OUR REPORTS

Stanbic Bank Zambia Limited ("the Bank/Stanbic Bank/Stanbic") is part of the Standard Bank Group, Africa's largest bank on footprint, profits and assets. With over 60 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.

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OUR VALUES

At Stanbic Bank Zambia Limited ("Stanbic/ the Bank"), our values shape who we are. 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.

At Stanbic Bank we are committed to moving Zambia forward.

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 levels of integrity

OUR SOCIOECONOMIC IMPACT

K4 / million

CONTRIBUTED TO CORPORATE SOCIAL INVESTMENT

Stanbic Bank exists to be a significant part of Zambia's growth through building exceptional capabilities and delivering transformational solutions. Embedded in our existence is our commitment to drive the growth of Zambia through contribution to the social and economic landscape.

- More than **8,000** female customers recruited under the Anakazi Banking offering
- More than **168 000** customers
- Committed to building **1,000** houses under the Buy a Brick Campaign over the next 5 years
- Consistent contribution to drivers of social, economic and environment in Zambia
- Continued landmark deals in various sectors of the economy- Manufacturing, Agriculture, Infrastructure,Transport and Government

BUSINESS STRUCTURE

PERSONAL & BUSINESS BANKING

provides banking and other financial services to individual customers and small- to medium sized enterprises.

WHAT WE OFFER

- Commercial Banking
- Agri Business
- Enterprise banking
- Private Banking
- Executive Banking
- Achiever Banking
- Bancassurance

CORPORATE & INVESTMENT BANKING

provides corporate and investment banking services to governments, parastatals, larger corporates, financial institutions and international counterparties.

WHAT WE OFFER

- Global markets
- Investment Banking
- Transactional Products and Services
- Corporate Banking

CORPORATE FUNCTIONS

the enabling functions which partner with the CIB and PBB business units.

WHAT WE OFFER

- Finance
- Information Technology
- Legal
- Human Capital
- Compliance
- Risk Management
- Marketing
- Internal Audit
- Operations

DR. AUSTIN MWAPE
Chairman

CHAIRMAN'S REPORT

Overview

Dear Stakeholders,

I am pleased to report that in 2019, Stanbic Bank Zambia Limited ("the Bank") had yet another successful year. This was enabled by the Bank's strategy '#ONE21 Tiye Tiye' which was executed in the midst of economic downturns experienced in the country. The operating environment and general market continued to face challenges which included the energy crisis, growing government debt level and currency volatility. This notwithstanding, the Bank leveraged on its experience, competent staff and digital investment to continue on its growth trajectory. This was demonstrated and driven by our support of the country's economic growth in the transportation, agriculture, manufacturing and infrastructure sectors. The Bank remained a market leader in Customer Loans, Total Income and Profit After Tax. 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.

↑ 2%

K15.2 billion

ASSET BASE

2018: K 14.9 billion

Despite the tough operating environment, the Bank's strategic journey '#ONE21 Tiye Tiye' remained relevant to the Bank's success story in 2019. The Board and Management took time to refresh key focus areas which continue to shape the foreseeable future. These include customer centricity, building strategic universal relationships, optimal risk management and maintaining a simple and cost-effective business driven by the ongoing digital transformation whilst maintaining a healthy corporate culture at the centre of our execution. The financial services industry continues to witness shifts and disruptions. The continuous review of the Bank's strategic direction will ensure that the Bank is ready to operate in the changing landscape.

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, there was an increase in regulations and regulatory oversight for the Bank. The year witnessed operationalisation of key pieces of legislation including the Employment Code and National Health Insurance Act which impacted on the Bank's operations. We are aware of the impact of regulatory changes on our business and continue to focus on ensuring strict compliance across all areas of the Bank.

We are happy to report that due to our strategic efforts and through the support of our customers, we were recognised as the Best Bank in Zambia 2019 by The Banker – Financial Times; Best Bank in Zambia 2019 by EMEA Awards and Best Investment Bank in Zambia 2019 by Euromoney.

As a Board, we will continue to drive a shareholder value within a strong risk and compliance culture.

Board and Executive Changes

During the year, the Board saw the exit of Ms. Mwenzi Mulenga who through dedicated service and expertise contributed to the strong performance of the Bank. Ms. Mulenga resigned from the Bank after 4 years of service to take on a new role within the financial industry. The Bank is grateful for her contribution throughout her years of service and wishes her the best in her future endeavours.

We are pleased to welcome onto the Board, Mr Theodoros Karnezos who joined the Board in March 2019. His addition on the Board enhances the skill set of the Board by introducing specialised skills in agriculture and further augmenting skills in finance and business management.

We are also excited to announce the appointment of Mwindwa Siakalima the Bank's Chief Financial Officer as Executive Director on the Board. With his invaluable expertise in finance and accounting, the Board is confident that Mwindwa will bring an added positive dimension to the Board.

At Executive level, we are also happy to announce the appointments of Mr Wisdom Shanengeta to the newly created role of Chief Technology and Operations Officer. Wisdom was previously the Bank's Chief Information Officer. We are confident that he will add value in his new role.

Looking forward, a hard road lies ahead in building economic growth and an inclusive economy. 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!

"The Bank remained a market leader in customer loans, Total Income and Profit After Tax. This favourable performance was achieved without comprising on the Banks' social and economic profit"

↑ 17%

K1 763 million

TOTAL INCOME

2018: K 1 505 Million

LEINA GABARAANE
Chief Executive

CHIEF EXECUTIVE'S REVIEW

Dear Stakeholders,

The Zambian economy continued to show signs of stress emanating from various headwinds ranging from hydrological risks, energy risks and a decreasing country rating. The country's sovereign debt position and decreasing foreign reserves have been the main factors in the country's long-term issuer downgrades received from various credit rating agencies. The country's economic growth had therefore been forecast to slow down to 2% at the end of 2019 receding from 3.7% in 2018.

The local currency remained relatively stable for the greater part of the year having closed 2018 at K11.9/$. We however began to see the rate slowly creeping upwards peaking at a high of K14/$ in May which was only previously seen in 2015 and closing 2019 at K14.2/$. The December inflation rate of 11.7% breached Government's target range of 6-8%. This was largely driven by a spike in food inflation mainly on the staple maize meal. The Central Bank intervened in the market increasing the policy rate twice in 2019 by a total of 1.75% to counter the effects of inflationary pressure. The country has also had to grapple with an energy crisis which has manifested in a significant energy deficit linked to the effects of a below average rain fall season leading to low electricity generating capacity in the main hydro electric energy sources. As a result, the last half of the year was marred by electricity rationing averaging 12 to 15 hours. This had the unwanted effect of cost pressure on local businesses and enterprises and reduced economic productivity.

↑ 21%

K433 million

PROFIT AFTER TAX

2018: K 359 million

Given this background of subdued macro-economic environment in which we operate, it is pleasing to note that the Group recorded Profit After Tax of K 433m in 2019 from K 359 million in 2018 representing a 21% growth. The Bank's performance has cemented its position as an industry leader in customer loans, customer deposits, total income and efficiency of cost of funds. This has been a testament on our progress around digitisation, innovation, supporting our customers through the economic headwinds and investing in our people.

"We continue to recieve recognition as leaders in various banking and financial thematic areas.

The industry continues to recognise our effort and we were honoured to be awared various accolades throughout the year."

Our strategic journey to greatness styled #One21 Tiye Tiye continues to leverage off digital transformation and innovation, and we have to this end launched a number of digital products that will help the bank enhance customer experience and improve operational efficiencies. In keeping to this theme, we launched remote customer onboarding in May this year which gives us the capabilities of opening accounts and issuing a debit card remotely at any location within five minutes. In addition, we launched digital Unsecured Personal Loans (UPL) which allows for automatic top-ups and redraws (within 40 seconds) to a transactional account on a customer's existing unsecured personal loan directly through Internet Banking. This was extended to 'new to borrowing' clients and we remain confident that this and other innovations will continue to give us a competitive edge. Innovation remains critical in our journey of moving towards being 'future ready'.

Customer centricity remains at the core of our being and we endeavour to ensure that products and solutions developed are informed by customer insights. We have partnered with several organisations with a solution-oriented approach to achieve that aim. Our staff also remain a fundamental aspect of our success and we remain committed to building an environment of mutual respect, trust and open communication. Our staff have affirmed, through direct feedback, that we are on the right track. We will not relent and will continue working to ensuring that we live up to these values.

We continue to receive recognition as leaders in various banking and financial thematic areas. The industry continues to recognise our efforts and we were honoured to be awarded various accolades throughout the year. These include awards for Best Bank in Zambia – Financial Times, The Service Excellence Award in Banking, the Governor's award for Best Bank in Outstanding Innovation, The Best Publicity campaign for the Women's Banking proposition (Zambia Public Relations Association - ZAPRA) and 'Best Investment Bank' (Euromoney Awards for Excellence) among others. We dedicate these awards to our customers for the continued trust in our services.

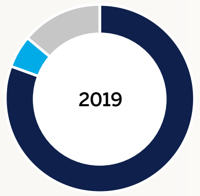
All through 2019, we have endeavoured to remain true to attaining the focus areas of our strategic plan and am proud to say that we remain on course in achieving our strategic objectives. In as much as we are committed to delivering to our shareholders, I believe that we should stay true to having a positive impact on our citizens and the business community at large. We should live up to our motto of 'Zambia is our home, we drive her growth'. I am indeed proud of the Bank's contribution to the Zambian economy so far and look forward to an even more fruitful 2020. Zambia is our home and we drive her growth.

Tiye Tiye

FINANCIAL REVIEW

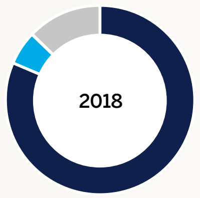
Gross loans and advances

2019 Gross loans and advances (ZMW'000)



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

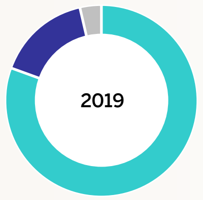
2018 Gross loans and advances (ZMW'000)



	2018
Other Lending	4 536 392
Mortgages	328 844
Vehicle & Asset Finance	699 120

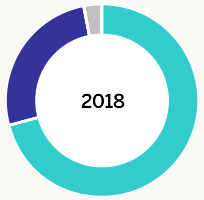
Current accounts and deposits from customers

2019 Current accounts and deposits (ZMW'000)



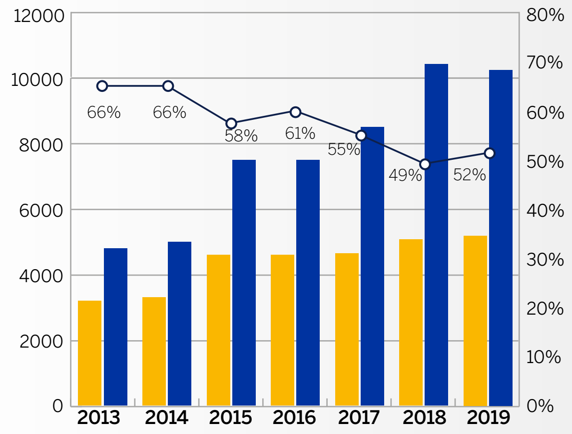
	2019
Current Accounts	7 862 633
Savings	473 613
Term Deposits	2 158 794

2018 Current accounts and deposits (ZMW'000)



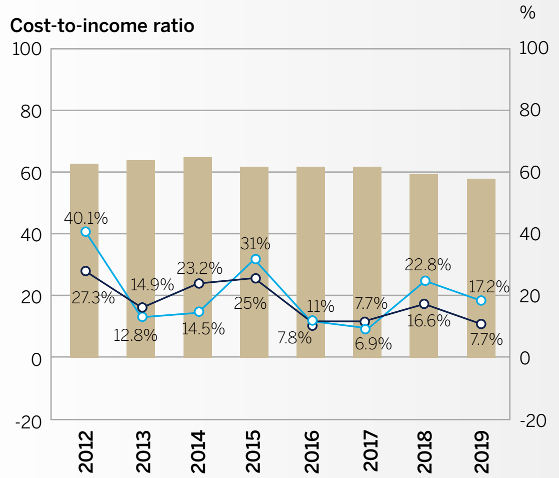
	2018
Current Accounts	8 728 506
Savings	385 052
Term Deposits	1 688 541

Loan-to-deposit ratio



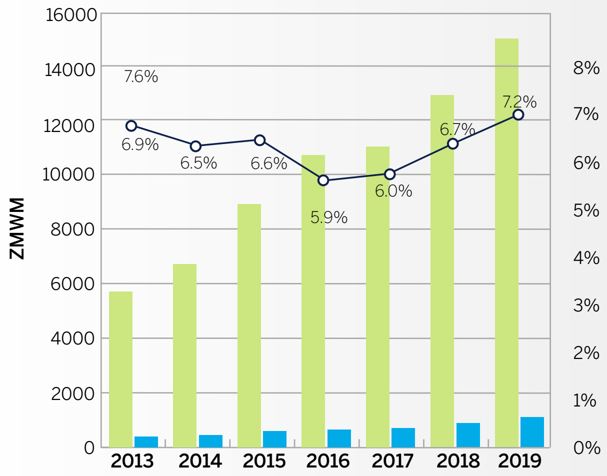
Net loans and advances
Deposits from customers
Loan-to-deposit ratio

Cost-to-income ratio



Cost-to-income ratio
Total income growth
Total cost growth

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



NII
Average Assets
NIM before impairment charges (%)

HIGHLIGHTS

↑ 21%

K433 million

PROFIT AFTER TAX

2018: K 359 million

Digital lending for personal customers

↑ 3%

K445 million

TOTAL DIRECT AND INDIRECT TAX CONTRIBUTION

2018: K 431 million

PERSONAL & BUSINESS BANKING

THE VALUE WE OFFER:

Relationship Banking

Commercial, Agri-business, Private & Executive

Direct Banking

Enterprise, Workplace Banking

Mwansa M Mutati - *Head of Personal & Business Banking*

Our core products and services cut across every business cycle and personal lifestyle stage – Current Accounts, Savings Accounts, Fixed Deposits, Mortgages, Personal and Commercial Loans, Vehicle and Asset Finance, Bancassurance as well as Card Products.

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.

OVERVIEW

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

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

It was important to continue to reinforce a sustainable operating model for our business that is based on retention of existing clients, achieving scale through continuous client acquisition supported by enhancements to our distribution channels. We reviewed our approach to relationship management to allow us to engage with clients on a more personal level. This positioned us well to understand their needs better and provide suitable solutions and the convenience required as they move through various stages of their financial life cycles.

In 2019, our execution focus was on leveraging the capability of our core banking system to deliver customer led product enhancements, capabilities and solutions to our increasingly sophisticated local and global clientele.

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

Our digital self-service fleet has been enhanced with the introduction of digital lending through our Internet Banking. We have also integrated to MTN Mobile Money, the largest mobile payments provider, to facilitate cross-platform payments for our customers and financial inclusion.

We introduced the Trader Stock Advance through partnerships with Fintechs such as Business Optics and Nomanini which allows us to increase our presence and therefore enhancing our financial inclusion.

We partnered with UnionPay International – the world's largest card issuer to promote ease of payments in trade and tourism industries as well as foster economic and social transformation in Zambia.

Insurance

Stanbic Insurance Brokers Zambia Limited is in full operation as a subsidiary of Stanbic Bank Zambia Limited making it the first bank in the country to receive an insurance broker's license from the Pensions and Insurance Authority (PIA). We are able to provide competitive insurance solutions for Life and/or Non-Life. Solutions available include Motor Comprehensive, Home owners, Marine Insurance, Group Life Assurance, Group Funeral Cover, Group Motor, Commercial Property, Goods in Transit, Group Medical and Crop Insurance (Farm Pack Policies).

Innovation

Our innovation landscape continues to stretch with the introduction of self-service access to personal loans. This solution will enhance 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 this, we are now taking the bank to the customer with our revolutionary remote account opening solution, which further enhances our customers experience from the first point of interaction.

CORPORATE & INVESTMENT BANKING

Our Purpose

We dream of Zambia realising her potential.

Our Vision

Aspire to be the leading corporate and investment banking business in, for and across Zambia, with a focus on sectors driving Zambia's growth.

Helen Lubamba - *Head of Corporate & Investment Banking*

Our Business

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 Clients

CIB has expertise in industry sectors most relevant to the growth and development of Zambia. We have long-standing experience in providing financial solutions to clients in real estate, power and infrastructure, mining and metals, manufacturing, telecommunications, consumer, public sector, oil and gas and agriculture.

Our commitment to partner with our clients on their journeys and to provide exceptional customer service is driven by our well-developed strategies that generate the returns desired. We continue to ensure that we remain customer centric, purposeful in our engagements and have a strong focus to deliver the basics brilliantly.

During the year, we closed Stanbic Bank Zambia's first ever Shari'ah structured transaction. The successful work done has opened opportunities in the Islamic business segment of our economy.

As a trusted advisor to various clients including the Government of Zambia, we concluded landmark deals including Public Sector financing of Zambia's 2019/2020 Fertilizer Input Support Program ('FISP'). This deal aims to enable small scale farmers to access inputs to support their contribution to the food basket and national food security.

We continue to drive Zambia's growth through supporting private entities and have successfully participated in issuing an Environmental Protection Guarantee. This deal will contribute to supporting continuous rehabilitation of land disturbed by quarrying as per the Mines and Minerals Act.

Under real estate financing, we financed the construction of a new mall in Lusaka. This transaction allowed Stanbic Bank to not only provide financing solutions but also add value to the national agenda by backing projects aimed at driving progressive and developmental initiatives, and meeting the national prosperity goal.

Through our Investment Banking Department, voted the Best Investment Bank in Zambia by Euromoney Awards of Excellence, we arranged and facilitated a loan from the International Finance Corporation (IFC). The purpose of the loan was to aid the growth of the loan book with emphasis on Women Owned Businesses, SME's, and Agriculture.

Together with our IT department, we developed and implemented an innovative collections solution for our government utilities. This solution is scalable and enables the bank to participate in government's drive to grow and collect non-tax revenue.

In collaboration with Standard Bank legal entities in Africa, we have signed up and extended facilities to new Oil Marketing Companies (OMCs). This is in line with growing our local corporates and being the leading financial solutions provider in, for and across Africa.

Our People

Our achievements throughout the year could not have been made without our people, who in 2019 have made a difference. To effectively deliver to our clients, we ensured that our people were not only aligned with a shared understanding of our purpose, vision and strategy but also fully empowered and confident to "Be More" and were recognised for delivering against our strategic objectives.

We continue to invest in building up our people with relevant capabilities required to meet our client's expectations and the changing environment in which we operate. Focus remains on creating a great place to work, where our people feel deeply connected with our purpose and our clients, and are given every opportunity to achieve their full potential

Risk and Conduct

The year has seen an even greater collaboration between the CIB and Risk teams. The outcomes of this collaboration continue to manifest and have included a low operational loss ratio and more importantly, a greater drive to ensure that operational issues that affect customers are dealt with more expediently by the two teams.

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 a team, the Global Markets Department pooled their resources to help Coptic Community School which is a non-profit organisation run by the Coptic Church.

Our passion for women's health and girl's education leads us to partner with with First Quantum Minerals (FQM) to support the Kansanshi Foundation's Jimuka (Be Clever) programme by providing reusable feminine hygiene products to pupils.

2020 and Beyond

Much like the global economy, Zambia has faced significant headwinds in 2019. In the face of the several highs and lows in the economy and the banking industry, our commitment to Zambia never wavered. We remain committed to providing a consistent and superior experience to our customers and to growing a sustainable business. Zambia is our home and we will continue to drive her growth.

CORPORATE & GOVERNANCE STATEMENT

Stanbic Bank Zambia Limited prides in its adherence to principles of good corporate governance which to date remain an integral part of its growth and existence. The Bank's governance framework is underpinned by detailed charters, policies and procedures which seek to fortify the best interests of all its spectrum of stakeholders.

Doris Tembwe - *Head Legal & Company Secretary*

Throughout the reporting period and as at the date of this statement, the Bank has adhered to practicing high standards of corporate governance and has maintained culture of strict compliance to all applicable laws. This statement sets out the key corporate governance practices of 2019 which include:

CONFLICT OF INTEREST

In keeping with the commitment to uphold the highest levels of integrity and in accordance with the well-established conflict of interest policy, all directors are required to disclose their business interests as a standing agenda item. At the beginning of each year, directors make standing declarations specifying matters of interest which could be areas of conflict.

Notwithstanding, wherever it is possible to provide additional disclosures that demonstrate the Board's and the Bank's commitment to a strong governance culture, these have been provided by the directors during each Board meeting and whenever the conflict arises.

ETHICS AND CONDUCT

During the year under review, the Bank made tremendous efforts to ensure that decisions and actions taken were within the parameters of the law and the Standard Bank 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, members of staff and to all operations of the Bank including its subsidiaries.

During the year, the Board was able to monitor the conduct of staff through the quarterly Conduct Report. The focus on ethics was imperative in retaining the trust and confidence of our stakeholders. Stanbic continues to ensure that the right business is conducted in the right way.

1. Board Leadership

1.1 The Role of the Board of Directors

The Board provides oversight and is responsible for guiding the strategic journey for the Bank 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, review of the performance of management and monitoring of compliance to laws and regulations applicable to the Bank. To enhance performance of its duties as well as ensuring that the Bank has adequate financial processes, operational and internal controls, the Board also created the Technology and Information Committee. This Committee has been mandated, to among others, review quarterly technology and information management reports, which routinely include updates on progress of major technology-related programmes, system stability, technology security; risk management and technology and information governance-related matters.

We are glad to report that in discharging its role, the Board was independent and 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 were distinct and held by two different individuals in the reporting year. This practice ensured that appropriate checks and balances with the corporate structure were maintained.

Dr. Austin Mwape as the Board Chairman continued to provided leadership on the Board. He presided over all meetings of the Board held during the year. In fulfilling his duty, he was responsible for setting the ethical tone for the Board and the Bank at large. As Chairman he set the agenda for board meetings thereby ensuring that adequate time was available for discussion of all agenda items. In addition, Dr Mwape ensures there is enough time to discuss strategic issues which has cultivated a good working relationship between the executives and non-executive directors.

In accordance with Directive 9 of the Bank of Zambia (BOZ) Corporate Governance Directives, Dr. Mwape chaired the Board Remuneration and Nomination Committee in 2019.

TABLE 1: OVERVIEW OF DIRECTORS INCLUDING DIVERSITY AND EXPERIENCE

	Austin **MWAPE**	Pindie **NYANDORO**	Leina **GABARAANE**	Luke **MBEWE**	Theodoros **KARNEZOS**	Mwindwa **SIAKALIMA**
Gender	Male	Female	Male	Male	Male	Male
Nationality	Zambian	Zimbabwean	Motswana	Zambian	Greek	Zambian
Appointment Date	Sept 2014	Dec 2018	Jan 2018	Sept 2014	Mar 2019	Aug 2019
Committee Membership*	REMCO (Chairman)	BRC REMCO BAC BTIC	BLRC	REMCO LLILBAC BLRC (Chairman)	BAC BLRC	#
Attendance at Planned Board Meetings	4/4	4/4	4/4	4/4	4/4	4/4
Attendance at adhoc Board Meetings	3/3	1/3	3/3	3/3	2/3	1/3
Attendance at Board Evaluations	1/1	1/1	1/1	1/1	1/1	1/1
Attendance at Planned Committee meetings	4/4	15/15	4/4	9/9	8/8	#
Mining						
Information Technology						
Finance & Economics	√			√	√	√
Banking	√	√	√			√
Legal		√		√		
Risk Management	√	√	√	√		√
Agriculture					√	
Business Administration	√	√	√	√	√	√

	Emmanuel **MUTATI**	Mwenzi **MULENGA**	Milangu **KAMPATA**	Bejoy **NETTIKADAN**	Helen **LUBAMBA**
Gender	Male	Female	Female	Male	Female
Nationality	Zambian	Zambian	Zambian	Indian	Zambian
Appointment Date	Oct 2015	Jun 2016	Dec 2017	Dec 2017	Dec 2017
Committee Membership*	BRC (Chairman) REMCO LLILBAC	BAC BTIC (Chairman) LLILBAC	BAC (Chairman) BRC LLILBAC	BAC BRC LLILBAC BTIC (Chairman)	#
Attendance at Planned Board Meetings	4/4	4/4	4/4	4/4	4/4
Attendance at adhoc Board Meetings	2/3	2/3	3/3	3/3	3/3
Attendance at Board Evaluations	x	1/1	1/1	1/1	x
Attendance at Planned Committee meetings	9/9	9/9	10/10	13/13	#
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
√ - Present
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;
* LLILBAC refers to Large Loans and Inside Binding Approving Committee

1.3 Role of the Company Secretary

The Company Secretary's role and function is centred around guiding the board as to their duties and responsibilities collectively and individually 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.

Mrs. Doris Tembwe is the Company Secretary of the Bank an appointment that was made by the Board thus ensuring 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 11 members, the majority of whom are non-executive and independent. As at the date of this report, the number of members decreased to 10 following the resignation by Ms. Mwenzi Mulenga in September 2019. In terms of skills, there is a good mix of skills, knowledge, experience and attributes of directors which ensures that the Board delivers on its duties. The current director's collective skills and experience ensures a balanced mix of attributes to the Board, including Banking, Economics, Accounting, Agriculture, Legal, Risk Management, Information Technology, Mining and Finance.

2.2 Board Meetings

In 2019, the Board held four regular and two special meetings. During these meetings, the Board was provided with necessary board documentation at least five business days prior to each of the scheduled meetings. The Board considered various matters which included overview of performance of the Bank, key challenges faced in the market as well as interventions to address the highlighted challenges.

In discharging its duties, the Board was assisted by six Committees namely:

Board Audit Committee (BAC)

The role of this committee is to assist the Board to review the Bank's financial position and safe guard its assets. This includes assessing the integrity and effectiveness of 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 held five meetings during 2019.

Board Remuneration and Nominations Committee (REMCO):

The Board Remuneration and Nominations Committee assists the Board by reviewing the recruitment process for Board, executives and key senior staff of the Bank. It establishes formal selection criteria for prospective directors and participates in the board evaluation process. Remco provides oversight of 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 in the Bank.

The REMCO is chaired by Dr. Austin Mwape and held four meetings during 2019.

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 risk including country risk. The BLRC was chaired by Mr. Luke Mbewe and held four meetings during the year under review.

Board Risk Committee (BRC)

The Committee provides oversight in the management of risks of the 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 management. The BRC receives formal and informal communication from the Chief Risk Officer.

The BRC was chaired by Mr. Emmanuel Mutati 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 insider lending within the Bank. It comprises a majority of non-executive directors.

The LLILBAC was chaired by Ms Mwenzi Mulenga until her exit in September 2019 and held three meetings during 2019.

Board Technology and Information Committee

This committee commenced its meetings in June 2019 following its formal establishment in 2018. 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 three meetings during 2019.

2.3 Board Evaluation

To assess the extent to which the Board remains true to its purpose, the board evaluation was conducted on 9 October 2019. 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 Board Chairman to ensure that matters related to the Bank are adequately considered.

2.4 Board Training

During the year under review, two board trainings were conducted to equip the board with knowledge and skills in various trending matters pivotal to successful implementation of the Bank strategy. The training included training in Risk Governance, Information Technology, Internal Capital Adequacy and Assessment Process, Internal Recovery Plan and the Risk Data Aggregation and Risk Reporting.

As part of the digitisation journey, two members of the Board Technology and Information Committee were exposed to training in technology through participating in a Board session in Namibia. Further in this journey, the Board introduced reverse mentorship to equip directors with various technology advancements.

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 the key stakeholders is maintained, the Bank utilised various platforms such as the Stanbic music festival, business engagement session through Anakazi Banking and other corporate social initiatives.

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 2019, the total gross remuneration paid to non-executive directors was K 3.7 million (2018:K 3.9 million).

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 2019.
- As required by Directive 23.7, the Bank has in place a code of ethics which was strictly complied with in the reporting period.

BOARD OF DIRECTORS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1. Dr. Austin Mwape

Board Chairman

APPOINTED TO THE BOARD ON 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.

2. 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, Swaziland, 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).

3. 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. He also a graduate of Harvard Advanced Management Program (AMP).

4. 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.

5. 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. He is also an advocate of the High Court of Zambia.

6. 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.

7. 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.

8. Ms. Milangu Kampata

Non-Executive Director

APPOINTED TO THE BOARD ON 18 DECEMBER 2017

Milangu is a qualified accountant with vast local and international, auditing, 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 fellow of Zambia Institute of Chartered Accountants (ZICA).She is also an ICSA graduate.

9. Ms. Mwenzi Mulenga

Non-Executive Director

APPOINTED TO THE BOARD ON 24 JUNE 2016

Ms. Mulenga is a seasoned lawyer and Advocate of the High Court of Zambia and holds an LLB (Hons) law degree from the University of London (London School of Economics). Her many years of legal experience and amassed knowledge and skills are indeed a welcome addition to the Board.

10. 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 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.

11. Mwindwa Siakalima

Executive Director

APPOINTED 14 AUGUST 2019

Mwindwa is a Chartered Accountant with a career spanning over 16 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).

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 Masters of Business Administration on International Banking and Finance from University of Birmingham. He also a graduate of Harvard Advanced Management Program (AMP).

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 Bank Zambia Limited 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 & Business Banking

Mwansa has over 20 years of Corporate and Retail Banking experience. Within Stanbic Bank Zambia Limited, 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 & Company Secretary

Doris is a qualified legal practitioner and a Banker who holds an LL.B from the University of Zambia 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 16 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 University of Zambia (UNZA).

7. Walubita Luwabelwa - Chief Compliance Officer

Walubita is a legal practitioner and accredited insolvency practitioner with specialty in compliance, governance and 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 LAZ, Compliance Institute of South Africa and Institute of Directors. Prior to joining Stanbic Bank, Walubita worked in private practice, academia and the broadcasting sector.

8. Wisdom Shanengeta – Chief Technology & 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 3 years. Prior to working for Stanbic, she worked for 14 years in the Corporate Banking sphere before moving to a career in Learning and Development and finally heading the Human Capital in Zambia. Her experience was in the coverage side of the business. Kasonde holds a Degree in Economics and a Master's Degree Development Finance.

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INFORMATION & TECHNOLOGY GOVERNANCE STATEMENT

Wisdom Shanengeta - *Chief Technology & Operations Officer*

The IT strategy continued to focus on delivering solutions which meet customers' needs. Apart from ensuring that IT services were available to clients at all times, incremental enhancements were made to our self-service channels to further empower customers to access banking services anywhere and at any time, these developments included ; instant access to personal loans via internet banking; ability to reissue ZESCO vouchers using the USSD channel; password reset on internet Banking as well as self-blocking of a debit card.

To remain true to our aspiration of becoming a universal financial services organization an imperative which is critical in a dynamic world driven by alliances of internet of things wherein banking is becoming a real-time transactions fulfilment hub that connects IT platforms with third-party providers of goods and services to the global ecosystem, we integrated MTN and Union Pay services. In terms of MTN for a solution to push and pull funds between the bank account and MTN e-wallet, whereas, for Union pay, to acquire Union Pay Cards (issued by Chinese Banks) on our Automated Teller Machines (ATMs) and POS devices. These services are incremental and complement already existing alliances with other strategic partners such as Zambia Electricity Supply Corporation (ZESCO), Zamtel, Lusaka Water and Sewerage Company (LWSC), National Road Fund Agency (NRFA) and many others.

In order to satisfy needs of customers who cannot physically come to the bank to open an account or enlist for bank assurance services, we enabled our customer consultants to visit such clients at their premises or work places to remotely and instantly onboard such customers as well as to instantly issue them with a debit card in the comfort of their suites. Similarly, a mobile branch mounted on a truck fitted with an ATM was procured and configured to go to any location serviced by internet connection to provide full-fledged banking services. The foregoing initiatives are summed up in the adage "the customer no longer needs to come to the bank; the bank goes where the customer is".

Furthermore, we made tangible progress in responding to immediate and future demands being influenced by cloud computing, big data, artificial intelligence, intelligent automation and robotics. Our staff are being trained to acquire the new skill sets related to these demands, I am glad to report that as part of intelligent automation, several robots have been built and others are still being designed and tested. From a cloud hub perceptive, Standard Bank Group has decided to work with Amazon Web Services and Microsoft Azure as partners in this undertaking. This is expected to allow for high automation of banking services and instant gratification to clients while reducing the costs of investing in huge data centres.

From an IT system resilience point of view in the face of all the cited technological advancements, we successfully tested our disaster recovery capabilities and continue to invest in cyber security measures to secure our customers' personal data and to protect them against cyber risks when accessing banking services electronically. Education and tips around looking out for possible phishing scums are occasionally shared with customers as they interact with our IT platforms.

IT Governance

In keeping with international standards of good governance on Information and Technology we adopted the Ways of Work (WOW) approach in managing change. This agile way of delivering change harnesses the efforts of multidisciplinary teams across the bank to achieve swift implementation of change. To institutionalise governance around WOW, legacy policies and standards are being replaced with "Play Books" which emphasises what is changing or being changed rather than the method around how the change is being implemented.

Because of the discipline of WOW being cross functional, staff from different departments of the bank together with IT staff are all being trained in WOW capabilities.

Furthermore, due to the strategic nature of information technology in the new age, Stanbic introduced a Board Technology & Information Committee (BTIC) to provide oversight on technology and information strategy. Before introduction of this committee, Information and Technology related matters were reported in the Board Risk Committee. The current construct has given Board the much-needed singular focus on IT strategy tracking.

The necessity of such oversight is even more pronounced because of extensive legislation around data protection and cyber security being driven by regulators and acts of parliaments both locally and internationally.

BTIC provides oversight on all matters relating to Information technology strategy, Planning, Investment, technological risk and security, human resources, project approval and prioritisation. It further ensures that the IT strategy is fit for purpose and adequately adopted by all business units and corporate functions.

SUSTAINABILITY REPORT

As a Bank we say, Zambia is our home and we drive her growth. Driving this growth is not just financing iconic deals in the different key economic growth sectors in Zambia. It is not just about how many accounts we open and how many Small and Medium Enterprises (SMEs) bank with us. Driving this growth is also the changes we make in the communities we operate in. It's the impact we have on the lives of the underprivileged. It's the life saved through a health project we have sponsored. It's the child educated through a school we have built. It's also the financial decision made by an entrepreneur through the Financial Literacy sessions we have held.

Every year the Bank invests 1% of its profits to Corporate Social Investments. In 2019, we continued to invest in key areas of Zambia's socio-economic spectrum:

STANBIC BUY-A-BRICK PROJECT

Stanbic Bank Zambia has set out to improve the livelihoods of vulnerable families with the launch of an innovative Buy-A-Brick campaign by President Edgar Chagwa Lungu. The initiative being run in partnership with the People's Process on Housing and Poverty in Zambia, The Zambia Homeless and Poor Peoples Federation, Slum Dwellers International and The Ministry of Housing and Infrastructure Development is aimed at creating a platform on which various stakeholders can come together and help low income households have easier access to decent housing. The Buy-A-Brick campaign also seeks to investigate alternative building methods that would lower the cost of housing to accelerate the country's progress toward eliminating the housing deficit – which stands at 1.5 million units and is projected to double according to a UN Habitat study reported.

ANAKAZI BANKING

Anakazi Banking Zambian Women of the Year Awards:

On March 7th, 2019 Stanbic bank successfully hosted the inaugural Anakazi Banking Zambian Women of the Year Awards in partnership with the Zambian Women of the Year Awards that have successfully hosted these awards for 5 consecutive years. 15 women were awarded in different categories.

Anakazi Banking

Entrepreneurial Sessions: Copperbelt and Livingstone

Stanbic Bank held the first Copperbelt and Southern Province edition of the Anakazi Banking Entrepreneurial Session. The three-day entrepreneurial Training focused on negotiation skills, financials, leadership and networking. The training is derived from the Women's Proposition second pillar access to knowledge, with the aim to equip today's enterprising women. Officiating at the event on the Copperbelt was the Provincial Minister of the Copperbelt.

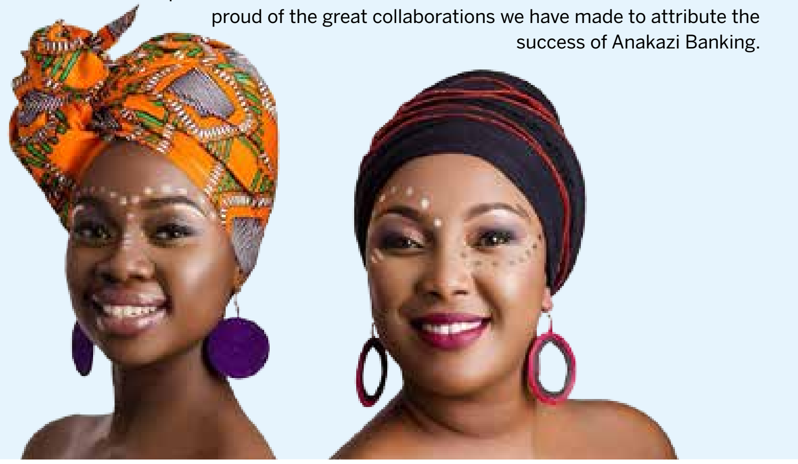
Anakazi Business Trip of the Year:

Stanbic Bank through Anakazi Banking successfully hosted the first Anakazi Banking business trip of the year. The destination last year was Dubai, at the Dubai World Trade Centre. The Entrepreneurs attended the Organic Expo. The duration of the trip was from 18th - 22nd November 2019, travelling was a total of 20 businesses. The trip is a chance of life time where we accord lucky female entrepreneurs an opportunity to attend a business training abroad on how to run successful enterprises, they are mentored by the very best trainers with the expertise on entrepreneurship.

Financial Alliance for Women: Paris

Stanbic bank participated in the 2019 July summit in Paris France. The year's summit theme was "Building Resilience Through Inclusion". It is the only conference of its kind focusing exclusively on the power of the women's market.

The Financial Alliance for Women summit is the seminal and most comprehensive event for women's financial inclusion in the world. We are proud of the great collaborations we have made to attribute the success of Anakazi Banking.



FIRST LADY FOR A DAY / JUNIOR ACHIEVERS

Stanbic Bank hosted the annual career mentorship programme with Junior Achievement which has been running since 2007. The target segment is secondary school going students who are academically promising but coming from underprivileged backgrounds. The students are drawn from Government run schools from all 10 provinces of Zambia. In 2019, the programme was hosted in August and brought together 60 students who are all living with disabilities. They were mentored by our staff and underwent job shadowing at Stanbic Head Office. The student then spent time at State House where they were mentored by the First Lady, Mrs Esther Lungu.

HABITAT FOR HUMANITY

Two years ago, Stanbic Bank signed a Memorandum of Understanding with Habitat for Humanity Zambia (HFHZ) as a corporate sponsor in providing low cost housing to vulnerable families in Zambia. The partnership has seen two vulnerable families benefit with decent shelter annually. The first family to benefit from this partnership was the Sakala family of Ng'ombe Township in Lusaka. The Sakala's and their ten (10) grandchildren had lived in tents for six (6) years before Stanbic stepped in. Stanbic staff spent time with the Sakala family and took part in the building of their new home. 5 other families have benefited with new houses in this project.

NAPSA STARS FC sponsorship

During the year 2019, Stanbic Bank announced the kit sponsorship of the NAPSA Stars Football Club for 2019/2020 football season. Present at the sponsorship announcement event was the Bank's Chief Executive Leina Gabaraane, NAPSA Director General Yollard Kachinda and NAPSA Stars FC Board Chairperson Stanley Zingani Phiri who were both delighted with the gesture.

STANBIC BANK & IFC MOU

The Bank was delighted to sign an MOU with the International Finance Corporation (IFC) for an investment that will help Stanbic Bank expand its lending to Small and Medium Enterprises,Agriculture and Women. At least 25% of the loans are earmarked for women-owned businesses in Zambia. Attending the signing ceremony was the IFC Regional Director for Southern Africa, Kevin Njiraini.

STANBIC INSTANT LOAN LAUNCH

The Bank launched the first of its kind digital loan for customers. This new innovation allows online personal loan applications for those with existing approved facilities at their convenience through internet banking.

Customers can register for Online Banking to enjoy this benefit by visiting www.stanbicbank.co.zm.

I Go Zambia Launch

To cement trade ties, boost investment flows and encourage tourism between China and Zambia, Stanbic Bank Zambia and the Industrial Commercial Bank of China (ICBC) have launched the 'I Go Zambia' loyalty programme in partnership with UnionPay International – the world's largest card issuer. The I Go Zambia initiative was launched at an event at which Zambia's Minister of Tourism and Arts Hon. Ronald Chitotela and Chinese Ambassador to Zambia His Excellency Li Jie were represented. Under this initiative ICBC card holders in Zambia will enjoy exclusive discounts on tours, shopping, restaurants and so on. Similarly, Stanbic Bank card holders will enjoy same benefits in China.

RISK MANAGEMENT

Risk management is the process of identifying, assessing and controlling threats to the Bank's capital, liquidity and earnings on a continuing basis and is overseen by the Bank's management committees with the involvement of the business units. These threats stem from a wide variety of sources, including changing economic conditions, financial uncertainty, legal liabilities, strategic management errors, accidents and natural disasters. The threats are viewed on both a current and forward basis covering both normal and stressed conditions.

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

RISK MANAGEMENT

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 is key in successful implementation of an effective risk management plan. The Bank has organised its Risk Management Framework in line with the three lines of defence. This approach ensures clear independence and challenge between business units while ensuring effective collaboration in attaining the Bank overall strategy as well as separation of risk management duties. The approach provides clear distinction between:

1. *Functions that own and manage risks*
2. *Functions that oversee risks*
3. *Functions that provide independent assurance as to the effectiveness of risk management*

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

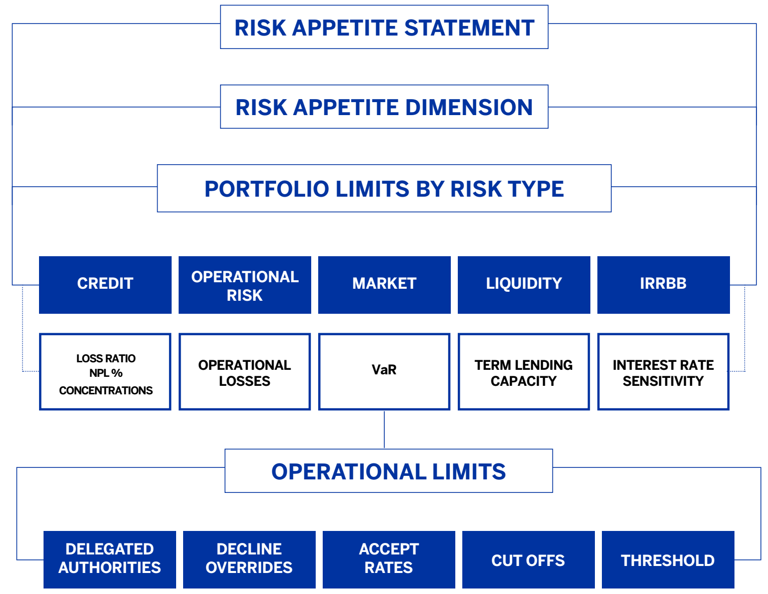
The Board achieves this through delegation to Board sub committees which include the Board Loans Review Committee, Board Risk Committee and Board Audit Committee. Day to day risk management is delegated to the Executive Committee (EXCO) and its sub committees which include the Credit Risk Management Committee, Risk Oversight Committee and Assets and Liabilities Committee (ALCO).

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

Risk appetite is an expression of the maximum level of risk that the Bank is prepared to accept in order to deliver its business objectives. The Bank's risk appetite statement defines the bank-level risk tolerance.

The concepts of risk appetite, risk tolerance and risk capacity are operationalised through the specification of a Risk Appetite Statement, which is made up of risk appetite dimensions. These dimensions may be either qualitative or quantitative.



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. These include 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 rate 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

Liquidity risk: The risk that a bank, although balance sheet solvent, cannot maintain or generate sufficient 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.

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

The 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 sufficient 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:
- The internal allocation of capital;
- The 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 the Bank 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 a number of 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.

Stress testing within The Bank 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 financial statements for the year ended 31 December 2019, which disclose the state of affairs of the Bank and its subsidiaries (together 'Stanbic Group'). The financial statements are expressed in Kwacha, the currency of Zambia, rounded to the nearest thousand.

Principal activities

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

In the opinion of the directors, all the material activities of Stanbic Group fall within the financial services sector.

Share capital

Stanbic 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

	2019	2018
	K'000	K'000
Net interest income	**1 126 755**	890 759
Net fee and commission income	**391 011**	367 328
Trading income	**236 910**	245 468
Profit for the year	**432 801**	358 814

During the year no dividend was paid (2018: K 100 m).

Developments during the year

The ATM footprint closed at 99 for the year (2018: 92 ATMs).

The total remuneration of employees for the year amounted to ZMW 488 763 000 (2018: ZMW 427 916 000) and the average number of employees was as follows:

Month	Number	Month	Number
January	720	July	710
February	719	August	712
March	673	September	710
April	693	October	708
May	710	November	705
June	710	December	705

Stanbic 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 Stanbic Group made donations of K 4 134 080 (2018: K3 017 757) to various charitable organisations and events.

Property and equipment

Stanbic Group purchased property and equipment which amounted to K 35 448 000 (2018: K 17 602 000) during the year as disclosed under Note 13 of 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, Stanbic Group did not conduct research and development activities (2018: 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 81 and 82 the Banking and Financial Services Act of Zambia.

Risk management and control

Stanbic 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, Loan Review and Risk Committees carry out independent reviews to ensure compliance with financial and operational policies.

Compliance function

Stanbic 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

Stanbic 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. Mwape	*Chairman*
L. Gabaraane	*Chief Executive*
B. Nettikadan	*Non- Executive*
E. Mutati	*Non-Executive*
L. Mbewe	*Non-Executive*
M. Kampata	*Non-Executive*
M. Mulenga	*Non- Executive (retired 30 September 2019)*
H. Lubamba	*Head of CIB*
P. Nyandoro	*Regional Chief Executive*
M. Siakalima	*Chief Financial Officer (appointed 14 August 2019)*
T. Karnezos	*Non-Executive (appointed 5 March 2019)*

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
20 March 2020

DIRECTORS' RESPONSIBILITIES 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 2019, 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 20 March 2020 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 Group and Bank") set out on pages 39 to 105 which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Stanbic Bank Zambia Limited as at 31 December 2019, and 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 Group and Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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.

The key audit matters set out below relate to our audit of both the consolidated and the separate financial statements.

Impairment of loans and advances to customers	
See 3.4 loans and advances accounting policy, note 4.1 credit risk section of the financial risk management disclosures, note 5.1 key sources of estimates and uncertainty and note 10 loans and advances.	
Key audit matter	***How the matter was addressed***
Loans and advances comprise a large portion of the Group and Bank's assets, and significant judgment is applied in determining the impairment provision. 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 judgment include: • 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; 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.	Our procedures included amongst others: 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 sent to the modelling centre as per the asset book against the modelled results as per the model. • 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 by comparing the Bank's assumptions to externally available information. • For credit impaired assets classified as stage 3, we assessed the expected cash flows and the valuation of the collateral held, and challenged management as to whether valuation of collateral was up-to-date and appropriate for the purpose of the impairment calculation. • We evaluated compliance of the models with IFRS 9 modelling principles applied using independent models and the compared the PD, EAD, LGD, SICR against independent data inputs. • We assessed the adequacy of the disclosure made in the financial statements in accordance with the requirements of IFRS 9 Financial Instruments.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of Zambia and the Directors' responsibilities in respect of the preparation of the consolidated and separate financial statements and all other information included in the Annual Report 2019. 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 on the other information, 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 and 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 judgment and maintain professional skepticism 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 Group's and 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 consolidated and separate 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 consolidated and separate 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 Bank; 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 Chartered Accountants | **26 March 2020**

KPMG

Maaya Chipwayambokoma | **AUD/F000861**

Partner signing on behalf of the Firm

Consolidated and separate statement of financial position

(as at 31 December 2019)

	Note	Group 2019 ZMW '000	Group 2018 ZMW '000	Bank 2019 ZMW '000	Bank 2018 ZMW '000
Assets					
Cash and balances with the Central Bank	6	**2 035 922**	1 521 749	**2 035 922**	1 521 749
Cash and cash equivalents	6.1	**3 582 220**	4 584 968	**3 582 220**	4 584 968
Derivative assets	7	**75 728**	35 093	**75 728**	35 093
Trading assets	8	**1 177 399**	799 282	**1 177 399**	799 282
Financial investments	9	**1 893 416**	1 645 541	**1 893 416**	1 645 541
Loans and advances to customers	10	**5 439 335**	5 261 003	**5 450 252**	5 277 874
Other assets	11	**180 224**	318 452	**180 224**	317 178
Interest in subsidiary companies	12	**-**	-	**79 307**	79 307
Property, equipment and right of use asset	13	**346 428**	328 800	**266 527**	172 365
Intangible asset	14	**257 010**	280 890	**257 010**	280 890
Deferred taxation asset	19	**164 360**	118 411	**164 360**	118 411
Total assets		**15 152 042**	14 894 189	**15 162 365**	14 832 658
Equity and liabilities					
Equity		**2 053 000**	1 626 046	**1 961 798**	1 556 279
Ordinary Share Capital	15	**416 000**	416 000	**416 000**	416 000
Reserves	15	**1 637 000**	1 210 046	**1 545 798**	1 140 279
Liabilities		**13 099 042**	13 268 143	**13 200 567**	13 276 379
Derivative liabilities	7	**15 771**	37 161	**15 771**	37 161
Trading liabilities	18	**1 496 225**	1 352 474	**1 496 225**	1 352 474
Deposits and current accounts	17	**10 951 410**	11 278 050	**10 980 333**	11 289 638
Deposits from banks	17	**456 370**	475 951	**456 370**	475 951
Deposits from customers	17	**10 495 040**	10 802 099	**10 523 963**	10 813 687
Current taxation liability	19	**76 364**	6 761	**75 446**	6 151
Other liabilities	20	**308 191**	376 291	**381 711**	373 549
Subordinated debt	21	**251 081**	217 406	**251 081**	217 406
Total equity and liabilities		**15 152 042**	14 894 189	**15 162 365**	14 832 658

The financial statements on pages 39 to 105 were approved for issue by the Board of Directors on 20 March 2020 and are signed on its behalf by;

Chairman

Chief Executive

MNtcampucke

Director

Company Secretary

The notes on pages 44 to 105 are an integral part of these financial statements.

Consolidated and separate statement of profit or loss and other comprehensive income

(for the year ended 31 December 2019)

	Note	Group 2019 ZMW '000	Group 2018 ZMW '000	Bank 2019 ZMW '000	Bank 2018 ZMW '000
Net interest income		**1 126 755**	890 759	**1 116 422**	893 006
Interest income	24.1	**1 373 042**	1 075 868	**1 375 758**	1 078 115
Interest expense	24.2	**(246 287)**	(185 109)	**(259 336)**	(185 109)
Non-interest income		**636 632**	613 980	**612 026**	617 048
Fee and commission income	24.3	**391 011**	367 328	**366 778**	357 517
Trading income	24.4	**236 910**	245 468	**236 910**	245 468
Other income	24.5	**8 711**	1 184	**8 338**	14 063
Operating income		**1 763 387**	1 504 739	**1 728 448**	1 510 054
Credit impairment charges	24.6	**(105 872)**	(44 888)	**(105 872)**	(44 888)
Operating expenses		**(980 043)**	(890 390)	**(973 823)**	(900 663)
Staff costs	24.7	**(488 763)**	(427 916)	**(488 763)**	(427 916)
Other operating expenses	24.8	**(491 280)**	(462 474)	**(485 060)**	(472 747)
Profit before income tax		**677 472**	569 461	**648 753**	564 503
Income tax expense	25	**(244 671)**	(210 647)	**(237 387)**	(206 898)
Profit for the year		**432 801**	358 814	**411 366**	357 605
Other comprehensive income, net of income tax					
Items that may subsequently be reclassified to profit and loss					
	25	**(6 288)**	(8 879)	**(6 288)**	(8 879)
Net change in debt financial assets measured at fair value through other comprehensive income		**(15 416)**	(15 310)	**(15 416)**	(15 310)
Deferred tax on change in fair value		**5 902**	6 636	**5 902**	6 636
Net change in expected credit losses		**3 226**	(205)	**3 226**	(205)
Total comprehensive income		**426 513**	349 935	**405 078**	348 726

The notes on pages 44 to 105 are an integral part of these financial statements.

Statement of changes in equity

(for the year ended 31 December 2019)

Group	Note	Share capital ZMW'000	Statutory reserves ZMW'000	Credit risk reserve ZMW'000	Share based payment reserve ZMW'000	Fair Value Through Other Comprehensive Incom Reserve ZMW'000	Revaluation reserve ZMW'000	Retained earnings ZMW'000	Total equity ZMW'000
Balance at 1 January 2018		416 000	7 700	58 336	645	6 525	94 594	797 098	1 380 898
Total comprehensive income for the year									
Profit for the year		-	-	-	-	-	-	358 814	358 814
Other comprehensive income, net of income tax	25	-	-	-	-	(8 879)	(818)	818	(8 879)
Net change in fair value		-	-	-	-	(15 515)	-	-	(15 515)
Deferred tax on change in fair value		-	-	-	-	6 636	-	-	6 636
Transfer of realised revaluation surplus to retained earnings	25	-	-	-	-		(818)	818	-
Total comprehensive income		-	-	-	-	(8 879)	(818)	359 632	349 935
Increase in credit risk reserve	15	-	-	148 475	-		-	(148 475)	-
Transactions with owners of the Bank									
Contributions and distributions									
Dividend paid								(100 000)	(100 000)
Share based payment transactions		-	-	-	223	-	-	(5 010)	(4 787)
Total contribution and distributions by owners		-	-	-	223	-	-	(105 010)	(104 787)
Balance at 31 December 2018		416 000	7 700	206 811	868	(2 354)	93 776	903 245	1 626 046
Balance at 1 January 2019		**416 000**	**7 700**	**206 811**	**868**	**(2 354)**	**93 776**	**903 245**	**1 626 046**
Total comprehensive income for the year									
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**432 801**	**432 801**
Other comprehensive income, net of income tax		**-**	**-**	**-**	**-**	**(6 288)**	**(818)**	**1 259**	**(5 847)**
Net change in fair value	**25**	**-**	**-**	**-**	**-**	**(12 190)**	**-**	**-**	**(12 190)**
Deferred tax on change in fair value		**-**	**-**	**-**	**-**	**5 902**	**-**	**-**	**5 902**
Transfer of realised revaluation surplus to retained earnings		**-**	**-**	**-**	**-**	**-**	**(818)**	**818**	**-**
Deferred tax on revaluation surplus	**25**	**-**	**-**	**-**	**-**	**-**		**441**	**441**
Total comprehensive income		**-**	**-**	**-**	**-**	**(6 288)**	**(818)**	**434 060**	**426 954**
Increase in credit risk reserve	**15**	**-**	**-**	**(41 545)**	**-**	**-**	**-**	**41 545**	**-**
Transactions with owners of the Bank									
Contributions and distributions									
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**

The notes on pages 44 to 105 are an integral part of these financial statements.

Statement of changes in equity

(for the year ended 31 December 2019)

Bank	Note	Share capital ZMW'000	Statutory reserves ZMW'000	Credit risk reserve ZMW'000	Share based payment reserve ZMW'000	Fair Value Through Other Comprehensive Income Reserve ZMW'000	Revaluation reserve ZMW'000	Retained earnings ZMW'000	Total equity ZMW'000
Balance at 1 January 2018		416 000	7 700	58 336	645	6 525	22 860	800 274	1 312 340
Total comprehensive income for the year									
Profit for the year		-	-	-	-	-	-	357 605	357 605
Other comprehensive income, net of income tax	25	-	-	-	-	(8 879)	(818)	818	(8 879)
Net change in fair value		-	-	-	-	(15 515)	-	-	(15 515)
Deferred tax on change in fair value		-	-	-	-	6 636	-	-	6 636
Transfer of realised revaluation surplus to retained earnings	25	-	-	-	-		(818)	818	-
Total comprehensive income		-	-	-	-	(8 879)	(818)	358 423	348 726
Increase in credit risk reserve	15	-	-	148 475	-		-	(148 475)	-
Transactions with owners of the Bank									
Contributions and distributions									
Dividend paid								(100 000)	(100 000)
Share based payment transactions		-	-	-	223	-	-	(5 010)	(4 787)
Total contribution and distributions by owners		-	-	-	223	-	-	(105 010)	(104 787)
Balance at 31 December 2018		416 000	7 700	206 811	868	(2 354)	22 042	905 212	1 556 279
Balance at 1 January 2019		**416 000**	**7 700**	**206 811**	**868**	**(2 354)**	**22 042**	**905 212**	**1 556 279**
Total comprehensive income for the year									
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**411 366**	**411 366**
Other comprehensive income, net of income tax	**25**	**-**	**-**	**-**	**-**	**(6 288)**	**(818)**	**1 259**	**(5 847)**
Net change in fair value	**25**	**-**	**-**	**-**	**-**	**(12 190)**	**-**	**-**	**(12 190)**
Deferred tax on change in fair value		**-**	**-**	**-**	**-**	**5 902**	**-**	**-**	**5 902**
Transfer of realised revaluation surplus to retained earnings		**-**	**-**	**-**	**-**	**-**	**(818)**	**818**	**-**
Deferred tax on revaluation surplus	**25**	**-**	**-**	**-**	**-**	**-**		**441**	**441**
Total comprehensive income		**-**	**-**	**-**	**-**	**(6 288)**	**(818)**	**412 625**	**405 519**
Increase in credit risk reserve	**15**	**-**	**-**	**(41 545)**	**-**	**-**		**41 545**	**-**
Transactions with owners of the Bank									
Contributions and distributions									
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**

The notes on pages 44 to 105 are an integral part of these financial statements.

Consolidated and separate statement of cash flows

(for the year ended 31 December 2019)

Group and Bank	Note	2019 ZMW'000	2018 ZMW '000
Cash flow from operating activities			
Cash receipts from customers	26.2	**1 808 295**	1 544 555
Cash paid to customers, employees and suppliers	26.3	**(1 060 402)**	(941 351)
Cash flows from operating activities	26.1	**747 893**	603 204
Changes in operating funds			
Change in income-earning assets	26.4	**(1 155 906)**	175 637
Change in deposits and other liabilities	26.5	**(272 379)**	2 891 981
Cash flows used in operating activities		**(1 428 285)**	3 067 618
Income tax paid	26.6	**(214 674)**	(386 284)
Net cash generated from operating activities		**(895 066)**	3 284 538
Cash flows from investing activities			
Acquisition of property and equipment (expanding operating capacity)	13	**(35 448)**	(17 602)
Principal element of lease payments		**(25 743)**	-
Proceeds from disposal of property and equipment		**2 534**	699
Net cash used in investing activities		**(58 657)**	(16 903)
Cash flows from financing activities			
Dividend paid		**-**	(100 000)
Net cash flows from financing activities		**-**	(100 000)
(Decrease)/Increase in cash and cash equivalents		**(953 723)**	3 167 635
Effect of exchange rate fluctuations		**15 973**	75 703
Cash and cash equivalents at start of the year		**5 463 482**	2 220 144
Cash and cash equivalents at end of the year	26.7	**4 525 732**	5 463 482

The notes on pages 44 to 105 are an integral part of these financial statements.

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

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". The Bank 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 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.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items :

- financial assets classified at fair value through OCI and Fair Value Through Profit or Loss (FVTPL) are measured at fair value; and
- buildings are accounted using the revaluation model

2.3 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.

2.4 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:

a) IFRS 9 Financial Instruments (amendment) (IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income.
The amendment is required to be applied retrospectively. This change had no impact on the Group.

b) IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

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

c) Annual improvements 2015-2017 cycle

The IASB has issued various amendments and clarifications to existing IFRS. None of the changes had a significant impact on the financial statements.

d) IAS 1 Presentation of Financial Statements (IAS 1) and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments will be applied prospectively.

e) IFRS 16 Leases

Background

IFRS 16 with effect from 1 January 2019, replaced IAS 17 as well as the related interpretations. IFRS 16 introduced a single lease accounting model for lessee which impacted the Group's results upon transition and materially impacted the Group's accounting policies for lessees. The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, as was required by IAS 17, and introduces a single lessee accounting model, where a right of use (ROU) asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors, as a result the accounting policies applicable to the group as a lessor are not different from those under IAS 17.

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

2. Basis of accounting (continued)

2.4 Changes in accounting policies (continued)

e) IFRS 16 leases (continued)

Adoption and transition
The Group retrospectively adopted IFRS 16 on 1 January 2019 and, as permitted by IFRS 16, did not restate its comparative financial results. Accordingly, the Group's previously reported financial results up to 31 December 2018 are presented in accordance with the requirements of IAS 17 and for 2019, and future reporting periods, are presented in terms of IFRS 16. On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. This incremental borrowing rate was calculated for each legal entity in the Group utilising the internal funding rate of each entity. Right of Use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

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

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

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

The Group's leasing activities and how these are accounted for:
The Group leases various branch, Automated Teller Machine (ATM) spaces and a land lease. Rental contracts are typically made for fixed average periods no longer than five years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From 1 January 2019, all existing operating leases, which were either not less than 12 months or not deemed a low value asset, were recognised as a right of use asset and a corresponding lease liability.

2.4 Changes in accounting policies (continued)

e) IFRS 16 leases (continued)
The Group has elected not to restate its comparitive results thus comparability will not be achieved as the comparitve year has been prepared under IAS 17.

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

IFRS 16 key financial impacts
The single lessee accounting model which comprises IFRS 16's material impact for the Group resulted in an increase of ZMW 42 million for the Group in total assets and total liabilities (Bank : ZMW 123 million increase in total assets and total liabilities).

The total undiscounted operating lease commitments as at 31 December 2018 amounted to ZMW 58 million for the Group (Bank : ZMW 145 million). The difference with the respective transition lease liability primarily relates to discounting the operating lease commitments balance at the Group's weighted average incremental borrowing rate.

Group	31 December 2018	IFRS 16 transition	1 January 2019
Assets			
Property, equipment and right of use asset	328 800	**41 598**	**370 398**
Total assets	14 894 189	**41 598**	**14 935 787**
Equity and liabilities			
Equity	1 626 046	**-**	**1 626 046**
Liabilities	13 268 143	**41 598**	**13 309 741**
Total equity and liabilities	14 894 189	**41 598**	**14 935 787**

Bank	31 December 2018	IFRS 16 transition	1 January 2019
Assets			
Property, equipment and right of use asset	172 365	**122 738**	**295 103**
Total assets	14 832 658	**122 738**	**14 955 396**
Equity and liabilities			
Equity	1 556 279	**-**	**1 556 279**
Liabilities	13 276 379	**122 738**	**13 399 117**
Total equity and liabilities	14 832 658	**122 738**	**14 955 396**

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

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.

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

3. *Significant accounting policies (continued)*

3.1 Basis of consolidation (continued)

3.1.4 Subsidiaries **(continued)**
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 date of the transaction. 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, except for differences arising on the translation of available for- sale equity instruments which are recognised in other comprehensive income.

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

(as at 31 December 2019)

3. Significant accounting policies (continued)

3.4 Financial assets and financial liabilities (continued)

IFRS 9 - accounting policies for financial instruments

Financial assets

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.

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 (credit impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • default • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

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.

3. Significant accounting policies (continued)

3.4 Financial assets and financial liabilities (continued)

Reclassification

Reclassifications of debt financial assets are permitted when, and only when, the group changes it s business model or managing financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:

- Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments
- The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying value
- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI
- The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying value with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying value
- The carrying value of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value
- The carrying value of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the income statement at thedate of reclassification.

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

(as at 31 December 2019)

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 non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes. If the terms are not substantially different for financial assets or financial liabilities, the 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 non-interest 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.

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 andust 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 intial 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

(as at 31 December 2019)

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.

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

(as at 31 December 2019)

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 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 and IAS 17 - 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.

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.	
IAS 17 - lessee accounting policies		
Leases, where the group assumes substantially all the risk and rewards incidental to ownership, are classified as finance leases	The leased asset is capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments together with an associated liability to the lessor. Refer to non-financial assets accounting policy for the treatment of the leased asset. Lease payments less the interest component, which is calculated using the interest rate implicit in the lease or the group's incremental borrowing rate, are recognised as a capital repayment which reduces the liability to the lessor.	A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.
Operating leases All leases that do not meet the criteria of a financial lease are classified as operating leases.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under operating leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. Contingent rentals are expensed as they are incurred. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.

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.

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.

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

3. Significant accounting policies (continued)

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.

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
Income is derived substantially from the business of banking and related activities and comprises net interest income fee and commission income and net trading income.

(a)Net interest income
Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on available-for-sale investment securities calculated on an effective interest basis;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period that the hedged cash flows affect interest income/ expense; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the statement of profit or loss and other comprehensive 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 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.

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

3. Significant accounting policies (continued)

3.15 Income (continued)

(b) Fee and commission income

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

Other fees and commission income, including account servicing fees, investment management fees sales commission, placement fees and syndication fees are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(c) Trading income

Trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest and foreign exchange differences.

3.16 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Loans and advances to customers include:

- those classified as loans and receivables;
- those designated as at fair value through profit or loss; and
- finance lease receivables.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. When the Group chooses to designate the loans and advances as measured at fair value through profit or loss as described in note 3.4, they are measured at fair value with fair value changes recognised immediately in profit or loss.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

3.17 Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading asssets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transactions costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their intial recognition,except that non-derivative trading assets,other than those designatied at fair value through profit or loss on initial recognition, may be reclassified out of the fair value through profit or loss-i.e trading category-if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met :

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in rare circumstances

3. Significant accounting policies (continued)

3.18 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.

3.19 Investment securities

Investment securities are initially measured at fair value plus in the case of investment not at direct transaction costs, and subsequently accounted for depending on their classification as either amortised cost or fair value through other comprehensive income.

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

3. Significant accounting policies (continued)

3.20 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 2019 and have not been applied in preparing these annual financial statements.

Title: IFRS 3 Business Combinations (amendment)

Effective date: 1 January 2020 with earlier application permitted
The amendments clarify 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 is not expected to have a material impact on the group.

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

Effective date: 1 January 2020 with earlier application permitted
Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendment is not expected to have a material impact on the group.

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

Effective date: deferred the effective date for these amendments indefinitely until further notice
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 17 Insurance Contracts

Effective date: 1 January 2021 (proposed deferral to 1 January 2022) with earlier application permitted
This standard replaces IFRS 4 Insurance Contracts which provided entities with dispensation to account for insurance contracts (particularly measurement) using local actuarial practice, resulting in a multitude of different approaches.

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

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 standard will be applied retrospectively. The amendment is not expected to have a material impact on the group.

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.

The Group has exposure to the following risks from financial instruments:
- Credit risk;
- Market risk; and
- 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.

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

4. Financial risk management (continued)

4.1 Credit risk (continued)

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.

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).

4. Financial risk management (continued)

4.1 Credit risk (continued)

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:

Year ended 31 December 2019

Group – Maximum exposure to credit risk

Loans and advances at amortised cost	Total ZMW 000	Stage 1 ZMW '000	Stage 2 ZMW '000	Stage 3 ZMW '000
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: Total 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 measured at amortised cost				
Gross carrying amount	**1 758 687**	**165 792**	**1 592 895**	**-**
Less: total expected credit loss 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 amount	**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 exposures	**(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	**180 224**			
Total exposure to credit risk	**18 829 017**			

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(as at 31 December 2019)

4. Financial risk management (continued)

4.1 Credit risk (continued)

Year ended 31 December 2019

Bank – Maximum exposure to credit risk

Loans and advances at amortised cost	Total ZMW 000	Stage 1 ZMW '000	Stage 2 ZMW '000	Stage 3 ZMW '000
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: Total 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 measured at amortised cost				
Gross carrying amount	1 758 687	165 792	1 592 895	-
Less: total expected credit loss 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 amount	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 exposures	(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	11 788 441			
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	180 224			
Total exposure to credit risk	18 839 934			

4. Financial risk management (continued)

4.1 Credit risk (continued)

4.1.1 Risk limit control and mitigation policies (continued)

(c) Credit-related commitments (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:

Year ended 31 December 2018

Group – Maximum exposure to credit risk

Loans and advances at amortised cost	Total ZMW 000	Stage 1 ZMW '000	Stage 2 ZMW '000	Stage 3 ZMW '000
PBB	2 978 995	2 299 295	374 799	304 901
CIB	2 585 361	2 487 050	26 504	71 807
Gross carrying amount	5 564 356	4 786 345	401 303	376 708
Less: Interest in suspense	(39 196)	-	-	(39 196)
Less: Total expected credit losses for loans and advances	(264 157)	(64 070)	(92 622)	(107 465)
Net carrying amount of loans and advances measured at amortised cost	5 261 003			
Financial investments measured at amortised cost				
Gross carrying amount	1 036 830	1 036 830	-	-
Less: total expected credit loss for financial investments	(4 315)	(4 315)		
Net carrying amount of financial investments measured at amortised cost	1 032 515			
Financial investments at fair value through OCI				
Gross carrying amount	613 026	613 026	-	-
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	2 354			
Total financial investment at fair value through OCI	615 380			
Off-balance sheet exposures				
Letters of credit	554 149	503 919	50 230	-
Guarantees	2 968 315	2 809 321	158 994	-
Total exposure to off-balance sheet credit risk	3 522 464	3 313 240	209 224	-
Expected credit losses for off-balance sheet exposures	(10 665)	(8 049)	(2 616)	-
Net carrying amount of off-balance sheet exposures	3 511 799			
Total exposure to credit risk on financial assets subject to an expected credit loss	10 420 697			
Add the following other banking activities exposures:				
Cash and balances with the central bank	1 521 749			
Cash and cash equivalents	4 584 968			
Derivative assets	35 093			
Trading assets	799 282			
Other assets	318 452			
Total exposure to credit risk	17 680 241			

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

4. Financial risk management (continued)

4.1 Credit risk (continued)

Year ended 31 December 2018

Bank – Maximum exposure to credit risk

Loans and advances at amortised cost	Total ZMW 000	Stage 1 ZMW '000	Stage 2 ZMW '000	Stage 3 ZMW '000
PBB	2 978 995	2 299 295	374 799	304 901
CIB	2 602 232	2 503 921	26 504	71 807
Gross carrying amount	**5 581 227**	**4 803 216**	**401 303**	**376 708**
Less: Interest in suspense	(39 196)	-	-	(39 196)
Less: Total expected credit losses for loans and advances	(264 157)	(64 070)	(92 622)	(107 465)
Net carrying amount of loans and advances measured at amortised cost	**5 277 874**			
Financial investments measured at amortised cost				
Gross carrying amount	**1 036 830**	**1 036 830**	-	-
Less: total expected credit loss for financial investments	(4 315)			
Net carrying amount of financial investments measured at amortised cost	**1 032 515**			
Financial investments at fair value through OCI				
Gross carrying amount	**613 026**	**613 026**	-	-
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	2 354			
Total financial investment at fair value through OCI	**615 380**			
Off-balance sheet exposures				
Letters of credit	554 149	503 919	50 230	-
Guarantees	2 968 315	2 809 321	158 994	-
Total exposure to off-balance sheet credit risk	**3 522 464**	**3 313 240**	**209 224**	-
Expected credit losses for off-balance sheet exposures	(10 665)	(8 049)	(2 615)	-
Net carrying amount of off-balance sheet exposures	**3 511 799**			
Total exposure to credit risk on financial assets subject to an expected credit loss	**10 437 568**			
Add the following other banking activities exposures:				
Cash and balances with the central bank	1 521 749			
Cash and cash equivalents	4 584 968			
Derivative assets	35 093			
Trading assets	799 282			
Other assets	317 178			
Total exposure to credit risk	**17 695 838**			

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2019 and 2018 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:

- 94 % of the loans and advances portfolio is categorised as performing (2018: 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.

4. Financial risk management (continued)

4.1 Credit risk (continued)

b) Collateral

The fair value of collateral held for sub-standard loans is ZMW 35 829 thousand (2018: ZMW 41 737 thousand). The discounted value of the security is 28 766 thousand (2018: ZMW 33 480 thousand).

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)	**2019**			2018		
	Average	**High**	**Low**	Average	High	Low
Interest rate trading	**186**	**357**	**58**	93	182	34
Foreign exchange risk	**981**	**4 005**	**91**	1 244	2 522	132
Total VAR	**1 167**	**4 362**	**149**	1 337	2 704	166

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 2019. Included in the table are the Group's financial instruments at carrying amounts categorised by currency.

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

4. Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign exchange risk (continued)

Group

2019	ZAR (ZMW' 000)	USD (ZMW' 000)	GBP (ZMW' 000)	EURO (ZMW' 000)	Other (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	-	(213 016)	-	-	(38 065)	(251 081)
Total financial liabilities	(109 091)	(6 686 961)	(18 163)	(137 634)	(6 070 829)	(13 022 678)
Net position on-statement of financial position	4 012	(504)	(2)	(2)	1 261 722	1 265 226
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)	(3 003 098)	(2 845)	(85 711)	(62 341)	(3 177 905)

2018	ZAR (ZMW' 000)	USD (ZMW' 000)	GBP (ZMW' 000)	EURO (ZMW' 000)	Other (ZMW' 000)	Total (ZMW' 000)
Assets						
Cash and balances with the Central Bank	3 560	560 194	6 222	6 040	945 733	1 521 749
Cash and cash equivalents	69 155	4 398 183	3 141	96 350	18 139	4 584 968
Derivative assets	-	-	-	-	35 093	35 093
Financial Investments	-	-	-	-	799 282	799 282
Trading assets	-	-	-	-	1 645 541	1 645 541
Loans and advances to customers	6	3 130 649	-	5	2 130 343	5 261 003
Other assets	48 162	2 394	2 281	103	265 512	318 452
Total financial assets	120 883	8 091 420	11 644	102 498	5 839 643	14 166 088
Liabilities						
Deposits and current accounts	(106 900)	(7 482 887)	(9 734)	(96 253)	(3 582 276)	(11 278 050)
Subordinated debt	-	(179 599)	-	-	(37 807)	(217 406)
Derivative liabilities	-	-	-	-	(37 161)	(37 161)
Trading liabilities	-	(715)	-	-	(1 351 759)	(1 352 474)
Other liabilities	(9 965)	(39 779)	(1 910)	(6 246)	(318 391)	(376 291)
Total financial liabilities	(116 865)	(7 702 980)	(11 644)	(102 499)	(5 327 394)	(13 261 382)
Net position on-statement of financial position	4 018	388 440	-	(1)	512 249	904 706
Net position off statement of financial position	-	(2 705 875)	-	(23 730)	(792 859)	(3 522 464)
Overall open position	4 018	(2 317 435)	-	(23 731)	(280 610)	(2 617 758)

4. Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign exchange risk (continued)

Bank

2019	ZAR (ZMW' 000)	USD (ZMW' 000)	GBP (ZMW' 000)	EURO (ZMW' 000)	Other (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
Financial Investments					1 177 399	1 177 399
Trading assets					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						
Deposits and current accounts	(89 486)	(6 455 627)	(15 631)	(137 083)	(4 282 506)	(10 980 333)
Derivative liabilities	-	-	-	-	(15 771)	(15 771)
Trading liabilities	(2 999)	-	-	-	(1 493 226)	(1 496 225)
Other liabilities	(16 606)	(18 318)	(2 532)	(551)	(343 704)	(381 711)
Subordinated debt	-	(213 016)	-	-	(38 065)	(251 081)
Total financial liabilities	(109 091)	(6 686 961)	(18 163)	(137 634)	(6 173 272)	(13 125 121)
Net position on-statement of financial position	4 012	342 986	(2)	(2)	923 046	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)	(2 659 608)	(2 845)	(85 711)	(401 017)	(3 173 091)

2018	ZAR (ZMW' 000)	USD (ZMW' 000)	GBP (ZMW' 000)	EURO (ZMW' 000)	Other (ZMW' 000)	Total (ZMW' 000)
Assets						
Cash and balances with the Central Bank	3560	560 194	6 222	6 040	945 733	1 521 749
Cash and cash equivalents	69 155	4 398 183	3 141	96 350	18 139	4 584 968
Derivative assets	-	-	-	-	35 093	35 093
Financial Investments	-	-	-	-	799 282	799 282
Trading assets	-	-	-	-	1 645 541	1 645 541
Loans and advances to customers	6	3 130 649	-	5	2 147 214	5 277 874
Other assets	48 162	2 394	2 281	103	264 238	317 178
Total financial assets	120 883	8 091 420	11 644	102 498	5 855 240	14 181 685
Liabilities						
Deposits and current accounts	(106 900)	(7 482 887)	(9 734)	(96 253)	(3 593 864)	(11 289 638)
Subordinated debt	-	(179 599)	-	-	(37 807)	(217 406)
Derivative liabilities	-	-	-	-	(37 161)	(37 161)
Trading liabilities	-	(715)	-	-	(1 351 759)	(1 352 474)
Other liabilities	(9 965)	(39 779)	(1 910)	(6 246)	(315 649)	(373 549)
Total financial liabilities	(116 865)	(7 702 980)	(11 644)	(102 499)	(5 336 240)	(13 270 228)
Net position on-statement of financial position	4 018	388 440	-	(1)	519 000	911 457
Net position off statement of financial position	-	(2 705 875)	-	(23 730)	(792 859)	(3 522 464)
Overall open position	4 018	(2 317 435)	-	(23 731)	(273 859)	(2 611 007)

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(as at 31 December 2019)

4. Financial risk management (continued)

4.2 Interest risk

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

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**

2018 (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	1 521 749	-	-	-	-	-	1 521 749
Cash and cash equivalents	4 584 968	-	-	-	-	-	4 584 968
Financial investments	840 056	231 881		551 066	22 538	-	1 645 541
Trading assets	799 282	-	-	-	-	-	799 282
Loans and advances to customers	331 880	44 103	62 221	1 455 069	2 631 982	735 748	5 261 003
Derivative assets	35 093	-	-	-	-	-	35 093
Total	8 113 028	275 984	62 221	2 006 135	2 654 520	735 748	13 847 636
Deposits from banks	475 951	-	-	-	-	-	475 951
Deposits from customers	10 168 869	208 625	203 467	91 438	129 700	-	10 802 099
Derivative liabilities	37 161	-	-		-	-	37 161
Trading liabilities	1 352 474	-	-	-	-	-	1 352 474
Subordinated debt	-	-	-	-	217 406	-	217 406
Total	12 034 455	208 625	203 467	91 438	347 106	-	12 885 091
Interest rate gap position	(3 921 427)	67 359	(141 246)	1 914 697	2 307 414	735 748	962 545

4. Financial risk management (continued)

4.2 Interest risk (continued)

4.2.3 Interest rate risk (continued)

Bank

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**

2018 (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	1 521 749	-	-	-	-	-	1 521 749
Cash and cash equivalents	4 584 968	-	-	-	-	-	4 584 968
Financial investments	840 057	231 881		551 066	22 537	-	1 645 541
Trading assets	799 282	-	-	-	-	-	799 282
Loans and advances to customers	331 880	44 103	62 221	1 455 069	2 648 853	735 748	5 277 874
Derivative assets	35 093	-	-	-	-	-	35 093
Total	8 113 029	275 984	62 221	2 006 135	2 671 390	735 748	13 864 507
Deposits from banks	475 951	-	-	-	-	-	475 951
Deposits from customers	10 180 456	208 625	203 468	91 438	129 700	-	10 813 687
Derivative liabilities	37 161	-	-		-	-	37 161
Trading liabilities	1 352 474	-	-	-	-	-	1 352 474
Subordinated debt	-	-	-	-	217 406	-	217 406
Total	12 046 042	208 625	203 468	91 438	347 106	-	12 896 679
Interest rate gap position	(3 933 013)	67 359	(141 247)	1 914 697	2 324 284	735 748	967 828

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(as at 31 December 2019)

4 Financial risk management (continued)

4.2.3 Interest rate risk (continued)

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.

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

	2019		2018	
	ZMW	US$	ZMW	US$
Increase in basis points	100	50	250	100
Sensitivity of annual net interest income	4.8%	0.6%	5.1%	0.50%
Decrease in basis points	100	50	250	100
Sensitivity of annual net interest income	4.8%	0.6%	5.1%	3.50%

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 4.8% while parallel decreases in the Kwacha yield curve would decrease the forecast net interest income by 4.8%.

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 ZMW '000	Up to 1 month	2-3 months	4-6 months	7-12 months	12-24 months	Over 24 months	Total
2019							
Cash and balances with the Central Bank	2 035 922	-	-	-	-	-	2 035 922
Cash and cash equivalents	3 582 220	-	-	-	-	-	3 582 220
Derivative assets	75 728	-	-				75 728
Trading assets	24 628	493 856	-	586 145	72 770		1 177 399
Financial investments	71 306	525 442		813 578	482 755	335	1 893 416
Loans and advances to customers	784 453	343 479	298 145	897 460	2 863 866	251 932	5 439 335
Other assets	180 224	-	-	-	-	-	180 224
Total financial assets	6 754 481	1 362 777	298 145	2 297 183	3 419 391	252 267	14 384 244
Financial liabilities							
Derivative liabilities	15 771	-	-	-	-	-	15 771
Trading liabilities	1 496 225	-	-	-	-	-	1 496 225
Deposits from banks	456 370	-	-	-	-	-	456 370
Deposits from customers	8 950 969	941 437	176 202	226 432	-	200 000	10 495 040
Other liabilities	308 191						308 191
Subordinated debt	-	-	-	-	-	251 081	251 081
Total financial liabilities	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 off statement of financial position	974 556	365 392	936 995	1 671 935	198 453	295 800	4 443 131
Total liquidity gap	(5 447 601)	55 948	(815 052)	398 816	3 220 938	(494 614)	(3 081 565)
2018							
Cash and balances with the Central Bank	1 521 749	-	-	-	-	-	1 521 749
Cash and cash equivalents	4 584 968	-	-	-	-	-	4 584 968
Trading assets	799 282	-	-	-	-		799 282
Financial investments	840 056	231 881	-	551 066	22 538	-	1 645 541
Loans and advances to customers	331 880	44 103	62 221	1 455 069	2 648 853	718 877	5 261 003
Derivative assets	35 093	-	-	-	-	-	35 093
Other assets	318 452	-	-	-	-	-	318 452
Total financial assets	8 431 480	275 984	62 221	2 006 135	2 671 391	718 877	14 166 088
Deposits from banks	475 951	-	-	-	-	-	475 951
Deposits from customers	10 298 570	208 625	203 468	91 436	-	-	10 802 099
Other liabilities	376 291	-	-	-	-	-	376 291
Trading liabilities	37 161	-	-	-	-	-	37 161
Derivative liabilities	-	-	-	1 352 474	-	-	1 352 474
Subordinated debt	-	-	-	-	-	217 406	217 406
Total financial liabilities	11 187 973	208 625	203 468	1 443 910	-	217 406	13 261 382
Off statement financial position							
Guarantees and letters of credits	156 777	97 115	1 016 529	712 619	1 215 317	324 107	3 522 464
Total liquidity gap	(2 913 270)	(29 756)	(1 157 776)	(150 394)	1 456 074	177 364	(2 617 758)

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4. *Financial risk management (continued)*

4.3 Liquidity risk (continued)

Bank ZMW '000	Up to 1 month	2-3 months	4-6 months	7-12 months	12-24 months	Over 24 months	Total
2019							
Cash and balances with the Central Bank	**2 035 922**	**-**	**-**	**-**	**-**	**-**	**2 035 922**
Cash and cash equivalents	**3 582 220**	**-**	**-**	**-**	**-**	**-**	**3 582 220**
Derivative assets	**75 728**						**75 728**
Trading assets	**24 628**	**493 856**	**-**	**586 145**	**72 770**		**1 177 399**
Financial investments	**71 306**	**525 442**		**813 578**	**482 755**	**335**	**1 893 416**
Loans and advances to customers	**784 453**	**343 479**	**298 145**	**897 460**	**2 863 866**	**262 849**	**5 450 252**
Other assets	**180 224**	**-**	**-**	**-**	**-**	**-**	**180 224**
Total financial assets	**6 754 481**	**1 362 777**	**298 145**	**2 297 183**	**3 419 391**	**263 184**	**14 395 161**
Financial liabilities							
Derivative liabilities	**15 771**	**-**	**-**	**-**	**-**	**-**	**15 771**
Trading liabilities	**1 496 225**						**1 496 225**
Deposits from banks	**456 370**	**-**	**-**	**-**	**-**	**-**	**456 370**
Deposits from customers	**8 974 892**	**946 437**	**176 202**	**226 432**	**-**	**200 000**	**10 523 963**
Other liabilities	**381 711**						**381 711**
Subordinated debt	**-**	**-**	**-**	**-**	**-**	**251 081**	**251 081**
Total financial liabilities	**11 324 969**	**946 437**	**176 202**	**226 432**	**-**	**451 081**	**13 125 121**
Off statement of financial position items							**-**
- Financial guarantees	**974 556**	**365 392**	**936 995**	**1 671 935**	**198 453**	**295 800**	**4 443 131**
Total off statement of financial position	**974 556**	**365 392**	**936 995**	**1 671 935**	**198 453**	**295 800**	**4 443 131**
Total liquidity gap	**(5 545 044)**	**50 948**	**(815 052)**	**398 816**	**3 220 938**	**(483 697)**	**(3 173 091)**
2018							
Cash and balances with the Central Bank	1 521 749	-	-	-	-	-	1 521 749
Cash and cash equivalents	4 584 968	-	-	-	-	-	4 584 968
Trading assets	799 282	-	-	-	-		799 282
Financial investments	840 056	231 881	-	551 066	22 538	-	1 645 541
Loans and advances to customers	331 880	44 103	62 221	1 455 069	2 648 853	735 748	5 277 874
Derivative assets	35 093	-					35 093
Other assets	317 178	-					317 178
Total financial assets	8 430 206	275 984	62 221	2 006 135	2 671 391	735 748	14 181 685
Deposits from banks	475 951	-	-	-	-	-	475 951
Deposits from customers	10 310 158	208 625	203 468	91 436	-	-	10 813 687
Other liabilities	373 549	-	-	-	-	-	373 549
Derivative liabilities	37 161	-	-	-	-	-	37 161
Trading liabilities	-	-	-	1 352 474	-	-	1 352 474
Subordinated debt	-	-	-	-	-	217 406	217 406
Total financial liabilities	11 196 819	208 625	203 468	1 443 910	-	217 406	13 270 228
Off statement financial position							
Guarantees and letters of credits	156,777	97 115	1 016 529	712 619	1 215 317	324 107	3 522 464
Total liquidity gap	(2 923 390)	(29 756)	(1 157 776)	(150 394)	1 456 074	194 235	(2 611 007)

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.

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		
2019 Foreign exchange derivatives	**Up to 1 month**	**1-3 months**	**3-12 months**
- Total Outflow	**(56 023)**	**(125 087)**	**(86 024)**
- Total Inflow	**78 809**	**130 459**	**129 073**
2018 Foreign exchange derivatives	Up to 1 month	1-3 months	3-12 months
- Total Outflow	(44 103)	(162 221)	(206 324)
- Total Inflow	22 538	62 221	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.

4 Financial risk management (continued)

4.5 Capital management (continued)

The table below summarises the composition of regulatory capital and the ratios of the Group:

	Bank	
	2019	2018
	ZMW '000	ZMW '000
Paid up common shares	**416 000**	416 000
Retained earnings	**1 347 476**	898 210
Statutory reserves	**7 700**	7 700
General reserve	**7 625**	2 771
Total Tier 1 capital	**1 778 801**	1 324 681
IFRS 9 Transitional adjustment	**42 482**	64 181
Other adjustments	**(20 180)**	(18 775)
Total qualifying Tier 1 capital	**1 801 103**	1 370 087
Subordinated debt	**248 950**	215 575
Revaluation reserve	**9 144**	9 144
Total qualifying Tier 2 capital	**258 094**	224 719
Total regulatory capital	**2 059 197**	1 594 806
Minimum capital requirements	**915 285**	871 476
Capital surplus	**1 143 912**	723 330
Risk based assets	**9 152 847**	8 714 757
Tier 1 capital basel ratio (%)	**20%**	16%
Tier 2 capital basel ratio (%)	**3%**	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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5.1 Key sources of estimates uncertainty

Expected credit loss on financial assets - IFRS 9 drivers

For the purpose of determining the ECL:

- The PBB portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. 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 ***5.1 Key sources of estimates uncertainty*** using the table below. ***5.1 Key sources of estimates uncertainty***

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

5. Use of 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. 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. mortgage loans, vehicle and asset finance, etc.) which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with no reasonable expectations 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 loan can only be written off once the collateral has been realised. Post realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. 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 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.

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Use of estimates and judgments (continued)

5.1 Key sources of estimates uncertainty (continued)

Debt financial investments
In terms of IFRS 9, this impairment provision is calculated per exposure for the shorter of 12 months or the remaining lifetime of the exposure. Such exposures generally did not carry an impairment provision in terms of IAS 39's incurred loss impairment requirements.

Off-balance sheet exposures – bankers acceptances, guarantees and letters of credit
The requirement to hold ECL on off-balance sheet financial instruments, such as guarantees and letters of credit, resulted in a requirement to hold additional credit impairment provisions which were not held in terms of IAS 39.

(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.

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.

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 Use of estimates and judgments (continued)

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

(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.

Group and Bank (amounts ZMW'000)	Note	Level 1	Level 2	Level 3	Total
2019					
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)**
		-	**1 634 547**	**-**	**(1 634 547)**

Group and Bank (amounts ZMW'000)	Note	Level 1	Level 2	Level 3	Total
2018					
Non-pledged trading assets	8	-	799 282	-	799 282
Financial investments	9	-	1 645 541	-	1 645 541
Derivative assets	7	-	35 093	-	35 093
Derivative liabilities	7	-	(37 161)	-	(37 161)
Trading liabilities	18	-	(1 352 474)	-	(1 352 474)
		-	1 090 281	-	1 090 281

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	
	2019 ZMW '000	2018 ZMW '000
Coins and bank notes	**581 506**	380 073
Balances with the Central Bank	**1 454 416**	1 141 676
	2 035 922	1 521 749

Cash and balances with Central Bank include ZMW 1 092 410 000 (2018 : ZMW : 643 235 000) 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 2019 the percentage was 9% (2018 : 5%)

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6 Cash and balances with the Central Bank (continued)

6.1 Cash and cash equivalents

	Group and Bank 2019 ZMW '000	2018 ZMW '000
Cash and cash equivalents at Group banks	**417 895**	847 617
Cash and cash equivalents at Non-Group banks	**3 175 993**	3 739 593
	3 593 888	4 587 210
Expected credit losses on cash and cash equivalents	**(11 668)**	(2 242)
	3 582 220	4 584 968

Reconciliation of expected credit losses

Year ended 31 Dec 2019	Opening ECL balance	Transfer between stages		Income statement movement					Closing ECL balance
		To/ (from) Stage 1	To/ (from) Stage 2	Originated new impairments raised	Subsequent changes in ECL	Derecognition	Total	Currency translation movements	
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)	**9427**	(1)	**11 668**
Year ended 31 Dec 2018									
Balances with Banks - Stage 1	**1 120**	-	-	1 415	(359)	(52)	**1 004**	118	**2 242**

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 cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly market place transaction at year end.

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.

7.3 Derivative assets and liabilities – Group and Bank

Maturity analysis of net fair value **2019**	Within 1 year ZMW '000	1-5 years ZMW '000	After 5 years ZMW '000	Net fair value ZMW '000	Fair value of assets ZMW '000	Fair value of liabilities ZMW '000	Contract/ notional amount ZMW '000
Derivatives held for trading : • Foreign exchange derivatives	**59 957**	**-**	**-**	**-**	**75 728**	**(15 771)**	**9 852**
Forwards and swaps	**59 957**	**-**	**-**	**-**	**75 728**	**(15 771)**	**9 852**
Derivative(liabilities)/assets held for trading	**59 957**	**-**	**-**	**-**	**75 728**	**(15 771)**	**9 852**

2018	Within 1 year ZMW '000	1-5 years ZMW '000	After 5 years ZMW '000	Net fair value ZMW '000	Fair value of assets ZMW '000	Fair value of liabilities ZMW '000	Contract/ notional amount ZMW '000
Derivatives held for trading : • Foreign exchange derivatives	(2 068)	-	-	-	35 093	(37 161)	70 105
Forwards and swaps	(2 068)	-	-	-	35 093	(37 161)	70 105
Derivative(liabilities)/assets held for trading	(2 068)	-	-	-	35 093	(37 161)	70 105

8. Trading assets

	Group and Bank 2019 ZMW '000	2018 ZMW '000
Classification		
Unlisted securities	**1 177 399**	799 282
Comprising:		
Spread provision	**(5 155)**	(6 203)
Government bonds	**110 707**	70 111
Government treasury bills	**1 071 847**	735 374
	1 177 399	799 282

Maturity analysis - The maturities below represent periods to contractual redemption of the trading assets recorded:

Redeemable on demand	**(5 155)**	(6 203)
Maturing within 1 month	**24 628**	231 881
Maturing after 1 month but within 6 months	**493 856**	551 066
Maturing after 6 months but within 12 months	**664 070**	22 538
	1 177 399	799 282

9. Financial investments

	Group and Bank 2019 ZMW '000	2018 ZMW '000
Unlisted securities	**1 893 416**	1 645 541
Comprising:		
Government bonds	**641 288**	599 433
Treasury bills	**1 280 734**	1 050 423
Gross amount	**1 922 022**	1 649 856
Less expected credit loss	**(28 606)**	(4 315)
	1 893 416	1 645 541
Classified as:		
Gross debt financial investments measured at amortised cost	**1 758 687**	1 036 830
Less: Expected credit losses for debt financial investments measured at amortised cost	**(28 606)**	(4 315)
Net debt financial investments measured at amortised cost	**1 730 081**	1 032 515
Debt financial investments measured at fair value through Other Comprehensive Income	**163 335**	613 026
	1 893 416	1 645 541

Maturity analysis

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

Maturing within 1 month	**99 912**	844 370
Maturing after 1 month but within 6 months	**525 442**	231 881
Maturing after 6 months but within 12 months	**813 578**	551 066
Maturing after 12 months	**483 090**	22 539
	1 922 022	1 649 856

A reconciliation of the expected credit losses for debt financial investments:

31 December 2019	Opening ECL balance	Transfer to/ (from) Stage 1	Transfer to/ (from) Stage 2	Originated new impairments	Subsequent changes in ECL	Derecogntion	ECL charge (release)	Reclassification, 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 Fair Value through OCI -Stage 1	267	(917)	-	-	(887)	-	(887)	1 537	-
Government securities at Fair Value through OCI -Stage 2	77	-	917	1 911	2 214	(12)	4 113	-	5 107
Total	4 659	(2 017)	2 017	29 724	1 020	(2 720)	28 024	1 030	33 713

There were no modifications of financial investments during the year. (2018:nil)

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(as at 31 December 2019)

9. Financial investments (continued)

A reconcilaition of the expected credit losses for debt financial investments:

31 December 2018	Opening ECL balance	Transfers between stages	Originated new impairments	Subsequent changes in ECL	Derecogntion	ECL charge (release)	Closing ECL balance
Debt financial investments at amortised cost							
Government securities at amortised cost -Stage 1	640	-	242	3 554	(121)	3 675	**4 315**
Debt financial investments at fair value through other comprehensive income							
Government securities at Fair Value through OCI -Stage 1	483	-	1 696	(108)	(1,804)	(216)	**267**
Government securities at Fair Value through OCI -Stage 2	66	-	-	32	(21)	11	**77**
Total	**1 189**	**-**	**1 938**	**3 478**	**(1 946)**	**3 470**	**4 659**

10. Loans and advances

10.1 Loans and advances net of impairment

	Group		Bank	
	2019 ZMW '000	2018 ZMW '000	**2019 ZMW '000**	2018 ZMW '000
Loans and advances to customers	**5 779 937**	5 564 356	**5 790 854**	5 581 227
Mortgage lending	**322 795**	328 844	**322 795**	328 844
Installment sale and finance leases (note 10.2)	**789 095**	699 120	**789 095**	699 120
Overdrafts and other demand lending	**1 482 833**	1 870 834	**1 482 833**	1 870 834
Term lending	**3 185 214**	2 665 558	**3 196 131**	2 682 429
Interest in suspense	**(52 442)**	(39 196)	**(52 442)**	(39 196)
Impairments for loans IFRS 9 (Note 10.3)	**(288 160)**	(264 157)	**(288 160)**	(264 157)
Net loans and advances	**5 439 335**	5 261 003	**5 450 252**	5 277 874

In terms of the Banking and Financial Services Act of Zambia there were no non-performing loans (2018: nil) or restructured loans owing to the Bank whose principal amount exceeds 5% of the regulatory capital of the Bank.

Modifications

The gross carrying amount of loans modified which did not result in derecognition is ZMW 367 000 (2018 : ZMW 99 101 thousand.)

Maturity analysis

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

	Group		Bank	
	2019 ZMW '000	2018 ZMW '000	**2018 ZMW '000**	2017 ZMW '000
Redeemable on demand	**452 442**	371 076	**452 442**	371 076
Maturing within 1 month	**784 453**	11 086	**784 453**	11 086
Maturing after 1 month but within 6 months	**641 624**	106 324	**641 624**	106 324
Maturing after 6 months but within 12 months	**897 460**	1 455 069	**897 460**	1 455 069
Maturing after 12 months	**3 003 958**	3 620 801	**3 014 875**	3 637 672
Gross loans and advances	**5 779 937**	5 564 356	**5 790 854**	5 581 227

10. Loans and advances (continued)

	Group		Bank	
	2019 ZMW '000	2018 ZMW '000	**2019 ZMW '000**	2018 ZMW '000
Segmental analysis - industry				
Agriculture	**1 393 250**	1 035 032	**1 393 250**	1 035 032
Construction	**102 764**	138 576	**102 764**	138 576
Electricity	**80 478**	45 224	**80 478**	45 224
Finance, real estate and other business services	**1 062 268**	920 638	**1 073 185**	937 509
Individuals	**1 270 738**	998 844	**1 270 738**	998 844
Manufacturing	**282 319**	684 915	**282 319**	684 915
Mining	**394 658**	622 369	**394 658**	622 369
Other services	**133 504**	129 699	**133 504**	129 699
Transport	**532 994**	459 323	**532 994**	459 323
Wholesale	**526 964**	529 736	**526 964**	529 736
Gross loans and advances	**5 779 937**	5 564 356	**5 790 854**	5 581 227

10.2 Instalment sale and finance lease

	Group and Bank	
	2019 ZMW '000	2018 ZMW '000
Gross investment in instalment sale and finance leases	**933 464**	843 425
Receivable within 1 year	**86 904**	61 723
Receivable after 1 year but within 5 years	**846 560**	781 702
Unearned finance charges	**(144 369)**	(144 305)
	789 095	699 120
Net investment in instalment sale and finance leases		
Receivable within 1 year	**189 590**	57 229
Receivable after 1 year but within 5 years	**599 505**	641 891
	789 095	699 120

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.

10.3 Impairment allowance for loans and advances to customers - Group and Bank

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

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	Changes in ECL - due to modifications	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)	(90 765)
Stage 2	(92 622)	(59)	14 687	-	1 887	16 574	(4 617)	-	(6 655)	420	(10 852)	-	-	(184)	(87 143)
Stage 3	(107 465)	(66)	(810)	(1 887)	-	(2 697)	(780)	-	(76 083)	7 276	(69 587)	61 873	2 795	4 895	(110 252)
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	(288160)

2018	Opening ECL balance	Transfers between stages				Income statement movement					Impaired accounts written off	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	Changes in ECL - due to modifications	Subsequent changes in ECL	Derecognition	Total			
Stage 1	(73 183)	-	7 946	20 123	28 069	(13 419)	-	(11 546)	3 068	(21 897)	-	2 941	(64 070)
Stage 2	(121 305)	(7 946)	-	28 361	20 415	-	-	6 340	1 928	8 268	-	-	(92 622)
Stage 3	(64 120)	(20 123)	(28 361)	-	(48 484)	-	-	(42 690)	-	(42 690)	45 329	2 500	(107 465)
Total	(258 608)	(28 069)	(20 415)	48 484	-	(13 419)	-	(47 896)	4 996	(56 319)	45 329	5 441	(264157)

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

11. Other assets

	2019	2018
Group	**ZMW '000**	ZMW '000
Items in the course of collection	**20 594**	14 878
Prepayments	**28 378**	28 371
Other debtors	**131 252**	275 203
Total	**180 224**	318 452
Bank	**ZMW '000**	ZMW '000
Items in the course of collection	**20 594**	14 878
Prepayments	**28 378**	28 371
Other debtors	**131 252**	273 929
Total	**180 224**	317 178

12. Interest in subsidiary companies

Bank		2019	2018
	Ownership	**ZMW '000**	ZMW '000
Stanbic Securities Zambia Limited	100%	*	*
Stanbic Insurance Brokers Limited	100%	**100**	100
Stanbic Nominees Zambia Limited	100%	**5**	5
Burnet Investment Limited	100%	**79 202**	79 202
		79 307	79 307
Represented by :			
Shares at cost		**47 149**	47 149
Shareholder loans		**32 158**	32 158
Total		**79 307**	79 307

* Denotes amounts less than ZMW 1 000.

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 Investment Limited

Burnet Investment 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.

13. Property, Equipment and Right of Use Assets

Group	2019			2018		
	Cost/ Revaluation ZMW '000	**Accumulated depreciation ZMW '000**	**Carrying amount ZMW '000**	Cost/ Revaluation ZMW '000	Accumulated depreciation ZMW '000	Carrying amount ZMW '000
Right of use asset						
Branches and land	**41 598**	**(17 964)**	**23 634**	-	-	-
Property						
Buildings	**254 992**	**(28 822)**	**226 170**	257 263	(24 722)	232 541
Leasehold improvements	**47 419**	**(38 150)**	**9 269**	43 769	(33 062)	10 707
Total	**344 009**	**(84 936)**	**259 073**	301 032	(57 784)	243 248
Equipment						
Computer equipment	**137 726**	**(103 788)**	**33 938**	122 184	(87 354)	34 830
Motor vehicles	**16 658**	**(7 648)**	**9 010**	11 096	(6 958)	4 138
Office equipment	**24 077**	**(11 909)**	**12 168**	21 370	(9 221)	12 149
Furniture and fittings	**85 432**	**(53 193)**	**32 239**	81 166	(46 731)	34 435
	263 893	**(176 538)**	**87 355**	235 816	(150 264)	85 552
Total	**607 902**	**(261 474)**	**346 428**	536 848	(208 048)	328 800

	2018					**2019**
	Carrying amount ZMW '000	**IFRS 16 Transition adjustment (1 January 2019)**	**Additions/ (Transfers) ZMW '000**	**Disposal ZMW'000**	**Depreciation ZMW '000**	**Carrying amount ZMW '000**
Movement						
Right of use asset						
Branches 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
Total	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

	2017				**2018**
	Carrying amount ZMW '000	**Additions/ (Transfers) ZMW '000**	**Disposal ZMW'000**	**Depreciation ZMW '000**	**Carrying amount ZMW '000**
Movement					
Property					
Buildings	238 160	1 014	(14)	(6 619)	232 541
Leasehold improvements	13 613	1 654	-	(4 560)	10 707
Total	251 773	2 668	(14)	(11 179)	243 248
Equipment					
Computer equipment	46 677	4 890	(123)	(16 614)	34 830
Motor vehicles	3 152	2 789	(246)	(1 557)	4 138
Office equipment	9 946	5 348	(598)	(2 547)	12 149
Furniture and fittings	40 411	1 907	(1 188)	(6 695)	34 435
	100 186	14 934	(2 155)	(27 413)	85 552
Total	351 959	17 602	(2 169)	(38 592)	328 800

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

13. Property, Equipment and Right of Use Assets (continued)

Bank	**2019**			**2018**		
	Cost/ Revaluation ZMW '000	**Accumulated depreciation ZMW '000**	**Carrying amount ZMW '000**	Cost/ Revaluation ZMW '000	Accumulated depreciation ZMW '000	Carrying amount ZMW '000
Right of use asset						
Buildings and Branches	**122 738**	**(26 479)**	**96 259**	-	-	-
Property						
Buildings	**87 676**	**(14 032)**	**73 644**	87 618	(11 512)	76 106
Leasehold improvements	**47 419**	**(38 150)**	**9 269**	43 769	(33 062)	10 707
Total	**257 833**	**(78 661)**	**179 172**	131 387	(44 574)	86 813
Equipment						
Computer equipment	**137 726**	**(103 788)**	**33 938**	122 184	(87 354)	34 830
Motor vehicles	**16 658**	**(7 648)**	**9 010**	11 096	(6 958)	4 138
Office equipment	**24 077**	**(11 909)**	**12 168**	21 370	(9 221)	12 149
Furniture and fittings	**85 432**	**(53 193)**	**32 239**	81 166	(46 731)	34 435
	263 893	**(176 538)**	**87 355**	235 816	(150 264)	85 552
Total	**521 726**	**(255 199)**	**266 527**	367 203	(194 838)	172 365

	2018					**2019**
	Carrying amount ZMW '000	**IFRS 16 Transition adjustment (1 Janaury 2019)**	**Additions/ (Transfers) ZMW '000**	**Disposal ZMW'000**	**Depreciation ZMW '000**	**Carrying amount ZMW '000**
Right of use asset						
Movement						
Buildings and Branches	-	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
Total	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

	2017				**2018**
	Carrying amount ZMW '000	**Additions/ (Transfers) ZMW '000**	**Disposal ZMW'000**	**Depreciation ZMW '000**	**Carrying amount ZMW '000**
Property					
Buildings	77 625	1 014	(14)	(2 519)	76 106
Leasehold improvements	13 613	1 654	-	(4 560)	10 707
Total	91 238	2 668	(14)	(7 079)	86 813
Equipment					
Computer equipment	46 677	4 890	(123)	(16 614)	34 830
Motor vehicles	3 152	2 789	(246)	(1 557)	4 138
Office equipment	9 946	5 348	(598)	(2 547)	12 149
Furniture and fittings	40 411	1 907	(1 188)	(6 695)	34 435
	100 186	14 934	(2 155)	(27 413)	85 552
Total	191 424	17 602	(2 169)	(34 492)	172 365

13. Property, Equipment and Right of Use Assets (continued)

There were no movement in leases due to new leases or cancellations during the year.

The register showing the details of property as required by the Zambia Companies Act is available during business hours at the registered office of the Bank.

The fair valuation of the buildings is based on valuations performed by Messrs Anderson & Anderson as at 31 December 2016. Valuations were made on the basis of the open market value. The book values of the properties were adjusted to the revalued amounts and the resultant surplus net of deferred income tax was credited to the revaluation surplus in shareholders' equity. The revaluation is deemed as as Level 3 disclosure based on the inputs to the valuation techniques used. The significant unobservable inputs are net cash flow,rental growth,occupancy and residual value. There were no borrowing costs capitalised in the year.

14. Intangible asset

Group and Bank	**2019 ZMW '000**	2018 ZMW '000
Intangible asset – software	**332 172**	332 172
Accumulated amortisation	**(75 162)**	(51 282)
	257 010	280 890
Balance at start of the year	**280 890**	304 770
Additions	**-**	-
Amortisation	**(23 880)**	(23 880)
Balance at the end of the year	**257 010**	280 890

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	**2019 ZMW '000**	2018 ZMW '000
Authorised Ordinary shares at ZMW1 each (2017: 416 000 000 ordinary shares at ZMW1 each)	**416 000**	416 000
Issued and fully paid Ordinary shares at ZMW1 each (2017: 416 000 000 ordinary shares at ZMW1 each)	**416 000**	416 000
Reserves - Group		
Statutory reserve	**7 700**	7 700
Credit risk reserve	**165 266**	206 811
Share based payment reserve	**-**	868
Fair value through other comprehensive income reserve	**(8 642)**	(2 354)
Revaluation reserve	**92 958**	93 776
Retained earnings	**1 379 718**	903 245
Total reserves	**1 637 000**	1 210 046
Reserves - Bank		
Statutory reserve	**7 700**	7 700
Credit risk reserve	**165 266**	206 811
Share based payment reserve	**-**	868
Fair value through other comprehensive income reserve	**(8 642)**	(2 354)
Revaluation reserve	**21 224**	22 042
Retained earnings	**1 360 250**	905 212
Total reserves	**1 545 798**	1 140 279

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 (2018: K 100 million)

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).

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15. Capital and reserves (continued)

	2019	2018	Movement	2018	2017	Movement
Impairment provision as per Bank of Zambia	**453 426**	470 968	**(17 542)**	470 968	199 142	271 826
Less : Impairment provision as per IFRS (Note 10.1)	**(288 160)**	(264 157)	**(24 003)**	(264 157)	(140 806)	(123 351)
Balance at 31 December	**165 266**	206 811	**(41 545)**	206 811	58 336	148 475

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.

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

16.1 Group Share Incentive Scheme – Group and Bank
The reconciliation of the movement in the Group Share Incentive Scheme is as follows :

31 December 2019	**Option price range (Rands)**	**Number of options**	
	2019	**2019**	2018
Options outstanding at beginning of the year		**15 000**	**17 500**
Transfers	**98.8-111.94**	**1 950**	**(1 250)**
Granted		**-**	**-**
Exercised		**(1 950)**	**(1 250)**
Lapsed		**(10 000)**	**-**
Options outstanding at end of the year		**5 000**	**15 000**

31 December 2018	**Option price range (Rands)**	**Number of options**	
	2018	**2018**	2017
Options outstanding at beginning of the year		**17 500**	2 500
Transfers	**98.8-111.94**	**(1 250)**	15 000
Granted		**-**	-
Exercised		**(1 250)**	-
Lapsed		**-**	-
Options outstanding at end of the year		**15 000**	17 500

The weighted average SBG share price for the period to 31 December 2019 year end was ZAR 182 (2018: ZAR 179).

16. Share based payment transactions (continued)

The following options granted to employees had not been exercised :

31 Dec 2019			
Number of ordinary shares	**Option price range (ZAR)**	**Weighted average price range (ZAR)**	**Option expiry period**
5 000	**98.80**	**111.94**	**Year ending 31 December 2021**

31 Dec 2018			
Number of ordinary shares	**Option price range (ZAR)**	**Weighted average price range (ZAR)**	**Option expiry period**
10 000	**111.94**	**179.00**	**Year ending 31 December 2020**
5 000	**98.80**	**111.94**	**Year ending 31 December 2021**

16.2 Performance driven share plan
A new long-term performance driven share plan commenced in March 2014 which rewards value delivered against specific targets. The PRP incentivises a group of senior executives to meet the strategic long-term objectives that deliver value to shareholders, to align the interests of those executives with those of shareholders and to act as an attraction and retention mechanism in a highly competitive marketplace for skills. The PRP operates alongside the existing conditional, equity-settled long-term plans, namely the EGS, the group share incentive scheme (GSIS) and DBS post 2011.

The PRP is settled in shares to the employee on the applicable vesting dates together with notional dividends that are settled in cash. The shares that vest (if any) and that are delivered to the employee are conditional on the pre-specified performance metrics.

	Units	
	Dec-19	**Dec-18**
Reconciliation		
Units outstanding at beginning of the year	**-**	52 400
Granted	**-**	-
Cancelled	**-**	(52 400)
Transfer in	**-**	-
Units outstanding at end of the year	**-**	-
Weighted average fair value at grant date (R)	**-**	-
Expected life at grant date (years)	**-**	-

16.3 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 3 963 000 at 31 December 2019 (2018: ZMW 760 000) and the amount charged for the period was ZMW 6 216 000 (2018: ZMW 3 779 000).

	Units	
	Dec-19	Dec-18
Reconciliation		
Units outstanding at beginning of the year	**17 568**	37 811
Granted	**2 057**	-
Exercised	**(12 204)**	(17 577)
Transferred out	**(5 364)**	(2 666)
Units outstanding at end of the year	**2 057**	17 568
Weighted average fair value at grant date (R) for new shares granted	**182**	-
Expected life (years) for new shares granted	**3**	-

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17. Deposits and current accounts

	Group		Bank	
	2019 ZMW '000	2018 ZMW '000	**2019 ZMW '000**	2018 ZMW '000
Deposit and current accounts				
Deposits from banks	**456 370**	475 951	**456 370**	475 951
Deposits from banks	**456 370**	475 951	**456 370**	475 951
Deposits from customers	**10 495 040**	10 802 099	**10 523 963**	10 813 687
Current accounts	**7 862 633**	8 728 506	**7 891 556**	8 740 094
Call deposits	**712 282**	647 893	**712 282**	647 893
Savings accounts	**473 613**	385 052	**473 613**	385 052
Term deposits	**1 446 512**	1 040 648	**1 446 512**	1 040 648
Total	**10 951 410**	11 278 050	**10 980 333**	11 289 638

Maturity analysis

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

	2019 ZMW '000	2018 ZMW '000	**2019 ZMW '000**	2018 ZMW '000
Repayable on demand	**9 402 335**	10 405 005	**9 431 258**	10 416 593
Maturing within 1 month	**6 191**	369 516	**6 191**	369 516
Maturing after 1 month but within 3 months	**940 248**	208 625	**940 248**	208 625
Maturing after 3 months but within 6 months	**176 203**	203 468	**176 203**	203 468
Maturing after 6 months but within 12 months	**226 433**	91 436	**226 433**	91 436
Maturing after 12 months	**200 000**	-	**200 000**	-
Total	**10 951 410**	11 278 050	**10 980 333**	11 289 638

18. Trading liabilities

	Group and Bank	
	2019 ZMW '000	2018
Classification		
Unlisted debt securities	**1 496 225**	1 352 474
Comprising:		
Trading liabilities - debt securities funding	**1 496 225**	1 352 474
Maturity analysis :		
The maturities represent periods to contractual redemption of the financial investments recorded:		
Maturing within 1 months	**77 570**	471 330
Maturing after 1 month but within 6 months	**77 435**	594 338
Maturing after 6 months but within 12 months	**572 800**	286 806
Maturing after 12 months	**768 420**	-
	1 496 225	1 352 474

19. Current taxation liability and deferred tax asset

	Group		Bank	
	2019 ZMW '000	2018 ZMW '000	**2019 ZMW '000**	2018 ZMW '000
Current tax liabilities	**76 364**	6 761	**75 446**	6 151
Deferred tax asset	**164 360**	118 411	**164 360**	118 411
Deferred tax analysis				
Property and equipment	**19 629**	20 429	**19 629**	20 429
Property revaluation reserve	**11 428**	11 869	**11 428**	11 869
Available for sale reserve	**(7 997)**	(2 095)	**(7 997)**	(2 095)
Impairment charges on loans and advances and other provisions	**(152 522)**	(139 880)	**(152 522)**	(139 880)
Other deductible accruals	**(34 898)**	(8 734)	**(34 898)**	(8 734)
Deferred tax closing balance	**(164 360)**	(118 411)	**(164 360)**	(118 411)
Deferred tax liabilities	**31 057**	32 298	**31 057**	32 298
Deferred tax assets	**(195 417)**	(150 709)	**(195 417)**	(150 709)
Deferred tax reconciliation				
Deferred tax balance at beginning of the year	**(118 411)**	(69 111)	**(118 411)**	(69 111)
IFRS 9 Transition adjustment	**-**	(47 069)	**-**	(47 069)
Recognised in profit or loss	**(39 606)**	4 405	**(39 606)**	4 405
- Property and equipment	**(800)**	(127)	**(800)**	(127)
- Property revaluation reserve	**-**	(441)	**-**	(441)
- Other deductible accruals	**(26 164)**	(3 268)	**(26 164)**	(3 268)
- Impairment charges on loans and advances and other provisions	**(12 642)**	8 241	**(12 642)**	8 241
Recognised in other comprehensive income	**(6 343)**	(6 636)	**(6 343)**	(6 636)
- Available for sale reserve	**(5 902)**	(6 636)	**(5 902)**	(6 636)
- Property revaluation reserve	**(441)**	-	**(441)**	-
Deferred tax balance at end of the year	**(164 360)**	(118 411)	**(164 360)**	(118 411)

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. Other liabilities

	Group		Bank	
	2019	2018	**2019**	2018
	ZMW '000	ZMW '000	**ZMW '000**	ZMW '000
Expected credit loss for off balance sheet exposures	**7 000**	10 665	**7 000**	10 665
Lease liability	**17 873**	-	**99 383**	-
Other liabilities and accrued expenses	**283 318**	365 626	**275 328**	362 884
	308 191	376 291	**381 711**	373 549

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(as at 31 December 2019)

20. Other liabilities (continued)

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

December 2019	Opening Balance	Reclassification of ECL on irrevocable facilities	Transfers between stages: Transfer to/from Stage 1	Transfer to/from Stage 2	Transfer to/from Stage 3	Total	Income statement movement: Originated "New" impairments raised	Subsequent changes in ECL	Derecognition	Total	Currency translation and other movements	Closing ECL balance
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)

December 2018	Opening Balance	Transfers between stages: Transfer to/from Stage 1	Transfer to/from Stage 2	Transfer to/from Stage 3	Total	Income statement movement: Originated "New" impairments raised	Subsequent changes in ECL	Derecognition	Total	Currency translation and other movements	Closing ECL balance
Stage 1											
Letters of credit	(181)	-	-	-	-	(1 015)	55	37	(923)	-	(1 104)
Undrawn loan commitments	(2 255)	-	(193)	-	(193)	(509)	(154)	273	(390)	-	(2 838)
Guarantees	(3 633)	-	(1)	-	(1)	(865)	(53)	445	(473)	-	(4 107)
Total	(6 069)	-	(194)	-	(194)	(2 389)	(152)	755	(1 786)	-	(8 049)
Stage 2											
Letters of credit	(9 038)	-	-	-	-	(45)	6 674	-	6 629	-	(2 409)
Undrawn loan commitments	(911)	193	-	243	436	-	(56)	142	86	330	(59)
Guarantees	(1)	1	-	-	1	(82)	-	-	(82)	-	(82)
Total	(9 950)	194	-	243	437	(127)	6 618	142	6 633	330	(2 550)
Stage 3											
Undrawn loan commitments	-	-	(243)	-	(243)	-	177	-	177	-	(66)
Total	-	-	(243)	-	(243)	-	177	-	177	-	(66)
Total ECL	(16 019)	194	(437)	243	-	(2 516)	6 643	897	5 024	330	(10 665)

20.2 Reconciliation of lease liability

	Group 2019	Group 2018	Bank 2019	Bank 2018
Opening balance (Note 2.4)	**41 598**	-	**122 738**	-
Interest expense	**2 018**	-	**15 067**	-
Payments	**(25 743)**	-	**(38 422)**	-
Closing balance	**17 873**	-	**99 383**	-

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

The total undiscounted future lease payments are ZMW 22 181 thousand for the Group (Bank ZMW 125 208 thousand) These are split in ZMW 6 887 thousand due within the year (Bank : ZMW 33 042 thousand) and ZMW 15 294 thousand between one to five years (Bank : ZMW 92 166 thousand)

21. Subordinated debt

Group and Bank	Redeemable/ repayable date	Date issued	Rate %	Callable date	Rate after call date	Notional value 2019 ZMW '000	Carrying value 2019 ZMW '000	Notional value 2018 ZMW'000	Carrying value 2018 ZMW '000
SBSA Subordinated debt	13 Dec 2021	Dec 2016	LIBOR+5.32	Dec 2021	-	**212 250**	**213 016**	178 875	179 599
Note Program	1 Nov. 2019	Oct 2014	182 Day T- Bill +2,75	Nov 2024	-	**36 700**	**38 065**	36 700	37 807
Total subordinated debt						**248 950**	**251 081**	215 575	217 406

The Bank has had no default during the year (2018:nil).

22. Classification of financial assets and liabilities

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	-	1 673 916	362 006	-	2 035 922	2 035 922
Cash and cash equivalents	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	-		180 224	-	180 224	180 224
		1 253 127	1 673 916	11 293 866	163 335	14 384 244	14 384 244
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	-	456370	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

2018 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	-	1 521 749	-	-	1 521 749	1 521 749
Cash and cash equivalents	6	-	2 080 718	2 504 250	-	4 584 968	4 584 968
Derivative assets	7	35 093	-	-	-	35 093	35 093
Trading assets	8	799 282	-	-	-	799 282	799 282
Financial investments	9	-	-	1 032 515	613 026	1 645 541	1 645 541
Loans and advances to customers	10	-	-	5 261 003	-	5 261 003	5 261 003
Other assets	11	-	-	318 452	-	318 452	318 452
		834 375	3 602 467	9 116 220	613 026	14 166 088	14 166 088
Financial liabilities							
Derivative liabilities	7	37 161	-	-	-	37 161	37 161
Trading liabilities	18	1 352 474	-	-	-	1 352 474	1 352 474
Deposits from banks	17	-	-	475 951	-	475 951	475 951
Deposits from customers	17	-	-	10 802 099	-	10 802 099	10 802 099
Other liabilities	20	-	-	376 291	-	376 291	376 291
Subordinated debt	21	-	-	217 406	-	217 406	217 406
		1 389 635	-	11 871 747	-	13 261 382	13 261 382

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22. Classification of financial assets and liabilities (continued)

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	-	1 673 916	362 006	-	2 035 922	2 035 922
Cash and cash equivalents	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 77 399
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	-		180 224	-	180 224	180 224
		1 253 127	1 673 916	11 304 783	163 335	14 395 161	14 395 161
Financial liabilities							
Derivative liabilities	7	15 771	-	-	-	15 771	15 771
Deposits from banks	17	-	-	456 370	-	456 370	456 370
Deposits from customers	17	-	-	10 523 963	-	10 523 963	10 523 963
Trading liabilities	18	1 496 225	-	-	-	1 496 225	1 496 225
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

2018 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	-	1 521 749	-	-	1 521 749	1 521 749
Cash and cash equivalents	6	-	2 080 718	2 504 250	-	4 584 968	4 584 968
Derivative assets	7	35 093	-	-	-	35 093	35 093
Trading assets	8	799 282	-	-	-	799 282	799 282
Financial investments	9	-	-	1 032 515	613 026	1 645 541	1 645 541
Loans and advances to customers	10	-	-	5 277 874	-	5 277 874	5 277 874
Other assets	11	-	-	317 178	-	317 178	317 178
		834 375	3 602 467	9 131 817	613 026	14 181 685	14 181 685
Financial liabilities							
Derivative liabilities	7	37 161	-	-	-	37 161	37 161
Deposits from banks	17	-	-	475 951	-	475 951	475 951
Deposits from customers	17	-	-	10 813 687	-	10 813 687	10 813 687
Trading liabilities	18	1 352 474	-	-	-	1 352 474	1 352 474
Other liabilities	20	-	-	373 549	-	373 549	373 549
Subordinated debt	21	-	-	217 406	-	217 406	217 406
		1 389 635	-	11 880 593	-	13 270 228	13 270 228

23. Off statement of financial position items

23.1 Loan commitments

The total unutilised loan commitments amounted to ZMW 633 008 thousand (2018: ZMW 745 569 thousand).

23.2 Acceptances and other financial facilities

	2019 ZMW'000	2018 ZMW'000
Letters of credit	**906 868**	554 149
Guarantees	**3 536 263**	2 968 315
Total	**4 443 131**	3 522 464

23.3 Capital commitments

	2019 ZMW'000	2018 ZMW'000
Contracted capital expenditure	**2 560**	1 260
Capital expenditure authorised but not yet contracted	**44 208**	64 638
Total	**46 768**	65 898

23.4 Operating lease commitments

	Group		Bank	
	2019 ZMW '000	2018 ZMW '000	**2019 ZMW '000**	2018 ZMW '000
The future minimum lease payments under non-cancellable operating leases are:				
Properties				
Within 1 year	**-**	7 179	**-**	22 119
After 1 year but within 5 years	**-**	19 784	**-**	65 192
Total	**-**	26 963	**-**	87 311
Equipment				
Within 1 year	**1 613**	1 358	**1 613**	1 358
After 1 year but within 5 years	**-**	-	**-**	-
Total	**1 613**	1 358	**1 613**	1 358

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

23.5 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 2019 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 31.5 million (2018: ZMW 32.8 million).

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24. Supplementary profit or loss information (continued)

		Group		Bank	
		2019 ZMW '000	2018 ZMW '000	**2019 ZMW '000**	2018 ZMW '000
24.1	**Interest income**				
	Interest on loans and advances and short-term funds	**1 002 575**	784 536	**1 005 291**	786 783
	Interest on investments	**370 467**	291 332	**370 467**	291 332
		1 373 042	1 075 868	**1 375 758**	1 078 115
24.2	**Interest expense**				
	Current accounts	**21 270**	20 170	**21 270**	20 170
	Savings and deposit accounts	**145 895**	114 841	**145 895**	114 841
	Subordinated debt	**22 115**	17 374	**22 115**	17 374
	Lease liability	**2 018**	-	**15 067**	-
	Other interest-bearing liabilities	**54 989**	32 724	**54 989**	32 724
		246 287	185 109	**259 336**	185 109
24.3	**Fee and commission income**				
	Account transaction fees	**93 594**	84 950	**93 594**	84 950
	Card based commissions	**56 342**	50 089	**56 342**	50 089
	Electronic banking fees	**40 962**	36 752	**40 962**	36 752
	Bancassurance related fees	**26 193**	17 327	**1 960**	7 516
	Foreign trade service fees	**16 029**	16 028	**16 029**	16 028
	Documentation and administration fees	**107 159**	89 002	**107 159**	89 002
	Other	**50 732**	73 180	**50 732**	73 180
		391 011	367 328	**366 778**	357 517
24.4	**Trading income**				
	Foreign exchange	**328 633**	238 003	**328 633**	238 003
	Other	**(91 723)**	7 465	**(91 723)**	7 465
		236 910	245 468	**236 910**	245 468
24.5	**Other income**				
	Dividend received	**-**	-	**-**	10 000
	Banking and other income	**8 711**	1 184	**8 338**	4 063
		8 711	1 184	**8 338**	14 063

24. Supplementary profit or loss information (continued)

		Group		Bank	
		2019 ZMW '000	2018 ZMW '000	**2019 ZMW '000**	2018 ZMW '000
24.6	**Credit impairment charges**				
	Financial Investments (Note 9)	**28 024**	3 470	**28 024**	3 470
	Loans and advances to customers (Note 10)	**89 678**	56 319	**89 678**	56 319
	Cured interest in suspense	**(4 522)**	-	**(4 522)**	-
	Cash and Cash equivalent (Note 6)	**9 427**	1 004	**9 427**	1 004
	Off balance sheet amounts (Note 20)	**(520)**	(5 024)	**(520)**	(5 024)
	Recoveries on loans previously written off	**(16 215)**	(10 881)	**(16 215)**	(10 881)
		105 872	44 888	**105 872**	44 888
24.7	**Staff costs**				
	Salaries and allowances	**400 519**	384 199	**400 519**	384 199
	Retirement benefit costs	**52 450**	11 719	**52 450**	11 719
	Defined contribution costs	**27 610**	26 349	**27 610**	26 349
	Share based payment transactions (note 16)	**6 216**	3 779	**6 216**	3 779
	Skills development levy	**1 968**	1 870	**1 968**	1 870
		488 763	427 916	**488 763**	427 916
24.8	**Other operating expenses**				
	Information technology	**49 574**	42 266	**49 574**	42 266
	Communication	**14 603**	16 713	**14 603**	16 713
	Premises	**21 078**	31 778	**21 078**	48 877
	Security	**24 065**	21 873	**24 065**	21 873
	Marketing and advertising	**13 326**	14 812	**13 326**	14 812
	Other	**368 634**	335 032	**362 414**	328 206
		491 280	462 474	**485 060**	472 747
	The following disclosable items are included in other operating expenses:				
	Auditor's remuneration	**2 725**	3 532	**2 447**	3 052
	Audit fees				
	- Current year	**2 725**	3 532	**2 447**	3 052
	Non audit related fees	-	-	-	-
	Depreciation (note 13)	**58 562**	38 592	**62 977**	34 492
	Right of use asset	**17 964**	-	**26 479**	-
	Buildings	**6 620**	6 619	**2 520**	2 519
	Leasehold improvements	**5 089**	4 560	**5 089**	4 560
	Computer equipment	**17 202**	16 614	**17 202**	16 614
	Motor vehicles	**2 538**	1 557	**2 538**	1 557
	Office equipment	**2 687**	2 547	**2 687**	2 547
	Furniture and fittings	**6 462**	6 695	**6 462**	6 695
	Amortisation of intangible asset (note 14)	**23 880**	23 880	**23 880**	23 880
	Operating lease charges – premises	**4 172**	17 107	**4 172**	34 206
	- Properties	**248**	15 922	**248**	33 021
	- Equipment	**3 924**	1 185	**3 924**	1 185
	Professional fees	**9 091**	27 310	**9 091**	27 310
	- Managerial	**-**	14 357	**-**	14 357
	- Technical and other	**9 091**	12 953	**9 091**	12 953
	Security	**24 065**	21 873	**24 065**	21 873
	Marketing and advertising	**13 326**	14 812	**13 326**	14 812
	Other expenses	**355 999**	315 368	**345 102**	313 122
		491 820	462 474	**485 060**	472 747

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

25 Income tax expense

	Group		Bank	
	2019 ZMW '000	2018 ZMW '000	**2019 ZMW '000**	2018 ZMW '000
Current year	**244 671**	210 647	**237 387**	206 898
- Current tax expense	**284 277**	206 242	**276 993**	202 493
- Deferred income tax (note 19)	**(39 606)**	4 405	**(39 606)**	4 405
Total income tax expenses	**244 671**	210 647	**237 387**	206 898
Zambia tax rate reconciliation (%)	**35%**	35%	**35%**	35%
The total taxation charge as a percentage of net income before taxation:	**36.1%**	37%	**36.1%**	36.7%
The charge for the year has been reduced/ (increased) as a consequence of:				
- Non-deductible expenses	**(1.1%)**	(2%)	**(1.6%)**	(1.7%)
Standard rate of Zambian Tax	**35%**	35%	**35%**	35%

Deferred tax movements in equity

Group and Bank	2019			2018		
	Before tax	**Tax (expense)/ benefit**	**Net of tax**	Before tax	Tax (expense)/ benefit	Net of tax
	ZMW '000	**ZMW '000**	**ZMW '000**	ZMW '000	ZMW '000	ZMW '000
Property revaluation reserve -unwind of previous revaluations	**(1 259)**	**441**	**(818)**	(1 259)	441	(818)
Net change in fair value for AFS/ FVOCI reserve	**(12 190)**	**5 902**	**(6 288)**	(15 515)	6 636	(8 879)
	(13 449)	**6 343**	**(7 106)**	(16 774)	7 077	(9 697)

26. Notes to statement of cash flows

26.1 Reconciliation of profit before tax to cash flow from operating activities

	2019 ZMW'000	2018 ZMW'000
Profit before income tax	**677 472**	569 461
	70 421	33 743
Adjusted for:		
- Credit impairment on loans and advances	**105 872**	44 888
- Depreciation - property and equipement	**58 562**	38 592
- Amortisation – intangible asset	**23 880**	23 880
- Accrued interest income on loans and advances	**(199 701)**	(144 109)
-(Profit)/loss on disposal of equipment	**(1 678)**	1 470
- Accrued interest expense on customer deposits	**68 593**	56 403
- Equity settled share based payment transactions	**-**	223
- Provision for management fees	**14 893**	12 396
Net cash flows generated from operating activities	**747 893**	603 204

26.2 Cash receipts from customers

Interest received from customers	**1 173 341**	931 759
Fees and commission income	**391 011**	367 328
Trading income and other revenue	**243 943**	245 468
	1 808 295	1 544 555

26. Notes to statement of cash flows (continued)

26.3 Cash paid to customers, employees and suppliers

	2019 ZMW '000	2018 ZMW '000
Interest paid to customers	**(177 694)**	(128 706)
Staff expenses paid	**(488 763)**	(427 694)
Other operating expenses paid (including indirect tax)	**(393 945)**	(384 951)
	(1 060 402)	(941 351)

26.4 Increase in income-earning and other assets

Change in financial investments	**(247 875)**	474 048
Change in statutory deposits	**(449 175)**	75 199
Change in loans and advances to customers	**(178 332)**	(627 451)
Change in derivative assets & trading assets	**(418 752)**	333 496
Change in other assets	**138 228**	(79 655)
	(1 155 906)	175 637

26.5 Decrease in deposits and other liabilities

Deposits from customers and banks	**(326 640)**	1 978 603
Net derivative liabilities & trading liabilities	**122 361**	856 399
Other liabilities	**(68 100)**	56 979
	(272 379)	2 891 981

26.6 Income taxation paid

Current tax at beginning of the year	**6 761**	186 803
Income statement charge	**284 277**	206 242
Current tax at end of the year	**(76 364)**	(6 761)
	214 674	386 284

26.7 Analysis of cash and cash equivalent

	2019 ZMW'000	2018 ZMW'000
Cash and balances with the Bank of Zambia	**2 035 922**	1 521 749
Cash and cash equivalents	**3 582 220**	4 584 968
Less: cash reserve requirement	**(1 092 410)**	(643 235)
Cash and cash equivalents at end of year	**4 525 732**	5 463 482

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:

		2019 ZMW '000	2018 ZMW '000
Balances at year end			
Amounts due from Group companies	**Relationship**		
Standard Bank South Africa	Fellow subsidiary	**4 323**	4 617
		4 323	4 617
Amounts due to Group companies	**Relationship**		
Standard Bank South Africa	Fellow subsidiary	**53 776**	53 562
		53 776	53 562
Transactions during the year			
Management fees		**51 803**	45 328
Information technology charges		**46 816**	28 083
		98 619	73 411

Notes to the consolidated and separate financial statements

(as at 31 December 2019)

27. Related party transactions (continued)

27.2 Key management personnel compensation

	2019 ZMW'000	2018 ZMW'000
Compulsory social security obligations	1 142	1 119
Share based payment transactions	6 216	3 779
Salaries and other short term benefits	32 943	28 008
	40 301	32 906

27.3 Directors' emoluments

Emoluments of directors in respect of services rendered :		
As directors of Stanbic Bank Zambia Limited	3 658	3 857

27.4 Directors and officers loans

Year ended 31 December 2019

	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		

Year ended 31 December 2018

	Opening amounts	Additions / disbursements	Repayments/ Transfers out	Closing amounts	Weighted interest rate range	Nature of loan
Officer 1	678	-	(390)	288	8% - 12%	Mortgage
Officer 2	174	-	(174)	-	8% - 12%	Unsecured loan
Officer 3	1 936	1 073	(216)	2 793	8% - 12%	Mortgage, unsecured loan
Officer 4	677	250	(41)	886	8% - 12%	Mortgage, unsecured loan
Officer 5	1 538	2 365	(638)	3 265	8% - 12%	Mortgage
Officer 6	1 071	1 250	(321)	2 000	8% - 12%	Mortgage, unsecured amount and asset financing
Officer 7	732	250	(110)	872	8% - 12%	Mortgage and unsecured loan
Officer 8	1 696	-	(579)	1 117	8% - 12%	Mortgage and unsecured loan
Officer 9	-	216	-	216	8% - 12%	Unsecured loan
Officer 10	171	-	(171)	-	8% - 12%	Unsecured loan
Total	8 673	5 404	(2 640)	11 437		

27.5 Directors' current accounts

	2019 ZMW '000	2018 ZMW '000
Balance at beginning of the year	828	641
Increase	1 222	187
Balance at end of the year	2 050	828

27.6 Directors' interest

The directors do not have any interests in the bank as defined in the Companies Act.