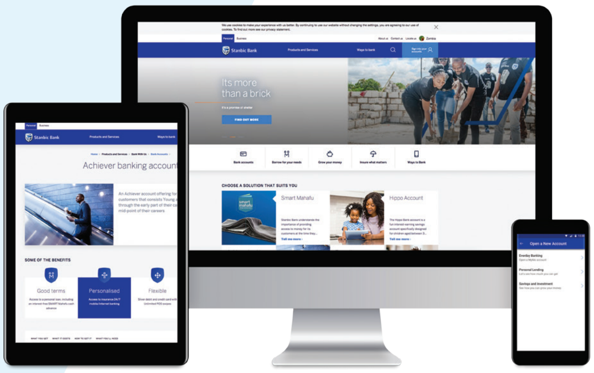
OUR REPORTS

Stanbic Bank Zambia Limited (the "Bank/Stanbic Bank/Stanbic") is part of the Standard Bank Group, Africa's largest bank on footprint and assets. With over 64 years of presence on the Zambian Market, Stanbic remains committed to providing innovative financial solutions and making tangible contributions to the Zambian economy.

Our long term success and growth is enshrined in our commitment to making a difference in the communities in which we operate.



References Refers readers to information elsewhere in this report or in our other reports, which are available online.

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About Stanbic Bank Zambia Limited

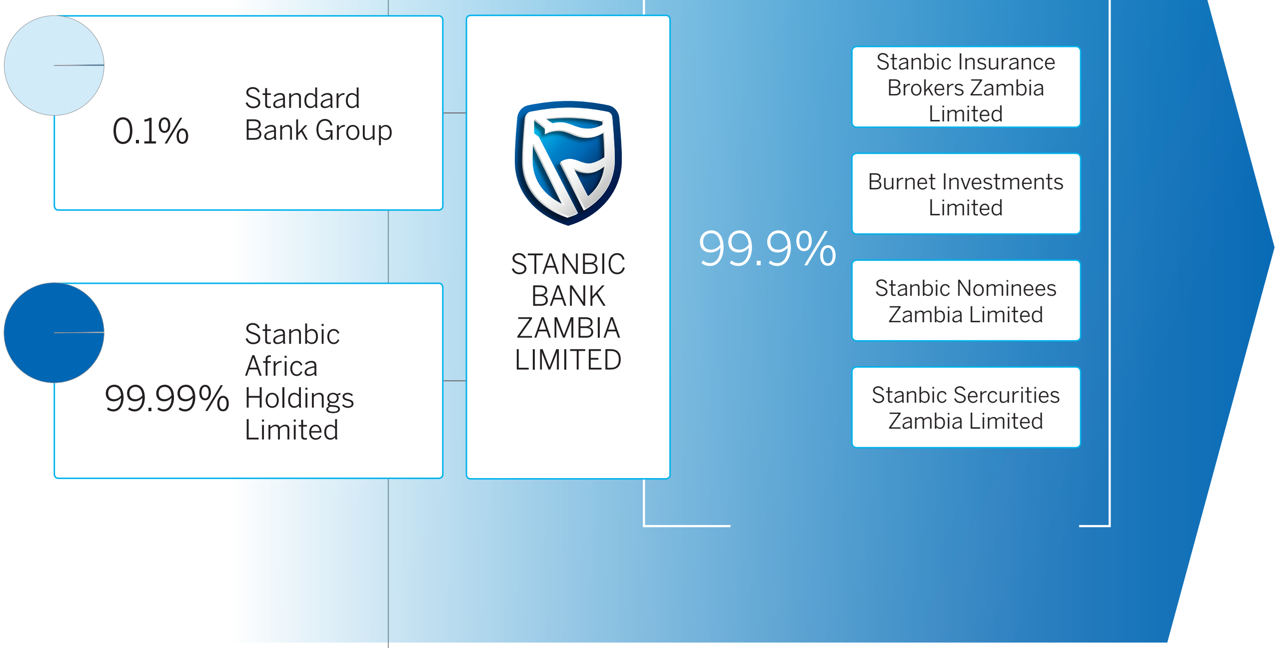
Stanbic Bank Zambia Limited is part of the Standard Bank Group.

Our purpose of existence is underpinned by our commitment to the development of Zambia which we call our home and thus we drive its growth. In delivering this growth, we use simple, relevant and holistic solutions to our clients through channels of choice in a seamless manner. We seek to consistently meet our customers' demands with precision and speed using technology to empower our people to deliver strong business results.

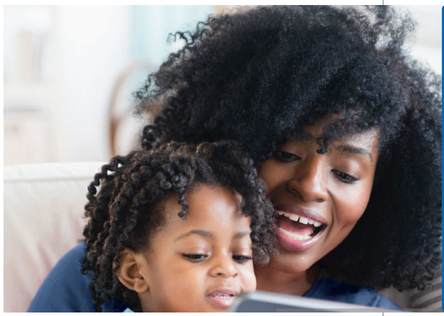
In terms of our footprint, we have 29 Branches, 4 Private Banking Suites, 96 Automated Teller Machines and 4 Cash Deposit Machines.

Zambia is our home, we drive her growth.

OUR COMPANY STRUCTURE



Our integrated pillars of operation



Personal & Business Banking

provides banking and other financial services to individuals, commercial customers and small to medium sized enterprises

What we offer
- Commerical Banking
- Agri Business
- Enterprise Banking/SME Banking
- Private Banking
- Executive Banking
- Achiever Banking
- Bancassuarance

Corporate & Investment Banking

provides corporate and investment services to the Government of the Republic of Zambia, parastals, large corporates, financial institutions and international counterparties

What we offer
- Global markets
- Transactional Products and Services
- Investment Banking
- Corporate Banking

Corporate Functions

which include the enabling functions that provide partnership to the CIB and PBB business units:

What we offer
- Finance
- Information Technology
- Legal
- Human Capital
- Compliance
- Risk
- Marketing
- Internal Audit
- Operations

Our Values

At Stanbic Bank Zambia Limited ("Bank/Stanbic Bank/Stanbic") our values shape who we are, what we do and how we do. As we pursue our motto that "Zambia is our home, we drive her growth", we are guided by our values which continue to reinforce our place in the Zambian market while delivering value to our spectrum of stakeholders.

Serving our customers | *Growing our people*

Delivering to our Stakeholders | *Being proactive*

Working in teams | *Constantly raising the bar*

Respecting each other | *Upholding the highest level of integrity*

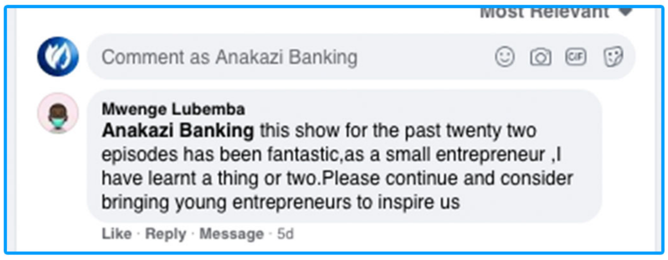
Stanbic Bank Awards for the year 2020

This has really been a successful year for us. The support of our clients and the immense effort of our staff made this possible. It's testament to the fact that together, It Can Be.

Anakazi Banking looking back at the year 2020

One of the pillars of Anakazi Banking is Access to Knowledge and one way this has been done is through the Anakazi Banking Business and Learning Trip of the year. The trip exposes the Anakazi to different markets and a wide array of experts in different fields to learn from and make their businesses and professional lives better. The last Anakazi Banking Business and Learning Trip was a great success. We had a total of 31 women travel to Paris.

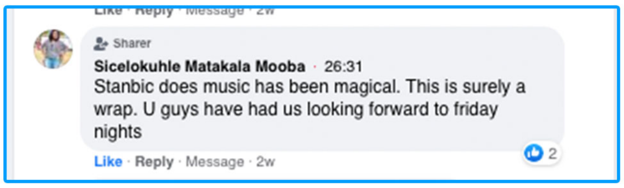
This year, we launched the Anakazi Banking Online Conversations with over twenty episodes having aired on our social media channels including Facebook, Instagram and Youtube. The Conversations were conceived to help entrepreneurs get through severe turbulence brought by COVID-19. We also held the Anakazi Banking Zambian Women of the Year Awards which recognise deserving women in different sectors.

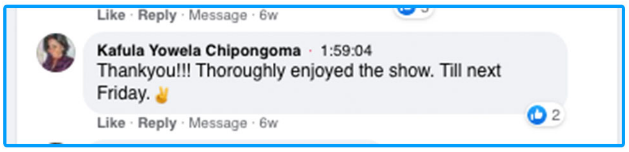


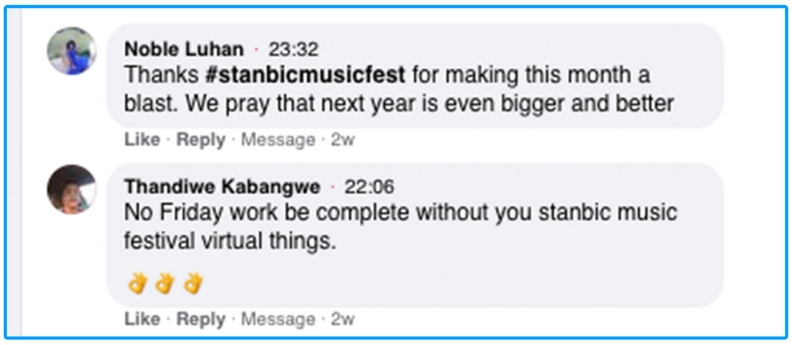
Socio-economic Impact

Stanbic Music Festival

This year, the iconic Music Festival went online as the nation adjusts to the new normal amid the COVID-19 pandemic. It was held over a period of five weeks on our digital channels with a different DJ every Friday.







IT CAN BE

Join us in building a better future

Stanbic Bank Zambia launched the Buy-a-Brick campaign last year to help spearhead the country's **fight against the growing housing deficit.**

The project seeks to construct 1,000 houses for the urban poor.

Buy-a-Brick – whose patron is Republican President HE Edgar Chagwa Lungu – builds upon the success of the 'Stanbic Build' initiative where the bank committed to construct low-cost houses for vulnerable families in Zambia's urban areas.

Buy-a-Brick is anchored by People's Process on Housing and Poverty in Zambia, Slum Dwellers International, and the Zambia Homeless and Poor Peoples Federation in collaboration with the Ministry of Housing and Infrastructure Development.

Staff from various departments within Stanbic Bank support the project by acquiring building materials using their own resources, which the bank proceeds to double. They also participate in the actual construction of the houses under close supervision from the project constructors.

Further, any citizen or organisation can participate by donating building materials or depositing any amount in the Buy-a-Brick bank account, and help combat poverty housing among low-income households.

The goal is to use Stanbic's extensive sustainability investment policy to consolidate stakeholder power to help the less fortunate and compliment government **efforts in the fight against inequality and poor housing.**

This campaign will have an even bigger impact on the **national housing deficit if more institutions and other** stakeholders join Stanbic Bank, come on board and help turn the dreams of vulnerable families in our communities to reality.

"We have transformed Stanbic Bank from a mere financial service provider to an institution that helps individuals and families, especially from low-income households, overcome barriers to wealth attainment and growth – Because Zambia is our home, we drive her growth."

- Leina Gabaraane, Stanbic Bank Zambia Chief Executive

Stanbic Bank

Buy-a-Brick@stanbic.com
www.stanbicbank.co.zm
@StanbicBankZambia

Chairman's Report

"This favourable performance was achieved without compromising on the Bank's social and economic footprint. The Bank truly delivered value to all its stakeholders in keeping with our purpose; Zambia is our home; we drive her growth."

DR. ABRAHAM MWENDA – CHAIRMAN

Dear Stakeholders,

The year 2020, as most can attest, was quite challenging. The World at large and Zambia in particular grappled with the coronavirus (Covid-19) pandemic and its collateral effects, which not only claimed lives but also drastically changed the way we live as well as how we conduct business. The pandemic and its adverse effects stressed an already constrained economic environment in Zambia, characterised by currency volatility, energy crisis, high and rising inflation, and unsustainable sovereign debt stock position. As a Bank, we were not spared from the negative shocks of the economic and social environment, which necessitated a cautious approach as we navigate unchartered waters on the back of the country's credit rating downgrades effects.

The foregoing notwithstanding, I am happy to report that through the strength of the Bank's strategy, Board leadership, competent Management and dedicated staff, we continued on a growth trajectory whilst leveraging off our digital investments. This was demonstrated in total asset growth of 70% that was largely driven by the growth of 18% in loans and advances with the remaining growth coming from other financial assets. The growth in loans and advances supported the country's economic growth in the agriculture, manufacturing and infrastructure sectors. Consequently, the Bank remained a market leader in balance sheet size and profitability. This favourable performance was achieved without compromising on the Bank's social and economic footprint. The Bank truly delivered value to all its stakeholders in keeping with our purpose; Zambia is our home; we drive her growth.

We continued to demonstrate, through various innovative products aimed at meeting our customers' ever-changing needs that the customer remains at the heart of our existence. Our digital lending offering was the first for market and indeed the Country.

To ensure that we deliver on the Bank's strategic journey, '#ONE21 Tiye Tiye', the Board and Management took time to review and refresh key focus areas, which continue to shape the foreseeable future. As the financial services industry continues to witness shifts and disruptions, continuous review of the Bank's strategic direction and its execution on that strategy was key to our success story in 2020.

The regulatory landscape remained a key focus area as we pursued our strategic goal of running a sustainable business for the benefit of our country. During the year, various regulations to ease the impact of the unprecedented Covid-19 pandemic were issued. The introduction of the Bank of Zambia Targeted Medium Term Refinancing Facility enabled the Bank to pass on the benefit of lower interest rates to its customers who were adversely impacted by the pandemic. This was a timely gesture confirming that we are in this challenging situation together.

We are happy to report that our strategic efforts and through the support of our customers, we were recognised as the Best Bank by EMEA Finance and Best Investment Bank in Zambia under the African Banking awards for 2020. Further, the Bank won Zambia's Best Bank in Euromoney Awards for Excellence 2020, Best Digital Banking Platform and Best Banking Product awards from the Global Business Outlook. The agility of the Bank and how we respond to challenging times moreover saw us being awarded as the Best PR and Crisis Management bank.

As we continued to align to the possibilities that the Bank and entire Standard Bank Group stands for, we

+70%
ASSET BASE
K25.8billion
2019: 15.2 billion

+31%
TOTAL INCOME
K2 308million
2019: 1 763 million

re-enforced our commitment to promoting economic growth in Zambia through our new brand positioning "IT CAN BE". We are confident through continued focus that we will drive a shareholder value within a strong risk and compliance culture.

Board and Executive Changes

During the year, Dr Austin Mwape retired from the Board after serving the maximum tenure of six years. He chaired the Board until the time of his exit. Through his leadership and dedicated service, the Bank recorded strong performance to become number one in key financial indicators. The Bank is grateful for his contribution throughout his years of service and wishes him the best in his future endeavours.

Similarly, Mr Luke Mbewe retired from the Board after six years of unbroken service. He served as Chairman of the Board Remuneration and Nomination Committee, the Large Loans and Insider Lending Board Approving Committee and the Board Loans Review Committee during his tenure on the Board. His expertise and dedication will be greatly missed.

With pleasure, the Bank welcomes Dr Abraham Mwenda's appointment to the Board as Board Chairman and Non-Executive Director. Dr Mwenda comes with commendable experience and knowledge in the international and domestic financial sector. Under his leadership, the Board is confident the Bank will reach even greater heights.

We are pleased to welcome onto the Board, Mr Neil Surgey who joined the Board in March 2020. His addition on the Board enhances the skills set of the Board by introducing specialised competences in risk management and further augmenting skills in finance and business management.

We are also excited to announce the appointment of Ms Susan Mulikita as the Bank's Non-Executive Director on the Board. With her expertise in technology and law, the Board is confident that she will bring an added positive dimension to the Board.

At the Executive level, we are also happy to announce the appointment of Ms Ngoza Nyirenda to the newly created role of Country Head of Credit. Ngoza Nyirenda was previously the Bank's Head of Corporate and Investment Banking Credit. We are confident that she will add value in her new role.

Looking forward, a hard road lies ahead in building economic growth and an inclusive economy in Zambia. We are determined to keep supporting this process through the execution of our strategy. Indeed, Zambia is our home and we drive her growth.

I wish to conclude by thanking the Board, Management and Staff of the Bank, and more importantly, our Clients and Stakeholders for being part of such a great winning team!

Chief Executive's Statement

"We continue to engage our clients with the aim of servicing their whole ecosystem and value chain in order to provide holistic solutions and improve efficiencies for these clients. This is in a bid to deepen the "one bank philosophy" and thus be better positioned to be more solution oriented in our approach to clients."

LEINA GABARAANE – CHIEF EXECUTIVE

The year 2020 has brought about an environment of VUCA (volatility, uncertainty, complexity and ambiguity). Expectations and plans for the year were disrupted by the advent of Covid-19 which started as an isolated outbreak in Wuhan City, China, in December 2019. This virus has now turned into a global pandemic with over 100 million cases and over 2 million deaths recorded worldwide.

Consequently, the global economy and business activity have been adversely affected as supply and value chain disruptions dampened demand for commodities, goods and services. The consequence being the loss of jobs and livelihoods for millions of people as countries implemented containment and mitigating measures. The hardest hit sectors globally include civil aviation, tourism and cultural sectors with manufacturing, agriculture and transport also struggling.

The Zambian economy has not been spared, with the Covid-19 pandemic effects adding to already existing fiscal vulnerabilities. The economy is forecast to recede by -4.2% in 2020, substantially lower than envisaged at the beginning of the year. Covid-19 related disruptions in supply chains and containment measures have had a severe impact on sectors such as tourism, construction, wholesale and retail trade as well as manufacturing. Electricity rationing has compounded the effects of Covid-19, further contributing to the contraction of overall economic activity.

Notwithstanding the subdued performance of the mentioned sectors, copper mining is likely to remain resilient due to higher copper prices. Additionally, the reduction in importation duty for copper ores and concentrates is also likely to support higher output. Similarly, the combination of tax concessions and favourable rainfall in the coming planting season from November to February 2021 should boost the agricultural sector's performance in 2021. The information and communication sector also continues to outperform due to shifts accelerated by the pandemic.

Inflation has remained elevated in double digits with 19.2% rate inflation recorded at the end of December 2020. Declining real incomes continue to weigh down wholesale and retail trade activity. The wholesale and retail sub-sector contracted by 18.3% y/y in Q2:20 from -9.6% y/y in Q1:20. Moreover, after depreciating by around 40% in the 9 months to September, the Kwacha has stabilized in the short-term, mostly due to the Central Bank's increased oversight on trading activities. The depreciation of the Kwacha appears to have also reduced consumer demand, as higher input prices are being passed on to the consumer. The currency had reached all-time highs in the 3rd quarter of the year and closed the year 2020 at K21/$.

Stanbic Bank Zambia however remains agile and resilient given the turbulent times. The Bank's resilience is evident in the total revenue growth of 31% over prior year and improved efficiency as measured by cost to income ratio that reduced year on year by 3.7% to end the year at 51.9%. The Bank recorded a Profit After Tax of K 481m in 2020 compared to K433m in 2019 representing a 11% profit. This performance was weighed down by significant credit impairments determined in line with IFRS 9 expected credit losses which have been taken in by commercial banks on the back of the deteriorating asset quality and sovereign downgrades.

The Bank's performance has reaffirmed its position as an industry leader in balance sheet size and profitability. Stanbic Bank leveraged off constant client engagement and digitisation in order to keep close to its customers during these times and minimise the impact of Covid-19. Client centricity, digital transformation and the culture of our staff continue to play a huge role in our industry performance and achieving our strategic objectives.

Our strategic journey styled #One21 Tiye Tiye which commenced in 2017 runs up

+11%

PROFIT AFTER TAX

K481million

2019: K433 million

to 2021. We have made great strides in achieving our goals thus far. These have been centred around catering to our customer's needs, digitisation and employee engagement among others.

Under client centricity, we have embarked on a journey of client obsession and leveraged off digital transformation to provide our customers with an efficient and seamless customer experience. We believe that every innovation or solution should be customer centred and should come about as a result of a customer need. Notable in this regard has been the implementation of digital loans and enablement of credit cards on internet banking among others.

We continue to engage our clients with the aim of servicing the client's whole ecosystem and value chain in order to provide wholistic solutions and improve efficiencies for our clients. This is in a bid to deepen the "one bank philosophy" and thus be better positioned to be more solution oriented in our approach to servicing our clients.

The bank has made great headway in its cost efficiencies. This has been done through leveraging off technology such as robotics in order to automate simple and repetitive processes. We also continue to simplify our system architecture through decommissioning systems whose functions can be combined with other running systems.

In order to maintain a strong risk environment, the bank has sought to uphold robust controls by ensuring that our staff have the right risk culture. Training and awareness continues to be done in order to sensitize staff on the various aspects of risk.

With regards to employee engagement, management continues to keep close to our staff especially in these uncertain times brought about by the Covid-19 pandemic. The safety and wellbeing of our staff remains our priority and we have sought to uphold this by providing the required Personal Protective Equipment (PPE), constant awareness and communication, providing counselling services as well as implementing work from home protocols where possible.

On the digital transformation front, the bank successfully completed the e-banking enablement for credit cards which will initially be available on internet banking. This will allow clients to view their credit card balances and statements and make payments towards their credit card. The deployment of the deployment of Wallet to Bank service further added to the mobile network operator strategic alliances that the Bank has made in the year

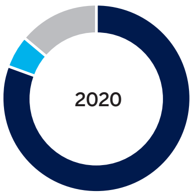
As we move forward and into the future, the Group has embarked on a journey with the sole purpose of ensuring that we are "future ready". This entails serving our customers in new ways. We need to be where our customers are – on the digital platforms where they are shopping, socialising and doing business. We must play a much bigger role in the lives of our clients – putting them at the centre of how we structure ourselves, journeying alongside them and providing the solutions they need beyond traditional banking, insurance and asset management.

Tiye Tiye

Financial Review

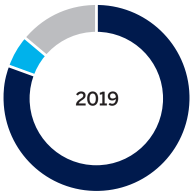
Gross loans and advances to customers

2020 Gross loans and advances (ZMW'000)



	2020
Other Lending	5 583 270
Mortgages	384 316
Vehicle & Asset Finance	887 034

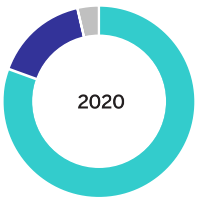
2019 Gross loans and advances (ZMW'000)



	2019
Other Lending	4 668 047
Mortgages	322 795
Vehicle & Asset Finance	789 095

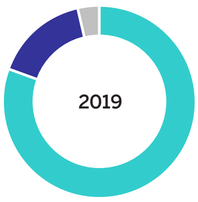
Current accounts and deposits from customers

2020 Current accounts and deposits (ZMW'000)



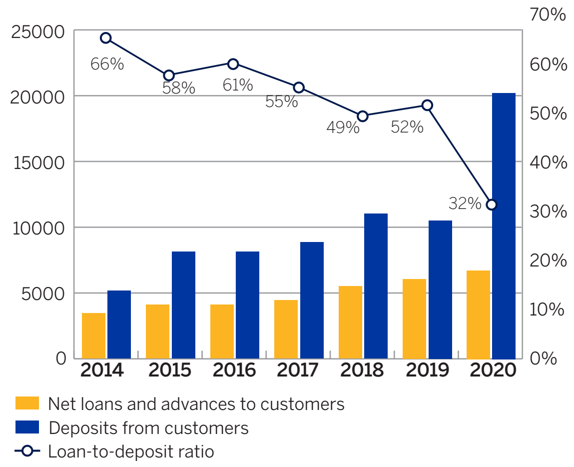
	2020
Current Accounts	15 489 566
Savings	977 776
Term Deposits	3 567 476

2019 Current accounts and deposits (ZMW'000)



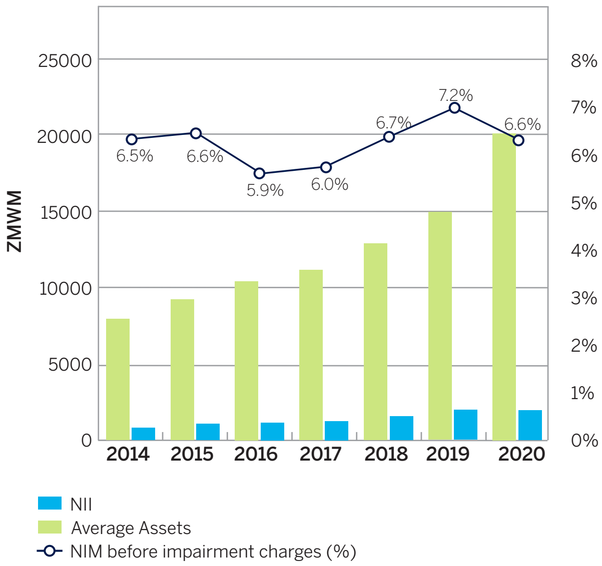
	2019
Current Accounts	7 862 633
Savings	473 613
Term Deposits	2 158 794

Loan-to-deposit ratio



Cost-to-income ratio

Average balance sheet (ABS), Net interest income (NII) and Net interest margin (NIM)



Highlights

↑ 11%

K481 million

PROFIT AFTER TAX
2019: K433 million

K616 million

TOTAL DIRECT AND INDIRECT TAX CONTRIBUTION

Personal & Business Banking

Our Business

Personal and Business Banking (PBB) provides banking and other financial services to commercial, agriculture, small to medium business enterprises and individual clients in Zambia. These clients are served through our comprehensive self-service channels, distribution network and relationship management teams.

MWANSA M. MUTATI

Head of Personal & Business Banking

Relationship Banking
Commercial, Agri-Business, Private & Executive

Direct Banking
Enterprise, Workplace Banking

Our core solutions and services cut across every business and personal Client journey. Our aim is to shape ourselves around the Client journey, delivering what matters to our Clients to enable them to grow.

Overview

In each of the client segments, Personal and Business Banking continued to focus on:

- Enhanced Client relationship management.
- Enhanced Client retention.
- Effectiveness of our distribution and service platforms.

We continued to radically re-define Client experiences by deeply understanding and delivering what matters to our clients. Our operating model enabled us to drive retention of existing clients and acquisition of new customers by holistically understanding our client's ecosystem. This positioned us well to understand their needs entirely and therefore provide suitable client focussed solutions.

In 2020, our execution focus continued to leverage the capability of our core banking system to deliver Client led channel enhancements. We have continued to develop mobile collections and payments capabilities through innovation and strategic partnerships.

We are encouraged by the fact that customer expectations are never static hence the need to continuously innovate to deliver to our Client expectations. As a result, we introduced the Customer Journeys methodology, which has allowed us to interrogate and better understand our Clients' evolving financial and lifestyle needs to enhance Client experience, in addition, improve efficiency as we continue to simplify existing business processes.

Unfortunately, with the Covid-19 global pandemic, businesses and individual Clients were negatively impacted, and we supported our Clients through payment relief programs such as:

- Up to 6 months capital repayment holidays and extended tenor of facility in line with moratorium.
- Overdraft requests given up to 6 months.
- Short Term facilities based on annual average turnover.
- Employer Guarantees extensions where applicable

The above relief solutions enabled us to cushion our Clients against the financial difficulties presented by the Covid-19.

Innovation

Our innovation landscape continues to stretch, with our digital self-service channel having been enhanced with the introduction of digital lending through our Internet Banking. This has received market recognition through two awards from Global Business Outlook for 2020 namely; The Best Digital Banking Platform and Best New Banking Product – Digital Loans. This solution has enhanced our value proposition on the Zambian market, being the first bank to enable our customers to process personal loans end-to-end on Internet Banking.

In addition to the Digital lending solution, we have continued to take the Bank to the Client's through our revolutionary remote account opening solution, which further enhances our Client experience from the first point of interaction, at the client's premises during account opening.

Other digital enhancements have included the continued integration to Mobile Network Operators (MNO's), to facilitate cross-platform payments for both our Clients and entire market enabling financial inclusion.

Insurance

Stanbic Insurance Brokers Zambia Limited, a subsidiary of Stanbic Bank Zambia Limited remains the first Bank Insurance Broker subsidiary, licenced by the Pensions and Insurance Authority (PIA). Through Stanbic Insurance Brokers Zambia Ltd, we provide competitive insurance solutions for Life and/or Non-Life. Solutions available include Motor Comprehensive, Homeowners, Marine Insurance, Group Life Assurance, Group Funeral Cover, Group Motor, Commercial Property, Goods in Transit, Group Medical and Crop Insurance (Farm Pack Policies) through partnerships with top Insurance firms.

Corporate & Investment Banking

We contribute to Zambia realising her potential and aspire to be the leading corporate and investment banking business in, for and across Zambia, with a focus on the sectors driving Zambia's growth.

HELEN LUBAMBA

Head of Corporate & Investment Banking

Our Business

Corporate and Investment Banking (CIB) serves the banking, finance, trading, transactional, investment and advisory needs of a wide range of multinational companies, local and regional businesses, financial institutions, governments and parastatals operating within the country.

Our Products and Services

CIB offers a comprehensive range of products and services through our:

- Transactional Products and Services team, who provide access to a comprehensive suite of solutions aimed at servicing our client's transactional needs
- Investment Banking team, voted the Best investment Bank in Zambia by the EMEA Finance, have access to specialists both locally and in Standard Bank Group to provide advisory, corporate debt solutions and capital markets services.
- Global Market's team, who provide trading services and risk management solutions across financial markets in response to client investment and strategies.

Our Client Coverage team, who are the cornerstone of our business, foster strategic relationships with our clients. They work together with our specialist product areas in CIB, as well as the wider bank, as the bank operates as an integrated financial services provider, to deliver a consistent and superior client experience and innovative client solutions.

Our Clients

Despite the unprecedented challenges brought on by Covid-19 in 2020, we have adjusted to new ways of working and remain committed to living our purpose: Zambia is our home, we drive her growth. As a team, we proudly remain committed to moving our country forward at every level of our business.

Our promise to be a trusted partner and supporting our clients' respective journeys has not changed. We continue to ensure that we remain customer centric, purposeful in our engagements and have a strong focus to deliver the basics brilliantly. Focusing on customer centricity has seen us strengthen our collaboration with the Government of Zambia to provide support in the Agriculture sector, ensuring that the Government attains its objectives in the 7NDP as detailed in the Vision 2030.

In rendering our support, we have not only assisted the Government to meet its short- and long-term aspirations but also fulfilled our social and environmental pillar, resulting in several benefits including attaining the country's food security in farming seasons and positively affecting lives in rural communities.

Under the health sector, we issued guarantees towards the construction and equipping of a specialist hospital in Lusaka. This key investment in the health sector will provide essential specialist medical services in the country.

Partnerships with telecommunication providers have allowed us to close major transactions that increased and widened our sources of liability, and above all provide convenient methods of banking to our clients.

To help our clients navigate the uncertain times, we provided thought leadership through client webinars via Anakazi Banking Online Conversations and Tili Pamodzi Online Conversations, our annual economic briefing and sector-specific discussions.

We are legitimately Zambian and have been here for over 60 years. With a rich pipeline, we will continue to work with government and private entities in most major Zambian economic sectors.

Our People

Our achievements throughout the year could not have been made without our people. In 2020, we renewed our People Promise in an effort to unleash the full potential of our people and make their dreams possible.

We remain committed to creating a safe and great place to work. A home where our people can unite behind our purpose and our clients and are given every opportunity to achieve their full potential. In return, we ask that our people commit to having the courage, passion and determination to make those dreams a reality.

Our Society

Our success is intrinsically linked to the societies in which we operate. We focus on not only meeting an array of financial needs in Zambia but also on addressing pertinent issues that will improve lives. As we deliver financial solutions to our clients we ensure that we do so in a manner that does not harm our environment, with environmental impact assessments and assurance provided where relevant.

To help in the fight against Covid-19, we made a donation to Home of Joy Orphanage at their two locations in Lusaka West and Avondale. We provided each location with water foot tanks for washing of hands, face masks and hand liquid soaps.

Our Transactional Product and Services team showed generosity to children born and raised in prisons. The team pooled their resources together and supported the Mother of Millions Charity with the donation of various food items.


Stanbic Bank
Its more than a brick
CHOOSE A SOLUTION THAT SUITS YOU
Hippo Account

Corporate Governance Statement

Adherence to good corporate governance standards, tenets and practices remains the hallmark of Stanbic Bank Zambia Limited's (the "Bank") growth and existence.

In the year 2020, I am happy to report, that the Bank complied with its governance requirements as set out by the laws, in its charter, policies and procedures, as testament of its commitment to carrying on business in a sustainable fashion.

This statement spells the key corporate governance practices of 2020.

DORIS TEMBWE

Head Legal & Company Secretary

Conflict of Interest

In keeping with the Bank's commitment to upholding the highest levels of integrity and aligned to the well-established Conflict of Interest Policy, all directors were required to disclose their business interests as a standing agenda item. At the beginning of the year, directors made standing declarations specifying matters of interest which could be potential areas of conflict.

Code of Ethics

During the year under review, the Bank made tremendous efforts in ensuring that decisions and actions taken, were within the parameters of the law and the Standard Bank Group (the "Group") Code of Ethics. The code of ethics is informed by the Group values and international best practice. This code is applicable to the Board, staff members and to all operations of the Bank.

In the course of the year, the Board was able to monitor staff conduct through a quarterly reporting process. The focus on ethics was imperative in retaining trust and confidence of our stakeholders.

1. Board Leadership

1.1 The Role of the Board of Directors

The Board as the ultimate body charged with oversight over activities of the Bank is responsible for compassing the strategic journey thereby ensuring a return on the shareholders' investment. In the reporting period, the Board discharged many of its functions including risk management, oversight on capital expenditure, performance of management reviews, compliance monitoring of rules and regulations applicable to the Bank, to enhance performance of its duties and ensure that the adequacy of systems of financial, operational and internal controls of the Bank. This was done despite disease pandemic effects on the normal delivery channels.

We are glad to report that in discharging its mandate, the Board exuded independence and was well informed.

1.2 Role of the Board Chairman

As part of good corporate governance, the role of the Chairman and that of the Chief Executive remained distinct with both positions held by two different individuals in the year. This was so to uphold the need for appropriate checks and balances with the corporate structure.

Dr. Abraham Mwenda the Board Chairman did provide effective leadership having succeeded Dr. Austin Mwape who retired in September 2020. Since assuming Board leadership, Dr. Mwenda set the agenda for Board meetings thereby ensuring adequacy in time well ahead of meetings for preparedness in discussion of all agenda items. In addition, as Board Chairman, he ensured that there was a good working relationship and ethic between both the executive and non-executive directors.

In accordance with the Bank of Zambia Corporate Governance Directives, Dr. Mwenda did chair the Board Remuneration and Nomination Committee.

1.3 Role of the Company Secretary

The Company Secretary's role and function is centred around three core areas namely; guiding the Board on their duties and responsibilities both collectively and individually; ensuring that the Bank does comply with all relevant laws and regulations; and strategic communication between the Bank and its key stakeholders thus ensuring that the Board and management are informed about stakeholder's legitimate and reasonable expectations of the Bank.

Ms. Doris Tembwe is the Company Secretary of the Bank and was appointed by the Board to ensure independence of this office. The Board is confident that an arm's length relationship exists between it and the Company Secretary.

2. Board Functioning

2.1 Composition

During the year under review, the Board of directors was composed of 13 members, the majority of whom are non-executive and independent. As at the date of this report, the number of members decreased to 11 following the retirement of Dr. Austin Mwape and Mr. Luke Mbewe in September 2020. The Board remains multi skilled, knowledgeable, experienced; attributes which allow for the directors to deliver on their respective duties. The current director's array of skills and acumen include banking, economics, accounting, business administration, agriculture, legal, risk management, information technology, mining and finance.

2.2 Board Meetings

In 2020, the Board held four regular meetings during which it was provided with necessary documentation at least five business days prior to each of the scheduled meetings. The Board deliberated and had discourse on various matters which included an overview of the Banks performance, key hurdles faced in the market following the advent of Covid-19 pandemic as well as interventions instituted to address these highlighted challenges.

In discharging its duties, the Board was complemented by 6 Committees namely:

The Board Audit Committee (BAC)

The role of this committee is to assist the Board in reviewing the Bank's financial position and to safeguard its assets independently. This includes assessing the integrity and effectiveness of the accounting, financial, compliance and internal control systems. It ensures the independence and effectiveness of the internal and external audit functions.

The BAC was chaired by Ms. Milangu Kampata and did hold four meetings during the year.

Board Remuneration and Nominations Committee (REMCO):

The Board Remuneration and Nominations Committee assists the Board by reviewing the recruitment process for the Board, executives and key senior staff of the Bank. It further establishes formal selection criteria for prospective directors and participates in the Board evaluation process. Remco does provide oversight over remuneration and compensation of executives and key senior staff. It also reviews and assesses the adequacy of the Bank's corporate governance principles and is also responsible for promoting ethical behaviour across the Bank.

REMCO is chaired by Dr. Abraham Mwenda and held four meetings in the year.

Board Loans Review Committee (BLRC):

The Board Loans Review Committee ensures that effective credit governance is in place in order to provide for the adequate management, measurement, monitoring and control of credit risks including country risk. The BLRC is further mandated to approve large loans and insider lending credits.

BLRC is chaired by Mr. Emmanuel Mutati and held four meetings during the year under review.

Board Risk Committee (BRC)

The Committee provides oversight on the management of risks acrossthe Bank. It reviews and assesses the integrity of the risk management systems and ensures that risk policies and strategies are effectively managed. This committee further provides oversight on technology and information security management. The BRC receives formal and informal communication from the Chief Risk Officer.

BRC is chaired by Mr. Neil Surgey and held four meetings during the year under review.

Large Loans and Insider Lending Board Approving Committee (LLILBAC)

The Committee considers and approvals large loan exposures and inside lending within the Bank. It comprises a majority of non-executive directors.

LLILBAC is chaired by Mr. Theodoros Karnezos and held three meetings during 2020.

Board Technology and Information Committee (BTIC)

The Committee is charged with the responsibility of overseeing the governance of technology and information in a way that supports the organisation in setting and achieving its strategic objectives.

The committee was chaired by Mr. Bejoy Nettikadan and held four meetings during 2020.

2.3 Board Evaluation

To assess the extent to which the Board remains true to its purpose, Board evaluation was conducted on 08 October 2020. The evaluation included performance assessments for the Chairperson, Chief Executive, Company Secretary, Board Committees and individual directors. The review of the Board revealed that the performance of the Board and its committees continues to be effective and fit for purpose. The Board deliberations were robust and properly managed by the Chairman to ensure that matters related to the bank are adequately considered.

2.4 Board Training

During the year under review, Board training was conducted to equip the Board with knowledge and skills in various trending matters pivotal to successful implementation of the bank strategy. The training included that in Internal Capital Adequacy and Assessment Process (ICAAP), Internal Recovery Plan (IRP) and the Risk Data Aggregation and Risk Reporting (RDARR) and Banking and Financial Services Act (BFSA).

Table 1: Overview of Directors - Including Diversity and Experience

	Austin **MWAPE**	Abraham **MWENDA**	Pindie **NYANDORO**	Leina **GABARAANE**	Luke **MBEWE**	Theodoros **KARNEZOS**
Gender	Male	Male	Female	Male	Male	Male
Nationality	Zambian	Zambian	Zimbabwean	Motswana	Zambian	Greek
Appointment Date	Sept 2014	May 2020	Dec 2018	Jan 2018	Sept 2014	March 2019
Committee Membership*	REMCO (Former Chairman)	REMCO (Chairman)	BRC/REMCO/ BAC BTIC	BLRC	REMCO BLRC (Former Chairman) LLILBAC	BAC/BLRC/ LLILBAC (Chairman)
Attendance at Planned Board Meetings	3/4	3/4	4/4	4/4	3/4	4/4
Attendance at adhoc Board Meetings	N /A	1/1	0/1	0/1	N/A	1/1
Attendance at Board Evaluations	N/A	1/1	1/1	1/1	N/A	1/1
Mining						
Information Technology						
Finance & Economics	√	√				
Banking	√	√	√	√		
Legal			√		√	
Risk Management	√	√	√	√		
Agriculture						√
Business Administration			√	√	√	√

	Mwindwa **SIAKALIMA**	Emmanuel **MUTATI**	Susan **MULIKIITA**	Milangu **KAMPATA**	Bejoy **NETTIKADAN**	Helen **LUBAMBA**	Neil **SURGEY**
Gender	Male	Male	Female	Female	Male	Female	Male
Nationality	Zambian	Zambian	Zambian	Zambian	Indian	Zambian	South African
Appointment Date	Aug 2019	Oct 2015	May 2020	Dec 2017	Dec 2017	Dec 2017	March 2020
Committee Membership*	#	BRC (Former Chairman) REMCO BLRC (Chairman)	LLILBAC BTIC BLRC	BAC (Chairman) BRC LLILBAC	BAC LLILBAC BTIC (Chairman)	#	BRC (Chairman) BTIC LLILBAC
Attendance at Planned Board Meetings	4/4	4/4	4/4	4/4	4/4	4/4	4/4
Attendance at adhoc Board Meetings	1/1	1/1	1/1	1/1	1/1	1/1	1/1
Attendance at Board Evaluations	1/1	1/1	1/1	1/1	1/1	x	1/1
Mining		√					
Information Technology					√		
Finance & Economics	√			√	√	√	√
Banking	√					√	√
Legal			√				
Risk Management	√	√	√	√			√
Agriculture							
Business Administration	√	√		√	√		

Key
N/A – Was not a Director at the time of the meeting
√ - Relevant experience and skill applicable to a director
X – Apologies
#- Was not part of any committee at the time of reporting

* BAC refers to Board Audit Committee;
* BLRC refers to Board Loans Review Committee;
* BRC refers to Board Risk Committee;
* REMCO refers to Board Remuneration and Nominations Committee.

3. Accountability

Relationships with shareholders

Shareholders play an integral part in the corporate governance of the Bank and the Board ensures that they are kept fully informed through information provided by the management, including its Annual Report which is readily available to all shareholders. It is the role of shareholders to appoint the Board of directors and the external auditors, which role extends to holding the Board accountable and responsible for efficient and effective corporate governance.

Stakeholder Engagement

In keeping with good governance and in ensuring that the trust and confidence of our key stakeholders is maintained, the Bank utilised various platforms such as, online business engagement sessions and other corporate social initiatives to meet its stakeholder engagement requirements.

Remuneration

The Bank's guidelines on remuneration of executive and non-executive directors remain at levels that are fair and reasonable in a competitive market for the skills, knowledge, experience required, nature and size of the Bank.

During every annual general meeting, based on recommendation by the Board and subject to review by the Board Remuneration and Nomination Committee ('REMCO'), the shareholders fix the remuneration of non-executive directors.

Non-executive directors are paid fixed fees for their service on the Board and Board committees; these include a retainer that has been calculated in line with market practices. There are no contractual arrangements for compensation for loss of office. Non-executive directors do not receive short-term incentives or participate in any long-term incentive schemes.

During the year 2020, the total gross remuneration paid to non-executive directors was K 4 536 000 (2019: K3 658 000)

Going concern

With regards to going concern, the Board annually undertakes an assessment of whether the business will continue to be a going concern at the preparation of financial statements at the year end. During the year under review, the Board evaluated the relevant facts and assumptions and, on this basis, has continued to view the Bank as a going concern for the foreseeable future

Statement of Compliance

The Bank put in place measures and processes to ensure the Bank's compliance with the Bank of Zambia Corporate Governance Directives. In accordance with the Bank of Zambia Corporate Governance Directives 2016, the Board of Directors confirms that:

- *As required by Directive 7.12, a statement on the responsibilities of the Board has been included in the Annual Report.*
- *As required by Directive 11.2, an annual evaluation of the Board and its committees was conducted in the reporting period.*
- *As required by Directive 20.3, the fees paid to the auditors by the Bank distinguishing audit and non-audit fees have been disclosed in the Annual Report.*
- *As required by Directive 21.2, the adequacy of the accounting records and effectiveness of the system of governance and risk management.*
- *As required by Directive 21.3, appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently.*
- *As required by Directive 21.4, the International Financial Reporting Standards have been adhered to in preparation of the Bank's financial statements for the year ended 31 December 2020.*
- *As required by Directive 23.7, the Bank has in place a code of ethics which was strictly complied with in the reporting period.*
- *As required by Directives 24.4, the annual report includes information of how the Bank has served the interests of its stakeholders*

Board of Directors

1 Dr. Abraham Mwenda

Board Chairman

Appointed May 2020

Dr. Mwenda is a seasoned economist. He has vast knowledge and experience in economics and finance with various skills including strategic planning, management, advisory and research. He has held key positions in the financial sector on both local and international platforms and is a holder of a Ph.D. in Economics, a master's in finance and a Bachelor of Arts in Economics and Business Administration.

2 Dr. Austin Mwape

Outgoing Board Chairman

Appointed 17 September 2014

Dr. Mwape is a seasoned economist and banker having worked at the Central Bank for over 28 years in various capacities and brings with him a wealth of knowledge in economics, finance and enterprise-wide risk management particularly as they relate to the financial sector and central banking. He holds a Ph. D. in Finance, a master's degree in Industrial economics and a Bachelor of Arts degree in Economics.

3 Ms. Pindie Nyandoro

Regional Chief Executive

Appointed 14 December, 2018

Ms Pindie Nyandoro has been involved in Banking for over 20 years. She is currently the Regional Chief Executive: Southern and Central Africa in Standard Bank Africa Regions, looking after a portfolio of 6 countries (Botswana, Lesotho, Namibia, Eswatini, Zambia and Zimbabwe). Prior to this she was the Managing Director of Stanbic Bank Zimbabwe, a position she held since 2002. Her banking career started in 1991 with Standard Chartered Merchant Bank.

She holds a Bachelor of Science (Honours) Degree, Master of Business Administration Degree and a LLB (Bachelor of Laws).

4 Mr. Leina Gabaraane

Chief Executive

Appointed to the Board on 1 January 2018

Mr. Gabaraane was the Chief Executive of Stanbic Bank Botswana Limited for 10 years before moving on to lead the Zambia team. He holds a Bachelor of Commerce from University of Botswana and a Masters of Business Administration on International Banking and Finance from University of Birmingham.

5 Mr. Theodoros Karnezos

Non-Executive Director

Appointed to the Board on 5 March 2019

Mr Karnezos is an established commercial farmer and owner of Mwansa Chawa Farms in the Mkushi district. He has a Bachelor of Commerce degree in Accountancy from the University of KwaZulu Natal, South Africa

6 Mr. Luke Mbewe

Non-Executive Director

Appointed to the Board on 17 September 2014.

Mr Mbewe has experience in both formulation and implementation of business strategy and valuable experience in strategic planning, business management and economics among other things. He holds a Bachelor of Arts degree in Business Administration and a Bachelor of Laws degree.

7 Mr. Emmanuel Mutati

Non-Executive Director

Appointed to the Board on 9 October 2015

Mr. Mutati is a veteran mining Engineer & Fellow of the Engineering Institution of Zambia whose mining career spans over four (4) decades. We are happy to benefit from his skills, knowledge and experience as we progress the Bank and transform lives in Zambia through our banking services.

8 Mr. Bejoy Nettikadan

Non-Executive Director

Appointed to the Board on 18 December 2017

Bejoy has over 14 years of vast experience in finance and information and communications technology. He is the founder of NetOne Information Technology Limited and an affiliate of Association of Chartered Certified Accountants.

9 Ms. Milangu Kampata

Non-Executive Director

Appointed to the Board on 18 December 2017

Milangu is a qualified accountant with over 20 years vast local and international financial and business work experience servicing diverse clientele in various sectors and organisations. She holds a Bachelor of Accountancy; is a Fellow of the Association of Chartered Certified Accountants and a member of Zambia Institute of Chartered Accountants (ZICA). She is a member of the Revenue Appeals Tribunal and founder of ACTCO Accountants.

10 Mr. Neil Surgey

Non-Executive Director

Appointed March 2020

Mr. Surgey is a qualified accountant with an extensive banking career spanning more than 17 years with experience. He recently retired from the Standard Bank Group where he was the Group Chief Risk Officer and Group Ethics Officer. He is a holder of a Bachelor of Commerce.

11 Ms Susan Mulikita

Non-Executive Director

Appointed May 2020

Ms. Mulikita has vast knowledge in law as well as Information and Communication Technology (ICT)/telecommunications. She has over 20 years of track record in handling diverse areas of ICT/telecommunications law, policy, regulation, operations and management. She is a holder of a Bachelor of Laws degree and a Master of Laws in Information and Communication Technology.

12 Ms. Helen Lubamba

Executive Director

Appointed 18 December 2017

Helen has a Bachelor of Science Honours Degree in Mathematics & Economics and is an Associate of CIMA/CGMA. She has covered a number of significant roles in finance; prior to her appointment at Stanbic, Zambia she worked as a Financial Analyst at a large corporation in Johannesburg, South Africa. Before that she worked as Head of Investor Relations at Liberty Holdings also in Johannesburg. Helen also previously worked as Business Analyst at a blue-chip Bank in London, United Kingdom. Prior to that, she had worked for Lehman Brothers and XL Group, both in London.

13 Mr. Mwindwa Siakalima

Executive Director

Appointed 14 August 2019

Mwindwa is a Chartered Accountant with a career spanning over 19 years. He is a fellow of the Association of Chartered Certified Accountants and the Zambia Institute of Chartered Accountants. He also holds a BA Degree in Accounting & Finance and an MBA in Finance (University of Manchester).

1 Dr. Abraham Mwenda

2 Dr. Austine Mwape

3 Ms. Pindie Nyandoro

4 Mr. Leina Gabaraane

5 Mr. Theodoros Karnezos

6 Mr. Luke Mbewe

7 Mr. Emmanuel Mutati

8 Mr. Bejoy Nettikadan

9 Ms. Milangu Kampata

10 Mr. Neil Surgey

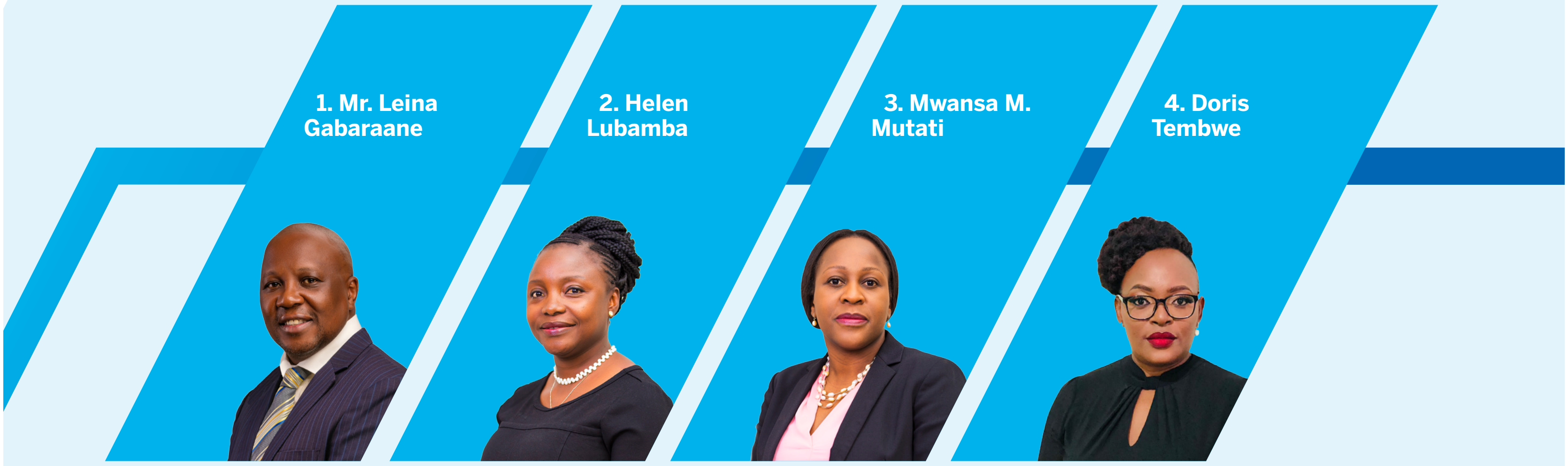
11 Ms. Susan Mulikita

12 Ms. Helen Lubamba

13 Mr. Mwindwa Siakalima

Male	Female
9	4

Executive/Governance Committee



1. Mr. Leina Gabaraane
Chief Executive
Mr. Gabaraane was the Chief Executive of Stanbic Bank Botswana Limited for 10 years before moving on to lead the Zambia team. He holds a Bachelor of Commerce from University of Botswana and a Master of Business Administration on International Banking and Finance from University of Birmingham.

2. Helen Lubamba
Head Corporate & Investment Banking
Helen has a Bachelor of Science Honours Degree in Mathematics & Economics and is an Associate of CIMA/CGMA. She has covered a number of significant roles in finance; prior to her appointment at Stanbic, Zambia she worked as a Financial Analyst at a large corporation in Johannesburg, South Africa. Before that she worked as Head of Investor Relations at Liberty Holdings also in Johannesburg. Helen also previously worked as Business Analyst at a blue chip bank in London, United Kingdom. Prior to that, she had worked for Lehman Brothers and XL Group, both in London.

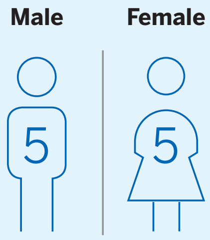
3. Mwansa M. Mutati
Head Personal and Business Banking
Mwansa has over 20 years of Corporate and Retail Banking experience. Within Stanbic Bank, She has previously worked in various positions such as Head Business Banking as well as Head Customer Channels. She holds a Master's in Business Administration from Edinburgh Business School and a Bachelor of Science degree from University of Zambia. Mwansa is an Associate Retail Banker – ARB1 who has international experience, having worked within the Central African Region and in the Middle East, Dubai.

4. Doris Tembwe
Head Legal and Company Secretary
Doris is a qualified legal practitioner and a Banker who holds an LL. B from the University of Zambia, an LLM in International Commercial Law (University of Salford, UK) and a Diploma in Personnel Management from Evelyn Hone College of Applied Arts. Her area of expertise is in Banking, commercial law, corporate law and Project Finance. Doris has international experience having worked at Norton Rose Fulbright LLP in London, United Kingdom. Doris is the Chairperson for the Bankers Association of Zambia Legal and Compliance Committee and an Arbitrator.

5. Mwindwa Siakalima
Chief Financial Officer
Mwindwa is a Chartered Accountant with a career spanning over 19 years. He is a fellow of the Association of Chartered Certified Accountants and the Zambia Institute of Chartered Accountants. He also holds a BA Degree in Accounting & Finance and an MBA in Finance (University of Manchester).

6. David Chansa
Chief Risk Officer
David is a risk management professional with over 20 years of experience in internal audit, risk management and academia. He has spent many years working in roles that exposed him to the African markets in which the Standard Bank Group has presence. David is ACCA, CIMA and CIA qualified, and holds a degree in Agricultural Sciences from UNZA.

7. Walubita Luwabelwa
Chief Compliance Officer
Walubita is a legal practitioner and accredited insolvency practitioner with speciality in compliance, governance and



5. Mwindwa Siakalima

6. David Chansa

7. Walubita Luwabelwa

risk. In addition to his bachelor's degree in Law (UNZA) and Master's in Commercial Law (UCT), Walubita is also a member of the Law Association of Zambia and Institute of Directors. Prior to joining Stanbic Bank, Walubita worked in private practice, academia and later served as Corporation Secretary for the public broadcaster.

8. Wisdom Shanengeta

Chief Technology and Operations Officer

Wisdom is a career banker with 22 years of banking experience; he has served in various capacities across the banking sector. He holds a MBTI Master of international Business, another Master of Leading Innovation and Change (MALIC), Bachelor's Degree in business studies (BaBs) and Diplomas in Project Management from Cambridge University, Diploma in Banking and Finance from Manchester University and Institute of Financial Services and Certificates in banking and accounting

9. Kasonde Gondwe

Head Human Capital

Kasonde has been with Stanbic Bank for the last 5 years. Prior to working for Stanbic, she worked for 14 years in the Corporate Banking sphere before moving to a career in L&D and finally heading the Human Capital in Zambia. She has experience with Financial Institutions and public sector predominantly as well as organisational development.

Kasonde has a BA Economics and Masters in Development Finance.

10. Ngoza Nyirenda

Country Head of Credit

Ngoza has over 15 years of experience in Finance, Business support & recovery, Corporate and Retail banking risk management. In addition to her professional experience which spans across various key sectors, Ngoza holds a Masters in Business Administration from EBS Heriot Watt University- UK and is a fellow of both the Association of Chartered Certified Accountants – ACCA and the Zambia Institute of Chartered Accountants- ZICA.

8. Wisdom Shanengeta

9. Kasonde Gondwe

10. Ngoza Nyirenda

Information & Technology Governance Statement

The IT strategy continued focusing on its core business by making incremental investments in digital and virtual solutions to enable customers access bank services anywhere anytime. Driven by its customer centric discourse, the following are just but a few highlights of what was delivered during the year 2020;

WISDOM SHANENGETA

Chief Technology & Operations Officer

Customer Centricity

Customers were empowered to open additional operating bank accounts from the comfort of their home using any handheld Android device connected to the internet.

In addition to making cash deposits which are instantly credited to customers' accounts using intelligent ATMs, we also deployed more intelligent self-service bulk cash accepting machines thereby aiding clients who generate high volumes of cash to make cash deposits anytime without having to walk into a physical branch.

Just like personal customers who use Internet Banking Platform, Business Banking customers who meet set credit scoring criteria were enabled to also instantly obtain unsecured loans at a clink of a button using any internet connected device via Enterprise Online Platform.

We enabled contactless cards on ATM and POS machines; we also introduced the capability for customers to make additional loan repayments should they wish to using Internet Banking and USSD platforms.

We introduced a credit card view on Internet Banking platform thus providing customers with a 360-degree view of their accounts. Furthermore, clients were provided with an option to pay into their credit card account by transferring funds from their operating account.

Significant investments were made in deploying a new state of the art Vehicle and Asset Financing (VAF) engine dubbed as "Finacle Leasing." This has moved our VAF business to a very robust platform.

As part of our aspirations to become a universal financial services organisation, we partnered with some MNOs by interchangeably linking some MNOs e-Wallet to Stanbic Bank account enabling movement of funds between the two entities and increasing financial inclusion and points where customers can access financial services.

The list of what was rolled out is quite long and the few cited above merely provide insight into how much focus we placed and continue to place on customer centricity.

Cyber Security Concerns

As the world digitizes and services become virtualised, cyber risks are also amplifying. Therefore, while we continued investing in securing our IT Infrastructure from cyber threats by fortifying our network using various interventions; we once again concluded that these measures are inadequate without investing in customer awareness. Consequently, we also focused on contributing to ensuring that through our marketing and communications division, customers were being reminded to also remain vigilant as they transact online to guard against card cloning or any phishing attempts from impostors.

IT Governance & Future Readiness

The era of the Forth Industrial Revolution sometimes referred to as the Digital Age is upon us where technology is providing convergence across all spheres of human existence propelled by Neurotechnology, Genetic Engineering, Autonomous Cars, 3 D Printing, Artificial Intelligence, Big Data, Blockchain Technology and Robotics all wrapped together in the ecosystem of Internet of Things (IOTs).

In the scheme of IOTs, needs and wants of customers are speedily being gratified using digital options. To this end, the Bank has positioned itself by taking a strategic decision to convert into a digital platform business by becoming an echo-system orchestrator. By partnering with Salesforce and using Salesforce Cloud technology platform, the Bank would link scribes to the platform to an interconnected marketplace. In this matrix, the business of banking becomes an underlying outcome of providing platform services.

To be ready for the future, our staff continued being trained to acquire new skills related to the foregoing demands such as Data Science and Portfolio Management; Large Scale AI and Robotics, Behavioural Economics, Enterprise Ecosystems and Salesforce Trailhead Challenge programs.

Naturally, advancements in IT governance kept following these emerging trends, by reviewing policies along the lines of; data privacy and cyber security, cloud computing and big data standards i.e. data curation, data analytics, customization and data monetization;

the changes in rolling out IT projects from traditional waterfall to ways of work, delivering changes continuously using agile cross functional feature teams by releasing minimum viable products (MVP) thereby significantly pacing the speed at which customers are introduced to new IT products and services.

And on the other end of the spectrum, recognition of Artificial Intelligence (AI), machine learning and Robotics as they increasingly become alternatives to delivering banking services.

Risk & Capital Management

Risk management is the process of identifying, assessing and controlling threats to the Bank's capital, liquidity and earnings on a continuous basis and is overseen by the Bank's management committees with the involvement of the business units. These threats stem from a confluence of sources which include varying economic conditions, financial, political and regulatory uncertainties, legal liabilities, strategic management errors, accidents, disease pandemics and natural disasters. The threats are viewed on both a current and forward-looking basis, covering both normal and stress conditions.

The Bank has a structured approach with which it develops and executes its Risk Management Strategy.

Our risk management systems are robust with a well-developed risk management framework governed by mandated Board and management committees with the relevant expertise. Our well-developed framework supports a consistent approach to risk and capital management.

Our risk measures seek to balance regulatory requirements and shareholder expectations for risk-adjusted returns. We carefully manage our capital, liquidity and funding levels to support business growth, maintain depositor and creditor confidence, and create value for our shareholders and other stakeholders.

The bank has a structured approach in which it develops and implements its Risk Management Strategy.

Risk Managment

IDENTIFY

Identify all the risks the Bank is exposed to that may significantly impact the attainment of the Overall Bank strategy.

ASSESS

Assess risks identified and classify as to whether they are acceptable, unacceptable, avoidable or unavoidable.

EVALUATE

Evaluate risks identified and establish standards to ensure effective early warning triggerpoints are set

MONITORING & CONTROL

Monitor all established standards and ensure any breach has an effective remedial plan in place.

Additionally embedding a risk-aware culture across the Bank is critical to effectively tackling the Bank's current and forward risk profile.

Risk Governance

Segregation of duties remains key in successful implementation of an effective risk management plan. The Bank has organized its Risk Management Framework in line with the globally acceptable practice of three lines of defense. This approach ensures a clear independence and challenge between business units while ensuring effective collaboration in attaining the Bank's overall strategy as well as separation of risk management duties. The approach provides vivid distinction between:

1. Functions that own and manage risks;
2. Functions that provide oversight over risks;
3. Functions that provide independent assurance as to the effectiveness of risk management frameworks.

Board of Directors

The Board of Directors has overall responsibility for the establishment, approval and oversight of the Bank's Risk Management and corresponding appetite. It oversees the management of material risks through regular reviews of key risk exposures and governance standards. The Board further provides oversight over the implementation and embedment of the Bank's risk culture, governance framework and ensures that an effective risk management process exists and is maintained throughout the financial institution.

The Board achieves this through delegation to its sub committees which include: The Board Loans Review Committee: This ensures that effective credit governance is in place in order to provide for the adequate management, measurement, monitoring and control of credit risk including country risk.

The Board Risk Committee: This monitors the Bank's risk profile against approved risk appetite. The committee also reviews adequacy of management actions and assesses the integrity of the risk control systems in place and ensures effective and timely resolution of all material breaches.

The Board Audit Committee: This reviews effectiveness of established internal controls and action plans to regularise material lapses in controls. The committee provides an independent evaluation of the adequacy and effectiveness of the Bank's internal control systems, accounting practices, information systems, and auditing processes.

The Board Information Technology Committee : This committee reviews the bank's technological and information risks exposures that may be as a result of its digital strategy, usage of technology, integrated nature of products and platforms with associated third-party risks. With an evolving ecosystem driven by technology as a key enabler for processing, platform banking payments and cloud technology usage, the Bank has a committee at Board level that monitors technology risk.

Executive Management

Day to day risk management is delegated to the Executive Committee (EXCO) and its sub committees which include: The Management Committee (MANCO): This assists the EXCO in operationalising the strategy of the Bank as approved by the Board. This includes overseeing the operational requirements and monitoring performance of the business of the Bank against strategic imperatives.

The Credit Risk Management Committee (CRMC): This has a defined Credit oversight role as determined by the Board of Directors ("Board") through the Board Loans Review Committee from time to time. The purpose of the Credit Risk Management Committee is to establish and define the principles under which the country is prepared to assume credit risk and the overall framework for the consistent and unified governance, identification, measurement, management and reporting of credit risk.

The Risk Oversight Committee (ROC): This assists EXCO in identification of key risk areas, measurement and control of risks, and ensuring that the controls, processes, procedures and systems employed meet the Bank's risk appetite and the requirements of the regulatory authorities.

The Assets and Liabilities Committee (ALCO): This assists EXCO in the management of the Bank's Assets and Liabilities with the objective of ensuring adequate Liquidity is maintained while managing the spread between interest income and associated expenses.

The Information Technology Steering Committee (ITSteerCom): This assists EXCO in management of technology and digital risk types considering the bank's digital transformation journey. Its sphere of influence ranges from technology innovation risks to cyber security related issues.

Over and above the established committees, risk management cuts across the entire organisation and every employee of the Bank plays a key role in ensuring the right risk culture is in place.

RISK APPETITE STATEMENT

RISK APPETITE DIMENSION

PORTFOLIO LIMITS BY RISK TYPE

CREDIT			OPERATIONAL RISK	MARKET	LIQUIDITY	IRRBB
LOSS RATIO	NPL %	CONCENTRATIONS	OPERATIONAL LOSSES	VaR	TERM LENDING CAPACITY	INTEREST RATE SENSITIVITY

OPERATIONAL LIMITS

DELEGATED AUTHORITIES	DECLINE OVERRIDES	ACCEPT RATES	CUT OFFS	DESK LIMITS	THRESHOLD

The key to our long-term sustainable growth and profitabilty lies in the strong link between our risk appetite and our strategy and the desired balance between risk and return.

Risk appetite is an expression of the amount or type of risk we are willing to take in pursuit of our financial and strategic objectives, reflecting our capacity to sustain losses and continue to meet our obligations as they fall due, under both normal and a range of stress conditions.

Key risks considered include but not limited to the following:

Credit risk: The risk of loss arising from failure of counterparties to meet their financial or contractual obligations when due. It comprises of counterparty risk, settlement risk, country risk and concentration risk. Credit risk is the principal income-generating risk of the bank and is managed comprehensively to ensure that the earnings from risk-taking are appropriately compensating for expected and unexpected losses;

Market risk: the risk of change in the actual and/or effective market value of earnings or future cash flows of a portfolio of financial instruments including commodities caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange rates, interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of the above variables;

Interest rate risk: the exposure of a bank's financial condition to adverse movements in interest rates. This arises due to a maturity mismatch between the bank's assets and liabilities. Changes in interest rates affect the Bank's earnings by changing Net Interest Income (NII)

Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is the principle non-income generating risk of the Bank

Information risk: the risk of a failure in the confidentiality, integrity or availability of an information system. Information risk is looked at holistically in the context of information security risk. The scope of coverage ranges from cyber security to protecting valuable information assets. Information risk forms part of the integrated operational risk framework of the Bank.

Liquidity risk: the risk that a bank, although balance sheet solvent, cannot maintain or generate enough cash resources to meet its payment obligations in full as they fall due, or can do so only on materially disadvantageous terms.

Business risk: the risk of loss due to adverse operating conditions caused by market pressure such as decreased demand, increased competition, or cost increases, or by bank specific choices such as poor choice of strategy, reputational damage or the decision to absorb costs or losses to preserve reputation.

Information technology and security risk: the bank has in place a cyber security framework supported by the requisite governance structures and standards that are cross functional.

The Bank has a set of risk governance standards for each major risk type which form the basis of policies and procedures at the business unit level. The risk standards set the minimum governance, monitoring, control and reporting criteria for each of the main risks at a business unit, bank and Board level. The standards are reviewed and updated to keep in line with changes in the Bank's risk profile and changes in industry, technology and the economy in general.

Capital plan

Capital risk is the risk of the Bank having insufficient capital resources to meet minimum requirements set by the regulator as well as support business growth.

The Bank has a capital plan that provides an assessment of how the Bank manages its capital in the short and medium term. The capital plan integrates the risk appetite, business strategy and capital requirements with the aim of ensuring that changes in capital demand arising from growth in exposures and changes in the business risk profile can be funded over a 3-year planning horizon. The Bank is fully compliant with the current minimum capital threshold of ZMW520m. In addition, to the minimum regulatory requirements, the Bank maintains an appropriate capital buffer determined by taking into consideration all its material risks, how these risks are managed and mitigated, and stress testing outcomes.

Managing Capital

Stanbic Bank has adopted the Internal Capital Adequacy Assessment Process (ICAAP) as an effective tool in managing its capital. ICAAP is the articulation of the capital management processes within the organisation and an internal assessment of the level of capital required to be held, against all risks the Bank is or may become exposed to, to meet current and future needs. The ICAAP sets to achieve the following:

- Ensure that the Bank is adequately capitalised to meet minimum regulatory capital requirements set by Bank of Zambia (BOZ) in accordance with Basel II requirements and on a forward-looking basis in line with capital targets set by the Board;
- Maintain enough capital resources to support the Bank's risk appetite;
- Maintain an optimal capital structure that takes into consideration both regulatory and shareholder interests;
- Promote efficient use of capital through:
- Internal allocation of capital resources;
- Monitoring of the return on equity and risk adjusted returns at a granular level; and
- Link and achieve alignment of the business strategy to risk appetite, risk exposure, capital resources and return dimensions.

Stress Testing

Stress testing is a key management tool and facilitates a view of the organisation's risk tendency. Risk tendency is the forward-looking view of how SBZ risk profile may change as a result of portfolio effects and/or changes in economic conditions.

Stress testing typically refers to shifting the values of individual parameters that affect the financial position of a firm and determining the effect on the firm's business. Stress testing supports several business processes including:

- Strategic planning and budgeting;
- The Internal Capital Adequacy Assessment Process (ICAAP), including capital planning and management, and the setting of capital buffers;
- Liquidity planning and management;
- Informing the setting of risk appetite statements;
- Providing a forward-looking assessment of the impact of stress conditions on the organisation's risk profile;
- Identifying and proactively mitigating risks through actions such as reviewing and changing risk limits, limiting exposures and hedging;
- Facilitating the development of risk mitigation or contingency plans across a range of stressed conditions; and
- Supporting communication with internal and external stakeholders.

The bank conducts stress testing at legal entity level which is an aggregate of stress testing at portfolio risk level i.e. credit, operational, liquidity and market risk. Stress testing within SBZ is actionable, with the results from stress testing informing decision making at the appropriate management levels including strategic business decisions of the Board and senior management.

Directors' Report

The directors submit their report together with the audited consolidated and separate financial statements for the year ended 31 December 2020, which disclose the state of affairs of the Bank and its subsidiaries (together 'the Group'). The financial statements are expressed in Kwacha, the currency of Zambia, rounded to the nearest thousand.

Principal activities

The principal activities of the Group are the provision of commercial and retail banking services, insurance brokerage, custodial services and lease financing. Details of subsidiary entities are given in note 12 to the financial statements.

Share capital

The Group has an authorised share capital of K416,000,000 in compliance with the Bank of Zambia minimum capital requirements. Details of the Group's issued share capital are included in note 15 to the financial statements.

Operating results and dividends

	2020	2019
	K'000	K'000
Net interest income	1 369 537	1 126 755
Net fee and commission income	484 597	391 011
Trading income	443 134	236 910
Profit for the year	481 073	432 801

During the year no dividend was paid (2019: nil).

Developments during the year

During the year the Group had to deal with the impacts of the Covid 19 both from the perspective of its customers who were adversely impacted by the economic effects as well as from a staff perspective to ensure there was continuity in operations of the Group whilst prioritising the safety of the employees. The Group invoked its business continuity management plan with staff having different protocols such as working from home as well as splitting teams into smaller work groups.

Staff remuneration

The total remuneration of employees for the year amounted to ZMW 512 733 000 (2019: ZMW 488 763 000) as disclosed in 24.7 to the financial statements. The average number of employees was as follows:

Month	Number	Month	Number
January	705	July	705
February	703	August	703
March	704	September	702
April	706	October	702
May	706	November	702
June	706	December	704

The Group recognises its responsibility regarding the occupational health, safety, and welfare of its employees and has put in place measures to safeguard them.

Gifts and donations

During the year the Group made donations of ZMW 2 566 846 (2019: ZMW 4 134 080) to various charitable organisations and events.

Property and equipment

The Group purchased property and equipment amounting to ZMW 42 248 000 (2019: ZMW 35 448 000) during the year as disclosed in note 13.1 to the financial statements.

In the opinion of the directors, there was no significant difference between the carrying value of property and equipment and its market value.

Research and development

During the year, the Group did not conduct research and development activities (2019: nil).

Related party transactions

As required by the Banking and Financial Services Act of Zambia, related party transactions are disclosed in note 27 of the financial statements.

Directors' emoluments and interests

Directors' emoluments and interests are disclosed in the financial statements in accordance with the Companies Act of Zambia under note 27 of the financial statements.

Prohibited borrowings or lending

There were no prohibited borrowings or lending as defined under section 72 and 73 the Banking and Financial Services Act of Zambia.

Risk management and control

The Group, through its normal operations, is exposed to a number of risks, the most significant of which are credit, market, operational and liquidity risks. The Group's risk management objectives and policies are disclosed in note 4 to the financial statements.

The directors have approved policies to mitigate the above risks by introducing controls that are designed to safeguard the Group's assets while allowing sufficient freedom for the normal conduct of business. The Audit and Loan Review Committees carry out independent reviews to ensure compliance with financial and operational policies.

Compliance function

The Group has in place a compliance function whose responsibility is to monitor compliance with the regulatory environment and the various internal control processes and procedures.

Know your customer and anti-money laundering policies

The Group has adopted a Know Your Customer (KYC) policy, anti-money laundering policies and adheres to current legislation in these areas.

The directors who held office during the year were:

A. Mwenda	*Chairman (appointed May 2020)*
A. Mwape	*Chairman (retired September 2020)*
P. Nyandoro	*Regional Chief Executive*
L .Gabaraane	*Chief Executive*
B. Nettikadan	*Non- Executive*
T. Karnezos	*Non- Executive*
E. Mutati	*Non- Executive*
S. Mulikita	*Non- Executive (appointed May 2020)*
L. Mbewe	*Non- Executive (retired September 2020)*
M. Kampata	*Non- Executive*
N. Surgey	*Non- Executive (appointed March 2020)*
H. Lubamba	*Head of CIB*
M. Siakalima	*Chief Financial Officer*

Auditor

The auditors, KPMG, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the annual general meeting.

Company Secretary

25 February 2021

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated and separate annual financial statements that give a true and fair view of Stanbic Bank Zambia Limited and its subsidiaries, comprising the consolidated and separate statements of financial position at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated and separate financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the Banking and Financial Services Act of Zambia, Securities Act and the Companies Act of Zambia. In addition, the directors are responsible for preparing the annual report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate 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 directors have made an assessment of the ability of the Bank and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

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

Approval of the consolidated and separate financial statements

The consolidated and separate financial statements of Stanbic Bank Zambia Limited and its subsidiaries, as identified in the first paragraph, were approved by the Board of directors on 25 February 2021 and are signed on its behalf by:

Chairman

Chief Executive

Director

Company Secretary

KPMG CHARTERED ACCOUNTANTS
Telephone +260 211 372 900
Website www.kpmg.com
Sixth Floor, Sunshare Towers
Corner of Lubansenshi and Katima Mulilo Road, 10101
Lusaka, Zambia

Independent Auditor's Report
To the members of Stanbic Bank Zambia Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Stanbic Bank Zambia Limited ("the Bank") set out on pages 38 to 104, which comprise the statements of financial position at 31 December 2020, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Stanbic Bank Zambia Limited at 31 December 2020, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia, the Banking and Financial Services Act of Zambia and the Securities Act of Zambia.

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 Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Zambia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment of loans and advances to customers

Refer to 3.4 financial assets and financial liabilities (impairment accounting policy), note 4.1 credit risk section of the financial risk management disclosures, note 5.1 key sources of estimates uncertainty and note 10 loans and advances

Key audit matter	*How the matter was addressed*
Loans and advances comprise a large portion of the Bank's assets. This was an area of focus due to management exercising significant judgment, using subjective assumptions, when determining both the timing and the amounts of the expected credit loss ("ECL") for loans and advances. Key areas of significant judgment included: • The identification of exposures with significant deterioration in credit quality; • Assumptions used in the expected credit loss model such as the expected future cash flows and forward looking macroeconomics factors (e.g. foreign exchange rates, inflation and gross domestic product (GDP); and • The measurement of modelled provisions, which is dependent upon key assumptions relating to probability of default ("PD"), loss given default ("LGD"), exposures at default (EAD), significant increase in credit risk (SICR) and expected future recoveries discounted to present value. Due to the significant judgement applied by management, the impairment of loans and advances to customers was considered to be a key audit matter. There was an increased risk of material misstatement on the ECL in the current year due to the increased judgement and estimation uncertainty as a result of COVID-19.	Our procedures included: We tested the design, implementation and operating effectiveness of relevant controls over: • management's approval of credit origination of the loans and advances; • monitoring of facilities issued (i.e. early identification of impaired accounts and approval of manual impairments/write-offs); • review and approval of expected credit loss models; and • periodic review and monitoring of macroeconomic data. • We tested the completeness and accuracy of inputs into the expected credit loss models such as loan exposures, off balance sheet values, days in arrears, default, asset classifications and other customer specific data by comparing the inputs to supporting documentation. • We assessed the appropriateness of transfers by testing on a sample basis whether financial assets transferred to stage 2 met the Bank's definition of significant increase in credit risk. • We assessed the reasonableness of macro-economic data used to develop metrics of forecasting non-performing loan (NPL) ratios and specific debt provision (SDP) coverage ratios by comparing the Bank's assumptions to externally available information. • For credit impaired assets classified as stage 3, we assessed the reasonableness and timing of expected cash flows by comparing the values of collateral held, to valuations performed by independent valuers. We further challenged management as to whether the timing of the expected cash flows was appropriate for the purpose of the impairment calculation, given the type of collateral held. • With the involvement of specialists, we evaluated compliance with IFRS 9 - Financial Instruments (IFRS 9) of the expected credit loss models and the modelling principles applied, including the re-performance of PD, EAD, LGD, SICR and ECL calculations. In addition, we considered whether management had incorporated sufficient forward looking stress in the PDs and LGDs in light of the COVID-19 pandemic. We assessed the adequacy of the disclosure made in the financial statements in accordance with the requirements of IFRS 9.

Other Information

The directors are responsible for the other information. The other information comprises the Director's Report as required by the Companies Act of Zambia and the following sections, Overview (About Stanbic Bank Zambia Limited, Our Values, Awards and Socio-economic Impact), Business Review (Chairman's Report, Chief Executive's Report, Financial Review and Business unit reviews) and Ensuring our sustainability (Corporate Governance Statement, Board of Directors, Executive/Governance Committee, Information and Technology Statement, Risk and Capital Management and Director's responsibilities of the financial statements). The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 Consolidated and Separate Financial Statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia, the Banking and Financial Services Act of Zambia and the Securities Act of Zambia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and 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 Group and/or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and Bank's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group and/or 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 consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Report on Other Legal and Regulatory Requirements

Companies Act of Zambia
In accordance with section 259 (3) of the Companies Act of Zambia (the Act), we consider and report that:

- there is no relationship, interest or debt we have with the Company; and
- there were no serious breaches of corporate governance principles or practices by the Directors. The statement is made on the basis of the corporate governance provisions of the Act, Part VII – Corporate Governance of the Companies Act of Zambia.

Banking and Financial Services Act of Zambia
In accordance with Section 97(2) of the Banking and Financial Services Act of Zambia, we consider and report that:

- The Bank made available all necessary information to enable us to comply with the requirements of this Act;
- The Bank has complied with the provisions, regulations, rules and regulatory statements specified in or under this Act and; and
- There were no transactions or events that came to our attention that affect the wellbeing of the Bank, that are not satisfactory and require rectification including:

  a.) transactions that are not within the powers of the Bank or which is contrary to this Act; or
  b.) a non-performing loan that is outstanding, has been restructured or the terms of the repayment have been extended, whose principal amount exceeds five percent or more of the regulatory capital of the Bank

Securities Act of Zambia
In accordance with Rule 18 of the Securities (Accounting and Financial Requirements) Rules (SEC Rules), Statutory Instrument No.163 of 1993 we consider and report that:

- The statement of financial position and statement of profit or loss and other comprehensive income were in agreement with the Bank's accounting records; and
- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

KPMG

KPMG Chartered Accountants **19 March 2021**

Jason Kazilimani, Jr **AUD/F000336**
Partner signing on behalf of the Firm

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

		Group		BANK	
	Note	2020 ZMW '000	2019 ZMW'000	2020 ZMW '000	2019 ZMW'000
Assets					
Cash and balances with the central bank	6	**4 223 755**	2 035 922	**4 223 755**	2 035 922
Loans and advances to banks	6.1	**9 206 435**	3 582 220	**9 206 435**	3 582 220
Derivative assets	7	**9 583**	75 728	**9 583**	75 728
Trading assets	8	**1 337 494**	1 177 399	**1 337 494**	1 177 399
Financial investments	9	**3 451 664**	1 893 416	**3 451 664**	1 893 416
Loans and advances to customers	10	**6 427 449**	5 439 335	**6 432 411**	5 450 252
Other assets	11	**244 270**	180 224	**242 136**	180 224
Interests in subsidiaries	12	**-**	-	**79 307**	79 307
Property, equipment and right of use assets	13	**386 848**	346 428	**302 531**	266 527
Intangible assets	14	**233 130**	257 010	**233 130**	257 010
Deferred tax asset	19	**252 963**	164 360	**252 963**	164 360
Total assets		25 773 591	15 152 042	25 771 409	15 162 365
Equity and liabilities					
Equity		2 547 315	2 053 000	2 448 771	1 961 798
Equity attributable to the ordinary shareholder		2 547 315	2 053 000	2 448 771	1 961 798
Ordinary share capital	15	**416 000**	416 000	**416 000**	416 000
Reserves		**2 131 315**	1 637 000	**2 032 771**	1 545 798
Liabilities		23 226 276	13 099 042	23 322 638	13 200 567
Derivative liabilities	7	**5 113**	15 771	**5 113**	15 771
Trading liabilities	18	**1 248 255**	1 496 225	**1 248 255**	1 496 225
Current tax liability	19	**114 136**	76 364	**113 884**	75 446
Deposits and current account	17	**20 986 646**	10 951 410	**21 016 672**	10 980 333
Subordinated debt	21	**318 430**	251 081	**318 430**	251 081
Provisions and other liabilities	20	**553 696**	308 191	**620 284**	381 711
Total equity and liabilities		25 773 591	15 152 042	25 771 409	15 162 365

The financial statements on pages 38 to 104 were approved for issue by the Board of Directors on 25 February 2021 and are signed on its behalf by;

Mwenda

Chairman

Chief Executive

MNtKampaKe

Director

Company Secretary

The notes on pages 44 to 104 are an integral part of these financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS

for the year ended 31 December 2020

		Group		Bank	
	Note	**2020 ZMW '000**	2019 ZMW'000	**2020 ZMW '000**	2019 ZMW'000
Net interest income		**1 369 537**	1 126 755	**1 357 340**	1 116 422
Interest income calculated using the effective interest rate method	24.1	**1 774 245**	1 373 042	**1 774 245**	1 375 758
Interest expense	24.2	**(404 708)**	(246 287)	**(416 905)**	(259 336)
Non-interest revenue		**938 795**	636 632	**922 658**	612 026
Net fee and commission revenue	24.3	**484 597**	391 011	**458 470**	366 778
Fee and commission revenue	24.3	**536 541**	434 471	**510 414**	410 238
Fee and commission expense	24.3	**(51 944)**	(43 460)	**(51 944)**	(43 460)
Trading revenue	24.4	**443 134**	236 910	**443 134**	236 910
Dividend income		**-**	-	**10 000**	-
Other revenue	24.5	**11 064**	8 711	**11 054**	8 338
Total income		**2 308 332**	1 763 387	**2 279 998**	1 728 448
Credit impairment charges	24.6	**(330 403)**	(105 872)	**(330 403)**	(105 872)
Net income before operating expenses		**1 977 929**	1 657 515	**1 949 595**	1 622 576
Staff costs	24.7	**(512 733)**	(488 763)	**(512 733)**	(488 763)
Operating expenses	24.8	**(685 425)**	(491 280)	**(668 297)**	(485 060)
Total operating expenses		**(1 198 158)**	(980 043)	**(1 181 030)**	(973 823)
Profit before tax		**779 771**	677 472	**768 565**	648 753
Income tax expense	25	**(298 698)**	(244 671)	**(294 834)**	(237 387)
Profit for the year		**481 073**	432 801	**473 731**	411 366

The notes from page 44 to 104 are an integral part of these financial statements

CONSOLIDATED AND SEPARATE STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

		Group		Bank	
		2020 ZMW '000	2019 ZMW'000	2020 ZMW '000	2019 ZMW'000
		481 073	432 801	473 731	411 366
Other comprehensive income after taxation for the year		13 242	(5 847)	13 242	(5 847)
Net change in debt financial assets measured at fair value through other comprehensive income	15	13 406	(15 416)	13 406	(15 416)
Deferred tax on change in fair value	25	(4 692)	5 902	(4 692)	5 902
Release of deferred tax on revaluation surplus	25	441	441	441	441
Net change in expected credit losses	9	4 087	3 226	4 087	3 226
Total comprehensive income for the year		494 315	426 954	486 973	405 519

The notes on pages 44 to 104 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Note	Share capital	Statutory reserves	Credit risk reserve	Share based payment reserve	Fair Value Through Other Comprehensive Income Reserve	Revaluation reserve	Retained earnings	Total equity
Group		ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000
Balance at 1 January 2019		416 000	7 700	206 811	868	(2 354)	93 776	903 245	1 626 046
Total comprehensive income/(loss) for the year									
Profit for the year		–	–	–	–	–	–	432 801	432 801
Other comprehensive income		–	–	–	–	(6 288)	(818)	1 259	(5 847)
Net change in fair value		–	–	–	–	(6 288)	–	–	(6 288)
Transfer of realised revaluation surplus to retained earnings		–	–	–	–	–	(1 259)	1 259	–
Deferred tax on revaluation surplus	25	–	–	–	–	–	441	–	441
Total comprehensive income		–	–	–	–	(6 288)	(818)	434 060	426 954
Reduction in credit risk reserve		–	–	(41 545)	–	–	–	41 545	–
Transactions with owners of the Bank									
Share based payment transactions		–	–	–	(868)	–	–	868	–
Total contribution and distributions by owners					(868)			868	
Balance at 31 December 2019		416 000	7 700	165 266	–	(8 642)	92 958	1 379 718	2 053 000
Balance at 1 January 2020		416 000	7 700	165 266	–	(8 642)	92 958	1 379 718	2 053 000
Total comprehensive (loss)/income for the year									
Profit for the year		–	–	–	–	–	–	481 073	481 073
Other comprehensive income		–	–	–	–	12 801	(818)	1 259	13 242
Net change in fair value		–	–	–	–	12 801			12 801
Transfer of realised revaluation surplus to retained earnings		–	–	–	–	–	(1 259)	1 259	–
Deferred tax on revaluation surplus	25	–	–	–	–	–	441	–	441
Total comprehensive income		–	–	–	–	12 801	(818)	482 332	494 315
Increase in credit risk reserve		–	–	61 222	–	–	–	(61 222)	–
Balance at 31 December 2020		416 000	7 700	226 488	–	4 159	92 140	1 800 828	2 547 315

The notes on pages 44 to 104 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Note	Share capital	Statutory reserves	Credit risk reserve	Share based payment reserve	Fair Value Through Other Comprehensive Income Reserve	Revaluation reserve	Retained earnings	Total equity
BANK		ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000
Balance at 1 January 2019		416 000	7 700	206 811	868	(2 354)	22 042	905 212	1 556 279
Total comprehensive income/(loss) for the year									
Profit for the year		–	–	–	–	–	–	411 366	411 366
Other comprehensive income		–	–	–	–	(6 288)	(818)	1 259	(5 847)
Net change in fair value		–	–	–	–	(6 288)	–	–	(6 288)
Transfer of realised revaluation surplus to retained earnings		–	–	–	–	–	(1 259)	1 259	–
Deferred tax on revaluation surplus	25	–	–	–	–	–	441	–	441
Total comprehensive income		–	–	–	–	(6 288)	(818)	412 625	405 519
Reduction in credit risk reserve		–	–	(41 545)	–	–	–	41 545	–
Transactions with owners of the Bank									
Share based payment transactions		–	–	–	(868)	–	–	868	–
Total contribution and distributions by owners					(868)			868	
Balance at 31 December 2019		416 000	7 700	165 266	–	(8 642)	21 224	1 360 250	1 961 798
Balance at 1 January 2020		416 000	7 700	165 266	–	(8 642)	21 224	1 360 250	1 961 798
Total comprehensive (loss)/income for the year									
Profit for the year		–	–	–	–	–	–	473 731	473 731
Other comprehensive income		–	–	–	–	12 801	(818)	1 259	13 242
Net change in fair value		–	–	–	–	12 801			12 801
Transfer of realised revaluation surplus to retained earnings		–	–	–	–	–	(1 259)	1 259	–
Deferred tax on revaluation surplus	25	–	–	–	–	–	441	–	441
Total comprehensive income		–	–	–	–	12 801	(818)	474 990	486 973
Increase in credit risk reserve		–	–	61 222	–	–	–	(61 222)	–
Balance at 31 December 2020		416 000	7 700	226 488	–	4 159	20 406	1 774 018	2 448 771

The notes on pages 44 to 104 are an integral part of these financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 31 December 2020

	Note	Group and Bank	
		2020 ZMW '000	2019 ZMW'000
Reconciliation of profit before taxation to cash flow from operating activities			
Profit before tax		779 771	677 472
Adjusted for:		342 906	70 421
- Credit impairment charges		330 403	105 872
- Depreciation - property and equipment		61 862	58 562
- Amortisation of intangible asset		23 880	23 880
- Profit on sale of property and equipment		(901)	(1 678)
- Accrued interest income on loans and advances		(234 641)	(199 701)
- Provision for management fees		19 044	14 893
- Accrued interest expense customer deposits		143 259	68 593
Net cash flows from operating activities		1 122 677	747 894
Changes in operating funds			
Change in income-earning assets	26.4	(3 600 457)	(1 155 906)
Change in deposits and other liabilities	26.5	9 927 567	(272 379)
Cash flows used in operating activities		6 327 110	(1 428 285)
Income tax paid	26.6	(353 780)	(214 674)
Net cash generated from operating activities		7 096 007	(895 066)
Cash flows from investing activities			
Acquisition of property and equipment (expanding operating capacity)	13	(42 248)	(35 448)
Principal element of lease payment		(26 669)	(25 743)
Proceeds from sale of property and equipment		5 193	2 534
Net cash used in investing activities		(63 724)	(58 657)
Cash flows from financing activities			
Repayment of subordinated debt	21	(38 065)	-
Net cash used in financing activities		(38 065)	-
Effects of exchange rate changes		4 693	15 973
Net increase /(decrease) in cash and cash equivalents		6 994 218	(953 723)
Cash and cash equivalents at the beginning of the year		4 525 732	5 463 482
Cash and cash equivalents at the end of the year	26.7	11 524 643	4 525 732

The notes on pages 44 to 104 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

The principal accounting policies applied in the presentation of the Group and company's annual financial statements are set out below.

1.Reporting entity

Stanbic Bank Zambia Limited ("the Bank") is incorporated in Zambia under the Companies Act of Zambia as a limited liability company and is domiciled in Zambia. These consolidated financial statements comprise the Bank and its subsidiaries collectively "the Group" is also licensed under the Banking and Financial Services Act of Zambia, to conduct commercial and retail banking services. The address of its registered office is:

Stanbic House Plot 2375, Addis Ababa Drive, Longacres Lusaka.

2. Basis of accounting

2.1 Going concern basis of accounting

The Group is domiciled in Zambia and is in the business of the provision of commercial and retail banking services, custodial services and lease financing. Its business has been impacted by the outbreak of the Covid-19 pandemic in various aspects of its business. However, mitigating actions around business continuity were initiated and implemented on the onset of the pandemic in 2020. Additionally, there were measures adopted by the Government of the Republic of Zambia to mitigate its spread. The Group has concluded that there are no material uncertainties that may cast significant doubt on its ability to continue as a going concern; however, reaching that conclusion involved significant judgement as follows;

Management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate. The outbreak of the Covid-19 pandemic and the measures adopted by the Government to mitigate its spread have impacted the Group. These measures required the Group to invoke its business continuity management plan which entailed that not all staff were in a position to operate from their originally designated work locations. This has negatively impacted the Group's financial performance during the year by way of incurring expenditure amounting to ZMW 5 412 000.

For the year ended 31 December 2020, the Group recognised a net profit ZMW 481 073 000 with total assets as at 31 December 2020 of ZMW 25 773 591 000. The Group has resources comprising cash and cash equivalents, other highly liquid assets and unused credit lines available at the date of authorisation of these financial statements.

There is still uncertainty over how the future development of the outbreak will impact the Group's business and customer demand for its services. The appropriateness of the going concern basis of accounting is dependent on the continued availability of funding in the form of customer deposits, financial institutions term debt and subordinated debt.

Also, to respond to a severe downside scenario, management has the ability to take mitigating actions to reduce costs, optimise the Group's cash flow and preserve liquidity. Based on these factors, management has a reasonable expectation that the Group has adequate resources.

2.2 Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Banking and Financial Services Act of Zambia, Companies Act of Zambia and the Securities Act of Zambia. Details of the Group's accounting policies including changes during the year are included in notes 2.4 and 3.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis expect for financial assets classified at Fair Value through Other Comprehensive Items (FVOCI) and Fair Value Through Profit or Loss (FVTPL) which are measured at fair value; and buildings that are accounted using the revaluation model.

2.4 Functional and presentation currency

These consolidated and separate financial statements are presented in Zambian Kwacha ('ZMW' or 'K'), which is the functional and presentation currency of Stanbic Bank Zambia Limited and its subsidiaries. All amounts have been rounded to the nearest thousands except, when otherwise indicated.

2.5 Changes in accounting policies

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following:

IFRS 3 Business Combinations (amendment) (IFRS 3), the amendment clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment will be applied prospectively.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
for the year ended 31 December 2020

2. Basis of accounting (continued)
2.5 Changes in accounting policies (continued)

Conceptual Framework for Financial Reporting (revised) (Conceptual Framework), the revised Conceptual Framework includes a comprehensive set of concepts for financial reporting, replacing the previous version of the Conceptual Framework. These concepts are used by the IASB as the framework for setting IFRS standards.

Early adoption of revised standards:

IFRS 3 Business Combinations (amendments). This standard requires an entity to refer to the Conceptual Framework for Financial Reporting in determining what constitutes an asset or a liability. The amendments update the reference from the previous version of the Conceptual Framework that existed to the version issued in March 2018 and adds an exception for some types of liabilities and contingent liabilities to refer to IAS 37 instead of the Conceptual Framework. The amendments will be applied prospectively.

IAS 16 Property, Plant and Equipment (amendments) (IAS 16). Narrow-scope amendments to IAS 16 for the accounting of amounts received when selling items produced while an entity is preparing an asset for its intended use. The amendments clarify the accounting requirements in prohibiting the entity from deducting such amount from the cost of property, plant and equipment and instead recognising such sales proceeds and related cost in profit or loss. The amendments will be applied retrospectively.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments) (IAS 37). Narrow-scope amendments to IAS 37 in determining which costs to include in estimating the cost of fulfilling a contract for the purposes of assessing whether that contract is onerous. The amendments clarify that the cost of fulfilling the contract includes both the incremental costs of fulfilling the contract and an allocation of costs that relate directly to fulfilling contracts. The amendments will be applied retrospectively. Adjusting prior years is not required, but rather adjusting the opening retained earnings with the cumulative effect of the amendments on transition date.

The adoption of the above new and amended standards on 1 January 2020 did not affect the Group and bank's previously reported financial results, disclosures or accounting policies and did not impact the Group and Company's results upon transition. Accounting policies have been amended as relevant.

3. Significant accounting policies
3.1 Basis of consolidation

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group (see 3.1.4). The consideration transferred on the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages the fair value of the pre-existing equity
- interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Any goodwill arising from business transactions for entity under common control are accounted for at book value using the pooling of interest method. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3.1.2 Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.1.3 Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of financial assets. These entities may take different legal forms. A special purpose entity, including a securitisation vehicle is consolidated when the substance of the relationship between the Group and the special purpose entity indicates that the Group controls the entity.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies *(continued)*

3.1 Basis of consolidation (continued)

3.1.4 Subsidiaries

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

3.1.5 Loss of control

When the Group losses control over subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.6 Transactions eliminated at consolidation

Intra Group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gain and losses) arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss.

3.3 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, restricted balances held with the Central Bank and highly liquid financial assets with original maturities three months or less, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents disclosed in the statement of cash flows consist of cash and cash equivalents, cash on hand and balances with Central Bank less the cash reserve requirement.

3.4 Financial assets and financial liabilities

Initial measurement - financial instruments All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss.

Financial instruments are recognised (derecognised) on the date the Group commits to purchase (sell) the instruments (trade date accounting).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.4 Financial assets and financial liabilities (continued)

IFRS 9 - accounting policies for financial instruments

Amortised cost	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and • the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.
Fair value through OCI	Includes: A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and • the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default. Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by instrument basis) to be presented at fair value through OCI.
Held for trading	Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-trader margin.
Designated at fair value through profit or loss	Financial assets are designated to be measured at fair value to eliminate or significantly reduce an accounting mismatch that would otherwise arise.
Fair value through profit or loss - default	Financial assets that are not classified into one of the above mentioned financial asset categories.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.4 Financial assets and financial liabilities (continued)

Subsequent measurement

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

Amortised cost	Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate
Fair value through OCI	Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss.
Held for trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.
Fair value through profit or loss - default	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue

Impairment

ECL is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • default • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.4 Financial assets and financial liabilities (continued)

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

Significant increase in credit risk(SICR)	At each reporting date the Group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or Groups of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider. Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the Group's impairment methodology calculations and in the Group's assessment of Significant Increase in Credit Risk (SICR). The Group includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

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

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (Group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (Group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.4 Financial assets and financial liabilities (continued)

Subsequent measurement

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

Financial liabilities

Nature	
Held-for-trading	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances: • to eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis • where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.
Amortised cost	All other financial liabilities not included in the above categories.

Subsequent measurement

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

Held-for-trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue. Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.
Amortised cost	Amortised cost using the effective interest method recognised in interest expense

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.4 Financial assets and financial liabilities (continued)

Derecognition and modification of financial assets and liabilities
Financial assets and liabilities are derecognised in the following instances

	DERECOGNITION	MODIFICATION
Financial assets	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.	Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within noninterest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes If the terms are not substantially different for financial assets or financial liabilities, the Group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within noninterest revenue (for all other modifications).
Financial Liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	

Derivatives and embedded derivatives
In the normal course of business, the Group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures. Derivative instruments used by the Group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.4 Financial assets and financial liabilities (continued)

Offsetting

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

3.5 Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts are subsequently measured at the higher of the:

- present value of any expected payment, when a payment under the guarantee has become probable
- unamortised premium.

3.6 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are deducted from the initial measurement of the equity instruments.

3.7 Deposits debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Group's source of debt funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

3.8 Property and equipment

Equipment, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Property and equipment are measured at cost on initial recognition. Buildings are measured at revalued amount less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net in profit or loss.

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item or is recognised as a separate asset as appropriate, if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Maintenance repairs and other costs of the day to day servicing of property and equipment, which do not meet these criteria, are recognised in profit or loss as incurred. Depreciation, impairment losses and gains or losses on disposal of assets are included in statement of comprehensive income.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leasehold buildings are depreciated over the period of the lease or over a lesser period, as is considered appropriate.

The assets' residual values and useful lives and the depreciation method applied are reviewed and adjusted if appropriate, at each financial year-end. The estimated useful lives of tangible assets for the current and comparative periods are as follows:

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.8 Property and equipment (continued)

Buildings	40 years
Computer equipment	3 to 5 years
Motor vehicles	5 years
Office equipment	5 to 10 years
Furniture and fittings	5 to 13 years
Capitalised leased assets	Over the shorter of the lease term or its useful life
Leasehold improvements	4 years

Revaluation surplus

The policy of the Group is to independently re-value its properties, periodically but not more than five years. The market value is based on the open market values. The surplus arising on the revaluation of properties is initially credited to a revaluation surplus, which is a non-distributable reserve. A transfer is made (net of tax) from this reserve to retained earnings each year, equivalent to the difference between the actual depreciation charge for the year and the depreciation charge based on historical values, in respect of the re-valued assets.

If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset, thereafter the remaining decrease is recognised as profit or loss.

3.9 Capitalisation of borrowing costs

Borrowing costs that relate to qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale and are not measured at fair value) are capitalised. All other borrowing costs are recognised in the statement of comprehensive income.

3.10 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use. Intagible assets are measured at cost on intial recognition.

Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred.

However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Group and have a probable future economic benefit beyond one year, are recognised as intangible assets.

Expenditure subsequently incurred on computer software, is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation is recognised in operating expenses on a straight-line basis, at rates appropriate to the expected lives of the assets (2 to 15 years) from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.11 Lease accounting policies

Type and description	Statement of financial position	Income Statement
IFRS 16 - Lessee accounting policies		
Single lessee accounting model **All leases are accounted for by recognising a right-of-use asset and a lease liability except for:** • *leases of low value assets; and* • *leases with a duration of twelve months or less.*	**Lease liabilities:** Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the Group) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. The Group's internal funding rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes: • Amounts expected to be payable under any residual value guarantee; • The exercise price of any purchase option granted in favour of the Group, should it be reasonably certain that this option will be exercised; • Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised. Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.	**Interest expense on lease liabilities:** A lease finance cost, determined with reference to the interest rate implicit in the lease or the Group's incremental borrowing rate, is recognised within interest expense over the lease period.
	Right of use assets: Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: • lease payments made at or before commencement of the lease; • initial direct costs incurred; and • the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset. The Group applies the cost model subsequent to the initial measurement of the right of use assets.	**Depreciation on right of use assets:** Subsequent to initial measurement, the right of use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the Group at the end of the lease term, whereby the right of use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses.
	Termination of leases: When the Group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised	**Termination of leases:** On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.11 Lease accounting policies (continued)

Type and description	Statement of financial position	Income Statement
IFRS 16 - Lessee accounting policies		
All leases that meet the criteria as either a low value or a short term lease are accounted for on a straight line basis over the the lease term.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.
Reassessment and modification of leases	**Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:** When the Group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss. For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.	
	Lease modifications that are accounted for as a separate lease: When the Group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Group accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the Group elected the short-term lease exemption and the lease term is subsequently modified.	
IFRS 16 - Lessor accounting policies		
Finance leases Leases, where the Group transfers substantially all the risk and rewards incidental to ownership, are classified as finance leases	Finance lease receivable, including initial direct costs and fees, are primarily accounted for as financing transaction in backing activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances.	Finance charges earned within interest income are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. The tax benefits arising from investment allowances on assets leased to clients are accounted for within direct taxation.
Operating leases All leases that do not meet the criteria of a financial lease are classified as operating leases.	The asset underlying the lease continues to be recognised and accounted for in terms of the relevant Group accounting policies. Accruals for outstanding lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease income are recognised.	Operating lease income net of any incentives given to lessees, is recognised on the straight-line basis, or a more representative basis where applicable, over the lease term and is recognised in operating income. When an operating lease is terminated before the lease period has expired, any payment received/(paid) by the Group by way of a penalty is recognised as income/(expense) in the period in which termination takes place.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.11 Lease accounting policies (continued)

Type and description	Statement of financial position	Income Statement
IFRS 16 - Lessor lease modifications		
Finance leases	When the Group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Group accounts for these modifications as a separate new lease. All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.	
Operating leases	Modifications are accounted for as a new lease from the effective date of the modification.	

3.12 Provisions and contingent liabilities

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

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.12 Provisions and contingent liabilities (continued)

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

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

3.13 Employee benefits

(a) Post-employment benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The Group operates a defined contribution plan, based on a percentage of pensionable earnings funded by both employer and employees, the assets of which are generally held in separate trustee-administered funds. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(b) Termination benefits

Termination benefits are recognised as an expense when the Group is committed without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(c) Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, bonuses and any non-monetary benefits such as medical aid contributions. Short- term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the Group 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 estimated reliably.

(d) Share based payment transactions

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

On vesting of share options, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of equity-settled share options, proceeds received are credited to share capital and premium.

(e) Other staff benefits

The Group also operates a staff loans scheme for its employees for the provision of facilities such as house, car and other personal loans. From time to time, the Group determines the terms and conditions for granting of the above loans with reference to the prevailing market interest rates and may determine different rates for different classes of transactions and maturities.

In cases where the interest rates on staff loans are below market rates, a fair value calculation is performed using appropriate market rates. The Group recognises, in the profit or loss, the resulting staff loan benefit arising as a result of marked to market adjustment, on a straight line basis over the remaining period to maturity. The marked to market staff loans are included under loans and advances to customers while the unamortised staff benefit are included under other assets in the statement of financial position.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.14 Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax represents the expected tax payable or receivable on taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of the previous year, using tax rates enacted or substantively enacted at the reporting date.

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

- on the initial recognition of assets or liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- related to investments in subsidiaries to the extent that it is probable that these differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses, tax credits and deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.15 Income

Description	Recognition and measurement
Net interest income	Interest income and expense (with the exception of borrowing costs that are capitalised on qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value) are recognised in net interest income using the effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate. Where the estimates of payments or receipts on financial assets or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the adjusted cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income. When a financial asset is classified as stage 3 impaired, interest income is calculated on the impaired value (gross carrying amount less specific impairment) based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in credit impairments when the financial asset is reclassified out of stage 3. Dividends received on preference share investments classified as debt form part of the Group's lending activities and are included in interest income.
Net fee and commission revenue	Fee and commission revenue, including accounting transaction fees, card-based commission, documentation and administration fees, electronic banking fees, foreign currency service fees, insurance based fees and commissions, and knowledge-based fees and commissions are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the Group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract. Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.15 Income (continued)

Description	Recognition and measurement
Trading revenue	Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.
Customer loyalty programmes	The Group's banking activities operate a customer loyalty programme in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions of which they form a part. The consideration allocated to the reward credits is measured at the fair value of the reward credit and is recognised over the period in which the customer utilises the reward credits. Expenses relating to the provision of the reward credits are recognised in fee and commission expenses as and when they are incurred.
Dividend income	Dividends are recognised in interest income (other revenue) for debt (equity instruments) when the right to receipt is established. Scrip dividends are recognised as dividends received where the dividend declaration allows for a cash alternative.
Other revenue	Other revenue comprises of revenue that is not included in any of the categories mentioned above this could include dividends on equity financial assets, underwriting profit from the Group's short-term insurance operations and related insurance activities and re-measurement gains and losses from contingent consideration on disposals and purchases.

3.16 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are Grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (Group of CGU's), and then to reduce the carrying amounts of the other assets in the CGU (Group of CGUs) on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

3.17 New standards and interpretations not yet adopted

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2020 and have not been applied in preparing these annual financial statements.

Title: IFRS 9 Financial Instruments General hedge accounting (GHA)

Effective date: 1 January 2018, but can be adopted for any financial period prior to the effective date of the Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach (PRA) which is still to be advised
The revised general hedge accounting requirements are better aligned with an entity's risk management activities, provide additional opportunities to apply hedge accounting and various simplifications in achieving hedge accounting. The group has decided to adopt the IFRS 9 GHA as at 1 January 2021 in line with some market competitors both locally and globally. The group will transition to IFRS 9's GHA for all current and further micro hedges (hedges that minimises/manages the risk exposure of a single instrument). However, the group will continue to apply IAS 39 for macro hedges (hedges that minimises/manages the risk exposure of a portfolio), as IFRS 9 does not provide any guidance in this regard. The IASB is currently still researching the accounting model to cover situations where a group manages it risk dynamically (i.e. when the risk position being hedged changes frequently and is hedged by an open portfolio of changing assets and liabilities). The group is actively participating in some of the IASB research in the regard. The group has established detailed project plan which includes the key responsibilities of the group's hedge accounting forum relating to the transition to IFRS 9 GHA. The group's estimated transition impact which is not expected to be material/significant to the group's results and is in the process of assessing the system design requirements to accommodate IFRS 9 GHA.

Title: IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 39 Financial Instruments: Recognition and Measurement (amendments)

Effective date: 1 January 2021
The second phase of Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 requirements to enable companies to deal with its effect on financial instruments and to continue providing useful information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative benchmark rate instead of derecognising or adjusting the carrying amount of financial instruments for changes required by the reform. An entity will not have to discontinue hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria. In addition, the amendments require companies to provide additional information to investors about new risks arising from the reform and how it manages the transition to alternative benchmark rates. The group will transition to alternative benchmarks as each interest rate benchmark is replaced. The group has established a working group and detailed project plan, identifying key responsibilities and milestones of the project. The group is in the process of determining the estimated impact as none of the interest rate benchmarks it is exposed to has been replaced. The group is also assessing the system design requirements to accommodate the IBOR changes.

Title: IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)

Effective date: deferred the effective date for these amendments indefinitely
The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the Group's financial statements.

Title: IFRS 16 Leases (amendment)

Effective date: 1 June 2020
IFRS 16 requires an entity to account for a change in consideration or term of a lease contract to be accounted for and disclosed as a lease modification. In light of the recent Covid-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular Covid-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits the application of the practical expedient to rent concessions that meet specific Covid-19 related requirements and requires specified disclosures. An entity shall apply the practical expedient as an accounting policy choice and consistently to contracts with similar characteristics and in similar circumstances. The purpose of the amendment is to provide relief to lessees from the complexity arising in applying the requirements of IFRS 16 to Covid-19 related rent concessions. The amendment will be applied retrospectively and is not expected to have a material impact on the Group.

Title: IFRS 17 Insurance Contracts

Effective date: 1 January 2023
This standard replaces IFRS 4 Insurance Contracts which provided entities with dispensation to account for insurance contracts (particularly measurement) using local actuarial practice, resulting in a multitude of different approaches. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally. The standard requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. A general measurement model (GMM) will be applied to

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

3. Significant accounting policies (continued)

long-term insurance contracts and is based on a fulfilment objective (risk-adjusted present value of best estimate future cash flows) and uses current estimates, informed by actual trends and investment markets. IFRS 17 establishes what is called a contractual service margin (CSM) in the initial measurement of the liability which represents the unearned profit on the contract and results in no gain on initial recognition. The CSM is released over the life of the contract, but interest on the CSM is locked in at inception rates. The CSM will be utilised as a "shock absorber" in the event of changes to best estimate cash flows. On loss making (onerous) contracts, no CSM is set up and the full loss is recognised at the point of contract inception. The GMM is modified for contracts which have participation features. An optional simplified premium allocation approach (PAA) is available for all contracts that are less than 12 months at inception. The PAA is similar to the current unearned premium reserve profile over time. The requirement to eliminate all treasury shares has been amended such that treasury shares held for a Group of direct participating contracts or investment funds are not required to be eliminated and can be accounted for as financial assets. These requirements will provide transparent reporting about an entities' financial position and risk and will provide metrics that can be used to evaluate the performance of insurers and how that performance changes over time. An entity may re-assess its classification and designation of financial instruments under IFRS 9, on adoption of IFRS 17. The amendment will be applied retrospectively and is not expected to have a material impact on the Group.3.17 New standards and interpretations not yet adopted (continued)

Title: IAS 1 Presentation of Financial Statements (amendments)

Effective date: 1 January 2023
The amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

Title: Annual improvements 2018-2020 cycle

Effective date: 1 January 2022
The IASB has issued various amendments and clarifications to existing IFRS, none of which is expected to have a significant impact on the Group's annual financial statements.

4. Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rate, and for various periods, and seeks to earn above-average interest margins by investing these funds in high - quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

Thus the Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Covid-19 impact on risk management
The group's results for the twelve months ended 31 December 2020 reflect the very difficult operating environment. The group's strong capital position, going into the crisis, enabled us to respond quickly and significantly

Risk management is a cornerstone of the group's response to the Covid-19 crisis, enabling fast, targeted and responsible support of our clients, at the same time protecting our people while preserving the group's financial position. Our response to the pandemic was swift and purposeful, and a testament to our operational resilience. As we executed our business continuity measures on an unprecedented scale across the group, we put our people, our customers and our communities front and centre of our response efforts to this public health emergency. We provided extensive client relief programmes while carefully monitoring and managing our capital, liquidity and impairment risk metrics. We helped ease the liquidity crisis facing many clients, and maintained the collections activity by enabling employees to work from home. We continue to manage portfolio concentrations, including concentrations in specific client sectors, such as agriculture and real estate.

In response to the Covid-19 pandemic, the Group supported clients through relief programs such as 6 month capital repayments with extended tenor, overdraft facilities for up to 6 months, short terms facilities depending on average turnover and Employer Guarantee extensions where applicable. There were no modifications resulting in a gain or loss as disclosed in note 10.1.

The Group is monitoring the economic environment in response to the Covid-19 pandemic and is taking actions to limit its exposure to sectors that are severely impacted. In 2020, the Group tapped into the Medium Term Refinancing Facility on offer from the Central Bank and extended relief to qualifying clients to the extent of ZMW 494 000 000.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

4. Financial risk management (continued)

The Group has exposure to the following risks from financial instruments:

- Credit risk;
- Market risk
- Liquidity risk and
- Operational risk

4.1 Credit risk

Definition

Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk (including borrowers and trading counterparties), concentration risk and country risk.

Approach to managing and measuring credit risk

The Group's credit risk is a function of its business model and arises from wholesale and retail loans and advances, guarantee commitments, as well as from the counterparty credit risk arising from derivative and securities financing contracts entered into with our customers and trading counterparties. The management of credit risk is aligned to the Group's three lines of defence framework. The business function owns the credit risk assumed by the Group and as the first line of defence is primarily responsible for its management, control and optimisation in the course of business generation.

The credit function acts as the second line of defence and is responsible for providing independent and objective approval and oversight for the credit risk-taking activities of business, to ensure the process of procuring revenue, while assuming optimal risk, is undertaken with integrity. Further second-line oversight is provided by the Group risk function through independent credit risk assurance.

The third line of defence is provided by the internal audit function under its mandate from the Audit Committee.

Credit risk is managed through:

- Maintaining a culture of responsible lending and a robust risk policy and control framework
- Identifying, assessing and measuring credit risk across the Group, from an individual facility level through to an aggregate portfolio level
- Defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions
- Monitoring the Group's credit risk exposure relative to approved limits
- Ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

A credit portfolio limit framework has been defined to monitor and control the credit risk profile within the Group's approved risk appetite. All primary lending credit limits are set and exposures measured on the basis of risk weighting in order to best estimate exposure at default (EAD). Pre-settlement counterparty credit risk (CCR) inherent in trading book exposures is measured on a potential future exposure (PFE) basis, modelled at a defined level of confidence, using approved methodologies and models, and controlled within explicit approved limits for the counterparties concerned.

Credit risk mitigation

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

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

In the case of collateral where the Group has an unassailable legal title, the Group's policy is such that collateral is required to meet certain criteria for recognition in Loss Given Default (LGD) modelling, including:

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

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

Credit portfolio characteristics and metrics in terms of IFRS 9

Maximum exposure to credit risk

Debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using the group's master rating scale. Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of the group's master rating scale. Exposures that are not within 1 to 25 are considered to be in default.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

4. Financial risk management (continued)

4.1 Credit risk (continued)

Default

The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally

Determined (aligned to the BASEL definition) as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or

when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).The Group will not rebut IFRS 9's 90 days past due rebuttable presumption.

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or Groups of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider.

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

(a). Exposure to credit risk - Group IFRS 9

The credit quality of the portfolio of loans and advances can be assessed by reference to the internal rating system adopted by the Group as shown below:

Group – Maximum exposure to credit risk – 31 December 2020	Total ZMW'000	SB 1 -12 ZMW'000		SB 13 -20 ZMW'000		SB 21-25 ZMW'000		Default
		Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3
Loans and advances at amortised cost								
PBB	4 713 435	188 639	-	3 283 801	140 890	33 375	564 623	502 107
CIB	2 141 185	682 950	-	832 137	18 856	425 682	159 797	21 764
Gross carrying amount	6 854 620	871 589	-	4 115 938	159 746	459 057	724 420	523 871
Less: Interest in suspense	(100 832)							
Less: Expected credit losses for loans and advances	(326 339)							
Net carrying amount of loans and advances measured at amortised cost	6 427 449							
Financial investments at amortised cost								
Gross carrying amounts	3 565 854					165 792	3 400 062	
Less: Total expected credit losses for financial investments	(244 759)							
Net carrying amount of financial investments measured at amortised cost	3 321 095							
Financial investments at fair value through OCI								
Gross carrying amounts	130 569						130 569	
Less: Fair value reserve relating to fair value adjustments (before the ECL balance)	(4 159)							
Total financial investment at fair value through OCI	126 410							
Off balance sheet exposures								
Letters of credit	657 555							
Guarantees	3 243 466							
Total exposure to off-balance sheet credit risk	3 901 021							
Expected credit losses for off-balance sheet exposure	(20 053)							
Net carrying amount of off-balance sheet exposures	3 880 968							
Total exposure to credit risk on financial assets subject to an expected credit loss	13 755 922							
Add the following other banking activities exposures:								
*Cash and balances with the central bank	4 223 755							
Cash and cash equivalents	9 206 435							
Derivative assets	9 583							
Trading assets	1 337 494							
Other assets	231 376							
Total exposure to credit risk	28 764 565							

*These balances are classified as FVTPL

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for the year ended 31 December 2020

4. Financial risk management (continued)

4.1 Credit risk (continued)

Bank – Maximum exposure to credit risk – 31 December 2020

Bank 2020	Total ZMW'000	SB 1-12 ZMW'000		SB 13-20 ZMW'000		SB 21-25 ZMW'000		Default
		Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3
Loans and advances at amortised cost								
PBB	4 713 435	188 639	-	3 283 801	140 890	33 375	564 623	502 107
CIB	2 146 147	682 950	-	832 137	18 856	430 643	159 797	21 764
Gross carrying amount	6 859 582	871 589	-	4 115 938	159 746	464 018	724 420	523 871
Less: Interest in suspense	(100 832)							
Less: Expected credit losses for loans and advances	(326 339)							
Net carrying amount of loans and advances measured at amortised cost	6 432 411							
Financial investments at amortised cost								
Gross carrying amounts	3 565 854					165 792	3 400 062	
Less: Total expected credit losses for financial investments	(244 759)							
Net carrying amount of financial investments measured at amortised cost	3 321 095							
Financial investments at fair value through OCI								
Gross carrying amounts	130 569						130 569	
Less: Fair value reserve relating to fair value adjustments (before the ECL balance)	(4 159)							
Total financial investment at fair value through OCI	126 410							
Off balance sheet exposures								
Letters of credit	657 555							
Guarantees	3 243 466							
Total exposure to off-balance sheet credit risk	3 901 021							
Expected credit losses for off-balance sheet exposure	(20 053)							
Net carrying amount of off-balance sheet exposures	3 880 968							
Total exposure to credit risk on financial assets subject to an expected credit loss	13 760 884							
Add the following other banking activities exposures:								
*Cash and balances with the central bank	4 223 755							
Cash and cash equivalents	9 206 435							
Derivative assets	9 583							
Trading assets	1 337 494							
Other assets	229 242							
Total exposure to credit risk	28 767 393							

*These balances are classified as FVTPL

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

4. Financial risk management (continued)

4.1 Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements Credit risk exposures relating to on and off-statement of financial position assets are as follows:

Group – Maximum exposure to credit risk – 31 December 2019	Total ZMW'000	Stage 1 ZMW'000	Stage 2 ZMW'000	Stage 3 ZMW'000
Loans and advances at amortised cost				
PBB	3 873 708	3 040 132	521 803	311 773
CIB	1 906 229	1 784 590	103 890	17 749
Gross carrying amount	5 779 937	4 824 722	625 693	329 522
Less: Interest in suspense	(52 442)			
Less: Expected credit losses for loans and advances	(288 160)			
Net carrying amount of loans and advances measured at amortised cost	5 439 335			
Financial Investments at amortised cost				
Gross carrying amounts	1 758 687	165 792	1 592 895	-
Less: Total expected credit losses for financial investments	(28 606)			
Net carrying amount of financial investments measured at amortised cost	1 730 081			
Financial investments at fair value through OCI				
Gross carrying amounts	163 335		163 335	
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	8 642			
Total financial investment at fair value through OCI	171 977			
Off balance sheet exposures				
Letters of credit	906 868			
Guarantees	3 536 263			
Total exposure to off-balance sheet credit risk	4 443 131			
Expected credit losses for off-balance sheet exposure	(7 000)			
Net carrying amount of off-balance sheet exposures	4 436 131			
Total exposure to credit risk on financial assets subject to an expected credit loss	11 777 524			
Add the following other banking activities exposures:				
*Cash and balances with the central bank	2 035 922			
Cash and cash equivalents	3 582 220			
Derivative assets	75 728			
Trading assets	1 177 399			
Other assets	151 846			
Total exposure to credit risk	18 800 639			

*These balances are classified as FVTPL

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

4. Financial risk management (continued)

4.1 Credit risk (continued)

Bank – Maximum exposure to credit risk – 31 December 2019	Total ZMW'000	Stage 1 ZMW'000	Stage 2 ZMW'000	Stage 3 ZMW'000
Loans and advances at amortised cost				
PBB	3 873 708	3 040 132	521 803	311 773
CIB	1 917 146	1 795 507	103 890	17 749
Gross carrying amount	5 790 854	4 835 639	625 693	329 522
Less: Interest in suspense	(52 442)			
Less: Expected credit losses for loans and advances	(288 160)			
Net carrying amount of loans and advances measured at amortised cost	5 450 252			
Financial Investments at amortised cost				
Gross carrying amounts	1 758 687	165 792	1 592 895	-
Less: Total expected credit losses for financial investments	(28 606)			
Net carrying amount of financial investments measured at amortised cost	1 730 081			
Financial investments at fair value through OCI				
Gross carrying amounts	163 335		163 335	
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	8 642			
Total financial investment at fair value through OCI	171 977			
Off balance sheet exposures				
Letters of credit	906 868			
Guarantees	3 536 263			
Total exposure to off-balance sheet credit risk	4 443 131			
Expected credit losses for off-balance sheet exposure	(7 000)			
Net carrying amount of off-balance sheet exposures	4 436 131			
Total exposure to credit risk on financial assets subject to an expected credit loss	11 778 441			
Add the following other banking activities exposures:				
*Cash and balances with the central bank	2 035 922			
Cash and cash equivalents	3 582 220			
Derivative assets	75 728			
Trading assets	1 177 399			
Other assets	151 846			
Total exposure to credit risk	18 811 556			

*These balances are classified as FVTPL

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2020 and 2019 without taking account of any collateral held or other credit enhancements attached.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loans and advances portfolio and investment securities available-for-sale based on the following:

- 92% of the loans and advances portfolio is categorised as performing (2019: 94%);
- mortgage loans and instalment sale and leases are supported by collateral;
- large corporates have dedicated relationship managers monitoring company performance and other factors that could indicate potential
- default; and
- all investment securities which the Group has invested in are issued by the Bank of Zambia which is considered a risk free investment.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

4. Financial risk management (continued)

4.1 Credit risk (continued)

b) Collateral

The fair value of collateral held for sub-standard loans is ZMW 479 654 000 (2019: ZMW 35 829 000). The discounted value of the security is 101 751 000 (2019: ZMW 28 766 000).

4.2. Market Risk

4.2.1 Market risk measurement techniques
The Group takes on exposure to market risks which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise primarily from open positions in interest rate and currency all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates credit spreads foreign exchange rates and equity prices.

The major measurement techniques used to measure and control market risk are outlined below:

Value at risk

The Group applies 'value at risk' methodology (VAR) to both its trading and banking portfolio to estimate the maximum potential losses in stress market conditions. These can be both systemic and Group specific. The Assets and Liabilities Committee ('ALCO') sets both desk and Group wide acceptable for the Group. Risk limit monitoring is done on a daily basis by the Chief Risk Officer

VAR is a quantitative statistical estimate of the risk of the potential loss on a given running portfolio from market adversity in exchange rates. It quantifies the estimated 'maximum' loss the Group could incur; at a 95% Group prescribed level of confidence. There is therefore a probability (5%) likelihood that the actual loss could exceed the VAR estimated. The Group however runs historical hypothetical and country specific stress tests to augment the value at risk methodology. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VAR constitutes an integral part of the Group's market risk management and control regime. These limits are set by Board annually for all trading and Grouping portfolios. A daily review of actual VAR exposure per desk against prescribed limits is done through the market risk section of the Risk department. The quality of the VAR model is continuously monitored by back-testing the VAR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Group Treasury include: risk factor stress testing where stress movements are applied to each risk category; ad hoc stress testing which includes applying possible stress events to specific positions.

Trading Portfolio VAR by risk type Group and Bank

Amounts ZMW'000	2020			2019		
	Average	High	Low	Average	High	Low
Interest rate trading	202	336	57	186	357	58
Foreign exchange risk	1 213	3 612	73	981	4 005	91
Total VAR	1 415	3 948	130	1 167	4 362	149

The above two VAR results are extracted from the Group state of the art risk engine called Calypso Enterprise Risk Services – ERS. ERS calibrates VAR based on actual historical yield and foreign exchange rates moves applied onto current positions.

4.2.2 Foreign exchange risk
Group's foreign exchange trading desk is exposed to currency risk in all currencies it is mandated to trade. This is on all foreign exchange transactions undertaken on mandated Global Markets products. The Assets and Liabilities Committee (ALCO) sets the foreign exchange overnight Net Open Positions – NOP limits. These items of limits are monitored on daily basis. The table below summaries the Group's exposure to foreign currency exchange rate risk at 31 December 2020. Included in the table are the Group's financial instruments at carrying amounts categorised by currency.

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for the year ended 31 December 2020

4. Financial risk management (continued)

4.2.2 Foreign exchange risk *(continued)*

Group						
2020	ZAR (ZMW'000)	USD (ZMW'000)	GBP (ZMW'000)	EURO (ZMW'000)	ZMW (ZMW'000)	TOTAL (ZMW'000)
Assets						
Cash and balances with the Central Bank	**785**	**2 669 496**	**13 918**	**9 207**	**1 530 349**	**4 223 755**
Cash and cash equivalents	**183 444**	**8 600 440**	**33 129**	**292 506**	**96 916**	**9 206 435**
Derivative assets	-	-	-	-	**9 583**	**9 583**
Trading assets	-	-	-	-	**1 337 494**	**1 337 494**
Financial Investments	-	-	-	-	**3 451 664**	**3 451 664**
Loans and advances to customers	-	**2 502 826**	-	-	**3 924 623**	**6 427 449**
Other assets	**4 116**	**191 830**	**85**	**158**	**48 081**	**244 270**
Total financial assets	**188 345**	**13 964 592**	**47 132**	**301 871**	**10 398 710**	**24 900 650**
Liabilities						
Derivative liabilities	-	-	-	--	**5 113**	**5 113**
Trading liabilities	-	-	-	--	**1 248 255**	**1 248 255**
Deposits and current accounts	**134 932**	**13 151 957**	**42 139**	**304 496**	**7 353 122**	**20 986 646**
Other liabilities	**89 068**	**207 310**	**3 943**	**1 534**	**252 141**	**553 996**
Subordinated debt	-	**318 430**	-	-	-	**318 430**
Total financial liabilities	**224 000**	**13 677 697**	**46 082**	**306 030**	**8 858 631**	**23 112 440**
Net position on-statement of financial position	**(35 655)**	**286 895**	**1 050**	**(4 159)**	**1 540 079**	**1 788 210**
Net position off statement of financial position	**52 901**	**(371 499)**	**733**	**2 286**	-	**(315 579)**
Overall open position	**17 246**	**(84 604)**	**1 783**	**(1 873)**	**1 540 079**	**1 472 631**
2019	ZAR (ZMW'000)	USD (ZMW'000)	GBP (ZMW'000)	EURO (ZMW'000)	ZMW (ZMW'000)	TOTAL (ZMW'000)
Assets						
Cash and balances with the Central Bank	2 190	864 646	5 591	5 001	1 158 494	2 035 922
Cash and cash equivalents	84 483	3 323 940	10 322	126,668	36 807	3 582 220
Derivative assets	-	-	-	-	75 728	75 728
Trading assets	-	-	-	-	1 177 399	1 177 399
Financial Investments	-	-	-	-	1 893 416	1 893 416
Loans and advances to customers	-	2 818 332	-	4	2 620 999	5 439 335
Other assets	26 430	23 029	2 248	5 959	122 558	180 224
Total financial assets	113 103	7 029 947	18 161	137 632	7 085 401	14 384 244
Liabilities						
Derivative liabilities	-	-	-	-	(15 771)	(15 771)
Trading liabilities	(2 999)				(1 493 226)	(1 496 225)
Deposits and current accounts	(89 486)	(6 455 627)	(15 631)	(137 083)	(4 253 583)	(10 951 410)
Other liabilities	(16 606)	(18 318)	(2 532)	(551)	(270 184)	(308 191)
Subordinated debt	-	(251 081)	-	-	-	(251 081)
Total financial liabilities	(109 091)	(6 725 026)	(18 163)	(137 634)	(6 032 764)	(13 022 678)
Net position on-statement of financial position	4 012	304 921	(2)	(2)	1 052 637	1 361 566
Net position off statement of financial position	(27 922)	(3 002 594)	(2 843)	(85 709)	(1 324 063)	(4 443 131)
Overall open position	(23 910)	(2 697 673)	(2 845)	(85 711)	(271 426)	(3 081 565)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

4. Financial risk management (continued)

4.2.2 Foreign exchange risk *(continued)*

BANK						
2020	**ZAR (ZMW'000)**	**USD (ZMW'000)**	**GBP (ZMW'000)**	**EURO (ZMW'000)**	**ZMW (ZMW'000)**	**TOTAL (ZMW'000)**
Assets						
Cash and balances with the Central Bank	**785**	**2 669 496**	**13 918**	**9 207**	**1 530 349**	**4 223 755**
Cash and cash equivalents	**183 444**	**8 600 440**	**33 129**	**292 506**	**96 916**	**9 206 435**
Derivative assets	-	-	-	-	**9 583**	**9 583**
Trading assets	-	-	-	-	**1 337 494**	**1 337 494**
Financial Investments	-	-	-	-	**3 451 664**	**3 451 664**
Loans and advances to customers	-	**2 502 826**	-	-	**3 929 585**	**6 432 411**
Other assets	**4 116**	**191 830**	**85**	**158**	**45 947**	**242 136**
Total financial assets	**188 345**	**13 964 592**	**47 132**	**301 871**	**10 401 538**	**24 903 478**
Liabilities						
Derivative liabilities	-	-	-	--	**5 113**	**5 113**
Trading liabilities	-	-	-	--	**1 248 255**	**1 248 255**
Deposits and current accounts	**134 932**	**13 151 957**	**42 139**	**304 496**	**7 383 148**	**21 016 672**
Other liabilities	**89 068**	**207 310**	**3 943**	**1 534**	**318 429**	**620 284**
Subordinated debt	-	**318 430**	-	-	-	**318 430**
Total financial liabilities	**224 000**	**13 677 697**	**46 082**	**306 030**	**8 954 945**	**23 208 754**
Net position on-statement of financial position	**(35 655)**	**286 895**	**1 050**	**(4 159)**	**1 446 593**	**1 694 724**
Net position off statement of financial position	**52 901**	**(371 499)**	**733**	**2 286**	-	**(315 579)**
Overall open position	**17 246**	**(84 604)**	**1 783**	**(1 873)**	**1 446 593**	**1 379 145**
2019	**ZAR (ZMW'000)**	**USD (ZMW'000)**	**GBP (ZMW'000)**	**EURO (ZMW'000)**	**ZMW (ZMW'000)**	**TOTAL (ZMW'000)**
Assets						
Cash and balances with the Central Bank	2 190	864 646	5 591	5 001	1 158 494	2 035 922
Cash and cash equivalents	84 483	3 323 940	10 322	126,668	36 807	3 582 220
Derivative assets	-	-	-	-	75 728	75 728
Trading assets	-	-	-	-	1 177 399	1 177 399
Financial Investments	-	-	-	-	1 893 416	1 893 416
Loans and advances to customers	-	2 818 332	-	4	2 631 916	5 450 252
Other assets	26 430	23 029	2 248	5 959	122 558	180 224
Total financial assets	113 103	7 029 947	18 161	137 632	7 096 318	14 395 161
Liabilities						
Derivative liabilities	-	-	-	-	(15 771)	(15 771)
Trading liabilities	(2 999)				(1 493 226)	(1 496 225)
Deposits and current accounts	(89 486)	(6 455 627)	(15 631)	(137 083)	(4 282 506)	(10 980 333)
Other liabilities	(16 606)	(18 318)	(2 532)	(551)	(343 704)	(381 711)
Subordinated debt	-	(251 081)	-	-	-	(251 081)
Total financial liabilities	(109 091)	(6 725 026)	(18 163)	(137 634)	(6 135 207)	(13 125 121)
Net position on-statement of financial position	4 012	304 921	(2)	(2)	961 111	1 270 040
Net position off statement of financial position	(27 922)	(3 002 594)	(2 843)	(85 709)	(1 324 063)	(4 443 131)
Overall open position	(23 910)	(2 697 673)	(2 845)	(85 711)	(362 952)	(3 173 091)

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4. Financial risk management (continued)

4.2.2 Foreign exchange risk *(continued)*

4.2.3 Interest rate risk

Exposure to interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken which is monitored daily by Group Treasury. A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

Group							
2020 (amounts ZMW '000)	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year within 5 years**	**After 5 years**	**Total**
Cash and balances with the Central Bank	**4 223 755**	-	-	-	-	-	**4 223 755**
Cash and cash equivalents	**9 206 435**	-	-	-	-	-	**9 206 435**
Financial investments	**133 457**	-	**1 200 975**	**1 902 678**	**214 554**	-	**3 451 664**
Trading assets	-	**879 065**	-	**458 429**	-	-	**1 337 494**
Loans and advances to customers	**863 067**	-	**1 185 134**	**1 217 181**	**2 643 461**	**518 606**	**6 427 449**
Derivative assets	**9 583**	-	-	-	-	-	**9 583**
Total	**14 436 297**	**879 065**	**2 386 109**	**3 578 288**	**2 858 015**	**518 606**	**24 656 380**
Deposits from banks	**951 828**	-	-	-	-	-	**951 828**
Deposits from customers	**18 871 284**	**520 886**	**500 028**	**142 620**	-	-	**20 034 818**
Derivative liabilities	**5 113**	-	-	-	-	-	**5 113**
Trading liabilities	**103 708**	-	**646 518**	**498 029**	-	-	**1 248 255**
Subordinated debt	-	-	-	**318 430**	-	-	**318 430**
Total	**19 931 933**	**520 886**	**1 146 546**	**959 079**	-	-	**22 558 444**
Interest rate gap position	**(5 495 636)**	**358 179**	**1 239 563**	**2 619 209**	**2 858 015**	**518 606**	**2 097 936**
2019 (amounts ZMW '000)	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year within 5 years**	**After 5 years**	**Total**
Cash and balances with the Central Bank	2 035 922	-	-	-	-	-	2 035 922
Cash and cash equivalents	3 582 220	-	-	-	-	-	3 582 220
Financial investments	71 306	525 442	-	813 578	482 755	335	1 893 416
Trading assets	1 177 399	-	-	-	-	-	1 177 399
Loans and advances to customers	784 453	343 479	298 145	897 460	2 863 866	251 932	5 439 335
Derivative assets	75 728	-	-	-	-	-	75 728
Total	7 727 028	868 921	298 145	1 711 038	3 346 621	252 267	14 204 020
Deposits from banks	456 370	-	-	-	-	-	456 370
Deposits from customers	8 950 969	941 437	176 202	226 432	-	200 000	10 495 040
Derivative liabilities	15 771	-	-	-	-	-	15 771
Trading liabilities	1 496 225	-	-	-	-	-	1 496 225
Subordinated debt	-	-	-	-	251 081	-	251 081
Total	**10 919 335**	**941 437**	**176 202**	**226 432**	**251 081**	**200 000**	**12 714 487**
Interest rate gap position	(3 192 307)	(72 516)	121 943	1 484 606	3 095 540	52 267	1 489 533

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

4. Financial risk management (continued)

4.2.3 Interest rate risk (continued)

Exposure to interest rate risk (continued)

BANK							
2020 (amounts ZMW '000)	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year within 5 years**	**After 5 years**	**Total**
Cash and balances with the Central Bank	**4 223 755**	**-**	**-**	**-**	**-**	**-**	**4 223 755**
Cash and cash equivalents	**9 206 435**	**-**	**-**	**-**	**-**	**-**	**9 206 435**
Financial investments	**133 457**	**-**	**1 200 975**	**1 902 678**	**214 554**		**3 451 664**
Trading assets	**-**	**879 065**	**-**	**458 429**	**-**	**-**	**1 337 494**
Loans and advances to customers	**863 067**	**-**	**1 185 134**	**1 217 181**	**2 648 423**	**518 606**	**6 432 411**
Derivative assets	**9 583**	**-**	**-**	**-**	**-**	**-**	**9 583**
Total	**14 436 297**	**879 065**	**2 386 109**	**3 578 288**	**2 862 977**	**518 606**	**24 661 342**
Deposits from banks	**951 828**	**-**	**-**	**-**	**-**	**-**	**951 828**
Deposits from customers	**18 901 310**	**520 886**	**500 028**	**142 620**	**33 901**	**-**	**20 064 844**
Derivative liabilities	**5 113**	**-**	**-**	**-**	**-**	**-**	**5 113**
Trading liabilities	**103 708**	**-**	**646 518**	**498 029**	**-**	**-**	**1 248 255**
Subordinated debt	**-**	**-**	**-**	**318 430**	**-**	**-**	**318 430**
Total	**19 961 959**	**520 886**	**1 146 546**	**959 079**	**-**	**-**	**22 588 470**
Interest rate gap position	**(5 525 662)**	**358 179**	**1 239 563**	**2 619 209**	**2 862 977**	**518 606**	**2 072 872**
2019 (amounts ZMW '000)	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year within 5 years**	**After 5 years**	**Total**
Cash and balances with the Central Bank	2 035 922	-	-	-	-	-	2 035 922
Cash and cash equivalents	3 582 220	-	-	-	-	-	3 582 220
Financial investments	71 306	525 442	-	813 578	482 755	335	1 893 416
Trading assets	1 177 399	-	-	-	-	-	1 177 399
Loans and advances to customers	784 453	343 479	298 145	897 460	2 863 866	262 849	5 450 252
Derivative assets	75 728	-	-	-	-	-	75 728
Total	7 727 028	868 921	298 145	1 711 038	3 346 621	263 184	14 214 937
Deposits from banks	456 370	-	-	-	-	-	456 370
Deposits from customers	8 974 892	946 437	176 202	226 432	-	200 000	10 523 963
Derivative liabilities	15 771	-	-	-	-	-	15 771
Trading liabilities	1 496 225	-	-	-	-	-	1 496 225
Subordinated debt	-	-	-	-	251 081	-	251 081
Total	**10 943 258**	**946 437**	**176 202**	**226 432**	**251 081**	**200 000**	**12 743 410**
Interest rate gap position	(3 216 230)	(77 516)	121 943	1 484 606	3 095 540	63 184	1 471 527

Banking-related market risk exposure principally involves the management of the potential adverse effect of interest rate movements on the interest income. This risk is transferred to and managed within the Group's treasury operations under the supervision of the Asset and Liability Committee.

The main analytical techniques used to quantify banking book interest rate risk are earnings and valuation-based measures. In doing so cognizance is taken of embedded optionality such as loan prepayments and accounts where the behavior differs from contractual position. The results obtained from forward-looking dynamic scenario analysis assist in evaluating the optimal hedging strategies on a risk-return basis. Desired changes to a particular interest rate risk profile are achieved through the restructuring of the statement of financial position and where possible the use of derivative instruments such as interest rate swaps. Interest rate risk limits are set in terms of changes in forecast net interest income.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

4. Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

The table below indicates the sensitivity in Zambia Kwacha equivalents of the Group's net interest income in response to a parallel yield curve rate shock after taking into account all risk mitigating instruments with all other variables held constant.

Interest rate sensitivity analysis	2020		2019	
	ZMW	US$	ZMW	US$
Increase in basis points	100	50	100	50
Sensitivity of annual net interest income	3.9%	13.4%	4.8%	0.6%
Decrease in basis points	100	50	100	50
Sensitivity of annual net interest income	4.0%	4.4%	4.8%	0.6%

Assuming no management intervention, a parallel 100 basis points increase in the Kwacha yield curve would increase the forecast net interest income for the next financial year by 3.9% while parallel decreases in the Kwacha yield curve would decrease the forecast net interest income by 4.0%.

4.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The table below summarises the Group's exposure to liquidity risk. It includes the Group's financial instruments at carrying amounts categorised by contractual repricing dates.

Group							
2020 (amounts ZMW '000)	**Up to 1 month**	**2-3 months**	**4-6 months**	**7-12 months**	**12-24 Months**	**Over 24 months**	**Total**
Cash and balances with the Central Bank	4 223 755	-	-	-	-	-	4 223 755
Cash and cash equivalents	9 206 435	-	-	-	-	-	9 206 435
Financial investments	133 457	-	1 200 975	1 902 678	214 554	-	3 451 664
Trading assets	-	879 065	-	458 429	-	-	1 337 494
Loans and advances to customers	863 067	-	1 236 095	1 376 023	3 328 117	699 081	7 502 383
Derivative assets	9 583	-	-	-	-	-	9 583
Other assets	231 376	-	-	-	-	-	231 376
Total	**14 667 673**	**879 065**	**2 437 070**	**3 737 130**	**3 542 671**	**699 081**	**25 962 690**
Deposits from banks	951 828	-	-	-	-	-	951 828
Deposits from customers	18 871 284	520 886	515 029	155 456	-	-	20 062 655
Other liabilities	553 696	-	-	-	-	-	553 696
Derivative liabilities	5 113	-	-	-	-	-	5 113
Trading liabilities	103 708	-	646 518	498 029	-	-	1 248 255
Subordinated debt	-	-	-	318 430	-	-	318 430
Total	20 485 629	520 886	1 161 547	971 915	-	-	23 139 977
Off statement of financial position items							
- Financial guarantees and letters of credit	(1 139 592)	(742 742)	(216 834)	(907 865)	(228 898)	(665 090)	(3 901 021)
Total liquidity gap	**(6 957 548)**	**(384 563)**	**1 058 689**	**1 857 350**	**3 313 773**	**33 991**	**(1 078 308)**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

Group							
2019 (amounts ZMW '000)	**Up to 1 month**	**2-3 months**	**4-6 months**	**7-12 months**	**12-24 Months**	**Over 24 months**	**Total**
Cash and balances with the Central Bank	2 035 922	-	-	-	-	-	2 035 922
Cash and cash equivalents	3 582 220	-	-	-	-	-	3 582 220
Financial investments	71 306	525 442		813 578	482 755	335	1 893 416
Trading assets	24 628	493 856	-	586 145	72 770	-	1 177 399
Loans and advances to customers	784 453	343 479	298 145	897 460	2 863 866	251 932	5 439 335
Other assets	151 846	-	-	-	-	-	151 846
Derivative assets	75 728	-	-	-	-	-	75 728
Total	**6 726 103**	**1 362 777**	**298 145**	**2 297 183**	**3 419 391**	**252 267**	**14 355 866**
Deposits from banks	456 370	-	-	-	-	-	456 370
Deposits from customers	8 950 969	941 437	176 202	226 432	-	200 000	10 495 040
Derivative liabilities	15 771	-	-	-	-	-	15 771
Trading liabilities	1 496 225	-	-	-	-	-	1 496 225
Other liabilities	308 191	-	-	-	-	-	308 191
Subordinated debt	-	-	-	-	-	251 081	251 081
Total	**11 227 526**	**941 437**	**176 202**	**226 432**	**-**	**451 081**	**13 022 678**
Off statement of financial position items							
- Financial guarantees and letters of credit	(974 556)	(365 392)	(936 995)	(1 671 935)	(198 453)	(295 800)	(4 443 131)
Total liquidity gap	(5 475 979)	55 948	(815 052)	398 816	3 220 938	(494 614)	(3 109 943)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

BANK							
2020 (amounts ZMW '000)	**Up to 1 month**	**2-3 months**	**4-6 months**	**7-12 months**	**12-24 Months**	**Over 24 months**	**Total**
Cash and balances with the Central Bank	4 223 755	-	-	-	-	-	4 223 755
Cash and cash equivalents	9 206 435	-	-	-	-	-	9 206 435
Financial investments	133 457	-	1 200 975	1 902 678	214 554	-	3 451 664
Trading assets	-	879 065	-	458 429	-	-	1 337 494
Loans and advances to customers	863 067	-	1 236 095	1 376 023	3 334 365	699 081	7 508 631
Derivative assets	9 583	-	-	-	-	-	9 583
Other assets	229 242	-	-	-	-	-	229 242
Total	**14 665 539**	**879 065**	**2 437 070**	**3 737 130**	**3 548 919**	**699 081**	**25 966 804**
Deposits from banks	951 828	-	-	-	-	-	951 828
Deposits from customers	18 901 310	520 886	515 029	155 456	-	-	20 092 681
Other liabilities	620 284	-	-	-	-	-	620 284
Derivative liabilities	5 113	-	-	-	-	-	5 113
Trading liabilities	103 708	-	646 518	498 029	-	-	1 248 255
Subordinated debt	-	-	-	318 430	-	-	318 430
Total	20 582 243	520 886	1 161 547	971 915	-	-	23 236 591
Off statement of financial position items							
- Financial guarantees and letters of credit	(1 139 592)	(742 742)	(216 834)	(907 865)	(228 898)	(665 090)	(3 901 021)
Total liquidity gap	**(7 056 296)**	**(384 563)**	**1 058 689**	**1 857 350**	**3 320 021**	**33 991**	**(1 170 808)**
2019 (amounts ZMW '000)	**Up to 1 month**	**2-3 months**	**4-6 months**	**7-12 months**	**12-24 Months**	**Over 24 months**	**Total**
Cash and balances with the Central Bank	2 035 922	-	-	-	-	-	2 035 922
Cash and cash equivalents	3 582 220	-	-	-	-	-	3 582 220
Financial investments	71 306	525 442		813 578	482 755	335	1 893 416
Trading assets	24 628	493 856	-	586 145	72 770	-	1 177 399
Loans and advances to customers	784 453	343 479	298 145	897 460	2 863 866	262 849	5 450 252
Other assets	151 846	-	-	-	-	-	151 846
Derivative assets	75 728	-	-	-	-	-	75 728
Total	**6 726 103**	**1 362 777**	**298 145**	**2 297 183**	**3 419 391**	**263 184**	**14 366 783**
Deposits from banks	456 370	-	-	-	-	-	456 370
Deposits from customers	8 974 892	946 437	176 202	226 432	-	200 000	10 523 963
Derivative liabilities	15 771	-	-	-	-	-	15 771
Trading liabilities	1 496 225	-	-	-	-	-	1 496 225
Subordinated debt	308 191	-	-	-	-	-	308 191
Total	-	-	-	-	-	251 081	251 081
Total liquidity gap	**11 324 969**	**946 437**	**176 202**	**226 432**	**-**	**451 081**	**13 125 121**
Off statement of financial position items							
- Financial guarantees and letters of credit	(974 556)	(365 392)	(936 995)	(1 671 935)	(198 453)	(295 800)	(4 443 131)
Total liquidity gap	(5 573 422)	50 948	(815 052)	398 816	3 220 938	(483 697)	(3 201 469)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

4.3.1 Liquidity risk management process

The Group's liquidity management process as carried out within the Group and monitored by a separate team in Group Treasury includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- The Group maintains an active presence in global money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurements and projections for the next day week and month respectively as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Group Treasury also monitors unmatched medium-term assets the level and type of undrawn lending commitments the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Proactive liquidity management in line with group liquidity standards ensured that, despite volatile and constrained liquidity environments at the onset of the Covid-19 pandemic, adequate liquidity was maintained to fully support balance sheet strategies. This has been achieved through continuous engagements between treasury and capital management, risk and business units in which the liquidity risk with respect to on- and off-balance sheet positions was carefully monitored. At the same time consideration has been provided to the adequacy of contingent funding, ensuring sufficiency to accommodate unexpected liquidity demands. The group continues to leverage the extensive deposit franchises across the portfolio to ensure that it has the appropriate amount, tenor and diversification of funding to support its current and forecast asset base while minimising cost of funding

4.3.2. Funding approach

Sources of liquidity are regularly reviewed by a separate team in Group Treasury to maintain a wide diversification by currency product and term.

4.3.3 Derivative cash flows

The Group's derivatives that will be settled on gross basis include foreign exchange currency forwards. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity Groupings based on the remaining period as at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

Derivatives settled on a gross basis:

	Group and Bank		
2020 **Foreign exchange derivatives**	**Up to 1 month**	**1-3 months**	**3-12 months**
-Total Outflow	-	-	**(110 763)**
-Total inflow	-	-	**546 967**
2019 **Foreign exchange derivatives**	**Up to 1 month**	**1-3 months**	**3-12 months**
-Total Outflow	(56 023)	(125 087)	(206 324)
-Total inflow	78 809	130 459	84 759

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4. Financial risk management (continued)

4.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes people and systems or from external events. Operational risk includes a variety of sub-types among others financial crime sustainability and legal risk.

Operational risk exists in the natural course of business activity. It is not an objective to eliminate all exposure to operational risk as this is neither commercially viable nor possible. The Group's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist management in understanding their inherent risk and reducing their risk profile.

4.5 Capital management

The Group's objectives when managing capital which is a broader concept than the 'equity' on the face of the statement of financial position are:

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

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management. The Group's regulatory capital as managed by its Group Treasury is divided into two tiers:

- Tier 1 capital which includes ordinary share capital statutory reserves retained earnings and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital which includes qualifying subordinated liabilities and revaluation reserve limited to a maximum of 40%.
- The maximum amount of Tier 2 capital is limited to 100% of Tier 1 capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of - and reflecting an estimate of credit market and other risks associated with - each asset and counterparty taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure with some adjustments to reflect the more contingent nature of the potential losses.

	BANK	
	2020 ZMW'000	2019 ZMW '000
Paid up common shares	**416 000**	416 000
Retained earnings	**1 806 816**	1 347 476
Statutory reserves	**7 700**	7 700
General reserve	**1 731**	7 625
Total Tier 1 capital	**2 232 247**	**1 778 801**
Less: IFRS 9 transitional adjustment	**28 321**	42 482
Other adjustments	**(9 149)**	(20 180)
Total qualifying Tier 1 capital	**2 251 419**	1 801 103
Subordinated debt	**317 550**	248 950
Revaluation reserve	**9 144**	9 144
Total qualifying Tier 2 capital	**326 694**	258 094
Total regulatory capital	**2 578 113**	**2 059 197**
Minimum capital requirements	**1 170 764**	915 285
Capital surplus	**1 407 349**	1 143 912
Risk based assets	**11 707 644**	9 152 847
Tier 1 capital basel ratio (%)	**19%**	20%
Tier 2 capital basel ratio (%)	**2.7%**	3%
Minimum Tier 1 capital basel ratio (%)	**5%**	5%
Minimum Tier 2 capital basel ratio (%)	**-**	-

The disclosures above relate to the Bank only as other entities in the Group are not regulated by the central bank.

The capital position is computed in accordance with the provisions of the Banking and Financial Services Act 2017 as amended.

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5. Estimates and judgments

5.1 Key sources of estimates uncertainty

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

Going concern
There are no material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern.

Expected credit loss on financial assets - IFRS 9 drivers
During the current reporting period models have been enhanced however no material changes to assumptions have occurred. For the purpose of determining the ECL:

- The PBB portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The IFRS 9 impairment provision calculation excludes post write off recoveries (PWOR) from the loss given default (LGD) in calculating the expected credit loss. This LGD parameter has been aligned to emerging market practice.
- CIB exposures are calculated separately based on rating models for each of the asset classes.
- ECL measurement period
- The ECL measurement period for stage 1 exposures is 12-months (or the remaining tenor of the financial asset for CIB exposures if the remaining lifetime is less than 12-months).
- A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition (stage 2).
- Lifetimes include consideration for multiple default events, i.e. where defaulted exposures cure and then subsequently re-default. This consideration increases the lifetime and the potential ECL.
- A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
- The measurement periods for unutilised loan commitments utilise the same approach as on-balance-sheet exposures.

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

The Group determines the SICR threshold by utilising an appropriate transfer rate of exposures from stage 1 to stage 2. This is done by taking into account the expected levels of arrears status for each portfolio vintage of exposures. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage consequently facilitate appropriate impairment coverage.

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

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

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

Group master rating scale band	
SB 1-12	Low credit risk
SB 13 – 20	3 rating or more
SB 21 – 25	1 rating or more

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5. Estimates and judgments (continued)

5.1 Key sources of estimates uncertainty (continued)

Incorporation of forward looking information in ECL measurement

The Group determines the macroeconomic outlook, over a planning horizon of at least three years, for each country based on the Group's global outlook and its global view of commodities.

For PBB, these forward looking economic expectations are included in the ECL where adjustments are made based on the Group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the Group's macro-economic outlook expectations. In addition to forward-looking macroeconomic information, other types of forward-looking information (FLI), such as specific event risk, have been taken into account in ECL estimates when required, through the application of out-of-model adjustments. These out-of-model adjustments are subject to Group credit governance committee oversight.

The Group's macroeconomic outlooks are incorporated in CIB's client rating and include specific forward-looking economic considerations for the individual client. The client rating thus reflects the expected client risk for the Group's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the Group's internal credit risk management approach and definitions. Whilst the specific determination of default varies according to the nature of the product, it is compliant to the Basel definition of default, and generally determined as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or

- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Group has not rebutted IFRS 9's 90 days past due rebuttable presumption.

Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding (i.e. no reasonable expectation of recovery). This assessment considers both qualitative and quantitative information, such as past performance, behaviour and recoveries. The Group assesses whether there is a reasonable expectation of recovery at an exposure level. As such once the below criteria are met at an exposure level, the exposure is written off.

The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the Group is able to receive any further economic benefit from the impaired loan. The period defined for unsecured PBB products are determined with reference to post-default payment behaviour such as cumulative delinquency, as well as an analysis of post write-off recoveries which includes an assessment of the factors resulting in post write-off recoveries. Factors that are within the Group's control are assessed and considered in the determination of the period defined for each product. The post-default payment period is generally once the rehabilitation probability (repayment of arrear instalments) is considered low to zero, and a period of 180 days post default with no payments; and

- at the point of write-off, the financial asset is fully impaired (i.e. 100% ECL allowance) with no reasonable expectation of recovery of the asset, or a portion thereof.

As an exception to the above requirements:

where the exposure is secured (or for collateralised structures), the impaired exposure can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above.

CIB products, write-off are assessed on a case-by-case basis, and approved by CIB credit governance committee based on the individual facts and circumstances.

For unsecured exposures, post write-off collection and enforcement activities include outsourcing to external debt collection agents as well as, collection/settlement arrangements to assist clients to settle their outstanding debt. The Group continuously monitors and reviews when exposures are written off, the levels post write of recoveries as well as the key factors causing post write-off recoveries. which ensure that the Group's point of write-off remains appropriate and that post write-off recoveries are within expectable levels after time.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). In the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an

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5. Estimates and judgments (continued)

5.1 Key sources of estimates uncertainty (continued)

evaluation by the Group's CIB or PBB Credit Governance Committee (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset terms and conditions.

Where it has been determined that a financial asset no longer meets the criteria for SICR, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively.

Forward-looking economic expectations were applied in the determination of the ECL at the reporting date
A range of Base, Bull and Bear forward looking economic expectations were determined, as at 31 December 2020, for inclusion in the Group and company's forward-looking process and ECL calculation and took into account the impacts of Covid-19.

Zambian economic expectation

- Our Base case assumes a severe hit to the Zambian economy with a slow recovery followed by a decent recovery in the 3rd and 4th quarters of 2021 with the policy rate holding at 8% into the 4th quarter of 2021
- In our Bear case scenario, we assume worsening economic outlook from the negative economic growth already portrayed with the debt burden still high and putting more fiscal pressure on the treasury and the policy rate getting to 9.25% by the 4th quarter of 2021.
- The Bull case scenario is built under the assumption the economy rebounds on the back of an IMF debt relief package and with a view to get an upgrade in the sovereign rating post the elections slated for August 2021 with policy rate at 7.5% at the end of the 4th quarter of 2021.

Main macroeconomic factors
The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the ECL provision on financial

2020	Base scenario		Bear scenario		Bull scenario	
Macroeconomic factors	**Next 12 months**	**Remaining forecast period[1]**	**Next 12 months**	**Remaining forecast period[1]**	**Next 12 months**	**Remaining forecast period[1]**
GDP (% y/y) pa	0.48	3.31	(0.40)	2.53	1.65	4.16
CPI (% y/y) pe	13.50	8.03	14.45	13.69	14.38	7.96
Policy interest rate (%) pe	8.00	7.58	9.25	9.58	7.50	6.92
3-m rate (%) pe	16.88	14.25	19.44	18.22	13.25	10.21
6-m rate (%) pe	19.19	15.65	22.19	21.38	15.06	13.27
USD/ZMW pe	21.46	20.28	23.72	22.17	19.49	18.71
2019						
GDP (% y/y) pa	2.00	4.49	3.10	6.21	0.92	3.30
CPI (% y/y) pe	13.70	8.34	12.55	6.86	16.17	9.62
Policy interest rate (%) pe	12.00	10.54	10.13	9.25	15.50	13.00
3-m rate (%) pe	18.25	12.75	12.30	9.30	20.61	15.48
6-m rate (%) pe	18.44	12.87	12.49	9.41	20.80	15.86
USD/ZMW pe	13.80	13.44	11.77	11.41	16.05	15.47

1. The remaining forecast period is 2022 to 2024
2. Gross domestic product (GDP)
3. Consumer Price Index (CPI)
4. 2020 - The scenario weighing is: Base at 50%, Bull at 15% and Bear at 35% The scenario weighting has been revised due to the changes in the macroeconomic factors including the impact of Covid-19.
5. 2019 - The scenario weighted average is: Base at 55%, Bull at 30% and Bear at 15%

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

Sensitivity analysis of PBB forward-looking impact on ECL provision
The following table shows a comparison of the forward-looking impact on the provision as at 31 December 2020, based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighting of the above factors.

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5. Estimates and judgments (continued)

5.1 Key sources of estimates uncertainty (continued)

	2020		2019	
		Change of total PBB provision on Loans and Advances		Change of total PBB provision on Loans and Advances
	ZMW'000	%	ZMW'000	%
Forward-looking impact on the total ECL provision	35 512		24 535	
Scenarios				
Base	11 633	(9)%	3 661	(3)%
Bear	24 533	18 %	16 124	15 %
Bull	21 410	(16)%	23 088	(22)%

Refer to note 10 loans and advances, for the carrying amounts of the loans and advances and the credit risk section of the risk and capital management report for the Group's assessment of the risk arising out of the failure of counterparties to meet their financial or contractual obligations when due.

The income statement impact of ZMW 9 977 000 for 2020 was assessed by applying the same sensitivity analysis principles mentioned above. The impact for each scenarios is ZMW 11 633 000 (decrease of ZMW 11 633 000) for the Base scenario, ZMW 24 533 000 (increase of ZMW 24 533 000) for the Bear scenario and ZMW 21 410 000 (decrease of ZMW 21 410 000) for the Bull scenario.

(b) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Wherever possible, models use only observable market data. Where required, these models incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of financial instruments.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

5.2 Critical accounting judgments in applying the Group's accounting policies

(a)Valuation of financial instruments The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where significant inputs are directly or indirectly observable from market data such as the treasury bills and government bonds auction curves for valuation of financial investments and trading assets and currency swap curves for valuation of derivative assets and liabilities.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique inputs not based on observable data and the unobservable inputs have significant effect on the instrument's valuation. This category includes instruments that are based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. Fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable data exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency, exchange rates equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

5. Estimates and judgments (continued)

5.2 Critical accounting judgments in applying the Group's accounting policies (continued)

Group and Bank (amounts ZMW'000)	Note	Level 1	Level 2	Level 3	Total
2020					
Cash and balances with the Central bank	6	2 222 165	2 001 590	-	4 223 755
Loans and advances to banks	6.1	9 206 435	-	-	9 206 435
Loans and advances to customers	10	-	6 427 449	-	6 427 449
Non-pledged trading assets	8	-	1 337 494	-	1 337 494
Financial investments	9	-	3 451 664	-	3 451 664
Derivative assets	7	-	9 583	-	9 583
Derivative liabilities	7	-	(5 113)	-	(5 113)
Trading liabilities	18	-	(1 248 255)	-	(1 248 255)
Total		11 428 600	11 974 412	-	23 403 012

Group and Bank (amounts ZMW'000)	Note	Level 1	Level 2	Level 3	Total
2019					
Cash and balances with the Central bank	6	1 202 929	832 993	-	2 035 922
Loans and advances to banks	6.1	3 582 220	-	-	3 582 220
Loans and advances to customers	10	-	5 439 335	-	5 439 335
Non-pledged trading assets	8	-	1 177 399	-	1 177 399
Financial investments	9	-	1 893 416	-	1 893 416
Derivative assets	7	-	75 728	-	75 728
Derivative liabilities	7	-	(15 771)	-	(15 771)
Trading liabilities	18	-	(1 496 225)	-	(1 496 225)
Total		4 785 149	7 906 875	-	12 692 024

There were no transfers of financial instruments within levels during the year.

(b) Income taxes

The Group is subject to direct and indirect taxation. There are many transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax expense in the period in which such determination is made,

(c) Provisions

The principal assumptions taken into account in determining the value at which provisions are recorded at include determining whether there is an obligation as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation. For legal provisions management assesses the probability of the outflow of resources by taking into account historical data and the status of the claim in consultation with the group's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial statements.

6. Cash and balances with the central bank

	Group and Bank	
	2020 ZMW'000	2019 ZMW'000
Coins and bank notes	1 829 916	581 506
Balances with the central bank	2 393 839	1 454 416
Total	4 223 755	2 035 922

Cash and balances with Central Bank include ZMW 1 905 546 000 (2019 : ZMW : 1 092 410 000) that was not available for use by the Group. This balance comprises primarily reserving requirements held with Central Bank and is a percentage of the Group's liabilities to the public. At 31 December 2020 the percentage was 9% (2019 : 9%)

6.1 Loans and advances to banks

	Group and Bank	
	2020 ZMW'000	2019 ZMW'000
Loans and advances to Group banks	1 922 210	417 895
Loans and advances to Non Group banks	7 307 195	3 175 993
	9 229 405	3 593 888
Expected credit losses on cash and cash equivalent	(22 970)	(11 668)
Total	9 206 435	3 582 220

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for the year ended 31 December 2020

6.1 Cash and cash equivalents (continued)

Reconciliation of expected credit losses

Year ended 31 December 2020	Opening ECL balance	Transfer between stages		Income statement movement				Currency translation movements	Closing ECL balance
		To/ (from) Stage 1	To/ (from) Stage 2	Originated "New" impairments raised	Subsequent changes in ECL	Derecognition	Total		
Balances with Banks -Stage 1	268	(268)	-	-	-	-	-	-	-
Balances with Banks -Stage 2	11 400	-	268	21 503	1 425	(11 626)	11 302	-	22 970
	11 668	(268)	268	21 503	1 425	(11 626)	11 302	-	22 970

Year ended 31 December 2019	Opening ECL balance	Transfer between stages		Income statement movement				Currency translation movements	Closing ECL balance
		To/ (from) Stage 1	To/ (from) stage 2	Originated "New" impairments raised	Subsequent changes in ECL	Derecognition	Total		
Balances with Banks -Stage 1	2 242	(1 391)	-	242	-	(786)	(544)	(39)	268
Balances with Banks -Stage 2	-	-	1 391	5 383	4 588	-	9 971	38	11 400
	2 242	(1 391)	1 391	5 625	4 588	(786)	9 427	(1)	11 668

7. Derivative instruments

All derivatives are classified as held-for-trading .

7.1 Fair values

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

7.2 Notional amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The amount cannot be used to assess the market risk associated with the position and should be used only as a means of assessing the Group's participation in derivative contracts.

	Fair value of assets		Fair value of liabilities	
	2020 ZMW'000	2019 ZMW'000	**2020 ZMW'000**	2019 ZMW'000
Group and Bank				
Held-for-trading	9 583	75 728	(5 113)	(15 771)
Total	**9 583**	75 728	**(5 113)**	(15 771)

The contract notional amount for 2020 was ZMW 9 000 000 (2019: 9 852 000)

8. Trading assets

	Group and Bank	
	2020 ZMW'000	2019 ZMW'000
Unlisted securities	1 337 494	1 177 399
Comprising		
Spread provision	(15 015)	(5 115)
Trading Government Bonds	156 870	110 707
Trading treasury bills	1 195 639	1 071 847
	1 337 494	1 177 399

The maturities represent periods to contractual redemption of the trading assets recorded.

Redeemable on demand	-	-
Maturing within 1 month	-	19 513
Maturing after 1 month but within 6 months	879 065	493 856
Maturing after 6 months but within 12 months	458 429	664 070
Maturing after 12 months	-	-
	1 337 494	1 177 399

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9. Financial investments

	Group and Bank	
	2020 ZMW'000	2019 ZMW'000
Unlisted	3 451 664	1 893 416
Comprising:		
Government Bonds	703 200	641 288
Treasury Bills	2 993 223	1 280 734
Gross amounts	3 696 423	1 922 022
Expected credit loss	(244 759)	(28 606)
Total	3 451 664	1 893 416
Accounting classification		
Net financial investments measured at amortised cost	3 321 095	1 739 081
Gross financial investments measured at amortised cost	3 565 854	1 758 687
Less: ECL for financial investments measured at amortised cost	(244 759)	(28 606)
Debt financial investments measured at FVOCI	130 569	163 335
Total	3 451 664	1 893 416

Maturity Analysis

The maturities represent periods to contractual redemption of the financial investments recorded:

Maturing within 1 month	133 457	99 912
Maturing after 1 month but within 6 months	1 200 975	525 442
Maturing after 6 months but within 12 months	2 147 437	813 578
Maturing after 12 months	214 554	483 090
Total	3 696 423	1 922 022

Reconciliation of movement in Expected credit losses for debt financial investments at amortised cost, by class:

31 December 2020	Opening ECL balance	Transfer to/(from) Stage 1	Transfer to/(from) Stage 2	Originated new impairments	Subsequent changes in ECL	Derecogntion	Total income statement charge for the year	Foreign exchange and other movements	Closing ECL balance
Debt financial investments at amortised cost									
Government securities at amortised cost -Stage 1	2 458	(2 458)	-	202 510	-	-	202 510	-	202 510
Government securities at amortised cost -Stage 2	26 148		2,458		29 012	(15 369)	13 643	-	42 249
Total	28 606	(2 458)	2 458	202 510	29 012	(15 369)	216 153	-	244 759
Debt financial investments at fair value through other comprehensive income									
Government securities at FVOCI -Stage 1	-	-	-	105	-	-	105	-	105
Government securities at FVOCI -Stage 2	5 107	-	-	-	5 753	(1 771)	3 982	-	9 089
Total	5 107	-	-	105	5 753	(1771)	4 087	-	9 194

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9. Financial investments (continued)

31 December 2019	Opening ECL balance	Transfer to/(from) Stage 1	Transfer to/(from) Stage 2	Originated new impairments	Subsequent changes in ECL	Derecogntion	Total income statement charge for the year	Foreign exchange and other movements	Closing ECL balance
Debt financial investments at amortised cost									
Government securities at amortised cost -Stage 1	4 315	(1 100)	-	2 458	-	(2 696)	238	(519)	2 458
Government securities at amortised cost -Stage 2	-		1 100	25 355	(307)	(12)	25 036	12	26 148
Total	4 315	(1 100)	1 100	27 813	307	(2 708)	24 798	(507)	28 606
Debt financial investments at fair value through other comprehensive income									
Government securities at FVOCI -Stage 1	267	(917)	-	-	(887)	-	(887)	1 537	-
Government securities at FVOCI -Stage 2	77	-	917	1 911	2 214	(12)	4 113	-	5 107
Total	344	(917)	917	1 911	1 337	(12)	3 226	1 537	5 107

10. Loans and advances to customers

10.1 Loans and advances net of impairment

	Group		Bank	
	2020 ZMW'000	2019 ZMW'000	**2020 ZMW'000**	2019 ZMW'000
Loans and advances to customers				
Gross loans and advances to customers	**6 854 620**	5 779 937	**6 859 582**	5 790 854
Mortgage loans	**384 316**	322 795	**384 316**	322 795
Installment sale and finance leases (Note 10.2)	**887 034**	789 095	**887 034**	789 095
Overdrafts and other demand lending	**1 640 066**	1 482 833	**1 640 066**	1 482 833
Term lending	**3 943 204**	3 740 367	**3 948 166**	3 196 131
Interest in suspense	**(100 832)**	(52 422)	**(100 832)**	(52 422)
Credit impairments for loans and advances	**(326 339)**	(288 160)	**(326 339)**	(288 160)
Net loans and advances	**6 427 449**	5 439 335	**6 432 411**	5 450 252

In terms of the Banking and Financial Services Act of Zambia there were no non-performing loans (2019: nil) or restructured loans owing to the Bank whose principal amount exceeds 5% of the regulatory capital of the Bank.

The overall higher expected credit losses is mainly attributable to constrained collections, increased forward-looking provisioning on the back off the weakened economic outlook (refer to the key management assumptions for further information in this regard), and changes from stage 1 to stage 2 and 3 based on risk profile assessments and stress caused in part by the impact of Covid-19.

Modifications

The gross carrying amount of loans modified which did not result in derecognition is ZMW 318 012 000 (2019: ZMW 367 000 000).

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for the year ended 31 December 2020

10. Loans and advances to customers (continued)

10.2 Maturity and segmental analysis

Maturity analysis

The maturities represent periods to contractual redemption of the loans and advances recorded.

	Group		Bank	
	2020 ZMW'000	2019 ZMW'000	2020 ZMW'000	2019 ZMW'000
Redeemable on demand	625 065	452 442	625 065	452 442
Maturing within 1 month	238 002	784 453	238 002	784 453
Maturing after 1 month but within 6 months	1 185 134	641 624	1 185 134	641 624
Maturing after 6 months but within 12 months	1 217 181	897 460	1 217 181	897 460
Maturing after 12 months	3 589 238	3 003 958	3 594 200	3 014 875
Gross loans and advances	6 854 620	5 779 937	6 859 582	5 790 854

Segmental analysis

	Group		Bank	
	2020 ZMW'000	2019 ZMW'000	2020 ZMW'000	2019 ZMW'000
Segmental analysis - industry				
Agriculture	1 498 484	1 393 250	1 498 484	1 393 250
Construction	115 777	102 764	115 777	102 764
Electricity	206 422	80 478	206 422	80 478
Finance, real estate and other business services	1 729 755	1 062 268	1 734 717	1 073 185
Individuals	1 432 157	1 270 738	1 432 157	1 270 738
Manufacturing	983 148	282 319	983 148	282 319
Mining	94 014	394 658	94 014	394 658
Other services	624	133 504	624	133 504
Transport	524 187	532 994	524 187	532 994
Wholesale	270 052	526 964	270 052	526 964
Gross loans and advances	6 854 620	5 779 937	6 859 582	5 790 854

10.3 Instalment sale and finance lease

	Group and Bank	
	2020 ZMW'000	2019 ZMW'000
Gross investment in instalment sale and finance leases	1 063 669	933 464
Receivable within one year	478 394	86 904
Receivable after one year but within five years	585 275	846 560
Unearned finance charges deducted	(176 635)	(114 369)
Net investment in vehicle and asset finance	887 034	789 095
Receivable within one year	270 175	189 590
Receivable after one year but within five years	616 859	599 505

Leases entered into are at market-related terms. Under the terms of the lease agreements, no contingent rentals are payable. Moveable assets are leased or sold to customers under finance leases and instalment sale agreements. Depending on the terms of the agreement, the lessee may have the option to purchase the asset at the end of the lease term.

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10. Loans and advances to customers (continued)

10.4 Impairment allowance for loans and advances to customers

Group and Bank - reconciliation of expected credit losses for loans and advances at amortised cost IFRS 9

2020	Opening ECL balance	Reclasification of ECL on irrevocable facilities	Transfers between stages				Income statement movement				Impaired accounts written off	Time Value of Money Unwind	Currency translation and other movements	Closing balance
			Transfer Stage 1 to/ from	Transfer Stage 2 to/ from	Transfer Stage 3 to/ from	Total	Originated "New" impairments raised	Subsequent changes in ECL	Derecognition	Total				
Stage 1	(76 888)	-	-	(24 440)	1 005	(23 435)	(48 931)	13 859	52 477	17 405	-	-	2 792	(80 126)
Stage 2	(103 717)	-	24440	-	47 310	71 750	(9 394)	(71 254)	14 208	(66 440)	-	-	(64)	(98 471)
Stage 3	(107 555)	-	(1005)	(47 310)	-	(48 315)	(3 786)	(65 642)	3 641	(65 787)	60 587	807	12 521	(147 742)
Total	(288 160)	-	23 435	(71 750)	48 315	-	(62 111)	(123 037)	70 326	(114 822)	60 587	807	15 249	(326 339)

2019 Group and Bank - reconciliation of expected credit losses for loans and advances at amortised cost - IFRS 9

2019	Opening ECL balance	Reclasification of ECL on irrevocable facilities	Transfers between stages				Income statement movement				Impaired accounts written off	Time Value of Money Unwind	Currency translation and other movements	Closing balance
			Transfer Stage 1 to/ from	Transfer Stage 2 to/ from	Transfer Stage 3 to/ from	Total	Originated "New" impairments raised	Subsequent changes in ECL	Derecognition	Total				
Stage 1	(64 070)	(2 838)	-	(14 687)	810	(13 877)	(86 000)	66 186	10 575	(9 239)	-	-	(741)	(76 888)
Stage 2	(92 622)	(59)	14 687	-	1 887	16 574	(4 617)	(6 655)	420	(10 852)	-	-	(184)	(103 717)
Stage 3	(107 465)	(66)	(810)	(1 887)	-	(2 697)	(780)	(76 083)	7 276	(69 587)	61 873	2 795	4 895	(107 555)
Total	(264 157)	(2 963)	13 877	(16 574)	2 697	-	(91 397)	(16 552)	18 271	(89 678)	61 873	2 795	3 970	(288 160)

11. Other assets

	Group		Bank	
	2020 ZMW'000	2019 ZMW'000	2020 ZMW'000	2019 ZMW'000
Investment in Zambia Electronic Clearing House Limited (ZECHL)	183	-	183	-
Items in the course of collection	18 958	20 594	18 958	20 594
Prepayments	12 894	28 378	12 894	28 378
Other financial assets	212 235	131 252	210 101	131 252
Total	244 270	180 224	242 136	180 224

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for the year ended 31 December 2020

12. Interests in subsidiaries (Bank)

	Ownership	2020 ZMW'000	2019 ZMW'000
Stanbic Securities Zambia Limited	100%	*	*
Stanbic Insurance Brokers Limited	100%	100	100
Stanbic Nominees Zambia Limited	100%	5	5
Burnet Investments Limited	100%	79 202	79 202
Total		79 307	79 307
Represented by			
Shares at cost		47 149	47 149
Shareholder loans		32 158	32 158
Total		79 307	79 307

Subsidiaries in the Group

Stanbic Insurance Brokers Limited

The Company was incorporated in 2015, for the purposes of providing insurance brokerage services. The Company commenced trading activities during the year ended 31 December 2018.

Burnet Investments Limited

Burnet Investments Limited was acquired in 2015. The Company is the owner of Stanbic House, which is the headquarters of the parent company.

Stanbic Securities Zambia Limited

Stanbic Securities Zambia Limited (formerly Bolo Zambia Limited) is a dormant Company. The paid up capital for this Company is ZMW 50 (2018: ZMW50).

Stanbic Nominees Zambia Limited

Stanbic Nominees Zambia Limited is a company whose principal activity is to hold and administer securities on behalf of underlying beneficiaries. This is for the purposes of separating the custody of assets from the Group's investor services functions.

In terms of section 57 of the Companies Act of Zambia the name and address of the subsidiaries' principal office is:

Stanbic House Plot 2375 Addis Ababa Drive Longacres Lusaka
There are no significant restrictions on the ability of subsidiaries to transfer funds to the Bank in form of cash dividends or repayments of loans or advances.

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for the year ended 31 December 2020

13. Property, equipment and right of use assets

13.1 Group

	2020			2019		
	Cost/ Revaluation	Accumulated depreciation	2020 Carrying amount	Cost/ Revaluation	Accumulated depreciation	2019 Carrying amount
	ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000
Right of Use Asset						
Buildings and land	105 924	(40 482)	65 442	41 598	(17 964)	23 634
Property						
Buildings	254 992	(35 442)	219 550	254 992	(28 822)	226 170
Leasehold improvements	53 913	(44 197)	9 716	47 419	(38 150)	9 269
	414 829	(120 121)	294 708	344 009	(84 936)	259 073
Equipment						
Computer equipment	161 286	(121 435)	39 851	137 726	(103 788)	33 938
Motor vehicles	20 717	(9 988)	10 729	16 658	(7 648)	9 010
Office equipment	24 059	(13 879)	10 180	24 077	(11 909)	12 168
Furniture and fittings	89 293	(57 913)	31 380	85 432	(53 193)	32 239
	295 355	(203 215)	92 140	263 893	(176 538)	87 355
Total	710 184	(323 336)	386 848	607 902	(261 474)	346 428

	2019 Carrying amount	Additions/ (Transfers)	Right of use asset movements	Disposals	Depreciation	2020 Carrying amount
	ZMW '000	ZMW'000	ZMW '000	ZMW '000	ZMW '000	ZMW'000
Movement						
Right of use asset						
Buildings and land	23 634	-	64 326	-	(22 518)	65 442
Property						
Buildings	226 170	-	-		(6 620)	219 550
Leasehold improvements	9 269	6 494	-	-	(6 047)	9 716
Total	259 073	6 494	64 326	-	(35 185)	294 708
Equipment						
Computer equipment	33 938	24 232	-	(672)	(17 647)	39 852
Motor vehicles	9 010	5 368	-	(1 309)	(2 340)	10 729
Office equipment	12 168	632	-	(651)	(1 970)	10 180
Furniture and fittings	32 239	5 522	-	(1 661)	(4 720)	31 379
	87 355	35 754	-	(4 293)	(26 677)	92 140
Total	346 428	42 248	64 326	(4 293)	(61 862)	386 848

	2018 Carrying amount	IFRS 16 Transition adjustment (1 January 2019)	Additions/ (Transfers)	Disposals	Depreciation	2019 Carrying amount
	ZMW '000	ZMW'000	ZMW '000	ZMW '000	ZMW '000	ZMW '000
Movement						
Right of use asset						
Buildings and land	-	41 598	-	-	(17 964)	23 634
Property						
Buildings	232 541	-	249	-	(6 620)	226 170
Leasehold improvements	10 707	-	3 651		(5 089)	9 269
	243 248	41 598	3 900	-	(29 673)	259 073
Equipment						
Computer equipment	34 830	-	16 988	(678)	(17 202)	33 938
Motor vehicles	4 138	-	7 588	(178)	(2 538)	9 010
Office equipment	12 149	-	2 706	-	(2 687)	12 168
Furniture and fittings	34 435	-	4 266	-	(6 462)	32 239
	85 552	-	31 548	(856)	(28 889)	87 355
Total	328 800	41 598	35 448	(856)	(58 562)	346 428

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

13. Property, equipment and right of use assets (continued)

13.2 Bank

	2020			2019		
	Cost/ Revaluation	Accumulated depreciation	2020 Carrying amount	Cost/ Revaluation	Accumulated depreciation	2019 Carrying amount
	ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000
Right of Use Asset						
Buildings and land	187 064	(57 512)	129 552	122 738	(26 479)	96 259
Property						
Buildings	87 676	(16 553)	71 123	87 676	(14 032)	73 644
Leasehold improvements	53 913	(44 197)	9 716	47 419	(38 150)	9 269
	328 653	(118 262)	210 391	257 833	(78 661)	179 172
Equipment						
Computer equipment	161 286	(121 435)	39 852	137 726	(103 788)	33 938
Motor vehicles	20 717	(9 988)	10 729	16 658	(7 648)	9 010
Office equipment	24 059	(13 879)	10 180	24 077	(11 909)	12 168
Furniture and fittings	89 293	(57 913)	31 380	85 432	(53 193)	32 239
	295 355	(203 215)	92 140	263 893	(176 538)	87 355
Total	624 008	(321 477)	302 531	521 726	(255 199)	266 527

	2019 Carrying amount	Additions/ (Transfers)	Right of use asset movements	Disposals	Depreciation	2020 Carrying amount
	ZMW '000	ZMW'000	ZMW '000	ZMW '000	ZMW '000	ZMW'000
Movement						
Right of use asset						
Buildings and land	96 259	-	64 326	-	(31 033)	129 552
Property						
Buildings	73 644	-	-	-	(2 521)	71 123
Leasehold improvements	9 269	6 494	-	-	(6 047)	9 716
Total	179 172	6 494	64 326	-	(39 601)	210 391
Equipment						
Computer equipment	33 938	24 232		(672)	(17 647)	39 852
Motor vehicles	9 010	5 368		(1 309)	(2 340)	10 729
Office equipment	12 168	632		(651)	(1 970)	10 180
Furniture and fittings	32 239	5 522		(1 661)	(4 720)	31 379
	87 355	35 754		(4 293)	(26 677)	92 140
Total	266 527	42 248	64 326	(4 293)	(66 276)	302 531

	2018 Carrying amount	IFRS 16 Transition adjustment (1 January 2019)	Additions/ (Transfers)	Disposals	Depreciation	2019 Carrying amount
	ZMW '000	ZMW'000	ZMW '000	ZMW '000	ZMW '000	ZMW '000
Movement						
Right of use asset						
Buildings and land	-	122 738	-	-	(26 479)	96 259
Property						
Buildings	76 106	-	58	-	(2 520)	73 644
Leasehold improvements	10 707	-	3 651	-	(5 089)	9 269
	86 813	122 738	3 709	-	(34 088)	179 172
Equipment						
Computer equipment	34 830	-	16 988	(678)	(17 202)	33 938
Motor vehicles	4 138	-	7 588	(178)	(2 538)	9 010
Office equipment	12 149	-	2 706	-	(2 687)	12 168
Furniture and fittings	34 435	-	4 266	-	(6 462)	32 239
	85 552	-	31 548	(856)	(28 889)	87 355
Total	172 365	122 738	35 257	(856)	(62 977)	266 527

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

13. Property, equipment and right of use assets (continued)

13.2 Bank

An independent valuation of the buildings was carried out by Messrs Anderson and Anderson to determine the fair value of the land and buildings in 2016. The revaluation surplus net of tax was credited to other comprehensive income and is shown in the statement of changes in equity.

The fair value of land and buildings was determined using the income method of valuation which was thought to be the most appropriate as the land and buildings are commercial in nature. The carrying amount of the revalued properties if carried under cost model would be as follows:

	Group		Bank	
	2020 ZMW'000	2019 ZMW'000	**2020 ZMW'000**	2019 ZMW'000
Cost	**160 367**	160 367	64 785	64 785
Accumulated depreciation	**(30 406)**	(25 045)	(11 517)	(10 255)
Net book value	**129 961**	135 322	53 268	54 530

14. Intangible assets

	Group and Bank	
	2020 ZMW'000	2019 ZMW'000
Net book value	**233 130**	257 010
Cost	**332 172**	332 172
Accumulated amortisation	**(99 042)**	(75 162)
Balance at start of the year	**257 010**	280 890
Amortisation	**(23 880)**	(23 880)
Balance at end of the year	**233 130**	257 010

Intangible assets are made up of the core banking software, Finacle, acquired in 2016 and New Business On Line (NBol) software acquired in 2017.

15. Capital and reserves

Group and Bank	**2020 ZMW'000**	2019 ZMW'000
Authorised		
Ordinary shares at ZMW1 each (2018: 416 000 000 ordinary shares at ZMW1 each)	**416 000**	416 000
Issued and fully paid		
Ordinary shares at ZMW1 each (2018: 416 000 000 ordinary shares at ZMW1 each)	**416 000**	416 000
Reserves - Group		
Statutory reserve	**7 700**	7 700
Credit risk reserve	**226 488**	165 266
Fair value gain /(loss) through other comprehensive income reserve	**4 159**	(8 642)
Revaluation reserve	**92 140**	92 958
Retained earnings	**1 800 828**	1 379 718
Total Reserves	**2 547 315**	2 053 000
Reserves - Bank		
Statutory reserve	**7 700**	7 700
Credit risk reserve	**226 488**	165 266
Fair value gain /(loss) through other comprehensive income reserve	**4 159**	(8 642)
Revaluation reserve	**20 406**	21 224
Retained earnings	**1 774 018**	1 360 250
Total Reserves	**2 448 771**	1 961 798

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for the year ended 31 December 2020

15. Capital and reserves (continued)

Ordinary share capital
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank.

Statutory reserves
Statutory reserves are non-distributable reserves that comprise transfers out of net profits prior to dividends of amounts prescribed under the Banking and Financial Services Act of Zambia.

Dividend
No dividend was paid during the year (2019: nil)

Credit risk reserve
The credit risk reserve is a loan loss reserve that relates to the excess of allowance for impairment as required by the Banking and Financial Services Act of Zambia over the allowance for impairment computed in terms of International Financial Reporting Standards (IFRSs).

Credit Risk Reserve	Group and Bank					
	2020	2 019	Movement	2019	2018	Movement
Impairment provision as per Bank of Zambia	552 827	453 426	99 401	453 426	470 968	(17 542)
Less : Impairment provision as per IFRS 9	(326 339)	(288 160)	(38 179)	(288 160)	(264 157)	(24 003)
Balance as at 31 December	226 488	165 266	61 222	165 266	206 811	(41 545)

Available for sale reserve
The fair value reserve includes the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Fair Value Through Other Comprehensive Income (FVOCI) reserve
The reserve includes the cumulative net change in the fair value of FVOCI assets until the investments are derecognised or impaired.

	Group and Bank					
	2020	2019	Movement	2019	2018	Movement
Fair value of FVOCI instruments	(9 443)	(22 849)	13 406	(22 849)	(7 433)	(15 416)
Less : Deferred tax impact	3 305	7 997	(4 692)	7 997	2 095	5 902
Impairment on FVOCI instruments	9 194	5 107	4 087	5 107	1 881	3 226
Other	1 103	1 103	-	1 103	1 103	-
Balance as at 31 December	4 159	(8 642)	12 801	(8 642)	(2 354)	(6 288)

Revaluation reserve
Revaluation reserve is a non-distributable reserve which represents revaluation surplus on buildings net of deferred tax.

Retained earnings
Retained earnings are the brought forward recognised income net of expenses of the Bank plus current period profit attributable to shareholders.

Share based payment reserve
This is in respect of equity settled share based payment scheme (refer to note 16 below).

16. Share based payment transactions

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

The two schemes have four different sub-types of vesting categories as illustrated by the table below: (Unless otherwise stated all share prices are in South African Rands (ZAR)).

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

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for the year ended 31 December 2020

16. Share based payment transactions (continued)

16.1 Group Share Incentive Scheme – Group and Bank

The reconciliation of the movement in the Group Share Incentive Scheme is as follows :

Group Share Incentive Scheme	Option price range (Rands) 2020	Number of options	
		2020	2019
Options outstanding at beginning of the year		**5 000**	15 000
Transfers		-	1 950
Exercised		-	(1 950)
Lapsed		**(5 000)**	(10 000)
Options outstanding at end of the year		-	5 000

16.2 Deferred Bonus Scheme (DBS 2012)

In 2012 changes were made to the existing DBS to provide for a single global incentive deferral scheme across the regions. The purpose of the Deferred Bonus Scheme 2012 is to encourage a longer-term outlook in business decision-making and closer alignment of performance with long-term value creation.

All employees granted an annual performance award over a threshold have part of their award deferred. The award is indexed to the Group's share price and accrues notional dividends during the vesting period which are payable on vesting. The awards vest in three equal amounts at 18 months 30 months and 42 months from the date of award. The final payout is determined with reference to the Group's share price on vesting date.

The provision in respect of liabilities under the scheme amounts to ZMW 2 949 000 at 31 December 2020 (2019: ZMW3 963 000) and the amount charged for the period was ZMW 4 100 000 (2019: ZMW 6 216 000).

	Units	
	Dec-20	**Dec-19**
Reconciliation		
Units outstanding at beginning of the year	**2 057**	17 568
Granted	-	2 057
Exercised	-	**(12 204)**
Lapsed	-	-
Transferred out	**(2 057)**	**(5 364)**
Units outstanding at end of the year	-	2 057
Weighted average fair value at grant date (R)	-	182
Expected life (years)	-	3

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

17. Deposits and current accounts

	Group		Bank	
	2020 ZMW'000	2019 ZMW'000	2020 ZMW'000	2019 ZMW'000
Deposit and current accounts				
Deposits from banks	951 828	456 370	951 828	456 370
Deposit from banks	951 828	456 370	951 828	456 370
Deposits from customers	20 034 818	10 495 040	20 064 844	10 523 963
Current accounts	15 489 566	7 862 633	15 519 592	7 891 556
Call deposits	1 556 310	712 282	1 556 310	712 282
Savings accounts	977 776	473 613	977 776	473 613
Term deposits	2 011 166	1 446 512	2 011 166	1 446 512
Total	20 986 646	10 951 410	21 016 672	10 980 333

Maturity analysis
The maturities represent periods to contractual redemption of the deposit and current accounts recorded.

	Group		Bank	
	2020 ZMW'000	2019 ZMW'000	2020 ZMW'000	2019 ZMW'000
Repayable on demand	19 089 517	9 402 335	19 119 543	9 431 258
Maturing within 1 month	733 595	6 191	733 595	6 191
Maturing after 1 month but within 3 months	520 886	940 248	520 886	940 248
Maturing after 3 month but within 6 months	500 028	176 203	500 028	176 203
Maturing after 6 months but within 12 months	142 620	226 433	142 620	226 433
Maturing after 12 months	-	200 000	-	200 000
Total	20 986 646	10 951 410	21 016 672	10 980 333

18. Trading liabilities

	Group and Bank	
	2020 ZMW'000	2019 ZMW'000
Classification		
Unlisted debt securities	1 248 255	1 496 225
Comprising		
Trading liabilities - debt securities funding	1 248 255	1 496 225
Maturity analysis :		
The maturities represent periods to contractual redemption of the financial investments recorded		
Maturing within 1 month	103 708	77 570
Maturing after 1 month but within 6 months	646 518	77 435
Maturing after 6 months but within 12 months	498 029	572 800
Maturing after 12 months	-	768 420
	1 248 255	1 496 225

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for the year ended 31 December 2020

19. Current taxation liability and deferred tax asset

	Group		Bank	
	2020 ZMW'000	2019 ZMW'000	2020 ZMW'000	2019 ZMW'000
Current tax liabilities	114 136	76 364	113 884	75 446
Deferred tax asset	252 963	164 360	252 963	164 360
Deferred tax analysis				
Property and equipment	18 726	19 629	18 726	19 629
Property revaluation reserve	10 987	11 428	10 987	11 428
Available for sale reserve	(3 305)	(7 997)	(3 305)	(7 997)
Impairment charges on loans and advances and other provisions	(248 146)	(152 522)	(248 146)	(152 522)
Other deductible accruals	(31 225)	(34 898)	(31 225)	(34 898)
Deferred tax balance	252 963	164 360	252 963	164 360
Deferred tax liabilities	29 713	31 057	29 713	31 057
Deferred tax assets	(282 676)	(195 417)	(282 676)	(195 417)
Deferred tax reconciliation				
Deferred tax balance at beginning of the year	164 360	118 411	164 360	118 411
Recognised in profit or loss	92 854	(39 606)	92 854	(39 606)
Property and equipment	903	(800)	903	(800)
Other deductible accruals	(3 673)	(26 124)	(30 433)	(26 124)
Impairment charges on loans and advances and other provisions	95 624	(12 642)	95 624	(12 642)
Recognised in other comprehensive income	4 251	(6 343)	4 251	(6 343)
Available for sale reserve	4 692	(5 902)	4 692	(5 902)
Property revaluation reserve	(441)	(441)	(441)	(441)
Deferred tax balance at the end of the year	252 963	164 360	252 963	164 360

In the opinion of the directors the deferred tax assets are reasonable. The utilisation of the deferred tax assets is dependent on further taxable profits from the reversal and existing taxable temporary differences. The Zambian tax laws operate a self-assessment system for corporate income tax. The tax charges are therefore subject to assessment by the Zambia Revenue Authority.

20. Provisions and other liabilities

	Group		Bank	
	2020 ZMW'000	2019 ZMW'000	2020 ZMW'000	2019 ZMW'000
Expected credit losses for off balance sheet exposures	20 053	7 000	20 053	7 000
Lease liability	56 479	17 873	132 955	99 383
Other liabilities and accrued expenses	477 164	283 318	467 276	275 328
Total	553 696	308 191	620 284	381 711

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

20. Provisions and other liabilities (continued)

20.1 Reconciliation of the allowance for expected credit loss for off balance sheet exposures

Year ended 31 December 2020

	Opening Balance	Reclassification of ECL on irrevocable facilities	Income statement movement				Currency translation and other movements	Closing ECL balance
			Originated "New" impairments raised	Subsequent changes in ECL	Derecognition	Total		
Stage 1								
Letters of credit	**(554)**	-	-	363	-	**363**	-	**(191)**
Undrawn loan commitments	-	-	-	-	-	-	-	-
Guarantees	**(5 269)**	-	-	(4 050)	-	**(4 050)**	-	**(9 319)**
Total	**(5 823)**	-	-	**(3 687)**	-	**(3 687)**	-	**(9 510)**
Stage 2					-			
Letters of credit	**(1 149)**	-	-	(9 348)	-	**(9 348)**		**(10 497)**
Undrawn loan commitments	-	-	-	-	-	-		-
Guarantees	**(28)**	-	-	(18)	-	**(18)**		**(46)**
					-			
Total	**(1 177)**	-	-	**(9 366)**	-	**(9 366)**	-	**(10 543)**
Stage 3					-			
Undrawn loan commitments	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
Total ECL	**(7 000)**	-	-	**(13 053)**	-	**(13 053)**	-	**(20 053)**

Year ended 31 December 2019

	Opening Balance	Reclassification of ECL on irrevocable facilities	Income statement movement				Currency translation and other movements	Closing ECL balance
			Originated "New" impairments raised	Subsequent changes in ECL	Derecognition	Total		
Stage 1								
Letters of credit	**(1 104)**	-	-	550	-	**550**	-	**(554)**
Undrawn loan commitments	**(2 838)**	**2 838**	-	-	-	-	-	-
Guarantees	**(4 107)**	-	-	(1 344)	-	**(1 344)**	182	**(5 269)**
Total	**(8 049)**	**2 838**	-	**(794)**	-	**(794)**	**182**	**(5 823)**
Stage 2								
Letters of credit	**(2 409)**	-	-	1 260	-	**1 260**	-	**(1 149)**
Undrawn loan commitments	**(59)**	**59**	-	-	-	-	-	-
Guarantees	**(82)**	-	-	54	-	**54**	-	**(28)**
Total	**(2 550)**	**59**	-	**1 314**	-	**1 314**	-	**(1 177)**
Stage 3								
Undrawn loan commitments	**(66)**	**66**	-	-	-	-	-	-
Total	**(66)**	**66**	-	-	-	-	-	-
Total ECL	**(10 665)**	**2 963**	-	**520**	-	**520**	**182**	**(7 000)**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

20. Other liabilities (continued)

20.3 Reconciliation of lease liabilities

	Group		Bank	
	2020 ZMW'000	2019 ZMW'000	**2020 ZMW'000**	2019 ZMW'000
Opening balance	17 873	41 598	99 383	122 738
Interest expense	2 146	2 108	14 343	15 067
Payments	(26 669)	(25 743)	(43 900)	(38 422)
Modifications	(1 197)	-	(1 197)	-
Additions	64 326	-	64 326	-
Closing balance	56 479	17 873	132 955	99 383

The leases relate to branches, land and ATM site leases.

21. Subordinated debt

	Redeemable/ repayable date	Date issued	Rate %	Callable date	Rate after call date	Notional value 2020 ZMW '000	Carrying value 2020 ZMW '000	Notional value 2019 ZMW '000	Carrying value 2019 ZMW '000
SBSA Subordinated debt	13 Dec 2021	Dec 2016	LIBOR+5.32	Dec 2021		**317 550**	**318 430**	212 250	213 016
Note Program Subordinated debt	1 Nov 2019	Oct 2014	182 Day T-Bill +2,75	Nov 2024		-	-	36 700	38 065
Total subordinated debt						**317 550**	**318 430**	248 950	251 081

The Bank has had no default during the year (2019: nil).

Net debt reconciliation

	SBSA subordinated debt ZMW'000	**Note program Subordinated debt ZMW'000**
Opening balance	213 016	38 065
Repayments	-	(38 065)
Foreign exchange movements	105 514	-
Closing balance	**318 430**	**-**

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22. Classification of assets and liabilities

2020 Group ZMW'000	Note	Held for Trading	Fair value through profit or loss (default)	Amortised Cost	Fair Value Through OCI	Total carrying amount	Fair value
Financial assets							
Cash and balances with the Central Bank	6	-	4 223 755	-	-	4 223 755	4 223 755
Loans and advances to banks	6	-		9 206 435	-	9 206 435	9 206 435
Derivative assets	7	9 583	-	-	-	9 583	9 583
Trading assets	8	1 337 494	-	-	-	1 337 494	1 337 494
Financial investments	9	-	-	3 321 094	130 570	3 451 664	3 451 664
Loans and advances to customers	10	-	-	6 427 449	-	6 427 449	6 427 449
Other assets	11	-	-	231 376	-	231 376	231 376
		1 347 077	4 223 755	19 186 354	130 570	24 887 756	24 887 756
Financial liabilities							
Derivative liabilities	7	5 113	-	-	-	5 113	5 113
Trading liabilities	18	1 248 255	-	-	-	1 248 255	1 248 255
Deposits from banks	17	-	-	951 828	-	951 828	951 828
Deposits from customers	17	-	-	20 034 818	-	20 034 818	20 034 818
Other liabilities	20	-	-	553 696	-	553 696	553 696
Subordinated debt	21	-	-	318 430	-	318 430	318 430
		1 253 368	-	21 858 772	-	23 112 140	23 112 140

2019 Group ZMW'000	Note	Held for Trading	Fair value through profit or loss (default)	Amortised Cost	Fair Value Through OCI	Total carrying amount	Fair value
Financial assets							
Cash and balances with the Central Bank	6	-	2 035 922	-	-	2 035 922	2 035 922
Loans and advances to banks	6	-	-	3 582 220	-	3 582 220	3 582 220
Derivative assets	7	75 728	-	-	-	75 728	75 728
Trading assets	8	1 177 399	-	-	-	1 177 399	1 177 399
Financial investments	9	-	-	1 730 081	163 335	1 893 416	1 893 416
Loans and advances to customers	10	-	-	5 439 335	-	5 439 335	5 439 335
Other assets	11	-	-	151 846	-	151 846	151 846
		1 253 127	2 035 922	10 903 482	163 335	14 355 866	14 355 866
Financial liabilities							
Derivative liabilities	7	15 771	-	-	-	15 771	15 771
Trading liabilities	18	1 496 225	-	-	-	1 496 225	1 496 225
Deposits from banks	17	-	-	456 370	-	456 370	456 370
Deposits from customers	17	-	-	10 495 040	-	10 495 040	10 495 040
Other liabilities	20	-	-	381 711	-	381 711	381 711
Subordinated debt	21	-	-	251 081	-	251 081	251 081
		1 511 996	-	11 584 202	-	13 096 198	13 096 198

The fair value of other assets and other liabilities approximates the amortised cost due to the short term nature.

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22. Classification of assets and liabilities (continued)

2020 Bank ZMW'000	Note	Held for Trading	Fair value through profit or loss (default)	Amortised Cost	Fair Value Through OCI	Total carrying amount	Fair value
Financial assets							
Cash and balances with the Central Bank	6	-	4 223 755	-	-	4 223 755	4 223 755
Loans and advances to banks	6	-	-	9 206 435	-	9 206 435	9 206 435
Derivative assets	7	9 583	-	-	-	9 583	9 583
Trading assets	8	1 337 494	-	-	-	1 337 494	1 337 494
Financial investments	9	-	-	3 321 094	130 570	3 451 664	3 451 664
Loans and advances to customers	10	-	-	6 432 411	-	6 432 411	6 432 411
Other assets	11	-	-	229 242	-	229 242	229 242
		1 347 077	4 223 755	19 189 182	130 570	24 890 584	24 890 584
Financial liabilities							
Derivative liabilities	7	5 113	-	-	-	5 113	5 113
Trading liabilities	18	1 248 255	-	-	-	1 248 255	1 248 255
Deposits from banks	17	-	-	951 828	-	951 828	951 828
Deposits from customers	17	-	-	20 064 844	-	20 064 844	20 064 844
Other liabilities	20	-	-	620 284	-	620 284	620 284
Subordinated debt	21	-	-	318 430	-	318 430	318 430
		1 253 368	-	21 955 386	-	23 208 754	23 208 754

2019 Bank ZMW'000	Note	Held for Trading	Fair value through profit or loss (default)	Amortised Cost	Fair Value Through OCI	Total carrying amount	Fair value
Financial assets							
Cash and balances with the Central Bank	6	-	2 035 922	-	-	2 035 922	2 035 922
Loans and advances to banks	6	-	-	3 582 220	-	3 582 220	3 582 220
Derivative assets	7	75 728	-	-	-	75 728	75 728
Trading assets	8	1 177 399	-	-	-	1 177 399	1 177 399
Financial investments	9	-	-	1 730 081	163 335	1 893 416	1 893 416
Loans and advances to customers	10	-	-	5 450 252	-	5 450 252	5 450 252
Other assets	11	-	-	151 846	-	151 846	151 846
		1 253 127	2 035 922	10 914 399	163 335	14 366 783	14 366 783
Financial liabilities							
Derivative liabilities	7	15 771	-	-	-	15 771	15 771
Trading liabilities	18	1 496 225	-	-	-	1 496 225	1 496 225
Deposits from banks	17	-	-	456 370	-	456 370	456 370
Deposits from customers	17	-	-	10 523 963	-	10 523 963	10 523 963
Other liabilities	20	-	-	381 711	-	381 711	381 711
Subordinated debt	21	-	-	251 081	-	251 081	251 081
		1 511 996	-	11 613 125	-	13 125 121	13 125 121

The fair value of other assets and other liabilities approximates the amortised cost due to the short term nature.

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23. Off statement of financial position items

23.1 Loan commitments

The total unutilised loan commitments amounted to ZMW 803 480 thousand (2019: ZMW 633 008 thousand).

23.2 Acceptances and other financial facilities

	Group and Bank	
	2020 ZMW'000	2019 ZMW'000
Letters of credit	657 555	906 868
Guarantees	3 243 466	3 536 263
Total	3 901 021	4 443 131

23.2 Capital commitments

	Group and Bank	
	2020 ZMW'000	2019 ZMW'000
Contacted capital expenditure	3 505	2 560
Capital expenditure authorised but not yet contracted	32 587	44 208
Total	36 092	46 768

23.3 Operating lease commitments

	Group and Bank	
	2020 ZMW'000	2019 ZMW'000
Equipment		
Within 1 year	1 567	1 613
After 1 year but within 5 years	-	-
Total	1 567	1 613

23.3 Legal proceedings

The Bank is a defendant in several cases which arise from normal day to day banking. The directors believe the Bank has strong grounds for success in a majority of the cases and are confident that they should get a ruling in their favour and none of the cases individually or in aggregate would have a significant impact on the Bank's operations.

The directors are satisfied that the Group has adequate insurance programmes and, where required in terms of IFRS for claims that are probable, provisions are in place to meet claims that may succeed. The directors have carried out an assessment of all the cases outstanding as at 31 December 2020 and where considered necessary based on the merits of each case, a provision has been raised. In aggregate the total provisions raised amount to ZMW 32.5 million (2019: ZMW 31.5 million).

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for the year ended 31 December 2020

24. supplementary profit or loss information

		Group		Bank	
		2020 ZMW'000	2019 ZMW'000	2020 ZMW'000	2019 ZMW'000
24.1	**Interest income calculated using effective interest method**				
	Interest on loans and advances and short term funds	1 126 322	1 002 575	1 126 322	1 005 291
	Interest on investments	647 923	370 467	647 923	370 467
		1 774 245	1 373 042	1 774 245	1 375 758
24.2	**Interest expense**				
	Current accounts	32 440	21 270	32 440	21 270
	Savings and deposit accounts	264 307	145 895	264 304	145 895
	Subordinated debt	19 653	22 115	19 653	22 115
	Lease liability	2 146	2 018	14 343	15 067
	Other interest-bearing liabilities	86 162	54 989	86 166	54 989
		404 708	246 287	416 905	259 336
24.3	**Fee and commission income**				
	Account transaction fees	144 701	93 594	144 701	93 594
	Net card based commissions	62 401	56 342	62 401	56 342
	Electronic banking fees	64 819	40 962	64 819	40 962
	Bancassurance	27 170	26 193	1 043	1 960
	Foreign currency service fees	29 317	16 029	29 317	16 029
	Documentation and administration fees	123 710	107 159	123 710	107 159
	Other	32 479	50 732	32 479	50 732
		484 597	391 011	458 470	366 778
24.4	**Trading income**				
	Foreign exchange	422 050	328 633	422 050	328 633
	Other	21 084	(91 723)	21 084	(91 723)
		443 134	236 910	443 134	236 910
24.5	**Other income**				
	Banking and other income	11 064	8 711	11 054	8 338
		11 064	**8 711**	11 054	**8 338**
24.6	**Credit impairment charges**				
	- Financial Investments (Note 9)	220 240	28 024	220 625	28 024
	-Loans and advances to customers (Note 10)	114 822	89 678	114 436	89 678
	-Cured interest in suspense	(2 083)	(4 522)	(2 083)	(4 522)
	-Loans and advances to banks (Note 6.1)	11 302	9 427	11 302	9 427
	Off balance sheet amounts (Note 20)	13 053	(520)	13 053	(520)
	Recoveries on loans previously written off	(26 931)	(16 215)	(26 931)	(16 215)
		330 403	105 872	330 403	105 872
24.7	**Staff costs**				
	Salaries and allowances	475 567	400 519	475 567	400 519
	Staff terminal costs	-	52 450	-	52 450
	Defined contribution costs	30 852	27 610	30 852	27 610
	Share based payment transactions (note 16)	4 100	6 216	4 100	6 216
	Skills development levy	2 214	1 968	2 214	1 968
		512 733	488 763	512 733	488 763

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for the year ended 31 December 2020

24. supplementary profit or loss information (continued)

		Group		Bank	
		2020 ZMW'000	2019 ZMW'000	2020 ZMW'000	2019 ZMW'000
24.8	**Other operating expenses**				
	Information technology	79 426	49 574	79 426	49 574
	Communication	17 669	14 603	17 669	14 603
	Premises	25 916	21 078	25 916	21 078
	Security	25 667	24 065	25 667	24 065
	Marketing and advertising	17 683	13 326	17 683	13 326
	Other	519 064	368 634	501 935	362 414
		685 425	491 280	668 297	**485 060**
	The following disclosable items are included in other operating expenses:				
	Auditor's remuneration	3 078	2 725	2 800	2 447
	Audit fees				
	- Current year	3 078	2 725	2 800	2 447
	Non audit related fees				
	Depreciation (note 13)	61 862	58 562	66 276	62 977
	Right of Use Asset	22 518	17 964	31 033	26 479
	Buildings	6 620	6 620	2 519	2 520
	Leasehold improvements	6 047	5 089	6 047	5 089
	Computer equipment	17 647	17 202	17 647	17 202
	Motor vehicles	2 340	2 538	2 340	2 538
	Office equipment	1 970	2 687	1 970	2 687
	Furniture and fittings	4 720	6 462	4 720	6 462
	Amortisation of intangible assets (Note 14)	23 880	23 880	23 880	23 880
	Operating lease charges – premises	4 538	4 172	4 538	4 172
	- Properties	193	248	193	248
	- Equipment	4 345	3 924	4 345	3 924
	Professional fees	16 118	9 091	16 118	9 091
	- Managerial	-	-	-	-
	- Technical and other	16 118	9 091	16 118	9 091
	Security	25 667	24 065	25 667	24 065
	Marketing and advertising	17 683	13 326	17 683	13 326
	Other expenses	532 599	355 999	511 334	345 102
		685 425	491 820	668 297	485 060

25. Income tax expense

	Group		Bank	
	2020 ZMW'000	2019 ZMW'000	2020 ZMW'000	2019 ZMW'000
Current year	298 698	244 671	294 834	237 387
- Current tax expense	391 552	284 277	387 688	276 993
- Deferred income tax (note 19)	(92 854)	(39 606)	(92 854)	(39 606)
Total income tax expenses	298 698	244 671	294 834	237 387
Zambia tax rate reconciliation (%)	35.00%	35.00%	35.0%	35.0%
The total taxation charge as a percentage of net income before taxation:	38.3%	36.1%	38.4%	36.6%
The charge for the year has been reduced/(increased) as a consequence of:				
- Non-deductible expenses	(3.3)%	(1.1)%	(3.4)%	(1.6)%
Standard rate of Zambian Tax	35%	35%	35%	35%

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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25. Income tax expense (continued)

Deferred tax movements in equity

	2020			2019		
	Before tax	Tax (expense)/ credit	Net of tax	Before tax	Tax (expense)/ credit	Net of tax
	ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000	ZMW '000
Group and Bank						
Property revaluation reserves -unwind of previous revaluation	(1 259)	441	(818)	(1 259)	441	(818)
Net change in fair value for FVOCI reserve	13 406	(4 692)	8 714	(12 190)	5 902	(6 288)
	12 147	(4 251)	7 896	(13 449)	6 343	(7 106)

26. Notes to statement of cash flows

	Group and Bank	
	2020 ZMW'000	2019 ZMW'000
26.1 Cash flows from operating activities		
Cash receipts from customers	2 477 498	1 808 295
Cash paid to customers, employees and suppliers	(1 354 821)	(1 060 402)
Cash flows from operating activities	1 122 677	747 893
26.2 Cash receipts from customers		
Interest received from customers	1 539 603	1 173 341
Fees and commission revenue	484 597	391 011
Trading and other revenue	453 298	243 943
	2 477 498	1 808 295
26.3 Cash paid to customers, employees and suppliers		
Interest paid to customers	(261 449)	(177 694)
Staff expenses paid	(512 733)	(488 763)
Other operating expenses paid (Including indirect taxes)	(580 639)	(393 945)
	(1 354 821)	(1 060 402)
26.4 Increase in income-earning assets		
Change in financial investments	(1 545 447)	(247 875)
Change in statutory deposits	(813 136)	(449 175)
Change in loans and advances to customers	(1 083 876)	(178 332)
Change in derivative assets and other assets	(93 950)	(418 752)
Change in other assets	(64 048)	138 228
	(3 600 457)	(1 155 906)
26.5 Decrease in deposits and other liabilities		
Change in deposits from customers and banks	9 891 977	(326 640)
Decrease in net derivative liabilities & trading liabilities	(258 628)	122 361
Other liabilities and subordinated debt	294 218	(68 100)
	9 927 567	(272 379)
26.6 Income taxation paid		
Current tax payable at the start of the year	76 364	6 761
Income statement charge	391 552	284 277
Current tax at end of the year	(114 136)	(76 364)
Payment	353 780	214 674
26.7 Analysis of cash and cash equivalents		
Cash and balances with the Bank of Zambia	4 223 755	2 035 922
Loans and advances to banks (overnight)	9 206 435	3 582 220
Less: cash reserve requirement	(1 905 547)	(1 092 410)
Cash and cash equivalents at end of year	11 524 643	4 525 732

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

27. Related party transactions

27.1 Group transactions

The Group's immediate parent is Stanbic Africa Holdings Limited which owns 99.99% of the Bank's shares. The Group's ultimate shareholder is Standard Bank Group Limited. There are other companies which are related to Stanbic Bank Zambia Limited through common shareholdings or common directorships. In the normal course of business placings of foreign currencies are made with the parent company and other Group companies at interest rates in line with the market. Market interest rates are also charged on borrowings or overdrawn accounts with other Group companies. The parent company also provides consultancy services from time to time for which it charges market rates. Below are the related party balances and transactions:

Group and Bank		2020 ZMW'000	2019 ZMW'000
Balances at year end			
Amounts from Group companies	**Relationship**		
Standard Bank South Africa	Fellow subsidiary	1 269	4 323
Amounts due to Group companies	**Relationship**		
Standard Bank South Africa	Fellow subsidiary	134 406	53 776
Transactions during the year			
Management fees		68 341	51 803
Information technology charges		98 197	46 816
		166 538	98 619

27.2 Key management personnel compensation

Group and Bank	2020 ZMW'000	2019 ZMW'000
Key management compensation		
Compulsory social security obligations	1 500	1 142
Share based payment transactions	4 100	6 216
Salaries and other short-term benefits paid	41 440	32 943
Total	47 040	40 301
Loans and advances[1]		
Loans outstanding at the beginning of the year	11 987	11 437
Net change in loans during the year	2 450	550
Loans outstanding at the end of the year	14 437	11 987
Interest income	1 120	915

Amount	Opening amounts	Additions / disbursements	Repayments/ Transfers out	Closing amounts	Weighted interest rate range	Nature of loan
Officer 1	415	-	(223)	**192**	8%-12%	Asset finance, unsecured loan & mortgage
Officer 2	2 643	3	(315)	**2 331**	8%-12%	Asset finance, unsecured loan & mortgage
Officer 3	1 250	-	(107)	**1 143**	8%-12%	Unsecured loan & mortgage
Officer 4	3 410	515	(40)	**3 885**	8%-12%	Unsecured loan & mortgage
Officer 5	1 926	426	(136)	**2 216**	8%-12%	Asset finance, unsecured loan & mortgage
Officer 6	-	-	-	**-**	8%-12%	Mortgage
Officer 7	1 926	22	(261)	**1 687**	8%-12%	Asset finance, unsecured loan & mortgage
Officer 8	220	-	(52)	**168**	8%-12%	Unsecured loan
Officer 9	197	8	(15)	**190**	8%-12%	Unsecured loan
Officer 10	-	2 625	-	**2 625**	8%-12%	Asset finance, mortgage
Total	**11 987**	**3 599**	**(1 149)**	**14 437**		

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

27. Related party transactions

Key management personnel compensation (continued)

Amount	Opening amounts	Additions / disbursements	Repayments/ Transfers out	Closing amounts	Weighted interest rate range	Nature of loan
Officer 1	288	295	(168)	**415**	8%-12%	Asset finance, unsecured loan & mortgage
Officer 2	2 793	403	(553)	**2 643**	8%-12%	Asset finance, unsecured loan & mortgage
Officer 3	886	564	(200)	**1 250**	8%-12%	Unsecured loan & mortgage
Officer 4	3 265	250	(105)	**3 410**	8%-12%	Unsecured loan & mortgage
Officer 5	2 000	85	(159)	**1 926**	8%-12%	Asset finance, unsecured loan & mortgage
Officer 6	872	-	(872)	-	8%-12%	Mortgage
Officer 7	1 117	1 752	(943)	**1 926**	8%-12%	Asset finance, unsecured loan & mortgage
Officer 8	216	40	(36)	**220**	8%-12%	Unsecured loan
Officer 9	-	300	(103)	**197**	8%-12%	Unsecured loan
Total	**11 437**	**3 689**	**(3 139)**	**11 987**		

27.3 Directors' current accounts

	2020 ZMW'000	2019 ZMW'000
Balance at the beginning of the year	2 050	828
Net change in deposits during the year	(545)	1 222
Balance at the end of the year	1 505	2 050
Net interest expense	(70)	(72)

27.4 Directors emoluments

Group and Bank	2020 ZMW'000	2019 ZMW'000
Emoluments of directors in respect of services rendered:		
As directors of Stanbic Bank Zambia Limited	4 536	3 658

28. Events after the reporting date

There were no material subsquent events, which require disclosure in, or adjustment of these financial statements.