amount	**130 772 135**	**174 651 255**	**139 162 491**	**51 955 129**	**49 703 162**	**28 485 989**
Assets at amortised cost						
Grade 1-4 Low fair risk	123 246 754	160 739 004				
Grade 5-7 Watchlist	3 083 814	4 648 694				
Grade 8 Substandard	46 497	212 693				
Grade 9 Doubtful	876 575	1 036 287				
Grade 10 Loss	3 518 495	8 014 577				
Total gross amount	**130 722 135**	**174 651 255**				
Specific and portfolio impairment allowance	(3 943 223)	(7 249 430)				
Interest in suspense	(1 687 950)	(4 099 742)				
Net carrying amount	**125 140 962**	**163 302 083**				
Available for sale						
Low fair risk (carrying amount)			139 162 491	51 955 129		
Off balance sheet exposures						
Maximum exposures						
Lending commitments					36 092 039	14 071 721
Financial guarantees					13 611 123	14 414 268
Total exposure					**49 703 162**	**28 485 989**
Loans with renegotiated terms						
Gross carrying amount	2 479 339	3 287 886				
Allowance for impairment	(1 264 611)	(80 735)				
Net carrying amount	**1 214 728**	**3 207 151**				
Neither past due nor impaired						
Grade 1-4 Low fair risk	123 246 754	160 360 646				
Grade 5-7 Watchlist	3 083 814	4 648 694				
Total gross amount	**126 330 568**	**165 009 340**				
Allowance for impairment loss	(2 449 561)	(4 061 133)				
Net carrying amount	**123 881 007**	**160 948 207**				

28 RISK MANAGEMENT FRAMEWORK (continued)

28.2 Credit risk (continued)

An estimate of the fair value of collateral and other security enhancements held against loans to customers is as follows:

Security from customers

Against collectively unimpaired loans

	2016 USD	2015 USD
Asset based	121 559 230	60 571 000
Property	181 156 600	48 057 000
Commodity	5 047 410	670 000
Total collateral	**307 763 240**	**109 298 000**
Against individually impaired loans		
Asset based	6 590 400	4 312 569

The above collateral is held against loans and advances provided to customers. The Bank will return the collateral upon full repayment of loans and advances by the relevant customers. In the event of default by a customer, the Bank will only act on the collateral after a court ruling in favour of the Bank.

Some loans issued within the Global Banking department are secured by parental guarantees. Collateral would have been lodged with Standard Chartered Bank Group in their respective head offices.

Renegotiated loans

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loans are restructured they remain in this category independent of satisfactory performance after restructuring.

	2016 USD	2015 USD
Renegotiated loans and advances to customers	2 479 339	3 287 886

28 RISK MANAGEMENT FRAMEWORK (continued)

28.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulties in meeting the obligations of its financial liabilities. Liquidity risk arises from the fact that assets and liabilities have differing maturities. Liquidity issues are addressed through the Asset and Liability Committee ('ALCO') of the Bank comprising the Chief Executive Officer, Chief Finance Officer and Country Chief Risk Officer. The respective Heads of Commercial Banking, Global Banking, Retail Banking, Financial Markets, Asset and Liability Management, and Group Treasury attend by invitation. At its meetings, ALCO deals with strategic and policy issues on liquidity, and sets the positions and mismatch levels within which the activities of the next period are conducted. It is the responsibility of ALCO to ensure that the Bank has sufficient liquidity at any given time.

28.3.1 Liquidity gap analysis as at 31 December 2016

	Up to 1 month USD	1 month to 3 months USD	3 months to 1 year USD	Over 1 year USD	Non-financial items USD	Total USD
Assets						
Cash and cash equivalents	199 084 791	-	-	-	-	199 084 791
Financial assets available for sale	7 415 780	46 816 296	81 957 907	2 972 508	-	139 162 491
Loans and advances to customers	17 240 385	25 473 855	34 648 161	47 778 561	-	125 140 962
Other assets	4 281 093	-	-	-	-	4 281 093
Non-current assets held for sale	-	-	-	-	6 908 000	6 908 000
Restricted balances with the Central Bank	-	-	-	245 400	-	245 400
Investment property	-	-	-	-	3 000 000	3 000 000
Property and equipment	-	-	-	-	26 183 890	26 183 890
	228 022 049	**72 290 151**	**116 606 068**	**50 996 469**	**36 091 890**	**504 006 627**
Equity and liabilities						
Shareholders' funds	-	-	-	-	79 331 801	79 331 801
Deposits from customers	395 156 159	-	-	-	-	395 156 159
Deposits from banks	2 163 520	-	-	-	-	2 163 520
Other liabilities	14 012 569	-	-	3 146 004	8 938 051	26 096 624
Current tax liability	-	1 109 874	-	-	-	1 109 874
Deferred tax liability	-	-	-	-	148 649	148 649
	411 332 248	**1 109 874**	**-**	**3 146 004**	**88 418 501**	**504 006 627**
Liquidity gap	**(183 310 199)**	**71 180 277**	**116 606 068**	**47 850 465**	**(52 326 611)**	
Cumulative gap	**(183 310 199)**	**(112 129 922)**	**4 476 146**	**52 326 611**	**-**	

28 RISK MANAGEMENT FRAMEWORK (continued)

28.3 Liquidity risk (continued)

28.3.1 Liquidity gap analysis at 31 December 2015

	Up to 1 month USD	1 month to 3 months USD	3 months to 1 year USD	Over 1 year USD	Non-financial items USD	Total USD
Assets						
Cash and cash equivalents	127 819 841	-	-	-	-	127 819 841
Financial assets available for sale	-	4 665 533	9 408 746	37 880 850	-	51 955 129
Loans and advances to customers	28 524 593	28 227 498	38 436 751	68 113 241	-	163 302 083
Other assets	447 765	-	-	-	2 517 078	2 964 843
Non-current assets held for sale	-	-	-	-	295 000	295 000
Restricted balances with the Central Bank	-	-	-	245 400	-	245 400
Investment property	-	-	-	-	6 050 000	6 050 000
Property and equipment	-	-	-	-	30 684 104	30 684 104
	156 792 199	**32 893 031**	**47 845 497**	**106 239 491**	**39 546 182**	**383 316 400**
Equity and liabilities						
Shareholders' funds	-	-	-	-	65 774 054	65 774 054
Deposits from customers	291 302 230	-	-	-	-	291 302 230
Deposits from banks	309 343	-	-	-	-	309 343
Other liabilities	10 893 366	-	-	-	13 316 109	24 209 475
Current tax liability	-	1 357 745	-	-	-	1 357 745
Deferred tax liability	-	-	-	-	363 553	363 553
	302 504 939	**1 357 745**	**-**	**-**	**79 453 716**	**383 316 400**
Liquidity gap	**(145 712 740)**	**31 535 286**	**47 845 497**	**106 239 491**	**(39 907 534)**	
Cumulative gap	**(145 712 740)**	**(114 177 454)**	**(66 331 957)**	**39 907 534**	**-**	

28 RISK MANAGEMENT FRAMEWORK (continued)

28.4 Foreign exchange risk

Foreign exchange risk is the risk to earnings and ultimately to capital, arising from movements in foreign exchange rates. The Bank makes use of dealer management and counterparty positions as the basic management control tool for foreign exchange risk.

28.4.1 Currency position

	GPB USD	EUR USD	ZAR USD	Other USD	Total USD
Balance as at 31 December 2016					
Assets					
Cash and cash equivalents	624 466	1 500 374	3 792 409	179 161	6 096 410
Loans and advances to customers	-	-	80 515	-	80 515
Other assets	-	53 106	18 170	31 779	103 055
Total assets	**624 466**	**1 553 480**	**3 891 094**	**210 940**	**6 279 980**
Liabilities					
Deposits from customers	564 671	833 982	3 243 128	118 489	4 760 270
Deposits from banks	-	-	1 412 393	33 846	1 446 239
Other liabilities	94 867	612 305	55 869	107 055	870 096
Total liabilities	659 538	1 446 287	4 711 390	259 390	7 076 605
Net exposure	**(35 072)**	**107 193**	**(820 296)**	**(48 450)**	**(796 625)**

The above amounts are stated in United States dollar equivalent.

28.4.1 Currency position

	GPB USD	EUR USD	ZAR USD	Other USD	Total USD
Balance at 31 December 2015					
Assets					
Cash and cash equivalents	1 405 756	2 237 157	3 032 690	533 854	7 209 457
Loans and advances to customers	-	-	111 846	-	111 846
Other assets	-	62 869	-	-	62 869
Total assets	**1 405 756**	**2 300 026**	**3 144 536**	**533 854**	**7 384 172**
Liabilities					
Deposits from customers	899 950	1 583 673	2 871 539	149 863	5 505 025
Deposits from banks	25 548	272	-	195 840	221 660
Other liabilities	529 945	700 447	648 258	113 938	1 992 588
Total liabilities	**1 455 443**	**2 284 392**	**3 519 797**	**459 641**	**7 719 273**
Net exposure	**(49 687)**	**15 634**	**375 261**	**74 213**	**(335 101)**

The above amounts are stated in United States dollar equivalent.

28 RISK MANAGEMENT FRAMEWORK (continued)

28.4 Foreign exchange risk (continued)

28.4.1 Currency position (continued)

The rates of exchange to the United States dollar used at as 31 December 2014 are as follows:

Currency	2016 Mid Rate Against USD	2015 Mid Rate Against USD
GBP	1.2333	1.4825
EUR	1.0547	1.0928
BWP	0.0936	0.0901
ZAR	0.0729	0.0643
CAD	0.7434	1.3873
AUD	0.7225	0.7308

28.4.2 Sensitivity of equity to the exchange rate

At 31 December 2016, the Bank's net foreign currency position reflected a net liability position resulting in the expected impact on the statement of profit or loss and equity as reported below, assuming a 5% depreciation in exchange rate:

Currency	Assets	Liabilities	Net exposure	Effects of a 5% Increase in exchange rate	Effects of a 5% decrease in exchange rate
GBP	624 466	659 538	(35 072)	(1 754)	1 754
EUR	1 553 480	1 446 287	107 193	5 360	(5 360)
ZAR	3 891 094	4 711 390	(820 296)	(41 015)	41 015
Other	210 940	259 390	(48 450)	(2 423)	2 423

28.5 Interest rate risk

Interest rate risk refers to the changes in the net interest income of the Bank that could arise owing to adverse variations in interest rates. Combined with liquidity risk, it forms part of those financial risks that are managed by ALCO on the basis of quantitative results. These results stem from a set of tools and techniques used in Asset and Liability Management ('ALM') to deal with sensitivity, volatility and extreme deviations of target variables, and ultimately reflect the overall risk profile. ALCO optimises the risk reward trade off through monthly reviews, assessing and optimally structuring the profile of the Bank's statement of financial position, developing and implementing strategies that will adhere to the risk profile requirements, and effectively utilising capital.

Gap analysis is used to determine the exposure and to simulate techniques to determine the sensitivity to interest rate changes.

28 RISK MANAGEMENT FRAMEWORK (continued)

28.5 Interest rate risk (continued)

28.5.1 Interest rate repricing gap analysis as at 31 December 2016

	Up to 1 month USD	1 month to 3 months USD	3 months to 1 year USD	Over 1 year USD	Non-interest bearing USD	Total USD
Assets						
Cash and cash equivalents	-	-	-	-	199 084 791	199 084 791
Financial assets available for sale	7 415 780	46 816 296	81 957 907	2 972 508	-	139 162 491
Loans and advances to customers	17 240 385	25 473 855	34 648 161	47 778 561	-	125 140 962
Non-current assets held for sale	-	-	-	-	6 908 000	6 908 000
Other assets	-	-	-	-	4 281 093	4 281 093
Restricted balances with the Central Bank	-	-	-	-	245 400	245 400
Investment property	-	-	-	-	3 000 000	3 000 000
Property and equipment	-	-	-	-	26 183 890	26 183 890
	24 656 165	**72 290 151**	**116 606 068**	**50 751 069**	**239 703 174**	**504 006 627**
Equity and liabilities						
Shareholders' funds	-	-	-	-	79 331 801	79 331 801
Deposits from customers	395 156 159	-	-	-	-	395 156 159
Deposits from banks	-	-	-	-	2 163 520	2 163 520
Other liabilities	-	-	-	-	26 096 624	26 096 624
Current tax liability	-	-	-	-	1 109 874	1 109 874
Deferred tax liability	-	-	-	-	148 649	148 649
	395 156 159	**-**	**-**	**-**	**108 850 468**	**504 006 627**
Interest rate repricing gap	**(370 499 994)**	**72 290 151**	**116 606 068**	**50 751 069**	**130 852 706**	
Cumulative gap	**(370 499 994)**	**(298 209 843)**	**(181 603 775)**	**(130 852 706)**	**-**	

28.5.2 Interest rate repricing gap analysis at 31 December 2015

	Up to 1 month USD	1 month to 3 months USD	3 months to 1 year USD	Over 1 year USD	Non-interest bearing USD	Total USD
Assets						
Cash and cash equivalents	-	-	-	-	127 819 841	127 819 841
Financial assets available for sale	-	4 665 533	9 408 746	37 880 850	-	51 995 129
Loans and advances to customers	28 524 593	28 227 498	38 436 751	68 113 241	-	163 302 083
Non-current assets held for sale	-	-	-	-	295 000	295 000
Other assets	447 765	-	-	-	2 517 078	2 964 843
Restricted balances with the Central Bank	-	-	-	-	245 400	245 400
Investment property	-	-	-	-	6 050 000	6 050 000
Property and equipment	-	-	-	-	30 684 104	30 684 104
	28 972 358	**32 893 031**	**47 845 497**	**105 994 091**	**167 611 423**	**383 316 400**
Equity and liabilities						
Shareholders' funds	-	-	-	-	65 774 054	65 774 054
Deposits from customers	291 302 230	-	-	-	-	291 302 230
Deposits from banks	-	-	-	-	309 343	309 343
Other liabilities	-	-	-	-	24 209 475	24 209 475
Current tax liability	-	-	-	-	1 357 745	1 357 745
Deferred tax liability	-	-	-	-	363 553	363 553
	291 302 230	-	-	-	92 014 170	383 316 400
Interest rate repricing gap	**(262 329 872)**	**32 893 031**	**47 845 497**	**105 994 091**	**75 597 253**	
Cumulative gap	**(262 329 872)**	**(229 436 841)**	**(181 591 344)**	**(75 597 253)**	**-**	

28 RISK MANAGEMENT FRAMEWORK (continued)

28.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities. The Bank follows a philosophy of pro-actively managing operational risk optimising the risk-reward relationship and maintaining business continuity while preserving the life of and protecting all assets. Operational risk measurement is both quantitative and qualitative and the principle of self assessment is applied. Use is made of Management Information System reports and segregation of duties is built into the systems to ensure compliance with the operational procedures and to manage operational risks. Disaster recovery plans and contingency arrangements, particularly for the Information Technology Department, are in place.

28.7 Reputational risk

Reputational risk refers to the risk of damage to the Bank's image, which may affect its ability to retain and generate business. The Bank manages reputational risk by ensuring that business is conducted in accordance with the legal and regulatory requirements. In addition, the Bank's corporate governance structure conforms to international standards. The Bank also has systems in place to monitor customer service satisfaction levels as well as processes to resolve customer queries and complaints.

28.8 Legal and compliance risk

Legal and compliance risk is the risk that arises due to the Bank's failure to adhere to legal and regulatory obligations. The Bank manages this risk through dedicated Legal and Compliance units, and deliberations by its Country Executive Risk Committee. The Board Risk Committee and the Board Audit Committee monitor this risk.

28.9 Strategic risk

Strategic risk refers to the potential for opportunity loss arising from failure to optimise the earnings potential of the Bank. The Board approves the Bank's strategy as formulated by top management, while the Chief Executive Officer has the overall responsibility of strategy implementation. The Board conducts a quarterly review of the strategy's performance and its continued applicability.

28.10 Capital risk

Capital risk refers to the risk of the Bank's own capital resources being adversely affected by unfavourable external developments.

The Bank's capital resources should therefore be adequate to absorb losses such as operating losses and capital losses on investments. So long as net losses can be fully offset against capital invested by the Bank's owners, the legal claims of depositors or other creditors are not compromised and the Bank can continue to function without interrupting its operations.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

28 RISK MANAGEMENT FRAMEWORK (continued)

28.10 Capital risk (continued)

Minimum capital requirements

The minimum capital requirement, as announced by the regulator, remain unchanged at US25 million for commercial banking institutions. However, compliance with the required minimum capital level of USD100 million has been moved forward from 30 June 2015 to 31 December 2020.

The Bank is already compliant with the minimum capital requirement of USD25 million and plans to build its capital to USD100 million by 31 December 2020 through organic growth.

	2016 USD	2015 USD
Capital adequacy		
Tier 1 capital		
Ordinary paid-up share capital	825 000	825 000
Share premium	20 625 000	20 625 000
Foreign currency translation reserve (limited to 75% of balance)	4 452 479	4 452 479
Retained earnings	42 018 403	28 087 656
Insider loans	(23 301)	(85 239)
Less capital allocated for market and operational risk	(9 521 690)	(15 633 447)
Total tier 1 capital	**58 375 891**	**38 271 449**
Tier 2 capital		
Foreign currency translation reserve (limited to 25% of balance)	1 484 160	1 484 160
Revaluation reserve	9 926 759	10 299 759
General provisions (limited to 1.25% of risk weighted assets)	2 479 548	3 277 306
Total tier 2 capital	**13 890 467**	**15 061 225**
Total capital - Tier 1 and 2	**72 266 358**	**53 332 674**
Tier 3 capital		
Capital allocated for market and operational risk	9 521 690	15 633 447
Total capital base	**81 788 048**	**68 966 121**
Risk weighted assets	**198 363 816**	**262 184 462**
Tier 1 capital ratio	29.43%	14.60%
Tier 2 capital ratio	7.00%	5.74%
Tier 3 capital ratio	4.80%	5.96%
Capital adequacy	41.23%	26.30%

28.11 Borrowing powers

The Directors may exercise all the powers of the Bank to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue other securities whether outright or as security for any debt or liability obligation of the Bank or of any third party.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities that are traded in active market are based on quoted market prices or dealer price quotation. For all other financial instruments, the Bank determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

29.1 Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of inputs used in making the measurements. The fair values of financial assets and financial liabilities that are traded in active market are based on quoted market prices or dealer price quotation. For all other financial instruments, the Bank determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, the Zimbabwe Stock Exchange).

Level 2- Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from quoted prices). This category includes instruments valued using: quoted market prices 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- Valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique inputs are 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 the differences between instruments.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Note	Level 3	Total
		USD	USD
2016			
Financial assets available for sale	14	139 162 491	139 162 491
		139 162 491	**139 162 491**
2015			
Financial assets available for sale	14	51 955 129	51 955 129
		51 955 129	**51 955 129**

Measurement of fair value

Fair value hierarchy

Level 3

The fair value of available for sale financial assets of USD139 162 491 (2015: USD51 955 129) has been categorised under level 3 in the fair value hierarchy based on the inputs to the valuation technique used.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following is reconciliation from the opening balances to the closing balances for the level 3 fair values.

	USD
Balance at 1 January 2016	**51 955 129**
Purchases	101 837 163
Settlements	(14 629 801)
Fair value recognised in profit and loss	-
Fair value recognised in other comprehensive income	-
Balance at 31 December 2016	**139 162 491**

Valuation technique and significant unobservable inputs

Financial assets available for sale comprise of Treasury bills and bonds issued by the Government and other third parties. In the absence of the active market and other parameters to determine an appropriate yield curve, Management have adopted the amortised value of these instruments as a proxy to the fair value.

29.2 Financial instruments not measured at fair value

The following table sets out the fair value of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD	Carrying Amount USD
At 31 December 2016					
Assets					
Cash and cash equivalents	-	199 084 791	-	**199 084 791**	**199 084 791**
Loans and advances to customers	-	-	125 140 962	**125 140 962**	**125 140 962**
Restricted balances with the Central Bank	-	-	245 400	**245 400**	**245 400**
Other assets	-	-	4 281 093	**4 281 093**	**4 281 093**
Liabilities					
Deposits from customers	-	395 156 159	-	**395 156 159**	**395 156 159**
Deposit from banks	-	2 163 520	-	**2 163 520**	**2 163 520**
Other liabilities	-	-	24 859 624	**24 859 624**	**24 859 624**

Cash and cash equivalents

Cash and cash equivalents consists of notes and coins on hand, unrestricted balances in local and foreign banks, liquid financial assets with original maturities of three months or less. These balances are subject to insignificant risk of change in their fair value. It is the Directors' assessment that the carrying amount of these balances approximates their fair value at any given time.

Loans and advances to customers

The estimated fair value of loans and advances is estimated to approximate the carrying amount due to non-availability of benchmark interest rates to discount the expected future cash flows thereof. The Directors believe that current interest rates are market related and would re-issue the loans at the same interest rate if needed. It is from this assessment that Directors believe that the carrying amount of these balances reasonably approximate fair value as discounting the future cash flow using the current interest rates would not result in significant differences from the carrying amount.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Restricted balances with the Central Bank

These financial assets consist of customer's FOLIWARS foreign currency deposits held by the Central Bank. There is currently no observable active market for these instruments; or a reliable proxy to discount the expected future cash flows. Directors believe that the carrying amount approximates fair value on these instruments.

Deposits from customers and banks

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits approximates the carrying amount as interest rates quoted are market related. It is the view of Directors that the carrying amounts of these assets and liabilities reasonably approximate fair values.

Other assets and other liabilities

Other assets have maturity profiles within 3 months which means that the effect of discounting the future cash flows of the balance approximate the carrying amount. A significant portion of the contractual maturity profile of other liabilities is within 3 months implying that the effect of discounting is immaterial. It is the view of the Directors that the carrying amounts of other assets and other liabilities reasonably approximate fair values.

30 FIDUCIARY ACTIVITIES

30.1 Assets under custody

The Bank provides trust business to individuals and institutions by holding assets on behalf of customers. At 31 December 2016, the funds under safe custody amounted to USD295 779 000 (2015: USD141 563 473) and fee income amounting to USD272 282 (2015: USD492 330) had been received from the services.

31 EVENTS AFTER THE REPORTING DATE

The RBZ, in its February 2017 Monetary Policy statement, directed financial institutions to reduce lending rates to an upper limit of 12% per annum. The RBZ also announced a 3% limit on upfront fees and a maximum charge of US10 cents for all transactions of USD10 and below effected using bank cards. This directive, if enforced, is expected to have moderate impact on the Bank's financial performance from 2017 onwards through a reduction in interest and non-interest income.

32 RESERVE BANK OF ZIMBABWE ON-SITE EXAMINATION

The latest on-site examination of the Bank was conducted at 31 March 2014 and the Bank was given an overall rating of "2", which is a satisfactory rating using the CAMELS model. This rating was largely premised on the Bank's strong capital base and satisfactory earnings performance. The following table shows the rating by each of the six components of CAMELS:

CAMELS RATING

CAMELS component	Latest rating
Capital adequacy	1
Asset quality	3
Management	2
Earnings	2
Liquidity	1
Sensitivity to Market Risk	1
Composite rating	**2**

Key

1 Strong
2 Satisfactory
3 Fair
4 Weak
5 Critical

Summary Risk Matrix

The Bank's overall composite risk, based on the Risk Assessment System (RAS), was considered low and stable. The Bank's risk profile was summarised as below:

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	Acceptable	Low	Stable
Interest rate	Low	Strong	Low	Stable
Foreign exchange	Low	Strong	Low	Stable
Strategic risk	Moderate	Strong	Moderate	Stable
Operational risk	Moderate	Strong	Moderate	Stable
Legal and compliance	Moderate	Strong	Moderate	Stable
Reputation	Low	Strong	Low	Stable
Overall	**Low**	**Strong**	**Low**	**Stable**

32 RESERVE BANK OF ZIMBABWE ON-SITE EXAMINATION (continued)

Interpretation of the risk matrix

Level of inherent risk

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 a low inherent risk would have little negative impact on the banking institution's overall financial condition.

Moderate -: Could reasonably be expected to result in a loss that 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 a significant and harmful loss to the banking institution.

Adequacy of risk management

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 ways and are 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 bank might be having some minor risk management weaknesses, these have been recognised and are being addressed. Management information systems are generally adequate.

Strong -: Means that there is evidence of effective management controls on all risks inherent across functional areas. The board and senior management are active participants in managing risk, setting appropriate policy frameworks, defining a bank's risk tolerance levels and ensuring that 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 system 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 organization.

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 financial 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 the 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.

33 EXTERNAL CREDIT RATING

Rating agent	2016	2015	2014
Global Credit Rating company	AA-	AA-	AA-

Notes

Notes

Standard Chartered