Stanbic Bank

STANBIC BANK ZAMBIA LIMITED

ANNUAL REPORT

2023

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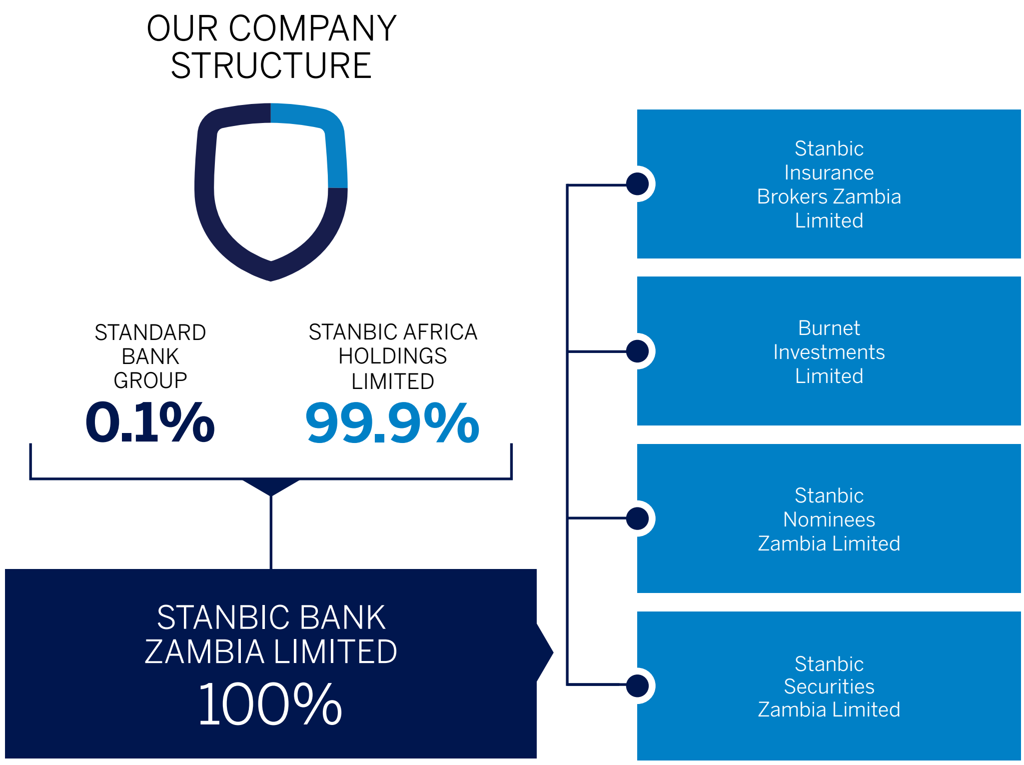
About

STANBIC BANK ZAMBIA LIMITED

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

Our purpose is clear:

Zambia is our home, we drive her growth.



OUR INTEGRATED PILLARS OF OPERATION GOVERNANCE

Our business lines provide integrated solutions that drive the financial wellbeing of our diverse Clients in Zambia.

Corporate & Investment Banking (CIB)

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

What we offer

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

Personal & Private Banking (PPB)

provides banking and other financial services to individual Clients

What we offer

- Private Banking
- Executive Banking
- Achiever Banking

Business & Commercial Banking (BCB)

provides banking and other financial services to Business and Commercial Clients

What we offer

- Commericial Banking
- Agri Business
- SME Business

Corporate Functions

which include the enabling functions that provide partnership to the Business Units

What we offer

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

OUR VALUES

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

Serving our Clients	**Growing our people**
Working in Teams	**Constantly raising the bar**
Delivering to our Stakeholders	**Being proactive**
Respecting each other	**Upholding the highest level of integrity**

THE BANKER MAGAZINE'S
BANK OF THE YEAR AWARDS 2023

BEST BANK IN ZAMBIA

THE BANKER
BANK OF THE YEAR
2023
ZAMBIA


Stanbic
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NE-YO
Stanbic Bank IT CAN BE.

Social Economic Impact

To achieve our purpose of Zambia is our home and how we drive her growth, we are committed to making a positive impact in delivering sustainable social, economic and environmental value in the communities in which we operate.

Through our Corporate Social Responsibility Policy, we have the four pillars of Education, Health, Enterprise Growth and Sustainable Finance and Climate Change that guide us in our support to communities.

OUR FLAGSHIP PROGRAMME FOR 2023

ESG & Climate Change Action

CLIMATE CHANGE & ENVIRONMENT

Stanbic Bank Zambia has partnered with the World Wide Fund (WWF) and Ministry of Green Economy & Environment for the Zambezi River Source Reforestation Project. The project, which will run for three years, aims to replant trees that have been depleted due to human encroachment at the river source.

The Zambezi River is at the heart of the Zambian economy, providing energy, tourism, and livelihood support products and services for the communities living along the river.

In 2022, the WWF Zambia and Stanbic successfully launched the Let's Secure Zambezi Campaign, and a landmark event was held at the source of the Zambezi on the World Water Day to mark the launch.

In 2023, the Let's Secure Zambezi Campaign, now in its second year, facilitated the replanting of 10,000 trees to be replanted in the Zambezi Source Area.

Impact

- 10,000 indigenous trees were successfully planted at the river Source Area in the Ikelenge District in Zambia's North-Western Province.
- Town-hall meetings were held to sensitise the local community on the dangers of indiscriminate tree-cutting and the importance of undertaking sustainable farming practicies and protecting the Source Area for the Zambezi River's long-term sustainability.
- Alternative sources of income, such as beekeeping and the growing of fruit trees, were created.
- Strategic partnerships with the local traditional leadership and Zambian Government Agencies, among others, were secured to scale-up reforestation efforts and protect the river Source Area's ecosystem.

Education

SCIENCE, TECHNOLOGY, ENGINEERING, THE ARTS AND MATHEMATICS SHOWCASE

In 2022 Stanbic launched a coding programme at Northmead Primary School aimed at driving technological innovation and enhancing pupils' awareness of the power and potential of digital and physical technology. The programme centred on the STEAM subjects, that is Science, Technology, Engineering, the Arts and Mathematics, and involved practical coding and technological problem-solving.

Coding allowed the children to devise creative solutions to everyday problems, enhance their critical thinking skills and ignite their enthusiasm for digital technology, while imparting key 21st-century skills that the children of today require for the jobs of tomorrow.

Since launching the programme in July 2022, over 30 students have been taught the basics of computer programming and how to use technology such as the Raspberry Pi computing system. For many of these students, it was the first time they had been exposed to these devices and techniques.

Stanbic worked with the young learners to supplement the Zambian Government's efforts in increasing the exposure of young learners to STEAM subjects.

The success of this project was subsequently showcased in May 2023 at the Stanbic Yamene Leadership Centre, the Bank's state-of-the-art training facility, in Lusaka's Kabulonga area.

The STEAM Showcase was an exhibition that was the culmination of the year-long coding programme, which trained pupils in creating basic programming to solve common humanity problems.

Impact
At the STEAM Showcase, the pupils, who had worked in three separate groups, unveiled video clips profiling their inventions and explained how they were created to help solve common problems.

Northmead Primary School pupils who participated in the STEAM pilot project show their Certificate of Achievements during the 2023 STEAM Showcase in Lusaka in May.

Director, Science, at the Ministry of Technology and Science, Ms. Jane Mubanga Chinkusu, hands over a "Certificate of Achievement" to one of the Northmead Primary School pupils at the Yamene Leadership Center following the completion of the STEAM pilot project in Lusaka.

KWACHA-FOR-KWACHA

The Stanbic Bank Zambia Kwacha-for-Kwacha programme is an employee-giving programme created and coordinated by members of our staff.

In 2023, Stanbic staff proudly handed over 100+ school desks, positively impacting around 2,000 pupils at:

- Ng'ombe Primary School, Lusaka
- Bauleni Special Needs Project, Lusaka
- Nachiteta Primary School, Lusaka and
- St. Peter Community School, Kitwe

Community Upliftment

FIRST LADY AUTISM SCHOOL

Stanbic Bank Zambia, in collaboration with the Office of the First Lady, embarked on a grand project to construct Zambia's first-ever National Autism Centre. In June 2023, the Bank was delighted to hand over a K600,000 cheque to the Office of the First Lady's Stay In School Initiative to help construct the National Centre for Autism in Kabwe District, Central Province, Zambia.

Autism Spectrum Disorder (ASD) is a neurodevelopmental condition characterised by a range of challenges related to social interaction, communication, and repetitive behaviours.

ASD typically emerges in early childhood, and early intervention and tailored support can significantly improve outcomes. People with ASD may have different ways of learning, moving, or paying attention, which requires specialist teaching environments, skills and methods.

In September 2022, the First Lady, Mrs. Mutinta Hichilema, was inspired to play a positive role in addressing this problem and took part in initiating the development of the Kabwe National Center for Autism National Centre.

Against this background, Stanbic Bank Zambia decided to invest K600,000 towards the construction of the centre, designed to be a state-of-the-art modern facility that is geared to manage and support the developmental needs of children living with disorders such as autism across the country.

Impact

- Stanbic Bank Zambia's support will go towards the ongoing construction of the Kabwe National Centre for Autism, which is slated for completion in early 2024.
- The school will be the only national centre for autism of this magnitude in the country and region.

KEEP LUSAKA CLEAN AND GREEN

In 2022, the Zambian Government re-launched the "Keep Zambia Clean, Green and Healthy" campaign, extending a call to action amongst all stakeholders for a multi-sectoral approach to managing waste.

The renewed campaign is aimed at making local cities, towns, villages, public institutions and surrounding areas clean and green to improve health and sanitation standards.

In response to the call, Stanbic Bank Zambia, together with the Lusaka City Council (LCC) under the Ministry of Local Government and Rural Development, launched the "Keep Lusaka Clean and Green" campaign in July 2022. This campaign was aimed at ensuring that trading spaces are clean, safe and open for business within Lusaka District.

In partnership with both Chilanga Cement (in 2022) and Dangote Cement Industries (in 2023), and in collaboration with local councils, clean-up drives were launched in the CBDs of Lusaka, Ndola, Livingstone and Chipata.

The litter that was collected was then taken back to our cooperating partners – Chilanga Cement and Dangote – for incineration in their kiln. This means that a 360° circular approach was used to dispose of the waste instead of the waste being dumped in local landfills.

Impact

- The Ndola clean-up session collected 6.5 tonnes of plastic waste from the area.
- The Chipata clean-up session cleared 16 tonnes of plastic waste.
- Plastic waste collection was also used to regenerate energy, significantly lowering the carbon footprint by ensuring that harmful emissions were reduced.
- The cleaned-up CBDs helped to significantly alleviate the pressure on local councils to clear waste and reduce its build-up at local landfills.
- Our clean-up sessions instilled a working culture of ensuring local surroundings are clean and tidy.

Growth & Sustainable Finance

FINANCIAL FITNESS ACADEMY

As a part of Stanbic Bank Zambia's ongoing efforts to promote financial literacy, the Bank launched a Financial Fitness Academy (FFA) in 2020, a first of its kind in Zambia, which is aimed at providing our employees and citizens with the skills and knowledge they need to manage their finances and achieve their financial goals.

Specialised training and workshops were organised for stakeholders including marketeers, athletes, and women and pupils, with focus on driving local skills and creating a financially literate society.

In early 2023, we hosted another first: an inter-school girls' debate. The event was attended by 100 school pupils from six different girls' schools, and communicated the foundational elements of financial literacy to empower the attendees with skills and knowledge they need to make responsible financial decisions.

The FFA will be an ongoing programme.

Impact since 2020:

- Over 49 FFA trainings have been conducted countrywide.
- Over 8,000 people have been trained across Zambia, including the Zambia Super League football squad, NAPSA Stars F.C., Zambia Air Force, and ZESCO Limited, the country's national power utility.
- 4,950 training hours have been completed.
- Specialised training took place for school-going pupils (aged 4-11) at Little Explorers School at Nkwashi, Chongwe area, teaching them effective money-management skills through Stanbic Hippo Accounts.
- Financial training was extended to 120 pupils in grades 10–12 from various schools in the Chilenje community.
- Over 500 women were trained through various activations and 56 opened current accounts.
- Training sessions were conducted in Zambia's seven local languages via a nationwide platform.

Stanbic Bank's Ms. Chiwala Shichilaba, speaks during the Bank's Financial Fitness Academy (FFA) session organised for NAPSA F.C. players in Lusaka.

Buy-a-Brick Initiative

Stanbic Bank Zambia launched the 2023 Buy-a-Brick campaign in Kalulushi District, Copperbelt Province, in collaboration with the People's Process on Housing and Poverty Zambia (PPHPZ) and the Zambia Homeless and Poor Peoples Federation (ZHPPF).

The Bank's partnership with the PPHPZ and the ZHPPF is designed to sustainably finance and construct affordable and decent housing units for the less privileged and vulnerable in the community over three years.

This campaign was inspired by the fact that Zambia faces a large housing deficit, estimated at over 1.3 million units. The country's urban poor suffer from a lack of access to suitable housing and have neither access to land nor credit through formal systems to finance their housing needs and aspirations.

The campaign's goal was initially to construct at least 100 housing units per year, and to set a precedent for the delivery of low-cost affordable and decent housing, particularly for low-income groups.

Impact

- The Bank has financed the construction of 67 low-cost housing units in Katuba and Kasupe areas in Zambia's Central Province at a cost of over K5 million.
- In 2023, another 20 houses were constructed bringing the total to 87 houses.
- Stanbic successfully managed to secure a strategic partnership with globally renowned cement manufacturer, Dangote Cement Industries, to increase the number of housing units being constructed under the campaign to at least 150 houses annually.
- Dangote brings enormous experience from the construction sector, and they will be contributing 5,000 pockets of cement annually under their CSR portfolio. This will significantly boost our capabilities to finance the construction of more houses over a shorter time period.

Health & Dignity

Stanbic staff also handed over essential medical equipment to the UTH Children's Hospital worth over K180,000 to boost access to quality healthcare for vulnerable young patients.

The equipment included 30 nebulizers, nine suction machines, two phototherapy units and four 50-inch plasma screen HD TVs, among other items.

CHAIRMAN'S REPORT

Dr. Abraham Mwenda Board Chairman

2023 was another monumental year for our Business. The Bank achieved a record Profit After Tax of ZMW1.36 billion in the year ended 31 December 2023. This was an increase of 31% against the ZMW 1.04 billion attained in 2022. This achievement is evidence of the continued trust and enduring partnerships we have forged with our clients and various stakeholders.

Remarkably, the above results were achieved in a challenging macro-economic geo-political, and climate environment. In 2023, the Kwacha significantly weakened against the United States Dollar, depreciating by 43% in the year. The exchange rate pressure had a spill over effect on inflation and cost of living generally. The inflation rate rose from 9.4% in January to 13.1% in December 2023.

The Government responded to these challenges in several ways that had a material impact on the Bank and our Clients. In November 2023, the Central Bank increase the Monetary Policy Rate (MPR) by 100bps to 11%. The increase was on the back of a 50bps hike in August 2023 and marked the 4th consecutive rise in the MPR in 2023. The Central Bank also hiked the Statutory Reserve Ratio on both Local and Foreign currency deposits by 300bps to 17% in November. This was after a hike of 250bps in October. These measures were aimed at supporting the Kwacha and curbing the rising inflation rate.

The International Monetary Fund (IMF) has cut its 2024 forecast for global economic growth to 2,9% from its earlier forecast of 3.0%. It has cited ongoing global monetary policy tightening efforts to cool inflation, geopolitical tensions and conflicts, adverse climate impacts and uneven economic recoveries as some of the major factors for the downward revision in global economic growth.

Considering the above we expect that 2024 will also be a challenging year. However, despite these challenges we are optimistic that silver linings remain that will support the growth of the Zambian economy and the Bank in 2024. Successful conclusion of debt restructuring efforts in the first half of 2024 is expected to support a rebound of Foreign Direct Investment flows into the country. These should support the local currency and job creation. The resolution of the challenges in the mining sector, especially on the Copperbelt, should support a rebound in copper production with the positive spill over effects on the Kwacha, local communities, and businesses on the Copperbelt and the country at large.

The Central Bank estimates that the Zambian economy grew at a faster than expected rate of 4.9% in 2023 mostly due to growth in the ICT, education, transport, and tourism sectors. It expects 2024 economic growth to accelerate to 4.7% driven by recovery in the mining and agriculture sectors though significant downside risks to the forecast remain.

To navigate this difficult terrain the Bank will continue to focus on serving its clients and responding to their changing needs in an efficient and innovative way. As Stanbic, Zambia is our home, and we drive her growth. We are therefore committed to ensuring that we offer products and services that are relevant

"We are also committed to supporting the country's economic growth aspirations. Through our Social, Environmental and Economic efforts we have continued to be a steady partner to the Government in its aspiration for for Inclusive, Equitable, Clean and Green economic growth."

NET INTEREST INCOME

K 2.6 Billion ▲ 42%

2022: K 1.8 Billion

ASSET BASE

K 38.4 Billion ▲ 19%

2022: K 32.3 BILLION

to our clients. Our clients are the core of the Bank's *Nayo Nayo* 2026 strategy and will remain so. In 2024, we aspire to continue to digitize our operations so that we continue to have a robust platform that will allow us to continue to innovate and serve our clients well. We are also committed to supporting the country's economic growth aspirations. Through our Social, Environmental and Economic efforts we have continued to be a steady partner to the Government in its aspiration for Clean and Green economic growth.

The Bank was recognized for its efforts to serve its clients well and support the Zambian economy with the award of Best Bank in Zambia by the Financial Times' Banker Magazine. The Bank was also awarded Best Bank in Zambia by EMEA Finance. Euromoney recognized the Bank's private banking offering as the best in Zambia with the award of Best High Net Worth Individuals. The Chief Executive of the Bank was also recognized as Best Male Banker of the Year 2023 by the Zambia Man of the Year Awards. These awards are testament to our efforts to serve our clients, support the communities in which we operate and partner with the Government to drive Zambia's growth.

Board and Executive Changes

The strong performance achieved in 2023 could not have been possible without a strong leadership at both the Management and Board levels. The Bank is cognizant of the need for good leadership and continuously aspires to grow its people across the institution.

The Bank is pleased to welcome to the Board Ms. Kapambwe Doreen Chiwele, Dr. Diana Kangwa and Ms. Mizimo Musokotwane.

Ms. Chiwele was appointed to the Board on 31 July 2023. She is a Fellow of the Zambia Institute of Chartered Accountants and Chartered Institute of Management Accountants. She has over 30 years of professional experience 17 of which have been at Finance Director/ Chief Financial Officer level.

Dr. Diana Kangwa was appointed on the 2nd of November 2023. She has significant experience in ICT. From 2017 to 2021 she served as the Chief Operating Officer at ZANACO where she helped develop systems and procedures to improve operational excellence, team effectiveness and the overall technology function. She has held various roles in Information Technology at Standard Chartered Zambia Plc and Cavmont Bank Limited. Currently she serves as a non-executive director on the Board of Mopani Copper Mines PLC and EIZ Properties PLC.

Ms. Mizimo Musokotwane was appointed effective June 2023. Mrs. Musokotwane is the current Chief Financial and Value Management Officer of Stanbic Bank. She is a Chartered Accountant with a career spanning over 20 years. She is a fellow of Zambia Institute of Chartered Accountants and the Association of Certified Chartered Accountants.

The Bank bade farewell to Directors Mr. Bejoy Nettikadan and Ms. Milangu Kampata. The Directors retired on the 18th of December 2023 after serving for 6 years. The Board extends its sincere gratitude to them for their immense contributions during their six-year tenure on the Board.

At an Executive level, Ms. Precious Sakala was appointed as Head of People and Culture on 1st August 2023. She replaced Ms. Kasonde Gondwe who left the Bank to take up another role within the Standard Bank Group. Ms. Sakala has 18 years of diverse work experience across multiple markets having previously worked for Airtel Zambia, ZANACO, Konkola Copper Mines, Standard Chartered Bank and Orica. She holds a Bachelor of Arts from the University of Zambia and an MBA from Edinburgh Business School.

I am confident that the Bank has the right leadership team to take it to higher heights in 2024 and beyond.

In conclusion I would like to extend my gratitude to our clients for their continued support in 2023 and look forward to growing our business and relationships in 2024. I'm also indebted to the Board, Management and Staff of the Bank for their efforts in ensuring that we remain on course to achieve our *Nayo Nayo* Strategy by 2026 and our mission of Zambia is our home and we drive her growth.

CHIEF EXECUTIVE'S REVIEW

Mwindwa Siakalima Chief Executive

In 2023, Zambia made significant strides towards attaining debt sustainability as the authorities announced a debt restructure with the Official Credit Committee of US $6.3bn after almost 3 years since defaulting on its foreign currency denominated sovereign debt. Negotiations on restructuring the debt with private creditors have continued with a lot of efforts directed towards concluding the process. Attaining debt sustainability is a positive step to freeing up resources for other important developmental agenda expenditure items such as Health, Education, Agriculture, Mining Exploration and Tourism. Additionally, this has a bearing on improving the country's sovereign credit risk rating, which would lead to lower cost of capital and increased foreign direct investment. All this points to improved growth prospects for our GDP, which was last forecasted to grow at a rate of 4.3% in 2023.

In 2024, the Zambian Government projects GDP to further grow to 4.9% and this is expected to be supported by a recovery in the mining and agriculture sectors. The Government continued to support local entrepreneurship by providing opportunities for the locals using the Constituency Development Funds which was increased from K25.7m in 2022 to K28.3m per constituency in 2023. Other empowerment initiatives like the Citizens Economic Commission also supported business growth in 2023.

Pressure on inflation persisted for most of the year closing the year at 13.1% The inflationary pressures were largely driven by higher food and fuel prices as well as a weaker local currency measured against major international currencies. Over the forecast horizon, which covers the period up to 2025, with a backdrop of geo-political conflicts and, the Government predicts inflationary pressures to be elevated and will be driven largely by tight global monetary and financial conditions, a weaker local currency and higher prices of food and fuel.

The local currency closed off 2023 trading at K25.98/$ compared to K18.25/$ at the start of the year. The currency weakness was largely driven by sustained demand for the local currency amid its lower supply and the adverse impact of the protracted foreign currency external debt restructure negotiations.

Mineral exports which are the main source of Zambia's foreign exchange, had been low due to protracted production challenges which the mines faced. In Q4 of 2023 seasonal demand for importation of agricultural inputs and on-going demand for petroleum products further put pressure on the local currency.

The Stanbic Bank Zambia Purchasing Manager's Index (PMI) averaged above 50 in Q4 of 2023. A slight increase in business activity was observed as customer demand was affected by currency weakness and money constraints. Additionally, businesses decreased the amount they were buying, and the stocks of purchases decreased.

PROFIT AFTER TAX

K 1.36 Billion ▲ 31%

2022: K 1.04 Billion

"Looking at 2024, I am very optimistic about the growth prospects of our economy, especially after significant work on the Sovereign debt restructure has been done and the resolution of the mining operations impasse on two of our country's large copper mines."

Despite the challenges we faced in the year, Stanbic Bank Zambia showed resilience and delivered excellent financial results with all the three Business segments contributing positively to the growth of both the Balance Sheet and the income statement. We are proud of the progress that we have made in achieving the main objectives of our *Nayo Nayo* strategy which was in it's second year.

The record Profit After Tax of K1.36bn that the bank attained in 2023 was supported by strong growth in all the key revenue lines and continues to position the Bank very well for future growth.

Customer Loans and Advances grew by 32% year on year supporting the total revenue growth of 33% owing to deliberate implementation of strategies which included coordinated approach to deal execution and effective cost management.

In 2023, we continued to focus on delivering to our clients exceptional experiences and superior value, and becoming the transactional bank of choice by embracing technology, partnerships, and innovation as we solutioned for them.

True to our well-articulated Social, Environmental and Economic (SEE) positive impact which is a fundamental value driver that reinforces our legitimacy and underpins our purpose of "Zambia is our Home, we Drive her Growth", we continued to ensure that we actively participate in the upliftment of the communities in which we operate.

In 2023, the Bank embarked on several projects which include the financing of the construction of 20 low-cost houses in Kalulushi which will be handed over in the early part of 2024 to vulnerable members of our communities. This was done under the Bank's Buy-a-Brick Housing Empowerment Initiative where we work with various partners which include the Government to bridge the current country's housing deficit.

Following the signing of a memorandum of understanding in 2022 with the Churches Health Association of Zambia to build 3 mothers' shelters over a period of three years, in 2023 the Bank financed the construction of a mother's shelter in Kazungula district which will be handed over in the coming year. These shelters are expected to lower infant mortality for communities.
The Bank also partnered with the Office of the First Lady by donating K600,000 that went towards the construction of the National Centre for Autism in Kabwe. This is on the back of our understanding that despite being different, children living with autism have specific qualities that should be fostered in a special way for them to reach their full potential. We are optimistic that the National Centre for Autism will provide many learners with autism with access to a conducive learning environment that will enable them to advance their skills and contribute positively to the growth of the economy.

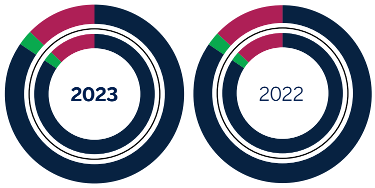
In helping to mitigate the negative impact of climate change, through the "Lets Secure Zambezi" initiative the Bank worked with various partners to plant 10,000 indigenous trees in the Zambezi catchment area. This initiative is aimed at contributing to the preservation of a region by reintroducing species of indigenous flora and fauna into the Zambezi Headwaters ecosystem.

Looking at 2024, I am very optimistic about the growth prospects of our economy, especially after significant work on the Sovereign debt restructure has been done and the resolution of the mining operations impasse on two of our country's large copper mines. As a Bank we will continue to put our clients needs first to attain the objectives of the *Nayo Nayo* strategy with the support of our dedicated, hardworking, and innovative staff. Using technology and through partnerships and collaborations, we will support our clients as we all together wok to drive Zambia's growth. *Nayo Nayo*!

FINANCIAL REVIEW

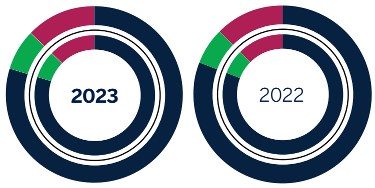
Ms. Mizimo Musokotwane
Chief Finance & Value Management Officer

Gross loans and advances to Customers (ZMW'000)



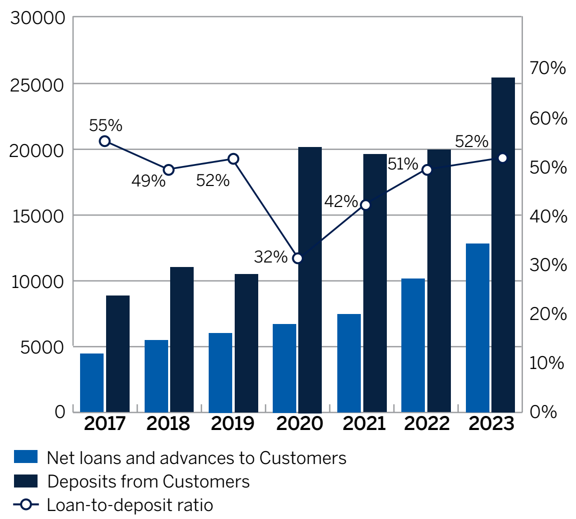
	2023	2022
Other Lending	**11 968 450**	9 088 849
Mortgages	**333 405**	307 489
Vehicle & Asset Finance	**1 825 577**	1 345 083

Current accounts and deposits from Customers (ZMW'000)

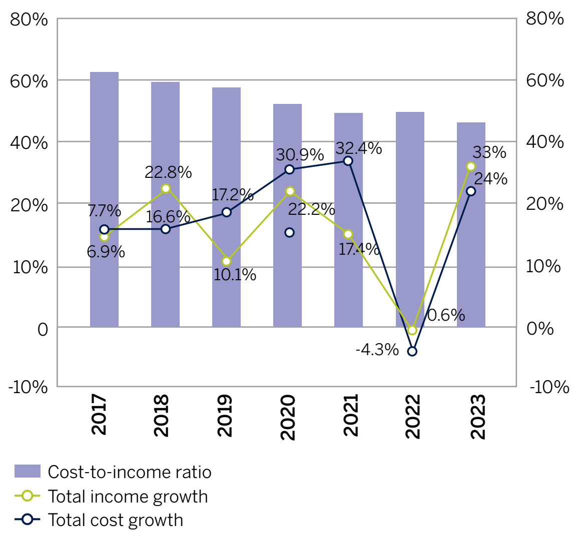


	2023	2022
Current Accounts	**20 716 145**	16 376 923
Savings	**1 944 479**	1 312 449
Term Deposits	**3 292 877**	2 513 473

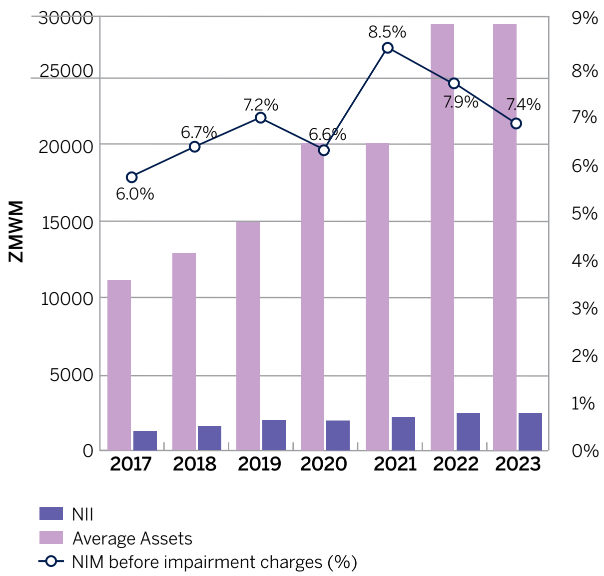
Loan-to-deposit ratio



Cost-to-income ratio



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



HIGHLIGHTS

PROFIT AFTER TAX | ▲ 31%

K 1.36 Billion

2022: K 1.04 BILLION

K1.11 Billion | ▲ 21%

TOTAL DIRECT AND INDIRECT TAX CONTRIBUTION

2022: K0.9 BILLION

CORPORATE & INVESTMENT BANKING

Helen Lubamba
Head Corporate & Investment Banking

OUR BUSINESS

In 2023, the performance of the Corporate and Investment Banking (CIB) business of Stanbic Zambia soared to new heights, driven by key economic sectors such as sovereign, telecoms, mining, agriculture, consumer, power, and infrastructure. The sovereign sector, which has historically been a significant driver of performance, continued to deliver returns, providing stability and strength to the overall portfolio.

The Consumer sector, which includes FMCGs, and manufacturing made up the most significant portfolio in terms of overall asset growth. The higher demand for local, quality products, spurred in part by the supply chain disruptions during the COVID-19 pandemic was a turning point for both suppliers and consumers alike. The business successfully partnered with our local, regional, and multinational corporates in achieving some of the highest loans and advances growth in the market in the year.

Further to this, the telecoms industry continued to grow with expansion projects spurred by the growth of mobile money solutions and the drive to improve service delivery amongst the large mobile network operators (MNOs) in turn, contributing to the Bank's performance as we extended credit facilities to meet these needs.

The realignment of strategy on the Chinese portfolio, particularly in mining, also played a pivotal role in our success. Leveraging the relationship in Beijing with Standard Bank Group's largest single shareholder, ICBC, we were able to make inroads with the large Chinese run operations in Zambia.

Agriculture, which is a key growth sector for Zambia alongside the power and infrastructure sectors also played integral roles in driving the Bank's performance. With a diverse portfolio and a keen understanding of market dynamics, Stanbic Bank Zambia achieved remarkable success in 2023, cementing its position as a leading force in Corporate and Investment Banking.

Through it all front and foremost, doing business the right way, continues to be our mantra in not only providing the right solution for our Clients, but also ensuring our teams focus on the compliance and risk measures for a sustainable franchise. This has been achieved whilst operating in a progressively tighter regulatory and monetary environment.

With a keen eye on the future, Stanbic Bank Zambia's CIB division continued to deliver innovative, forward-thinking decisions that propelled the Bank to the forefront of Zambia's financial landscape. This earned us the Best Investment Bank in Zambia award by Euromoney 2023, for the third year running.

Our Products and Services

Our Client Coverage team members, who are the cornerstone of our business, foster strategic relationships with our Clients. They work with our specialised product areas in CIB and across the wider bank to ensure that we show up as an integrated financial services provider. The team is cardinal in the delivery of a consistent and superior Client experience, supported by innovative solutions.

Our specialised products and solutions units consist of:

- **Transactional Banking**, which provides access to a comprehensive suite of solutions aimed at servicing our Client's transactional needs. Our TPS team processes the largest transaction volumes in the country and in this regard, sits in the top 5 countries within the Standard Bank Group.
- **Our Investment Banking** business has a long history of arranging and advising on key and complex transactions in our economy. It is the only Investment Banking team in Zambia that houses in-country the full expertise and product specialisation resources. This allows us to offer innovative solutions which gives us first-mover advantage that further entrenches our standing with our Clients. Access to specialist teams in the Standard Bank Group allows us to leverage off their advisory, corporate debt and capital markets solutions. In recent years the team has won EMEA Finance Awards for Best Investment Bank in Zambia for 2021 and 2022, as well as the Euromoney-Awards for Excellence, for Best Investment Bank in Zambia for 2022.
- **Global Markets** team provides trading services and risk management solutions across financial markets in response to Client investment and strategies. The business unit, through its dealing room, provides a gateway for trade transactions between counterparties, leveraging off both our onshore and offshore visibility. We continue to be a market leader through the extensive global network with financial institutions.

Innovation and Technology

Stanbic Bank Zambia's investment in technology and innovation has enabled it offer new and competitive products and services to our CIB Clients. We have continued to develop cash management and collections solutions by partnering with leading Fintech's within and outside the country. In addition to this we understand the Governments strategic focus to harness technology to enhance service delivery and revenue collection. It is for this reason that we partnered with the public sector on the Government Service Bus (GSB) initiative that allows clients to make payments to Government departments using their VISA debit and Credit cards.

Our People

We believe in the power of truly human and truly digital skills to enable us to stay future-ready as a CIB business. With our commitment for being all in and human first, we know that our uniquely human skills will help our teams to thrive in this digital age. We are deliberate about placing both our people and our Clients at the heart of everything we do, finding new ways to make our peoples' dreams possible and keeping our hunger to win alive. In 2023 we arranged short-term immersions and secondments for some of our staff to South Africa for our staff to keep them motivated, learning, and taking advantage of the opportunities available locally and within our Standard Bank Group network. Our people promise remains a key foundation for how we show up for our employees.

Our Society

We believe in the Banks purpose of 'Zambia is our home; we drive her growth'. In all our endeavours as we solution for our clients and pursue our financial objectives we ensure to have a positive and sustainable impact in the societies that surround us. In 2023 CIB engaged in 2 Corporate Social Responsibility (CSR) projects by taking advantage of the Bank Kwacha-for-Kwacha initiative. We donated various food stuff to Sisabelo Saka School for the visually impaired in Olympia Lusaka in July 2023. Furthermore, we donated mattresses, hygiene products, and food stuff to Nangoma Mission Hospital in Mumbwa district in November 2023. We continue to identify areas that we can make a positive Social, Economic and Environmental (S.E.E) impact that solidifies our legitimacy in the economic and social context that we operate in.

PERSONAL & PRIVATE BANKING

Mulenga Silwamba
Head Consumer & High Net Worth Clients

OUR BUSINESS

PPB provides banking solutions and other financial services to personal (individual) Clients in Zambia. These Clients are served through our physical distribution network, comprehensive self-service digital channels and relationship management teams.

MAIN MARKETS Non-Relationship Managed Clients	AFFLUENT & HIGH NET WORTH Relationship Managed Clients

Our core solutions and services cut across every personal Client journey. Our aim is to shape our Business around the Client journey with the goal of delivering what matters to our Clients' growth requirements.

Overview

In each of the Client segments, PPB continues to focus on:

- Enhanced Client Relationship Management.
- Enhanced Client Retention, and
- Effectiveness of our Distribution and Service Platforms.

PPB continues to harness its Clients' experience by deeply understanding and delivering what matters to the Clients. Data utilisation is key in understanding what is required to enable acquisition of new Clients and to retain existing Clients through various ecosystems. Understanding the Clients needs is key to ensuring we provide suitable "client-focussed" solutions through a collaborated effort in teams that include Corporate and Investment Banking, Business and Commercial Banking and other support functions using the ecosystem and local market initiative model.

In 2023, our client journey continued leveraging on the capabilities of our 'core banking system' to deliver Client centric enhancements as well as continued focus on our Private Banking proposition utilising developments such as digital loans, enhanced payments capabilities and increased digital utilisation. Strategic partnerships also continue to play a crucial role in this journey as a focal point.

We are encouraged by our Clients expectations which are never static, hence the need to continuously innovate in meeting client expectations. As a result, we continue with our client journey methodology, which above all puts the Client at the heart of every business process. This has allowed us to interrogate and better understand our Clients' evolving financial needs as well as their lifestyle needs. The continuous improvement has an added benefit of driving efficiency as we continue to simplify the landscape of existing business processes and solutions.

In 2023, we enhanced our Financial Fitness Academies and included radio programmes in 4 local languages. Our Financial Fitness story has been shared with a total of 48 organizations in 2023 which forms part of our Bank ecosystem with the aim to:

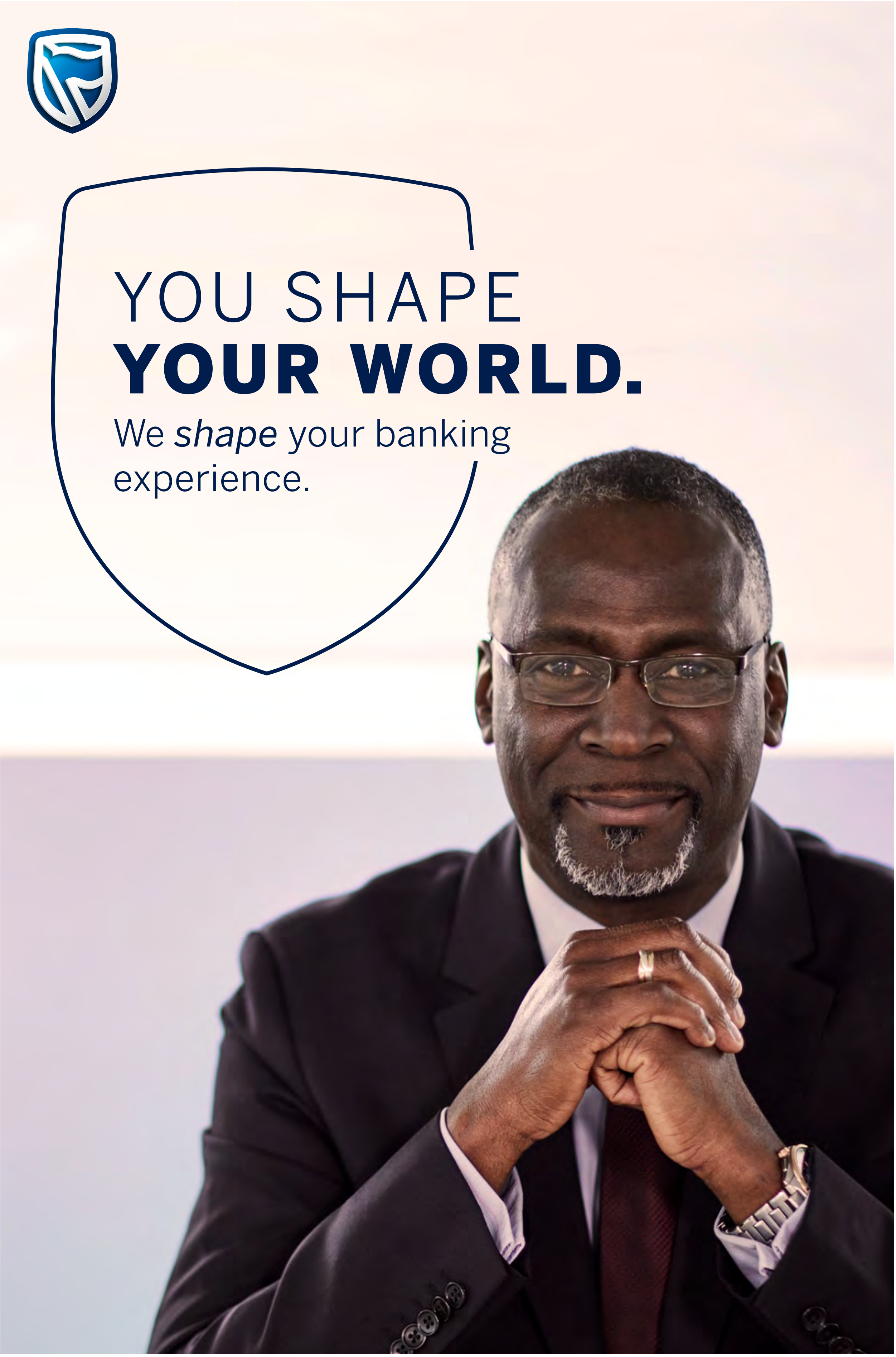
- Empower and educate our Clients with strong savings culture;
- Enhance visibility and create partnerships;
- Support our youth by instilling a financially fit culture, and;
- Empowering our Clients to make more informed decisions on banking solutions and services

Through our Anakazi Banking, PPB sponsored its first Girls school debate at Mulungushi Conference Centre in 2023 with the Financial Fitness theme. As a result of these efforts, we were awarded "Best Finance Education and Training Zambia" by Global Banking and Finance Awards.

Campaigns

Our 2023 campaigns helped re-brand who we are as PPB in line with our strategic goal and the following internal and external campaigns were carried out:

- "You Shape Your World, We Change Your Banking Experience". Private Banking won the Euromoney "Best Bank for High-Net-Worth Individuals Global Award", cementing the financial institution's status as the best under the Environmental, Social, Governance (ESG) category.
- "Live More" Digital Campaign
- "Punkamo" Campaign Card and Point Of Sale (POS)
- "Loan in 3mins" Campaign - digital loan campaign


YOU SHAPE
YOUR WORLD.
We shape your banking experience.

BUSINESS & COMMERCIAL BANKING

Edward kara Banda
Head Business and Commercial Banking

THE VALUE WE OFFER

CLIENT COVERAGE
Commercial & Agri-Business

ENTERPRISE BANKING
Small and Medium Enterprises

VEHICLE AND ASSET FINANCE
Pan Bank

Trade Finance
Across all segments

DIGITAL ECOMMERCE
Enterprise Online & Point of Sale

ECOSYSTEMS
Across all segments

3RD PARTY PARTNERSHIPS
Solution Partnerships to complement the client value proposition

Our mission is to become the leading provider of Financial Services provider for commercial and small and medium enterprise Clients in Zambia by focusing on

- Transforming Client experience via deepening our knowledge of Client needs, thus, offering bespoke and fit for purpose solutions.
- Executing with excellence through digitization and automation of processes to create a seamless delivery of services.
- Providing access to finance, information and markets to foster the growth of our Clients and the Zambian economy.
- Our core solutions and services cut across every business Client Journeys. Our aim is to shape ourselves around the Client Journey, delivering what matters to our Clients to partner with them in their growth journey

Our Business

Business & Commercial Banking (BCB) provides solutions to commercial, agriculture and micro, small and medium business enterprises in Zambia by creating and delivering value to the Clients. Clients are served through our comprehensive self-service digital channels, distribution network and relationship management teams.

With regard Client diversity in BCB, we embrace financial inclusion where we support and partner with varying persona of Customers from Micro Small, Medium Enterprises to Corporates and Agribusiness Clients.

Our Customer diversity also includes Medium to Large Local Corporates, Secondary Agribusiness Clients and Primary Agribusiness Farmers who are managed through our relationship-based business model.

Customer growth and scaling-up continues to be achieved through Ecosystems and Local Market Initiatives (LMI) that identify and execute client solutions through Customer Services Teams (CSTs).

Overview

In each of the Client Segments, Business & Commercial Banking continued to focus on:

- Enhanced Client Relationship Management,
- Enhanced Client Growth and Retention,
- Effectiveness of our Distribution and Service Platforms, and;
- Creating Value in the Value-chain through the Ecosystem

We continued to radically re-define Clients' experiences by deeply understanding and delivering what matters to our Clients. Our operating model enables us to drive growth, retention of existing Clients and acquisition of new Customers by holistically understanding our Clients' ecosystem. This positioned us well to understand their needs entirely and, therefore, provide suitable client-focused solutions.

Our execution focus continued to leverage the capability of our core banking system deliver Client-led channel enhancements. We have continued to develop digital collections and payment capabilities through innovation and strategic partnerships.

Initiatives

- In 2023 we continued to provide solutions to Clients that enabled them to access markets through the Zambia-Namibia-Democratic Republic of Congo Trade Corridor. The Webinar held provided vital market linkages in the 3 markets that culminated in match making seminars that exposed our Clients to opportunities available for imports and exports.
- In keeping with market access, BCB facilitated participation of 4 Clients in the China-Africa Economic and Trade Expo (CAETE) which culminated in the execution of key memoranda of understanding with key suppliers in China.
- Our participation in the China-Africa Corridor was buttressed by our launch of the Zam-China proposition, which provided market linkages and culminated in selected Clients exhibiting Zambian made goods, technologies, and services, at the 6th China International Import Expo Enterprise & Business Exhibition (CIIE).

- Ease of transact-ability remained top of our agenda as we delivered enhanced features to our digital capabilities allowing our Clients ability to access enhanced services through our digital channels including but not limited to our partnership with Smart Zambia that delivered payment services on the Government Service Bus.
- Information asymmetry remains a key challenge for Clients and as such BCB sought to bridge the gap by launching the Trade Barometer which provides key market and industry insights.
- Working with various Development Agencies and partners BCB begun the journey of delivering access to finance to the SME space through the execution of various memoranda of understanding and participation in various local private and Government led events and initiatives centred around helping our SMEs fulfil their business ambitions.

CORPORATE GOVERNANCE STATEMENT

Chanda Kasanda-Magubbwi
Head Governance and Company Secretary

The Board is committed to high standards of corporate governance, which are fundamental to earning the trust of stakeholders and critical to sustaining performance and preserving value. The Board's approach to governance is contained in the Governance Framework, which is regularly reviewed and embraces relevant local and international best practices. Complying with all applicable legislation, regulations, standards and codes, charters, policies and procedures is an integral part of the Bank's culture

This statement spells out the key corporate governance practices of 2023.

Conflict of Interest

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

Code of Ethics

The Bank made tremendous efforts in ensuring that decisions and actions taken, were within the parameters of the law and the Code of Ethics. The Code of Ethics is informed by the Standard Bank Group values and international best practices. This code is applicable to the Board, staff members and all operations of the Bank.

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

1. BOARD LEADERSHIP

1.1 The Responsibilities of the Board of Directors

The Board of Directors is the Bank's highest decision-making body and is ultimately responsible for good corporate governance. The Board plays an oversight role in the Bank's operations, with the responsibility to deliver value to its shareholders through implementation of the *Nayo Nayo* Strategy, which was rolled out in 2021. In the reporting period, the Board discharged its functions, including compliance risk management, oversight on capital expenditure, and operational and internal controls of the Bank.

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

1.2 Role of the Board Chairman

The Chairman is responsible for leading the Board and for ensuring its efficiency and effectiveness. The Chairman facilitates the contribution of Non-Executive Directors and the relationship between them and the Executive Directors. The Non-Executive Directors undertake their role by constructively challenging and contributing to the development of the Bank's strategy. They also monitor the performance of management, as well as the integrity of financial information, effectiveness of financial controls and risk management systems.

The Bank has a unitary board structure with the segregation of the roles of Chairman from that of the Chief Executive. This separation provides for appropriate checks and balances within the corporate governance tenets. The Chairman is an independent non-executive director as are the majority of directors on the Board. For the Board to function effectively, a productive working relationship fostered on trust, open communication and mutual respect must exist between the board and management. The Board Chairman, Dr. Abraham Mwenda, provided effective leadership and ensured that the culture, both within and outside the boardroom created an environment which allowed for the Board to focus on strategy, performance, value creation, accountability, transparency and a responsible risk culture. This was made possible because of the preparations that Dr. Mwenda and the Directors made in advance of the Board meetings. Dr. Mwenda also ensured that conflict of interest was managed effectively, with declarations of conflict being invited at every meeting and provided effective guidance and mentorship to new directors.

In accordance with the Bank of Zambia Corporate Governance Directives, Dr. Mwenda chaired the Board Remuneration and Nominations Committee.

1.3 Role of the Company Secretary

The Company Secretary's duties can be broken down into four main areas namely; guiding the Board and senior Management on their duties and responsibilities both collectively and individually; strategic communication between the Bank and its key stakeholders thus ensuring that the Board and Management are informed about stakeholders' legitimate and reasonable expectations of the Bank; and undertaking governance duties such as planning and scheduling of meetings and keeping the records of the company.

All Directors have access to the services of the Company Secretary who is appointed and can only be removed by the Board. The Company Secretary ensures that Board processes and Corporate Governance requirements are followed.

2. BOARD FUNCTIONING

2.1 Composition

During the year under review, the Board of Directors was composed of 13 members, the majority of whom are non-executive and independent. The Board remains multi skilled, knowledgeable and experienced. The current Director's array of skills and acumen included domestic and international experience in banking, economics, accounting, agriculture, legal, risk management, information technology, mining and finance. The Board ensures that directors possess the skills, knowledge and experience to competently fulfil their duties. The directors bring a balanced mix of attributes to the Board to ensure the Board remains strategically, demographically and operationally appropriate.

2.2 Board Meetings
In 2023, the Board held 4 regular meetings, and in addition, a meeting, and for evaluation of the Board and its Committees and for consideration of the Bank's strategy was held. Necessary documentation and information were provided to the Board at least five business days prior to each of the scheduled meetings. The Board also had 5 ad hoc meetings in 2023.

IN DISCHARGING ITS DUTIES, THE BOARD WAS COMPLEMENTED BY 5 COMMITTEES NAMELY:

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

The BAC was chaired by Ms. Milangu Kampata and held 4 meetings during the year.

Board Remuneration and Nominations Committee (REMCO):
The Board Remuneration and Nominations Committee assists the Board with the recruitment process for the Board, and key executive and senior staff of the Bank. Further, it evaluates prospective directors on the Board and makes recommendations to the Board. REMCO also provides oversight on remuneration and compensation of the Board, executives and staff.

REMCO was chaired by Dr. Abraham Mwenda and held 6 meetings in the year.

Board Loans Review Committee (BLRC):
The Board Loans Review Committee ensures that effective credit governance is in place in order to provide for the adequate management, measurement, monitoring and control of credit risks including country risk.

BLRC was chaired by Ms. Susan Mulikita and held 4 meetings during the year under review.

Board Risk Committee (BRC):
The Committee provides oversight on the management of risks across the Bank. It reviews and assesses the integrity of the Banks' risk management systems and ensures that risk policies and strategies are effectively managed. The BRC receives both formal and informal communication from the Chief Risk Officer.

BRC was chaired by Mr. Neil Surgey and held 4 meetings during the year under review.

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

The Committee was chaired by Mr. Bejoy Nettikadan and held 4 meetings during 2023.

Large Loans and Insider Lending Board Approving Committee (LLILBAC)
The Role of the Committee is to consider and approve large loans exposures and insider lending within the Bank. The responsibilities of the LLIBAC are undertaken by the Main Board in 2023.

No meetings of the Committee were held in 2023.

2.3 Board Effectiveness and Evaluation
To assess the extent to which the Board achieved its goals against the set objectives, board effectiveness evaluation was conducted on 9 October 2023. The evaluation included performance assessments for the Board, 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 and relevant action points were also noted for implementation.

3. BOARD TRAINING AND INDUCTION
The Bank provides the necessary resources for developing and updating its directors' knowledge and capabilities. In particular, the Bank is committed to the provision of training to its Directors. In 2023 the Bank held a number of training sessions for the Board, which are pivotal to successful implementation of the Bank's *Nayo Nayo* Strategy. The training topics included The Governing Body's Role in Ethical Leadership, Strategy, Performance & Remuneration, Integrated Reporting and Cybersecurity & Third-Party Risks in the Digital Banking Era. Other topics were "What is the Role of the Board. Digital Disruption and Transformation, Risk Management & Oversight, Recovery & Resolution Planning, Zambia Agri-Business, and The Internal Capital Adequacy Assessment Process (ICAAP)".

The Company Secretary arranges an appropriate induction programme for all new directors. This includes an explanation of their fiduciary duties, responsibilities and discussions with management to facilitate an understanding of the Bank's affairs and operations. In 2023, induction sessions were held for Directors Kapambwe Doreen Chiwele and Dr. Diana Kangwa prior to their attendance of Board meetings. Directors are regularly appraised, wherever relevant, of any new legislation and changing commercial risks that may affect the affairs of the Bank or its subsidiaries. In terms of the mandate of the Board, Directors can obtain independent professional advice in order to act in the best interests of the Bank.

TABLE 1: OVERVIEW OF DIRECTORS-INCLUDING DIVERSITY AND EXPERIENCE

	Abraham Mwenda	Antonio Coutinho	Mwindwa Siakalima	Neil Surgey	Susan Mulikita	Milangu Kampata	Bejoy Nettikadan
Gender	Male	Male	Male	Male	Female	Female	Male
Nationality	Zambian	Mozambican	Zambian	South African	Zambian	Zambian	Indian
Appointment Date	May 2020	April 2021	August 2019	March 2020	May 2020	December 2017	December 2017
Committee Membership	REMCO (Chairman)	REMCO/ BAC/BTIC	#	BRC/(Chairman) REMCO/BTIC	BTIC/BAC/BLRC/ (Chairman)	BAC/(Chairman) BRC	BRC/BTIC (Chairman) BLRC
Attendance at Planned Board Meetings	4/4	4/4	4/4	3/4	4/4	4/4	4/4
Attendance at ad hoc Board Meetings	4/5	4/5	5/5	4/5	5/5	5/5	5/5
Attendance at Board Evaluations	1/1	1/1	1/1	1/1	1/1	1/1	1/1
Attendance at Planned Committee Meetings	4/4	12/12	4/4	9/12	12/12	8/8	12/12
Attendance at ad hoc Committee Meetings	2/2	2/2	2/2	2/2	1/1	1/1	1/1
Mining							
Information Technology		√			√		√
Finance & Economics	√	√	√	√		√	√
Banking	√		√	√			
Legal					√		
Risk Management	√		√	√	√	√	
Agriculture							
Business Administration	√		√			√	√

	Anthony Mukutuma	Ian Robinson	Helen Lubamba	Mizimo Musokotwane	Kapambwe Chiwele	Diana Kangwa
Gender	Male	Male	Female	Female	Female	Female
Nationality	Zambian	Zambian	Zambian	Zambian	Zambian	Zambian
Appointment Date	December 2021	April 2022	December 2017	June 2023	July 2023	November 2023
Committee Membership	BRC/BAC	BLRC/BRC	#	#	#	#
Attendance at Planned Board Meetings	4/4	4/4	4/4	2/2	2/2	1/1
Attendance at ad hoc Board Meetings	5/5	5/5	4/5	3/3	2/2	1/1
Attendance at Board Evaluations	1/1	1/1	1/1	#	#	#
Attendance at Planned Committee Meetings	8/8	7/7	3/4	4/4	4/4	3/3
Attendance at ad hoc Committee Meetings	*	*	*	*	*	*
Mining	√					
Information Technology						√
Finance & Economics	√		√	√	√	
Banking			√	√	√	√
Legal						
Risk Management					√	
Agriculture		√				
Business Administration	√	√	√		√	√

Key
#- Was not part of any committee at the time of reporting
* - Was not a member of a committee that held an ad hoc meeting
x – Apologies
√ - Relevant experience and skill applicable to a director

* 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.
* BTIC refers to Board Technology and Information Committee

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

Remuneration

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

During every annual general meeting, based on recommendation by the Board and subject to review by the 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; the fees include a retainer. Non-executive directors do not receive short-term incentives or participate in any long-term incentive schemes.

During the year 2023 the total gross remuneration paid to non-executive directors was K6 020 398 (2023)

Reward Policy

The Reward Policy lays out the framework for remuneration within the Bank. Detailed practices of the policy are aligned to the overall Group remuneration policy which is detailed in the Group Governance and Remuneration Report published annually and available on the Group's website.

6.1 Salary

It is the policy of the Bank to pay a competitive salary in accordance with the requirements of the job performed and the responsibility involved. A salary is payable monthly in arrears on or before the 24th of each month.

Salary levels for managerial staff are determined in line with the Remuneration Policy guidelines and will be advised to staff individually.

Salary levels for unionised staff are negotiated between Management and the union. The salary bands for unionised staff are outlined in the Collective Agreement document.

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. 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 18.1 and 18.8, information about compensation practices have been provided including the composition and mandate of the Board Committee responsible for remuneration.
- 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 have been adhered to.
- 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 2022.
- As required by Directive 21.5, the Bank has complied with the Corporate Governance Directives.
- As required by Directive 23.7, the Bank has in place a code of ethics which was strictly complied with in the reporting period.
- As required by Directives 24.4, the annual report includes information of how the Bank has served the interests of its stakeholders.

BOARD OF DIRECTORS

Abraham Mwenda

Board Chairman

APPOINTED **MAY 2020**

QUALIFICATIONS

Ph.D in Economics, MBA in Finance and BA in Economics and Business Administration.

EXPERIENCE

Dr. Mwenda is a seasoned economist. He has vast knowledge and over 35 years experience in economics and finance with various skills including central and development banking, public finance, strategic management and business policy, impact investment consultancy, research and lecturing solutions. Following his academic career (University of Zambia), he has held key positions in the financial sector on both local (Bank of Zambia, Development Bank of Zambia, and Ministry of Finance) and international (World Bank and Africa Development Bank) platforms.

Antonio Coutinho

Non-Executive Director

APPOINTED **APRIL 2021**

QUALIFICATIONS

Bachelor of Commerce.

EXPERIENCE

Mr. Coutinho is the Regional Chief Executive for Zambia. He has extensive knowledge and experience in operations, finance and technology.

Mwindwa Siakalima

Executive Director

APPOINTED **AUG 2019**

QUALIFICATIONS

BA Degree in Accounting & Finance and an MBA in Finance from University of Manchester.

EXPERIENCE

Mwindwa is a Chartered Accountant with a career spanning over 22 years. He is a fellow of the Association of Chartered Certified Accountants and the Zambia Institute of Chartered Accountants.

Anthony Mukutuma

Independent Non-Executive Director

APPOINTED **DEC 2021**

QUALIFICATIONS

Bachelor of Engineering degree in Chemical Engineering and an MBA (Accounting & Finance).

EXPERIENCE

Mr. Mukutuma is the General Manager at Kansanshi Mining Plc, a position he has held since June 2020. He is a seasoned mining expert having held engineering, operational, management and leadership roles in the mining industry in Zambia, North Africa, Europe and Australia.

Ian Robinson

Independent Executive Director

APPOINTED **APRIL 2022**

QUALIFICATIONS

Diploma in Agriculture with a distinction in Engineering, a Certificate in Artificial Insemination, and a Professional Hunter's Licence.

EXPERIENCE

Mr. Robinson is the Managing Director and Shareholder of Kushiya/Lugonzi Estates Limited Group of Companies specialized in dairy, sugarcane, maize, beef and game. He has over 22 years of diverse experience in the agriculture and wildlife sectors.

Helen Lubamba

Executive Director

APPOINTED **DEC 2017**

QUALIFICATIONS

Bachelor of Science Honours Degree in Mathematics, Operational Research and Economics (University of Essex), Associate CGMA/CIMA designation and a Master in Leadership in Sustainable Finance with the Frankfurt School of Finance

EXPERIENCE

Ms. Lubamba has a career spanning over 25 years in financial services, primarily in the investment banking, corporate finance, and insurance sectors. She previously held the position of Head of Investor Relations at Liberty Holdings (also part of the Standard Bank Group), Johannesburg. Other key positions held include that of Business Analyst at Citi Group, Senior Associate at Lehman Brothers and Regional Financial Controller at XL Group (now XL Catlin), all in London, United Kingdom.

Bejoy Nettikadan

Independent Executive Director

APPOINTED **DEC 2017**

QUALIFICATIONS

Information and communications technology expert.

EXPERIENCE

Mr. Nettikadan is a finance professional and a passionate entrepreneur who has 20 years of experience in finance and the information and communications technology sectors. He is the founder and CEO of the NetOne Group, a leading Technology services group.

Director Bejoy Nettikadan retired from the Board on 18th December 2023.

Milangu Kampata

Independent Executive Director

APPOINTED **DEC 2017**

QUALIFICATIONS

Bachelor of Accountancy, a fellow of the Association of Chartered Certified Accountants and a member of the Zambia Institute of Chartered Accountants (ZICA). A member of the Revenue Appeals Tribunal and founder of ACTCO Accountants.

EXPERIENCE

Ms. Kampata is a qualified accountant with over 20 years vast local and international financial and business work experience servicing diverse clientele in various sectors and organisations. Director Milangu Kampata retired from the Board on 18th December 2023.

Neil Surgey

Independent Executive Director

APPOINTED **MARCH 2020**

QUALIFICATIONS

Bachelor of Commerce.

EXPERIENCE

Mr. Surgey is a qualified accountant with an extensive banking career spanning more than 18 years. In 2019, Mr Surgey retired from the Standard Bank Group where he was the Group Chief Risk Officer and Group Ethics Officer. He holds a Bachelor of Commerce.

Susan Mulikita

Independent Executive Director

APPOINTED **MAY 2020**

QUALIFICATIONS

Bachelor of Laws and a Master of Laws degree (Information Technology).

EXPERIENCE

Ms. Mulikita is a certified Telecom Policy Regulation and Management professional. She is a Lawyer qualified to practice in Zambia. Susan also has extensive experience managing diverse areas of ICT/telecommunications law, policy, regulation, operations and management particularly in Eastern and Southern Africa.

Mizimo Musokotwane

Executive Director

APPOINTED **JUNE 2023**

QUALIFICATIONS

Bachelor of Science Degree in Applied Accounting and a Master of Business Administration from Oxford Brookes University.

EXPERIENCE

Ms. Musokotwane is a Chartered Accountant with a career spanning over 21 years. She is a fellow of the Association of Chartered Certified Accountants and the Zambia Institute of Chartered Accountants.

Kapambwe Doreen Chiwele

Independent Non-Executive Director

APPOINTED **JULY 2023**

QUALIFICATIONS

Bachelor of Accountancy degree and a fellow of both the Zambia Institute of Chartered Accountants, and the Chartered Institute of Management Accountants (United Kingdom).

EXPERIENCE

Ms. Chiwele is a Chartered Global Management Accountant with over 30 years of progressive professional accounting experience, 17 of which have been at Chief Financial Officer level. Her last engagement was with the National Pension Scheme Authority, where she served as Director Finance. She has also served as director in non-executive roles, including on the Board of Standard Chartered Bank Zambia Plc. Sector experience includes pensions, telecommunications regulation, development aid, public accounting and external audit.

Diana Kangwa

Independent Non-Executive Director

APPOINTED **NOV 2023**

QUALIFICATIONS

Bachelor's degree in Electronics & Telecommunications Engineering from the University of Zambia, a Master's Degree in Communication & Information Systems from Huazhong University of Science and Technology (HUST) in China, a Master's Degree in Business Administration (MBA) from the Copperbelt University and a Doctorate of Business Administration from the Binary University of Management and Entrepreneurship of Malaysia.

EXPERIENCE

Dr. Kangwa has a sound background in strategy, technology, operations and service delivery with a clear understanding of the commercial banking value chain and the current Fintech evolution.

EXECUTIVE COMMITTEE

Mwindwa Siakalima

Chief Executive

Mwindwa is a Chartered Accountant with a career spanning over 22 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 from University of Manchester.

Mulenga Silwamba

Personal & Private Banking

Mulenga is a career banker with over 20 years banking experience both locally and internationally. Mulenga has been with Stanbic Bank Zambia since 2019 and is currently the Head of Personal and Private Banking. She has previously managed a cluster of Branches at UK's leading Bank, Lloyds Banking Group. She studied Accountancy.

Chanda Mwila

Head Business & Commercial Banking, Designate

Chanda is a seasoned Duke Corporate Education board trained banker with over 20 years of experience in Corporate Banking, having held senior positions in 3 International Banks. Prior to joining Stanbic Zambia in 2013, Chanda gained experience in managing and solutioning for clients spanning several industries and sectors including but not limited to Global Corporates, Local Corporates, Financial Institutions, Public Sector and International Development Organisations. She holds a Bachelor of Arts Degree in Development Studies from the University of Zambia and a Master of Business Administration from University of Warwick.

Helen Lubamba

Head Corporate & Investment

Helen holds a Bachelor of Science Honours Degree in Mathematics, Operational Research and Economics (University of Essex), holds an Associate CGMA/CIMA designation and a Master's in leadership in Sustainable Finance with the Frankfurt School of Finance. Helen has a career spanning over 25 years in financial services, primarily in the investment banking, corporate finance, and insurance sectors.

Edward Kara Banda

Head Business & Commercial

Edward is a Masterclass Certified Accomplished Professional Banker with deep understanding in Client Relationship Management, Product Management in Cash Management, Trade and Custody Product Suite, Credit & Risk Management, Transactional Banking and Information Technology with over 25 years' experience of which 15 years have been with Stanbic Bank. Of the 15 years with Stanbic Bank, he spent 3 years working at Standard Bank Eswatini. He is a holder of a Post Graduate Degree and MBA from The University of Glamorgan, Wales and a Masterclass in Client Strategic Management from The University of Cape Town.

Mizimo Musokotwane

Chief Finance & Value Management Officer

Ms. Musokotwane is a Chartered Accountant with a career spanning over 21 years. She is a fellow of the Association of Chartered Certified Accountants and the Zambia Institute of Chartered Accountants. She has a Bachelor of Science Degree in Applied Accounting and a Master of Business Administration from Oxford Brookes University.

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 the University of Zambia.

Walubita Luwabelwa

Chief Compliance Officer

Walubita is an advocate of the High Court of Zambia with experience in compliance, governance and corporate law. He has worked across private practice, academia and broadcasting sectors. Walubita holds a Bachelor's Degree in Law (UNZA) and Master's in Commercial Law (UCT). He is also a fellow of the Institute of Directors Zambia (FIoDZ) and a member of the Law Association of Zambia.

Wisdom Shanengeta

Chief Technology & Operations Officer

Wisdom is a career banker with 24 years of banking experience; he has served in various capacities across the banking sector. He holds a MBTI Master of International Business, a 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

Ngoza Nyirenda

Country Head of Credit

Ngoza has over 15 years of experience in Finance, Business Support & Recovery, Corporate and Retail Banking Risk Management. In addition to her professional experience which spans across various key sectors, Ngoza holds a Master in Business Administration from EBS Heriot Watt University- UK and is a fellow of both the Association of Chartered Certified Accountants (ACCA) and the Zambia Institute of Chartered Accountants (ZICA)

Joshua Kabwe

Head Legal

Joshua is a qualified legal practitioner and an advocate of the High Court of Zambia with experience in corporate and commercial law, banking and finance and dispute resolution. Prior to joining the Bank in 2017, Joshua worked in private practice where he provided legal advice to diverse clients. He holds a Bachelor of Laws from the University of Zambia and a Master of Laws degree from the University of the Western Cape. Joshua is also a member of the Law Association of Zambia.

Chanda Kasanda-Magubbwi

Head Governance & Company Secretary

Chanda has 15 years of legal practice experience with over 10 of those in the banking and financial services sector in Zambia and South Africa and has held leadership positions at both local and regional levels supporting various country legal teams. Chanda is a qualified lawyer who holds a Bachelor of Laws Degree from the University of Zambia, and a Master of Laws Degree from the University of California at Berkeley in the United States of America. She is also a member of the Law Association of Zambia.

Precious Sakala

Head People & Culture

Ms. Sakala has 18 years of diverse work experience across multiple markets having previously worked for Airtel Zambia, ZANACO, Konkola Copper Mines, Standard Chartered Bank Plc and Orica. She holds a Bachelor of Arts from the University of Zambia and an MBA from Edinburgh Business School.

INFORMATION & TECHNOLOGY GOVERNANCE STATEMENT

Wisdom Shanengeta
Chief Technology & Operations Officer

CLIENT FIRST

Our Customers are the blood life of our business. Therefore, the Information Technology (IT) strategy in 2023 sustained its primary focus on addressing customer needs by ensuring that online banking services were always available, secure and fit for purpose. This golden rule also informed our decisions on the kind of innovations we embarked upon, for example, the decision to enrich data input fields on our Business Online (BOL), Enterprise Online (EOL), bulk Cash Deposit Machines (CDM), Moby Teller, and other payment platforms in order to comply with Regulatory Information Requirements (RIR) while at the same time ensuring that transacting online remained a seamless process for our Customers

Furthermore, our BOL e-channel was enhanced to allow customers to attach supporting documents when processing cross-border payments as required by the payments and transactions regulations. In terms of additional e-channels, we launched a new online cash management solution dubbed iCollect to help corporate Clients augment value chains of buyers and distributors of their respective goods and services with online banking. This includes instant crediting of Customers' accounts right at their premises for bulk cash collected from Customers' sites by cash-in-transit agents of the Bank such as G4S Security. In addition to the benefit of time value for money, this avenue has also promoted agency banking using alternative non-Branch brick and mortar avenues which customers can utilize to access banking services especially customers who receive high cash volumes.

As we strived to ensure that our technology products were fit for purpose, we continued during 2023 to leverage our significant investments in big data lakes and reservoirs, using applied data science models, Artificial Intelligence (AI) and Machine Learning (ML) capabilities to achieve hyper-personalization at individual Customer level.

Future Ready Transformation

Like any organization wishing to survive and remain future fit, the extraordinary rate at which technological advancements are trending requires that the approach to change management processes also adjust to synchronize with the rapid rate of evolution by becoming nimble and agile. Consequently, the Bank sustained its application of agile principles in its change management practices allowing for quick, iterative, and incremental testing and deployment of technology solutions, failing fast, learning fast and swiftly moving on to the next strategic action without incurring much cost or undue exposure to significant risks.

Changing inert processes was supported by upskilling of staff in critical digital savvy skills, therefore, more staff obtained certification in Data Science, Behavioral Economics, Citizen Developer skills to mention a few.

The speed of technological changes in this digital era also termed as the Fourth Industrial Revolution has enabled unprecedented levels of interoperability in the web of Internet of Things (IoT) by consolidating value chains and ecosystems of various partnerships thus bringing about platform business models. In response, the Bank expedited the development of an API (Application Programming Interface) gateway to make it easy to integrate with other IT platforms owned by mutual partners to broaden the base of sharing computing resources.

Notable among such API integrations during 2023 included the integration of our core banking system with the Government Services Bus (GSB) the payment engine for various government services which are available online on the e-Government Services Portal. The API gateway is enabling us to remain true to our aspirations of going beyond merely providing banking, insurance, trade, and investment services by venturing into other non-traditional banking services through partnering with other players outside the banking and financial services industry

Regulations

The year 2023 saw the introduction of the Bank of Zambia Cyber and Information Risk Guidelines. The guidelines offer a comprehensive framework for ensuring the security of digital financial services by prioritizing confidentiality, reliability, user authentication, transaction monitoring, and transparent communication with a further need to ensure that regulated entities build a secure and trustworthy environment for their customers. The Bank has invested heavily in the tools and security services to ensure the safety of Customers' transactions while pursuing full compliance to the guidelines.

The salient provisions of the Cyber Security and Cyber Crimes Act 2021 and The Data Protection Act 2021 continued resounding throughout 2023 broadly stressing the need for responsible use of technology by all users, preserving the privacy and consent of the Data Subjects and demanding that all IT platforms at infrastructure level (Critical Information

Infrastructure) which host and process personal data comply with appropriate data processing and data hosting standards, while at the same time placing responsibility on the Data Processors and Data Controllers to apply reasonable duty of care as they process and host data for respective Data Subjects for a specific purpose and period of relevance.

Cyber Security

During 2023, we continued investing significantly in interventions to fortify our IT landscape against cyber threats, ranging from the recency of the versions of our infrastructure and network parameters, operating systems, applications, and databases. These measures by themselves are not sufficient without being complimented with the awareness of people who use technology services. Therefore, we continued alerting staff and customers against falling prey to social engineering scams in any form, vishing, smishing, phishing or other identity fraud attempts. We reiterated the need to be on the lookout for malware attacks as users interact with any web services (email included) or when plugging any external device into their computer port as all these arenas are potential points of vulnerability.

Gadget finance

Keep up to date with all of the latest tech devices with our iFinance solution.

RISK MANAGEMENT STATEMENT

Risk management is the process of identifying, assessing, and controlling threats to the Bank's capital, liquidity and earnings on a continuous basis. Threats stem from a variety of sources, which include adverse economic, financial, social-political, and regulatory conditions and legal liabilities, poor strategic execution, accidents, pandemics, systems and natural disasters. The threats are viewed on both a curren and forward-looking basis, covering both normal and stress conditions.

Each of the above steps is described below in detail:

- Identify – NFR tools facilitate the identification of NFRs to enable prioritisation of material risks.
- Assess – Application of quantitative and qualitative measures to determine the level of risk. This process defines the impact of the risk both from a probability of occurrence and impact perspective.
- Measure or Evaluate – Effective control measures reduce or eliminate risk. Considering the overall costs and benefits of remedial actions and provide recommendations.
- Manage – Recommend the best control or combination of controls after doing an analysis. Formulate a risk management / treatment plan to avoid, transfer, mitigate, transform and accept the risk based on risk appetite, materiality and cost of control.
- Monitor – Periodically review indicators or other qualitative measures to ensure the effectiveness of controls and monitor trends.
- Report – Escalate residual high-risk profile and any material incidents or changes highlighted by the monitoring process or risk management techniques like Risk assessments and Scenarios.

In addition to the above process, a key element of risk management is embedding a risk-awareness culture across the Bank.

In addition to the above process, a key element of risk management is embedding a risk-awareness culture across the Bank.

Risk Governance

Segregation of duties remains key in successful implementation of an effective risk management plan. In this regard, the Bank has adopted the globally acceptable practice of three lines of defense. This approach ensures clear independence and challenge between different lines while ensuring effective collaboration in attaining the Bank's overall strategy. The three lines of defense that are distinct in their functions are:

First Line: Functions that own and manage risks. This involves day to day effective risk management, in accordance with agreed risk policies, appetite and controls at an operational level;

Second Line: Functions that provide independent oversight. Their key purpose is to provide the first line of defense with the tools, including frameworks and policies, to effectively manage their risk. In executing this they will ensure appropriate understanding of business strategy and drivers to ensure that there is healthy tension in probe and challenge with a view of improving risk management capabilities and providing assurance over the adequacy of the first line of defense;

Third Line: Functions that provide independent assurance as to the Board and senior management on the effectiveness of risk management in the first and second lines.

Board of Directors

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

The Board achieves this through delegation to its sub committees which include:

Board Loans Review Committee: This 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.

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

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

Board Technology and Information:
Committee – This committee oversees governance of the Bank's technology and information risks. These may be as a result of the Bank's digital strategy, use of technology, the integrated nature of products and platforms with associated third-party risks. The committees enables the Bank transition to a platform business, driven by technology and the cloud solutions.

Executive Management

The Executive Committee (EXCO) is responsible for defining and executing the strategy, with Board oversight. It designs and implements an effective risk management programme. The Board delegates day to day risk management to EXCO and its sub-committees, which include:

Management Committee (MANCO): This committee assists EXCO in operationalizing the strategy of the Bank as approved by the Board. This includes overseeing the operational requirements and monitoring performance of the Bank's business against strategic imperatives.

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

Risk Oversight Committee (ROC): This committee is responsible for the identification, measurement and control of key risks, and ensuring that the controls, processes, procedures and systems employed meet the Bank's risk appetite and requirements of the regulatory authorities.

Asset and Liability Committee (ALCO): This committee is responsible for all matters relating to capital, funding, liquidity, interest rate risk of the banking book (IRRBB) and market risk for the bank.

Information Technology Steering Committee (IT SteerCo): This committee holds the mandate to manage the bank's digital transformation journey in view of the platforms business agenda. Its sphere of influence ranges from technology innovation to cyber related issues.

Over and above the established committees, risk management is the responsibility of every employee. This ensures risk ownership at all levels of the organisation and plays a key role in ensuring the right risk culture is in place.

Risk Appetite

Risk Appetite is an expression of judgement by management about the maximum level of risk that the Bank is willing to take in pursuit of its financial and strategic objectives. Risk appetite cannot just be calculated but requires a debate amongst management and ultimately an agreement on the maximum risk exposure that the Board and shareholders will be comfortable with. 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.

RISK APPETITE STATEMENT							
RISK APPETITE DIMENSION							
PORTFOLIO LIMITS BY RISK TYPE							
CREDIT			OPERATIONAL RISK	MARKET	LIQUIDITY	IRRBB
LOSS RATIO	Non Performing Loan (NPL) %	CONCENTRATIONS	OPERATIONAL LOSSES	Value at Risk (VaR)	TERM LENDING CAPACITY	INTEREST RATE SENSITIVITY

Key risks considered include but are 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 both expected and unexpected losses;

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

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

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

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

- Non-Financial Risk (NFR): NFR is defined as part of a broad term which is usually classified by way of exclusion, that is, any risks other than the traditional financial risks of market, credit, and liquidity. NFR includes operational risks. Operational Risk (OR) in the Bank is defined as the risk of loss suffered as a result of the inadequacy of, or a failure in, internal processes, people and / or systems or from external events.

This includes but not limited to the following specialised Non-financial risk types:	This excludes:
• Business Disruption Risk • Conduct Risk • Compliance Risk • Cyber Risk • Environmental, Social and Governance (ESG) Risk • Financial Accounting Risk • Tax Risk • Financial Crime Risk • Information Risk (including Data Privacy Risk) • Legal Risk • Model Risk • Operational Risk • People Risk • Physical Assets, Safety and Security Risk • Technology Risk • Third-party Risk • Transaction processing Risk	• Strategic Risk • Reputational risk • Business risk

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

Capital Risk and Plan

Capital risk is the risk of the Bank not having sufficient 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 terms. The capital plan integrates the Bank's 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 (or 10% of Risk Weighted Assets). In addition to the minimum regulatory requirements, the Bank maintains an appropriate capital buffer in setting its capital threshold or Risk appetite. This appetite is determined by taking into consideration all its material risks, how these risks are managed and mitigated, and stress testing outcomes.

Managing Capital

Stanbic Bank has adopted the Internal Capital Adequacy Assessment Process (ICAAP) as an effective tool in planning for its capital. ICAAP is a forward-looking tool that articulates the capital management processes within the organization. The tool also provides an internal assessment of the level of capital required to be held against all material risks the Bank is or may become exposed to in meeting current and future business 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 business targets set by the board;
- Maintain enough capital resources to support the Bank's risk appetite;
- Maintain an optimal capital structure that takes into consideration both regulatory and shareholder interests;
- Promote efficient use of capital through:
- Internal allocation of capital resources;
- Monitoring of the return on equity and risk adjusted returns at a granular level; and
- Link and achieve alignment of the business strategy to risk appetite, risk exposure, capital resources and return dimensions.

Stress Testing

Stress testing is a key management tool and facilitates a view of the organisation's risk tendency. Risk tendency is the forward-looking view of how the Bank's risk profile may change as a result of portfolio effects and/or changes in economic conditions.
Stress testing typically refers to shifting the values of individual parameters that affect the financial position of a firm and determining the effect on the firm's business. Stress testing supports several business processes including:

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

The Bank conducts stress testing at legal entity level which is an aggregate of stress testing at portfolio risk level i.e. credit, operational, liquidity and market risks. 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.

Environment, Social and Governance-Related Emerging Risks

The Bank's processes and activities give rise to ESG-related risks and opportunities. These include risks arising from the Bank's own operations and risks arising from activities of Clients financed by the Bank. The Bank is also cognizant of the effects of climate change on its operations of Clients and the country at large.

In addition to climate-related risks, the Bank continues to drive alignment of its business activities, including lending and investment portfolios, with Zambia's ESG agenda and international best practices. In order to drive sustainable economic growth, the Bank strives to invest in or finance transactions in industries that have a positive environmental and social impact, while fostering sound corporate governance.
As part of its ESG programme, the Bank has partnered with the WWF, GIZ and Government to plant trees at the source of the Zambezi River under the "Lets Secure Zambezi" initiative.

Governance

The Bank through its management committees continues to monitor ESG risks and efforts being made by the bank towards positive environmental and social impact, and governance-related matters. This speaks to the Bank's commitment towards sustainability. The Risk Oversight Committee oversees risk management across the Bank, including ESG risk, and is responsible for embedding ESG risk: identification, classification, analysis, monitoring and reporting. The Credit Risk Management Committee assesses composition of the bank's lending portfolio. The Committee also sets concentration limits or thresholds of portfolios, ensuring they are in line with risk appetite. The board and its committees are also responsible for:

- Overseeing implementation of applicable policies and frameworks.
- Reviewing management outputs of ESG initiatives.
- Assessing executive performance in relation to policy commitments and targets.
- The relevant policies guide business in achieving sector specific ESG commitments and targets as well as in considering ESG risk in client, investment and lending related processes.

Directors' Report

The Directors submit their report together with the audited consolidated and separate financial statements for the year ended 31 December 2023, 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.

Nature of business

The principal activities of the Stanbic Group are the provision of commercial and retail banking services, custodial services and lease financing.

Share capital and other equity instruments

The Stanbic Group has an authorised share capital of ZMW 416,000,000 in compliance with the Bank of Zambia minimum capital requirements. Details of the Group's issued share capital are included in note 11 to the financial statements.

Operating results and dividends

	2023 ZMW '000	2022 ZMW '000
Net interest income	2 617 112	1 841 962
Net fee and commission income	700 648	565 712
Trading income	545 159	491 033
Profit for the year	1 363 393	1 037 208

During the year, dividend declared was ZMW 500 000 000 (2022: ZMW 550 000 000)

Developments during the year

The Standard Bank Group continued on its journey of transformation with a focus on investment in technology to support customer experience whilst also growing the lending to customers.

Staff remuneration

The total remuneration paid to employees for the year amounted to ZMW799 081 414 (2022: ZMW 653 159 844) as disclosed in note 29 to the financial statements. The average number of employees was as follows:

Month	Number	Month	Number
January	753	July	746
February	758	August	751
March	748	September	750
April	749	October	751
May	745	November	761
June	743	December	759

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

Gifts and donations

During the year, Stanbic Group made donations of ZMW 5 626 746 (2022: ZMW 4 313 417) to various charitable organisations and events.

Property and equipment
Stanbic Group purchased property and equipment amounting to ZMW 47 214 021 (2022: ZMW 53 947 436) during the year as disclosed in note 8 to the financial statements.

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

Research and development
During the year, Stanbic Group did not conduct research and development activities (2022: Nil).

Related party transactions
As required by the Banking and Financial Services Act of Zambia, related party transactions are disclosed in note 32 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 32.

Prohibited borrowings or lending
There were no prohibited borrowings or lending as required under Section 89 of the Banking and Financial Services Act of Zambia.

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

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

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

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

The directors who held office during the year were:

Abraham Mwenda	Chairman
Antonio Coutinho	Regional Chief Executive
Mwindwa Siakalima	Chief Executive
Susan Mulikita	Non - Executive
Neil Surgey	Non - Executive
Anthony Mukutuma	Non - Executive
Ian Robinson	Non - Executive
Kapambwe Doreen Chiwele	Non - Executive (appointed July 2023)
Diana Kangwa	Non - Executive (appointed November 2023)
Mizimo Musokotwane	Executive Director (appointed June 2023)
Helen Lubamba	Executive Director
Bejoy Nettikadan	Non – Executive (Retired December 2023)
Milangu Kampata	Non – Executive (Retired December 2023)

Environmental, Social and Governance (ESG) related emerging risks
Matters related to ESG emerging risks have been disclosed in the annual report in Annexure A.

Subsidiaries
Details of effective interest , investment in subsidiaries disclosed in note 7 to the financial statements.

Auditor
The term of the current auditors, KPMG, has come to an end. A resolution proposing the appointment of new auditors and authorising the Directors to approve their fees will be tabled at the annual general meeting.

Company Secretary
For and on behalf of the Board

01 March 2024

Directors' Responsibility in Respect of the Preparation of Financial Statements

The Directors are responsible for the preparation of consolidated and separate annual financial statements that give a true and fair view of the state of the financial affairs of Stanbic Bank Zambia Limited and its subsidiaries. The financial statements comprise the consolidated and separate statements of financial position as at 31 December 2023, the consolidated and separate income statements 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, the requirements of the Banking and Financial Services Act, 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 are necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error. Further the Directors are responsible 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 a going concern 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 01 March 2024 and are signed on its behalf by:

Chairman

Chief Executive

Director

Company Secretary

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Corner of Lubansenshi and Katima Mulilo Road, 10101
Lusaka, Zambia

Independent auditor's report
To the shareholders 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 41 to 125, which comprise the consolidated and separate statements of financial position as at 31 December 2023, and the consolidated and separate income statements, consolidated and separate statements of other comprehensive income, statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, accounting policy elections and restatements, key management assumptions, the notes to the financial statements, IFRS risk and capital management disclosures as per annexure A, equity linked transactions as per annexure B and detailed accounting policies as per annexure C.

In our opinion, these consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Stanbic Bank Zambia Limited as at 31 December 2023, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in compliance with the requirements of the Companies Act, Banking and Financial Services Act 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

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

Impairment of loans and advances to customers

Refer to:

- Key management assumptions, expected credit loss.
- Note 6, loans and advances to customers.
- Annexure A – IFRS risk and capital management disclosures, credit risk.
- Annexure C - Detailed accounting policies, section 3, impairment.

This key audit matter applies to the consolidated and separate financial statements.

Key audit matter	How the matter was addressed in our audit
Loans and advances to customers comprise a large portion of the Group's and Bank's assets. This was an area of focus due to management exercising significant judgement and using subjective assumptions, when determining both the timing and the amounts of the expected credit loss ("ECL") for loans and advances to customers. Key areas of significant judgement included: • The identification of exposures with significant deterioration in credit quality assessed by reference to the "group master rating scale" adopted by the Group. • Assumptions used in the ECL models such as the forward-looking macroeconomic expectations factors (e.g. foreign exchange rate between US dollar and Zambian Kwacha, Gross Domestic Product (GDP), Consumer Price Index (CPI) and the policy interest rate). • 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: We tested the design, implementation, and operating effectiveness of relevant controls over: • management's approval of credit origination of the loans and advances to customers; • 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 exposures, days in arrears, default and other customer specific data by comparing the inputs to supporting documentation. • We assessed the appropriateness of transfers between stages by testing on a sample basis whether financial assets transferred from stage 1 to stage 2 or stage 3 respectively, met the Group's and Bank's definition of significant increase in credit risk. • We assessed the reasonableness of macro-economic data used to develop metrics of forecasting by comparing the Group and Bank's assumptions to externally available information. • For credit impaired assets classified as stage 3, we assessed the reasonableness and timing of expected cash flows by considering the type of collateral held and comparing with historical recovery period and valuations performed by independent valuers. • With the involvement of specialists, we evaluated compliance of the expected credit loss models with *IFRS 9, Financial instruments (IFRS 9)* and the appropriateness of modelling principles applied, including the re-performance of PD, EAD, LGD, SICR and ECL calculations. In addition, we considered whether management had incorporated sufficient forward looking stress tests in the PDs and LGDs. • We assessed the adequacy of the disclosures made in the consolidated and separate financial statements in accordance with the requirements of IFRS 9.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of Zambia, the Directors' Responsibility in respect of the Preparation of Financial Statements and other information included in the Overview, Business Review and Ensuring our Sustainability sections of the Annual Report 2023. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in compliance with the requirements of the Companies Act, Banking and Financial Services Act 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 Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 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 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) (a) of the Companies Act of Zambia (the Act), we consider and report that:

- there is no relationship, interest or debt we have with the Group and Bank; and
- there were no serious breaches of corporate governance principles or practices by the directors. This 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
- There were no transactions or events that came to our attention that affect the well-being 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 Reporting Requirements) Rules (SEC Rules), Statutory Instrument No.163 of 1993, we consider and report that:

- the consolidated and separate statement of financial position, consolidated and separate income statements and consolidated and separate statements of other comprehensive income were in agreement with the Group’s and Bank's accounting records; and
- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

KPMG

KPMG Chartered Accountants **22 March 2024**

Cheelo Hamuwele **AUD/F001044**

Partner signing on behalf of the Firm

Consolidated and separate Statements of Financial Position

as at 31 December 2023

	Note	GROUP 2023 ZMW'000	GROUP 2022 ZMW'000	BANK 2023 ZMW'000	BANK 2022 ZMW'000
Assets					
Cash and balances with the central bank	1	9 559 633	7 244 054	9 559 633	7 244 054
Loans and advances to banks	1.1	3 921 085	6 092 098	3 921 085	6 092 098
Derivative assets	2	272	25 939	272	25 939
Trading assets	3	1 790 804	1 293 980	1 790 804	1 293 980
Financial investments	4	8 317 162	6 080 370	8 317 162	6 080 370
Loans and advances to customers	6	13 616 946	10 358 290	13 616 946	10 358 290
Other assets	5	427 212	436 199	415 274	435 435
Interests in subsidiaries	7	-	-	79 307	79 307
Property, equipment and right of use assets	8	472 630	459 474	370 983	364 267
Intangible assets	9	161 486	185 367	161 486	185 367
Deferred tax asset	10	141 433	113 032	141 433	113 032
Total assets		38 408 663	32 288 803	38 374 385	32 272 139
Equity and liabilities					
Equity		4 891 831	4 067 710	4 766 249	3 944 642
Equity attributable to the ordinary shareholder		4 891 831	4 067 710	4 766 249	3 944 642
Ordinary share capital	11	416 000	416 000	416 000	416 000
Reserves		4 475 831	3 651 710	4 350 249	3 528 642
Liabilities		33 516 832	28 221 093	33 608 136	28 327 497
Derivative liabilities	2	36 199	29 978	36 199	29 978
Trading liabilities	12	2 528 697	3 573 056	2 528 697	3 573 056
Provisions and other liabilities	13	1 091 682	993 915	1 147 390	1 067 591
Current tax liability	31	55 803	32 094	57 312	30 755
Deposits from banks	14	1 468 291	791 013	1 468 291	791 013
Deposits from customers	14	25 953 501	20 202 845	25 987 588	20 236 912
Other borrowings	15	1 995 784	2 326 414	1 995 784	2 326 414
Subordinated debt	15	386 875	271 778	386 875	271 778
Total equity and liabilities		38 408 663	32 288 803	38 374 385	32 272 139

The financial statements on pages 41 to 125 were approved for issue by the Board of Directors on 01 March 2024 and are signed on its behalf by:

Chairman **Chief Executive**

Director **Company Secretary**

The notes and annexures on pages 47 to 126 are an integral part of these financial statements.

Consolidated and separate Income Statements

for the year ended 31 December 2023

	Note	GROUP 2023 ZMW'000	GROUP 2022 ZMW'000	BANK 2023 ZMW'000	BANK 2022 ZMW'000
Net interest income		2 617 112	1 841 962	2 605 506	1 829 147
Interest income	22	3 143 222	2 302 871	3 143 222	2 302 871
Interest expense	23	(526 110)	(460 909)	(537 716)	(473 724)
Non-interest revenue		1 276 678	1 084 255	1 282 059	1 089 121
Net fee and commission revenue	-	700 648	565 712	686 820	554 592
Fee and commission revenue	24	794 737	653 083	780 909	641 963
Fee and commission expense	25	(94 089)	(87 371)	(94 089)	(87 371)
Trading revenue	26	545 159	491 033	545 159	491 033
Dividend income	27	-	-	19 000	16 000
Other revenue	27	30 871	27 510	31 080	27 496
Total net income[1]		3 893 790	2 926 217	3 887 565	2 918 268
Credit impairment (charges) /recovery	28	(97 907)	50 943	(97 907)	50 943
Net income before operating expenses		3 795 883	2 977 160	3 789 658	2 969 211
Staff costs	29	(799 082)	(653 160)	(799 082)	(653 160)
Other operating expenses		(1 007 185)	(805 876)	(1 006 611)	(805 975)
Total operating expenses	29	(1 806 267)	(1 459 036)	(1 805 693)	(1 459 135)
Profit before taxation		1 989 616	1 518 124	1 983 965	1 510 076
Taxation	30	(626 223)	(480 916)	(623 086)	(476 618)
Profit for the year		1 363 393	1 037 208	1 360 879	1 033 458

The notes and annexures on pages 47 to 125 are an integral part of these financial statements.

Consolidated and separate Statements of Other Comprehensive Income

for the year ended 31 December 2023

	Note	GROUP 2023 ZMW'000	GROUP 2022 ZMW'000	BANK 2023 ZMW'000	BANK 2022 ZMW'000
Profit for the year		1 363 393	1 037 208	1 360 879	1 033 458
Other comprehensive loss after taxation for the year		(539 272)	(670 537)	(539 272)	(670 537)
Change in fair value of debt financial assets measured at fair value through other comprehensive income (FVOCI)		(60 947)	(76 494)	(60 947)	(76 494)
Deferred taxation on change in fair value	10.2	12 328	23 441	12 328	23 441
Dividend		(500 000)	(550 000)	(500 000)	(550 000)
Deferred taxation on revaluation gains	10.2	182	2 646	182	2 646
Net change in expected credit losses		9 165	(70 130)	9 165	(70 130)
Total comprehensive income for the year		824 121	366 671	821 607	362 921

The notes and annexures on pages 47 to 125 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2023

	Share capital ZMW'000	Statutory reserves ZMW'000	Credit risk reserve ZMW'000	Fair value through OCI reserve ZMW'000	Revaluation reserve ZMW'000	Retained earnings ZMW'000	Total equity ZMW'000
GROUP							
Balance at 1 January 2022	416 000	7 700	149 439	174 096	154 051	2 799 753	3 701 039
Total comprehensive (loss) / income for the year	-	-	-	(123 183)	(6 842)	496 696	366 671
Profit for the year	-	-	-	-	-	1 037 208	1 037 208
Other comprehensive (loss) / income after tax for the year	-	-	-	(123 183)	(6 842)	9 488	(120 537)
Transactions with owners							
Dividend paid	-	-	-	-	-	(550 000)	(550 000)
Change in credit risk reserve	-	-	(12 618)	-	-	12 618	-
Balance at 31 December 2022	416 000	7 700	136 821	50 913	147 209	3 309 067	4 067 710
Balance at 1 January 2023	416 000	7 700	136 821	50 913	147 209	3 309 067	4 067 710
Total comprehensive (loss) / income for the year	-	-	-	(39 454)	(6 690)	870 265	824 121
Profit for the year	-	-	-	-	-	1 363 393	1 363 393
Other comprehensive (loss) / income after tax for the year	-	-	-	(39 454)	(6 690)	6 872	(39 272)
Transactions with owners							
Dividend paid	-	-	-	-	-	(500 000)	(500 000)
Change in credit risk reserve	-	-	(21 981)	-	-	21 981	-
Balance at 31 December 2023	416 000	7 700	114 840	11 459	140 519	4 201 313	4 891 831

The notes and annexures on pages 47 to 125 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2023

	Share capital ZMW'000	Statutory reserves ZMW'000	Credit risk reserve ZMW'000	Fair value through OCI reserve ZMW'000	Revaluation reserve ZMW'000	Retained earnings ZMW'000	Total equity ZMW'000
BANK							
Balance at 1 January 2022	416 000	7 700	149 439	174 096	82 317	2 752 169	3 581 721
Total comprehensive (loss) / income for the year	-	-	-	(123 183)	(6 842)	492 946	362 921
Profit for the year	-	-	-	-	-	1 033 458	1 033 458
Other comprehensive (loss) / income after tax for the year	-	-	-	(123 183)	(6 842)	9 488	(120 537)
Transactions with owners							
Dividend paid	-	-	-	-	-	(550 000)	(550 000)
Change in credit risk reserve	-	-	(12 618)	-	-	12 618	-
Balance at 31 December 2022	416 000	7 700	136 821	50 913	75 475	3 257 733	3 944 642
Balance at 1 January 2023	416 000	7 700	136 821	50 913	75 475	3 257 733	3 944 642
Total comprehensive (loss) / income for the year	-	-	-	(39 454)	(6 690)	867 751	821 607
Profit for the year	-	-	-	-	-	1 360 879	1 360 879
Other comprehensive (loss) / income after tax for the year	-	-	-	(39 454)	(6 690)	6 872	(39 272)
Transactions with owners							
Dividend paid	-	-	-	-	-	(500 000)	(500 000)
Change in credit risk reserve	-	-	(21 981)	-	-	21 981	-
Balance at 31 December 2023	416 000	7 700	114 840	11 459	68 785	4 147 465	4 766 249

The notes and annexures on pages 47 to 125 are an integral part of these financial statements.

Consolidated and separate Statement of Cash Flows

for the year ended 31 December 2023

	Note	GROUP 2023 ZMW'000	GROUP 2022 ZMW'000	BANK 2023 ZMW'000	BANK 2022 ZMW'000
Profit before taxation		**1 989 616**	1 518 124	**1 983 965**	1 510 076
Adjusted for		258 114	(281 257)	264 554	(274 756)
Credit impairment charges / (recovery)		97 907	(50 943)	97 907	(50 943)
Depreciation of property, equipment and right of use assets	8	67 998	59 612	74 438	66 113
Amortisation of intangible asset	9	23 881	23 881	23 881	23 881
(Loss)/ profit on sale of property and equipment		(1 128)	1 996	(1 128)	1 996
Accrued interest income on loans and advances		(274 614)	(488 697)	(274 614)	(488 697)
Provision for management fees		218 843	66 718	218 843	66 718
Accrued interest expense customer deposits		125 227	106 176	125 227	106 176
Net cash flows from operating activities		**2 247 730**	**1 236 867**	**2 248 519**	**1 235 320**
Changes in operating funds					
Increase in operating assets	31.1	(8 854 795)	(5 793 310)	(8 843 621)	(5 793 508)
Increase in operating liabilities	31.2	5 272 030	4 488 843	5 254 082	4 488 788
Cashflows used in operating activities		**(3 582 765)**	**(1 304 467)**	**(3 589 539)**	**(1 304 720)**
Income tax paid	31.3	(618 405)	(485 457)	(612 420)	(482 334)
Net cash used in operating activities		**(1 953 440)**	**(553 057)**	**(1 953 440)**	**(551 734)**
Net cash flows used in investing activities					
Capital expenditure on property and equipment		(47 214)	(53 947)	(47 214)	(53 947)
Proceeds from sale of property, equipment		1 698	538	1 698	538
Principal element of lease payment		(44 490)	(43 292)	(43 961)	(60 179)
Net cash used in investing activities		**(90 006)**	**(96 701)**	**(89 477)**	**(113 588)**
Net cash flows used in financing activities					
Dividends paid		(740 000)	(310 000)	(740 000)	(310 000)
Net cash used in financing activities		**(740 000)**	**(310 000)**	**(740 000)**	**(310 000)**
Net decrease in cash and cash equivalents		**(2 783 446)**	(959 758)	**(2 782 917)**	(975 322)
Effects of exchange rate changes		**30 835**	(3 487)	**30 306**	12 077
Cash and cash equivalents at the beginning of the year		**11 083 969**	12 047 214	**11 083 969**	12 047 214
Cash and cash equivalents at the end of the year	31.4	**8 331 358**	11 083 969	**8 331 358**	11 083 969

The notes and annexures on pages 47 to 125 are an integral part of these financial statements.

Accounting policy elections and restatements

The principal accounting policies applied in the presentation of the Group and separate annual financial statements are set out below. The accounting policy elections below apply to the Group unless otherwise stated.

Basis of preparation

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, Companies Act and the Securities act of Zambia. The annual financial statements have been approved by the board on 01 March 2024.

The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial assets classified at FVOCI, financial assets and liabilities classified at FVTPL and liabilities for cash-settled share-based payment arrangements.
- Buildings are accounted for using the revaluation model

The following principal accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies shown in brackets:

- Purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 3).
- Intangible assets, property, equipment and right of use assets are accounted for at cost less accumulated amortisation/depreciation and impairment (accounting policy 6).
- The portfolio exception is applied to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 4).
- Investments in subsidiaries are accounted for at cost less accumulated impairment losses, where applicable, in the separate financial statements (accounting policy 1).

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 thousand except, when otherwise indicated

Changes in accounting policies

The accounting policies are consistent with those reported in the prior year.

IFRS 17 *Insurance Contracts* (IFRS 17) replaced 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. An entity may re-assess its classification and designation of financial instruments under IFRS 9 *Financial Instruments* (IFRS 9), on adoption of IFRS 17. The standard is effective for annual periods starting on or after 1 January 2023 and is required to be retrospectively applied. IFRS 17 did not have an impact on the group's annual financial statements.

Key management assumptions

In preparing the Group and separate financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements, collectively referred to as key management assumptions (KMA), are continually evaluated and are based on factors such as historical experience and current best estimates of future events. The estimates and judgements below have remained unchanged unless otherwise stated. The following represents the most material key management assumptions applied in preparing these financial statements. The key management assumptions below apply to the Group and Bank, unless otherwise stated.

Expected credit loss (ECL)

During the current reporting period models have been enhanced but no material changes to assumptions have occurred.

ECL on financial assets – drivers

For the purpose of determining the ECL:

- The home loans, vehicle and asset finance (VAF), card, personal, business lending and other products portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The impairment provision calculation excludes post-write-off recoveries (PWOR) from the loss given default (LGD) in calculating the ECL. These LGD parameters are aligned to market practice.
- Corporate, sovereign and bank 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 relating to corporate, sovereign and bank 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 or financial asset has increased significantly since initial recognition (stage 2).
- A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
- Lifetime includes 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.
- The measurement period for unutilised loan commitments utilises the same approach as on-balance sheet exposures.

Significant increase in credit risk and low credit risk

Home loans, vehicle and asset finance, card, personal, business lending and other products

All exposures are assessed to determine whether there has been a significant increase in credit risk (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. Behaviour scorecards are based on a combination of factors which include the information relating to customers, transactions and delinquency behaviour (including the backstop when contractual payments are more than 30 days past due (DPD)) to provide a quantitative assessment (score), and more specifically, a ranking of customer creditworthiness. The creditworthiness of a customer is summarised by a score, with high scores corresponding to low-risk customers, and conversely, low scores corresponding to high-risk customers. These scores are often taken into account in determining the probability of default (PD) including relative changes in PD. Credit risk has increased since initial recognition when these criteria are met.

The Group determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days DPD to stage 2. This transfer rate is such that the proportion of the 0 to 29 DPD book transferred into stage 2 is no less than the observed 12-month roll rate of 0 to 29 days accounts into 30 or more days in arrears. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and to 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, the rebuttable presumption of 30 DPD as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

Corporate, sovereign and bank products (including certain 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.

All 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 DPD (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 low credit risk. To determine whether a client's credit risk has increased significantly since origination, the Group and Bank would need to determine the extent of the change in credit risk using the table that follows.

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

Incorporation of forward-looking information (FLI) in ECL measurement

The Group determines the macroeconomic outlook, over a planning horizon of at least three years.

For home services, VAF, card, personal, business lending and other products these forward-looking economic expectations are included in the ECL where adjustments are made based on the group's macroeconomic outlook, using models that correlate these parameters with macroeconomic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the group's macroeconomic outlook expectations. In addition to forward-looking macroeconomic information, other types of FLI, such as specific event risks and industry data, 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 corporate, sovereign and bank products' 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 market conditions.

Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the group and company's internal credit risk management approach and definitions. While 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 and company'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, this includes the classification of distressed restructures (including debt review exposure accounts) as default for a minimum of six months, while observing payment behaviour; 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 and Bank have not rebutted the 90 DPD rebuttable presumption.

Write-off policy

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

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

- the financial asset has been in default for the period defined for the specific product (i.e. home services, VAF, etc.) which is deemed sufficient to determine whether the group is able to receive any further economic benefit from the impaired loan. The period defined for unsecured home services, VAF, card, personal, business lending and other products is determined with reference to post-default payment behaviour such as cumulative delinquency, as well as an analysis of post write-off recoveries. Factors that are within the Group's control are assessed and considered in the determination of the period defined for each product. The post-default payment period is generally once the rehabilitation probability (repayment of instalments) is considered low to zero, and a period between 180 to 360 days in arrears; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% ECL allowance) with no reasonable expectation of recovery of the asset, or a portion thereof.

As an exception to the above requirements:

- Where the exposure is secured (or for collateralised structures), the impaired exposure can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above.
- For corporate, sovereign and bank products, write-off is assessed on a case-by-case basis and approved by the Corporate & Investment Banking (CIB) credit governance committee based on the individual facts and circumstances.

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

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets (including debt review exposures) that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. an average of six full 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 home loans, VAF, card, personal, business lending and other products credit governance committees (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 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 ECL model) back to stage 1 (12-month ECL model) prospectively.

Forward-looking economic expectations applied in the determination of the ECL at the reporting date

A range of base, bear and bull forward-looking economic expectations were determined, as at 31 December 2023, for inclusion in the Group's forward-looking process and ECL calculation.

Zambian economic expectation

The following were assumed in the base case scenario

- Although the announced preliminary Eurobond restructuring with the Steering Committee of the ad hoc Eurobond Creditor Committee, which represents 40% of Zambia's Eurobond holders, significantly bolstered sentiment, the ZMW is expected to remain weaker against the USD due to higher than expected inflation caused by record high maize price and rising crude oil prices and prolonged subdued copper output which has reduced USD inflows from mineral royalties and corporate taxes limiting the Central Bank's ability to intervene in the market
- While the Central Bank's coffers will be bolstered when the IMF disburses USD 187million, given the current low levels of import cover, the Central Bank will likely let reserves build up rather than run them down to support the currency too aggressively.
- As the Government follows through on its fiscal consolidation commitments under the IMF program and foreign portfolio investments inflows resume throughout the projection period, the external account may boost the ZMW
- The statutory reserve ratio being increased for both local and foreign deposits does not tighten liquidity enough to relieve pressure in the FX market
- For 2023 and 2024 respectively, 4.2% and 4.7% real GDP growth rates are anticipated. According to preliminary GDP figure, the economy grew 4.7% y/y in H1:23. A lower GDP growth projection is on account of the mining industry's continued downturn and the slowdown in the electricity and education sectors.
- Over the remainder of the forecast period, period (i.e. 1st January 2025 to 31st December 2027) growth is anticipated to accelerate supported by the mining sector's anticipated recovery.

Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the ECL provision of financial assets. Each scenario, namely base, bear and bull scenario, is presented for each identified time period.

	Base scenario		Bear scenario		Bull scenario	
Macroeconomic factors – 2023	Next 12 months[1]	Remaining forecast period[2]	Next 12 months[1]	Remaining forecast Period[2]	Next 12 months[1]	Remaining forecast period[2]
GDP (% y/y) pa	4.77	4.49	1.77	2.82	5.71	6.0
CPI (% y/y) pe	13.3	8.97	13.82	10.5	7.25	4.72
Policy interest rate (%) pe	10.1	9.0	10.5	9.8	10.0	8.60
3-m rate (%) pe	8.92	8.29	15.08	14.16	6.80	4.95
6-m rate (%) pe	9.42	8.79	15.58	14.66	7.30	5.45
USD/ZMW pe	22.67	23.79	25.56	31.25	18.0	17.91

1 Next 12 months following 31 December 2023 is 1 January 2024 to 31 December 2024.
2 The remaining forecast period is 1 January 2025 to 31 December 2027.
3 The scenario weighting is: base at 50%, bear at 30% and bull at 20%. The scenario weighting remains unchanged.

	Base scenario		Bear scenario		Bull scenario	
Macroeconomic factors – 2022	Next 12 months[1]	Remaining forecast period[2]	Next 12 months[1]	Remaining forecast Period[2]	Next 12 months[1]	Remaining forecast period[2]
GDP (% y/y) pa	2.40	2.50	1.90	1.75	3.51	3.61
CPI (% y/y) pe	10.42	10.13	14.52	13.23	8.62	8.33
Policy interest rate (%) pe	10.00	9.00	11.00	11.00	9.00	8.00
3-m rate (%) pe	10.80	7.97	14.13	11.30	8.47	5.64
6-m rate (%) pe	12.28	9.45	16.48	13.65	10.18	7.35
USD/ZMW pe	17.35	18.18	23.51	24.75	16.76	17.43

1 Next 12 months following 31 December 2022 is 1 January 2023 to 31 December 2023.
2 The remaining forecast period is 1 January 2024 to 31 December 2026.
3 The scenario weighting is: base at 50%, bear at 30% and bull at 20%. The scenario weighting remains unchanged.

Sensitivity analysis of the forward-looking impact on the total ECL provision on all financial instruments relating to corporate, sovereign and bank products

The ECL methodology for corporate, sovereign and bank products is based primarily on client-specific risk metrics, as such the forward-looking macroeconomic information is one of the components and/or drivers of the total reported ECL. Rating reviews of each client are performed at least annually, and entail credit analysts completing a credit scorecard and incorporating forward-looking information at a client level. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting expected credit loss for the individual client. Therefore, the impact of forward-looking economic conditions is embedded into the total ECL for each client.

Sensitivity analysis of the forward-looking impact on the total ECL provision on all financial instruments relating to home loans, VAF, card, personal, business lending and other products

The level of the forward-looking balance sheet provisioning was maintained at 2023 levels due to the challenging macroeconomic environment, which was underpinned by aggressive monetary tightening, inflation and sharp and frequent interest rates, other consumer pressures. The following table shows a comparison of the forward-looking impact on the provision as at 31 December 2023, based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighting of the above factors.

	2023		2022	
	ZMW'000	Change of total PPB and BCB provisions on loans and advances %	ZMW'000	Change of total PPB and BCB provisions on loans and advances %
Forward-looking impact on the total ECL provision	48 586		54 624	
Scenarios				
Base	757	(0.01)	256	(0.01)
Bear	2 532	(0.05)	2 015	(0.05)
Bull	1 302	(0.02)	3 699	(0.08)

Refer to note 6 loans and advances, for the carrying amounts of the loans and advances and the credit risk section of the risk and capital management report for the group's assessment of the risk arising out of the failure of counterparties to meet their financial or contractual obligations when due.

Management judgemental adjustments

Management judgemental adjustments are required in terms of IFRS 9 to take into account factors that do not form part of the normal modelling process. These additional factors may result from model or data limitations, recent events or expert credit judgement and are applied at a segment, industry or client level. These management judgemental adjustments are reviewed as part of the governance process surrounding credit risk and ECL. Management judgemental adjustments incorporated in the calculation of ECL

Fair value

Financial instruments

In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value, it is presumed that the entity is a going concern and that fair value is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group and, in particular, provides assurance that the risk and return measures that the group has taken are accurate and complete.

Valuation process

The group's valuation control framework governs internal control standards, methodologies and procedures over its valuation processes, which include the following.

Prices quoted in an active market

The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques

Where quoted market prices are unavailable, the group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third-party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to:

- credit spreads on illiquid issuers
- implied volatilities on thinly traded instruments
- correlation between risk factors
- prepayment rates
- other illiquid risk drivers.

In making appropriate valuation adjustments, the group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are due to the relatively low liquidity of the underlying risk driver
- raising day one profit or loss provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- prepayment rates
- limiting exposure to such risk drivers and analysing exposure on a regular basis.

Validation and control

All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the group's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models, as well as those developed internally by the group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the group's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis at the asset and liability committees.

Portfolio exception

The group has, on meeting certain qualifying criteria, elected the portfolio exception which allows an entity to measure the fair value of certain groups of financial assets and financial liabilities on a net basis similar to how market participants would price the net risk exposure at the measurement date. Other financial instruments, which are not level 3, are utilised to mitigate the risk of these changes in fair value.

Refer to note 16 for assets and liabilities at fair value disclosures.

Consolidation of entities

The group controls and consolidates an entity where the group has power over the entity's relevant activities; is exposed to variable returns from its involvement with the investee; and has the ability to affect the returns through its power over the entity, including structured entities (SEs). Determining whether the group controls another entity requires judgement by identifying an entity's relevant activities, being those activities that significantly affect the investee's returns, and whether the group controls those relevant activities by considering the rights attached to both current and potential voting rights, de facto control and other contractual rights, including whether such rights are substantive. The consolidated structured entities are dependent on the group for financing and for the provision of critical services. Should the group terminate funding and suspend provision of these services these entities would not be able to continue in operation. The group also has residual risk as the financing provided by the group is subordinate to other loans that may be provided to the structured entities.

Interests in unconsolidated SEs that are not considered to be a typical customer-supplier relationship are required to be identified and disclosed. The group regards an interest to be a typical customer-supplier relationship where the level of risk inherent in that interest in the SE exposes the group to a similar risk profile to that found in standard market-related transactions. The group sponsors an SE where it provides financial support to the SE when not contractually required to do so. Financial support may be provided by the group to an SE for events such as litigation, tax and operational difficulties.

Refer to annexure C for more detail.

Computer software intangible assets

The group reviews its assets under construction and assets brought into use for impairment at each reporting date and tests the carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount (or components of the carrying amount) may not be recoverable. These circumstances include, but are not limited to, new technological developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates, significant changes in macroeconomic circumstances or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amount.

Through the performance of the impairment test, no computer software intangible assets have been identified as impaired.

The review and testing of assets for impairment inherently require significant management judgement as it requires management to derive the estimates of the identified assets' future cash flows in order to derive the asset's recoverable amount.

Refer to note 9 for intangibles disclosures.

Current and deferred tax

The group and company are subject to direct and indirect taxation requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The group recognises provisions for tax based on objective estimates of the amount 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 provisions, disclosed in note 10 and note 30, respectively, in the period in which such determination is made. Uncertain tax positions are provided for in accordance with the criteria defined within IAS 12 *Income Taxes* (IAS 12) and IFRIC 23 *Uncertainty over Income Tax Treatments* (IFRIC 23). Deferred tax assets are only recognised to the extent that sufficient taxable profits will be generated in order to realise the tax benefit. 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. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the group in order to utilise the deferred tax assets.

The group and bank are subject to direct and indirect taxation requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The group recognises provisions for tax based on objective estimates of the amount of taxes that may be due.

Refer to note 10 and note 30 for current and deferred tax disclosures.

Provisions

The principal assumptions taken into account in determining the value at which provisions are recorded, 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 results.

Refer to note 13 for provisions and other liabilities disclosures.

Notes to the annual financial statements

1. Cash and balances with the central bank

GROUP AND COMPANY	2023 ZMW'000	2022 ZMW'000
Coins and bank notes	3 865 846	2 778 632
Balances with the central bank[1]	5 693 787	4 465 422
Total	9 559 633	7 244 054

[1] These balances primarily comprise reserving requirements levied by the Central Bank. The reserving balances are not available for use by the group and the percentage as at 31 December 2023 was 17% (2022: 9%).

1.1 Loans and advances to banks

GROUP AND COMPANY	2023 ZMW'000	2022 ZMW'000
Loans and advances to Group banks	1 149 618	708 761
Loans and advance to non-group banks	2 775 573	5 385 341
	3 925 191	6 094 102
Expected credit losses	(4 106)	(2 004)
Total	3 921 085	6 092 098

These loans and advances qualify as cash and cash equivalents (note 31.4) for group and bank.

	Opening ECL 1 January 2023 ZMW'000	Transfers between stages (To)/from stage 1 ZMW'000	From/(to) stage 2 ZMW'000	From/(to) stage 3 ZMW'000	Total ZMW'000	Net ECL raised/ (released) ZMW'000	Exchange and other movement s ZMW'000	Closing ECL 31 December 2023 ZMW'000
Balances with banks								
Stage 1	828	-	-	-	-	3 189	-	4 017
Stage 2	1 176	-	-	-	-	(1 088)	1	89
Total	2 004	-	-	-	-	2 101	1	4 106

	Opening ECL 1 January 2022 ZMW'000	Transfers between stages (To)/from stage 1 ZMW'000	From/(to) stage 2 ZMW'000	From/(to) stage 3 ZMW'000	Total ZMW'000	Net ECL raised/ (released) ZMW'000	Exchange and other movements ZMW'000	Closing ECL 31 December 2022 ZMW'000
Balances with banks								
Stage 1	-	13 044	-	-	13 044	(12 216)	-	828
Stage 2	15 260	(13 044)	-	-	(13 044)	(1 040)	-	1 176
Total	15 260	-	-	-	-	(13 256)	-	2 004

2. Derivative instruments

All derivatives are classified as held-for-trading and mature within 1 year. A summary of the fair values of the derivative assets and derivative liabilities is as follows:

	Fair value of assets		Fair value of liabilities	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
GROUP AND BANK				
Held-for-trading	272	25 939	(36 199)	(29 978)
Total	272	25 939	(36 199)	(29 978)

2.1 Use and measurement of derivative instruments

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the normal course of business, the group and company enter into a variety of foreign exchange, interest rate, commodity, credit and equity derivative transactions in accordance with the group and company's risk management policies and practices. Derivative instruments used by the group and company are held for trading and include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, and interest rates.

2.2 Derivatives held-for-trading

The group transacts in derivative contracts to address client demand, both as a market maker in the CIB markets and in structuring tailored derivatives for clients.

3. Trading assets

	GROUP AND BANK	
	2023 ZMW'000	2022 ZMW'000
Treasury bills	859 222	411 885
Government bonds	931 582	882 095
Total	1 790 804	1 293 980

3.1 Maturity analysis

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

GROUP AND BANK	2023 ZMW'000	2022 ZMW'000
Maturing within 1 month	1 393	33
Maturing after 1 month but within 6 months	543 387	-
Maturing after 6 months but within 12 months	607 247	740 331
Maturing after 12 months	638 777	553 616
	1 790 804	1 293 980

4. Financial investments

	GROUP AND BANK	
	2023 ZMW'000	2022 ZMW'000
Government bonds	3 559 150	3 146 972
Treasury bills	4 910 727	3 113 633
Total	8 469 877	6 260 605
Net financial investments measured at amortised cost	8 006 513	5 334 283
Gross financial investments measured at amortised cost	8 159 228	5 514 518
ECL for financial investments measured at amortised cost[1]	(152 715)	(180 235)
Financial investments measured at fair value	310 649	746 087
Debt financial investments measured at FVOCI	310 649	746 087
Total	8 317 162	6 080 370

[1] Refer to the credit impairment charges note 28 for the current year credit impairment release of ZMW 36 678 000 (2022: ZMW 97 658 000) on debt financial investments measured at amortised cost.

5. Other assets

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Investment in Zambia Electronic Clearing House Limited	1 163	1 163	1 163	1 163
Items in the course of collection	391 961	285 343	391 961	285 343
Prepayments	13 049	7 574	13 049	7 574
Other non-financial assets	21 039	142 119	9 101	141 355
Total	427 212	436 199	415 274	435 435

Due to the short-term nature of these assets, historical experience and available forward-looking information, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant on these balances.

The Bank has an investment in the electronic clearing house along with other industry players.

6. Loans and advances to customers

	GROUP AND BANK	
	2023 ZMW'000	2022 ZMW'000
Gross loans and advances measured at amortised cost	14 127 432	10 741 421
Home loans	333 405	307 489
Vehicle and asset finance	1 825 577	1 345 083
Card and payments	13 277	13 721
Personal unsecured lending	1 597 671	1 416 844
Business lending and other	2 540 929	1 970 147
Corporate and sovereign	7 816 573	5 688 137
Interest in suspense	(106 404)	(79 414)
Expected credit losses (note 6.1)	(404 082)	(303 717)
Net loans and advances	13 616 946	10 358 290

In terms of the Banking and Financial Services Act of Zambia there were no non-performing loans (2022: Nil) or restructures loans owing to the bank whose principal amount exceeded 5% of the regulatory capital of the Bank.

6.1 Reconciliation of ECL for loans and advances measured at amortised cost

	Stage 1 ZMW'000	Stage 2 ZMW'000	Stage 3 ZMW'000	Total ZMW'000
GROUP AND BANK				
Opening ECL 1 January 2022	58 274	81 027	181 313	320 614
Transfers between stages[1]	19 282	(28 021)	8 739	-
Net ECL raised	23 906	41 290	32 904	98 100
ECL on new exposures raised[2]	62 211	15 239	-	77 450
Subsequent changes in ECL	(31 487)	26 051	32 904	27 468
Change in ECL due to derecognition	(6 818)	-	-	(6 818)
Impaired accounts written off[3]	-	-	(112 975)	(112 975)
Exchange and other movements[4]	4 679	(4 679)	(2 022)	(2 022)
Closing ECL 31 December 2022	106 141	89 617	107 959	303 717
Opening ECL 1 January 2023	106 141	89 617	107 959	303 717
Transfers between stages[1]	9 234	(9 234)	-	-
Net ECL raised	21 089	26 762	122 744	170 595
ECL on new exposures raised[2]	47 626	10 139	-	57 765
Subsequent changes in ECL	(13 312)	18 176	122 744	127 608
Change in ECL due to derecognition	(13 225)	(1 553)	-	(14 778)
Impaired accounts written off[3]	-	-	(30 776)	(30 776)
Exchange and other movements[4]	698	(697)	(39 455)	(39 454)
Closing ECL 31 December 2023	137 162	106 448	160 472	404 082

[1] The group policy is to transfer opening balances based on the ECL stage at the end of the reporting period. Therefore, it may appear that exposures were transferred directly from stage 3 to stage 1 as the curing requirements would have been satisfied during the reporting period.
[2] The ECL recognised on new exposures originated during the reporting period (which are not included in opening balances) are included within the rows "ECL on new exposures raised" based on the exposures' ECL stage as at the end of the reporting period.
[3] The contractual amounts outstanding on loans and advances for group and bank were written off during the reporting period are still subject to enforcement activities.
[4] Exchange and other movements include the time value of money (TVM) unwind and net interest in suspense (IIS) raised and released during the year.

6.2 Modifications on loans and advances measured at amortised cost

The gross carrying amount for modifications during the reporting period that resulted in no economic gain or loss (i.e. no net modification gain or loss) is ZMW 285 432 (2022: ZMW 24 000 000).

7. Interests in subsidiaries

	BANK	
	2023 ZMW'000	2022 ZMW'000
Stanbic Securities Zambia Limited	*	*
Stanbic Insurance Brokers Zambia Limited	100	100
Stanbic Nominees Zambia Limited	5	5
Burnet Investment Limited	79 202	79 202
Total	79 307	79 307

All subsidiaries are 100% owned

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 (2022: 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.

8. Property, equipment and right of use assets

	Property		Equipment				Right of use asset	
	Leasehold ZMW'000	Leasehold Improvements ZMW'000	Computer equipment ZMW'000	Motor vehicles[1] ZMW'000	Office equipment ZMW'000	Furniture and fittings ZMW'000	Buildings ZMW'000	Total ZMW'000
Group								
Net book value – 1 January 2022	306 897	6 714	32 171	7 344	11 603	29 459	45 261	439 449
Cost	348 959	54509	170 926	20 717	28 015	93 347	109 987	826 460
Accumulated depreciation	(42 062)	(47 795)	(138 755)	(13 373)	(16 412)	(63 888)	(64 726)	(387 011)
Movements	(10 591)	7 871	16 251	(1 113)	(278)	1 165	6 720	20 025
Additions and modifications	-	11 532	30 707	2 133	2 506	7 069	30 550	84 497
Disposals	(3 495)	-	(1 243)	-	-	(122)	-	(4 860)
Depreciation	(7 096)	(3 661)	(13 213)	(3 246)	(2 784)	(5 782)	(23 830)	(59 612)
Net book value – 31 December 2022	296 306	14 585	48 422	6 231	11 325	30 624	51 981	459 474
Cost	345 464	66 041	200 390	22 850	30 521	100 294	140 537	906 097
Accumulated depreciation	(49 158)	(51 456)	(151 968)	(16 619)	(19 196)	(69 670)	(88 556)	(446 623)
Movements	(7 095)	2 518	9 756	(211)	(2 430)	782	9 836	13 156
Additions and modifications	-	6 004	29 520	3 524	620	7 546	34 848	82 062
Disposals	-	-	(53)	-	(115)	(740)	-	(908)
Depreciation	(7 095)	(3 486)	(19 711)	(3 735)	(2 935)	(6 024)	(25 012)	(67 998)
Net book value – 31 December 2023	289 211	17 103	58 178	6 020	8 895	31 406	61 817	472 630
Cost	345 464	72 045	229 857	26 374	31 026	107 100	175 385	987 251
Accumulated depreciation and impairment	(56 253)	(54 942)	(171 679)	(20 354)	(22 131)	(75 694)	(113 568)	(514 621)
Bank								
Net book value – 1 January 2022	162 596	6 714	32 171	7 344	11 603	29 459	100 856	350 743
Cost	181 643	54 509	170 926	20 717	28 015	93 347	191 127	740 284
Accumulated depreciation	(19 047)	(47 795)	(138 755)	(13 373)	(16 412)	(63 888)	(90 271)	(389 541)
Movements	(8 462)	7 871	16 251	(1 113)	(278)	1 165	(1 910)	13 524
Additions and modifications	-	11 532	30 707	2 133	2 506	7 069	30 550	84 497
Disposals	(3 495)	-	(1 243)	-	-	(122)	-	(4 860)
Depreciation	(4 967)	(3 661)	(13 213)	(3 246)	(2 784)	(5 782)	(32 460)	(66 113)
Net book value – 31 December 2022	154 134	14 585	48 422	6 231	11 325	30 624	98 946	364 267
Cost	178 148	66 041	200 390	22 850	30 521	100 294	221 677	819 921
Accumulated depreciation	(24 014)	(51 456)	(151 968)	(16 619)	(19 196)	(69 670)	(122 731)	(455 654)
Movements	(4 966)	2 518	9 756	(211)	(2 430)	782	1 267	6 716
Additions	-	6 004	29 520	3 524	620	7 546	34 848	82 062
Disposals	-	-	(53)	-	(115)	(740)	-	(908)
Depreciation	(4 966)	(3 486)	(19 711)	(3 735)	(2 935)	(6 024)	(33 581)	(74 438)
Net book value – 31 December 2023	149 168	17 103	58 178	6 020	8 895	31 406	100 213	370 983
Cost	178 148	72 045	229 857	26 374	31 026	107 100	256 525	901 075
Accumulated depreciation and impairment	(28 980)	(54 942)	(171 679)	(20 354)	(22 131)	(75 694)	(156 312)	(530 092)

A register of freehold land and buildings is available for inspection at the company registered office.

8.1 Valuation

An independent valuation of the buildings was carried out by Messrs Anderson and Anderson to determine the fair value of the land and buildings as at 31 December 2021. The revaluation surplus net of tax was credited to other comprehensive income. The fair value of land and buildings was determined using the income method of valuation which was thought to be the most appropriate as the land and buildings are commercial in nature.

The carrying amount of the revalued properties if carried under cost model would be as follows

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Cost	148 002	148 002	62 815	62 815
Accumulated depreciation	(32 912)	(29 169)	(20 265)	(16 522)
Net book value	115 090	118 833	42 550	46 293

9. Intangible assets

	Total ZMW'000
Group and Bank	
Net book value – 1 January 2022	209 248
Cost	332 172
Accumulated amortisation	(122 924)
Movements	(23 881)
Additions	-
Disposals	-
Amortisation	(23 881)
Net book value – 31 December 2022	185 367
Cost	332 172
Accumulated amortisation and impairment	(146 805)
Movements	(23 881)
Additions	-
Disposals	-
Amortisation	(23 881)
Net book value – 31 December 2023	161 486
Cost	332 172
Accumulated amortisation and impairment	(170 686)

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

10. Deferred tax

10.1 Deferred tax analysis

	GROUP AND BANK	
	2023 ZMW'000	2022 ZMW'000
Property and equipment	(20 307)	(14 453)
Property revaluation reserve	(31 935)	(32 118)
FVOCI reserve	(247)	(12 575)
Impairment charges on loans and advances and other provisions	152 357	130 951
Other deductible accruals	41 565	41 227
Deferred tax closing balance	141 433	113 032
Deferred tax asset	193 922	172 178
Deferred tax liability	(52 489)	(59 146)

10.2 Deferred tax reconciliation

	GROUP AND BANK	
	2023 ZMW'000	2022 ZMW'000
Deferred tax at the beginning of the year	113 032	111 729
Total temporary differences for the year	28 401	1 302
Property and equipment	(5 854)	(304)
Property revaluation reserve	182	2 646
FVOCI reserve	12 328	23 441
Impairment charges on loans and advances and other provisions	21 406	(31 414)
Other deductible accruals	339	6 933
Deferred tax at the end of the year	141 433	113 032
Temporary differences for the year comprise		
Recognised in profit or loss	15 891	(24 785)
Recognised in OCI	12 510	26 087
Total	28 401	1 302

11. Share capital

Authorised

GROUP AND BANK	2023 ZMW'000	2022 ZMW'000
Ordinary shares at ZMW1 each (2022: 416 000 000 shares at ZMW 1 each).	416 000	416 000
Total	416 000	416 000

Issued

GROUP AND BANK	2023 ZMW'000	2022 ZMW'000
Ordinary shares at ZMW1 each (2022: 416 000 000 shares at ZMW 1 each)	416 000	416 000

No ordinary shares were issued during 2023 or 2022.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to only one vote per share at meeting of the Bank. Total dividends of K500 000 000 were declared during the year (2022: ZMW 550 000 000).

12. Trading liabilities

GROUP AND BANK	2023 ZMW'000	2022 ZMW'000
Unlisted debt securities	2 528 697	3 573 056
Total	2 528 697	3573 056

13. Provisions and other liabilities

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
ECL for off-balance sheet exposures (note 13.1)	11 178	17 073	11 178	17 073
Lease liabilities (note 13.2)	27 505	38 008	109 084	108 313
Statutory obligations	17 779	20 553	17 779	20 553
Other liabilities and accrued expenses	1 035 220	918 281	1 009 349	921 652
Total	1 091 682	993 915	1 147 390	1 067 591

13.1 Reconciliation of ECL for off-balance sheet exposures

Letters of credit, bank acceptances and guarantees

GROUP AND BANK	Opening balance ZMW'000	Net ECL raised/ (released) ZMW'000	Exchange and other movements ZMW'000	Closing balance ZMW'000
2023				
Stage 1	12 959	(10 095)	-	2 864
Stage 2	4 114	4 190	10	8 314
Total	17 073	(5 905)	10	11 178
2022				
Stage 1	13 071	(112)	-	12 959
Stage 2	11 612	(7 498)	-	4 114
Total	24 683	(7 610)	-	17 073

13. Provisions and other liabilities continued

13.2 Reconciliation of lease liabilities

	Balance at 1 January 2023 ZMW'000	Additions and modifications ZMW'000	Interest expense ZMW'000	Payments[1] ZMW'000	Balance at 31 December 2023 ZMW'000
GROUP					
Buildings and branches	38 008	31 262	2 725	(44 490)	27 505
BANK					
Buildings and branches	108 313	30 732	14 000	(43 961)	109 084

	Balance at 1 January 2022 ZMW'000	Additions and modifications ZMW'000	Interest expense ZMW'000	Payments[1] ZMW'000	Balance at 31 December 2022 ZMW'000
GROUP					
Buildings and branches	36 209	41 988	3 103	(43 292)	38 008
BANK					
Buildings and branches	105 770	47 379	15 343	(60 179)	108 313

The leases relate to branches, land and ATM sites, they are between 1 and 5 years.

14. Deposits from banks and customers

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Deposits from banks	1 468 291	791 013	1 468 291	791 013
Deposits from customers	25 953 501	20 202 845	25 987 588	20 236 912
Current accounts	20 716 145	16 376 923	20 750 232	16 410 990
Call deposits	1 641 140	1 157 363	1 641 140	1 157 363
Savings account	1 944 479	1 312 449	1 944 479	1 312 449
Term deposits	1 651 737	1 356 110	1 651 737	1 356 110

15. Subordinated debt and other borrowings

15.1 Subordinated debt

GROUP AND BANK	Redeemable/ repayable date	Callable date	Notional value ZMW'000	Carrying value 2023 ZMW'000	Carrying value 2022 ZMW'000
SBSA Subordinated debt	13 December 2026	13 December 2026	385 875	386 875	271 778

There was no default during the year

Net debt reconciliation

	2023 ZMW'000	2022 ZMW'000
Opening balance	271 778	251 281
Foreign exchange movements	114 097	20 497
Closing balance	385 875	271 778

15.2 Other borrowings

The other borrowings consist of financing from the International Finance Corporation (IFC) and the Bank of Zambia under the Targeted Medium Term Refinancing Facility (TMTRF). The IFC facility is priced off the 180-day treasury bill rate whilst the TMTRF is priced at between 8% - 8.5%

Net debt reconciliation

	International Finance Corporation (IFC)		Bank of Zambia		Total other borrowings	
GROUP AND BANK	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Opening balance	150 000	200 000	2 000 000	1 789 066	2 150 000	1 989 066
Repayments	(50 000)	(50 000)	(186 733)	-	(236 733)	(50 000)
Draw downs	-	-	-	210 934	-	210 934
Closing balance	100 000	150 000	1 813 267	2 000 000	1 913 267	2 150 000
Carrying value					1 995 784	2 326 414

16. Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

The tables that follow set out the group and company classification of assets and liabilities, and their fair values.

2023	Note	FVTPL Held-for-trading ZMW'000	FVTPL Designated at fair value ZMW'000	FVOCI Debt instruments ZMW'000	Total fair value ZMW'000	Amortised cost[1] ZMW'000	Other non-financial assets and liabilities ZMW'000	Total carrying amount ZMW'000	Fair value[2] ZMW'000
GROUP									
Assets									
Cash and balances with the central bank	1	-	9 015 206	-	9 015 206	544 427	-	9 559 633	9 559 633
Loans and advances to banks	1	-	-	-	-	3 921 085	-	3 921 085	3 921 085
Derivative assets	2	272	-	-	272	-	-	272	272
Trading assets	3	1 790 804	-	-	1 790 804	-	-	1 790 804	1 790 804
Financial investments	4	-	-	310 649	310 649	8 006 513	-	8 317 162	8 317 162
Loans and advances to customers	6	-	-	-	-	13 616 946	-	13 616 946	13 616 946
Other assets	5	-	-	-	-	414 163	-	414 163	414 163
Total assets		1 791 076	9 015 206	310 649	11 116 931	26 503 134	-	37 620 065	37 620 065
Liabilities									
Derivative liabilities	2	36 199	-	-	36 199	-	-	36 199	36 199
Trading liabilities	12	2 528 697	-	-	2 528 697	-	-	2 528 697	2 528 697
Deposits from banks and other borrowings		-	-	-	-	3 464 075	-	3 464 075	3 464 075
Deposits from customers	14	-	-	-	-	25 953 501	-	25 953 501	25 953 501
Subordinated debt	15	-	-	-	-	386 875	-	386 875	386 875
Provisions and liabilities	13	-	-	-	-	1 091 682	-	1 091 682	1 091 682
Total liabilities		2 564 896	-	-	2 564 896	30 896 133	-	33 461 029	33 461 029
BANK									
Assets									
Cash and balances with the central bank	1	-	9 015 206	-	9 015 206	544 427	-	9 559 633	9 559 633
Loans and advances to banks	1	-	-	-	-	3 921 085	-	3 921 085	3 921 085
Derivative assets	2	272	-	-	272	-	-	272	272
Trading assets	3	1 790 804	-	-	1 790 804	-	-	1 790 804	1 790 804
Financial investments	4	-	-	310 649	310 649	8 006 513	-	8 317 162	8 317 162
Loans and advances to customers	6	-	-	-	-	13 616 946	-	13 616 946	13 616 946
Other assets	5	-	-	-	-	402 225	-	402 225	402 225
Total assets		1 791 076	9 015 206	310 649	11 116 931	26 491 196	-	37 608 127	37 608 127
Liabilities									
Derivative liabilities	2	36 199	-	-	36 199	-	-	36 199	36 199
Trading liabilities	12	2 528 697	-	-	2 528 697	-	-	2 528 697	2 528 697
Deposits from banks and other borrowings		-	-	-	-	3 464 075	-	3 464 075	3 464 075
Deposits from customers	14	-	-	-	-	25 987 588	-	25 987 588	25 987 588
Subordinated debt	15	-	-	-	-	386 875	-	386 875	386 875
Provisions and liabilities	13	-	-	-	-	1 147 390	-	1 147 390	1 147 390
Total liabilities		2 564 896	-	-	2 564 896	30 985 928	-	33 550 824	33 550 824

[1] Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
[2] Carrying value has been used where it closely approximates fair values, excluding non-financial instruments. Refer to the fair value section in accounting policy 4 – Fair value in annexure C and key management assumptions for a description on how fair values are determined.
[3] The fair value of other financial assets and liabilities approximates their carrying value due to their short-term nature.

16. Classification of assets and liabilities continued

Accounting classifications and fair values of assets and liabilities continued

2022	Note	FVTPL Held-for-trading ZMW'000	FVTPL Designated at fair value ZMW'000	FVOCI Debt instruments ZMW'000	Total fair value ZMW'000	Amortised cost[1] ZMW'000	Other non-financial assets and liabilities ZMW'000	Total carrying amount ZMW'000	Fair value[2] ZMW'000
GROUP									
Assets									
Cash and balances with the central bank	1	-	5 030 815	-	5 030 815	2 213 239	-	7 244 054	7 244 054
Loans and advances to banks	1	-	-	-	-	6 092 098	-	6 092 098	6 092 098
Derivative assets	2	25 939	-	-	25 939	-	-	25 939	25 939
Trading assets	3	1 293 980	-	-	1 293 980	-	-	1 293 980	1 293 980
Financial investments	4	-	-	746 087	746 087	5 334 283	-	6 080 370	6 080 370
Loans and advances to customers	6	-	-	-	-	10 358 290	-	10 358 290	10 358 290
Other assets	5	-	-	-	-	428 625	-	428 625	428 625
Total assets		1 319 919	5 030 815	746 087	7 096 821	24 426 535	-	31 523 356	31 523 356
Liabilities									
Derivative liabilities	2	29 978	-	-	29 978	-	-	29 978	29 978
Trading liabilities	12	3 573 056	-	-	3 573 056	-	-	3 573 056	3 573 056
Deposits from banks and other borrowings		-	-	-	-	3 117 427	-	3 117 427	3 117 427
Deposits from customers	14	-	-	-	-	20 202 845	-	20 202 845	20 202 845
Subordinated debt	15	-	-	-	-	271 778	-	271 778	271 778
Provisions and liabilities	13	-	-	-	-	993 915	-	993 915	993 915
Total liabilities		3 603 034	-	-	3 603 034	24 585 965	-	28 188 999	28 188 999
BANK									
Assets									
Cash and balances with the central bank	1	-	5 030 815	-	5 030 815	2 213 239	-	7 244 054	7 244 054
Loans and advances to banks	1	-	-	-	-	6 092 098	-	6 092 098	6 092 098
Derivative assets	2	25 939	-	-	25 939	-	-	25 939	25 939
Trading assets	3	1 293 980	-	-	1 293 980	-	-	1 293 980	1 293 980
Financial investments	4	-	-	746 087	746 087	5 334 283	-	6 080 370	6 080 370
Loans and advances to customers	6	-	-	-	-	10 358 290	-	10 358 290	10 358 290
Other assets	5	-	-	-	-	427 861	-	427 861	427 861
Total assets		1 319 919	5 030 815	746 087	7 096 821	24 425 771	-	31 522 592	31 522 592
Liabilities									
Derivative liabilities	2	29 978	-	-	29 978	-	-	29 978	29 978
Trading liabilities	12	3 573 056	-	-	3 573 056	-	-	3 573 056	3 573 056
Deposits from banks and other borrowings		-	-	-	-	3 117 427	-	3 117 427	3 117 427
Deposits from customers	14	-	-	-	-	20 236 912	-	20 236 912	20 236 912
Subordinated debt	15	-	-	-	-	271 778	-	271 778	271 778
Provisions and liabilities	13	-	-	-	-	1 067 591	-	1 067 591	1 067 591
Total liabilities		3 603 034	-	-	3 603 034	24 693 708	-	28 296 742	28 296 742

[1] Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
[2] Carrying value has been used where it closely approximates fair values, excluding non-financial instruments. Refer to the fair value section in accounting policy 4 – Fair value in annexure F and key management assumptions for a description on how fair values are determined.
[3] The fair value of other financial assets and liabilities approximates their carrying value due to their short-term nature.

17. Assets and liabilities at fair value

17.1 Financial assets and liabilities measured at fair value on a recurring basis[1]

	2023				2022			
	Level 1 ZMW'000	Level 2 ZMW'000	Level 3 ZMW'000	Total ZMW'000	Level 1 ZMW'000	Level 2 ZMW'000	Level 3 ZMW'000	Total ZMW'000
GROUP AND BANK								
Financial assets								
Cash and balances with the central bank	9 015 206	-	-	9 015 206	3 804 998	1 225 817	-	5 030 815
Derivative assets	-	272	-	272	-	25 939	-	25 939
Trading assets	-	1 790 804	-	1 790 804	-	1 293 980	-	1 293 980
Financial investments	-	310 649	-	310 649	-	746 087	-	746 087
Total	9 015 206	2 101 725	-	11 116 931	3 804 998	3 291 823	-	7 096 821
Financial liabilities								
Derivative liabilities	-	36 199	-	36 199	-	29 978	-	29 978
Trading liabilities	-	2 528 697	-	2 528 697	-	3 573 056	-	3 573 056
Total	-	2 564 896	-	2 564 896	-	3 603 034	-	3 603 034

[1] Recurring fair value measurements of assets or liabilities are those assets and liabilities that IFRS requires or permits to be carried at fair value in the statement of financial position at the end of each reporting period.

17. Assets and liabilities at fair value continued

17.2 Assets and liabilities not measured at fair value for which fair value is disclosed

	2023				2022			
	Level 1 ZMW'000	Level 2 ZMW'000	Level 3 ZMW'000	Total ZMW'000	Level 1 ZMW'000	Level 2 ZMW'000	Level 3 ZMW'000	Total ZMW'000
GROUP								
Assets								
Cash and balances with the central bank	544 427	-	-	544 427	2 213 339	-	-	2 213 239
Loans and advances to banks	3 921 085	-	-	3 921 085	6 092 098	-	-	6 092 098
Financial Investments	-	8 006 513	-	8 006 513	-	5 334 283	-	5 334 283
Loans and advances to customers	-	13 616 946	-	13 616 946	-	10 358 290	-	10 358 290
Total	4 465 512	21 623 459	-	26 088 971	8 305 437	15 692 573	-	23 997 910
Liabilities								
Deposits from banks and other borrowings	-	3 464 075	-	3 464 075	-	3 117 427	-	3 117 427
Deposits from customers	-	25 953 501	-	25 953 501	-	20 202 845	-	20 202 845
Subordinated debt	-	386 875	-	386 875	-	271 778	-	271 778
Total	-	29 804 451	-	29 804 451	-	23 592 050	-	23 592 050
BANK								
Assets								
Cash and balances with the central bank	544 427	-	-	544 427	2 213 339	-	-	2 213 239
Loans and advances to banks	3 921 085	-	-	3 921 085	6 092 098	-	-	6 092 098
Financial Investments	-	8 006 513	-	8 006 513	-	5 334 283	-	5 334 283
Loans and advances to customers	-	13 616 946	-	13 616 946	-	10 358 290	-	10 358 290
Total	4 465 512	21 623 459	-	26 088 971	8 305 437	15 692 573	-	23 997 910
Liabilities								
Deposits from banks and other borrowings	-	3 464 075	-	3 464 075	-	3 117 427	-	3 117 427
Deposits from customers	-	25 953 501	-	25 953 501	-	20 202 845	-	20 202 845
Subordinated debt	-	386 875	-	386 875	-	271 778	-	271 778
Total	-	29 804 451	-	29 804 451	-	23 592 050	-	23 592 050

18. Financial assets and liabilities designated at FVTPL

18.1 Financial assets designated at FVTPL

GROUP AND BANK	Maximum exposure to credit risk[1] ZMW '000	Current year gain on changes in fair value attributable to changes in credit risk ZMW'000	Cumulative gain on changes in fair value attributable to changes in credit risk ZMW'000
2023			
Cash and balances with central bank	9 015 206	-	-
2022			
Cash and balances with central bank	5 030 815	-	-

[1] This balance primarily relates to sovereign, corporate and bank exposures. Refer to Annexure C for additional information on maximum exposure to credit risk by credit quality.

19. Reconciliation of FVOCI and revaluation reserve movements

19.1 Debt financial investments

GROUP AND BANK	Balance at the beginning of the year ZMW'000	Losses net of deferred tax ZMW'000	Balance at the end of the year ZMW'000
2023			
Fair value of OCI instruments	50 913	(39 454)	11 459
2022			
Fair value of OCI instruments	174 096	(123 183)	50 913

19.2 Revaluation reserve

GROUP	Balance at the beginning of the year ZMW'000	Gains net of Deferred tax ZMW'000	Excess depreciation ZMW'000	Balance at the end of the year ZMW'000
2023				
Revaluation reserve	147 209	182	(6 872)	140 519
2022				
Revaluation reserve	154 051	2 646	(9 488)	147 209

BANK	Balance at the beginning of the year ZMW'000	Gains net of Deferred tax ZMW'000	Excess depreciation ZMW'000	Balance at the end of the year ZMW'000
2023				
Revaluation reserve	75 475	182	(6 872)	68 785
2022				
Revaluation reserve	82 317	2 646	(9 488)	75 475

20. Contingent liabilities and commitments

20.1 Contingent liabilities

GROUP AND BANK	2023 ZMW'000	2022 ZMW'000
Letters of credit	606 312	749 721
Guarantees	3 110 832	2 948 224
Total	3 717 144	3 697 945

20.2 Capital commitments

GROUP AND BANK	2023 ZMW'000	2022 ZMW'000
Contracted capital expenditure	11 057	8 023
Capital expenditure approved but not yet contracted	211 384	90 927
Total	222 441	98 950

The expenditure will be funded from internal resources.

20.3 Lease commitments

20.3.1 The future minimum payments under low-value assets and short-term leases are as follows:

GROUP AND BANK	Within 12 months ZMW'000	Within one to five years ZMW'000	Total ZMW'000
2023			
Low-value assets and short-term leases	1 957	217	2 174
2022			
Low-value assets and short-term leases	4 270	3 913	8 183

Low-value assets comprise IT equipment

20.4 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 2023 and were considered necessary based on the merits of each case, a provision has been raised. In aggregate the total provisions raised amount to ZMW 77 million (2022: ZMW 28 million).

21. Maturity analysis

The group and company assess the maturity of financial assets and financial liabilities at 31 December each year which provides an indication of the remaining contractual life of these assets at that point in time. For the maturity analysis of financial liabilities on a contractual undiscounted basis, refer to the funding and liquidity risk section within annexure A.

21.1 Financial assets and liabilities

	Note	Redeemable on demand[1] ZMW	Within one year ZMW'000	Within one to five years ZMW'000	After five years ZMW'000	Total ZMW'000
Group						
2023						
Cash and balances with the central bank[1]	1	9 559 633	-	-	-	9 559 633
Loans and advance to banks	1.1	3 921 085	-	-	-	3 921 085
Trading assets	3	-	1 152 025	638 779	-	1 790 804
Gross financial investments	4	-	5 066 471	3 403 406	-	8 469 877
Other assets	5	414 163	-	-	-	414 163
Gross loans and advances[2]	6	608 852	5 193 310	7 727 649	597 621	14 127 432
Net derivative liability	2	(35 927)	-	-	-	(35 927)
Trading liabilities	12	-	(2 375 710)	(152 987)	-	(2 528 697)
Deposits from banks and other borrowings		(1 468 291)	(557 810)	(1 437 974)	-	(3 464 075)
Deposits from customers	14	(20 593 340)	(5 360 161)	-	-	(25 953 501)
Subordinated debt[3]	15.1	-	-	(386 875)	-	(386 875)
Other liabilities	13	-	(1 091 682)	-	-	(1 091 682)
2022						
Cash and balances with the central bank[1]	1	7 244 054	-	-	-	7 244 054
Loans and advance to banks	1.1	6 092 098	-	-	-	6 092 098
Trading assets	3	33	740 331	553 616	-	1 293 980
Gross financial investments	4	776 499	3 409 532	2 074 574	-	6 260 605
Other assets	5	428 625	-	-	-	428 625
Gross loans and advances[2]	6	753 885	2 706 716	6 854 791	426 029	10 741 421
Net derivative liability	2	(4 039)	-	-	-	(4 039)
Trading liabilities	12	(124 962)	(3 448 094)	-	-	(3 573 056)
Deposits from banks and other borrowings		(791 013)	(363 147)	(1 963 267)	-	(3 117 427)
Deposits from customers	14	(19 135 142)	(1 067 703)	-	-	(20 202 845)
Subordinated debt[3]	15.1	-	-	(271 778)	-	(271 778)
Other liabilities	13	-	(993 915)	-	-	(993 915)

[1] On demand cash and balances with the central bank includes notes and coins.
[2] Includes loans and advances measured at fair value through profit or loss.
[3] The maturity analysis for subordinated debt has been determined as the earlier of the contractual repayment date or the option by the issuer to redeem the debt.

21. Maturity analysis (continued)

Financial assets and liabilities (continued)

	Note	Redeemabl e on demand[5] ZMW	Within one year ZMW'000	Within one to five years ZMW'000	After five years ZMW'000	Total ZMW'000
Bank						
2023						
Cash and balances with the central bank[1]	1	9 559 633	-	-	-	9 559 633
Loans and advance to banks	1.1	3 921 085	-	-	-	3 921 085
Trading assets	3	-	1 152 025	638 779	-	1 790 804
Gross financial investments	4	-	5 066 471	3 403 406	-	8 469 877
Other assets	5	402 225	-	-	-	402 225
Gross loans and advances[2]	6	608 852	5 193 310	7 727 649	597 621	14 127 432
Net derivative liability	2	(35 927)	-	-	-	(35 927)
Trading liabilities	12	-	(2 375 710)	(152 987)	-	(2 528 697)
Deposits from banks and other borrowings		(1 468 291)	(557 810)	(1 437 974)	-	(3 464 075)
Deposits from customers	14	(20 627 427)	(5 360 161)	-	-	(25 987 588)
Subordinated debt[3]	15.1	-	-	386 875	-	386 875
Other liabilities	13	-	(1 147 390)	-	-	(1 147 390)
2022						
Cash and balances with the central bank[1]	1	7 244 054	-	-	-	7 244 054
Loans and advance to banks	1.1	6 092 098	-	-	-	6 092 098
Trading assets	3	33	740 331	553 616	-	1 293 980
Gross financial investments	4	776 499	3 409 532	2 074 574	-	6 260 605
Other assets	5	428 625			-	428 625
Gross loans and advances[2]	6	753 885	2 706 716	6 854 791	426 029	10 741 421
Net derivative liability	2	(4 039)	-	-	-	(4 039)
Trading liabilities	12	(124 962)	(3 448 094)	-	-	(3 573 056)
Deposits from banks and other borrowings	14	(791 013)	(363 147)	(1 963 267)	-	(3 117 427)
Deposits from customers	14	(19 169 209)	(1 067 703)	-	-	(20 236 912)
Subordinated debt[3]	15.1	-		(271 778)	-	(271 778)
Other liabilities	13	-	(1 067 591)	-	-	(1 067 591)

[1] On demand cash and balances with the central bank includes notes and coins.
[2] Includes loans and advances measured at fair value through profit or loss.
[3] The maturity analysis for subordinated debt has been determined as the earlier of the contractual repayment date or the option by the issuer to redeem the debt.

22. Interest income

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Effective interest rate income on:				
Loans and advances and short-term funds	2 120 363	1 315 395	2 120 363	1 315 395
Financial investments	1 022 859	987 476	1 022 859	987 476
Total	3 143 222	2 302 871	3 143 222	2 302 871
Interest income on items measured at amortised cost	3 143 222	2 302 871	3 143 222	2 302 871

23. Interest expense

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Current accounts	85 963	72 667	85 963	72 667
Savings and term deposit accounts	181 530	173 013	180 939	172 523
Subordinated debt	28 127	12 734	28 127	12 734
Lease liability	2 726	3 103	14 001	15 343
Other interest-bearing liabilities	227 764	199 392	228 686	200 457
Total	526 110	460 909	537 716	473 724
Interest expense on items measured at amortised cost	526 110	460 909	537 716	473 724

24. Fee and commission revenue

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Account transaction fees	243 024	179 400	243 024	179 400
Card-based commission	138 480	108 439	138 480	108 439
Electronic banking fees	98 368	72 811	98 368	72 811
Foreign currency service fees	27 717	26 744	27 717	26 744
Documentation and administration fees	181 324	151 575	181 324	151 575
Other[1]	105 824	114 114	91 996	102 994
Total	794 737	653 083	780 909	641 963

[1] Other primarily comprises of fee and commission revenue earned on sundry services such as arrangement, agency and asset management fees as well as guarantee and commitment commissions.

All fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss for the Group and Bank.

25. Fee and commission expense

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Card-based commission[1]	(94 089)	(87 371)	(94 089)	(87 371)
Total	(94 089)	(87 371)	(94 089)	(87 371)

[1]All fee and commission expenses reported above relate to financial assets or liabilities not carried at fair value through profit or loss for the Group and Bank.

26. Trading revenue

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Foreign exchange	607 825	547 112	607 825	547 112
Net interest expense on traded securities	(62 666)	(56 079)	(62 666)	(56 079)
Total	545 159	491 033	545 159	491 033

27. Other revenue

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Sundry income	30 871	27 510	31 080	27 496
Dividend received	-	-	19 000	16 000
Total	30 871	27 510	50 080	43 496

28. Credit impairment charges

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Net ECL raised /(released):	130 113	(20 424)	130 113	(20 424)
Financial investments	(36 678)	(97 658)	(36 678)	(97 658)
Loans and advances to customers (note 6.1)	170 595	98 100	170 595	98 100
Loans and advances to banks	2 101	(13 256)	2 101	(13 256)
Letters of credit, bank acceptances, guarantees and other	(5 905)	(7 610)	(5 905)	(7 610)
Recoveries on loans and advances previously written off	(31 942)	(30 420)	(31 942)	(30 420)
Cured interest in suspense	(264)	(99)	(264)	(99)
Total	97 907	(50 943)	97 907	(50 943)

29. Operating expenses

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Amortisation – intangible assets (note 9)	23 881	23 881	23 881	23 881
Audit fees	3 553	3 985	3 220	3 598
Communication related expenses	14 918	14 086	14 918	14 086
Depreciation (note 8)	67 998	59 612	74 438	66 113
Information technology	229 745	200 656	229 745	200 656
Marketing and advertising	38 556	25 486	38 556	25 486
Operating lease charges	4 621	4 776	4 621	4 776
Premises	24 496	18 946	24 486	18 946
Professional fees	57 014	13 148	57 014	13 148
Staff costs	799 082	653 160	799 081	653 160
Equity-linked transactions (annexure B)	39 305	19 945	39 305	19 945
Pension and other post-employment benefit costs	35 553	31 044	35 553	31 044
Skills development levy	3 377	2 996	3 376	2 996
Salaries and wages	720 847	599 175	720 847	599 175
Security	35 057	31 877	35 057	31 877
Other expenses	507 346	409 423	500 676	403 408
Total	1 806 267	1 459 036	1 805 693	1 459 135

30. Taxation

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Normal tax	642 114	456 131	638 977	451 833
Deferred tax	(15 891)	24 785	(15 891)	24 785
Total taxation	626 223	480 916	623 086	476 618
Deferred tax credit recognised in OCI	(12 510)	(26 087)	(12 510)	(26 087)
Direct taxation per the income statement	638 733	507 003	635 596	502 705

Income tax recognised in OCI

The table below sets out the amount of income tax relating to each component within OCI:

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Items that may not be subsequently reclassified to profit or loss				
Net property revaluation movement	182	2 646	182	2 646
Net change in fair value for OCI reserve	12 328	23 441	12 328	23 441
Total OCI tax credit	12 510	26 087	12 510	26 087

Tax rate reconciliation

	GROUP		BANK	
	2023 %	2022 %	2023 %	2022 %
Standard rate of Zambian taxation	30	30	30	30
Non-deductible expenses	1.5	1.4	1.4	1.3
Direct tax charge for the year as a percentage of profit before tax	31.5	31.4	31.4	31.3

31. Statement of cash flows notes

31.1 Increase in operating assets

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Change in financial investments	(2 236 792)	(2 459 108)	(2 236 792)	(2 459 108)
Change in statutory deposits	(2 897 177)	(388 402)	(2 897 177)	(388 402)
Change in loans and advances to customers	(3 258 656)	(2 676 223)	(3 258 656)	(2 676 223)
Change in derivative assets, trading assets and other assets	(462 170)	(269 577)	(450 996)	(269 775)
Total	(8 854 795)	(5 793 310)	(8 843 621)	(5 793 508)

31.2 Increase in operating liabilities

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'000	2022 ZMW'000
Deposits and debt funding	6 212 401	2 340 355	6 212 421	2 359 982
Trading and derivative liabilities	(1 038 138)	1 648 728	(1 038 138)	1 648 728
Provisions and other liabilities	97 767	499 760	79 799	480 078
Total	5 272 030	4 488 843	5 254 082	4 488 788

31.3 Taxation paid

	GROUP		BANK	
	2023 ZMW'000	2022 ZMW'000	2023 ZMW'00 0	2022 ZMW'000
Current tax payable at the start of the year	32 094	61 420	30 755	61 256
Income statement charge	642 114	456 131	638 977	451 833
Current tax payable at end of the year	(55 803)	(32 094)	(57 312)	(30 755)
Payment	618 405	485 457	612 420	482 334

31.4 Cash and cash equivalents

GROUP AND BANK	2023 ZMW'000	2022 ZMW'000
Cash and balances with central banks	9 559 633	7 244 054
Loans and advances to banks	3 921 085	6 092 098
Less: cash reserve requirement	(5 149 360)	(2 252 183)
Balance at the end of the year	8 331 358	11 083 969

32. Related party transactions

32.1 Parent

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

32.2 Subsidiaries

Details of effective interest, investments in subsidiaries are disclosed in note 7.

32.3 Key management personnel

Key management personnel have been defined as Stanbic Bank prescribed officers effective for 2023 and 2022. Non-executive directors are included in the definition of key management personnel as required by IFRS. The definition of key management includes the close family members of key management personnel and any entity over which key management exercises control or joint control. Close family members are those family members who may be expected to influence, or be influenced by, that person in their dealings with Stanbic.

GROUP AND BANK	2023 ZMW'000	2022 ZMW'000
Key management compensation	101 660	69 647
Salaries and other short-term benefits paid	59 191	47 042
Compulsory social security obligations	3 164	2 660
Share based payment transactions	39 305	19 945
Loans and advances		
Loans outstanding at the beginning of the year	20 493	21 111
Net change in loans during the year	18 157	(618)
Loans outstanding at the end of the year	38 650	20 493
Interest income	4 251	1 857
Deposit and debt funding		
Deposits outstanding at the beginning of the year	3 384	1 973
Net change in deposits during the year	(1 818)	1 411
Deposits outstanding at the end of the year	1 566	3 384
Net interest income	115	70
Directors' fees	6 020	4 233

32. Related party transactions continued

32.4 Balances with SBG companies

The table below denotes balances with the group and company's holding company, subsidiaries and fellow SBG subsidiaries.

	GROUP AND BANK	
	2023 ZMW'000	2022 ZMW'000
Amounts due to Standard Bank South Africa	536	3 347
Amounts due from Standard Bank South Africa	293 424	179 934
Other related party balances		
Short term funds, derivatives and other assets	1 149 788	701 027
Deposits, derivatives, subordinated debt and other liabilities	541 805	476 668
Dividend payable	-	240 000

32.5 Transactions with SBG companies

The table below denotes material transactions with the group and company's holding company, subsidiaries and fellow banking subsidiaries.

	GROUP AND BANK	
	2023 ZMW'000	2022 ZMW'000
Management fees	115 919	87 171
Information technology charges	116 014	82 882
Other income from related parties	(43 361)	(27 139)
Other expenses from related parties	35 716	58 891
Dividend paid to related parties	500 000	550 000

33. Interest rate benchmarks and reference interest rate reform

The Financial Stability Board had initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets.

During the 2021 financial year, the LIBOR's administrator, the Intercontinental Exchange Benchmark Administration Limited, announced it would no longer publish EUR, CHF, JPY and GBP related LIBOR rates for all tenors after 31 December 2021. The ICE Benchmark Administration Limited (IBA) had adopted a two-stage approach for the cession of the USD LIBOR rates with the one week and two-month USD LIBOR rates no longer being published after 31 December 2021 and the remaining being the overnight, one month, three-month, six month and 12-month rates no longer being published after 30 June 2023. The LIBOR rates which the group is exposed to will predominantly be replaced by Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), Euro Short Term Rate (ESTR), Tokyo Overnight Average (TONA) and Swiss Average Rate Overnight (SARON). In certain instances, other suitable rates are used, such as Central Bank Policy Rates.

There are minimal IBOR-linked contracts remaining with transition having taken place predominantly in Q2 and Q3 2023. Synthetic USD Libor is being published for a limited period, to assist the market with tough legacy transactions to be transitioned. Use of synthetic Libor is limited across the Group with a focus on transitioning client transactions to the target alternative reference rates.

FINANCIAL INSTRUMENTS IMPACTED BY THE REFORM WHICH ARE YET TO TRANSITION

	2023 USD LIBOR ZMW'000	2022 USD LIBOR ZMW'000
Total assets subject to IBOR reform	-	725 548
Derivative assets	-	-
Financial investments	-	-
Loans and advances	-	725 548
Trading assets	-	-
Total liabilities subject to IBOR reform	-	(271 778)
Derivative liabilities	-	-
Deposits and debt funding	-	(271 778)
Trading liabilities	-	
Total off-balance sheet exposures subject to IBOR reform	-	-
Off-balance sheet items	-	-

34. Events after reporting date

There were no material significant events after the reporting date that require disclosure in or adjustment to the financial statements for the year ended 31 December 2023.

Annexure A – IFRS risk and capital management disclosure

The IFRS risk and capital management sections below apply to the Group and Bank, unless otherwise stated. For a more detailed discussion on the group and company's approach to risk management, refer to the risk and capital management report as noted in the reporting suite section of the annual report.

Overview

Capital management

The Group's capital management function is designed to ensure that regulatory requirements are met at all times and that the banking Group and its principal subsidiaries are capitalised in line with the group's risk appetite and target ranges, both of which are approved by the board.

It further aims to facilitate the allocation and use of capital, such that it generates a return that appropriately compensates shareholders for the risks incurred. Capital adequacy is actively managed and forms a key component of the group's forecasting process. The capital plan is tested under a range of stress scenarios as part of the group's annual ICAAP and recovery plan.

The capital management function is governed primarily by management level subcommittees that oversee the risks associated with capital management, namely the group asset and liability committee (ALCO). The principal governance documents are the Risk Appetite Statement.

Risk management

The Group's activities give rise to various financial risks. Financial risks are categorised into credit, funding and liquidity and market risk.

Climate-related financial risks

The group recognises the scale of the present and future expected environmental, social and economic impacts of climate change. Exposure to the risks associated with climate change arise for the group both in respect of its own activities and operations, but more materially through the transmission of climate risks into credit, market, reputational and other risk exposures from lending to, investing in and otherwise transacting with clients and counterparties. Two distinct climate risk drivers are recognised as primary sources of these risks for the group across all presence countries and operations, with varying levels of intensity.

Firstly, the risk of financial loss arising through increasing severity and frequency of physical climate risk drivers. This may include more frequent and extreme climate change related weather events such as storms, wildfires, droughts and other physical hazards, all of which are evident in the presence countries in which the group operates. It may also include chronic longer-term changes in climate, such as changing precipitation patterns, rising sea levels and average temperature rises.

Secondly, the risk of financial loss arising through transition risk drivers, being changes associated with microeconomic (individual and corporate level) and macroeconomic (economy and country level) adjustments made in transitioning to a lower carbon emissions economy and business operating model. Such drivers include climate related changes in policies, legislation and regulations, changes due to technology improvements that support transition to a lower carbon economy, changes in market demand for products and services that support the transition, and reputational risks associated with changing customer preferences. The current and future expected costs, including for possible stranded assets that do not deliver an economic return because of changes associated with a transition to a lower carbon economy, are higher for clients and counterparties of the group that operate in sectors that are more vulnerable to these transition risk drivers.

In support of Africa's fair-share contribution to the Paris Agreement goal of limiting global warming to less than 1.5°C above pre-industrial levels by 2050, the group has committed to achieving net zero carbon emissions from its own operations for newly built facilities by 2030, for existing facilities by 2040, and from its portfolio of financed emissions by 2050.

Governance

Through the commitments made and the targets set therein, the Standard Bank Group Climate Policy guides both the management of exposures to businesses in sectors that are vulnerable to climate-related risks and the direction of finance towards qualifying transactions that seek to address Africa's energy poverty, achieve fair employment opportunities, and support the just transition to net zero.

The board and its committees are responsible for overseeing both the implementation of the group's climate policy and supporting sector-specific strategies for driving sustainable and transition finance, and the management of climate-related financial risks associated with the group's lending and investing activities, wherever they are identified. The board and its supporting committees are responsible for:

- Overseeing implementation of the Climate Policy including monitoring of progress made to meet targets and commitments set.
- Reviewing outputs of internal scenario analysis and regulatory climate risk stress tests, as well as other related risk matters.
- Assessing executive performance in relation to climate policy commitments and targets.

The group risk oversight committee (ROC), chaired by the chief risk officer, oversees financial and non-financial related risk, including climate-related risk. ROC is responsible for overseeing the embedment of climate-related risk-identification, classification, analysis, monitoring and reporting in the enterprise-wide risk management system. The refinement of quantified limits and thresholds for exposures to climate-related risks is ongoing across impacted portfolios in the group.

Strategy

The group supports a just transition that prioritises environmental sustainability in a manner that creates work opportunities and social inclusion, addresses Africa's energy poverty and acknowledges Africa's contribution to global emissions. As part of the efforts to achieve this transition, the group has committed to reducing its financed emissions while responsibly managing its exposure to fossil fuels, specifically where there is an energy transition roadmap that supports cleaner fuels.

The group has adopted a phased and progressive approach to understanding its climate risk exposures, designing sector-specific strategies and setting appropriate targets to reduce exposures and maximise opportunities. The first phase included the identification of four client sectors that face material climate-related risk and opportunity, namely: agriculture, gas, oil and thermal coal. The second phase, completed in 2022, focused on strategies in the residential real estate, commercial real estate and short-term insurance sectors. Our updated climate policy reflects the targets and commitments made in these sectors. To develop these strategies, the group has undertaken a rigorous process of research, internal consultation and expert engagement designed to develop a clear understanding of risks and opportunities in each sector, set appropriate strategies and to determine appropriate targets to manage portfolio risk and maximise opportunity.

Risk management

The group's preliminary credit portfolio risk assessments on sectors the group defined as being more vulnerable to physical and transition risks have informed the setting of the group's climate policy and its understanding of climate risks in portfolios. These assessments were further reinforced by an external advisory supported engagement in 2022 the aim of which was to stress the assumptions made in the climate policy, in particular those around a target-setting process that was informed by the Net Zero 2050 (1.5°) scenario in the NGFS (Network for Greening the Financial System) Orderly transition pathway to net zero. The results of this scenario testing confirmed the risk of stranded assets for exposures to sectors with high transition risk, as well as elevated physical risk-related credit exposures to counterparties in areas expected to be impacted by extreme and chronic climatic events in the medium to long term. The outputs of this testing exercise will be used to prepare for regulatory stress testing and internal scenario analysis purposes. The following climate related risks are examples of financial risks identified for management within the group's existing and evolving taxonomy for both financial and non-financial risks.

Transition risks

- Exposure to policy risk over the medium to long term associated with uncertain long-term demand for fossil fuels, especially coal, and other high emitting sectors. Key drivers for this risk include expected policy actions such as more onerous carbon-pricing regulations to limit emissions on business activities. Such action could lead to higher risks of stranded assets and the related financial risks for the group arising from an impairment in value of clients' operating assets pledged as collateral and leading therefore to an increase in the probability risk of client defaults.
- Market risk primarily over the short to medium term related to changing client expectations for greener products and services, potentially impacting on some of our clients' future business opportunities. Likewise, expectations from investors will also adjust to an appetite for lower financed emissions, applying pressure on the group to align with low emissions pathways.
- Higher reputational risk including in the immediate short-term arising from negative stakeholder sentiment and adverse media coverage related to support of projects or activities with negative impacts on the climate, including oil and gas related infrastructure projects.

Physical risks

Acute physical risks such as more frequent and more intense extreme weather events, pose a risk to the group's own operations and those of its customers in sectors the group has identified as being vulnerable, including agriculture and others. Chronic physical risks such as rising average temperatures and changing precipitation patterns over the medium to long term, that lead to heat stress, droughts, higher wildfire risks and water shortages, may impact the group's clients in affected sectors including mining, industrial, manufacturing and agriculture through water shortages, labour productivity, economic output and occupational health.

Opportunities

The group continues to work with its clients and partners to help them address their climate impacts, lower their emissions and improve their resilience. The group supports sustainable agricultural practices that promote reduced carbon emissions and improved resilience to climate risk.

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, risks associated with climate change, concentration risk and country risk and represents the largest source of risk to which banking entities in the group are exposed.

Approach to managing and measuring credit risk

The group's credit risk is a function of its business model and arises from corporate, business and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk (CCR) arising from derivative and securities financing contracts entered into with our customers and trading counterparties. To the extent that equity risk is held on the banking book, it would be managed according to the same general principles and governance standards as would otherwise apply to credit risk.).

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 exposures relative to approved limits
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

A group credit limit and concentration guideline, including for SBSA is embedded within the group's enterprise-wide risk management process. Within the group's overall risk appetite disciplines, the credit metrics and concentrations framework include key credit ratios and counterparty, sector and country concentration guidelines. These in turn are cascaded to client segment and legal entity level where they are monitored against approved appetite thresholds.

The group distinguishes between through-the-cycle Probability of Default measures (PDs) and point-in-time PDs, and utilises both measures in decision-making. To determine point-in-time PD's for IFRS 9 measurement, through-the-cycle PDs are used as a starting point and adjusted to determine appropriate point-in-time PDs. PDs are used to assign credit ratings for counterparties in pricing decisions, regulatory capital calculations and expected loss and impairments measurement.

A credit portfolio limit framework has been defined to monitor and control the credit risk profile within our 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 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 seeks to mitigate credit risk, including for 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 where that is legally enforceable, and the distribution of risk.

Collateral, parental guarantees, credit derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Credit risk management 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 requires collateral to meet certain criteria for recognition in LGD modelling, including but not limited to:

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

The main types of collateral obtained for the group's banking book exposures include:

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

Reverse repurchase agreements and commodity leases to customers are collateralised by the underlying assets.

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

For trading and derivatives transactions where collateral support is considered necessary, the group typically use recognised and enforceable International Swaps and Derivatives Association agreements (ISDA), with a credit support annexure.

Netting agreements, such as collateral under the credit support annexure of an ISDA agreement, are obtained only where we firstly have a legally enforceable right to offset credit risk by way of such an agreement, and secondly where we have the intention of utilising such agreement to settle on a net basis.

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

ECL is provided even if the exposure is fully covered by collateral.

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

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

Use of internal estimates

Our credit risk rating systems and processes differentiate and quantify credit risk across counterparties and asset classes. Internal risk parameters are used extensively in risk management and business processes, including:
- setting risk appetite
- setting concentration and counterparty limits
- credit approval and monitoring.

Corporate, sovereign and banking portfolios

Corporate entities include large companies, as well as small medium entities (SMEs) that are managed on a relationship basis.

Sovereign and bank borrowers include sovereign government entities, central banks, local and provincial government entities, bank and non-bank financial institutions.

The creditworthiness of corporate (excluding specialised lending), sovereign and bank exposures is assessed based on a detailed individual assessment of the financial strength of the borrower. This quantitative analysis, together with expert judgement and external rating agency ratings, leads to an assignment of an internal rating to the entity.

Specialised lending's creditworthiness is assessed on a transactional level, rather than on the financial strength of the borrower, in so far as the group relies only on repayment from the cash flows generated by the underlying assets financed.

Concentration risk management is performed to ensure that credit exposure concentrations in respect of obligors, countries, sectors and other risk areas are effectively managed. This includes concentrations arising from credit exposure to different entities within an obligor economic group, such as exposure to public sector and other government entities that are related to the same sovereign.

Credit portfolio characteristics and metrics

Maximum exposure to credit risk

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. The group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table below. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable home services, VAF, card, personal, business lending and other product portfolios. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

The table includes securities held as collateral for exposures in default

Default

The internal credit risk management definitions and approaches are aligned to the group's definition of default. While 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 and based on objective evidence, the counterparty is considered to be unlikely to pay amounts due to the group on due date or shortly thereafter without recourse to actions such as realisation of security; or
- the counterparty is past due (or in the case of overdraft facilities, is in excess of the current limit) for more than 90 days, on any material credit obligation to the group.

The group has not rebutted IFRS 9's 90 days past due rebuttable presumption and therefore exposures which are overdue for more than 90 days are considered to be in default.

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 any financial reorganisation or insolvency process.
- 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 and where this is likely to result in diminished financial obligation to the group.
- where the group stops accruing income in respect of the counterparty or raises a specific impairment in respect of any exposure to the counterparty.
- where the group sells any exposure to a counterparty at a material credit-related economic loss.

The information disclosed in the tables that follow, in respect of the credit quality of exposures was derived from the credit risk and capital systems of the group. The classification of the exposures into asset classes was determined by reference to classifications as per note 6.

Credit risk (continued)

IFRS: MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY

	Gross carrying amount ZMW'000	SB 1 – 12 Stage 1 ZMW'000	SB 1 – 12 Stage 2 ZMW'000	SB 13 – 20 Stage 1 ZMW'000	SB 13 – 20 Stage 2 ZMW'000	SB 21 – 25 Stage 1 ZMW'000	SB 21 – 25 Stage 2 ZMW'000	Default Stage 3 ZMW'000	Total gross carrying amount of default exposures ZMW'000	Securities and expected recoveries on default exposures ZMW'000	Balance sheet ECL and IIS on default exposures ZMW'000	Gross default coverage %	Non-performing exposures %
2023													
Loans and advances at amortised cost													
Home loans	333 405	-	-	280 483	-	-	40 561	12 361	12 361	(3 611)	15 972	129	4
Vehicle and asset finance	1 825 577	54 274	-	1 601 308	-	95 847	15 045	59 103	59 103	19 742	39 361	67	3
Card payments	13 277	-	-	11 177	-	-	1 359	741	741	(587)	1 328	179	6
Personal unsecured lending	1 597 671	-	-	1 462 524	-		73 236	61 911	61 911	25 635	36 276	59	4
Business lending and other	2 540	326 281	-	1 848 167	-	-	92 693	273 788	273 788	60	213 399	78	11
Corporate and sovereign	7 816 573	3 306 664	-	3 536 805	267 847	662 336	42 921	-	-	-	-	-	-
Gross carrying amount	14 127 432	3 687 219	-	8 740 464	267 847	758 183	265 815	407	407 904	101 568	306 336	75	2
Less: ECL on loans and advances	(404 082)												
Less: Interest in suspense	(106 404)												
Net carrying amount of loans and advances measured at amortised cost	13 616 946												
Financial investments measured at amortised cost													
Corporate and sovereign	8 159 228	1718 597	-	-	-	6 751 280	-	-	-	-	-		-
Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	8 159 228	1 718 597	-	-	-	6 751 280	-	-	-	-	-	-	-
Less: ECL for financial investments measured at amortised cost	(152 715)												
Net carrying amount of financial investments measured at amortised cost	8 006 513												
Debt financial investments at FVOCI													
Corporate and sovereign	310 649	-	-	310 196	453	-	-	-					
Gross carrying amount	310 649		-	310 196	453	-	-	-					
Less: Total expected credit losses	(14 120)												
Total financial investment at fair value through OCI	296 529												
Off-balance sheet exposures													
Guarantees	3 110 832												
Letters of credit and banker's acceptances	606 312												
Total exposure to off-balance sheet credit risk	3 717 144												
Less: ECL for off-balance sheet exposures	(11 178)												
Net carrying amount of off-balance sheet exposures	3 705 966												
Total exposure to credit risk on financial assets subject to ECL	25 625 954												
Add the following exposures:													
Cash and balances with the central bank	9 559 633												
Loans and advances to bank s	3 921 085												
Derivatives	272												
Trading assets	1 790 804												
Other assets	414 163												
Total exposure to credit risk	41 311 911												

[1] The ECL on unutilised facilities is included in the ECL for loans and advances.
[2] Balances with the central bank are classified as FVTPL. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entity's ability to operate as a bank.
[3] Due to the short-term nature of these assets and historical experience and available forward-looking information, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.

Credit risk (continued)

IFRS: MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY

	Gross carrying amount ZMW'000	SB 1 – 12 Stage 1 ZMW'000	SB 1 – 12 Stage 2 ZMW'000	SB 13 – 20 Stage 1 ZMW'000	SB 13 – 20 Stage 2 ZMW'000	SB 21 – 25 Stage 1 ZMW'000	SB 21 – 25 Stage 2 ZMW'000	Default Stage 3 ZMW'000	Total gross carrying amount of default exposures ZMW'000	Securities and expected recoveries on default exposures ZMW'000	Balance sheet ECL and IIS on default exposures ZMW'000	Gross default coverage %	Non-performing exposures %
2023													
Loans and advances at amortised cost													
Home loans	333 405	-	-	280 483	-	-	40 561	12 361	12 361	(3 611)	15 972	129	4
Vehicle and asset finance	1 825 577	54 274	-	1 601 308	-	95 847	15 045	59 103	59 103	19 742	39 361	67	3
Card payments	13 277	-	-	11 177	-	-	1 359	741	741	(587)	1 328	179	6
Personal unsecured lending	1 597 671	-	-	1 462 524	-		73 236	61 911	61 911	25 635	36 276	59	4
Business lending and other	2 540	326 281	-	1 848 167	-	-	92 693	273 788	273 788	60	213 399	78	11
Corporate and sovereign	7 816 573	3 306 664	-	3 536 805	267 847	662 336	42 921	-	-	-	-	-	-
Gross carrying amount	14 127 432	3 687 219	-	8 740 464	267 847	758 183	265 815	407	407 904	101 568	306 336	75	2
Less: ECL on loans and advances	(404 082)												
Less: Interest in suspense	(106 404)												
Net carrying amount of loans and advances measured at amortised cost	13 616 946												
Financial investments measured at amortised cost													
Corporate and sovereign	8 159 228	1718 597	-	-	-	6 751 280	-	-	-	-	-		-
Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	8 159 228	1 718 597	-	-	-	6 751 280	-	-	-	-	-	-	-
Less: ECL for financial investments measured at amortised cost	(152 715)												
Net carrying amount of financial investments measured at amortised cost	8 006 513												
Debt financial investments at FVOCI													
Corporate and sovereign	310 649	-	-	310 196	453	-	-	-					
Gross carrying amount	310 649		-	310 196	453	-	-	-					
Less: Total expected credit losses	(14 120)												
Total financial investment at fair value through OCI	296 529												
Off-balance sheet exposures													
Letters of credit and banker's acceptances	606 312												
Guarantees	3 110 832												
Total exposure to off-balance sheet credit risk	3 717 144												
Less: ECL for off-balance sheet exposures	(11 178)												
Net carrying amount of off-balance sheet exposures	3 705 966												
Total exposure to credit risk on financial assets subject to ECL	25 625 954												
Add the following exposures:													
Cash and balances with the central bank	9 559 633												
Loans and advances to bank s	3 921 085												
Derivatives	272												
Trading assets	1 790 804												
Other assets	414 163												
Total exposure to credit risk	41 311 911												

1 The ECL on unutilised facilities is included in the ECL for loans and advances.
2 Balances with the central bank are classified as FVTPL. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entity's ability to operate as a bank.
3 Due to the short-term nature of these assets and historical experience and available forward-looking information, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.

Credit risk (continued)

Concentration risk

Concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, an industry, a product, a geography, maturity, or collateral. The group's credit risk portfolio is well-diversified. The group's management approach relies on the reporting of concentration risk along key dimensions, the setting of portfolio limits and stress testing.

IFRS: INDUSTRY SEGMENTAL ANALYSIS GROSS LOANS AND ADVANCES

	2023 ZMW'000	2022 ZMW'000
Agriculture	1 751 090	1 014 194
Construction	114 333	108 796
Electricity	576 029	418 633
Finance, real estate and other business services	2 427 137	1 903 396
Individuals	1 688 183	1 524 744
Manufacturing	4 101 222	2 947 990
Mining	1 371 248	903 807
Transport	1 296 898	1 043 274
Wholesale	801 292	871 573
Other services	-	5 014
Gross loans and advances	14 127 432	10 741 421

IFRS: INDUSTRY SEGMENTAL ANALYSIS OF STAGE 3/NON-PERFORMING LOAN CREDIT IMPAIRMENTS OF LOANS AND ADVANCES

	2023 ZMW'000	2022 ZMW'000
Agriculture	45 161	30 344
Construction	1 478	1 162
Electricity	-	1
Finance, real estate and other business services	10 245	14 035
Individuals	57 944	48 791
Manufacturing	-	4 383
Mining	-	60
Transport	10 731	4 255
Wholesale	34 913	4 928
Credit impairment on non-performing loans	160 472	107 959

Credit risk (continued)

Collateral

The table below shows the financial effect that collateral has on the group's maximum exposure to credit risk. The table is presented according to Basel asset categories and includes collateral that may not be eligible for recognition under Basel but that management takes into consideration in the management of the group's exposures to credit risk. Credit risk management, measurement and mitigation including the use of collateral, are detailed on pages 82. All on- and off-balance sheet exposures that are exposed to credit risk, including NPL, have been included.

Collateral includes:

- securities that have a tradable market, such as shares and other securities
- physical items, such as property, plant and equipment
- financial guarantees, suretyships and intangible assets.

Netting agreements, which do not qualify for offset under IFRS but which are nevertheless enforceable, are included as part of the group's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions.

The group does not currently trade commodities that could give rise to physical commodity inventory or collateral exposure with the exception of precious metals. In the normal course of its precious metal trading operations the group does not hold allocated physical metal; however, this may occur from time-to-time. Where this does occur, appropriate risk and business approval is required to ensure that the minimum requirements are satisfied, including but not limited to approval of risk limits and insurance cover.

COLLATERAL[1]

	Total exposure ZMW'000	Secured ZMW'000	Netting agreements ZMW'000	Secured exposure after netting ZMW'000
2023				
Corporate and sovereign[1 2]	7 816 573	3 791 254	-	3 791 254
PPB & BCB	6 310 859	4 699 913	-	4 699 913
Home loans	333 405	333 405	-	333 405
Other exposures	5 977 454	4 366 508	-	4 366 508
Total	14 127 432	8 491 167	-	8 491 167
Less: ECL for loans and advances	(404 082)			
Less: Interest in suspense	(106 404)			
Total exposure	13 616 946			
Cash and balances with central banks	9 559 633			
Loans and advances to banks	3 921 085			
Derivative assets	272			
Trading assets	1 790 804			
Financial investments	8 303 042			
Other assets	414 163			
Total	37 605 945			

[1] The unsecured exposure, and collateral coverage disclosures have been aggregated and Corporate and sovereign counterparties have been aggregated to better align to how management analyses and reviews credit mitigation risk considering the nature and characteristics thereof. This aggregation has no impact on the statement of financial position.

[2] Includes Business lending and other exposures in Note 6 Loans and advances.

Collateral (continued)

	Total exposure ZMW'000	Secured ZMW'000	Netting agreements ZMW'000	Secured exposure after netting ZMW'000
2022				
Corporate and sovereign[1]	5 688 137	3 490 671	-	3 490 671
PPB & BCB	5 053 284	2 935 576	-	2 935 576
Home loans	307 489	307 489	-	307 489
Other exposures	4 745 795	2 628 087	-	2 628 087
Total	10 741 421	6 426 247	-	6 426 247
Less: ECL for loans and advances	(303 717)			
Less: Interest in suspense	(79 414)			
Total exposure	10 358 290			
Cash and balances with central banks	7 244 054			
Loans and advances to banks	6 092 098			
Derivative assets	25 939			
Trading assets	1 293 980			
Financial investments	6 057 086			
Other assets	428 625			
Total	31 500 072			

1 Includes business lending and other exposures in Note 6 Loans and advances.

Funding and liquidity risk

Definition

Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Approach to managing liquidity risk

The nature of the group's banking and trading activities gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties, who provide the group with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

Our risk management framework supports the measurement and management of liquidity, in all geographies across the Corporate and Investment, Consumer and High Net Worth and Business and Commercial Banking sectors to ensure that payment obligations can be met by our legal entities under both normal and stressed conditions within the group's risk appetite framework and that regulatory minimum requirements are always met. This is achieved through a combination of maintaining adequate liquidity buffers, to ensure that cash flow requirements can be met, and ensuring that our balance sheet is structurally sound and supportive of our strategy. Liquidity risk is managed on a consistent basis across our banking subsidiaries, allowing for local requirements. Liquidity risk management ensures that we have the appropriate amount, diversification and tenor of funding and liquidity to always support its asset base.

We manage liquidity risk as three interrelated pillars, which are aligned to the Basel III liquidity requirements, namely tactical short-term liquidity risk management, structural long-term liquidity risk management and contingency liquidity risk management.

Refer to the Funding and Liquidity Risk section of the SBG's Risk and Capital Management report for additional information.

Maturity analysis of financial liabilities by contractual maturity

The following table analyses cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay (except for trading liabilities and derivative liabilities, which are presented as redeemable on demand) and will, therefore, not agree directly to the balances disclosed in the consolidated statement of financial position.

Derivative liabilities are included in the maturity analysis on a contractual, undiscounted basis when contractual maturities are essential for an understanding of the derivatives' future cash flows. Management considers only contractual maturities to be essential for understanding the future cash flows of derivative liabilities that are designated as hedging instruments in effective hedge accounting relationships. All other derivative liabilities, together with trading liabilities, are treated as trading and are included at fair value in the redeemable on demand bucket since these positions are typically held for short periods of time.

Funding and liquidity risk (continued)

Collateral (continued)

Maturity analysis of financial liabilities by contractual maturity

The table also includes contractual cash flows with respect to off-balance sheet items. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

	Up to 1one month ZMW'000	Maturing between one to three months ZMW'000	Maturing between three to six months ZMW'000	Maturing between six to twelve months ZMW'000	Maturing between one to five years ZMW'000	Maturing greater than five years ZMW'000	Total ZMW'000
2023							
Financial liabilities							
Deposits from banks and other borrowings	1 468 291		151 048	406 762	1 437 974	-	3 464 075
Deposits from customers	20 593 340	158 398	281 760	4 920 003	-	-	25 953 501
Provisions and other liabilities	1 091 682	-	-	-	-	-	1 091 682
Trading liabilities	45 669	1 034 432	-	1 295 610	152 986	-	2 528 697
Derivative liabilities	36 199	-	-	-	-	-	36 199
Subordinated debt	-	-	-	-	-	386 875	386 875
Total	23 235 181	1 192 830	432 808	6 622 375	1 590 960	386 875	33 461 029
Unrecognised financial liabilities							
Financial guarantees and Letters of credit	235 315	592 322	784 782	1 350 506	754 219	-	3 717 144
Total	23 470 496	1 785 152	1 217 590	7 972 881	2 345 179	386 875	37 178 173
2022							
Financial liabilities							
Deposits from banks and other borrowings	791 013	-	176 414	186 733	1 963 267	-	3 117 427
Deposits from customers	19 135 142	310 890	236 518	520 295	-	-	20 202 845
Provisions and other liabilities	719 961	-	-	-	-		719 961
Trading liabilities	124 962	958 885	920 049	1 569 160	-	-	3 573 056
Derivative liabilities	29 978	-	-	-		-	29 978
Subordinated debt	-	-	-	-	-	271 778	271 778
Total	20 801 056	1 269 775	1 332 981	2 276 188	1 963 267	271 778	27 915 045
Unrecognised financial liabilities							
Financial guarantees and Letters of credit	2 260 521	119 450	406 374	532 955	378 645	-	3 697 945
Total	23 061 577	1 389 225	1 739 355	2 809 143	2 341 912	271 778	31 612 990

Market risk

Definition

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

The group's key market risks are:
- trading book market risk
- interest rate in the banking book (IRRBB)
- equity risk in the banking book
- foreign currency risk
- own equity-linked transactions
- post-employment obligation risk.

Trading book market risk

Definition

Trading book market risk is represented by financial instruments, including commodities, held in the trading book, arising out of normal global markets' trading activity.

Approach to managing market risk in the trading book

The group's policy is that all trading activities are undertaken within the group's global markets' operations.

The market risk function is independent of the trading operations and is accountable to the Asset-Liability Committees (ALCOs).

All Value at Risk (VaR) and Stressed Value at Risk (SVaR) limits require prior approval from ALCO. The market risk functions have the authority to set these limits at a lower level.

Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard.

Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk function to bring exposures back in line with approved market risk appetite, with such breaches being reported to management and ALCO.

VaR and SVaR

The Group uses the historical VaR and SVaR approach to quantify market risk under normal and stressed conditions.

For risk management purposes VaR is based on 251 days of unweighted recent historical data updated at least monthly, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in four steps:
- calculate 250 daily market price movements based on 251 days' historical data. Absolute movements are used for interest rates and volatility movements; relative for spot, equities, credit spreads, and commodity prices
- calculate hypothetical daily profit or loss for each day using these daily market price movements
- aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

SVaR uses a similar methodology to VaR, but is based on 251-day period of financial stress which is reviewed quarterly and assumes a ten-day holding period and a worst-case loss.

The ten-day period is based on the average expected time to reduce positions. The period of stress for SBSA is currently the 2008/2009 financial crisis while, for other markets, more recent stress periods are used where the group has received internal model approval, the market risk regulatory capital requirements is based on VaR and SVaR, both of which use a confidence level of 99% and a ten-day holding period.

Limitations of historical VaR are acknowledged globally and include:
- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature
- the use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This will usually not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully
- the use of a 95% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.

VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intra-day exposures. VaR is unlikely to reflect loss potential on exposures that only arise under significant market movements.

Market risk continued

Trading book portfolio characteristics

VaR for the year under review

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group's own account. In general, the group's trading desks have run reduced levels of market risk throughout the year for all asset classes when compared to 2022 aggregate normal VaR, and aggregate SVaR.

TRADING BOOK NORMAL VAR ANALYSIS BY MARKET VARIABLE

	Maximum[1] ZMW'000	Minimum[1] ZMW'000	Average ZMW'000
2023			
Foreign exchange risk	8 175	205	3 073
Interest rate trading	952	308	635
Aggregate	8 308	675	3 110
2022			
Foreign exchange risk	6 284	132	2 342
Interest rate trading	1 594	240	652
Aggregate	7 233	485	2805

The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may occur on different days.

Approach to managing Interest Rate Risk in the Banking Book (IRRBB)

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity. The group's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group operates. The treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of ALCO.

Measurement

The analytical techniques used to quantify IRRBB include both earnings- and valuation-based measures. The analysis takes into account embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis.

INTEREST RATE SENSITIVITY ANALYSIS[1]

	USD	ZMW
2023		
Increase in basis points	50	100
Sensitivity of annual net interest income	1.56%	1.72%
Decrease in basis points[2]	50	100
Sensitivity of annual net interest income	- 3.46%	- 1.99%
2022		
Increase in basis points	50	100
Sensitivity of annual net interest income	4.3%	2.6%
Decrease in basis points[2]	50	100
Sensitivity of annual net interest income	- 4.92%	- 2.8%

[1] Before tax.
[2] A floor of 0% is applied to all interest rates under the decreasing interest rate scenario resulting in asymmetric rate shocks in low-rate environments.

Foreign currency risk

Definition

The group's primary non-trading-related exposures to foreign currency risk arise as a result of the translation effect on the group's net assets in foreign-denominated financial assets and liabilities.

Approach to managing foreign currency 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 limits are monitored on a daily basis.

Foreign currency risk sensitivity analysis

The table that follows reflects the expected financial impact, in kwacha equivalent, resulting from a 10% shock to foreign currency risk exposures, against kwacha. The sensitivity analysis is based on net open foreign currency exposures arising from foreign-denominated financial assets and liabilities inclusive of derivative financial instruments, cash balances, and accruals, but excluding net assets in foreign operations. The sensitivity analysis reflects the sensitivity of profit or loss on the group's foreign denominated exposures other than those trading positions for which sensitivity has been included in the trading book VaR analysis.

FOREIGN CURRENCY RISK SENSITIVITY IN ZMW EQUIVALENTS[1]

		USD	Euro	GBP	Other	Total
2023						
Total net long / (short) position	ZMW'000	166 596	(27 786)	(14 639)	(339 600)	(215 429)
Sensitivity (ZMW depreciation)[2]	%	10	10	10	10	10
Impact on profit or loss/equity	ZMW'000	16 660	(2 779)	(1 464)	(33 960)	(21 543)
2022						
Total net (short)/ long position	ZMW'000	(306 947)	2 444	5 526	(25 144)	(324 121)
Sensitivity (ZMW depreciation)[2]	%	10	10	10	10	10
Impact on profit or loss/equity	ZMW'000	(30 695)	244	553	(2 514)	(32 412)

[1] Before tax.
[2] A 10% appreciation in ZMW will have an equal and opposite impact on profit or loss to the amounts disclosed above.

Capital management

The group manages its capital levels to support business growth, maintain depositor and creditor confidence, create value for the shareholders and ensure regulatory compliance.

The main regulatory requirements to be complied with are those specified in the Banking and Financial Services Act (BFSA) and related regulations,

Regulatory capital adequacy is measured through the following three risk-based ratios:

Tier 1 capital: ordinary share capital, share premium, retained earnings, other reserves 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 reserves limited to a maximum of 40%

The maximum amount of Tier 2 capital is limited to 100% of Tier 1 capital

REGULATORY CAPITAL POSITION

	2023 ZMW'000	2022 ZMW'000
Ordinary share capital	416 000	416 000
Retained earnings	4 037 528	3 332 143
Other reserves#	19 159	(6 589
Less: regulatory adjustments	(11 459)	-
Common equity tier 1 capital	4 461 228	3 741 554
Qualifying other equity instruments#	-	-
Tier 1 capital	4 461 228	3 741 554
Qualifying tier II subordinated debt#	385 875	271 125
Revaluation reserve	28 792	31 244
Tier 2 capital	414 667	302
Total regulatory capital	4 875 895	4 043 923

The table above is not audited unless it is denoted with #.

Annexure B – Equity linked transactions

GROUP AND BANK	2023 ZMW'000	2022 ZMW'000
Expenses recognised in staff costs		
Deferred bonus scheme (DBS)	5 843	8 274
Performance reward plan (PRP)	541	-
Cash-settled deferred bonus scheme (CSDBS)	32 921	11 671
Total expenses recognised in staff costs[1]	39 305	19 945
Summary of liabilities recognised in other liabilities		
Deferred bonus scheme (DBS)	20 448	1
Cash-settled deferred bonus scheme (CSDBS)	32 075	23 072
Total liability recognised in other liabilities	52 523	23 073

[1] Excluding gains and losses from hedges in terms of IFRS. The group's equity-linked transactions have exposure to equity securities price risk. To manage this price risk arising from these transactions, the group and company enter into equity forward hedges. For amounts recognised in the statement of profit or loss relating to these hedges, refer to note 2.3.6.

Deferred bonus scheme

All employees granted an annual performance award over a certain threshold have part of their award deferred. In addition, the group makes special awards to qualifying employees in employment of a group entity. The awards are indexed to SBG's share price and accrues notional dividends during the vesting period, which are payable on vesting. Awards vest in three equal amounts at 18, 30 and 42 months from the date of the award. The maturity value is determined with reference to SBG's share price on the vesting date. These awards are classified as cash-settled awards from an SBSA group and company perspective, and have been partially hedged through the use of equity forwards.

	Units	
	2023	2022
Movement summary		
Units outstanding at beginning of the year	2 259	209
Granted	8 008	7 170
Exercised	(2 268)	(5 120)
Units outstanding at end of the year	7 999	2 259
Weighted average fair value at grant date (R)	165.79	152.97
Expected life (years)	2.51	2.51

Performance reward plan

The performance reward plan is settled in SBG's shares to qualifying employees on the applicable vesting dates together with notional dividends that are settled in cash. Shares that vest (if any), and that are delivered to the employee, are conditional on pre-specified performance metrics set annually by the SBG Remuneration Committee. These awards are classified as cash-settled awards at an SBSA group and company perspective, and have been partially hedged through the use of equity forwards.

Other share schemes

Scheme	Description	Classification	Stock symbol
Group share incentive scheme (GSIS)	The GSIS confers rights to employees to acquire shares at the value of the SBG share price at the date the option was granted. The share scheme has various vesting periods, and expires ten years after grant date. xx shares were issued during the current year and 12 667 in the prior year by SBSA.	Equity-settled scheme	SBK

Cash settled deferred bonus scheme

Effective for awards made in 2017, employees granted an annual performance award over a certain threshold, who are in employment in South Africa and meet other specific criteria have part of their award deferred. This replaces the DBS from 2017 for these employees. In addition, employees who are assigned to SBSA from other SBG group companies (from the Africa Regions and International operations), and for whom an annual performance award over a threshold is granted, have part of their award deferred. For employees who are awarded CSDBS, and who qualify, the group may award additional special awards.

Awards in rand are indexed to SBG's share price and accrues notional dividends during the vesting period, which are payable on vesting. Awards vest in three equal amounts at 18, 30 and 42 months from the grant date of the award. The maturity value is determined with reference to the SBG share price on the vesting date. These awards are classified as cash-settled from an SBSA group and company perspective. Awards in currencies other than rand (being the employee's host country) are denominated in that currency with the same terms as rand denominated awards with the value of the awards, in foreign currency, moving in parallel with changes in the SBG share price. These awards have been partially hedged through the use of equity forwards.

Share incentives

Standard Bank equity growth scheme

The EGS represents participation rights in the future growth of the SBG share price. The eventual value of the right is settled by the receipt of SBG shares equivalent to the full value of the participation rights. Certain EGS awards issued prior to March 2014 included performance conditions.

Deferred bonus scheme

Employees are awarded a deferred incentive, as a mandatory deferral of their short-term incentive or as discretionary award, into the DBS. The deferred incentive is unitised into a number of units with respect to the group's share price on the date of award. The shares are delivered to the employee on the vesting date for equity-settled share incentives. The cash-settled deferred bonus scheme awards are settled in cash on the vesting date. Notional dividends on the units are paid to the employees on the vesting date.

Performance reward plan

The group's PRP, effective from March 2014, is an equity-settled share scheme with a three-year vesting period that is designed to incentivise the group's senior executives whose roles enable them to contribute to and influence the group's long-term decision-making and performance results. The PRP seeks to promote the achievement of the group's strategic long-term objectives and to align the interests of executives with shareholders. The awards are subject to the achievement of performance conditions set at award date and that determine the number of shares that ultimately vest. The awards will only vest in future in terms of the rules of the PRP. The shares, subject to meeting the pre-specified conditions, are delivered to the employee on vesting date. Notional dividends accrue during the vesting period and will be payable on vesting date.

Share appreciation rights plan

The SARP represents participation rights in the future growth of the SBG share price. The eventual value of the right is settled by the receipt of SBG shares equivalent to the full value of the participation rights.

Annexure C – Detailed Accounting policies

The following accounting policies were applied in the preparation of the group financial statements.

1. Basis of consolidation

BASIS OF CONSOLIDATION	
Subsidiaries	Foreign currency translations
Separate financial statements	Group companies
Consolidated financial statements	Transactions and balances

Subsidiaries

Separate financial statements

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

Consolidated financial statements

The accounting policies of subsidiaries that are consolidated by the group conform to the group's accounting policies. Intragroup transactions, balances and unrealised gains/(losses) are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. The proportion of comprehensive income and changes in equity allocated to the group and non-controlling interest are determined on the basis of the group's present ownership interest in the subsidiary. Similarly, profits or losses of subsidiaries attributable to preference shareholders outside the group are recognised as non-controlling interest, but where these preference shareholders are within the Standard Bank Group these are presented as non-controlling interest within SBG.

Subsidiaries are consolidated from the date on which the group obtains control up to the date that control is lost. Control is assessed on a continuous basis.

Foreign currency translations

Group companies

The results and financial position of foreign operations that have a functional currency that is different from the group's presentation currency are translated into the group's presentation currency as follows:

- assets and liabilities (including goodwill, intangible assets and fair value adjustments arising on acquisition) are translated at the closing rate at the reporting date
- income and expenses are translated at average exchange rate for each month and
- all resulting foreign exchange differences are accounted for directly in a separate component of OCI, being the group's FCTR.

Basis of consolidation (continued)

Transactions and balances

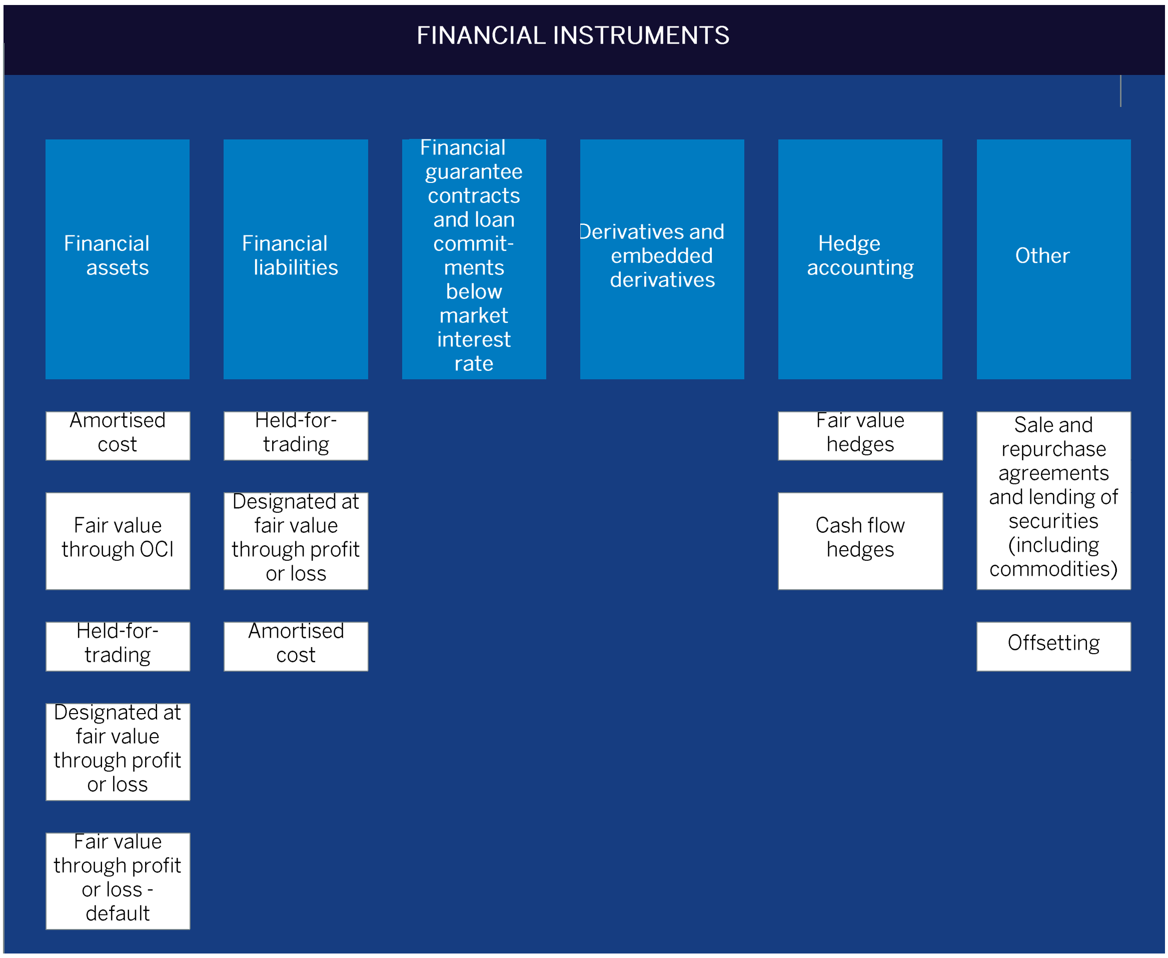
Foreign currency transactions are translated into the respective group entities' functional currencies at exchange rates prevailing at the date of the transactions (in certain instances a rate that approximates the actual rate at the date of the transaction is utilised, for example, an average rate for a month). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges to the extent that the hedge is effective).

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

Foreign exchange gains and losses on equities (debt) classified as fair value through OCI are recognised in the fair value through OCI reserve in OCI whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of other revenue (trading revenue).

Foreign currency gains and losses on intragroup loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases, the foreign currency gains and losses are recognised in the group's FCTR.

2. Financial instruments



Initial measurement

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).

Financial instruments continued

Financial assets

Nature

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 through profit or loss 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. Financial instruments continued

Financial assets 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. Expected credit impairments losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. 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. Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income. Dividends received on equity instruments are recognised in other revenue within non-interest revenue.
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 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	Debt instruments: Fair value gains and losses (including interest and dividends) on the financial asset are recognised in profit or loss as part of other gains and losses on financial instruments within non-interest revenue. Equity instruments: Fair value gains and losses on the financial asset are recognised in profit or loss as part of other gains and losses on financial instruments. Dividends received on equity instruments are recognised in other revenue 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 not measured at fair value through profit or loss nor are used to provide loans 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 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.

Financial instruments continued

Financial assets continued

Subsequent measurement 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 SICR. The group includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macroeconomic 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.

Cash and balances with the central bank

Cash and balances with the central bank comprise coins and bank notes and balances with the central bank (SARB). Included in balances with central bank are balances that primarily comprise of reserving requirements held with the central bank which are readily convertible to a known amount of cash and available for use by the group and company within less than three months since initial deposit, subject to certain restrictions and limitations levied by the central bank, but are subject to an insignificant risk of changes in value.

Coins and bank notes and balances with the central bank comprising reserving requirements are measured at fair value through profit or loss – default.

Cash and cash equivalents

Cash and cash equivalents, for purposes of the statement of cash flows, comprise of cash and balances with the central bank and on demand gross loans and advances to banks, which are readily convertible to a known amount of cash and available for use by the group and company within less than three months since initial deposit. These on-demand gross loans and advances to banks are held to meet short term cash commitments, rather than for investment or other purposes.

Refer to the policy on financial instruments relating to recognition and measurement of loans and advances (i.e. financial assets measured at amortised cost).

3. Financial instruments continued

Financial liabilities continued

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; and · 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.

Financial instruments continued

Financial liabilities continued

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised or modified 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.	In determining whether a modification is substantial, for financial asset qualitative factors are considered and for a financial liability, both qualitative and quantitative factors are considered. 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.	

3. Financial instruments continued

Financial liabilities continued

Financial guarantee contracts and loan commitments below market interest rate

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.

A loan commitment is a firm commitment to provide credit under specified terms and conditions. It is a binding promise from a lender that a specified amount of loan or line of credit will be made available to the named borrower at a certain interest rate, during a certain period and, usually, for a certain purpose.

Financial guarantee contracts and loan commitments at a below market interest rate are initially recognised when the group becomes party to the irrevocable commitment at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee/loan commitment. Financial guarantee contracts (that are not designated at fair value through profit or loss) and loan commitments at a below market interest rate, are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee or loan commitment; or
- unamortised premium.

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.

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

Hedge accounting

The group continues to apply IAS 39 to its portfolio interest rate risk fair value hedges and applies IFRS 9 to all its other hedges.

Derivatives, whether accounted for under IAS 39 or IFRS 9, are designated by the group into the following relationships:

Type of hedge	Nature	Treatment
Fair value hedges	Hedges of the fair value of recognised financial assets, liabilities or firm commitments.	Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is recognised in profit or loss. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item measured at amortised cost, for which the effective interest method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity.
Cash flow hedges	Hedges of highly probable future cash flows attributable to a recognised asset or liability, a forecasted transaction, or a highly probable forecast intragroup transaction.	The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve. The ineffective part of any changes in fair value is recognised in profit or loss. Amounts recognised in OCI are transferred to profit or loss in the periods in which the hedged forecast cash flows affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses recognised previously in OCI are transferred and included in the initial measurement of the cost of the asset or liability. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The cumulative gains or losses recognised in OCI remain in OCI until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in OCI are immediately reclassified to profit or loss.

3. Financial instruments continued

Hedge accounting risk management strategy

Hedge accounting is applied when the hedging relationship meets the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

Where the above criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated as either fair value or cash flow hedges for recognised financial assets or liabilities, and highly probable forecast transactions. For hedge relationships, where the critical terms of the hedged item and hedging instrument match, a qualitative method is considered appropriate for hedge effectiveness testing. Where the characteristics between the hedged item and hedging instrument are insufficiently correlated, judgement is applied and if required a qualitative and quantitative method is used for hedge effectiveness testing.

The group and company apply hedge accounting in respect of the following risk categories.

Foreign currency risk

The group is exposed to foreign exchange risk and translation risk. Foreign exchange risk arises from recognised assets and liabilities and future highly probable forecast commercial transactions denominated in a currency that is not the functional currency of the group and company. The risk is evaluated by measuring and monitoring the net foreign monetary asset value and the forecast highly probable foreign currency income and expenditures of the relevant group entity for each respective currency. Foreign currency risk is hedged with the objective of minimising the earnings volatility associated with assets, liabilities, income and expenditure denominated in a foreign currency.

Translation risk arises on consolidation from recognised assets and liabilities denominated in a currency that is not the reporting currency of the group and company. The risk is evaluated by measuring and monitoring the net foreign non-monetary asset value of the relevant group entity for each respective currency.

The group uses a combination of currency forwards, swaps and foreign denominated cash balances to mitigate the risk of changes in the future cash flows and functional currency value on its foreign-denominated exposures. Under the group's policy, the critical terms of these instruments must align with the foreign currency risk of the hedged item and is hedged on a 1:1 hedge ratio or where currency is managed on a portfolio basis the weighted expected foreign cash flows are aligned.

The group elects for each foreign currency hedging relationship, using either foreign currency forwards and swaps, to either include or exclude the currency forward points (basis) contained in the derivative instrument from the hedging relationship. This election is based on the currency pair involved, the shape of the yield-curve and the direction of the foreign currency hedged risk. Basis is determined using the differential between the contracted forward rate and the spot market exchange rate and is discounted, where material. Where the basis is excluded in the hedging relationship this is recognised as a cost of the hedge and deferred in other comprehensive income (as a separate reserve).

Where the hedged item subsequently results in the recognition of a non-financial asset or liability, or a firm commitment for a non-financial asset or liability the group removes the amount from equity and includes it directly in the initial cost or other carrying amount of the asset or the liability and amortises it to profit or loss on a systematic basis (where applicable). In all other cases, the amount is reclassified to profit or loss.

Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists. For hedges of foreign currency risk, the group and company enter hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group and company use the hypothetical derivative method to assess effectiveness. In hedges of foreign currency risk of highly probable forecast commercial transactions, ineffectiveness may arise if the amount of the forecast transaction changes from what was originally estimated.

Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness.

Financial instruments continued

Hedge accounting risk management strategy continued

Interest rate risk

Banking book-related market risk exposure principally involves managing the potential adverse effect of IRRBB (net interest income and banking book mark-to-market profit or loss) and the economic value of equity. The group's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group and company operate. The group's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of group ALCO. The group's interest rate risk management is predominantly controlled by a central treasury department (group treasury) under approved policies. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

In adherence to policies regarding interest rate risk management the group applies fair value hedge accounting in respect of the interest rate risk element only, present within the following exposures:

- Specifically identified long-term fixed interest rate Loans and advances and Deposits and debt funding. To manage the risk associated with such risk exposures the group uses one or more cash collateralised fixed for floating interest rate swaps that matches the critical terms or that exhibits the same duration as the underlying risk exposure
- Specifically identified long-term interest rate basis risk (CPI vs. JIBAR) inherent in loans and advances. To manage the basis risk associated with such risk exposures the group uses one or more cash collateralised floating for floating basis interest rate swaps that matches the critical terms or that exhibits the same duration as the of the underlying risk exposure; and
- Portfolio interest rate risk present within a designated portfolio of loans and advances and deposits and debt funding. Portfolio interest rate risk hedging is conducted on an aggregate asset and liability portfolio basis. The hedge ratio and rebalancing frequency of portfolio hedges is determined using a dynamic approach reflecting the duration of portfolio exposure in accordance with an exposure bucketing approach. The hedge ratio is monitored on a daily basis and where necessary the portfolio is rebalanced using a dynamic approach.

The group also applies cash flow hedge accounting in respect of the interest rate risk element only, present within the following exposures:

- The bank manages interest rate volatility borne from rate insensitive liabilities and equity through a managed interest rate hedge. The hedge is accounted for on a cash flow basis using identified term floating interest rate loans and advances. To manage the risk associated with such risk exposures the group uses one or more cash collateralised floating for fixed interest rate swaps that aligns to the Group governed risk appetite tenors.

The group observes interest rate risk in respect of these exposures using an unfunded cash collateralised interest rate derivatives discount curve. Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists using regression analysis between the hedged items and the hedging instruments for sensitivity of changes to changes in interest rate risk only. The group and company use a combination of interest rate swaps and interest rate basis swaps to mitigate against the risk of changes in market value of hedged items for changes in interest rates. The group elects for each fair value interest rate risk hedging relationship, using swaps, to include forward points (basis) contained in the derivative instrument in the hedging relationship. Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness.

3. Financial instruments continued

Other

Sale and repurchase agreements and lending of securities (including commodities)

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

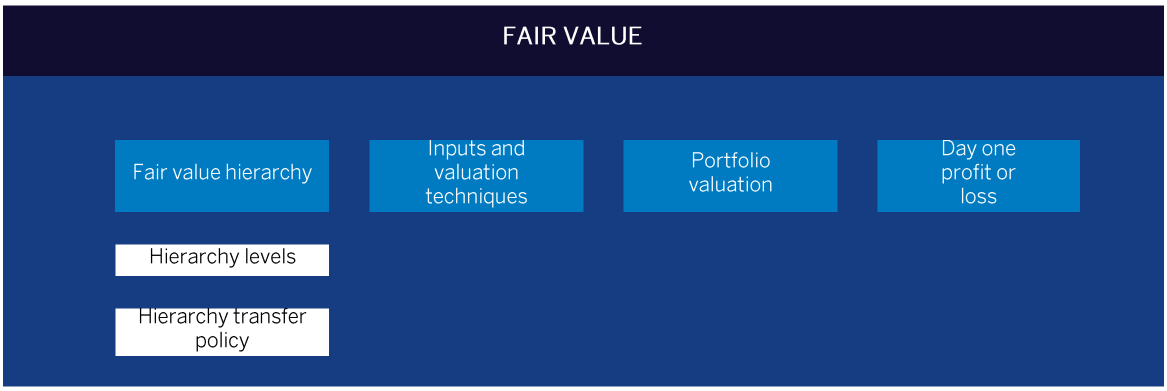
Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate. For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability. Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

Offsetting

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

4. Fair value



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

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

Fair value continued

Fair value hierarchy

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

Hierarchy levels

The levels have been defined as follows:

Level 1

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

Level 2

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

Level 3

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

Hierarchy transfer policy

Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

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

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The fair value of the following items included in cash and cash equivalents is the same as the amortised cost value, as amortised cost items are initially measured at fair value: cash and balances with the central bank and on demand gross loans and advances to banks which are readily convertible to a known amount of cash that hasn't been adjusted for expected credit losses. The fair value of these items of cash and cash equivalents as well as deposits and debt funding that are mostly redeemable on demand does not change, as there are no adjustments made to these items subsequent to initial recognition. These items are included in level 1 of the fair value hierarchy.

4. Fair value continued

Inputs and valuation techniques continued

The group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument:

<table>
<tr><th>Item and description</th><th>Valuation technique</th><th>Main inputs and assumptions</th></tr>
<tr><td>Derivative financial instruments
Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships.</td><td>Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include:
· discounted cash flow model
· Black-Scholes model
· combination technique models.</td><td rowspan="4">For level 2 and 3 fair value hierarchy items:
· discount rate*
· spot prices of the underlying
· correlation factors
· volatilities
· dividend yields
· earnings yield
· valuation multiples
· credit spreads
· bid-offer spreads.</td></tr>
<tr><td>Trading assets and trading liabilities
Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments primarily include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities.</td><td rowspan="3">Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date.
Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued.
Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks.
Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.</td></tr>
<tr><td>Pledged assets
Pledged assets comprise instruments that may be sold or repledged by the group's counterparty in the absence of default by the group. Pledged assets include sovereign and corporate debt, equities, commodities pledged in terms of repurchase agreements and commodities that have been leased to third parties.</td></tr>
<tr><td>Financial investments
Financial investments are non-trading financial assets and primarily comprise of sovereign and corporate debt, listed and unlisted equity instruments, investments in debentures issued by the SARB, investments in mutual fund investments and unit-linked investments.</td></tr>
</table>

Fair value continued

Inputs and valuation techniques continued

Item and description	Valuation technique	Main inputs and assumptions
Loans and advances to banks and customers Loans and advances comprise: ■ Home services ■ Vehicle and asset finance ■ Card and payments ■ Personal unsecured lending ■ Business lending and other ■ Corporate and sovereign ■ Bank	For certain loans, fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	For level 2 and 3 fair value hierarchy items: · discount rate*
Deposits and debt funding Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the group's credit risk relevant to that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	For level 2 and 3 fair value hierarchy items: · discount rate*

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

Portfolio valuations

The group has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits the group of financial assets and financial liabilities to be measured at fair value on a net basis, with the net fair value being allocated to the financial assets and financial liabilities.

Day one profit or loss

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred (and recognised together with the instrument it relates to) where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument or is determined using valuation models that utilise non-observable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

5. Employee benefits

EMPLOYEE BENEFITS

- Post-employment benefits
  - Defined contribution plans
  - Defined benefit plans
- Short-term benefits

Type and description	Statement of financial position	Statement of other comprehensive income	Income statement
Defined contribution plans	Accruals are recognised for unpaid contributions.	No direct impact.	Contributions are recognised as an operating expense in the periods during which services are rendered by the employees.
Defined benefit plans	Assets or liabilities measured at the present value of the estimated future cash outflows, using interest rates of government bonds denominated in the same currency as the defined benefit plan (corporate bonds are used for currencies for which there is a deep market of high-quality corporate bonds), with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets. A net defined benefit asset is only recognised to the extent that economic benefits are available to the group from reductions in future contributions or future refunds from the plan.	Remeasurements of the net defined benefit obligation, including actuarial gains and losses, the return on plan assets (excluding interest calculated) and the effect of any asset ceiling are recognised within OCI.	Net interest income/(expense) is determined on the defined benefit asset/(liability) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/(liability). Other expenses (including current service costs) related to the defined benefit plans are also recognised in operating expenses. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in operating expenses. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.
Short-term benefits Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.	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.	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in operating expenses as the related service is provided.

6. Non-financial assets

NON-FINANCIAL ASSETS

Tangible assets	Intangible assets
Property	Goodwill
Equipment	Computer software
Land	Other intangible assets

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Tangible assets (property, equipment and land) Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Land is measured at cost less accumulated impairment losses. Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in operating expenses as incurred. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate major components of property and equipment.	Property and equipment are depreciated on the straight-line basis over estimated useful lives (see below) of the assets to their residual values. Land is not depreciated. Significant freehold property: Ten years Buildings: 40 years Computer equipment: Four to five years Motor vehicles: Four to five years Office equipment: Three to ten years Furniture: Five to 13 years Leased assets (Refer to section 9): Shorter of useful life or lease term The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.	These assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in non-trading and capital related items for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest cash generating units (CGUs). Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through non-trading and capital related items 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.

6. Non-financial assets continued

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Goodwill Goodwill represents the excess of the consideration transferred and the acquisition date fair value of any previously held equity interest over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate at the date of the acquisition. The group's interest in acquired subsidiaries takes into account any non-controlling interest. Goodwill arising on the acquisition of subsidiaries (associates) is reported in the statement of financial position as part of 'Goodwill and other intangible assets' ('Interest in associates').	Not applicable	The accounting treatment is generally the same as that for tangible assets except as noted below. - Goodwill is tested annually for impairment and additionally when an indicator of impairment exists. - An impairment loss in respect of goodwill is not reversed.
Computer software 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. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use. 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 (two 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.	Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists. The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible assets.
Other intangible assets The group recognises the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, in operating expenses as incurred. The group capitalises brands, customer lists, customer contracts, distribution forces and similar rights acquired in business combinations. Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.	Amortisation is recognised in operating expenses on a straight-line basis over the estimated useful lives of the intangible assets, not exceeding 20 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.	
Derecognition Non-financial assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.		

7. Property developments and properties in possession

PROPERTY DEVELOPMENTS AND PROPERTIES IN POSSESSION	
Property developments	Properties in possession

Property developments

Property developments are stated at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and where applicable, development and borrowing costs during development.

Properties in possession

Properties in possession are properties acquired by the group which were previously held as collateral for underlying lending arrangements that, subsequent to origination, have defaulted. The properties are initially recognised at cost and are subsequently measured at the lower of cost and its net realisable value. Any subsequent write-down in the value of the acquired properties as well as gains and losses on disposal is recognised as an operating expense. Any subsequent increases in the net realisable value, to the extent that it does not exceed its original cost, are also recognised within operating expenses.

8. Equity-linked transactions

EQUITY COMPENSATION PLANS	
Equity-settled share-based payments	Cash-settled share-based payments

Equity-settled share-based payments

The fair value of the equity-settled share-based payments are determined on grant date and accounted for within operating expenses (staff costs) over the vesting period with a corresponding increase in the group's share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, 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 operating expenses and share-based payment reserve over the remaining vesting period.

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

Cash-settled share-based payments

Cash-settled share-based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses (staff costs). The awards vest over the specified period of service and/or once the performance conditions are met.

9. Leases

Type and description	Statement of financial position	Income statement
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 (rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment) 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.	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 (refer section 6) subsequent to the initial measurement of the right of use assets.	Depreciation and impairment on right of use assets: Subsequent to initial measurement, the right of use assets is 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 is depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses. The accounting treatment for impairment of right of use assets is the same as that for tangible assets (refer section 6).
	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.

Leases continued

Type and description	Statement of financial position	Income statement
Lessee accounting policies continued		
All leases that meet the criteria as either a lease of a low value asset or a short-term lease are accounted for on a straight-line basis over the lease term.	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 for which the group elected the short-term lease exemption and the lease term is subsequently modified.	
Separating components of a lease contract	The group has elected to apply the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. The practical expedient is applied to each class of underlying asset.	

9. Leases continued

Type and description	Statement of financial position	Income statement
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 transactions in banking activities, with rentals and instalments receivable, less unearned finance charges.	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. At the end of the lease term, these assets are reclassified from tangible assets to other assets and measured the lower of cost and net realisable value.	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.
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.	

10. Equity

Share issue costs

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

Dividends

Distributions are recognised in equity in the period in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note to the annual financial statements.

11. Provisions, contingent assets and contingent liabilities

PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES		
Provisions	Contingent assets	Contingent liabilities
Provisions for legal claims		

Provisions

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

Provisions for legal claims

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.

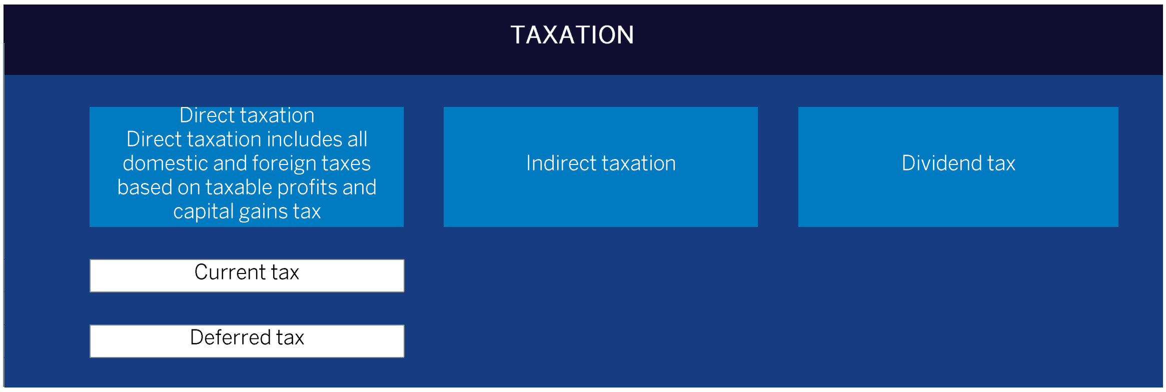
Contingent assets

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.

Contingent liabilities

Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are considered remote.

12. Taxation continued



Type	Description, recognition and measurement	Offsetting
Direct taxation: current tax	Current tax is recognised in the direct taxation line in the income statement except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.	Current and 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.

Taxation

Type	Description, recognition and measurement	Offsetting
Direct taxation: deferred tax	Deferred tax is recognised in direct taxation except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences: · the initial recognition of goodwill · the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and · investments in subsidiaries, associates and jointly controlled arrangements where the group controls the timing of the reversal of temporary differences and 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 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 income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates unless there is an agreement in place that gives the group the ability to control the reversal of the temporary difference. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.	Current and 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.
Indirect taxation	Indirect taxes comprising of non-recoverable value added tax (VAT), skills development levies and other duties for banking activities, are recognised in the indirect taxation line in the income statement.	Not applicable
Dividend tax	Taxes on dividends declared by the group are recognised as part of the dividends paid within equity, as dividend tax represents a tax on the shareholder and not the group. Dividends tax withheld by the group on dividends paid to its shareholders and payable at the reporting date to the South African Revenue Service (where applicable) is included in 'Provisions and other liabilities' in the statement of financial position.	Not applicable

13. Revenue and expenditure

REVENUE AND EXPENDITURE

Net interest income	Non-interest revenue
	• Net fee and commission revenue • Trading revenue • Customer loyalty programmes • Dividend income • Other gains/losses on financial instruments • Other revenue

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

Revenue and expenditure continued

Description	Recognition and measurement
Customer loyalty programmes	The group's banking activities operate a customer loyalty programme in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions of which they form a part. The consideration allocated to the reward credits is measured at the fair value of the reward credit and is recognised over the period in which the customer utilises the reward credits. Expenses relating to the provision of the reward credits are recognised in fee and commission expenses as and when they are incurred.
Dividend income	Dividends are recognised in interest income (other revenue) for debt (equity instruments) when the right to receipt is established. Scrip dividends are recognised as dividends received where the dividend declaration allows for a cash alternative.
Other gains/losses on financial instruments	Includes: · Fair value gains and losses on financial assets that are classified at fair value through profit or loss (designated and default) · The gain or loss on the derecognition of a debt financial asset classified as at fair value through OCI · Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost · Gains and losses arising from the reclassification of a financial asset from amortised cost to fair value · Gains and losses arising from the modification of a financial asset (which is not distressed) and financial liability at amortised cost · Fair value gains and losses on designated financial liabilities · Fair value gains and losses on private equity or venture capital investments designated at fair value through profit or loss.
Other revenue	Other revenue comprises of revenue that is not included in any of the categories mentioned above. This could include dividends on equity financial assets, underwriting profit from the group's short-term insurance operations and related insurance activities and re-measurement gains and losses from contingent consideration on disposals and purchases.

Offsetting

Income and expenses are presented on a net basis only when permitted by IFRS, or for gains and losses arising from a group of similar transactions.

14. Non-current assets and liabilities held for sale

Type and description	Statement of financial position	Statement of other comprehensive income	Income statement
Non-current assets and liabilities held for sale and disposal groups Comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than continuing use (including regular purchases and sales in the ordinary course of business).	Immediately before classification, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies and tested for impairment. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities (or components of a disposal group) are presented separately in the statement of financial position. In presenting the group's non-current assets and liabilities as held for sale, intercompany balances are eliminated in full.	OCI movements are presented separately.	Impairment losses on initial classification as well as subsequent gains and losses on remeasurement of these assets are recognised in profit or loss. Property and equipment and intangible assets are not subsequently depreciated or amortised. Equity accounting thereafter for an interest in an associate is suspended.

15. Other significant accounting policies

Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to the chief operating decision makers, comprising of the chief executive and members of the group leadership council.

Fiduciary activities

The group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the group. However, fee income earned and fee expenses incurred by the group relating to the group's responsibilities from fiduciary activities are recognised in profit or loss.

Non-trading and capital related items

Non-trading and capital related items primarily include the following:
- Gains and losses on disposal of subsidiaries, and associates (including foreign exchange translation gains and losses)
- Gains and losses on the disposal of property and equipment and intangible assets
- Impairment and reversals of impairments of associates
- Impairment of investments in subsidiaries, property and equipment, and intangible assets
- Other items of a capital related nature.

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 2023 and have not been applied in preparing these annual financial statements.

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

Effective date: deferred the effective date for these amendments indefinitely

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

Title: IAS 1 *Presentation of Financial Statements* (amendments)

Effective date: 1 January 2024

The first amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. The impact on the annual financial statements has not yet been fully determined, however not expected to have a significant impact on the group.

The second amendment to IAS 1 requires a company to classify debt as non-current only if the company can avoid settling the debt in the 12 months after the reporting date. However, a company's ability to do so is often subject to complying with covenants. For example, a company might have long-term debt that could become repayable within 12 months if the company fails to comply with covenants in that 12-month period.

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements and the aim of the amendments therefore is to improve the information companies provide about long-term debt with covenants. The amendments will be applied retrospectively and are not expected to have a material impact on the group's financial statements.

Title: IFRS 16 *Leases* (narrow scope amendments)

Effective date: 1 January 2024

The amendments add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. IFRS 16 had not previously specified how to measure the transaction when reporting after that date. The amendments add to the sale and leaseback requirements in IFRS 16, thereby supporting the consistent application of the standard. These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction. The amendments will be applied retrospectively and are not expected to have a material impact on the group's financial statements stanbicbank.co.zm