

We are the bank for the new economy – of people and ideas, of technology and trade

Our heritage and values are expressed in our brand promise, Here for good. Our operations reflect our purpose, which is to drive commerce and prosperity through our unique diversity.

Our Stakeholders



Clients



Regulators & governments



Investors



Suppliers



Society



Employees

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About this report

Sustainability reporting

We adopt an integrated approach to corporate reporting, embedding non-financial information throughout our Annual Report.



More information is also available in our Sustainability Summary at sc.com/sustainabilitysummary

Alternative performance measures

The Group uses a number of alternative performance measures in the discussion of its performance. These measures exclude certain items which management believes are not representative of the underlying performance of the business and which distort period-on-period comparison. They provide the reader with insight into how management measures the performance of the business.



For more information please visit sc.com

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Taking a stand

On a global level as Standard Chartered Bank, we have continued to make good progress against the strategic priorities we laid out in February 2019. As we accelerate our strategy, we have refined our focus onto four strategic priorities and three enablers. We believe this new framework will enable us to focus on the key areas needed to transform our bank. We measure our progress against key performance indicators (KPIs), a selection of which are below. Our KPIs include non-financial measures reflecting our commitment to sustainability, focusing on sustainable finance, being a responsible company and promoting inclusive communities.

Being Here for good just got harder. Urgent climate change, stark inequality and unfair aspects of globalisation impact everyone and the planet. We are taking a stand, setting long-term ambitions to play our part in tackling these issues. Together with the people and businesses we serve, we can be central to the transition to a fair, sustainable future.

Our Stand



Accelerating Zero

To stand against climate change where it matters most, we intend to:

- Mobilise the finance needed to provide our people with clean energy
- Drive carbon-footprint
- Facilitate the decarbonising of the manufacturing industry
- Amplify financial focus on developing innovative new business in the 'blue economy.'



Lifting Participation

To stand up for equitable access to financial support for women and small businesses, we intend to:

- Accelerate the provision of quality financial services to women across our footprint
- Purposefully connect SMEs to international markets
- Build partnerships to expand the reach and scale of financial services



Resetting Globalisation

To stand up for a new model of globalisation based on fairness and trust, we intend to:

- Increase transparency in supply chains to enable consumer choice and drive responsible trade
- Bring new levels of security, tracking and confidence to financial activity
- Provide access to the best and most innovative solutions to both private and public sectors

Our strategic pillars

So where
do we
start

Network

Accelerating the shift to a digital network and building a leading digital banking platform – becoming the number 1 digital banking platform.



Affluent

Building loyalty and trust by offering our clients personalised wealth advice based on superior insight – doubling the number of affluent clients.



Mass Retail

Creating an at-scale profitable mass business powered by partnerships and digitisation – doubling our customer base.



Sustainability

Leading with a differentiated sustainability offering and becoming the world's most sustainable and responsible bank – becoming the industry leader with income coming from sustainable finance.



Our transformational enablers

1. People & Culture

Enabling a future ready workforce where inclusion helps us best innovate for our clients, where we all re-skill/upskill by learning the digital, data and agile skills our strategy demands of us, and where we build a workplace that helps us perform at our best and attract new talent and build exciting partnerships.

2. New Ways of Working

Transforming the way we work, to make it easier for our people to get work done and meet the needs of our clients quickly and safely.

3. Innovation & Technology

Putting innovation at the heart of what we do, and making it the lifeblood of the bank, enabling us to make bold and new moves in our markets.

KPIs

Financial

Return on equity

31%

2020: -6%

Earning/(loss) per share

K0.21

2020: (K0.03)

Operating Income

K1,322m

2020: K1,161m

Total Assets

K13,273m

2020: K14,187m

Total Capital ratio

27.84%

2020: 16.63%

Total shareholder return

31%^o

2020: -6%

Profit/(loss) after tax

K354m

2020: (K48m)

Dividend per share

K0.212

2020: Nil

Non-financial

Diversity and inclusion:
women in senior roles

40%

Number of Employees

318

2020: 408

Number of Branches/Agencies

3

2020: 11

Number of ATMs

63

2020: 63

Where we operate

Our unique footprint connects emerging and high-growth markets with more established economies, allowing us to channel capital where it's needed most.

These are the markets we call home, and our deep roots in them enable us to make things happen. For over 100 years, we've used the power of our network to help customers who trade, operate or invest in these regions.

What sets us apart is our diversity – of people, cultures and networks.

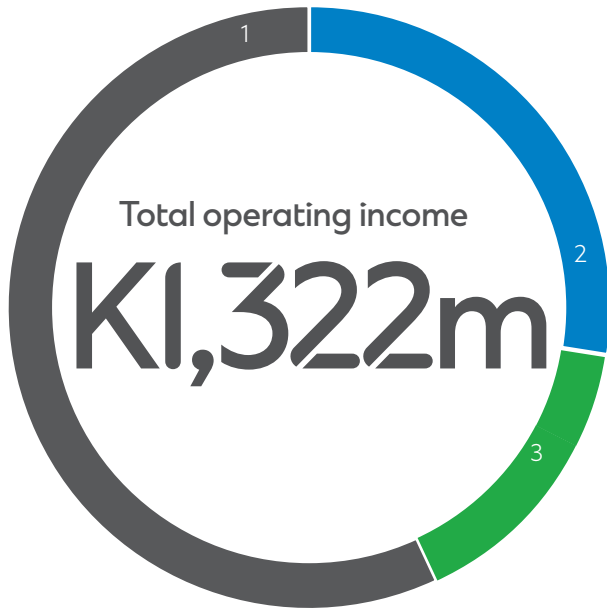


• Giving you Banking on the Go •



Who we are and what we do

Our client segments



At Standard Chartered our purpose is to drive commerce and prosperity through our unique diversity. Our businesses serve two client segments

Local

1.
Consumer Private and Business Banking (CPBB)

Serving our Personal, Private and Business Banking Clients

Operating income
K582m

Global

2.
Corporate & Institutional Banking (CIB)

Serving large corporations, governments, banks and investors.

Operating income
K497m

3. **Central & other items** Operating income
K243m

Guiding and supporting our businesses

Our client-facing businesses are supported by our global functions, which work together to ensure the Group's operations run smoothly and consistently with our legal and regulatory obligations, our purpose and our risk appetite.

Global function

Human Resources

Enables business performance through recruiting, developing and engaging colleagues.

Legal

Enables sustainable business and protects the Group from legal-related risk.

Technology & Innovation

Responsible for the Group's operations, systems development and technology infrastructure.

Risk

Responsible for the sustainability of our business through good management of risk across the Group and ensuring that business is conducted in line with regulatory expectations.

Operations

Responsible for all client operations, end-to-end, and ensures the needs of our clients are at the centre of our operational framework. The function's strategy is supported by consistent performance metrics, standards and practices that are aligned to client outcomes.

Country CFO

Comprises seven support functions: Finance, Treasury, Strategy, Investor Relations, Corporate Development, Supply Chain and Property.

Corporate Affairs, Brand and Marketing

Manages the Group's communications and engagement with stakeholders in order to protect and promote the Group's reputation, brand and services.

Group Internal Audit

An independent function whose primary role is to help the Board and Executive Management to protect the assets, reputation and sustainability of the Group.

Conduct, Financial Crime and Compliance

Enables sustainable business by delivering the right outcomes for our clients and our markets by driving the highest standards in conduct, fighting financial crime and compliance.



Valued behaviours

We are committed to promoting economic and social development in the markets we serve, doing so sustainably and equitably in line with our purpose and three valued behaviours. Below are the three valued behaviours on which we anchor our purpose.



Never settle

- We recognise that there can be challenges in balancing environmental, social and economic needs and continually ask ourselves questions to ensure we get this right.



Better together

- We set and regularly review standards for clients via our Position Statements, in order to manage environmental and social challenges based on international good practice. We expect our clients to meet these standards.



Do the right thing

- Our Prohibited Activities List details those activities we will not support. Where clients or suppliers breach this or show insufficient progress in aligning to our Position Statements, we will decline transactions or exit relationships.

Chairman's statement Annual Report 2021

“As the COVID-19 pandemic continued to evolve and impact communities and nations in unimaginable proportions across the globe, we stayed the course by remaining agile and resilient, and we continued to safely serve our valued clients and our other stakeholders amidst unprecedented challenges by leveraging our world-class scalable digital platforms, global network capabilities, strengthened foundations and our diverse talent pool.”

I am proud of what we as Standard Chartered Bank Zambia Plc achieved in 2021 despite the challenging macroeconomic environment and the adverse impacts of the COVID-19 pandemic. As the COVID-19 pandemic continued to evolve and impact communities and nations in unimaginable proportions across the globe, we stayed the course by remaining agile and resilient, and we continued to safely serve our valued clients and our other stakeholders amidst unprecedented challenges by leveraging our world-class scalable digital platforms, global network capabilities, strengthened foundations and our diverse talent pool. We were bold enough to explore and adopt creative and innovative approaches to executing on our priorities. Despite the difficult operating environment, I am delighted to highlight that we made notable progress in line with our sharpened strategic pillars Network, Mass Retail, Affluent and Sustainability.

With the split working in place and most of our people having to work from home for a considerable amount of time owing to the COVID-19 pandemic, we heightened our oversight over operational risks and regularly reminded our people to uphold good conduct and comply with all policies and procedures at all times to protect the Bank's internal and external stakeholders. Compliance and Conduct



Caleb M Fundanga
Chairman

remained at the heart of our operations and business strategy. We continued being vigilant around Financial Crime Compliance (FCC) risks and proactively managing emerging risks. Building on strengthened foundations across our CPBB and CCIB portfolios from prior years, we worked closely with the management team to proactively monitor, assess and manage the impact of any market developments on our portfolios.

2021 Economic Overview

The year 2021 continued to be marked by the impact of the pandemic, with GDP growth seen closing the year at 3.3 per cent, with an expected turnout of 3.5 per cent in 2022.

Inflation peaked in June at 24.6 per cent, mainly driven by the weakening exchange rate. Post-election, inflation trended lower to close the year at 16.4 per cent, representing a move lower of 5.1 per cent in the year. This was supported by the favourable movement in the exchange rate. Additional support was provided to the Price Index from the introduction of food outputs from the previous farming season's bumper harvest. Albeit inflation remained above the 6-8 per cent target range.

The Kwacha appreciated by over 20 per cent in 2021, with notable appreciation in August after elections, and in December when an IMF staff level agreement was confirmed. At the height of its depreciating trend earlier in July 2021, Kwacha tested an all-time-high of 22.85 before making an impressive 45 per cent recovery to 15.75. This was driven by portfolio inflows on the back of positive investor sentiment related to change in government and the expected IMF funded program. Notwithstanding, Zambia received an SDR allocation of USD1.33Bn, boosting reserves to USD2.9Bn as of September.

A notable increase in fuel prices occurred towards the close of the year, a result of the removal of subsidies, to further support the current account. This action is expected to lead to a drop in the Fiscal Deficit to 6.7 per cent in 2022.

The government expects a final approval from the IMF board on a funded program to be achieved by the end of the second quarter of 2022. In December 2021, a staff-level agreement was announced. Debt Restructuring of USD14.4Bn of public and publicly guaranteed debt is underway, with the government targeting completion by the end of the second quarter of 2022.

Improved sentiment has been reflected in government security yields falling sharply to as low as 12 per cent on one-year notes from a high of 29.3 per cent in April 2020. The MPC rate saw two hikes of 50bps each, in February and November respectively to the current level of 9.0 per cent. Copper output fell 5 per cent in the first 9 months of 2021, while copper prices gained 24.5 per cent in 2021. The government moved to make mining royalties tax deductible, in its drive to see the industry more than double production over the next 5 years.

Financial Highlights

We delivered a strong performance in 2021 notwithstanding the macroeconomic challenges, General elections in 2021, and the continued effects of the COVID-19 pandemic. The Bank delivered a profit after tax of K354m in 2021 in comparison to a loss recorded in 2020. This was on the back of a 14 per cent increase in revenue. We restructured the business through branch optimisation by driving our world class digital platforms as we focused on providing unique solutions to our clients under our Transaction Banking unit. This contributed to the revenue growth and the minimal

growth in costs year on year.

The Bank has recorded significant impairment releases in 2021 as result of the decisions taken in 2020 and prior years to adhere to strict accounting standards in a challenging macroeconomic environment. We are not out of the woods yet but the Bank is selectively lending in line with its risk appetite and strategy as we remain optimistic that the macroeconomic environment will continue to improve.

We remain relentless in our quest to continuously deliver value to our shareholders. We delivered a Return on Equity (ROE) of 31 per cent with earnings per share of K0.21 from a loss per share of (K0.03) in 2020. The Board recognises the importance of dividends to shareholders and believes in balancing returns with investment to support future growth, whilst at the same time preserving strong capital ratios. I am pleased to announce that the Bank will be paying a dividend in respect of 2021.

The Statement of Financial Position remains strong with a healthy balance between customer assets and customer liabilities. The Bank remains well capitalised and highly liquid with all metrics above regulatory thresholds.

Overall, we delivered a strong performance in 2021, ahead of budget and a complete turnaround from a loss position in 2020. We remain committed to the Stands for Standard Chartered Bank Group by Accelerating Net Zero, Lifting Participation and Resetting Globalisation whilst driving our digital agenda.

Economic and Industry Outlook

The year 2022 will bear witness to the initiatives outlined by the new government in its Budget. The resurgent COVID 19 pandemic and discussions around debt restructuring will be among the challenges to be faced through the year. Gross Domestic Product (GDP) growth is forecast at 3.5 per cent in 2022 from around 3.3 per cent in 2021, this is attributed to the expected recovery in agriculture and a more investment-friendly mining environment.

Inflation for the year is expected to remain above the 6-8 per cent target range. Inflation is expected to average 12.8 per cent in 2022, decelerating to 7.8 per cent in 2023.

The exchange rate will have a bearing on the improving inflation trend and is expected to depreciate gradually before finding stability. The potential for positive pronouncements related to the IMF and Debt Restructuring could cap Kwacha weakness by way of an increase in portfolio inflows as the year progresses. The IMF will require financing assurances from creditors before a funded programme is approved. Zambia hopes to qualify for an IMF programme by the end of the second quarter 2022 and substantively complete debt negotiations by end of April 2022.

The monetary policy rate closed at 9.0 per cent in 2021 following an upward revision of 50 basis points. We expect to see an increase by the close of 2022 and a reduction at the end of 2023. The fiscal deficit is forecast at 6.7 per cent of GDP in 2022 as the authorities address fuel and electricity subsidies and sharply reduce capital spending.

Overall, the Banking sector is expected to remain well capitalised and liquid to absorb any potential shocks, building on the enhanced financial resilience expertise the sector has developed from the onset of the unprecedented macro-economic challenges and later the COVID -19 pandemic.

Chairman's statement continued

We expect maintaining operational resilience to remain a key focus area for the banking sector given the disruptive effect of the COVID-19 pandemic on operations. Prioritizing digital transformation and strategic partnerships to accelerate innovation is expected to be a key priority for players in the market in order to keep serving customers in a safe and efficient manner. Given the increased vulnerabilities associated with pandemic mitigation measures such as greater reliance on digital alternatives and remote working, there has been an elevation in Information and Cyber Security risk and Financial Crime risk; therefore, these will continue to be key areas of concern for the Banking sector. Credit Risk will also continue to be a key focus item to monitor given the macro-economic challenges that need to be addressed on the anticipated path to steady economic recovery.

Strategic Risk Management

Our Enterprise Risk Management Framework outlines how we manage risk across the Bank, as well as at branch and departmental level. The framework gives us the structure to manage existing risks effectively in line with our approved Risk Appetite Statements and Metrics, as well as allowing for dynamic and holistic risk identification.

2021 was a year of significant challenges, with weak macro-economic environment for most part of the year, severe COVID-19 infection rates during the third wave of the pandemic and uncertainty around the Presidential and General Elections. The economic and pandemic related shocks coupled with the country's weak sovereign ratings impacted our asset growth appetite. However, we faced these challenges from a fundamentally strong position. Actions taken in previous years, including reducing our concentration on single names and high-risk sectors and increasing the proportion of investment grade assets, helped to mitigate deterioration in our portfolios. Our capital and liquidity positions have also remained resilient.

The financial services sector is evolving at a rapid pace, and, in a challenging macroeconomic environment, we must continue to innovate. We remain focused on the following key priorities.

Strengthening the Bank's risk culture: Embedding a healthy risk culture remains a core objective across the Bank. It underpins an enterprise-level ability to identify and assess, openly discuss, and take prompt action to address existing and emerging risks. Our Enterprise Risk Management Framework (ERMF) sets out the guiding principles for our colleagues, enabling us to have integrated and holistic risk conversations across the Bank and the three lines of defence. Senior management promotes a healthy risk culture by rewarding risk-based thinking (including in remuneration decisions), challenging the status quo and creating a transparent and safe environment for employees to communicate risk concerns

Enhancing information and cyber security (ICS) capabilities: The Bank continues to invest in ICS capabilities. Despite the challenges posed by COVID-19, our technology infrastructure, supervision and controls have been strengthened to meet the additional requirements brought by the pandemic. The expansion of Virtual Private Network capacity along with Multi-Factor Authentication controls have facilitated a large increase in secure remote working. We continue to review cyber threats as they evolve,

anticipating areas of risk and adapting our continuity arrangements to maintain client service.

Embedding climate risk management and managing our environmental, social and governance (ESG) risk:

Measuring climate risk remains an industry-wide challenge but we are making good progress on integrating climate risk into mainstream risk management, with some relevant Reputational, Compliance, Operational and Country Risk processes now incorporating Climate Risk. Training and upskilling colleagues across the Bank in this very important area has been a key priority. Overall, there is increasing focus on issues relating to ESG risks from stakeholders. We are committed to being a leader in sustainable and responsible banking in Zambia. The expansion of our Reputational Risk Type Framework to integrate ESG risk management focuses on core principles aligned with the global standards for Responsible Business Conduct and that of Doing No Significant Harm.

Strengthening our conduct environment: We continued to enhance our management of conduct risk in 2021, particularly in our approach to identification and mitigation. COVID-19 presented a range of new or heightened conduct risks given the move to large-scale working from home arrangements as well as the economic impact on clients. We focused on ensuring those risks were understood and mitigated throughout the year.

The world underwent significant disruptions in the past year. We have demonstrated resilience and adapted to the new and distinct challenges that came our way. We are mindful of new and emerging risks and continue to focus on identifying and mitigating all such risks. We recognise that risks will remain heightened during the coming period amid what is likely to be a difficult and uneven economic recovery. We remain vigilant with a focus on achieving the right outcomes for our clients. The actions we take will set the foundations for achieving sustained growth and performance as we build back better during the recovery.

The Board and Management

Mr. Robin Miller who served as an Independent Non-Executive Director on the Board of Standard Chartered Bank Zambia Plc retired from the Board on 7 August 2021 in line with Bank of Zambia Requirements. I am incredibly grateful for the invaluable support and contributions Mr. Miller brought to the Board during his tenure.

I am proud and delighted to highlight that two vacancies in the Management Team arising from 2020 resignations were successfully filled with internal Bank hires, testament to Standard Chartered Bank Zambia Plc's much sought after talent pool as well as our robust succession planning and leadership development. These appointments related to Mr. Kasanga Sondoyi, who was appointed as Head of Transaction Banking, Zambia effective 1 June 2021 and Ms. Audrey Malama who was appointed as Chief Information Officer effective 1 July 2021.

Mr. Kabwe Mwaba, who was Head Financial Markets (FM) Zambia and Southern Africa (excluding South Africa) and Treasury Markets Southern Africa was appointed to take up an expanded role as Head FM, South and Southern Africa. Muchindu Lombe was appointed in Kabwe's former role as Head FM Zambia, in addition to his existing role of Head, Rates & Credit Trading for Zambia on 1 September 2021. Ms. Christine Matambo was also appointed to take up an expanded role as Head of Corporate Affairs, Brand and Marketing for Southern Africa in addition to her role as Zambia Head of Corporate Affairs, Brand and Marketing

effective 15 June 2021. These appointments of our people into expanded roles further affirms the positioning of Standard Chartered Bank Zambia Plc as an industry leader in talent development not only locally but also in the sub-region.

Two members of the Management team left the Bank in 2021. Mr. DeepPal Singh resigned from his position as Head of Consumer, Private and Business Banking (CPBB) effective 31 December 2021 and Mr. Mwansa Kapeya was appointed to this role in an acting capacity. Additionally, Mr. Simon Burutu, the former Senior Credit Officer for Zambia and Southern Africa retired from the Bank effective 31 December 2021.

Gladys C. Daka has been appointed as Country Chief Operating Officer in addition to her current role as Country Head CPBB Servicing and Transacting with effect from 1 January 2022. She joined Standard Chartered Bank Zambia Plc in 2014 as Senior Business Operations Risk Manager for Retail Banking and has since held other roles. In her new role, she will be instrumental in ensuring that Country Operations activities are aligned with the Bank's strategic priorities by delivering through the Client Journeys, driving productivity, and optimising cost efficiencies.

Awards, Thought Leadership and Brand Promotion

The Bank was, once again, named 'Best Consumer Digital Bank in Zambia 2021' year by the prestigious Global Finance Awards, which is testament to our continued excellence in the digital banking space.

The Bank was also proud to launch the second cohort of the 'Women in Technology' (WiT) programme, which supports Zambian businesswomen to scale-up their businesses through the power of technology. With an investment of USD150,000, five businesses each received USD10,000 seed funding through this initiative. The businesses supported came from various sectors including virtual education, beauty and well-being, amongst others.

A number of Thought Leadership pieces were promoted in 2021, which centred around current and emerging Trends impacting the business environment, as well as client education on key investment trends. By virtue of the continued COVID-19 pandemic, 100 per cent of these engagements were delivered virtually through the Wealth Management webinars.

The Bank continued to play an active role in supporting national efforts in the fight against the COVID-19 pandemic. We donated towards testing kits and provision of Oxygen to health centres across the country, through our partnership with the Centre for Infectious Disease Research in Zambia (CIDRZ).

In 2021, we fully settled into our brand-new Head Office building – an investment that clearly demonstrates the Bank's continued commitment to Zambia for the long-run.

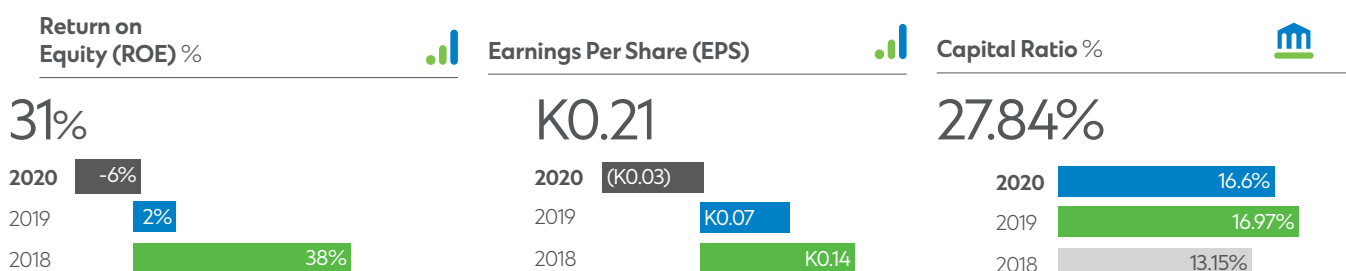
Conclusion

In 2021, as Standard Chartered Bank Zambia Plc, we successfully navigated the challenges presented by our operating environment including the macro-economic challenges and worsening of the COVID-19 pandemic. We remained anchored on our strengthened foundations while executing on our sharpened strategy within the remit of our Risk Appetite, ultimately delivering sustained value to our Shareholders.

Our ambition is to be the most responsible and sustainable Bank and we will continue to focus on value creation and maximising returns for shareholders, while putting clients at the centre of our actions and decisions. We will continue supporting the communities we operate in and upholding our good corporate conduct and culture with regard to compliance with laws and regulations, and also our own internal policies and procedures.



Caleb M Fundanga
Chairman
24 February 2022



Chief Executive Officer's statement

“As Standard Chartered Bank Zambia Plc, our clients remained at the core of our efforts in 2021 as we effectively navigated the challenges in our operating environment by further enhancing the resilience and agility we have built over the years through prudent and proactive financial and operational risk management.”

Our local operating environment was impacted by the challenging macroeconomic environment and the worsening of the COVID-19 pandemic during the third wave that was experienced. At Standard Chartered Bank Zambia Plc, our clients remained at the core of our efforts in 2021 as we effectively navigated the challenges in our operating environment by further enhancing the resilience and agility we have built over the years through prudent and proactive financial and operational risk management. We delivered value to our stakeholders through diligent execution of our initiatives aligned with the sharpened Group strategic pillars:

Network - We continued to leverage our unique global network and received recognition as 'The Best RMB Bank' by The Asset's Triple A Awards 2021 among 11 Standard Chartered markets named.

Mass Retail: Our unrivalled digital proposition enabled us to continue improving our digital services for individual clients whilst accelerating financial inclusion, and as testament to this, we were awarded Best Consumer Digital Bank at the annual Global Finance Awards.

Affluent: We maintained our focus on growing the affluent segment, evidenced by the strong Wealth Management performance, having migrated 450 clients to Priority



Herman Kasekende
Managing Director and Chief
Executive Officer

Banking, broadened the product offering by launching insurance products and doubled the number of Fund Managers we partner with from two to four.

Sustainability: We empowered Zambian female entrepreneurs with seed-funding for their businesses under the Bank's Women in Tech program. Our people also engaged in various employee volunteering activities including tree planting and youth mentorship programmes.

The Bank recorded Profit Before Tax of K612m million, representing a complete turn-around from the prior year loss mainly on account of growth in interest income on Government securities and a corresponding drop in interest expense. Fee Income increased by 20 per cent on account of various fees collected from transaction related services offered by the bank which increased in volume year on year. Operating expenses increased minimally by 1 per cent due to prudent cost management measures employed by the Bank.

The Bank recorded impairment releases of K202m in comparison to a charge of K293m in the prior year. This is on the back of the Bank's conservative strategy in 2020 which saw a decline of 32 per cent on the loan book and escalation in provisions. Impairment releases in 2021 were also influenced by a positive outlook of the country macroeconomic variables.

We remain relentless in our quest to continuously deliver value to our shareholders. This is reflected in our strong Balance Sheet with a Capital Adequacy Ratio of 27.84 per cent against a regulatory minimum of 10 per cent. The Bank also maintained a strong Liquid Asset base with a Core Asset Liquid Ratio of 72 per cent as at 31 December 2021.

Our results show our continued commitment to our transformation agenda, focused on offering a unique experience for our clients through our world class digital platforms and continued support to our Corporate, Commercial and Institutional clients with working capital.

Corporate and Institutional Banking (CIB)

In 2021 the CCIB business showed resilience which reflected in the increased income. The Financial Markets division particularly drove this growth. Through our international access and client portfolio we were able to provide foreign exchange to our clients despite its limited availability in the market. The strategy to increase client uptake of our structured products also contributed to the increased revenue.

The business continued to leverage on the network and received recognition as the Best RMB Bank (Chinese Renminbi) [assets AAA awards for 2021] for the first time. The importance of the mining sector was reinforced with the business being mandated to provide a K500million Equipment Finance facility to a mining client. We continued to drive digitisation with focus placed on strategic integrations with clients and obtaining approval to launch Straight2Bank Pay, an enhanced revenue collection offering for our clients.

Our aspiration for 2022 is to continue to provide world class services and products efficiently. Sustainability will also be a key focus for us as we align with the Bank's strategic pillars. We will continue to focus on "delivering our global network" through closer collaboration with key internal and external stakeholders.

Consumer, Private and Business Banking (CPBB)

Consumer, Private and Business Banking (CPBB) business had to ensure it remained closer to the clients and still

deliver growth under challenging circumstances. The Bank remained resilient amidst such shocks such as the new COVID-19 variants, deteriorating macro-economic variables and the country's General Elections.

The CPBB business delivered a strong performance in 2021, revenue was up by 3.4 per cent year on year and 2 per cent above budget despite the headwinds highlighted above.

In 2021 we successfully enhanced our digital channels capabilities. Debit card limit control went live on the SC Mobile App and on the Online platform. The staff assisted journey was improved to include expired card application and new to card product application. 400+ Business Banking (BB) clients were migrated to the NextGen Straight2Bank (S2B) platform. This complements our drive to deliver best in class Digital capabilities on the existing Mobile and Online platforms but also our commitment to provide the best in class digital capabilities.

The Business was recognized for its outstanding digital capabilities and received the most prestigious award of "The Best Consumer Digital Bank 2021" in Zambia by Global Finance. This was the sixth consecutive year, clearly demonstrating that we are indeed trend-setters in the market.

Our People

Standard Chartered Bank Zambia Plc closed 2021 with 318 employees. This constitutes 42 per cent from the Consumer Private and Business Banking (CPBB) and the rest of the Bank at 58 per cent.

The Bank has continued to align its People strategy to the Group's refreshed strategic priorities, underpinned by a performance-oriented and innovative culture. The Human Resource function is a strategic partner in supporting the business to drive capital accretive growth and deliver on its strategy. It supports the organization through productivity, simplification, and innovation - getting the Bank ready for the changing nature of the workforce in banking to become more client-centric and high-performing.

The Bank continues to embed the cultural transformation underpinned by valued behaviors - driving forward People Leader quality, building an inclusive culture and providing a platform for development opportunities for staff. This will continue to be done by:

- Working to recruit, develop and retain a high performing and diverse workforce and consider every employee at the Bank to be talent.
- Driving innovation in the use of digital applications, improving staff experience, and to engage more effectively with the workforce of the future.
- Investing in people, their careers and personal development and in modernising people practices. Supporting the growth and development aspirations of staff is pivotal to achieve the organizational objectives and ensuring continued success.

Standard Chartered Bank Zambia has continued to drive culture and conduct aligned to the objectives of the Group and ensuring that the Bank is the best place to work and best place to bank. The Bank will continue to build a strong culture focused on leveraging off the work done to become a truly purpose-led organization with bold aspirations and working with 'senior leaders' to get a higher level of ambition across the firm and a strong culture of excellence.

To enable exceptional business performance within a culture that embodies Here for good, the following People initiatives will be the enablers to drive a future - fit organization:

Chief Executive Officer’s statement continued

1. People and culture - **Enhancing our learning strategy to ensure that the Bank has a future-ready workforce.**

- a) Upskilling and reskilling activities to deliver ‘reskilled’ colleagues into roles where we have the greatest demand to ensure future-fit employees through use of internal and external infrastructure and platforms. The business leaders will continue to coach, mentor, and identify potential for succession pipelines and ensure that the grooming of the next leaders is achieved. Talent development and retention remains key in driving the organization forward.
- b) The Bank will continue to foster and maintain good conduct and enhance awareness to staff. Rewarding all role-models of the valued behaviors to reinforce right behaviors and drive the right messages will be enhanced. The focus will also be to enhance the culture of Diversity and Inclusion to improve staff engagement and well-being.
- c) **Hybrid working - Future Workplace-Now:** This is a new program that will be rolled out across the Bank and Zambia’s launch is earmarked for 2023.

2. New Ways of Working - **Embracing the New ways of Working to drive Business strategy.**

The three key pillars to achieve and embrace the New Ways of Working will be centered around:

- a) **Client Obsession** - The Bank will continue to focus and organize itself around our internal clients by listening and having effective communication with our staff
 - b) **Organizational Agility** – Implementation of the new approach to performance Management. This work is a key enabler to deliver on our cultural aspirations – to be innovative, inclusive and a high performing Bank.
 - c) **Improvement Habits** - Innovating and improvement of internal processes
- ### 3. Innovation and Technology - **Leveraging on Technology and Innovation to improve delivery of products and services in a changing world. This will be achieved by:**
- a) Use of improved Digital platforms to digitize the employee experience.
 - b) Use of Data analytics to provide valuable information for critical Business decisions.

Community Investment

Standard Chartered Bank Zambia Plc continued to be a force for good in our communities during 2021. We contributed to the prevailing COVID-19 pandemic by

donating the much-needed test kits and Oxygen cylinders through our partnership with the Centre for Infectious Diseases and Research (CIDRZ); and continued on the path we began in 2020 to empower Zambia businesswomen to grow their businesses by harnessing the power of technology.

Whilst the COVID-19 pandemic limited our ability to physically interact with communities, we devised innovative ways to impact communities, such as the tree-planting exercise, which saw bank staff plant over 1,000 trees across our communities. In addition, we held virtual financial education sessions with youths and computer literacy sessions for our Goal Girls participants. Our efforts on financial education were recognized during the Bank of Zambia Governor’s Awards (2021), where Standard Chartered Bank Zambia Plc won the **Exceptional Leadership in Financial Literacy (first place) Award.**

Outlook for 2022

We are optimistic about the banking sector performance in 2022 largely based on improved sentiments, the anticipated IMF deal conclusion and expected debt restructuring , all of which are expected to alleviate the current macro-economic challenges impacting the sector and the country as a whole to a considerable extent. The global shift around the COVID-19 pandemic with regard to the opening up of economies and easing of lockdowns is expected to positively impact sectors locally which were most adversely impacted including tourism, hospitality and manufacturing. We are confident that the positive sentiments will translate into a more stable currency and a downward trend in inflation despite the upside risks mainly due to the impending fiscal reforms.

Summary

We emerged stronger in 2021, having navigated numerous headwinds and delivered value to our internal and external stakeholders including the communities we operate in; a clear demonstration of our commitment to our brand promise ‘Here for Good’. We will pursue opportunities to improve the quality of returns and we will continue to enhance our resilience through upscaling our agility and adaptability through strategic investments in innovative digital solutions. We are committed to remaining a force for good to our clients, our shareholders, our communities, our employees and other stakeholders. We greatly value the commitment, trust and support of our clients and we look forward to building deeper relationships with them.



Managing Director and Chief Executive Officer
24 February 2022

Total Revenue



K1,322m



Profit /(loss) after Tax



K354m



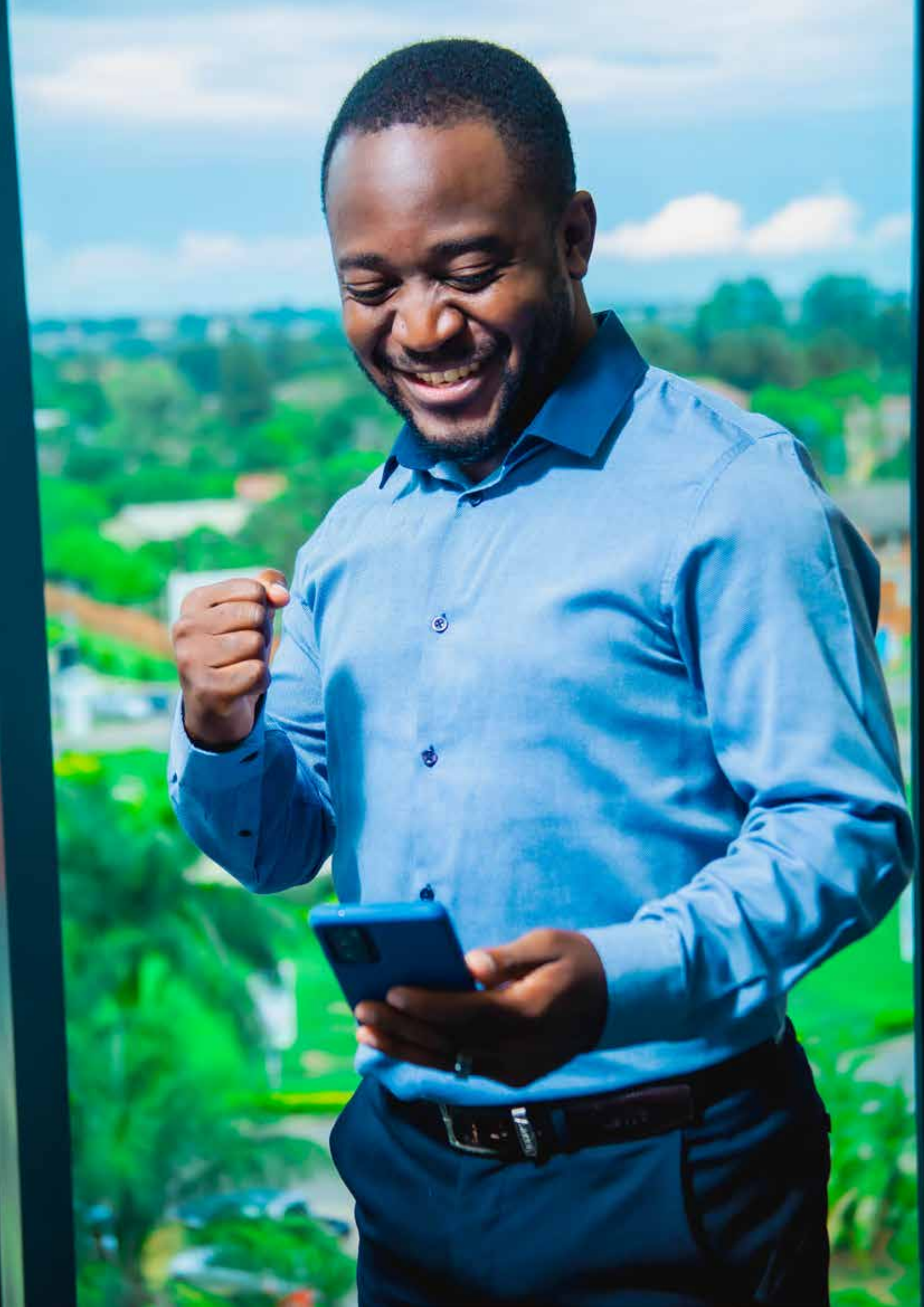
Cost: Income Ratio



69%







Consumer, Private and Business Banking (CPBB)

"The Business was recognised for its outstanding digital capabilities and received the most prestigious award of "The Best Consumer Digital Bank 2021" by Global Finance for the sixth (06) consecutive time, clearly demonstrating that we are indeed trendsetters in the market."

Our Strategy

Consumer, Private and Business Banking in 2021 ensured it remained closer to the clients and still deliver growth whilst deepening our digital strategy despite the challenges with the macroeconomic environment and the COVID-19 pandemic.

The main CPBB strategic priorities were to ensure delivery of:

1. A sustainable and scalable distribution network with digital touch points as core channels for both product distribution and banking services accessibility.
2. A profitable business with a well-diversified and optimised balance sheet within the risk appetite.
3. An exceptional client experience through our diverse product suite, anchored on wealth offering growth and world class digital capabilities.

To ensure that the clients engagements were still close even during the pandemic, the business continued with the monthly wealth and economic outlook Webinars to selected clients, and for the first time we saw the highest investment of USD6.7 million placed by an individual client ever since the product was launched. This is testimony that the business has laid down a platform to virtually interact and stay close to our clients and help them grow their wealth even during a challenging year, a clear demonstration of our brand promise of "Here for Good".

In 2021 the business successfully enhanced our digital channels capabilities: debit card limit control went live on the SC Mobile App and Online platform. The staff assisted journey was improved to include expired card application and new to card product application. 400+ Business Banking



Mwansa Kapeya
Acting Head of Consumer, Private and
Business Banking, Zambia

CPBB continued

(BB) clients were migrated to the NextGen Straight2Bank (S2B) platform. This not only complements our drive to deliver best in class Digital capabilities on the existing Mobile and Online platforms but also our commitment to provide the best in class digital capabilities.

With all the improvements and enhancements made on our digital platforms, we have seen Client adoption on digital service request improve to 53 per cent in 2021 from 17 per cent in 2020. This was a further demonstration of the adaptability, robustness and 'proof of concept' of our digital platforms and digital investments; which strongly contributed to our resilience during the COVID-19 pandemic.

To ensure sustainable business growth and delivery, 450+ mass clients were upgraded to Priority segment. Two of the three remaining branches in Lusaka were relocated to new locations with improved ambiance for a great client experience.

To enhance staff accountability and efficiency in the as day-to-day running of the business and in line with our people growth agenda CPBB restructured its operation model at senior level in 2021 by creating the following:

- combining Client Experience (CX) with the Analytics and Performance Management unit into one,
- the Priority Segment, Client Value Proposition Unit was combined with the Branch Unit and
- the Business and Personal Banking units were also combined into one.

This is proof that at the core of our business, we continue to demonstrate that we are not only making significant strides in our digital capabilities but also improving the skills and capabilities of our staff.

Awards

The Business was recognised for its outstanding digital capabilities and received the most prestigious award of

“The Best Consumer Digital Bank 2021” by Global Finance for the the sixth (06) consecutive time, clearly demonstrating that we are indeed trendsetters in the market.

2021 Overview

The CPBB business delivered a strong performance in 2021 under challenging conditions. Revenue was up by 3.4 per cent year on year and 2 per cent above budget mainly driven by increase in deposits and Wealth Products revenue.

Risk

The CPBB Risk and Control Environment remained strong in 2021. The business passed all reviews and audits with an acceptable or well-controlled rating, worth to note is the 2021 Branch Group Internal Audit. Continued prudent asset book management was cardinal in 2021. In all the reviews and risk measures undertaken, Management demonstrated ownership and understanding of risks facing the business along with ensuring a robust mechanism for identifying and addressing control weaknesses.

2022 Outlook

The CPBB Business has transitioned to the Omni Channel which runs on a light affluent physical branch network and is supported by our state of the art digital alternate channels, we are confident this business model positions us well for future business sustainability in 2022 and beyond.

To deliver yet another strong performance in 2022 our strategy will be driven by the five (05) clear underlying principles:

1. Exceptional customer experience anchored on mobile-led Omni Channel engagement model
2. Delivery of alternate disruptive business model – Agency Banking
3. Operate a differentiated wealth model for Affluent and mass clients
4. Building of brand value and awareness
5. Revenue growth and sustainability while remaining risk cautious.

We believe these priorities will continue to keep the CPBB business sustainable and profitable in the years to come.



Wealth Management

“Overall, though, our clients benefited from the optimistic sentiments leading to a rally in risk assets and FX rates. The resulting client activity supported a strong set of results.”

Our Strategy

We offer superior investment advice, products and services to help our clients grow, manage and protect their wealth. We offer our clients a comprehensive range of investment advice and solutions through our award-winning online and mobile channels and branches, as well as face-to-face support through our Investment Advisors, Insurance and Treasury Specialists. Our approach is to understand our clients’ financial goals and/or needs and then help them build an investment portfolio that reflects their aspirations. In addition, we help our clients protect themselves, their families and businesses against risks on life using tailored insurance solutions, which are offered in partnership with Sanlam Life Insurance and Marsh Zambia Limited.

2021 Overview

The year was to be defined for markets and investment opportunities by the rapid development and deployment of COVID-19 vaccines. As the year evolved, markets continued to rally both locally and internationally as the outlook for the course of the pandemic became clearer. The overhang of supply chain disruptions from the start of the pandemic led to significant inflationary pressures and a resultant adjustment in the anticipated pace of interest rate increase in many markets to address this. Overall, though, our clients benefited from the optimistic sentiments leading to a rally in risk assets and FX rates. The resulting client activity supported a strong set of results.



Olusegun Omoniwa
Head of Wealth Management Zambia and Southern Africa

- Revenues grew overall by around 19 per cent over the previous year and this growth was driven predominantly by higher Investment Services and Wealth Management lending sales in the Consumer Private and Business Banking business. Income from Investments Services and Wealth Management lending sales were up by almost 60 per cent on average. In Investment Services, the assets under management of our clients we invested for grew by around 95 per cent in 2021 compared to the previous year and the number of clients also grew significantly. The success recorded in our Investment Services and Wealth Management lending sales was driven by superior products, strengthened client relationships and a supportive market environment for investment assets.
- Our Relationship Managers and Investment Advisors continued to help our clients invest millions of dollars of assets in both local and global capital markets. They also held several market outlook engagement sessions online covering global and local financial markets with clients to ensure they were kept abreast of key trends in the market and the investment landscape.
- In 2021 we further enhanced our wealth solution offering as we continued to see interest in investment diversification by partnering with more professional investment managers from around the world while supporting significant investments into local capital

markets.

Outlook for 2022

Policies and markets are likely to become increasingly 'normalised' in 2022 as central banks turn less accommodative and equities and corporate bonds deliver positive, but increasingly modest and volatile, returns. Any path to normality, though, is likely to follow the twists and turns from the inflation debate, virus mutations and policy shifts. We expect economic growth in 2022 to stay well-supported, above its long-term trend, with H1 likely stronger than H2.

The United States and Europe are likely to lead global growth, while China is likely to manage a soft landing. The inflation debate, though, is unlikely to abate quickly. As a base case, we side with a view of moderating inflation. While many supply constraints are likely to extend into the early part of 2022, these are likely to ease as supply catches up and demand growth softens from 2021's historically high levels.

Opportunities to introduce products and solutions to capture positive market trends will be taken full advantage of as we expand through partnerships with best-in-class investment managers and providers. This will help us continue to support our clients as they take advantage of the opportunities that will arise through timely and professional access to relevant markets in 2022.



Corporate and Institutional Banking, Client Coverage

“Despite reduced physical client engagement due to the coronavirus pandemic, continued client engagement will play a big part in ensuring we are able to deliver the right solutions and ensure fair outcomes for our clients.”

Our Strategy

The focus for Corporate and Institutional Banking (CIB) has shifted in line with the refined Group strategy. Our priorities comprise improving efficiency in delivery of service to our clients, this will be driven by our enhanced digital capabilities. Through our three products areas i.e. Transaction Banking, lending, and Financial Markets we continue to ensure that we maintain relevance and create more value for our clients. Sustainability will be a priority for the business with focus on working with the Public Sector in the renewable sector. Despite reduced physical client engagement due to the coronavirus pandemic, continued client engagement will play a big part in ensuring we are able to deliver the right solutions and ensure fair outcomes for our clients.

The business remains split between Global Subsidiaries and Financial Institutions segments to ensure delivery of our global network to multinational corporates, government entities, banks and investors operating or investing in Zambia. A change was however seen in the organisation of our products, Financial Markets now includes Securities Services, Corporate Finance in addition to Forex Sales. Transaction



Emmy Kumwenda
Head Client Coverage, CIB, Zambia

Banking meanwhile now includes short-term lending in addition to cash and trade.

2021 Overview

The business's performance in 2021 reflected the strength of our risk management measures undertaken the previous year. Despite the continued economic headwinds, revenue from our Financial Markets grew in 2021 as we focused on providing unique solutions to our clients. We were also able to provide our clients with foreign exchange (FX) despite the tight FX liquidity in the market. However, declining Treasury Bill rates and declining liabilities negatively impacted cash revenue under Transaction Banking.

The business reported an operating profit in 2021 due to the increased revenue, releases of provisions and recoveries on Loan impairments.

Despite the above challenges associated with the pandemic and constrained FX liquidity, the business was able to achieve the following key successes in 2021:

- Named Best RMB (Chinese Renminbi) Bank by the Asset Asian Award (Triple A) for 2021] for the first time. We achieved this by leveraging on the strength of our network model and bringing world class capabilities to multinationals locally.
- Mandated to provide Export Credit Agency backed, Finance facility of K500m for procurement of key mining equipment from Europe by a Zambian client in the Mining sector thereby facilitating access to European ECA liquidity pool for a Chinese mining client in Zambia and demonstrating the strength of our network proposition.
- Showed our innovative strength and capabilities with

a solution for a United Arab Emirates based client in the energy sector by, successfully closing eight tranches of bond discounting. Our unique solution immediately unlocked liquidity and mitigated financial markets risks for the client without taking any credit risk.

- Risk and Control- Achieved a positive outcome in the Enterprise Risk and first line operational risk reviews - a reflection of good control environment in CIB.
- Despite a very challenging credit environment, we continued to support our key clients with increasing working capital needs. We brought on board five new network clients under Global subsidiaries.

Strategic Priorities for 2022

Our aspiration is to continue to grow our business by reinforcing our relevance to our clients while reducing our costs. Furthermore, the reliability and efficiency of our world-class services and products will be key in the year ahead. In 2022, our Strategic priorities will be:

1. Digitization

- (i) New Payment Methods: provide added convenience and value to our clients by commercialisation of Straight2Bank Pay
- (ii) Straight to Bank Next Generation: Transition our clients to our improved online banking platform

2. Sustainability: Drive participation in renewable sector and other innovative products in line with the Banks growth pillar to be the world's most sustainable and responsible bank.

3. Improve the customer experience: By increased collaboration and engagement internally to ensure world class service delivery for our clients.



Community Investment

“While for the most part, physical interaction was restricted due to the COVID-19 pandemic, the Bank did not relent in its efforts to positively impact Zambian communities in innovative ways.”

Community Investment

In 2021, Standard Chartered Bank Zambia Plc continued to drive community engagement initiatives focussed on social and economic inclusion. While for the most part, physical interaction was restricted due to the COVID-19 pandemic, the Bank did not relent in its efforts to positively impact Zambian communities in innovative ways. Standard Chartered Bank Zambia Plc invested well over USD350,000 in 2021 for initiatives focussed on youth, women, financial education and the environment, as well as support for the national response to the COVID-19 pandemic.

Futuremakers by Standard Chartered

Futuremakers by Standard Chartered is our global initiative to tackle inequality and promote economic inclusion across our markets. At global level, the Bank aims to raise USD50 million (between 2019 and 2023) to empower the next generation to learn, earn and grow. The Bank’s approach to tackle inequality and promote greater economic inclusion is to extend opportunities to people through our business, operations and community programmes regardless of social background and gender. Standard Chartered Bank Zambia Plc launched Futuremakers in September 2020 and is now running three programmes under this umbrella: Youth To Work; SC Women In Tech Incubator Programme; and Goal. Futuremakers is supported by the Standard Chartered Foundation.



Christine Matambo
Head of Corporate Affairs, Brand
& Marketing - Zambia & Southern
Africa

Support for Youth - Youth to Work Programme

Launched in 2020, the **Youth to Work programme** creates opportunities for young people to become job-ready. In partnership with Challenges Group Zambia, our Youth to Work programme strategically placed over 40 young Zambians in businesses to support Small and Medium Enterprises (SMEs), while fostering wider skills development for them. In the first cohort, 84 per cent found gainful employment as a direct and indirect result of participation on the programme by the end of 2021. In addition, all youth on the programme received training for a UK Chartered Management Institute professional qualification in Management and Leadership. Over 40 Zambian SMEs received business development support through our partners and the young people placed in their organisations. Following the successful delivery of the inaugural programme, Cohort 2 launched in September 2021.

Support for Women – Standard Chartered Women In Tech Incubator Programme.

In response to calls for more diversity in technology, for more opportunities for women to develop entrepreneurial and leadership expertise, and greater support for Small and Medium enterprises, Standard Chartered Zambia Plc partnered with BongoHive to launch the **SC Women in Tech Incubator** programme (WiT). Launched in 2020, WiT supports Zambian female-led businesses to scale up their businesses by leveraging technology. Whilst more individuals and businesses now have greater access to financial services than ever before; many micro and small business owners lack the financial skills they need to grow their businesses. WiT provides support, mentorship opportunities and access to resources, such as funding, banking products and services to female entrepreneurs.

The first cohort of SC WiT attracted over 80 women-led businesses to the programme. Applicants go through a robust selection process - 10 businesses make the final short-list during the incubation programme. These business owners then participate in an intensive 12-week incubation phase to refine their business proposition, products and services. At the end of the incubation, 5 women are awarded USD10,000 each as seed funding to scale-up their businesses. The winning businesses came from various, emerging sectors, including virtual education, beauty, agriculture, wellness and construction. In 2021, we launched the second cohort of WiT. The Bank invests USD150,000 for each WiT cohort.

Support for Young Girls - Goal Programme

Launched in 2011, our **Goal Girls** initiative has empowered over 23,000 Zambian adolescent girls with life skills training using the power of sport. In 2021 alone, we reached close to 4,000 girls (exceeding our annual target of 3,000) through training sessions in Lusaka, the Copperbelt, North-Western and Southern provinces. Whilst the COVID-pandemic brought about some restrictions on physical interaction, the programme was also delivered through an additional activity called "Goal@Home" - a self-administered booklet which each girl received and could do activities within the safety of their homes. Bank employees continued to impart

their financial knowledge and skills to conduct mentorship and computer literacy programmes.

Financial Literacy and Mentorship

The Bank delivered a dynamic financial literacy programme for youth, women and the public in 2021. Due to the pandemic, we were able to do this through virtual and social media platforms. We reached over 120 youth and over 300 women through webinars covering various saving and investments topics, amongst others. Through social media platforms, live sessions and recorded videos reached over 1 million views in total. The Bank's efforts were recognised by the Bank of Zambia Governor's Awards 2021, where Standard Chartered won the **'Exceptional Leadership in Financial Literacy (first place) Award**.

Environment

Deforestation continues to ravage many African nations, including Zambia. Led by the Bank's CEO, staff of Standard Chartered Bank Zambia Plc planted 1,000 trees in 2021 in various locations across Lusaka and the Copperbelt provinces. Our tree planting initiative dubbed "**Plants of Hope for the future**" saw Bank staff take on the responsibility to look after the environment by playing their part to save our planet for future generations. This initiative is expected to continue in 2022 with a more ambitious target.

COVID-19 Response

Standard Chartered Bank Zambia Plc joined national efforts to curb the COVID-19 pandemic in 2021. The Bank supported government through provision of COVID-19 testing kits and Oxygen cylinders through our partnership with the Centre for Infectious Diseases Research in Zambia (CIDRZ). These vital supplies were distributed to health centres countrywide. In addition, the Bank increased messaging on alternative and safer banking options as part of our client education programmes, with a key focus on digital banking options.

Liverpool Football Club

Due to travel restrictions associated with the COVID-19 pandemic, the Bank did not host the annual SC Trophy Soccer tournament which gives our clients an opportunity to watch Liverpool Football Club (LFC) at Anfield. However, the Bank hosted various LFC activities including exclusive virtual events with LFC Manager, Jurgen Klopp, and a virtual tour of Anfield.

In conclusion, Standard Chartered Bank Zambia Plc delivered impactful community initiatives in 2021, despite the restrictions due to COVID-19. Our staff, programme partners and key stakeholders in 2021 made this possible, for which we remain grateful to them. We look forward to another year of collaboration and delivery of more positive, sustainable impact across Zambian communities.

Board of Directors

Committee Key

- Committee Chair shown in green
- Ⓐ Board Audit Committee
- Ⓑ Board Risk Committee
- Ⓘ Board Loans Reviews Committee
- Ⓜ Board Remuneration and Nominations Committee



Caleb M Fundanga (69)
Independent Non Executive Director

Board Chairman
Appointed: 01/04/17

Caleb Fundanga was the Executive Director of the Macro Economic and Financial Management Institute (MEFMI) since July, 2014 until end September 2018. MEFMI is a regional capacity building institution in the areas of macroeconomic and financial management based in Harare, Zimbabwe. Its main clients are central banks and ministries of finance and planning.

Prior to joining MEFMI, he had worked as Governor of the Bank of Zambia for the period 2002 to 2011. Among the many accolades bestowed upon him during this period are: Central Bank Governor of the Year for Africa and Global Award by the Banker magazine, a sister publication to the Financial Times of London in January 2007; African Central Bank Governor of the Year 2007 by Emerging Markets magazine; and African Central Bank Governor of the Year 2008 by the Annual Meetings Daily of Nigeria.

He served as Director on the Board of the African Export and Import Bank in Cairo, Egypt from 2003 to 2013. He was also a member of the Executive Committee of the Board during this period.

Prior to joining the Bank of Zambia, he had worked as Senior Advisor to the President of the African Development Bank (1998-2002) and as Executive Director of the African Development Bank (1995-1998). Before joining the African Development Bank, he served as Permanent Secretary for the Ministry of Finance, Cabinet Office and the National Commission for Development Planning of the Republic of Zambia. He started his work experience as Economics Lecturer at the University of Zambia.

Mr. Fundanga obtained his Bachelor's Degree in Economics at the University of Zambia. He obtained his Master's Degree at the University of Manchester in the United Kingdom

and his PhD at the University of Konstanz in the Federal Republic of Germany.

Mr. Fundanga is currently the Chancellor at the University of Lusaka.

Other Boards:

- Partnership for Making Finance Work for Africa Advisory Council based at the African Development Bank in Abidjan, Cote d'Ivoire
- APlus General Insurance – Chairman
- Commonwealth Partnership for Technology Management (Smart partners, based in London) – Member

Shares in SCBZ – 11,068



Kapambwe Doreen Chiwele (58)

Independent Non Executive Director

Appointed: 01/10/16

Kapambwe Doreen Chiwele is a Chartered Global Management Accountant (United Kingdom), and holds a Bachelor of Accountancy degree from the University of Zambia - Ndola campus (renamed Copperbelt University). She is a fellow of both the Chartered Institute of Management Accountants, as well as the Zambia Institute of Chartered Accountants. With over 30 years progressive professional experience, of which sixteen have been at Finance Director/Chief Financial Officer level, her roles over the years have at various points included finance, treasury, investment, administration, and audit.

Kapambwe Doreen is currently operationalising a family entity. Prior to this, she was employed as Director Finance of the National Pension Scheme Authority (NAPSA), a statutory pension scheme which replaced the Zambia National Provident Fund and became operational in February 2000. Kapambwe Doreen joined NAPSA

in 2002 as Director Finance and Administration (later in 2007 reverting to Director Finance), and was a member of the initial and subsequent Executive Management Teams. She was with NAPSA for 13 years up to 31 December 2015, in which period the pension fund grew to be the largest in the country.

Prior to joining NAPSA, Kapambwe Doreen was Chief Financial and Administration Officer of the Zambia Information and Communications Technology Authority (ZICTA), then named Communications Authority. The Authority was established under an Act of Parliament, to among other things, regulate the communications technology sector. She was the first holder of the office and went on to serve for four years after joining in November 1998. Other entities Kapambwe has served in include KPMG Zambia, a firm of public accountants, where she served from 1994 to 1998. She rose to the position of Audit Manager, with a portfolio largely inclusive of the firm's banking

and financial institutional clients. Kapambwe Doreen has also worked as Accountant at the United States Agency for International Development, among others.

Kapambwe Doreen has previously served as Board member in the public sector. She was appointed to the Standard Chartered Bank Zambia Plc Board on 1 October 2016. She serves as Chairperson of the Audit Committee of Standard Chartered Bank Zambia Plc

Other Board Directorships:

- KIME Social Development And Advocacy
- Beaconsfield Agriculture Limited
- YWCA Lusaka Finance Committee

Shares in SCBZ: 1,681



Munakopa Sikaulu (48)
Independent Non Executive Director

Appointed: 01/08/17

Mr. Munakopa L. Sikaulu is a partner in SLM Legal Practitioners, a leading financial commercial law practice in Zambia. He is the holder of a Bachelor of Laws degree from the University of Zambia where he graduated in 1995 and a Master of Laws degree in Banking and Finance from the London School of Economics where he graduated in 2000. Mr. Sikaulu is an advocate of over 21 years standing having been called to the Bar in 1996 after successfully completed studies at the Zambia Institute of Advanced Legal Studies.

A Zambian national, Mr. Sikaulu has vast experience of commercial activities in Zambia. He is specialised in the Law of Banking and Finance and has advised and represented local, regional and international

banks, financial institutions and companies on various transactions in Zambia as well as in commercial litigation matters.

Mr. Sikaulu is a member of the Law Association of Zambia, the International Bar Association and Commonwealth Lawyers Association. He chairs the Hollard Insurance Limited board and also serves on a number of other boards which include Zambia Reinsurance PLC (formerly Prima Re-insurance PLC) and Pearl of Health Hospital Limited and has previously served on the board of Entrepreneurs Financial Centre Zambia Limited and the Council of the Law Association of Zambia.

Other Board Directorships:

- Hollard Insurance Zambia Limited
- Zambia Reinsurance Plc
- Pearl of Health Hospital Limited
- Belgravia Services Limited
- Baswe Limited
- Brentwood Estates Limited

Shares in SCBZ: NIL





Mainga Mukando (51)
Independent Non Executive Director

Appointed: 01/02/22

To be presented for Ratification

Mainga Mukando is an independent consultant with over 25 years of experience in investment and corporate finance across sub-Saharan Africa. Until the end of 2020, he spent 11 years as an Investment Officer with the International Finance Corporation (IFC), the private sector arm of the World Bank Group, based in Nairobi, Kenya investing in private equity funds and executing co-investments across Africa.

Before IFC, Mainga was an Investment Manager with the Danish International Investment Funds (IFU), a Danish development finance institution (DFI) providing risk capital to companies in emerging economies. While with IFU, he led transactions in Kenya, Tanzania, Uganda, Zambia and Zimbabwe, and represented the fund on the boards of several companies.

Prior to IFU, Mainga worked as a Senior Investment Officer at Norsad, which provides debt like financing to companies in Southern Africa. Before this, he spent 5 years at PricewaterhouseCoopers (PwC) Zambia providing corporate finance advice to clients in Zambia and East Africa. Mainga started his career at the Zambia Export and Import (EXIM) Bank where his work involved corporate and traditional banking, as well as project finance.

Mainga obtained his Bachelor's Degree in Political Science from the University of Zambia and an Executive Masters in Business Administration (International Business and Leadership) from the Scandinavian International Management Institute (SIMI-CBS) in Copenhagen, Denmark. Mainga also holds the Certified Diploma

in Accounting and Finance issued by the Association of Chartered Certified Accountants.

Mainga serves as a member of the Independent Investment Committee of the Enterprise Zambia Challenge Fund and as a Director on the Ridgeway Properties board.

Other Board Directorships:

- Ridgeway Properties Limited

Shares in SCBZ: NIL

A R L



J. Kweku Bedu-Addo (54)
Chief Executive Officer

Appointed: 03/04/18

J. Kweku Bedu-Addo was appointed as the Chief Executive Officer for South and Southern Africa in August 2017, responsible for South Africa, Angola, Botswana, Mauritius, Zambia and Zimbabwe.

He joined Standard Chartered Bank Ghana in 2000 and rose to become the first Ghanaian Chief Executive in the Bank's 121-year history in Ghana by 2010. Prior to this, he held several senior Wholesale Bank roles in Ghana and West Africa, Zambia and Singapore. He has had an earlier stint on SCB Zambia PLC's Board from 2004 to 2007, when he was also the Head of Corporate and Institutional Banking in Zambia.

Kweku's career has spanned Public Policy, International Development, and Banking & Finance. He worked in the Ministry of Finance in the 1990s during the implementation of Ghana's Structural Adjustment Program. Other significant affiliations include immediate past Chairman of the Ghana Stock Exchange, Vice Chairman of the Ghana Fixed Income Market and Vice President of the Ghana Association of Bankers. He became the Chairman of International Banks Association in South Africa in September 2021.

He holds a BS in Agricultural Economics from University of Ghana

and Master's Degree in Economic Policy Management at Columbia University, New York.

Kweku was appointed to the Board of Standard Chartered Bank Zambia Plc in 2018.

Other board Directorships:

- Standard Chartered Bank Botswana

Shares in SCBZ: NIL

A



Herman Kizito Kasekende (55)

Director /Chief Executive Officer

Appointed: 27/02/17

Herman Kasekende holds a Post Graduate Degree in International Economics and Finance. Herman was appointed to the Standard Chartered Bank Zambia Plc Board on 1st February 2017.

Prior to becoming Chief Executive Officer of Standard Chartered Bank Zambia Plc, Herman was the Chief Executive Officer and Managing Director of Standard Chartered Bank Uganda. Herman has a wealth of knowledge on SMEs, Retail Banking and Corporate and Institutional Banking.

Herman joined Standard Chartered Bank in 1998 and has held various positions in different functions. These include Regional Head of SME Products & Solutions – Africa, Kenya; and Head of Consumer Banking at Standard Chartered Bank Uganda.

Herman chaired the Oil and Gas Technical Working Group (TWG) under the Presidential Investors' Round Table (PIRT) in Uganda and was an advisor on the Uganda Chamber of Mines and Petroleum Board. He is currently a council member of the Zambia Institute of

Banking and Financial Services (ZIBFS) and was the Chairman of the Bankers Association of Zambia from 2019 to 15th February 2022 when he stepped down.

Other Boards – NIL

Shares in SCBZ – NIL

B



Kelvin Bwalya (47)
Director Finance and Administration /Chief Financial Officer

Appointed: 01/04/20

Appointed to the Board on 01 April 2020, Kelvin Bwalya joined Standard Chartered Bank Zambia Plc in 1998, served in several capacities within Finance Department, becoming Financial Controller in 2008. He then held various positions within the Group, these include: Product Specialist for the Finance Transformation (FT) programme in Standard Chartered Bank Singapore, FT Programme and Projects Manager Africa and Middle East, and Head CoE Change Africa in Standard Chartered Global Finance Services (GFS).

Prior to his current appointment, Kelvin served on the Group Aspire programme as Aspire Champion Africa and Middle East. He has undertaken assignments within the Group across multiple projects in key markets including Kenya, Ghana, Angola, Singapore and India.

He is a member of the Chartered Institute of Management Accountants (CIMA) and Zambia Institute of Chartered Accountants (ZICA).

Other Boards – NIL

Shares in SCBZ – NIL

R

Management Team

1. **Herman Kasekende**
Managing Director and Chief Executive Officer
2. **Christine Matambo**
Head of Corporate Affairs, Brand and Marketing - Zambia and Southern Africa
3. **Kelvin Bwalya**
Executive Director Finance and Administration /Chief Financial Officer
4. **Muchindu Lombe**
Head of Financial Markets and Rates Trading
5. **Rose N Kavimba**
Head, Legal and Company Secretary
6. **Olusegun Omoniwa**
Head of Wealth Management - Zambia and Southern Africa
7. **Fanwell Phiri**
Country Chief Risk Officer
8. **Emmy Kumwenda**
Head of Client Coverage, Corporate and Institutional Banking, Client Coverage
9. **Peter Zulu**
Head of Conduct, Financial Crime and Compliance.
10. **Marshal Shampongo**
Head of Internal Audit
11. **Mutu Mubita**
Head of Human Resources
12. **Mwansa Kapeya**
Acting Head of Consumer, Private and Business Banking (CPBB)
13. **Audrey Malama**
Chief Information Officer Zambia
14. **Kasanga Sondoyi**
Head Transaction Banking, Cash Product Head
15. **Gladys Daka**
Chief Operations Officer/Country Head -CPBB Servicing and Transacting



Handwritten-style logo in white, 3D-effect characters on a white marble wall.



Year in Pictures





Directors' report

The Directors are pleased to submit their report and the audited consolidated and separate financial statements for the year ended 31 December 2021, of Standard Chartered Bank Zambia Plc ("the Bank") and its subsidiary, Standard Chartered Zambia Securities Services Nominees Limited (together "the Group").

Standard Chartered Plc

Standard Chartered Plc ("the ultimate parent") is the ultimate holding company of the Group, incorporated and registered in England and Wales, as a Company limited by shares. Its ordinary shares are listed on the London and Hong Kong Stock Exchanges and it has Indian Depository Receipts representing ordinary shares listed on the Bombay and National Stock Exchanges in India.

Standard Chartered Bank Zambia Plc

Standard Chartered Bank Zambia Plc is a public company incorporated in the Republic of Zambia on 11 November 1971 to take over the business of Standard Bank Zambia Limited, which had operated in Zambia since 1906. The Group is engaged in the business of banking as well as the provision of other financial services.

Articles of Association

The Articles of Association of the Group may be amended by Special Resolution of the shareholders.

Results and dividend

At a board meeting held on 24 February 2022, the Directors recommended a dividend of K0.212 per share for the year ended 31 December 2021.

Share capital

During the year 2021, the paid up primary capital of the Bank was K416,745,000. The authorised share capital of the Bank was K450,000,000. The Bank has issued 416,745,000 ordinary shares with a nominal value of K0.25 per share.

Gifts and donations

The Group identifies with the aspirations of the community and the environment in which it operates. During the year, the Group made donations of K303,000 to charitable organisations and events.

Number of employees and remuneration

The average number of people employed by the Group during the year was 335. The total remuneration to employees during the year amounted to K253,331,000 (2020: K330,667,000) and the total number of employees was as follows:

Month	Number	Month	Number
January	399	July	332
February	340	August	329
March	338	September	326
April	339	October	321
May	335	November	318
June	331	December	318

Property and equipment and right of use

The Group purchased property and equipment and right of use amounting to K27,793,000 (2020: K34,387,000) during the year. In the opinion of the directors, the carrying value of property and equipment is not less than their recoverable value.

Results

The results for the year are set out in the consolidated statement of profit or loss and other comprehensive income and statement of financial position on page 46 - 47.

Directors

For the period under review, Mr. Robin Miller retired from the Board as Independent Non-Executive Director. There were no other changes to the directorate during the period under review. A full list of directors is available on pages 26 - 27.

Secretariat

There was no change to the Secretariat in 2021.

Directors' interests in ordinary shares

The beneficial interest of Directors and their families in the Ordinary shares of the Bank were as follows:

- Dr. Caleb Fundanga - Board Chairman has 11,068 shares in Standard Chartered Bank Zambia Plc.
- Director Doreen Kapambwe Chiwele has 1,681 shares in Standard Chartered Bank Zambia Plc.

Activities

The Group engages principally in the business of commercial banking in its widest aspects and in the provision of related services. The Group also runs a successful securities services business.

Related party transactions

Related party transactions are disclosed in note 45 to the consolidated and separate financial statements.

Directors' emoluments and interests

Directors' emoluments and interests are disclosed in note 45 to the consolidated and separate financial statements.

Directors' induction and on-going development

The Bank believes that induction and ongoing development of the Board members is necessary to ensure that the directors have the requisite knowledge and understanding of the Bank and the market that it operates in for them to effectively carry out their roles as directors.

During the year 2021, given the continued challenges presented by the on-going COVID pandemic, the Board held virtual engagements and trainings with other Standard Chartered Directors globally and this enhanced Board linkages and was part of ongoing development.

The Directors were trained on the following in 2021:

- Refresher awareness session on Conduct Risk Management
- Geopolitical Dynamics in Biden's Era/ Future Global Economic Trends/Network or Corridor Business Trends
- New Ways of Working/Future-ready Workforce and Culture
- Banking transformation in the COVID-19 era
- Environmental, Social and Governance Training
- Climate Risk
- Information Technology and Cyber Security Risk Management training and emerging trends
- Effective and Sustainable Financial Crime Compliance Officer.

The Directors also participated in the first Southern Africa Cluster Board Forum which was hosted by the cluster CEO.

Shareholder concerns

Shareholders are encouraged to raise any concerns they may have with any of the board directors or with the Company Secretary on the following email address:

Rose.Kavimba@sc.com.

Electronic communication

The annual report notice of AGM and dividend circulars are available electronically and in hard copy. Shareholders that would like to receive their corporate documents electronically can contact the Bank's transfer agents at the below address:

Corpserve Transfer Agents Limited
6 Mwaleshi Road, Olympia Park
PO Box 37522, Lusaka, Zambia
Tel: 00260 211 256969/70
Fax: 00260 211 256975
Email: info@corpservezambia.com.zm

Group code of conduct

The board has adopted the ultimate parent company's code of conduct relating to the lawful and ethical conduct of business and this is supported by the ultimate parent company's core values. All directors and employees of the Bank have committed to the code and are all expected to observe high standards of integrity and fair dealing in relations to all our stakeholders including customers, staff

and regulators. The Board members jointly and severally recommitted to the code of conduct on 18 November 2021.

Research and development

During the year, the Bank did not incur any research and development cost.

Restricted Transactions

There are no restricted transactions as defined under Part VII of the Banking and Financial Services Act, No. 7 of 2017 except as such as have been expressly permitted by the Bank of Zambia.

Health and safety

The Bank has health and safety standards, policies and procedures to safeguard the occupational health, safety and welfare of its employees, customers and contractors working within the premises. In addition, the Bank has a dedicated Health, Safety and Environment Manager.

Relevant audit information

As far as the directors are aware, there is no relevant audit information of which the Bank's auditor, Ernst and Young, is unaware. The directors have taken all reasonable steps to ascertain any relevant audit information and ensure that the auditors are aware of such information.

Disclosure of information to auditor

With respect to each director at the time this report was approved:

- there is, so far as the director is aware, no relevant audit information of which the Group's auditor is unaware; and,
- the director has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditors

A resolution proposing the re-appointment of EY Zambia as auditors of the Group, and authorising the directors to fix their remuneration will be put to the Annual General Meeting.



By order of the Board
Rose N. Kavimba

Company Secretary

24 February 2022

Corporate Governance

As a key player in the banking industry, Standard Chartered Bank Zambia Plc (“Standard Chartered”) recognises its responsibility to practise high standards of corporate governance and to contribute to the promotion of an environment where such are upheld and practiced by all industry players. Exemplary governance is key to the Company’s long-term success, enabling the delivery of sustainable shareholder value.

The Company has an integrated approach to governance which ensures that the Company is effectively managed and controlled, in line with the strategy, and with regard to regulations, best practice and the requirements of key stakeholders. The Company’s culture and values are deeply embedded within the organisation and are regularly reinforced through induction of new staff and form part of annual performance management. The Code of Conduct review and recommitment by staff is an annual requirement to ensure that the key principles underpin the conduct of all employees in their dealings with one another, customers, suppliers, and other stakeholders.

The valued behaviours are embedded as guidelines for the expected behaviour of all employees and also form part of the contractual obligations for all the main suppliers of the Company in the conduct of business in as far as it relates to the Company but also as expected of all ethical businesses.

Our Approach

Standard Chartered is one of the Group’s oldest entities having been in existence for over 115 years in Zambia. It is a public company incorporated in the Republic of Zambia on 11 November 1971 to take over the business of Standard Bank Zambia Limited, which had operated in Zambia since 1906. Standard Chartered was the first bank in Zambia to list on the Lusaka Stock Exchange on 30th November 1998.

Standard Chartered endeavors to fully comply with all the provisions of the Bank of Zambia Corporate Governance Directives 2016 and 2017 and the Companies Act of Zambia. Further, the Bank remains committed to achieving exemplary corporate governance by striving for substantive compliance with all applicable regulations, including the Lusaka Securities Exchange (LuSE) Corporate Governance Code and Listing Rules as well as Standard Chartered Group minimum governance standards for subsidiaries.



Rose N. Kavimba
Company Secretary

Disclosure

The Board has the overall responsibility of ensuring that the highest standards of corporate governance are maintained and adhered to by the Bank. Our directors confirm that during the 2021 financial year, the Bank ensured substantive compliance with the Bank of Zambia and the LuSE Corporate Governance codes. The Board and senior management continue to engage in discussions with LuSE regarding to the 25 per cent public float requirement.

Our Board

To drive the Bank's purpose of driving commerce and prosperity through our unique diversity, we have in place a Board that is diverse, experienced and driven. The Board presently comprises 7 members; 2 Executive Directors and 5 Non-Executive directors, 4 of whom are Independent Non-Executive Directors. There exists a cordial working relationship between the non-executive and executive directors, characterised by a healthy level of challenge and debate.

In 2021 Mr. Robin Miller retired from the Board as Independent Non-Executive Director. The board would like to express their sincere thanks and gratitude for his outstanding leadership and devotion to the Bank during his tenure. Mr. Miller was deeply committed to the Bank and his contribution shall be missed. The Board is proposing the ratification of the appointment of Mr. Mainga Mukando as an Independent Non-Executive Director.

Collectively, the directors have a diverse range of skills and experience which enable them to operate as a cohesive unit. They each bring independent judgement and considerable knowledge to the board's discussions and are committed to the collective decision-making processes. The Board is collectively responsible for the long-term success of the Bank and providing strategic direction and leadership within a framework of effective controls. The Board considers both the impact of its decisions and its responsibilities to all its stakeholders, including the Bank's employees, shareholders, regulators, suppliers, the environment and the communities in which the Bank operates in Zambia.

The Board discharges some of its responsibilities directly and delegates certain other responsibilities to its Committees to assist it in carrying out its functions of ensuring independent oversight. The Board Charter which clearly outlines the Board's terms of reference and matters reserved for the Board was adopted in 2018 in accordance with the Bank of Zambia Corporate Governance Directives and is reviewed annually with the last review and renewal having taken place in November 2021. This ensures that the Board provides oversight, guidance and review of the Bank's performance and strategy.

The Board Charter and the Terms of reference for each Board Committee are reviewed regularly against Corporate governance regulations and industry best practice. The Board also delegates authority for the operational management of the Bank's business to the Bank's Chief Executive Officer and his Executive Committee for matters which are necessary for the effective day-to-day running and management of the business.

The Board has responsibility for the overall management of the company and is primarily accountable to the shareholders for proper conduct of the business of the company and the management of the relationships with its various stakeholders. In fulfilling its primary responsibility, the Board is aware of the importance of achieving a balance between conformance to governance principles and economic performance.

The Board has access to professional advice as and when needed. Further, Executive Management is accountable to the Board for the development and implementation of the Bank's strategy and policies. The Board regularly reviews Bank performance, matters of strategic concern and any other matters it regards material and necessary to fulfill this mandate.

The Board meets quarterly and additional meetings are convened as and when required. The Board held 8 meetings during the 2021 financial year and had a formal schedule of matters specifically reserved for its decisions. Generally, members of the Management Team are invited to attend part of the meetings to ensure effective interactions with the Board. Given the continued pandemic during the year 2021, the Board met mostly virtually to adhere to the Country and Bank's COVID prevention guidelines and measures.

The Board also undertakes a number of informal sessions and interactions, which allows Board members to discuss areas of business, strategy and the external environment with members of the Management Team and different stakeholders, including other Board members from the Standard Chartered Group globally.

Board Committees

To enable the Board, use its time most effectively, it is supported by four sub committees through which the Board performs its oversight functions and they play an important role in supporting the Board.

These are the Board Audit Committee, the Board Risk Committee, the Board Loans and Review Committee and the Board Remuneration and Nominations Committee. All the Board Committees are chaired by an Independent Non-Executive Director.

Board Audit Committee

The Board Audit Committee is comprised of Three (3) Non-Executive Directors. It exercises oversight, on behalf of the Board, of the Bank's financial, audit, internal financial control and non-financial crime issues. The primary role of the Committee is to ensure the integrity of the financial reporting process and supporting internal controls and to maintain a sound risk management environment as stipulated by the Bank of Zambia Corporate Governance Directives and other financial regulations.

It also oversees the independence and objectivity of the Bank's external auditors and, on a quarterly basis, reviews audit reports from the Group Internal Audit function on the arrangements established by management for ensuring adherence to risk management, control and governance processes. Group Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Group through its programme of business audits. The work of Group Internal Audit is focused on the areas of greatest risk as determined by a risk-based assessment methodology.

The Committee met 5 times during the year and was chaired by an Independent Non-Executive Director, Mrs. Kapambwe Doreen Chiwele. In line with Corporate Governance directives, the Committee also meets at least once a year with the External Auditors, the Head of Compliance, Head of Audit, Head of Legal, Chief Financial Officer and the Chief Risk Officer without management present.

Corporate Governance continued

Board Risk Committee

The Board Risk Committee is comprised of two (2) Independent Non-Executive Directors, and one (1) Executive Director. The Committee exercises oversight and review of principal risks including credit, market, capital and liquidity, operational and country.

The Bank's business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. This ensures that there are written policies and procedures to identify and manage risk, including operational risk, country risk, liquidity risk, regulatory risk, legal risk, reputational risk, market risk and credit risk. The Board has established a management structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

The Committee met 4 times during the year and was chaired by Independent Non-Executive Director Mr. Robin Miller until his retirement on 6th August 2021. The Chief Risk Officer presents a quarterly report which updates the Committee on the Key Risks.

Board Loans Review Committee

The Board Loans Review Committee comprises of three Directors and chaired by an Independent Non-Executive Director, Munakopa Sikaulu. The Committee exercises oversight on behalf of the Board on all matters incidental to credit and loan approvals, applications and advances made by the Bank and makes recommendations to the Board on the company's overall credit risk appetite. The Committee met 4 times during the year.

Board Remuneration and Nomination Committee

The Board Remuneration and Nomination Committee comprises of two (2) members both Independent Non-Executive Directors. The Committee on behalf of the board oversees and is accountable for the implementation and operation of the Bank's remuneration policies and procedures. It periodically reviews the Company's remuneration policy to ensure continued compliance with country laws and regulations. The Committee also reviews succession plans for the Board and Management.

The Committee is also responsible for the Board Evaluation Review and makes recommendations for the remuneration of Directors. This Committee is chaired by the Board Chairman, Mr. Fundanga.

The Committee met twice in 2021.

Board Effectiveness Review

The Board regularly assesses its performance against roles and responsibilities and focuses on continuously improving its effectiveness and efficiency. The Remuneration and Nominations Committee of the Board provided oversight on the process of the independent, externally facilitated review of the Board and its Committees. This process is led by the Board Chairman with the support of the Company Secretary.

Engagements and Trainings Undertaken by the Board in the year under review

The Bank has a robust engagement and training plan for the Board. In 2021, the Board had various engagements with different stakeholders which also saw the Board Chairman attend the AME Chairmen's conference hosted virtually

by the Standard Chartered AME CEO. Further, the Board annually engages with the Group Audit Committee and Group Risk Committee Chairmen to discuss focus areas for the Bank's Audit and Risk Committees. The Remuneration Committee had its inaugural meeting with the Standard Chartered Group remuneration and Nominations Committee in September 2021.

Director Induction and Continuous Education.

The Bank has a comprehensive induction program and all directors receive a full formal and tailored induction on joining the Board to ensure that they are provided with the knowledge and material to add value from an early stage. All inductions are supplemented with a detailed handbook which includes information on a broad range of matters relating to the role of being a director on a Zambia Board as well as detail of applicable legislation, regulation, related procedures and best practice.

The induction is relevant to all new Board members; however, the content of the programme is also tailored to meet each director's individual level of experience and expertise as may be appropriate.

A key part of the induction programme is to ensure that the directors have a good understanding of the governance environment, including a comprehensive understanding of their statutory duties, obligations, and responsibilities as directors of a Company carrying on banking business. The Company Secretary plays a key role in supporting new directors through the induction process.

The directors are advised of the legal, regulatory, and other obligations of a director of a listed company on an ongoing basis. The directors also receive training on corporate governance. The directors have access to independent professional advice to enable them to discharge their duties.

The induction is conducted through a series of in-depth briefs and one on one sessions with various stakeholders. These sessions include meeting senior management, select clients and other key stakeholders. We also encourage the directors to attend some board meetings prior to their formal appointment as part of the socialization process.

The Company Secretary supports the induction process and act as a facilitator for these sessions. The induction process is undertaken within the first six to nine months of a director's appointment.

The Company Secretary also reviews with each Independent Non-Executive Director their continuing training needs and it is the Bank's intention that each Independent Non-Executive Director continues to receive training on a continuing basis. The Board received training and awareness sessions in 2021 on various aspects including:

- Refresher awareness session on Conduct Risk Management
- Geopolitical Dynamics in Biden's Era/ Future Global Economic Trends/Network or Corridor Business Trends
- New Ways of Working/Future-ready Workforce and Culture
- Banking transformation in the COVID-19 era
- The Internal Audit Methodology
- Environmental, Social and Governance Training
- Climate Risk
- Information Technology and Cyber Security Risk Management training and emerging trends
- Effective and Sustainable Financial Crime Compliance Officer.

Conflicts of Interest

The Board has adopted a robust Conflict of Interest Policy which is reviewed every two years. All directors are under a duty to avoid conflicts of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with the Company's business. The Company has established a robust process requiring directors to disclose outside business interests before they are entered into. Any potential or actual conflicts of interest are reported to the Company Secretary and a register of directors' interests is maintained.

All Directors have a duty to avoid conflicts of interest. This duty applies to any situation that could reasonably be expected to give rise to a conflict.

Board members hold external directorships and other outside business interests and recognize the benefits greater boardroom exposure gives our directors. We closely monitor the number of directorships our Directors take on to satisfy ourselves that all of our Board Members comply with the requirements of the Bank of Zambia Corporate Governance Directives which require full disclosure of all business relationships held by Directors as well as any transactions that may pose a conflict of interest. We also monitor that all appointments will not adversely impact their role at Standard Chartered Bank Zambia Plc.

Our Directors are clear on how they should manage their outside interests and how these may conflict with their duties as a Director of Standard Chartered Bank Zambia Plc. During onboarding and continuously during their tenure, they are reminded of their obligations and duties as directors. Details of the directors' external directorships can be found in their biographies on pages 26 to 27.

All actual or potential conflicts of interest should be and are reported to the Company Secretary together with details of any benefits received. Before committing to an additional appointment, directors confirm the existence of any potential or actual conflicts and provide the necessary assurance that the appointment will not adversely impact their ability to continue to fulfil their role as a director of the bank.

Any Non-Executive Director invited to take up an additional commitment such as another directorship or other outside interest, seeks the Chairman's agreement and notifies the Company Secretary prior to taking up that appointment.

If Directors are unsure of whether a situation or benefit could give rise to a conflict of interest, they are required to contact the Company Secretary for advice and guidance. The Company Secretary will then report any potential conflicts of interest to the Board.

Our Board members commit sufficient time in discharging their responsibilities. During the year 2021, the Board meeting attendance by the Board was 100 per cent, a clear demonstration of the Board members commitment and ability to provide additional time.

Code of Conduct

The Board has adopted the Group Code of Conduct relating to the lawful and ethical conduct of business and this is supported by the Group's core values. The Code of Conduct is reviewed every two years and committed to annually. The Group Code of Conduct has been communicated to all Directors and employees, all of whom are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the Group operates. The Board recommitted to the Code of Conduct on 18 November 2021.

Regulatory Compliance

Standard Chartered Bank Zambia Plc strives to ensure that the business is managed sustainably, through exemplary governance, compliance and financial crime risk management practices that continue to meet both local and international standards. The local management ensures that high ethical standards are always maintained in the business model through the conduct risk management framework.

Annually, Compliance, Conduct and Financial Crimes risk assessments are performed to inform the necessary and timely mitigation initiatives for a sustainable business that ensures positive outcome for our clients by ensuring risks are timely identified and managed. In addition, the Bank continues to ensure that all staff are re-trained on a periodic basis to ensure that they always operate within the set standards of the highest conduct and compliance requirements. These initiatives have very strong sponsorship and support of the senior management and the board of directors on an ongoing basis.

Further, the board of directors reviews the bank's regulatory compliance status on a regular basis and provided strategic direction on a continuous basis.

Our Stakeholders – Regulator

The Bank engaged the local regulatory authorities and contributed to a fully functioning financial sector in Zambia by sharing best practice and the global economic trends.

The Bank continuously strive to operate by the highest ethical standards of business conduct and supports the stakeholders in ensuring financial inclusion is achieved through various innovative digital product and services that meet the ever changing client lifestyle that has necessitated non-physical banking services being preferred occasioned by the COVID -19 pandemic.

Relations with Shareholders.

The Board recognises the importance of good communications with all shareholders. The Annual General Meeting (AGM) as well as the published annual report are used as an opportunity to communicate with all shareholders. The Company always gives shareholders the requisite notice of the AGM as provided for in the Companies Act of Zambia and shareholders are encouraged to submit questions and appoint proxies to represent them where they are unable to attend. Ad hoc shareholder requests for information are handled on an on-going basis and on the floor of the AGM. The Board uses electronic means to communicate with shareholders and shareholders are encouraged to visit the bank's website for general information on the Company as well as annual reports.

In upholding and protecting shareholders' rights, the Board recognises that every shareholder has a right to participate and vote at the general shareholders meeting. The Board also invites shareholders to seek clarity on the Group and Company performance in general meetings.

The Board has engaged the services of a professional Registrar, Transfer Agent Limited, to allow for quick resolutions of all shareholder queries and smooth the transfer of shares.



Rose Kavimba
Company Secretary
24 February 2022

STANDARD CHARTERED BANK ZAMBIA PLC

RECORD OF ATTENDANCE OF BOARD /BOARD COMMITTEE MEETINGS HELD IN 2021

BOARD OF DIRECTORS' MEETINGS

No. of Board Meetings 2021	1/2021 (Adhoc)	2/2021 (Main Board)	3/2021 (PRE-AGM)	4/2021 (AGM)	5/2021 (PRE-AGM)	6/2021 (AGM)	7/2021 (Main Board)	8/2021 (Board Strategy)	Total
Date of Meeting	26/02/21 14:00 SCBZ VIRTUAL	25/03/21 09:00 SCBZ VIRTUAL	30/04/21 10:00 SCBZ VIRTUAL	30/04/21 10:00 SCBZ VIRTUAL	28/05/21 10:00 SCBZ VIRTUAL	19/08/21 10:00 SCBZ VIRTUAL	18/11/21 10:00 SCBZ VIRTUAL	25/11/21 09:00 SCBZ	8
Caleb M Fundanga (Board Chairperson)	✓	✓	✓	✓	✓	✓	✓	✓	8
Robin Miller	✓	✓	✓	✓	✓	✓*BI	N/A	N/A	6
Herman Kasekende	✓	✓	✓	✓	✓	✓	✓	✓	8
Kapambwe Doreen Chiwele	✓	✓	✓	✓	✓	✓	✓	✓	8
Munakopa Sikaulu	✓	✓	✓	✓	✓	✓	✓	✓	8
Kweku Bedu- Addo	✓	✓	✓	✓	✓	✓	✓	✓	8
Kelvin Bwalya	✓	✓	✓	✓	✓	✓	✓	✓	8
Rose Kavimba (Secretariat)	✓	✓	✓	✓	✓	✓	✓	✓	8

NOTE THAT MR. MILLER RETIRED FROM THE BOARD EFFECTIVE 6th AUGUST 2021.

BOARD AUDIT COMMITTEE (AC) MEETINGS

No. of AC Meeting 2021	1/2021	2/2021	3/2021	4/2021	5/2021	Total
Date of Meeting	Adhoc 19/02/21 SCBZ Board Room	11/03/21 09:00 SCBZ VIRTUAL	14/05/21 09:00 SCBZ VIRTUAL	05/08/21 09:00 SCBZ VIRTUAL	04/11/21 09:00 SCBZ VIRTUAL	5
Kapambwe Doreen Chiwele (Chairperson)	✓	✓	✓	✓	✓	5
Kelvin Bwalya	✓*BI	✓*BI	✓*BI	✓*BI	✓*BI	5
Robin Miller	✓	✓	✓	✓	N/A	4
Kweku Bedu-Addo	✓	✓	✓	✓	✓	5

NOTE: CEO/MD AND CFO ARE NOT MEMBERS AND ONLY ATTEND AC BY INVITATION

• *BI – By Invitation

BOARD LOAN REVIEW COMMITTEE (LRC) MEETINGS

No. of CC Meeting 2021	1/2021	2/2021	3/2021	4/2021	Total
Date of Meeting	11/03/21 11:00 SCBZ VIRTUAL	14/05/21 11:00 SCBZ VIRTUAL	05/08/21 11:00 SCBZ VIRTUAL	04/11/21 11:00 SCBZ VIRTUAL	4
Munakopa Sikaulu (Chairperson)	✓	✓	✓	✓	4
Robin Miller	✓	✓	✓	N/A	3
Herman Kasekende	✓*BI	✓*BI	✓*BI	✓*BI	4
Kevin Bwalya	✓*BI	✓*BI	✓*BI	✓*BI	4
Kapambwe Doreen Chiwele (Attended with approval from Central Bank)	N/A	N/A	N/A	✓*BI	1

BOARD RISK COMMITTEE (RC) MEETINGS

No. of RC Meeting 2021	1/2021	2/2021	3/2021	4/2021	Total
Date of Meeting	11/03/21 14:00 SCBZ VIRTUAL	14/05/21 14:00 SCBZ VIRTUAL	05/08/21 14:00 SCBZ VIRTUAL	04/11/21 14:00 SCBZ VIRTUAL	4
Robin Miller (Chairperson)	✓	✓	✓	NA	3
Munakopa Sikaulu	✓	✓	✓	✓	4
Herman Kasekende	✓	✓	✓	✓	4
Kelvin Bwalya	✓	✓	✓	✓	4

NOTE: CEO/MD AND CFO ARE NOT MEMBERS AND ONLY ATTEND RC BY INVITATION

BOARD REMUNERATION AND NOMINATIONS COMMITTEE (RNC) MEETINGS

No. of RC Meeting 2021	1/2021	2/2021	TOTAL
Date of Meeting	11/03/21 16:00 SCBZ VIRTUAL	04/11/21 16:00 SCBZ VIRTUAL	2
Caleb Fundanga (Chairperson)	✓	✓	2
Doreen Kapambwe Chiwele	✓	✓	2

NOTE: CEO/CFO ARE NOT MEMBERS AND ONLY ATTEND RNC BY INVITATION

KEY:

✓ : Attended in person.

× : Absent.

AP: Apologies

Bl: By Invitation

D: Delegated

AC: Acting Committee Chairperson

STANDARD CHARTERED BANK ZAMBIA PLC

Designation	Name	Total Meetings invited for	Physical Attendance	Attendance - Virtual	Attendance By Audio	Total Attendance (In Person, VC & Audio)	per cent	Remarks
Chairman/INED	Caleb Fundanga	*10	4	6	N/A	10	100%	Attended all meetings invited for.
INED	Robin Miller	*16	Nil	16	N/A	16	100%	Attended all meetings invited for.
INED	Kapambwe D Chiwele	**16	1	16	N/A	16	100%	Attended all meetings invited for.
INED	Munakopa Sikaulu	*16	1	15	N/A	16	100%	Attended all meetings invited for.
NED	Kweku Bedu-Addo	**13	Nil	13	N/A	13	100%	Attended all meetings invited for.
ED/CEO	Herman Kasekende	*16	4	12	N/A	16	100%	Attended all meetings invited for.
ED/CFO	Kelvin Bwalya	*21	4	17	N/A	21	100%	Attended all meetings invited for.

* Includes 1 adhoc meeting.

** Includes 2 adhoc meetings.



Standard Chartered Bank Zambia Plc

Consolidated and separate financial statements

for the year ended 31
December 2021

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Directors' responsibilities in respect of the preparation of consolidated and separate financial statements

The Companies Act no. 10 of 2017 requires the Directors to prepare financial statements for each financial year that present fairly the state of the financial affairs of the Company as at the end of the financial year and of its profit or loss. It also requires the Directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company. The Directors are further required to ensure the Group adhere to the corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act no. 10 of 2017.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act no. 10 of 2017. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Group and of its profit or (loss) in accordance with International Financial Reporting Standards and the requirements of the Companies Act no. 10 of 2017. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act no. 10 of 2017.

Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements

The financial statements of the Company as indicated above, were approved by the Directors on 24th February, 2022 and are signed on its behalf by:



C. Fundanga
Chairman



H. Kasekende
Managing Director



K. Bwalya
Executive Director - Finance and Administration

Independent Auditor's Report to the Shareholders of Standard Chartered Bank Zambia Plc

Opinion

We have audited the consolidated and separate financial statements of Standard Chartered Bank Zambia Plc ("the Group and Bank") set out on pages 46 to 124 which comprise the consolidated and separate statement of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Standard Chartered Bank Zambia Plc as at 31 December 2021 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Zambia Companies Act 2017, the Banking and Financial Services Act and Securities Act of Zambia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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 have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. 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.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements

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

<i>Expected credit losses</i>	
<i>See note 8 use of judgements and estimates, note 29 loans and advances to customers, note 48 credit risk section of the financial risk management, note 7.8.1 loans and advances accounting policy, and note 7.8 financial assets and financial liabilities accounting policy</i>	
Key audit matter	How the matter was addressed
<p>The impairment of loans and advances to customers is estimated by the Directors and requires significant judgement to determine the impairment allowance based on the expected credit losses (ECL).</p> <p>Key areas of judgement include:</p> <ul style="list-style-type: none"> - Interpretation of the requirements to determine impairment under IFRS 9 which is reflected in the Bank's expected credit loss model. - The identification of exposures with significant deterioration in credit quality and Allocation of assets to stage 1, 2, or 3 on a timely basis using criteria in accordance with IFRS 9; - Assumptions and data inputs used in the expected credit loss model such as the expected future cash flows and forward-looking macroeconomic factors (such as foreign exchange rates, inflation and gross domestic product (GDP)). 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We tested the design and implementation and operating effectiveness of key controls over: <ul style="list-style-type: none"> - approval of credits origination of loans and advances; and - approval of loan risk ratings and credit rate monitoring assessments performed by management. • 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 Bank's definition of significant increase in credit risk. • We assessed the data inputs such as macroeconomic factors used in the ECL model and compared them to independent statistical analyses for reasonableness. • With the support of our EY specialists, we evaluated the assumptions, inputs and formulas used in the modelling techniques such as Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) against the requirements of IFRS 9.

<ul style="list-style-type: none"> - The measurement of modelled provisions, which is dependent upon key assumptions relating to probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) - Appropriateness, completeness and valuation of risk event overlays to capture risks not identified by the credit impairment models, including the consideration of the risk of management override; and - Individually assessed ECL allowances – Measurement of individual provisions including the assessment of probability weighted recovery scenarios, exit strategies, collateral valuations and time to collect. <p>Due to the significant judgement applied by the Directors in determining the Expected Credit Losses, of loans and advances to customers this was considered to be a key audit matter.</p>	<ul style="list-style-type: none"> • We challenged the completeness and appropriateness of overlays used for risks not captured by the models, particularly the uncertainties as a result of the COVID-19 pandemic Our procedures included evaluating the underpinning assumptions and judgments as to whether they are appropriate in prevailing market conditions • We examined a sample of exposures and performed procedures to evaluate the expected credit loss calculation for exposures assessed on an individual basis by recalculating the expected credit loss for loans and advances in stage 3. • We examined a sample of exposures for completeness by checking that all exposures were included in the ECL model with reference to minutes of loan committee meetings and other supporting documentation. • We assessed the adequacy of the disclosure made in the financial statements against the requirements of IFRS 9 Financial Instruments.
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Other Information

The Directors are responsible for the other information. The other information is included in pages 1 to 42 and pages 125 to 132 which comprises the Annual report, the Directors’ report and other supplementary information as required by the Zambia Companies Act, 2017 and all other information included in the Annual Report. Other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Zambia Companies Act, 2017; the Banking and Financial Services Act and 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 the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or the Bank or to cease operations, or have no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Bank’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of

our auditor's report. However, future events or conditions may cause the Group and/or the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

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 year 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 consequence of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Zambia Companies Act, 2017

In accordance with section 259 (3) of the Zambia Companies Act, 2017, we consider and report that:

- there is no relationship, interest or debt we have with the Company; and
- there were no serious breaches of corporate governance principles or practices by the Directors. The statement is made on the basis of the corporate governance provisions Act, Part VII - Corporate Governance of the Zambia Companies Act, 2017.

Banking and Financial Services Act, 2017 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 wellbeing of the Bank that are not satisfactory and require rectification including:
 - a) transactions that are not within the powers of the Bank or which are contrary to the Act; or
 - b) any 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, 2016 of Zambia

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

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

EY Zambia

Chartered Accountants

The engagement partner on the audit resulting in this independent auditor's report is;

Mark Libakeni

Partner

Practicing Certificate Number: AUD/F000397

1 March 2022

Lusaka

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

for the year ended 31 December 2021

	Note	Group and Bank	
		2021 K'000	2020 K'000
Interest income calculated using the effective interest rate method	10	1,143,204	1,178,202
Interest expense calculated using the effective interest rate method	11	(310,581)	(421,389)
Net interest income		832,623	756,813
Fee and commission income	12	236,331	189,743
Fee and commission expense	12	(44,706)	(37,747)
Net fee and commission income		191,625	151,996
Net trading income	13	290,821	256,821
Credit release/(charge) on financial assets	14	202,207	(293,252)
Other operating income/ (loss)	16	7,263	(4,518)
Operating Income		1,524,539	867,860
Personnel expenses	17	(253,331)	(330,667)
Depreciation, amortisation, equipment and lease expenses	18	(167,901)	(186,483)
Other Impairment	14.2	-	(20,536)
Other expenses	18	(491,010)	(372,548)
Other operating expenses		(912,242)	(910,234)
Profit/(Loss) before income tax		612,297	(42,374)
Income tax expense	19(a)	(258,367)	(5,704)
Profit/(Loss) for the year		353,930	(48,078)
Other comprehensive income, net of income tax items that may be reclassified to profit or loss:			
Fair value reserves			
Investment securities at FVOCI - Net change in fair value	19(c)	(41,892)	177,950
Related taxes	19(c)	31,517	(62,282)
Other comprehensive income for the year, net of income tax		(10,375)	115,668
Total comprehensive Income/(Loss) for the year		343,555	67,590
Earnings/(Loss) per share			
Basic and diluted Earnings/ (Loss) per share (Kwacha)	20	0.21	(0.03)

The notes on pages 50 to 124 are an integral part of these financial statements.

Consolidated and separate statement of financial position

as at 31 December 2021

Assets	Note	Group		Bank	
		2021 K'000	2020 K'000	2021 K'000	2020 K'000
Cash and cash equivalents	42	5,221,081	5,251,892	5,221,081	5,251,892
Cash on hand and balances at Bank of Zambia	22	1,909,632	2,095,891	1,909,632	2,095,891
Pledged assets	24	525,000	100,000	525,000	100,000
Derivative financial instruments	27	23,707	4,590	23,707	4,590
Investment securities	28	3,414,191	3,542,091	3,414,191	3,542,091
Investment in subsidiary	25	-	-	5	5
Loans and advances to customers	29	1,646,011	2,410,457	1,646,011	2,410,457
Other assets	30	167,648	357,185	167,648	357,185
Assets held for sale	32	7,800	9,761	7,800	9,761
Property and equipment and right of use assets	31	128,220	179,158	128,220	179,158
Current tax assets	19(d)	46,214	-	46,214	-
Deferred tax assets	19(e)	107,291	165,707	107,291	165,707
Intangible assets	33	75,937	70,138	75,937	70,138
Total assets		13,272,732	14,186,870	13,272,737	14,186,875
Liabilities					
Amounts payable to group banks	42	536,119	325,740	536,119	325,740
Amounts payable to non-group banks	42	11,482	21,266	11,482	21,266
Derivative financial instruments	27	20,984	8,548	20,984	8,548
Deposits from customers	34	10,899,749	12,214,521	10,899,749	12,214,521
Dividends payable	21	4,888	4,896	4,888	4,896
Current tax liabilities	19(d)	-	22,127	-	22,127
Other liabilities	35	470,263	615,974	470,268	615,979
Subordinated liabilities	38	66,640	84,680	66,640	84,680
Provisions	36	108,637	78,703	108,637	78,703
Total liabilities		12,118,762	13,376,455	12,118,767	13,376,460
Equity					
Share capital	39	416,745	416,745	416,745	416,745
Statutory reserves		12,285	12,285	12,285	12,285
Fair value reserves		235,968	246,343	235,968	246,343
Credit reserves		52,548	9,261	52,548	9,261
Capital contribution		62,312	62,312	62,312	62,312
Retained earnings		374,112	63,469	374,112	63,469
Total equity		1,153,970	810,415	1,153,970	810,415
Total liabilities and equity		13,272,732	14,186,870	13,272,737	14,186,875

These financial statements were approved by the Board of directors on 24 February, 2022 and were signed on its behalf by:



C. Fundanga
Chairman



H. Kasekende
Managing Director



K. Bwalya
Director Finance and Administration



R. Kavimba
Company Secretary

The notes on pages 50 to 124 are an integral part of these financial statements.

Consolidated and separate statement of changes in equity

for the year ended 31 December 2021

Group and Bank	Share capital	Statutory reserves	Fair value reserves	Credit reserves	Share-based payment reserve	Capital Contribution	Retained earnings	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Balance at 1 January 2020	416,745	12,285	130,675	8,523	-	62,312	112,285	742,825
Loss for the year	-	-	-	-	-	-	(48,078)	(48,078)
Other comprehensive income net of income tax								
Fair value reserve on investment securities at FVOCI								
- Net change in fair value	-	-	115,668	-	-	-	-	115,668
Total comprehensive income for the year			115,668				(48,078)	67,590
Transfers	-	-	-	738	-	-	(738)	-
Transactions with owners, recognized directly in equity								
Dividends (note 21)	-	-	-	-	-	-	-	-
Share based payment transactions	-	-	-	-	492	-	492	-
Distribution of share-based payments	-	-	-	-	(492)	-	(492)	-
Total contributions by and distribution to owners	-	-	-	-	-	-	-	-
Balance at 31 December 2020	416,745	12,285	246,343	9,261	-	62,312	63,469	810,415
Group and Bank								
Balance at 1 January 2021	416,745	12,285	246,343	9,261	-	62,312	63,469	810,415
Profit for the year	-	-	-	-	-	-	353,930	353,930
Other comprehensive income net of income tax								
Fair value reserve on investment securities at FVOCI								
- Net change in fair value	-	-	(10,375)	-	-	-	-	(10,375)
Total comprehensive income for the year	-	-	(10,375)	-	-	-	353,930	343,555
Transfers	-	-	-	43,287	-	-	(43,287)	-
Transactions with owners, recognized directly in equity								
Dividends (note 21)	-	-	-	-	-	-	-	-
Share based payment transactions	-	-	-	-	(624)	-	624	-
Distribution of share-based payments	-	-	-	-	624	-	(624)	-
Total contributions by and distribution to owners	-	-	-	-	-	-	-	-
Balance at 31 December 2021	416,745	12,285	235,968	52,548	-	62,312	374,112	1,153,970

Fair value reserve

The fair value reserve comprises the fair value movement of financial assets classified as fair value through other comprehensive income FVOCI (previously as available-for-sale). Gains and losses including Expected Credit Loss (ECL) are deferred to this reserve until such time as the underlying asset is sold.

Credit reserve

The credit reserve is a loan loss reserve that relates to the excess/deficit of impairment provision as required by the Banking and Financial Services Act of Zambia over the impairment provision computed in terms of International Financial Reporting Standards.

Capital contribution

The capital contribution reserve relates to the franchise value arising from the acquisition of the Security Services business. The franchise value is the amount paid on behalf of the Bank by Standard Chartered Plc for the acquisition of the Security Services business. Included in the capital contribution is the majority shareholder's 2018 final dividend declared which was retained on approval as additional capital for the Group.

Retained earnings

Retained earnings are the brought forward recognised income net of expenses of the Group plus current year profit attributable to shareholders less distribution to shareholders.

Statutory reserves

Statutory reserves comprises amounts prescribed under statutory instrument No. 21 of 1995: The Banking and Financial Services (Reserve Account) Regulations

Share based payment reserve

Sharesave is an all-employee plan where participants (including executive directors) are able to open a savings contract to fund the exercise of an option over shares. The share based payment reserve relates to equity options exercised of which employees of Standard Chartered Bank Zambia Plc participate.

The notes on pages 50 to 124 are an integral part of these financial statements.

Consolidated and separate statement of cash flows

for the year ended 31 December 2021

Group and Bank

	Note	2021 K'000	2020 K'000
Profit/(Loss) before tax		612,297	(42,374)
Other non-cash items included in profit before tax			
Depreciation of property, equipment and right-of-use assets	31	60,585	42,848
Amortisation of intangible		27,776	20,593
Equity settled share based payments transaction	17a	(624)	(492)
Impairment (releases)/charges		(196,598)	293,252
Other impairment	14.2	-	20,536
Gain on disposal of assets		(4,803)	(1,114)
Write offs on property and equipment		5,639	-
Lease cancellation gains		(2,344)	-
Effect of exchanges rate fluctuations on subordinated loan capital	42	(18,040)	28,080
Fair value losses/(gains)		2,808	(64,771)
Net Interest income		(808,433)	(756,813)
		(321,737)	(460,255)
Change in:			
Statutory reserve deposits with the central bank		227,284	(418,078)
Pledged assets		(425,000)	-
Due from banks		-	101,999
Derivative financial instruments- assets		(19,117)	40,683
Loans and advances to customers		985,751	721,207
Other assets		175,203	22,438
Due to customers		(1,284,856)	2,925,224
Derivative financial instrument- liabilities		12,436	(33,193)
Provisions		29,934	(26,587)
Other liabilities		(65,816)	31,220
		(364,181)	3,364,913
Interest received		1,135,591	1,125,201
Interest paid		(364,686)	(490,011)
		770,905	635,190
Cash (used)/generated from operating activities before taxation		84,987	3,539,848
Income tax paid		(108,832)	(32,536)
Net cash (used)/generated from operating activities		(23,845)	3,507,312
Investing activities			
Purchase of property and equipment		(13,136)	(34,387)
Proceeds from the sale of property and equipment		554	5,174
Proceeds from the sale of assets held for sale		5,850	-
Purchase of intangible assets		(33,575)	(58,579)
Investment in government securities		(3,533,661)	(3,272,976)
Proceeds from maturity/sale of investment securities		3,488,920	1,780,300
Net cash flows used in investing activities		(85,048)	(1,580,468)
Financing activities			
Divided Claims		(8)	-
Premises, Motor vehicle and equipment lease liability principal payment		(67,857)	(33,543)
Net cash flows used in financing activities		(67,865)	(33,543)
Net (decrease)/ increase in cash and cash equivalents		(176,758)	1,893,301
Cash and cash equivalents at the beginning of the the year	42	5,745,981	3,817,633
Effects of exchange rate fluctuation on cash held		(13,653)	35,047
Total cash and cash equivalents at the end of the year	42	5,555,570	5,745,981

Notes to the consolidated and separate financial statements

for the year ended 31 December 2021

1 Corporate information

Standard Chartered Bank Zambia Plc (“Bank”) provides consumer, private and business banking, corporate banking and wealth management services.

Standard Chartered Bank Zambia Plc (“Bank”) is a Bank incorporated and domiciled in Zambia. The Bank’s registered office is at Standard Chartered House, Stand 4642, Corner of Mwaimwena Road and Addis Ababa Drive, Lusaka. Standard Chartered Bank has a primary listing on the Lusaka Stock exchange.

These consolidated and separate financial statements comprise the Bank and its subsidiary, Standard Chartered Nominees Zambia Limited (collectively the ‘Group’). The Group is primarily involved in corporate and consumer banking.

2 Basis of preparation

The consolidated and separate financial statements have been prepared on a historical cost basis, except for derivative financial instruments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVPTL) and debt and equity instruments at fair value through other comprehensive income (FVOCI) all of which have been measured at fair value.

3 Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, the Banking and Financial Services Act and the Securities Act of Zambia.

The Bank has one subsidiary, Standard Chartered Nominees Limited, which is dormant and accordingly the Group’s consolidated and separate statements of profit and loss and other comprehensive income, changes in equity and cash flows are substantially the same as the Bank.

4 Presentation of financial statements

The Group presents its statement of financial position in order of liquidity based on the Group’s intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non current) is presented in Note 39.

5 Changes in accounting policies and disclosures

5.1. New and amended standards and interpretations

The were new standards issued which were effective for annual periods beginning on or after 1 January 2021 with earlier adoption permitted.

The Group has not early adopted any standards, interpretations or amendments that have been issued but not yet effective.

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the Groups consolidated and separate financial statements.

New pronouncement	Effective date*	Applicability to Group	
		Yes	No
COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16	1 Apr 2021***		No
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	01/01/2021	Yes	
Reference to the Conceptual Framework – Amendments to IFRS 3	01/01/2022	Yes	
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	01/01/2022		No
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	01/01/2022		No
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	01/01/2022		No
AIP IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities	01/01/2022	Yes	
AIP IAS 41 Agriculture – Taxation in fair value measurements	01/01/2022		No
IFRS 17 Insurance Contracts	01/01/2023		No
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 Jan 2023	Yes	
Definition of Accounting Estimates - Amendments to IAS 8	01/01/2023	Yes	
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01/01/2023	Yes	
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	01/01/2023		No
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Note 1		No

* Effective for annual periods beginning on or after this date.

** Assuming that an entity has not early adopted the pronouncement according to specific provisions in the standard, interpretation or amendment.

*** Earlier application is permitted, including in financial statements not yet authorised for issue at 31 March 2021.

**** In July 2021, the Board tentatively decided to defer the effective date of the 2020 amendments to no earlier than 1 January 2024.

Note 1: In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project

6 Basis of consolidation

The consolidated and separate financial statements comprise the financial statements of the Group and its subsidiary.

The Bank has one subsidiary, Standard Chartered Nominees Limited, which is dormant and according to Groups consolidated and separate statements of profit and loss and other comprehensive income, changes in equity and cash flows are substantially the same as the Bank.

7 Summary of significant accounting policies

7.1 Foreign currency translation

7.1.1 Functional and presentation currency

These consolidated and separate financial statements are presented in Zambian Kwacha (“Kwacha”), which is the Group’s functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

7 Summary of significant accounting policies (continued)

7.1 Foreign currency translation (continued)

7.1.2 Transactions and balances

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

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of equity investments in respect of which an election has been made to present subsequent changes in OCI, are recognised in OCI.

7.2 Recognition of interest income

7.2.1 Effective interest rate method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates

of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

7.2.2 Interest and similar income/ expenses

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cashflows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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

7.2.3 Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

7.2.4 Calculation of interest income and expense

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost; and

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income (see Note 13).

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

7 Summary of significant accounting policies (continued)

7.2 Recognition of interest income (continued)

7.2.4 Calculation of interest income and expense (continued)

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest in suspense on stage 3 financial assets will not be recognised as a catch-up when the financial assets cures to stage 2 or stage 1.

For information on when financial assets are credit-impaired, see Note 48.

Interest income and expense calculated using the effective interest method presented in the statement of profit or loss and OCI includes interest on financial assets and financial liabilities measured at amortised cost:

- interest on investment instruments measured at FVOCI;
- Net gains on financial assets and financial liabilities at FVTPL are presented in net gains from other financial instruments at FVTPL (see Note 15).

7.3 Fees and commission

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 8.

7.3.1. Fee and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include asset management, custody and other services, where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The Group's fee and commission income from services where performance obligations are satisfied over time include the following:

Custody fees: The Group earns a fixed annual fee for providing its customers with custody services, which include the safekeeping of purchased securities and processing of any dividend income and interest payments. As the benefit to the customer of the services is transferred evenly over the service period, these fees

are recognised as revenue evenly over the period, based on time-elapsed.

Loan commitment fees: These are fixed annual fees paid by customers for loan and other credit facilities with the Group, but where it is unlikely that a specific lending arrangement will be entered into with the customer and the loan commitment is not measured at fair value. The Group promises to provide a loan facility for a specified period. As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received monthly in arrears.

Interchange fees: The Group provides its customers with credit card processing services (i.e., authorisation and settlement of transactions executed with the Group's credit cards) where it is entitled to an interchange fee for each transaction (i.e., when a credit cardholder purchases goods and services from merchants using the Group's credit card). The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed per centage of the underlying cardholder transaction. The variable interchange fees are allocated to each distinct day, based on the number and value of transactions processed that day, and the allocated revenue is recognised as the entity performs.

Services provided where the Group's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees. The Group has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

Brokerage fees: The Group buys and sells securities on behalf of its customers and receives a fixed commission for each transaction. The Group's performance obligation is to execute the trade on behalf of the customer and revenue is recognised once each trade has been executed (i.e., on the trade date). Payment of the commission is typically due on the trade date.

7.4 Net trading income

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

7.5 Net gains on financial instruments at FVTPL

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes relationships and financial assets and financial liabilities designated at FVTPL. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

7.6 Net gain/ loss on derecognition of financial assets measured at amortised cost or FVOCI

Net loss on derecognition of financial assets measured at amortised cost includes loss (or income) recognised on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

7 Summary of significant accounting policies (continued)

7.7 Financial instruments – initial recognition

7.7.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

7.7.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

7.7.3 Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

7.7.4 Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised Cost as explained in Note 7.2.2.
- FVOCI as explained in Note 7.9.4
- FVTL as set out in Note 7.9.3.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied

7.7.5 Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are

sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the statement of financial position date.

- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

The Group evaluates the levelling at each reporting period on an instrument by instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

7.8 Financial assets and liabilities

7.8.1 Due from banks, Loans and advances to customers

The Group measures Due from banks, Loans and advances to customers and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined below.

7.8.1.1 Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

7 Summary of significant accounting policies (continued)

7.8 Financial assets and liabilities (continued)

7.8.1.2 The SPPI test

As a second step of its classification process the Group assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

7.8.2 Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, cross-currency swaps and forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

7.8.3 Financial assets or financial liabilities held for trading

The Group classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value.

Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

7.8.4 Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost as explained in Note 7.2.2. The ECL calculation for debt instruments at FVOCI is explained in Note 7.12.4. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

7.8.5 Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

7.8.6 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

7.8.7 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatory required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

7 Summary of significant accounting policies (continued)

7.8.7 Financial assets and financial liabilities at fair value through profit or loss (continued)

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

Or

The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss.

Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate, as explained in Note 7.2.3. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

7.8.8 Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated and separate statement of profit or loss and other comprehensive income and an ECL allowance as set out in Note 45.

The premium received is recognised in the consolidated and separate statement of profit or loss and other comprehensive income in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.

The nominal values of these instruments together with the corresponding ECL are disclosed in Note 45

7.9 Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified

7.10 Derecognition of financial assets and liabilities

7.10.1 Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition 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 on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, 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 certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

In the context of IBOR reform, the Bank's assessment of whether a change to an amortised cost financial instrument is substantial, is made after applying the practical expedient introduced by IBOR reform Phase 2.

This requires the transition from an IBOR to an RFR to be treated as a change to a floating interest rate, as described in Note 7.2.1.

7.10.2 Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

7 Summary of significant accounting policies (continued)

7.11 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity

7.12 Impairment of financial assets

Overview of the ECL principle

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are investment securities;
- loans and advances to customers
- loans and advances to banks
- restricted balances with the Central Bank
- lease receivables;
- financial guarantee contracts issued; and loan commitments issued.

No impairment loss is recognised on equity investments.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL).

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Group considers a investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

- 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

- Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.
- Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

7.12.1 The calculation of ECL

The Group calculates ECL based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately, as set out in Note 7.14. It is usually expressed as a percentage of the EAD.

When estimating the ECL, the Group considers four scenarios (a base case, an upside, a mild downside (downside 1) and a more extreme downside (downside 2)). Each of these is associated with different PDs, EADs and LGDs, when relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out in the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

7 Summary of significant accounting policies (continued)

7.12 Impairment of financial assets (continued)

7.12.2 Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the *contractual* cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Group expects to recover.

7.12.3 Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

7.12.4 Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and investment financial assets carried at FVOCI and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for a security because of financial difficulties.
- Sovereign downgrades and internal country downgrades

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

7.12.5 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- investment instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

7.12.6 Financial guarantee contracts held

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

7 Summary of significant accounting policies (continued)

7.12.6 Financial guarantee contracts held (continued)

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

7.13 Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

7.14 Collateral repossessed

In its normal course of business, the Group engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

7.15 Write-off

Financial assets are written off either partially or in their entirety only when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

7.16 Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

7.17 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

7.17.1 As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

The commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

7.17.2 As a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

The Group does not lease out any assets.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

7 Summary of significant accounting policies (continued)

7.18 Property, equipment and right-of-use assets

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed.

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Properties	up to 50 years
Improvements to properties shorter of the life of the lease, or up to 50 years	
Equipment and motor vehicles	3 to 10 years
Right Of Use Assets	1 to 6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

7.19 Intangible assets, goodwill and Work in Progress (WIP)

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Software and WIP

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate: that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs and are amortised

over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Property and equipment may be classified as work-in-progress if it is probable that future economic benefits will flow to the Group and the cost can be measured reliably. Typically these are items that have not yet been brought to the location and/or condition necessary for it to be capable of operating in the manner intended.

Amounts held within work-in-progress that are substantially complete, in common with other fixed assets, are required to be assessed for impairment (see section B7). Where asset lives are short (technological assets for example) and the assets are held as WIP for a significant period, impairment (through technological obsolescence) is more likely to occur. In such situations, if the assets are generic in nature and do not require significant modification to bring them into use, it would be more appropriate to hold the assets within fixed assets and amortise them.

Assets that would typically fall into this category are PCs, screens and other items that require little modification to bring them into use.

In general, assets should not be held in work in progress for a significant period unless it relates to a significant construction project (a building for example).

7.20 Assets Held for Sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets classified as held for sale are presented separately as current items in the statement of financial position.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

7 Summary of significant accounting policies (continued)

7.21 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

Impairment losses are recognised in profit or loss. They 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.

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

7.22 Deposits, debt securities issued and subordinated liabilities

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

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

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, investment securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method. Except where the Group derecognizes liabilities at fair value through profit or loss.

7.23 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

7.24 Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantially enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that the Group is able to control the timing of the reversal of temporary differences and it is probable that they will not reverse in the foreseeable future. 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 realized.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date and reflects uncertainty related to income taxes, if there any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

7 Summary of significant accounting policies (continued)

7.25 Employee benefits

Defined contribution plan

A defined contribution plan is a post - employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as expense in profit or loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Retirement benefits for members of staff are provided through a defined contribution fund.

The Group contributes 10% of employees' basic pay to the defined contribution pension fund. Obligations for contributions to the defined contribution pension plans are due in respect of services rendered before the end of the reporting period.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

Short - term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

Share based payments

The Group's employees participate in a number of share based payment schemes operated by Standard Chartered Plc, the ultimate holding company of Standard Chartered Bank Zambia Plc.

Participating employees are awarded ordinary shares in Standard Chartered Plc in accordance with the terms and conditions of the relevant scheme.

In addition, employees have the choice of opening a three-year or five-year savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares of Standard Chartered Bank Plc. The price at which they may purchase shares is at a discount of up to twenty per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under all employee share save schemes.

Equity settled options or share awards are calculated at the time of grant based on the fair value of the equity instruments granted. The grant date fair value is not subject to the change of the fair value of equity instruments granted based on market prices. In the absence of market prices, the fair value of the instrument is estimated using an appropriate valuation technique, such as a binomial option pricing model.

A Share Options Reserve is maintained for the transactions relating to share options and other share based payments;

- For equity settled share options, a credit is recognised within the Share Option Equity Reserve [which forms part of retained earnings], matching the P&L charge for these options, together with any tax recognised directly in equity.
- On exercise of the option, the share option reserve may be classified to share premium and share capital if shares are issued to satisfy the award and cash is received on settlement.

7.26 Share capital and reserves

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

7.27 Earnings per share

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Group by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

7.28 Statutory Reserve deposits

Statutory deposits are held with Bank of Zambia, as a minimum reserve requirement. They are not available for the Group's daily business. The reserve represents a requirement by the Central Bank and is a per centage of the Group's local and foreign currency liabilities to the public plus Vostro account balances. They are held in local currency and foreign currency (USD).

ECL on these deposits arises when the balance is classified with credit grading (CG) 13 due to an internal downgrade. The exposure at default (ED), loss given default (LGD) and probability of default (PD) will all be determined based on the prevailing fundamentals at the time of the downgrade

7.29 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (who is the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available (see note 9).

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

7 Summary of significant accounting policies (continued)

7.29 Segment reporting (continued)

The Bank's segmental reporting is in accordance with IFRS 8 Operating Segments and is reported consistently with the internal performance framework and as presented to the Management Team. The two client segments are: Corporate & Institutional Banking and Consumer, Private and Business Banking. Activities not directly related to a client segment are included in Other Banking (Central & other items). These mainly include treasury activities. The following should also be noted:

- Transactions and funding between the segments are carried out on an arm's-length basis
- Treasury markets are not managed directly by a client segment and are therefore included in the Other Banking segment

The segment analysis reflects how the client segments are managed internally. This is described as the Management View. Segmental information is therefore on a Management View unless otherwise stated.

8 Significant accounting Judgements, estimates and assumptions

The preparation of the Group's consolidated and separate financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

8.1 Judgements

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated and separate financial statements is included in the following notes.

- Note 48: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss (ECL) and selection and approval of models used to measure ECL.
- Notes 7.9: classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

8.2 Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties that have significant risk requiring a material adjustment in year ended 31 December 2021 is issued in following notes:

- Note 7.12: impairment of financial instruments: determining inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.
- Note 7.7: measurement of the fair value of financial instruments with significant unobservable inputs.
- Note 7.24: recognition of deferred tax assets: availability of future taxable profits against which to carry-forward tax losses can be used.
- Note 33: impairment testing or CGU's containing goodwill; key assumptions underlying recoverable amounts
- Note 7.23: recognition and measurement of contingencies: key assumptions about the likelihood magnitude of an outflow of resources.

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are investment securities;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

8.3 Going concern

The Group management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis

Despite the unpredictability of the potential impact of the outbreak of COVID-19 Pandemic, the Group has remained liquid throughout the year with sufficient cash to meet its day-to-day needs. The Group's liquidity ratios have remained above the required minimum and there has been heightened observance of the liquidity levels in order not to fall below the requirements. Through various governance forums, the Group has ensured that any emerging risks are identified, discussed and mitigating actions put in place in order to preserve the operations of the Group. The Group's capital ratios have equally remained above the minimum of 10% set by the regulator, a clear sign of the Group's resilience and keenness in ensuring that both clients and the Group are protected from the effects of risks that might emerge as a result of the pandemic.

8.4 Fair value of financial instruments

The fair value of financial instruments 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 at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgments and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

8 Significant accounting Judgements, estimates and assumptions (continued)

8.5. Effective Interest Rate (EIR) method

The Bank's EIR method, as explained in Note 7.2.1, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments, penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to Goodland's base rate and other fee income/expense that are integral parts of the instrument.

IBOR reform Phase 2 requires, as a practical expedient that changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform are treated as a change to a floating rate of interest provided that the transition from IBOR to an RFR takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform.

For changes that are not required by IBOR reform, the Bank applies judgement to determine whether they result in the financial instrument being derecognised as described in Note 7.10. above. Therefore, as financial instruments transition from IBOR to RFRs, the Bank applies judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Bank considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Examples of changes that are economically equivalent include changing the reference interest rate from an IBOR to an RFR, changing the reset period for days between coupons to align with the RFR, adding a fallback to automatically transition to an RFR when the IBOR ceases, and adding a fixed credit adjustment spread based on that calculated by ISDA or which is implicit in market forward rates for the RFR.

8.6 Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although in Zambia tax losses can only be utilised for 5 years, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

8.7 Provisions and other contingent liabilities.

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Zambia and in other jurisdictions, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosures in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

9 Segment information

a. Basis for segmentation

The Group manages and reports its business through three main strategic business units. These operating units offer different products and services and are managed as separate segments of the business for purposes of internal reporting. The results of the units segments are reviewed on a monthly basis by the Chief Executive Officer. The following summary describes the operations of each of the Group's reportable segments:

Corporate and Institutional Banking	Includes the Group's trading, corporate finance activities, loans, trade finance, cash management, deposits and other transactions with corporate customers. The segment also includes financial markets which is the Treasury unit which undertakes the Group's management and centralized risk management activities through borrowings, issue of investment securities, use of derivatives for risk management purposes and investing in liquid assets such as short term placements and corporate government securities. The Treasury arm of Financial Markets is disclosed separately as Other Banking. Investment securities and placements with other institutions are reported under this section together with the related income. Any other income that is not specific to any segment is also reported under this section..
Consumer Private and Business Banking (CPBB)	Includes three client segments namely; Personal, Priority and Business Clients. The segment provides Current Accounts, Savings Accounts, Term deposits, Personal Installment Loans, Mortgages, Trade Finance, Overdraft and Business Loans (for Business Clients that have annual turnover of K 64 million and below). Consumer, Private and Business Banking also provide Bancassurance, Investment services and Foreign currency services. CPBB Clients manages the entire distribution network for the bank which includes various client touch points such as branches, mobile banking, online Banking and the client contact center

In 2020 our focus shifted to the Corporate and Institutional Banking (CIB) business and Consumer Private and Business Banking (CPBB) due to our refreshed strategic priorities. This is demonstrated by our decision to refine our market participation from two corporate segments (Corporate and Institutional Banking and Commercial Banking) to one (Corporate and Institutional Banking).

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment.

The Group only operates in Zambia.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

9 Segment information (continued)

b. Profit segments

Group		Corporate & institutional Banking	Consumer Private & Business Banking	Other banking	Total
2021	Note	K'000	K'000	K'000	K'000
Net interest income	10,11	60,658	42,653	729,312	832,623
Net fees and commission income	12	42,431	158,074	(8,880)	191,625
Net trading income	13	157,373	59,224	74,224	290,821
Other income	16	-	4,972	2,291	7,263
Total external revenue		260,462	264,923	796,947	1,322,332
Inter -Segment		236,254	317,700	(553,954)	-
Total Operating income		496,716	582,623	242,993	1,322,332
Operating expense		(386,037)	(461,810)	(64,395)	(912,242)
Operating profit/ loss before impairment and taxation		110,679	120,813	178,598	410,090
Credit loss expense on financial assets	14	110,027	80,555	11,625	202,207
Statutory profit / loss before taxation		220,706	201,368	190,223	612,297
Income tax expense	19a	-	-	(258,367)	(258,367)
Statutory Profit/ (Loss) for the year		220,706	201,368	(68,144)	353,930
Total Assets		3,856,970	926,700	8,489,062	13,272,732
Of which: loans and advances to customers		757,781	888,230	-	1,646,011
Total Liabilities		5,862,939	5,156,151	1,099,672	12,118,762
Of which: Customer accounts		5,738,892	5,160,857	-	10,899,749

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

9 Segment information (continued)

b. Profit segments (continued)

Bank		Corporate & institutional Banking	Consumer Private & Business Banking	Other banking	Total
2020 *restated	Note	K'000	K'000	K'000	K'000
Net interest income	10,11	1,269	131,954	623,590	756,813
Net fees and commission income	12	26,645	130,582	(5,231)	151,996
Net trading income	13	153,695	58,493	44,633	256,821
Other income	16	(4,132)	480	(866)	(4,518)
<hr/>					
Total external revenue		177,477	321,509	662,126	1,161,112
Inter -Segment		308,690	243,409	(552,099)	-
Operating Income		486,167	564,918	110,027	1,161,112
Operating expense		(331,428)	(456,591)	(101,679)	(889,698)
Operating profit/ loss before impairment and taxation		154,739	108,327	8,348	271,414
Credit loss expense on financial assets	14	(145,435)	(4,483)	(143,334)	(293,252)
Other impairment		(13,476)	(7,060)		(20,536)
Statutory profit / loss before taxation		(4,172)	96,784	(134,986)	(42,374)
Income tax expense	19a	-	-	(5,704)	(5,704)
(Loss)/Profit for the year		(4,172)	96,784	(140,690)	(48,078)
<hr/>					
Total Assets		1,685,437	1,226,808	11,274,625	14,186,870
Of which: loans and advances to customers		1,315,139	1,095,318	-	2,410,457
Total Liabilities		6,798,225	5,561,717	1,016,513	13,376,455
Of which: customer accounts		6,689,336	5,525,185	-	12,214,521

*The Bank exited the Commercial Banking segment 2020 due to the refreshed strategic priorities. The 2020 comparative numbers have been restated to reflect the requirements of the international financial reporting standards - IFRS 8

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

9 Segment information (continued)

c. Profit segments

Bank		Corporate & institutional Banking	Consumer Private & Business Banking	Other banking	Total
2021	Note	K'000	K'000	K'000	K'000
Net interest income	10,11	60,658	42,653	729,312	832,623
Net fees and commission income	12	42,431	158,074	(8,880)	191,625
Net trading income	13	157,373	59,224	74,224	290,821
Other income	16	-	4,972	2,291	7,263
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Inter -Segment		236,254	317,700	(553,954)	-
Total Operating income		496,716	582,623	242,993	1,322,332
Operating expense		(386,037)	(461,810)	(64,395)	(912,242)
Operating profit/ loss before impairment and taxation		110,679	120,813	178,598	410,090
Credit loss expense on financial assets	14	110,027	80,555	11,625	202,207
Statutory profit / loss before taxation		220,706	201,368	190,223	612,297
Income tax expense	19a	-	-	(258,367)	(258,367)
Statutory Profit/ (Loss) for the year		220,706	201,368	(68,144)	353,930
Total Assets		3,856,975	926,700	8,489,062	13,272,737
Of which: loans and advances to customers		757,781	888,230	-	1,646,011
Total Liabilities		5,862,944	5,156,151	1,099,672	12,118,767
Of which: Customer accounts		5,738,892	5,160,857	-	10,899,749

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

9 Segment information (continued)

c. Profit segments (continued)

Bank		Corporate & institutional Banking	Consumer Private & Business Banking	Other banking	Total
2020 *Restated	Note	K'000	K'000	K'000	K'000
Net interest income	10,11	1,269	131,954	623,590	756,813
Net fees and commission income	12	26,645	130,582	(5,231)	151,996
Net trading income	13	153,695	58,493	44,633	256,821
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Inter -Segment		308,690	243,409	(552,099)	-
Operating Income		486,167	564,918	110,027	1,161,112
Operating expense		(331,428)	(456,591)	(101,679)	(889,698)
Operating profit/ loss before impairment and taxation		154,739	108,326	8,348	271,414
Credit loss expense on financial assets	14	(145,435)	(4,483)	(143,334)	(293,252)
Other impairment		(13,476)	(7,060)		(20,536)
Statutory profit / loss before taxation		4,172	96,784	(134,986)	(42,374)
Income tax expense	19a	-	-	(5,704)	(5,704)
(Loss)/Profit for the year		(4,172)	96,784	(140,690)	(48,078)
<hr/>					
Total Assets		1,685,442	1,226,808	11,304,625	14,186,875
Of which: loans and advances to customers		1,315,139	1,095,318	-	2,410,457
<hr/>					
Total Liabilities		6,798,230	5,561,717	1,466,513	13,376,460
Of which: customer accounts		6,689,336	5,525,185	-	12,214,521

*The Bank exited the Commercial Banking segment 2020 due to the refreshed strategic priorities. The 2020 comparative numbers have been restated to reflect the requirements of the international financial reporting standards - IFRS 8

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

10 Interest income

	Group and Bank	
	2021 K'000	2020 K'000
*Placements	11,106	27,952
Debt instruments at FVOCI	716,692	645,835
Debt instruments at FVTPL	36,350	6,852
Loans and advances to customers	379,056	497,563
Total interest income calculated using the effective interest rate	1,143,204	1,178,202

Included in the interest income of loans and advances to customers is K 1,903,713 with a corresponding adjustment to the amounts recorded in statement of financial position reflecting changes in the Bank's EIR assumptions, incorporating the characteristics and expected behaviour of the balances.

Interest Income from placements include K7,250,000 income generated from related parties. Refer to note 45 for related party transactions and balances.

*Prior year amounts where presented as cash and short term funds and during the year, these have been classified as placements.

11 Interest expense

	Group and Bank	
	2021 K'000	2020 K'000
Deposits from customers	276,602	391,758
Placements	25,557	26,017
Subordinated loan Capital	3,054	3,614
Interest expense on lease liabilities	5,368	-
Total interest expense	310,581	421,389

Interest expense on placements include K1,245,000 interest expense transactions with related parties. Refer to Note 45 for related party transactions and balances.

12 Net fee and commission income

	Group and Bank	
	2021 K'000	2020 K'000
Consumer, Private and Business Banking (CPBB) customer fees	185,350	158,863
Corporate & Institutional Banking (CIB) credit related fees	50,981	30,880
Total fee and commission income	236,331	189,743
CPBB fees and commission expenses	(27,276)	(28,281)
CCIB credit customer fees	(8,550)	(5,958)
Other banking	(8,880)	(3,508)
Total fee and commission expenses	(44,706)	(37,747)
Net fee and commission income	191,625	151,996

Net fee income includes K230,000 for transactions with related parties. Refer to Note 45 for related party transactions and balances.

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Consumer and corporate banking service credit customer fees	<p>The Group provides banking services to consumer, commercial and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees.</p> <p>Fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates separately for consumer and corporate banking customers an annual basis.</p> <p>Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.</p> <p>Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group.</p>	<p>Revenue from account service and servicing fees is recognised over time as the services are provided.</p> <p>Revenue related to transactions is recognised at the point in time when the transaction takes place.</p>

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

13 Net trading income

	Group and Bank	
	2021 K'000	2020 K'000
Foreign currency transaction gains less losses	236,325	149,108
Net gains on financial instruments at FVTPL	201,084	110,418
(Losses) arising from dealing securities	(145,749)	(50,418)
	291,660	209,108
Dealing (losses) /profits	(839)	328
Realised gains on disposal of investment securities held at FVOCI	-	47,385
Net trading income	290,821	256,821

Net trading income includes K3,973,000 for transactions with related parties. Refer to Note 45 for related party transactions and balances.

14 Impairment

14.1 Impairment of Financial Instruments

2021	Group and Bank			
	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Statutory Reserves	-	-	-	-
Loans and advances to customers	61,157	112,359	19,202	192,718
Debt instruments	-	11,625	-	11,625
Financial Guarantees	-	2,248	(2,278)	(30)
Loan commitments	(4,645)	2,539	-	(2,106)
Total impairment release	56,512	128,771	16,924	202,207

Credit amounts in the profit and loss stagewise amounts are charges while debits are releases. The releases recorded in the current year were necessitated by the good performance of the book on account of the Bank's prudent credit risk measures as discussed in Note 48.

2020	Group and Bank			
	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Statutory Reserves	(67,629)	-	-	(67,629)
Loans and advances to customers	953	(143,637)	(1,222)	(143,906)
Debt instruments	-	(75,703)	-	(75,703)
Financial Guarantees	(457)	(1,907)	-	(2,364)
Loan commitments	(69,457)	65,092	715	(3,650)
Total impairment charge	(136,590)	(156,155)	(507)	(293,252)

14.2 Other Impairment

	2021 K'000	2020 K'000
Software	-	7,060
Goodwill	-	13,476
Total	-	20,536

There was nil impairment on Software and Goodwill in 2021

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

15 Net gains on financial instruments at fair value through profit or loss

	Group and Bank	
	2021 K'000	2020 K'000
Government bonds	201,084	110,418

Net gains on financial instruments at FVTPL has been reported and classified as Net trading income (Note 13) and presented as such in the statement of income and loss.

16 Other operating income

	Group and Bank	
	2021 K'000	2020 K'000
Gain on disposal of assets	4,803	1,114
Lease cancellation gains	2,344	-
Other Income/(Loss)	116	(5,632)
Total other Income/(Loss)	7,263	(4,518)

17 Personnel expenses

	Group and Bank	
	2021 K'000	2020 K'000
Wages and salaries	165,970	169,603
Social security costs	5,934	5,418
Pension costs - Defined contribution pension plan (Note 7.25)	9,735	12,938
Other staff costs	62,306	65,127
Equity settled share-based payment transactions	(624)	(492)
Redundancy and severance	10,010	78,073
Total	253,331	330,667

Wages and salaries include K14,111,000 for transactions with related parties. Refer to Note 45 for related party transactions and balances.

Other staff costs include training, travel costs and other staff related costs.

(a) Share-based payment transactions

The holding company (Standard Chartered Plc) operates a number of share based payments schemes for its directors and employees in which employees of Standard Chartered Bank Zambia Plc participate. These schemes are as outlined below. Through a recharge arrangement Standard Chartered Bank Zambia Plc reimburses the group for grant date fair value. The amount charged to the statement of changes in equity during the year was (K624, 000) (2020: K492, 000) and the corresponding amount is in liabilities. The holding company has the obligation to deliver to the respective participants the Standard Chartered Plc's ordinary shares under the various schemes.

The amount reported in other comprehensive income are as follows:

	Group and Bank	
	2021 K'000	2020 K'000
Restricted share scheme	(492)	677
Share save scheme	(132)	(1,169)
Total expense recognised as personnel expenses	(624)	(492)

(b) Restricted share scheme

The restricted share scheme (RSS) is used as incentive plan to motivate and retain high performing staff at any level of the organisation. It is also used as a vehicle for deferring part of bonuses of certain employees. 50% of the award vests two years after the date of grant and the balance after three years. The awards can be exercised within seven years of the grant date. The value of shares awarded in any year to any individual may not exceed two times their basic annual salary. The remaining life of the scheme is eight years. For awards, the fair value is based on the market value less an adjustment to take into account the expected dividends over the vesting period. The shares awarded are for SCB Group PLC.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

17 Personnel expenses (continued)

(b) Restricted share scheme (continued)

The number of share options is as follows:

	Group and Bank	
	Number of options 2021	Number of options 2020
Outstanding at the beginning of the reporting period	15,220	15,583
Exercised during the year	(6,024)	(4,926)
Granted during the year	2,038	4,563
Outstanding at 31 December	11,234	15,220
Exercisable at 31 December	97	97

(c) Share save scheme

Under the share save scheme, employees have the choice of opening a three-year or five-year savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the holding company or take all their money in cash. The price at which they may purchase shares is at a discount of up to 20 per cent of the share price at the date of invitation. There are no performance conditions attached to options granted under the employee share save scheme. Options are valued using a binomial option-pricing model.

The number of share options is as follows:

	Group and Bank	
	Number of options 2021	Number of options 2020
Outstanding at the beginning of the reporting period	26,205	27,465
Exercised during the year	-	(392)
Expired during the year	(8,786)	(12,838)
Granted during the year	6,967	11,970
Outstanding at 31 December	24,386	26,205
Exercisable at 31 December	2,015	1,308

The closing share price as at 31 December 2021 was GBP443.7 (2020: GBP712.4.).

18 Operating expenses

	Group and Bank	
	2021 K'000	2020 K'000
Equipment costs, depreciation and amortisation expenses	87,084	63,480
Premises and equipment costs	56,626	114,175
Release of lease prepayment for leasehold land	2	13
Communication expenses	22,609	15,966
Recharges from group companies (Note 45)	238,704	175,513
Advertising and marketing	17,305	15,630
Statutory audit of SCB	5,006	4,183
Non-audit services	-	404
Interest expense on lease liabilities	24,190	8,828
Regulatory fees	24,345	21,412
Legal and professional fees	90,684	65,350
VAT	38,233	35,047
Operational Loss	16,553	1,968
Other operating expenses	37,570	37,062
Total	658,911	559,031

Included in other operating expenses is travel costs, consultancy costs, security services, insurance and donations.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

19 Income tax expense

	Group and Bank	
	2021 K'000	2020 K'000
a) Current tax expense		
Current tax charge	170,265	149,486
Under provision in prior years	(1,833)	3,910
	168,432	153,396
Deferred tax		
Origination and reversal of temporary difference	89,935	(139,363)
Adjustments in respect to prior years	-	(8,329)
Total income tax expense	258,367	5,704

The income tax expense for the current year is subject to agreement with the Zambia Revenue Authority.

b) Reconciliation of effective tax rate:

		Group and Bank	
		2021 K'000	2020 K'000
Profit/ (Loss) before tax	%	612,297	(42,374)
Tax calculated at the tax rate of 35% (2020: 35%):	35	214,304	(14,831)
Under provision in prior years	(0.3)	(1,833)	3,910
*Rate adjustment	6	34,736	-
Adjustments in respect to prior years	(0.1)	(641)	(8,329)
Non-deductible expenses	2	11,801	24,954
Total income tax expense in profit or loss	42.6	258,367	5,704

*Following the 2022 Budget pronouncements for the Republic of Zambia, the income tax rate was reduced from 35 per cent to 30 per cent, pronouncements are substantively enacted. Rate adjustments above are due to the impact of the rate change on the deferred tax assets as at balance sheet date.

Non-deductible expenses include mark to market adjustments, non cash benefits and other expenses which are not allowed as per income tax Act.

c) Net fair value reserves

The fair value reserve comprises the fair value movement of financial assets classified as fair value through other comprehensive income FVOCI (previously as available-for-sale). Gains and losses including Expected Credit Loss (ECL) are deferred to this reserve until such time as the underlying asset is sold. The amount below show the fair value reserves and their relate taxes.

	Group and Bank					
	2021			2020		
	Before tax K'000	Tax effect K'000	Net of tax K'000	Before tax K'000	Tax effect K'000	Net of tax K'000
FVOCI investment securities	(41,892)	31,517	(10,375)	177,950	(62,282)	115,668

d) Current income tax movement in the statement of financial position:

	Group and Bank	
	2021 K'000	2020 K'000
Current tax liabilities at the beginning of the year	22,127	(43,283)
Current income tax charge	170,265	149,486
Tax Refund	-	39,372
Payments made during the year	(236,773)	(127,358)
Under provision in prior years	(1,833)	3,910
Current tax (assets)/liabilities	(46,214)	22,127

Included in payments made during the year is advance income tax of K127,942,179 (2020: K55,449,404.00) on withholding tax on investment securities withheld at source.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

19 Income tax expense (continued)

e) Deferred taxation

Deferred taxation is calculated on all temporary differences using an effective tax rate of 35% (2020: 35%). Deferred tax assets and liabilities are attributable to the following:

	Group and Bank 2021			Group and Bank 2020		
	Assets K'000	Liabilities K'000	Net K'000	Assets K'000	Liabilities K'000	Net K'000
Property and equipment	364	-	364	4,703	-	4,703
Other provisions	76,720	-	76,720	60,674	-	60,674
FVOCI investment securities	-	(101,127)	(101,127)	-	(132,644)	(132,644)
Allowance for loan losses	41,062	-	41,062	116,659	-	116,659
Right Of Use Asset (IFRS 16 Leases)	(1,858)	-	(1,858)	4,762	-	4,762
Impairment on investment securities	71,841	-	71,841	87,883	-	87,883
Impairment on statutory reserves	20,289	-	20,289	23,670	-	23,670
	208,418	(101,127)	107,291	298,351	(132,644)	165,707

2021

Group and Bank

	Opening Balance K'000	Recognised in profit or loss K'000	Recognised in equity K'000	Closing Balance K'000
Property and equipment	4,703	(4,339)	-	364
Other provisions	60,674	16,046	-	76,720
FVOCI investment securities	(132,644)	-	31,517	(101,127)
Allowance for loan losses	116,659	(75,597)	-	41,062
Right Of Use Asset (IFRS 16 Leases)	4,762	(6,620)	-	(1,858)
Impairment on Investment securities	87,883	(16,042)	-	71,841
Impairment on statutory reserves	23,670	(3,381)	-	20,289
	165,707	(89,933)	31,517	107,291

Included in other provisions are provisions and other liabilities.

2020

Group and Bank

	Opening Balance K'000	Recognised in profit or loss K'000	Recognised in equity K'000	Closing Balance K'000
Property and equipment	962	3,741	-	4,703
Other provisions	32,371	28,303	-	60,674
FVOCI investment securities	(70,362)	-	(62,282)	(132,644)
Allowance for loan losses	59,415	57,244	-	116,659
Right Of Use Asset (IFRS 16 Leases)	2,553	2,209	-	4,762
Impairment on Investment securities	55,358	32,525	-	87,883
Impairment on statutory reserves	-	23,670	-	23,670
	80,297	147,692	(62,282)	165,707

Included in other provisions are provisions and other liabilities.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

20 Earnings/(Loss) per share

	Group and Bank			Group and Bank		
	2021			2020		
	Profit/ (Loss) K'000	Weighted average Number of shares '000	Per share amount Kwacha	Profit/ (Loss) K'000	Weighted average Number of shares '000	Per Share amount Kwacha K'000
Basic and diluted Earnings/(Loss)	353,930	1,666,981	0.21	(48,078)	1,666,981	(0.03)

There were no dilutive potential ordinary shares at 31 December 2021 (2020: nil) and basic earnings per share equals diluted earnings per share.

21 Dividends payable

	Group and Bank	
	2021 K'000	2020 K'000
Balance at 1 January	4,896	5,146
Dividend claims	(8)	(250)
Balance at 31 December	4,888	4,896

Dividends are recognised in the period in which they are declared. The directors did not declare any interim dividend for 2021 (2020: K Nil)

22 Cash on hand and balances at Bank of Zambia

	Group and Bank	
	2021 K'000	2020 K'000
Cash on hand	365,263	841,095
Statutory deposit	1,027,542	1,254,796
Total cash on hand and bank balances at Bank of Zambia	1,392,805	2,095,891
Clearing account with Bank of Zambia	516,827	-
	1,909,632	2,095,891

The statutory deposit held with Bank of Zambia, as a minimum reserve requirement, is not available for the Group's daily business. The reserve represents a requirement by the Central Bank and is a per centage of the Group's local and foreign currency liabilities to the public plus Vostro account balances. At 31 December 2021 the per centage was 9% (2020: 9%).

22.1 Expected Credit Losses on statutory reserve deposits at Bank of Zambia

See accounting policy 7.29

	2021			2020		
	Stage 1 K'000	Stage 2 K'000	Total K'000	Stage 1 K'000	Stage 2 K'000	Total K'000
ECL on reserves						
Balance at 1 January	-	67,629	67,629	-	-	-
New financial assets originated or purchased	-	-	-	-	67,629	67,629
Net remeasurement of loss allowance	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-
Balance at 31 December	-	67,629	67,629	-	67,629	67,629

The continued downgrading of the Country by external Rating Agencies had an adverse effect on the Bank's internal Country rating resulting in the Bank taking on significantly higher Credit Loss provisions including ECL on statutory reserve deposits.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

23 Loans to Banks

Amounts due to banks outstanding at year end are presented in note 42. In addition, the bank had other loans to banks that have been fully settled during the year.

24 Pledged assets

	Group and Bank	
	2021 K'000	2020 K'000
Treasury bills	525,000	100,000

The pledged assets presented in the table above are those financial assets that may be repledged or resold by counterparties. These transactions are conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities. These treasury bills are held as collateral at the Zambia Electronic Clearing House.

25 Investment in subsidiary company

	Ownership	Bank	
		2021 K'000	2020 K'000
Standard Chartered Nominees Zambia Limited	100%	5	5

These are equity investments in private companies that do not have a quoted market price in an active market and are carried at cost less impairment. No dividends are expected from them in the foreseeable future and consequently there are no determinable future cash flows. It is not possible to determine the possible range of estimates within which the fair value of these investments is likely to lie.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Group in form of cash dividends or repayments of loans or advances.

In terms of the Zambia Companies Act, 2017, No. 10 the name and address of the subsidiaries' principal office is: Standard Chartered Nominees Zambia Limited domiciled at Standard Chartered House, Stand No 4642, corner of Mwaimwena Road and Addis ababa drive, Lusaka.

26 Financial assets and financial liabilities

Classification of financial assets and financial liabilities

See accounting policies in note 7.9.

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments

Group and Bank		Mandatorily at FVTPL	Amortised Cost	FVOCI	Total carrying amount
2021	Note	K'000	K'000	K'000	K'000
Financial Assets					
Cash and cash equivalents	42	-	5,221,081	-	5,221,081
Cash on hand and balances with Bank of Zambia	22	-	1,909,632	-	1,909,632
Pledged assets	24	-	-	525,000	525,000
Investment securities	28	270,436	-	3,143,755	3,414,191
Derivative financial instruments	27	23,707	-	-	23,707
Loans and advances to banks	23	-	-	-	-
Loans and advances to customers	29	-	1,646,011	-	1,646,011
Other receivables		9,828	48,859	15,744	74,431
Total		303,971	8,825,583	3,684,499	12,814,053
Financial Liabilities					
Amounts payable to group banks	42	-	536,119	-	536,119
Amounts payable to non-group banks	42	-	11,482	-	11,482
Deposits from customers	34	-	10,899,749	-	10,899,749
Derivative financial instruments	27	20,984	-	-	20,984
Subordinated liabilities	38	-	66,640	-	66,640
Other Payables		-	318,674	-	318,674
Total		20,984	11,832,664	-	11,853,648

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

26 Financial assets and financial liabilities (continued)

Classification of financial assets and financial liabilities (continued)

See accounting policies in note 7.9.

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments

Group and Bank		Mandatorily at FVTPL	Amortised Cost	FVOCI	Total carrying amount
2020	Note	K'000	K'000	K'000	K'000
Financial Assets					
Cash and cash equivalents	42	-	5,251,892	-	5,251,892
Cash on hand and balances with Bank of Zambia	22	-	2,095,891	-	2,095,891
Pledged assets	24	-	-	100,000	100,000
Investment securities	28	29,050	-	3,513,041	3,542,091
Derivative financial instruments	27	4,590	-	-	4,590
Loans and advances to banks	23	-	-	-	-
Loans and advances to customers	29	-	2,410,457	-	2,410,457
Other receivables		-	215,775	-	215,775
Total		33,640	9,974,015	3,613,041	13,620,696
Financial Liabilities					
Amounts payable to group banks	42	-	325,740	-	325,740
Amounts payable to non-group banks	42	-	21,266	-	21,266
Deposits from customers	34	-	12,214,521	-	12,214,521
Derivative financial instruments	27	8,548	-	-	8,548
Subordinated liabilities	38	-	84,680	-	84,680
Other Payables		-	292,740	-	292,740
Total		8,548	12,938,947	-	12,947,495

26.1 Interest rate benchmark reform

Interest Rate Benchmark Reform – Phase 2' apply to a financial instrument when its benchmark interest rate, such as USD LIBOR, is either replaced with an alternative risk-free rate (RFR) or the benchmark itself is reformed so that it depends on actual market transactions instead of panel bank submissions. Please refer to the accounting policy for derecognition of financial instruments on Note 7.10 and Note 48.8.1.1 for more details on Interest rate benchmark reforms.

As at 31 December 2021 the Bank had the following notional principal exposures to interest rate benchmarks that are expected to be subject to interest rate benchmark reform. The Bank has excluded financial instruments maturing before 31 December 2021 as it is assumed that these will not require reforms.

	USD Libor K'000	GBP Libor K'000	EUR Libor K'000	Total IBOR K'000
Assets				
Loans and advances to customers	83,530	-	-	83,530
Liabilities				
Subordinated liabilities	-	-	-	-
Derivatives	14,194	-	-	14,194
Interest rate swaps				
Off Balance Sheet	89,066	-	-	89,066

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

27 Derivative financial instruments

The table below analyses the positive and negative fair values of the Bank's derivative financial instruments. All fair value movements on derivative financial instruments are recognized in the profit or loss.

	Group and Bank 2021		Group and Bank 2020	
	Assets K'000	Liabilities K'000	Assets K'000	Liabilities K'000
Interest rate swap	828	10,673	1,659	1,010
Cross currency swap	22,879	10,311	2,931	7,538
Total	23,707	20,984	4,590	8,548

28 Investment securities

	Group and Bank	
	2021 K'000	2020 K'000
Investment securities at fair value through profit or loss	270,436	29,050
FVOCI investment securities	3,143,755	3,513,041
Total	3,414,191	3,542,091

Included in Investment securities are treasury bills of K130m pledged as Interbank collateral and title was transferred to the counter party at the point of the transaction.

Fair value through profit or loss	Group and Bank 2021		Group and Bank 2020	
	Government bonds K'000	Total K'000	Government bonds K'000	Total K'000
Of which mature:				
Within one to five years	270,436	270,436	29,050	29,050
Total	270,436	270,436	29,050	29,050

Fair value through other comprehensive income	Group and Bank 2021				Group and Bank 2020			
	Treasury Bills K'000	Equity shares and trade Investments K'000	Government bonds K'000	Total K'000	Treasury Bills K'000	Equity shares and trade Investments K'000	Government bonds K'000	Total K'000
Of which mature:								
Within one year	2,716,764	-	-	2,716,764	3,413,665	-	-	3,413,665
Within one to five years	-	-	426,483	426,483	-	-	98,868	98,868
More than five years	-	508	-	508	-	508	-	508
Total	2,716,764	508	426,483	3,143,755	3,413,665	508	98,868	3,513,041

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

28 Investment securities (continued)

28.1 Investment securities at FVOCI

Group and Bank

	Stage 1	Stage 2	Stage 3	Total
31 December 2021	K'000	K'000	K'000	K'000
Assets				
Grade 1-11: Low-fair risk	-	3,143,755	-	3,143,755
Grade 12: Substandard	-	-	-	-
Grade:13 Doubtful	-	-	-	-
Grade 14 Loss	-	-	-	-
Carrying amount		3,143,755		3,143,755
Loss allowance	-	(239,474)	-	(239,474)
	-	2,904,281	-	2,904,281

	Stage 1	Stage 2	Stage 3	Total
31 December 2020	K'000	K'000	K'000	K'000
Assets				
Grade 1-11: Low-fair risk	-	3,542,091	-	3,542,091
Grade 12: Substandard	-	-	-	-
Grade:13 Doubtful	-	-	-	-
Grade 14 Loss	-	-	-	-
Carrying amount		3,542,091		3,542,091
Loss allowance	-	(251,099)	-	(251,099)
	-	3,290,992	-	3,290,992

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

28 Investment securities (continued)

28.2 Impairment allowance for investment securities

2021	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Investment securities at FVOCI				
Balance at 1 January	-	251,099	-	251,099
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
	-	251,099	-	251,099
			-	
New financial assets originated or purchased	-	190,706	-	190,706
Financial assets that have been derecognised	-	-	-	-
(Write off)/recoveries	-	-	-	-
Unwind of discount			-	
Foreign exchange and other risk parameters	-	(202,331)	-	(202,331)
			-	
Balance as at 31st December 2021	-	239,474	-	239,474

2020	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Investment securities at FVOCI				
Balance at 1 January	145,022	30,374	-	175,396
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	(145,022)	145,022	-	-
- Transfer to Stage 3	-	-	-	-
	-	175,396	-	175,396
			-	
New financial assets originated or purchased	-	161,893	-	161,893
Financial assets that have been derecognised	-	-	-	-
(Write off)/recoveries	-	-	-	-
Unwind of discount			-	
Foreign exchange and other risk parameters	-	(86,190)	-	(86,190)
			-	
Balance as at 31st December 2020	-	251,099	-	251,099

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

29 Loans and advances to customers

	2021 K'000	2020 *restated K'000
Corporate Lending	870,180	1,554,466
Consumer Lending	900,320	1,195,138
	1,770,500	2,749,604
Less impairment allowance	(124,489)	(339,147)
Total	1,646,011	2,410,457

*The Bank exited the Commercial Banking segment 2020 due to the refreshed strategic priorities. The 2020 comparative numbers have been restated to reflect the requirements of the international financial reporting standards - IFRS 8

29.1 Loans and advances to customers

	Group and Bank 2021			Group and Bank 2020 *restated		
	Gross amount K'000	Impairment allowance K'000	Carrying amount K'000	Gross amount K'000	Impairment allowance K'000	Carrying amount K'000
Consumer, Private and Business Banking:						
Mortgage lending	112,021	(107)	111,914	119,474	(1,124)	118,350
Personal loans	671,977	(10,765)	661,212	985,850	(88,216)	897,634
Overdrafts	116,322	(1,217)	115,105	89,814	(10,480)	79,334
	900,320	(12,089)	888,231	1,195,138	(99,820)	1,095,318
Corporate & Institutional Banking:						
Term loans	428,013	(91,120)	336,893	622,450	(147,338)	475,112
Overdrafts	442,167	(21,280)	420,887	932,016	(91,989)	840,027
	870,180	(112,400)	757,780	1,554,466	(239,327)	1,315,139
Total	1,770,500	(124,489)	1,646,011	2,749,604	(339,147)	2,410,457

*The Bank exited the Commercial Banking segment 2020 due to the refreshed strategic priorities. The 2020 comparative numbers have been restated to reflect the requirements of the international financial reporting standards - IFRS 8

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

29 Loans and advances to customers (continued)

29.2 Impairment for Loans and advances to customers

Group and Bank	2021				2020 *restated			
	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Loans and advances to customers amortised cost								
Balance at 1 January	132,141	157,655	49,351	339,147	19,075	116,770	51,123	186,968
- Transfer to Stage 1	83,734	(83,734)	-	-	225,772	(225,772)	-	-
- Transfer to Stage 2	(114,758)	142,445	(27,687)	-	(166,833)	237,194	(70,361)	-
- Transfer to Stage 3	-	(106,387)	106,387	-	-	(127,306)	127,306	-
	101,117	109,979	128,051	339,147	78,014	886	108,068	186,968
New financial assets originated or purchased	75,922	-	-	75,922	155,438	175	120	155,733
Financial assets that have been derecognised	(80,577)	(982)	(49,571)	(131,130)	(3,088)	(1,446)	(126,610)	(131,144)
(Write off)/recoveries	-	-	(81,140)	(81,140)	-	-	(99,567)	(99,567)
Foreign exchange and other risk parameters	(67,084)	(70,341)	59,115	(78,310)	(98,223)	158,040	167,340	227,157
Balance as at 31st December	29,378	38,656	56,455	124,489	132,141	157,655	49,351	339,147

*The Bank exited the Commercial Banking segment 2020 due to the refreshed strategic priorities. The 2020 comparative numbers have been restated to reflect the requirements of the international financial reporting standards - IFRS 8

Notes to the consolidated and separate financial statements (continued)

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29 Loans and advances to customers (continued)

29.2 Impairment for Loans and advances to customers (continued)

	2021			
	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Loans and advances to customers at amortised cost				
Consumer Private and Business Banking customers				
Balance at 1 January	89,372	6,824	3,624	99,820
- Transfer to Stage 1	39,636	(39,636)	-	-
- Transfer to Stage 2	(41,415)	44,763	(3,348)	-
- Transfer to Stage 3	-	(30,037)	30,037	-
	87,593	(18,086)	30,313	99,820
New financial assets originated or purchased	3,806	-	-	3,806
Financial assets that have been derecognised	(80,577)	(982)	(10,338)	(91,897)
(Write off)/recoveries	-	-	(22,910)	(22,910)
Foreign exchange and other risk parameters	(1,114)	20,943	3,441	23,270
Balance as at 31st December 2021	9,708	1,875	506	12,089

	2020 *restated			
	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Loans and advances to customers at amortised cost				
Consumer Private and Business Banking customers				
Balance at 1 January	17,980	84,024	11,738	113,742
- Transfer to Stage 1	190,716	(190,716)	-	-
- Transfer to Stage 2	(101,869)	115,406	(13,537)	-
- Transfer to Stage 3	-	(93,367)	93,367	-
	106,827	(84,653)	91,568	113,742
New financial assets originated or purchased	83,576	174	120	83,870
Financial assets that have been derecognised	(3,088)	(1,446)	(53,070)	(57,604)
(Write off)/recoveries	-	-	(30,586)	(30,586)
Foreign exchange and other risk parameters	(97,943)	92,749	(4,408)	(9,602)
Balance as at 31st December 2020	89,372	6,824	3,624	99,820

*The Bank exited the Commercial Banking segment 2020 due to the refreshed strategic priorities. The 2020 comparative numbers have been restated to reflect the requirements of the international financial reporting standards - IFRS 8

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

29 Loans and advances to customers (continued)

29.2 Impairment for Loans and advances to customers (continued)

	2021			
	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Loans and advances to customers at amortised cost				
Corporate and Institutional Banking				
Balance at 1 January	42,767	150,831	45,728	239,326
- Transfer to Stage 1	44,098	(44,098)	-	-
- Transfer to Stage 2	(73,344)	73,344	-	-
- Transfer to Stage 3	-	(76,350)	76,350	-
	13,521	103,727	122,078	239,326
New financial assets originated or purchased	72,160	-	-	72,160
Financial assets that have been derecognised	-	-	(39,232)	(39,232)
(Write off)/recoveries	-	-	(58,230)	(58,230)
Foreign exchange and other risk parameters	(3,040)	(69,512)	(29,072)	(101,624)
Balance as at 31st December 2021	82,641	34,215	(4,456)	112,400

	2020 *restated			
	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Loans and advances to customers at amortised cost				
Corporate and Institutional Banking				
Balance at 1 January	1,093	32,747	39,386	73,226
- Transfer to Stage 1	35,056	(35,056)	-	-
- Transfer to Stage 2	(64,964)	121,788	(56,824)	-
- Transfer to Stage 3	-	(33,939)	33,939	-
	(28,815)	85,540	16,501	73,226
New financial assets originated or purchased	71,863	-	-	71,863
Financial assets that have been derecognised	-	-	(73,540)	(73,540)
(Write off)/recoveries	-	-	(68,981)	(68,981)
Foreign exchange and other risk parameters	(280)	65,290	171,748	236,758
Balance as at 31st December 2020	42,768	150,830	45,728	239,326

*The Bank exited the Commercial Banking segment 2020 due to the refreshed strategic priorities. The 2020 comparative numbers have been restated to reflect the requirements of the international financial reporting standards - IFRS 8

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

30 Other assets

	Group and Bank	
	2021 K'000	2020 K'000
Prepayment of operational costs	-	2,101
Sundry debt - income receivables	91,365	138,936
Lease prepayment Account	-	16,824
Other receivables	76,283	199,324
Total	167,648	357,185

Other receivables included K12,081,000 receivable from related parties. Refer to Note 45 for related party transactions and balances. The ECL on the other receivables highlighted above is immaterial

31 Property and equipment and right of use assets

Group and Bank	Property and improvements	Right of use assets	Equipment and motor vehicles	Capital work-in-progress	Total
	K'000	K'000	K'000	K'000	K'000
Cost					
At 1 January 2020	16,173	71,047	101,881	18,884	207,985
Additions	-	110,300	30,437	3,950	144,687
Disposals	(81)	(22,128)	(13,970)	(17,195)	(53,374)
Assets held for sale(Note 32)	(12,620)	-	(44,661)	-	(57,281)
Effects of movement in exchange rates	-	6,154	-	-	6,154
At 31 December 2020	3,472	165,373	73,687	5,639	248,171
At 1 January 2021	3,472	165,373	73,687	5,639	248,171
Additions	-	14,657	11,130	2,006	27,793
Disposals	-	(19,089)	(3,977)	-	(23,066)
Write off of assets	-	-	-	(5,639)	(5,639)
Other movements	548	-	-	-	548
At 31 December 2021	4,020	160,941	80,840	2,006	247,807
Accumulated depreciation and impairment losses					
At 1 January 2020	5,452	8,905	74,231	-	88,588
Depreciation Charge for the year	372	28,192	14,324	-	42,888
Disposal	(28)	(8,478)	(9,981)	-	(18,487)
Assets held for sale(Note 32)	(4,397)	-	(43,123)	-	(47,520)
Effects of movement in exchange rates	-	3,544	-	-	3,544
At 31 December 2020	1,399	32,163	35,451	-	69,013
At 1 January 2021	1,399	32,163	35,451	-	69,013
Depreciation Charge for the year	129	44,439	16,017	-	60,585
Disposal	-	(6,222)	(3,977)	-	(10,199)
Other movements	188	-	-	-	188
At 31 December 2021	1,716	70,380	47,491	-	119,587
Carrying amounts					
At 31 December 2020	2,073	133,210	38,236	5,639	179,158
At 31 December 2021	2,304	90,561	33,349	2,006	128,220

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

32 Assets held for sale

	Property and improvements K'000	Equipment Fixture and fittings K'000	Total K'000
Cost			
At 1 January 2020	12,620	44,661	57,281
Disposal	-	-	-
At 31 December 2020	12,620	44,661	57,281
At 1 January 2021	12,620	44,661	57,281
Disposal	(934)	(39,210)	(40,144)
At 31 December 2021	11,686	5,451	17,137
Accumulated depreciation			
At 1 January 2020	4,397	43,123	47,520
Disposal	-	-	-
At 31 December 2020	4,397	43,123	47,520
At 1 January 2021	4,397	43,123	47,520
Disposal	(420)	(37,763)	(38,183)
At 31 December 2021	3,977	5,360	9,337
Carry Amount			
At 31 December 2020	8,223	1,538	9,761
At 31 December 2021	7,709	91	7,800

Assets held for sale are carried at lower of carrying amount and fair value less cost to sale.

33 Intangible assets

Cost	Customer Relationship K'000	Goodwill K'000	Capitalised software K'000	Total K'000
Balance at 1 January 2020	33,691	13,476	74,602	121,769
Acquisitions	-	-	58,579	58,579
Impairment	-	(13,476)	(8,645)	(22,121)
Balance at 31 December 2020	33,691	-	124,536	158,227
Balance at 1 January 2021	33,691	-	124,536	158,227
Acquisitions (note 45)	-	-	33,575	33,575
Balance at 31 December 2021	33,691	-	158,111	191,802
Accumulated amortisation and impairment losses				
Balance at 1 January 2020	33,691	-	35,390	69,081
Amortisation for the year	-	-	20,593	20,593
Impairment	-	-	(1,585)	(1,585)
Balance at 31 December 2020	33,691	-	54,398	88,089
Balance at 1 January 2021	33,691	-	54,398	88,089
Amortisation for the year	-	-	27,776	27,776
Balance at 31 December 2021	33,691	-	82,174	115,865
Carrying amounts				
At 31 December 2020	-	-	70,138	70,138
At 31 December 2021	-	-	75,937	75,937

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

34 Deposits from customers

	Group and Bank	
	2021 K'000	2020 *restated K'000
Consumer, Private and Business Banking		
Savings accounts	709,061	596,062
Term deposits	1,143,931	1,305,908
Current deposit	3,307,865	3,623,215
	5,160,857	5,525,185
Corporate and Institutional Banking		
Savings accounts	8,115	6,429
Term deposits	1,037,927	1,701,487
Current deposit	4,692,850	4,981,420
	5,738,892	6,689,336
Total	10,899,749	12,214,521

*The Bank exited the Commercial Banking segment 2020 due to the refreshed strategic priorities. The 2020 comparative numbers have been restated to reflect the requirements of the international financial reporting standards - IFRS 8

	Group and Bank	
	2021 K'000	2020 K'000
Repayable on demand	9,686,648	10,451,472
Repayable with agreed maturity dates or periods of notice, by residual maturity:		
- Three months or less	463,929	844,412
- Between three months and one year	514,811	583,030
- After one year	234,361	335,607
Total	10,899,749	12,214,521

Included in deposits from customers were deposits amounting to K395,115 held as collateral for irrevocable commitments under import letters of credit.

35 Other liabilities

	Group		Bank	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Settlement and clearing accounts	92,048	31,362	92,048	31,362
Lease Liability (refer to note 44)	84,369	163,640	84,369	163,640
Accrued expenses	88,941	76,575	88,941	76,575
Accounts payable and sundry creditors	169,195	292,494	169,200	292,499
Unearned fee and commissions	35,710	51,903	35,710	51,903
Total	470,263	615,974	470,268	615,979

Account payables and Sundry creditors include K113,024,000 payable to related parties. Refer to Note 45 for related party transactions and balances.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

36 Provisions

	Operational risk K'000	Litigation K'000	Restructuring K'000	Total K'000
Balance at 1 January 2020	244	56,068	49,222	105,534
Arising during the year	-	26,943	84,864	111,807
Utilisation	-	(6,524)	(132,114)	(138,638)
31 December 2020	244	76,487	1,972	78,703
Balance at 1 January 2021	244	76,487	1,972	78,703
Arising during the year	3,453	33,546	504	37,503
Utilisation	-	(5,093)	(2,476)	(7,569)
31 December 2021	3,697	104,940	-	108,637

Operational risk relates to provisions for operating risk events that occurred during the year.

There was no unwinding of discount for the liabilities during the period under review.

Legal proceedings

There were some legal proceedings outstanding against the Group at 31 December 2021. Provisions have been made in the financial statements in respect of such claims, based on professional advice and management's best estimates of the settlement amount. The timing of any outflows in the form of any settlement is uncertain.

Restructuring provisions relate to final payments due to employees whose positions have been declared redundant as at 31 December.

Operational risk provisions exclude litigation and regulatory enforcement and include liabilities arising from the breakdown of internal processes and controls or from external events resulting in economic outflow.

37 Financial guarantees, letters of credit and commitments

The Group provides loan commitments and financial guarantees for performance of customers to third parties. These agreements have fixed limits and are generally renewable annually. Expirations are not concentrated in any period. The amounts reflected in the table for guarantees and loan commitments represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. Only fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash out flows.

Group and Bank 2021	1 year K'000	2 – 5 years K'000	Total K'000
Loans commitments	400,767		400,767
Guarantees	327,643	264,903	592,546
Total	728,410	264,903	993,313

Group and Bank 2020	1 year K'000	2 – 5 years K'000	Total K'000
Loans commitments	805,040	-	805,040
Guarantees	102,649	478,815	581,464
Total	907,689	478,815	1,386,504

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

38 Subordinated liabilities

	Group and Bank	
	2021 K'000	2020 K'000
At 1 January 2021	84,680	56,600
Exchange difference	(18,040)	28,080
At 31 December 2021	66,640	84,680

The terms and conditions of the subordinated loan are as follows:

The interest charge is 4.11% above 3 months LIBOR payable on a quarterly basis. The loan is to be fully repaid in one instalment on 31st October 2024. The outstanding amounts reflected on the statement of financial position are the Kwacha equivalent of USD4 million. Interest payable as at 31 December 2021 amounting to K 3,054,014.99 (2020: K3,613,433) is included in accruals and other payables.

The Group applied for additional subordinated loan amounting to USD10m from the parent company and all approvals for the injection have been received. The draw down will be made as per business requirements. There was no draw down as at 31 December 2021.

The Group has not had any defaults of interest or other breaches with respect to its subordinated loan during the year ended 31 December 2022 (2021: no defaults).

39 Share capital

Bank	Number of ordinary shares (million) 2021	Ordinary shares K'000 2021	Number of ordinary shares (million) 2020	Ordinary Shares capital K'000 2020
Authorized				
At 1 January - ordinary shares of K0.25				
Issued during the year	1,800	450,000	1,800	450,000
Standing consolidation				
At 31 December - ordinary shares of K0.25	1,800	450,000	1,800	450,000
Issued and fully paid				
At 31 December	1,667	416,745	1,667	416,745
At 1 January Ordinary shares of K0.25	1,667	416,745	1,667	416,745

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Annual General Meetings of the Group.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

40 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled.

	2021			2020		
	Within 12 months K'000	After 12 months K'000	Total K'000	Within 12 months K'000	After 12 months K'000	Total K'000
Assets						
Cash and cash equivalents	5,221,081	-	5,221,081	5,251,892	-	5,251,892
Cash on hand and balances at Bank of Zambia	1,909,632	-	1,909,632	2,095,891	-	2,095,891
Pledged assets	525,000	-	525,000	100,000	-	100,000
Derivative financial instruments	23,707	-	23,707	4,590	-	4,590
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	817,000	829,011	1,646,011	1,205,097	1,205,360	2,410,457
Investment securities	3,152,826	261,365	3,414,191	3,517,046	25,045	3,542,091
Investment in subsidiaries	-	-	-	-	-	-
Assets held for sale	7,800	-	7,800	9,761	-	9,761
Property and equipment and right of use assets	-	128,220	128,220	-	179,158	179,158
Intangible assets	-	75,937	75,937	-	70,138	70,138
Current tax assets	46,214	-	46,214	-	-	-
Deferred tax assets	-	107,291	107,291	165,707	-	165,707
Prepayments and other receivables	167,648	-	167,648	357,185	-	357,185
Total assets	11,870,908	1,401,824	13,272,732	12,707,169	1,479,701	14,186,870
Liabilities						
Amounts payable to group banks	536,119	-	536,119	325,740	-	325,740
Amounts payable to non group banks	11,482	-	11,482	21,266	-	21,266
Derivative financial instruments	20,984	-	20,984	8,548	-	8,548
Deposits from customers	10,665,388	234,361	10,899,749	11,915,093	299,428	12,214,521
Dividends payable	4,888	-	4,888	4,896	-	4,896
Subordinated liabilities	-	66,640	66,640	-	84,680	84,680
Provisions	3,697	104,940	108,637	2,216	76,487	78,703
Current tax liabilities	-	-	-	22,127	-	22,127
Accruals and other payables	470,263	-	470,263	615,974	-	615,974
Total liabilities	11,712,821	405,941	12,118,762	12,915,860	460,595	13,376,455
Net	158,087	995,883	1,153,970	(208,691)	1,019,106	810,415

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

41 Capital management

Regulatory capital

The Bank's main objectives when managing capital are:

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

The Bank's regulatory capital is analysed into two tiers:

- primary (Tier 1) capital, which includes paid-up common shares, retained earnings, statutory reserves less adjustment of assets of little or no realisable value.
- secondary (Tier 2) capital, which includes qualifying subordinated term debt and revaluation reserves limited to a maximum of 40%. The maximum amount of total secondary capital is limited to 100% of primary capital.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed and maintained by the Bank of Zambia for supervisory purposes. The required information is filed with the Bank of Zambia on a monthly basis. In implementing current capital requirements, Bank of Zambia requires banks to:

- maintain primary or Tier 1 capital of not less than 5% of total risk weighted assets plus risk-weighted items not recognised in the statement of financial position; and
- to maintain a minimum 10% ratio of total capital to total risk-weighted assets plus risk-weighted items not recognised in the statement of financial position or hold a minimum of K520 million whichever is higher;

There was no change in the capital regulation during the year under review.

Computation of regulatory capital position at 31 December

	Bank	
	2021 K'000	2020 K'000
I Primary (Tier 1) Capital		
(a) Paid-up common shares	416,745	416,745
(b) Capital contributed	62,312	62,312
(c) (Accumulated retained earnings)	374,112	63,469
(d) Statutory reserves	12,285	12,285
Sub-total A	865,454	554,811
Less:	-	
(e) Goodwill and other intangible assets	(75,937)	(70,138)
(f) Net unrealized gains on FVOCI	235,968	246,343
Sub-total B	160,031	176,205
Other adjustments	-	
Provisions	-	-
Assets of little or no realised value	-	(2,101)
Sub-total C (other adjustments)	-	(2,101)
Total primary capital	1,025,485	728,915
II Secondary (tier 2) capital	-	
(a) Eligible subordinated term debt	66,640	84,680
(b) Total secondary capital	66,640	84,680
III Eligible secondary capital	66,640	84,680
(The maximum amount of secondary capital is limited to 100% of primary capital)	-	
IV Eligible total capital (I(p) + III) (Regulatory capital)	1,092,125	813,595
	520,000	520,000
VI Excess (IV minus V)	572,125	293,595
Risk weighted assets	3,923,164	4,890,381
Tier 1 Capital ratio	26.14%	14.90%
Total Capital ratio	27.84%	16.63%

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

42 Additional cashflow information

Cash and cash equivalents at end of year			
2021	Notes	2021 K'000	2020 K'000
Cash on hand and Clearing account with Bank of Zambia	22	882,090	841,095
Cash and short term funds at group Banks		4,256,685	4,276,747
Cash and short term funds at non group Banks		214,696	22,495
Placements with foreign non group banks		749,700	952,650
Total cash and cash equivalents as per statement of financial position		5,221,081	5,251,892
Amounts payable to group Banks		(536,119)	(325,740)
Amounts payable to non group Banks		(11,482)	(21,266)
Total cash and cash equivalents as per statement of cash flows		5,555,570	5,745,981
Changes in liabilities arising from financing activities			
Opening balance		84,680	56,600
Cash flow items:			
FX movement		(18,040)	28,080
Ending balance		66,640	84,680

43 Contingent liabilities and commitments

43.1 Financial guarantees, letters of credit and other undrawn commitments

The nominal values of Financial guarantees are disclosed together with their ECL impacts in Note .48

The Group provides loan commitments, letters of credit and financial guarantees for performance of customers to third parties. These agreements have fixed limits and are generally renewable annually. Expirations are not concentrated in any period. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. Only fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash out flows

43.2 Legal claims

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent in its operations. As a result, the Group is involved in various litigation, arbitration and regulatory proceedings, in Zambia in the ordinary course of its business. The Group has formal controls and policies for managing legal claims. Based on professional legal advice, the Group provides and/or discloses amounts in accordance with its accounting policies described in Note 7.24.

At year end, the Group had several unresolved corporate and employee related legal claims .

The Directors are aware that any amounts noted with respect to the on-going cases are only an estimate as the final liability is dependent on the conclusion of the underlying legal proceedings or disputes'.

44 Leases

The Group has entered into commercial leases for premises, equipment and motor vehicles. The leases have an average life of between three and five years. There are no restrictions placed upon the lessee by entering into these.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (refer to Note 7.18).

a. Leases as lessee (IFRS 16)

The Group leases a number of branch and office premises and motor vehicles. The leases typically run for a period of 1-6 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every lease renewal to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The Group also leases IT equipment with contract terms of 1 year. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

44 Leases (continued)

a. Leases as lessee (IFRS 16) (continued)

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets and depreciation

Right-of-use assets and depreciation relate to leased branch and office premises that are presented within property and equipment (see note 31)

Right-of-use assets

	2021			Group and Bank			2020		
	Branch and office premises K'000	Motor Vehicle K'000	Total K'000	Branch and office premises K'000	Motor Vehicle K'000	Total K'000	Branch and office premises K'000	Motor Vehicle K'000	Total K'000
Balance at 1 January	86,669	78,704	165,373	18,437	52,610	71,047			
Additions	5,130	9,527	14,657	79,397	30,903	110,300			
Disposals	(7,917)	(11,172)	(19,089)	(17,319)	(4,809)	(22,128)			
Effect of movement in exchange rates	-	-	-	6,154	-	6,154			
Balance at 31 December	83,882	77,059	160,941	86,669	78,704	165,373			

Depreciation

	2021			Group and Bank			2020		
	Branch and office premises K'000	Motor Vehicle K'000	Total K'000	Branch and office premises K'000	Motor Vehicle K'000	Total K'000	Branch and office premises K'000	Motor Vehicle K'000	Total K'000
Balance at 1 January	9,286	22,877	32,163	7,300	1,605	8,905			
Depreciation charge	23,177	21,262	44,439	6,920	21,272	28,192			
Disposal	(5,935)	(287)	(6,222)	(8,478)	-	(8,478)			
Effect of movement in exchange rates	-	-	-	3,544	-	3,544			
Balance at 31 December	26,528	43,852	70,380	9,286	22,877	32,163			

ii) Amounts recognised in statement of income or loss

	2021 K'000	2020 K'000
Depreciation	44,439	28,192
Lease interest expense Note 11,18	29,549	8,828
Expenses relating to short term leases	1,849	9,283

iii) Maturity Analysis

i. The following tables set out a maturity analysis of lease liabilities held as at 31 December 2021

Non property	Group and Bank				Total K'000
	2021				
One year or less K'000	Between one year and two years K'000	Between two years and five years K'000	More than five years K'000		
14,949	10,500	14,037	1,314		40,800

Non property	Group and Bank				Total K'000
	2020				
One year or less K'000	Between one year and two years K'000	Between two years and five years K'000	More than five years K'000		
9,285	12,974	34,274	24,634		81,167

Property leases	Group and Bank				Total K'000
	2021				
One year or less K'000	Between one year and two years K'000	Between two years and five years K'000	More than five years K'000		
34,806	34,122	23,624	-		92,552

Property leases	Group and Bank				Total K'000
	2020				
One year or less K'000	Between one year and two years K'000	Between two years and five years K'000	More than five years K'000		
854	3,761	77,692	166		82,473

Lease liabilities are reported within other liabilities on the statement of financial position (see note 35)

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

44 Leases(continued)

iv) Extension options

Some leases of office premises contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

v) Impact on Financial Statement

The total cash outflow during the year for premises and motor vehicle leases was K68 million.

45 Related parties

a. Parent and controlling party

The Group is controlled by Standard Chartered Holdings (Africa) BV (incorporated in The Netherlands) which owns 90% of the shares. The other shares are widely held. The ultimate parent of the Bank is Standard Chartered Plc (incorporated in the United Kingdom). The Group has a related party relationship with its holding company, fellow subsidiaries, non-executive directors, executive directors and key management personnel. Key management personnel include all Management Committee Members and Unit Heads.

b. Related party transactions

A number of banking and other transactions are entered into with related parties in the normal course of business. These include loans, deposits, foreign currency and other transactions for services, such as consulting services that the parent and other related companies provide from time to time and which are charged at market rate. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Related party transactions and balances with Group entities are given below:

	Note	Group and Bank	
		2021 K'000	2020 K'000
Assets			
Amounts due from group companies	42	4,256,624	4,276,684
Other receivables	30	12,081	-
Derivative financial instruments-Assets		8,463	-
Liabilities			
Amounts due to group companies	42	536,119	325,740
Subordinated liabilities	38	66,640	84,680
Accounts payable and sundry creditors	35	113,024	-
Derivative financial instruments-Liabilities		7,359	-
Off balance sheet		447,854	-

Other receivables, accounts payable and sundry creditors are included on Notes 30 and 35 respectively.

Off balance sheet items include only guarantees issued by SCBZ to SCBUK but it will not cover SCBUK to SCBZ guarantees.

Income and expenditure	Note	Group and Bank	
		2021 K'000	2020 K'000
Income			
Interest income	10	7,250	23,846
Net trading income	13	3,973	-
Expenses			
Interest expense on Subordinated loans	11,38	3,054	3,614
Interest expense	11	1,245	-
Fee and commission income	12	230	33
Wages and salaries	17	14,111	-
Recharges from group companies	18	238,704	165,730
Purchase of software assets		33,575	-

c. Directors and key management personnel transactions Loans

	Group and Bank 2021				Group and Bank 2020			
	Executive directors K'000	Connected entities to directors K'000	Key management staff K'000	Total K'000	Executive directors K'000	Connected entities to directors K'000	Key management staff K'000	Total K'000
Loans outstanding at 1 January	960	20,383	13,954	35,297	1,433	16,744	17,326	35,503
Loans issued during the year	-	-	7,775	7,775	1,127	9,990	2,363	13,480
Relocated/ resigned / promoted	-	(20,383)	(3,675)	(24,058)	(1,116)	-	(3,727)	(4,843)
Loan repayments during the year	(77)	-	(2,051)	(2,128)	(484)	(6,351)	(2,008)	(8,843)
Loans outstanding at 31 December	883	-	16,003	16,886	960	20,383	13,954	35,297
Executive directors	883	-	-	883	960	-	-	960
Non executive directors	-	-	-	-	-	20,383	-	20,383
Interest and fee income earned:	79	-	644	723	142	1,368	1,444	2,954

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

45 Related parties (continued)

c. Directors and key management personnel transactions

Loans (continued)

Loans to non-executive directors are made under commercial terms in the ordinary course of the Group's business. Loans to executive directors are made on the same terms as those of other employees of the Group.

No ECL is recognized on these loans as the LGD is insignificant as the loans are secured through salary payments.

At 31 December 2021, there were no loan obligations to Independent Non executive directors in their personal capacity.

At 31 December 2021, the total amounts to be disclosed under Zambia Companies Act, 2017, No. 10 about loans and advances were as follows;

Name of borrower	Opening Balance 1Jan 2021 K'000	Issued during the year K'000	Loan repayments during the year K'000	Amount outstanding 31 Dec 2021 K'000	Average interest Rate (%)	Composition
Executive director A	367	-	(48)	319	11%	Personal loan and Credit card
Executive director B	593	-	(29)	564	10%	Mortgage, Personal loan and Credit card
Officer A	789	-	(107)	682	9.67%	Mortgage, Personal loan and Credit card
Officer B	4,109	156	(149)	4,116	9.67%	Mortgage, Personal loan and Credit card
Officer D	708	-	(192)	516	9.67%	Mortgage, Personal loan and Credit card
Officer F	1,566	407	(450)	1,523	9.67%	Mortgage, Personal loan and Credit card
Officer E -Outgoing	3,675	-	(3,675)	-	10%	Mortgage, Personal loan and Credit card
Officer E -Incoming	-	4,032	(135)	3,897	9.67%	Personal loan and Credit card
Officer G	386	-	(229)	157	12.00%	Credit card
Officer I	2,540	448	(594)	2,394	9.67%	Mortgage, Personal loan and Credit card
Officer K	3	-	(3)	-	12%	Credit card
Officer L	179	-	(70)	109	11%	Mortgage and Credit card
Officer C	-	1,871	(58)	1,813	9.67%	Mortgage and Credit card
Officer H	-	861	(65)	796	9.67%	Mortgage and Credit card
	14,915	7,775	(5,804)	16,886		

Other than as disclosed in the Annual Report and Accounts, there were no other transactions, arrangements or agreements outstanding for any directors, connected person or officer of the Company which have to be disclosed under the Act.

Deposits

	Group and Bank				Group and Bank			
	2021				2020			
	Executive directors K'000	Connected entities to directors K'000	Management staff K'000	Total K'000	Executive directors K'000	Connected entities to directors K'000	Management staff K'000	Total K'000
Deposit at 1 January	935	2,878	4,942	8,755	96	457	1,193	1,746
Net movement	(703)	(2,878)	(4,107)	(7,688)	839	2,421	3,749	7,009
Deposits at 31 December	232	-	835	1,067	935	2,878	4,942	8,755

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

45 Related party transactions (continued)

c. Directors and key management personnel transactions (continued)

	Group and Bank	
	2021 K'000	2020 K'000
Key management personnel compensation		
Salaries and allowances and short term benefits	41,729	51,343
Pension contributions	2,929	3,477
Total	44,658	54,820

	Group and Bank	
	2021 K'000	2020 K'000
Directors' remuneration		
Executive directors		
Salaries and allowances	6,415	6,952
Pension contributions	469	428
Total	6,884	7,380

	Group and Bank	
	2021 K'000	2020 K'000
Non-executive directors		
Fees and benefits	692	1,268

Disposal of assets

There were no Group assets sold to the non-executive directors in 2021. (2020: nil).

46 Events after reporting date

The Board of Directors declared a dividend of K0.212 after the reporting date that has been disclosed in the appendices to this Annual Report and consolidated and separate financial statements, refer to page 128.

The Group continues to monitor the impact of the COVID-19 pandemic in light of the fourth wave on its operations and its capacity to generate revenue and continue being viable. The Group has put in place measures to protect both staff and clients from the pandemic and ensure there is minimal disruptions to its operation

At the date of preparation of these financial statements, there were no issuances of debt or equity or re-financing undertaken.

47 Fair values measurement

47.1. Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained in below;

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which 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 for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

47 Fair values of financial instruments (continued)

47.2. Valuation governance (continued)

The Group has established control and framework for the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Chief Financial Officer and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- Verification of observable pricing;
- Re-performance of model valuations;
- A review and approval process for the new models and changes to the model involving both Product Control and Group Market Risk;
- Quarterly calibration and back-testing of models against observed market transactions;
- Analysis and investigation of significant daily valuation movements; and
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by a committee of senior Product Control and Group Market Risk personnel

When third party information, such as broker quotes or pricing services, is used to measure fair value, Product Control assesses and documents the evidence obtained from the third party parties to support the conclusion that the valuations meet the requirements of IFRS. This include;

- Verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it presents a quoted price in an active market for an identical instrument;
- When prices for similar instruments are used to measure fair value, understanding how these prices have been adjusted to reflect characteristics of the instrument subject to measurement; and
- If any number of quotes for the same financial instrument has been obtained, then understanding how fair value has been obtained using those quotes.

47.3. Financial instruments measured at fair value - fair value hierarchy

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

Group and Bank

31 December 2021	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Assets				
Pledged assets	-	525,000	-	525,000
Derivative financial assets	-	23,707	-	23,707
Investment securities	-	3,414,191	-	3,414,191
Liabilities				
Derivative financial instruments	-	20,984	-	20,984
31 December 2020				
	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Assets				
Pledged assets	-	100,000	-	100,000
Derivative financial assets	-	4,590	-	4,590
Investment securities	-	3,542,091	-	3,542,091
Liabilities				
Derivative financial instruments	-	8,548	-	8,548

Level 2: the fair value is determined using valuation models with directly or indirectly market observable inputs.

Major groups of assets and liabilities classified as level 2: corporate and other government bonds and debt instruments, over the counter derivatives and Asset Backed Securities which are included in the Liquid Assets List of the Bank of Zambia.

Investment securities: the investment securities designated as FVOCI are carried at fair value. The fair value is determined based on a Mark-to-Market (MTM) approach, which involves revaluation of cash flows based on the market yield curve maintained by Group Market Risk.

Derivative financial instruments: derivative financial instruments are carried at fair value which is determined based on a discounted cash flow approach. The cash flows are discounted at a discount factor that is based on observable market data maintained by Group Market Risk.

There were no transfers from level 1 to level 2 fair values.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

47 Fair values of financial instruments (continued)

47.4 Financial instruments not measured at fair value

The carrying amount approximates the fair value for the below financial instruments at the reporting date

Group and Bank		Total fair value K'000
31 December 2021		
	Note	
Assets		
Cash on hand and balances with Bank of Zambia	22	1,909,632
Cash and cash equivalents	42	5,221,081
Loans and advances to customers	29	1,646,011
Other assets	30	167,648
Liabilities		
Amounts payable to group banks	42	536,119
Amounts payable to non-group banks	42	11,482
Deposits from customers	34	10,899,749
Dividends payable	21	4,888
Other liabilities	35	470,263
Subordinated liabilities	38	66,640
Group and Bank		
		Total fair value K'000
31 December 2020		
	Note	
Assets		
Cash on hand and balances with Bank of Zambia	22	2,095,891
Cash and cash equivalents	42	5,251,892
Loans and advances to customers	29	2,410,457
Other assets	30	357,185
Liabilities		
Amounts payable to group banks	42	325,740
Amounts payable to non-group banks	42	21,266
Deposits from customers	34	12,214,521
Dividends payable	21	4,896
Other liabilities	35	615,974
Subordinated liabilities	38	84,680

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

47 Fair values of financial instruments (continued)

47.5 Valuation techniques

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

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include data from third party brokers based on OTC trading activity and information obtained from other market participants, which includes observed primary and secondary transactions. To improve the accuracy of the valuation, estimate for consumer and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates and default probability.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date. The carrying amounts of financial assets and liabilities are representative of the Group's position at 31 December 2020 and are in the opinion of the directors not significantly different from their respective fair values due to generally short periods to maturity dates. Fair values are generally determined using valuation techniques or where available, published price quotations from an active market.

48 Risk Management

48.1 Introduction and risk profile

This note presents information about the Group's exposure to financial risks and the Group's management of capital.

Whilst risk is inherent in the Group's activities, it is managed through an Enterprise Risk Management Framework (ERMF), including ongoing identification, measurement and monitoring, and subject to risk limits and other controls. The ERMF:

- establishes common principles and standards for the management and control of all risks, and to inform behaviour across the organisation;
- provides a shared framework and language to improve awareness of risk management processes and provides clear accountability and responsibility for risk management.

The core components of the ERMF include our risk principles and standards, principal risk types, definitions of roles and responsibilities, and governance structure. The process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to country risk and various operating and business risks.

48.2 Risk management structure

The Chief Risk Officer, supported by assessment from the Head of Compliance must ensure that the Group submits a Country level Risk Management Framework ("RMF") for recommendation by the Executive Risk Committee and approval by the Board or Board level committee at least annually and within 12 months of the implementation of any changes to the Group level ERMF.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48 Risk Management (continued)

48.2 Risk management structure (continued)

To ensure the effectiveness of the Enterprise Risk Management Framework roles and responsibilities for risk management are defined under a Three Lines of Defence model as shown below;

Lines of Defence	Definition	Key responsibilities include
First	The businesses and functions engaged in or supporting revenue generating activities that own and manage risks.	<ul style="list-style-type: none"> Propose the risks required to undertake revenue-generating activities Identify, monitor, and escalate risks and issues to Second Line and Senior Management and promote a healthy risk culture and good conduct. Manage risks within Risk Appetite, set and execute remediation plans (where applicable) and ensure laws and regulations are being complied with.
Second	The control functions independent of the First Line that provides oversight and challenge of risk management to provide confidence to the Chief Risk Officer, the Management Team and the Board.	<ul style="list-style-type: none"> Identify, monitor, and escalate risks and issues to the Chief Risk Officer, the Senior Management and the Board and promote a healthy risk culture and good conduct. Oversee and challenge First Line risk taking activities and review First Line risk proposals and make decisions.
Third	The independent assurance provided by the Internal Audit Function, of the effectiveness of controls that support First Line's risk management of business activities, and the processes maintained by the Second Line.	<ul style="list-style-type: none"> Independently assess whether management has identified the key risks in the business and whether these are reported and governed in line with the established risk management processes. Independently assess the adequacy of the design of controls and their operating effectiveness.

The Group's Treasury is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

The Group's policy is that risk management processes throughout the Group are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Group's compliance with them. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Board Audit Committee.

48.3 Risk mitigation and risk culture

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. The Group actively uses collateral to reduce its credit risks (see below).

The Chief Risk Officer ("CRO") maintains a dynamic risk scanning process with inputs on the internal and external risk environment, as well as potential threats and opportunities from business and client perspective. This process is managed by the CRO with input from the Risk Framework Owners, and the Businesses. This is in addition to the risk identification as part of the Strategy Review process.

The CRO oversees the principal risk types and the sub-types that are inherent to the strategy and business model through the dynamic risk scanning process considers near term emerging risks on the horizon that can be measured and mitigated to some extent, and uncertainties that are longer term matters that should be on the radar but not yet fully measurable. The CRO considers new risks or reprioritised existing risks and outputs from the dynamic risk scanning process as part of the Strategy Review.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48 Risk Management (continued)

48.4. Risk measurement and reporting systems

The Group's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group's policy is to measure and monitor the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all of the businesses is processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division.

The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Supervisory Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Group.

At all levels of the Group's operations, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

It is the Group's policy to ensure that a robust risk awareness is embedded in its organisational risk culture. Employees are expected to take ownership and be accountable for the risks the Group is exposed to that they decide to take on. The Group's continuous training and development emphasises that employees are made aware of the Group's risk appetite and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Group's risk appetite limits. Compliance breaches and internal audit findings are important elements of employees' annual ratings and remuneration reviews.

48.5. Risk governance and risk management strategies and systems

48.5.1 Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

48.6 Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

Credit risk is monitored by the credit risk department of the Group's independent Risk Controlling Unit. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties. Credit risk consists of line credit risk managers who are responsible for their business lines and manage specific portfolios and experts who support both the line credit risk manager, as well as the business with tools like credit risk systems, policies, models and reporting.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

48.6.1. Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives, the Group is also exposed to, or protected from, the risk of default of the underlying entity referenced by the derivative. However, to reflect potential losses, the Group applies portfolio-based debit and credit value adjustments.

With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honor's its obligation, but the counterparty fails to deliver the counter value.

48.6.2. Credit-related commitments risks

The Group makes available to its customers guarantees that may require that the Group makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to similar risks to loans and are mitigated by the same control processes and policies.

48.6.3. Impairment assessment

The references below show where the Group's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

48.6.3.1 Definition of default, impaired and cure

The Group considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least 12 consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The Group's criterion for 'cure' for ECL purposes is less stringent than the 24 months requirement for forbearance which is explained in Note 7.13.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48 Risk Management (continued)

48.6 Credit risk (continued)

48.6.3. Impairment assessment (continued)

48.6.3.1 Definition of default, impaired and cure (continued)

A period may elapse from the point at which instruments enter lifetime expected credit losses (stage 2 or stage 3) and are reclassified back to 12 month expected credit losses (stage 1). For financial assets that are credit-impaired (stage 3), a transfer to stage 2 or stage 1 is only permitted where the instrument is no longer considered to be credit-impaired. An instrument will no longer be considered credit-impaired when there is no shortfall of cash flows compared to the original contractual terms.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD based transfer criteria are no longer met. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes instances where management actions led to instruments being classified as stage 2, requiring that action to be resolved before loans are reclassified to stage 1.

A forbore loan can only be removed from the disclosure (cured) if the loan is performing (stage 1 or 2) and a further two year probation period is met.

In order for a forbore loan to become performing, the following criteria have to be satisfied:

- At least a year has passed with no default based upon the forbore contract terms
- The customer is likely to repay its obligations in full without realising security
- The customer has no accumulated impairment against amount outstanding
- Subsequent to the criteria above, a further two year probation period has to be fulfilled, whereby regular payments are made by the customer and none of the exposures to the customer are more than 30 days past due.

The Bank changed the accounting treatment for Stage 3 impaired assets following an IFRIC (1) clarification regarding profit and loss treatment for Stage 3 impaired assets that are cured.

The way the Bank used to account for Stage 3 impaired assets typically meant it was under reporting interest income on GSAM assets while they have been in GSAM – resulting in the need for a retrospectively calculated adjustment upon a curing event.

The Bank recognised interest income on GSAM assets through IPD Unwind. IFRS9 Guidance says that for impaired financial assets, institutions should “apply the effective interest rate to the amortised cost of the financial assets...” with the amortised cost being the Net At Risk (NAR) before Security (i.e. “Effective Interest Rate x Net At Risk”).

What changed?	What does it mean in practice?
Interest Income Recognition: A portion of accrued interest equal to Effective Interest Rate x Net At Risk (EIR x NAR) will be recognised as interest income.	The higher the carrying value of the asset, the higher the portion of accrued interest that will be recognised in the income statement. The balance of accrued interest will be suspended as Provision On Interest.
Interest in suspense (IIS) will be replaced with Provision on Interest (POI).	Interest will no longer be fully suspended for CG13/14 assets; only a portion net of interest income to be recognized shall be suspended.
IPP and IPD will be replaced with a single provision balance ([Credit Loss] Provision). Equal to the difference between net outstanding and NAR.	There will no longer be a concept of IPD Unwind; it will be replaced by partial accrued interest recognition from an income statement perspective.
NAR Calculation: Expected cashflows under IFRS 9 analysis will be probability weighted to calculate NAR prior to applying the impairment calculations.	‘Excess cashflows’ (above net outstanding exposure) in high recovery scenarios will impact provision output whereas they have not before.

48.6.3.2 The Group’s internal rating and PD estimation process

For Corporate and Institutional banking borrowers are graded by credit risk management on a credit grading (CG) scale from CG1 to CG14 with 1-5 Investment, 6-11 Sub Investment, 12 GSAM and 13-14 Default. Once a borrower starts to exhibit credit deterioration, it will move along the credit grading scale in the performing book and when it is classified as CG12 the credit assessment and over sight of the loan will normally be performed by Group Special Assets Management (GSAM).

Borrowers graded CG12 exhibit well-defined weaknesses in areas such as management and/or performance but there is no current expectation of a loss of principal or interest. Where the impairment assessment indicates that there will be a loss of principal on a loan, the borrower is graded a CG14 while borrowers of other credit impaired loans are graded CG13. Instruments graded CG13 or CG14 are regarded as non-performing loans, i.e. Stage 3 or credit impaired exposures.

For individually significant financial assets within Stage 3, Group Special Asset Management (GSAM) will consider all judgements that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geo-political climate of the customer, quality of realisable value of collateral, the Group’s legal position relative to other claimants and any renegotiation/ forbearance/ modification options. The difference between the loan carrying amount and the discounted expected future cash flows will result in the stage 3 credit impairment amount. The future cash flow calculation involves significant judgements and estimates. As new information becomes available and further negotiations/forbearance measures are taken the estimates of the future cash flows will be revised and will have an impact on the future cash flow analysis.

For financial assets which are not individually significant, such as the Consumer, Private and Business Banking portfolio or small business loans, which comprise a large number of homogenous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48 Risk Management (continued)

48.6 Credit risk (continued)

48.6.3. Impairment assessment (continued)

48.6.3.2 The Group's internal rating and PD estimation process (continued)

Consumer, Private and Business Banking clients are considered credit impaired where they are more 90 days past due. RB products are also considered credit impaired if the borrower files for bankruptcy or other forbearance programme, the borrower is deceased or the business is closed in the case of a small business, or if the borrower surrenders the collateral, or there is an identified fraud on the account. Additionally, if the account is unsecured and the borrower has other credit accounts with the Group that are considered credit impaired, the account may also be credit impaired.

The information below provides an indicative mapping of how the Group's internal credit risk grades relate to PD and for the Corporate portfolio, to external sovereign credit ratings.

Corporate and institutional

The institutional portfolio of the Group is comprised of loans and advances to banks, public sector entities, sovereigns, corporates and other businesses.

Grading

CIB		Average PD (%)	
1-5	Investment	0.01 - 0.39	AAA to BBB-
6-8	Sub investment	0.67 - 2.03	BB+ to BB
9-11	Sub investment	3.51 - 13.77	B to CCC
12	GSAM	18 - 33	NA
13-14	GSAM -Default	100	NA

CPBB

The consumer portfolios are comprised of mortgage lending, personal loans and credit cards.

Grading

	2021	2020
Grade 11: Low-fair risk	4.28%	4.9%
Grades 12-14: Substandard, doubtful, loss	0%	100%

48.6.3.3 Exposure at default and Loss given default

The definition of default is aligned to the regulatory definition and considered to occur when an asset is 90 days or more past due on contractual payments of principal and/or interest or is considered unlikely to pay without realisation of any collateral held.

To the extent that assets are credit-impaired at the point of initial recognition, they are classified as purchased or originated credit-impaired. An expected credit loss allowance is not recognised at initial recognition. Any changes in lifetime expected losses after initial recognition are charged or credited to the statement of income or loss and other comprehensive income through 'impairment'.

The measurement of expected credit losses across all stages is required to reflect an unbiased and probability weighted amount that is determined by evaluating a range

of reasonably possible outcomes using reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. The Group uses a Monte Carlo approach to simulate a set of 50 scenarios around the Group's central forecast to incorporate the potential non-linearity.

The period considered when measuring expected credit loss is the shorter of the expected life and the contractual term of the financial asset. The expected life may be impacted by prepayments and the maximum contractual term by extension options. For certain revolving portfolios, including credit cards, the expected life is assessed over the period that the Group is exposed to credit risk (which is based on the length of time it takes for credit facilities to be withdrawn) rather than the contractual term.

For stage 3 financial assets, the determination of lifetime expected credit losses will be similar to the IAS 39 approach; for example, loan loss allowances within Corporate & Institutional Banking will be based on the present value of estimated future cash flows for individual clients. The estimated cash flows will, however, be based on a probability range of scenarios. Where the cash flows include realisable collateral, the values used will incorporate forward-looking information.

Where the contractual terms of a financial asset have been modified due to financial difficulties (forbearance, for example) and the asset has not been derecognised, a modification loss is recognised as part of 'Impairment' in the statement of income or loss and other comprehensive income. The loss represents the difference between the present value of the cash flows before and after the modification, discounted at the original effective interest rate. Unlike IAS 39, however, no loss allowance is recorded in the statement of financial position, as the modification loss is offset against the gross carrying amount of the asset.

For debt instruments held at FVOCI, the statement of financial position amount reflects the instrument's fair value, with the expected credit loss allowance held as a separate reserve within other comprehensive income.

ECL allowances on off-balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise they will be reported against the drawn component.

Write-offs of credit impaired instruments and reversal of impairment

To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the related loan provision. Credit impaired financial debt instruments are graded 12-14 on the Group's internal credit grading system. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of income or loss and other comprehensive income. If, in a subsequent period, the amount of the credit impairment loss decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in the statement of income or loss and other comprehensive income.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48 Risk Management (continued)

48.6 Credit risk (continued)

48.6.3. Impairment assessment (continued)

48.6.3.3 Exposure at default and Loss given default (continued)

Measurement of ECL

Expected credit losses are computed as unbiased, probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward looking.

For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). There may be multiple default events over the lifetime of an instrument. For CPBB loan portfolios, the Group has adopted simplified approaches based on historical roll rates or loss rates.

Forward-looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, interest rates, house price indices and commodity prices among others. These assumptions are incorporated using the Group's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally and are consistent with those used for budgeting, forecasting and capital planning.

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is a greater risk of downside credit losses than upside gains, multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall expected credit loss amounts. These scenarios are determined using a Monte Carlo approach centred around the Group's most likely forecast of macroeconomic assumptions.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Group is exposed to credit risk. However, for certain revolving credit facilities, which include credit cards or overdrafts, the Group's exposure to credit risk is not limited to the contractual period. For these instruments, the Group estimates an appropriate life based on the period that the Group is exposed to credit risk, which includes the effect of credit risk management actions such as the withdrawal of undrawn facilities.

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement. As a practical expedient, the Group may also measure credit impairment on the basis of an instrument's fair value using an observable market price.

The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, regardless of whether foreclosure is deemed probable.

Cash flows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to, the contractual terms of the instrument (this includes financial guarantees, unfunded risk participations and other non-derivative credit insurance). Although non-integral credit enhancements do not impact the measurement of expected credit losses, a reimbursement asset is recognised to the extent of the expected credit losses recorded.

Cash shortfalls are discounted using the effective interest rate (or credit-adjusted effective interest rate for POCI instruments) on the financial instrument as calculated at initial recognition or if the instrument has a variable interest rate, the current effective interest rate determined under the contract.

Instruments Location of expected credit loss provisions

Financial assets held at amortised cost less provisions: netted against gross carrying value

- Financial assets held at FVOCI – Investment securities Other comprehensive income (FVOCI expected credit loss Reserve)
- Loan commitments
- Provisions for liabilities and charges
- Financial guarantees
- Provisions for liabilities and charges

Investment and treasury securities classified as FVOCI are held at fair value on the face of the statement of financial position. The expected credit loss attributed to these instruments is held as a separate reserve within OCI and is recycled to the profit and loss account along with any fair value measurement gains or losses held within FVOCI when the applicable instruments are derecognized.

Expected credit loss on loan commitments and financial guarantees is recognised as a liability provision. Where a financial instrument includes both a loan (i.e. financial asset component) and an undrawn commitment (i.e. loan commitment component) and it is not possible to separately identify the expected credit loss on these components, expected credit loss amounts on the loan commitment are recognised together with expected credit loss amounts on the financial asset. To the extent the combined expected credit loss exceeds the gross carrying amount of the financial asset, the expected credit loss is recognised as a liability provision.

Recognition

12 months expected credit losses (Stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the statement of financial position date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48 Risk Management (continued)

48.6 Credit risk (continued)

48.6.3. Impairment assessment (continued)

48.6.3.4 Significant increase in credit risk

If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute expected credit loss, significant increase in credit risk is primarily based on 30 days past due.

Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default (PD) since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. We compare the residual lifetime PD at the statement of financial position date to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk.

Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring).

A non-purely precautionary early alert account is one which exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management's ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances among other factors.

Credit impaired (or defaulted) exposures (Stage 3)

Financial assets that are credit impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit impaired.

Evidence that a financial asset is credit impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or borrower;

- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concession/s that lenders would not otherwise consider. This would include forbearance actions;
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligation/s; and
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower.

Irrevocable lending commitments to a credit impaired obligor that have not yet been drawn down are also included within the stage 3 credit impairment provision to the extent that the commitment cannot be withdrawn.

Loss provisions against credit impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective interest rate and the gross carrying value of the instrument prior to any credit impairment.

Determining whether credit risk has increased significantly

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower and the geographical region. What is considered significant differs for different types of lending, in particular between wholesale and consumer.

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling:

SICR is assessed in the context of an increase in the risk of a default occurring over the remaining life of the financial instrument when compared with that expected at the time of initial recognition for the same period. It is not assessed in the context of an increase in the expected credit loss.

The Group uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to the relative and absolute changes in the lifetime PD compared with those expected at initial recognition. Qualitative factors include placement of loans on non-purely precautionary early alert, classification as higher risk (CG 12) or where principal and/or interest payments are 30 days or more past due.

Further, SICR will be considered when major sovereign rating agencies significantly downgrade a country and there is a 50% drop in copper prices. The Group has significant exposures to the mines and their capacity to meet their obligations will be affected. This is applicable for all segments.

48.6.4. Analysis of inputs to the ECL model under multiple economic scenarios

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

A Monte Carlo simulation is used on the macroeconomic variables to generate multiple economic scenarios for the purpose of reflecting the non-linearity of losses where these exist on individual portfolios

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48 Risk Management (continued)

48.6 Credit risk (continued)

48.6.4. Analysis of inputs to the ECL model under multiple economic scenarios (continued)

The approach follows the following steps:

1. Using Monte Carlo simulation, multiple economic states of the world are generated using a base case macroeconomic forecast and a covariance matrix developed using historical macroeconomic data
2. 50 scenarios are generated to provide robust and stable results while ensuring ability to meet reporting timelines. Due to the central nature of the ECL estimate we see diminishing returns from further marginal runs
3. Each of these economic states are run through the calculation engine to generate:
 - a) A weighted average PD term structure for the significant deterioration assessment
 - b) A weighted average 12-month and lifetime ECL

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities such as the International Monetary Fund and selected private-sector and academic forecasters.

Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Group's senior management.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk for wholesale portfolios are: GDP growth, unemployment rates and interest rates. For exposures to specific industries and/or regions, the key drivers also include relevant commodity and/or real estate prices. The key drivers for credit risk for consumer portfolios are: unemployment rates, house prices and interest rates.

48.6.5 Overview of modified and forborne loans

Modified financial assets

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised within credit impairment in the statement of income or loss and other comprehensive income within a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

Expected credit loss for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification. Although loans may be modified for non-credit reasons, a significant increase in credit risk may occur.

In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of expected credit losses, with any increase or decrease in expected credit loss recognised within impairment.

Forborne loans

Forborne loans are those loans that have been modified in response to a customer's financial difficulties.

Forbearance strategies assist clients who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the client, the Group or a third party including government sponsored programmes or a conglomerate of credit institutions. Forbearance may include debt restructuring such as new repayment schedules, payment deferrals, tenor extensions, interest only payments, lower interest rates, forgiveness of principal, interest or fees, or relaxation of loan covenants.

Forborne loans that have been modified (and not derecognised) on terms that are not consistent with those readily available in the market and/or where we have granted a concession compared to the original terms of the loans are considered credit impaired if there is a detrimental impact on cash flows. The modification loss (see Classification and measurement – Modifications) is recognised in the profit or loss within credit impairment and the gross carrying value of the loan reduced by the same amount. The modified loan is disclosed as 'Loans subject to forbearance – credit impaired'.

Loans that have been subject to a forbearance modification, but which are not considered credit impaired (not classified as CG13 or CG14), are disclosed as 'Forborne – not credit impaired'. This may include amendments to covenants within the contractual terms.

48.6.6 Analysis of risk concentration

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances and investment securities is shown below.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.6 Credit risk (continued)

48.6.6 Analysis of risk concentration (continued)

	Group and Bank			
	Loans and advances to customers		Investment securities	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Carrying amount	1,646,011	2,410,457	3,414,191	3,542,091
Corporate and Institutional:				
Agriculture	141,167	384,684	-	-
Commerce	414,741	396,408	-	-
Financial services	1,706	4,458	-	-
Mining and quarrying	-	180,352	-	-
Manufacturing	-	151,435	-	-
Transport, Storage	37,726	6,092	-	-
Construction	162,440	191,710	-	-
Investment Securities	-	-	3,414,191	3,542,091
Consumer:				
Mortgages	111,914	118,350	-	-
Unsecured lending	776,317	976,968	-	-
Total	1,646,011	2,410,457	3,414,191	3,542,091

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI and FVTPL investments securities. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 7.12.

	Notes	2021			
		Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Loans and advances to customers at amortised cost					
Grade 1-11: Low-fair risk		952,738	601,031	64,402	1,618,171
Grade 12: Substandard		-	-	-	-
Grade:13 Doubtful		-	-	-	-
Grade 14 Loss		-	-	152,329	152,329
Gross carrying amount		952,738	601,031	216,731	1,770,500
Loss allowance	29	(36,589)	(38,652)	(49,248)	(124,489)
		916,149	562,379	167,483	1,646,011

	Notes	2020			
		Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Loans and advances to customers at amortised cost					
Grade 1-11: Low-fair risk		1,464,709	1,026,137	49,272	2,540,118
Grade 12: Substandard		-	-	505	505
Grade:13 Doubtful		-	-	68,369	68,369
Grade 14 Loss		-	-	140,613	140,613
Gross carrying amount		1,464,709	1,026,136	258,759	2,749,604
Loss allowance	29	(132,142)	(157,654)	(49,351)	(339,147)
		1,332,567	868,482	209,408	2,410,457

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.6 Credit risk (continued)

48.6.6 Analysis of risk concentration (continued)

Investment securities and pledged assets

		2021			
Note	Stage 1	Stage 2	Stage 3	Total	
	K'000	K'000	K'000	K'000	
Grade 1-11: Low-fair risk	-	3,668,755	-	3,668,755	
Carrying amount	24,28	3,668,755	-	3,668,755	
Loss allowance	-	(239,474)	-	(239,474)	

Included in Investment securities are treasury bills of K130m pledged as Interbank collateral and title was transferred to the counter party at the point of the transaction.

		2020			
Note	Stage 1	Stage 2	Stage 3	Total	
	K'000	K'000	K'000	K'000	
Grade 1-11: Low-fair risk	-	3,642,091	-	3,642,091	
Carrying amount	24,28	3,642,091	-	3,642,091	
Loss allowance	-	(251,099)	-	(251,099)	

Loan commitments

		2021			
Note	Stage 1	Stage 2	Stage 3	Total	
	K'000	K'000	K'000	K'000	
Grade 1-11: Low-fair risk	192,139	208,628	-	400,767	
Maximum Exposure	37	208,628	-	400,767	
Loss allowance	67	17,200	-	17,267	

Financial guarantee contracts

Grade 1-11: Low-fair risk	463,138	129,408	-	592,546
Maximum Exposure	37	129,408	-	592,546
Loss allowance	-	2,458	-	2,458

Loan commitments

		2020			
	Stage 1	Stage 2	Stage 3	Total	
	K'000	K'000	K'000	K'000	
Grade 1-11: Low-fair risk	570,610	234,430	-	805,040	
Maximum Exposure	37	234,430	-	805,040	
Loss allowance	592	16,901	-	17,493	

Financial guarantee contracts

Grade 1-11: Low-fair risk	495,338	74,482	11,644	581,464
Maximum Exposure	37	74,482	11,644	581,464
Loss allowance	1	2,433	-	2,434

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.6 Credit risk (continued)

48.6.7 Amounts arising from ECL

Techniques used to compute impairment amounts use models which analyse historical repayment and default rates over a time horizon. Where various models are used, judgement is required to analyse the available information provided and select the appropriate model or combination of models to use.

Expert credit judgement is also applied to determine whether any post-model adjustments are required for credit risk elements which are not captured by the models.

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the

risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate and institutional	Consumer exposures	All exposures
- Information obtained during the periodic review of customer file e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.	- internally collected data on customer behavior - e.g. utilisation of credit card facilities.	- Payment record - this includes overdue status as well as a range of variables about payment ratios.
- Data from credit reference agencies, press articles, changes in external credit ratings.	- External data from credit reference agencies, including industry-standard credit scores.	- Utilisation of the granted limit.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or its business activities.		- Existing and forecast changes in business, financial and economic conditions.

Consumer Book has no client within investment grade and the approach is to cap it to the country sovereign rating which was at 11A.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Write-offs of credit impaired instruments and reversal of impairment

To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the related loan provision. Credit impaired financial debt instruments are graded 12-14 on the Group's internal credit grading system. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of income or loss and other comprehensive income. If, in a subsequent period, the amount of the credit impairment loss decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in the statement of income or loss and other comprehensive income.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.6 Credit risk (continued)

48.6.7 Amounts arising from ECL (continued)

Group and Bank	Note	2021				2020			
		Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Loans and advances to customers amortised cost									
Balance at 1 January		132,141	157,655	49,351	339,147	19,075	116,770	51,123	186,968
- Transfer to Stage 1		83,734	(83,734)	-	-	225,772	(225,772)	-	-
- Transfer to Stage 2		(114,758)	142,445	(27,687)	-	(166,833)	237,194	(70,361)	-
- Transfer to Stage 3		-	(106,387)	106,387	-	-	(127,306)	127,306	-
Net re-measurement of loss allowance		101,117	109,979	128,051	339,147	78,014	886	108,068	186,968
New financial assets originated or purchased		75,922	-	-	75,922	155,438	175	120	155,733
Financial assets that have been derecognised		(80,577)	(982)	(49,571)	(131,130)	(3,088)	(1,446)	(126,610)	(131,144)
(Write off)/recoveries		-	-	(81,140)	(81,140)	-	-	-	-
Unwind of discount		-	-	-	-	-	-	(99,567)	(99,567)
Foreign exchange and other risk parameters		(67,084)	(70,341)	59,115	(78,310)	(98,223)	158,040	167,340	227,157
Balance as at 31st December	29	29,378	38,656	56,455	124,489	132,141	157,655	49,351	339,147

Gross carrying amounts in the loans and advances reduced year on year by 36% on account of the derisking of the personal loan book and complete exit of the Commercial Banking business.

The above had a ripple effect on the impairments for both CPBB and CIB which reduced by 88% and 38% respectively year on year.

Included in foreign exchange and other movements are changes in risk parameters and loss allowances due to transferred assets between assets.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.6 Credit risk (continued)

48.6.7 Amounts arising from ECL (continued)

	Note	2021			Total K'000
		Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	
Loans and advances to customers at amortised cost					
Consumer Private and Business Banking customers					
Balance at 1 January		89,372	6,824	3,624	99,820
- Transfer to Stage 1		39,636	(39,636)	-	-
- Transfer to Stage 2		(41,415)	44,763	(3,348)	-
- Transfer to Stage 3		-	(30,037)	30,037	-
Net remeasurement of loss allowance		87,593	(18,086)	30,313	99,820
New financial assets originated or purchased		3,806	-	-	3,806
Financial assets that have been derecognised		(80,577)	(982)	(10,338)	(91,897)
(Write off)/recoveries		-	-	(22,910)	(22,910)
Foreign exchange and other risk parameters		(1,114)	20,943	3,441	23,270
Balance as at 31st December 2021	29	9,708	1,875	506	12,089

	Note	2020			Total K'000
		Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	
Loans and advances to customers at amortised cost					
Consumer Private and Business Banking customers					
Balance at 1 January		17,980	84,024	11,738	113,742
- Transfer to Stage 1		190,716	(190,716)	-	-
- Transfer to Stage 2		(101,869)	115,406	(13,537)	-
- Transfer to Stage 3		-	(93,367)	93,367	-
Net remeasurement of loss allowance		106,827	(84,653)	91,568	113,742
New financial assets originated or purchased		83,576	174	120	83,870
Financial assets that have been derecognised		(3,088)	(1,446)	(53,070)	(57,604)
(Write off)/recoveries		-	-	(30,586)	(30,586)
Foreign exchange and other risk parameters		(97,943)	92,749	(4,408)	(9,602)
Balance as at 31st December 2020	29	89,372	6,824	3,624	99,820

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.6 Credit risk (continued)

48.6.7 Amounts arising from ECL (continued)

2021	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Loans and advances to customers at amortised cost				
Corporate and Institutional Banking				
Balance at 1 January	42,767	150,831	45,728	239,326
- Transfer to Stage 1	44,098	(44,098)	-	-
- Transfer to Stage 2	(73,344)	73,344	-	-
- Transfer to Stage 3	-	(76,350)	76,350	-
	13,521	103,727	122,078	239,326
New financial assets originated or purchased	72,160	-	-	72,160
Financial assets that have been derecognised	-	-	(39,232)	(39,232)
(Write off)/recoveries	-	-	(58,230)	(58,230)
Foreign exchange and other risk parameters	(3,040)	(69,512)	(29,072)	(101,624)
Balance as at 31st December 2021	82,641	34,215	(4,456)	112,400
2020	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Loans and advances to customers at amortised cost				
Corporate and Institutional Banking				
Balance at 1 January	1,093	32,747	39,386	73,226
- Transfer to Stage 1	35,056	(35,056)	-	-
- Transfer to Stage 2	(64,964)	121,788	(56,824)	-
- Transfer to Stage 3	-	(33,939)	33,939	-
	(28,815)	85,540	16,501	73,226
New financial assets originated or purchased	71,863	-	-	71,863
Financial assets that have been derecognised	-	-	(73,540)	(73,540)
(Write off)/recoveries	-	-	(68,981)	(68,981)
Foreign exchange and other risk parameters	(280)	65,290	171,748	236,758
Balance as at 31st December 2020	42,768	150,830	45,728	239,326

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.6 Credit risk (continued)

48.6.7 Amounts arising from ECL (continued)

	2021			
	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Investment securities at FVOCI				
Balance at 1 January	-	251,099	-	251,099
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
	-	251,099	-	251,099
New financial assets originated or purchased	-	190,706	-	190,706
Financial assets that have been derecognised	-	-	-	-
(Write off)/recoveries	-	-	-	-
Unwind of discount	-	-	-	-
Foreign exchange and other risk parameters	-	(202,331)	-	(202,331)
Balance as at 31st December 2021	-	239,474	-	239,474

	2020			
	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Investment securities at FVOCI				
Balance at 1 January	145,022	30,374	-	175,396
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	(145,022)	145,022	-	-
- Transfer to Stage 3	-	-	-	-
	-	175,396	-	175,396
New financial assets originated or purchased	-	161,893	-	161,893
Financial assets that have been derecognised	-	-	-	-
(Write off)/recoveries	-	-	-	-
Unwind of discount	-	-	-	-
Foreign exchange and other risk parameters	-	(86,190)	-	(86,190)
Balance as at 31st December 2020	-	251,099	-	251,099

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.6 Credit risk (continued)

48.6.7 Amounts arising from ECL (continued)

See accounting policy 7.29

	2021			2020		
	Stage 1 K'000	Stage 2 K'000	Total K'000	Stage 1 K'000	Stage 2 K'000	Total K'000
ECL on statutory reserves						
Balance at 1 January	-	67,629	67,629	-	-	-
New financial assets originated or purchased	-	-	-	-	67,629	67,629
	-	-	-	-	-	-
Foreign exchange and other risk parameters	-	-	-	-	-	-
Balance at 31 December	-	67,629	67,629	-	67,629	67,629

	2021				2020			
	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Loan commitments and financial guarantee contracts								
Balance at 1 January	594	19,333	-	19,927	3,641	2,903	-	6,544
- Transfer to Stage 1	248	(248)	-	-	1,956	(1,956)	-	-
- Transfer to Stage 2	-	2,278	(2,278)	-	(75,197)	75,197	-	-
- Transfer to Stage 3	-	-	-	-	-	(715)	715	-
	842	21,363	(2,278)	19,927	(69,600)	75,429	715	6,544
New loan commitments and financial guarantees	13,526	-	-	13,526	74,188	-	-	74,188
Foreign exchange and other risk parameters	(159)	(15,847)	2,278	(13,728)	(3,994)	(56,096)	(715)	(60,805)
Balance at 31 December	14,209	5,516	-	19,725	594	19,333	-	19,927

Included in the total ECL for off balance sheet (loan commitments and financial guarantees) is ECL relating to off balance sheet on related party transaction

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.6 Credit risk (continued)

48.6.7 Amounts arising from ECL (continued)

The following table provides a reconciliation between:

- amounts shown in the below tables are reconciling opening and closing balances of loss allowance per class of financial instrument; and
- the 'impairment losses on financial instruments' line item in the consolidated and separate financial statements of profit or loss and other comprehensive income.

2021	Cash and balances at Bank of Zambia K'000	Loans and advances to banks K'000	Loans and advances to customers K'000	Investment securities K'000	Loan commitments and financial guarantee contracts K'000	Total K'000
Net remeasurement of loss allowance	-	-	273,937	202,331	28,266	504,534
New financial assets originated or purchased	-	-	(75,922)	(190,706)	(30,403)	(297,031)
Total	-	-	198,015	11,625	(2,137)	207,503
Changes in loss allowances due to assets transferred between stages	-	-	(10,905)	-	-	(10,905)
Recoveries of amounts previously written off	-	-	5,609	-	-	5,609
Total	-	-	192,719	11,625	(2,137)	202,207
2020 *restated	Cash and balances at Bank of Zambia K'000	Loans and advances to banks K'000	Loans and advances to customers K'000	Investment securities K'000	Loan commitments and financial guarantee contracts K'000	Total K'000
Net remeasurement of loss allowance	-	-	(60,297)	85,194	71,373	96,270
New financial assets originated or purchased	(67,629)	-	(155,734)	(160,897)	(77,387)	(461,647)
Total	(67,629)	-	(216,031)	(75,703)	(6,014)	(365,377)
Changes in loss allowances due to assets transferred between stages	-	-	(4,522)	-	-	(4,522)
Recoveries of amounts previously written off	-	-	76,648	-	-	76,648
Total	(67,629)	-	(143,906)	(75,703)	(6,014)	(293,252)

*The recoveries numbers for loans and advances to customers (previously K131m) and investment securities (previously K174m) were overstated in 2020 and have been restated with an equal and opposite effect on net remeasurements of loss Allowances.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.6 Credit risk (continued)

48.6.8 Collateral held and other credit enhancements

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

	Note	2021 Total K'000	2020 Total K'000	Principal type of collateral held
Investment securities	28	3,414,191	3,542,091	None
Trading derivative assets	27	23,707	4,590	None
Loans and advances to consumer customers				
Mortgage lending		112,021	119,474	Residential property
Personal loans		621,060	936,289	None
Credit cards		47,888	43,988	None
Auto loans		3,029	5,573	None
Overdraft		116,322	89,814	None
	29	900,320	1,195,138	
Loans and advances to Corporate and Institutional customers				
Term loans		428,013	622,450	
Overdrafts		442,167	932,016	
	29	870,180	1,554,466	Commercial property, floating charges over corporate assets

The general creditworthiness of a corporate and Institutional customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that corporate and institutional borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Group's focus on corporate and Institutional customers' creditworthiness, the Group does not routinely update the valuation of collateral held against all loans to corporate and Institutional customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans, the Group obtains appraisals of collateral because it provides input into determining the management credit risk actions.

48.6.9 Offsetting financial assets and financial liabilities

There are no financial assets and financial liabilities that are offset in the Group's statement of financial position or that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

48.6.10 Impaired loans and advances and investment securities

For details of impaired financial assets see note 48.6.3.

48.7 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Group does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.7 Liquidity risk and funding management (continued)

The Group has developed internal control processes and contingency plans for managing liquidity risk. Assets and Liabilities Committee (ALCO) is responsible for managing the Group's liquidity risk through comprehensive policies, governance and review procedures, stress testing, monitoring of limit sets to ensure these are in line with the overall liquidity risk appetite and strategy of the Group. The treasury department of the group is responsible for working with other departments within the Group to ensure the liquidity risk strategy is executed. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding, if required.

The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has lines of credit that it can access to meet liquidity needs. Net liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month. A similar, but not identical calculation is used to measure the Group's

compliance with the liquidity limit established by the Bank of Zambia. The ratios during the year were as follows:

Core liquid asset ratios	Group and Bank	
	2021	2020
At 31 December	72%	79%
Average for the period	79%	71%
Maximum for the period	102%	96%
Minimum for the period	26%	38%

The minimum required by Bank of Zambia for core liquid assets is 9% (2019: 9%).

The concentration of funding requirements at any one date or from any one source is managed continuously. A substantial proportion of the Group's deposit base is made up of current and savings accounts and other short term customer deposits.

Advances to deposit ratios	Group and Bank	
	2021	2020
At 31 December	15%	20%
Average for the period	16%	24%
Maximum for the period	17%	34%
Minimum for the period	14%	18%

The Group stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a per centage of core customer current accounts and savings accounts, together with term funding with a remaining term to maturity in excess of one year.

The following table provides an analysis of the financial liabilities of the Group into relevant maturity groupings:

2021	Carrying amount K'000	Gross Nominal outflow K'000	Less than one month K'000	One month to three months K'000	Three months to one year K'000	One to five years K'000	More than five years K'000
Non-derivative liabilities							
Amounts payable to group banks	536,119	536,119	189,262	346,857	-	-	-
Amounts payable to non-group banks	11,482	11,482	11,482	-	-	-	-
Deposits from customers	10,899,749	10,939,578	9,726,477	463,929	514,811	234,361	-
Lease liabilities	84,369	148,368	45,457	93	901	100,205	1,712
Other payables	132,459	132,459	132,459	-	-	-	-
Subordinated liabilities	66,640	102,205	-	-	-	102,205	-
Total non-derivative liabilities	11,730,818	11,870,211	11,051,137	810,879	515,712	436,771	1,712
Derivative liabilities							
Derivative financial instruments	20,984	20,984	20,984	-	-	-	-
Total derivative liabilities	20,984	20,984	20,984	-	-	-	-
Off Balance sheet financial liabilities							
Loan commitments	400,767	400,767	-	-	400,767	-	-
Guarantees	592,546	592,546	8,662	27,911	291,070	235,081	29,822
Letters of credit	-	-	-	-	-	-	-
Off Balance sheet financial liabilities	993,313	993,313	8,662	27,911	691,837	235,081	29,822

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.7 Liquidity risk and funding management (continued)

Group and Bank

2020	Carrying amount K'000	Gross Nominal outflow K'000	Less than one month K'000	One month to three months K'000	Three months to one year K'000	One to five years K'000	More than five years K'000
Non-derivative liabilities							
Amounts payable to group banks	325,740	325,740	44,459	154,261	127,020	-	-
Amounts payable to non-group banks	21,266	21,266	21,266	-	-	-	-
Deposits from customers	12,214,521	12,219,930	10,456,881	844,412	583,030	335,607	-
Lease liabilities	163,640	190,871	-	7	11,819	179,045	-
Other payables	129,101	129,101	129,101	-	-	-	-
Subordinated liabilities	84,680	102,306	-	-	-	-	102,306
Total non-derivative liabilities	12,938,948	12,989,214	10,651,707	998,680	721,869	514,652	102,306
Derivative liabilities							
Derivative financial instruments	8,548	8,548	8,548	-	-	-	-
Total derivative liabilities	8,548	8,548	8,548	-	-	-	-
Off Balance sheet financial liabilities							
Loan commitments	805,040	805,040	-	-	805,040	-	-
Guarantees	581,464	581,464	21,241	2,758	78,651	445,743	33,071
Letters of credit	-	-	-	-	-	-	-
Off Balance sheet financial liabilities	1,386,504	1,386,504	21,241	2,758	883,691	445,743	33,071

48.7.1 Analysis of encumbered and unencumbered assets

Below is the analysis of the Group's encumbered and unencumbered assets that would be available to obtain additional funding as securities. For this purpose, encumbered assets are:

- Assets which have been pledged as collateral (e.g., which are required to be separately disclosed under IFRS 7)
- Or
- Assets that an entity believes it is restricted from using to secure funding, for legal or other reasons, which may include market practice or sound risk management. Restrictions related to the legal position of certain assets, for example, those held by consolidated securitisation vehicles or in pools for covered bond issuances, may vary in different jurisdictions

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48 Risk Management (continued)

48.7 Liquidity risk and funding management (continued)

48.7.1 Analysis of encumbered and unencumbered assets (continued)

Unencumbered assets are the remaining assets that the Group owns.

2021	Encumbered		Unencumbered		Total K'000
	Pledged as collateral K'000	Uncollateralised K'000	Available as collateral K'000	Uncollateralised K'000	
Cash on hand and balances at Bank of Zambia	-	-	882,090	1,027,542	1,909,632
Pledged assets	525,000	-	-	-	525,000
Derivative financial instruments	-	-	-	23,707	23,707
Loans and advances to customers	-	-	-	1,646,011	1,646,011
Investment securities	130,000	-	-	3,284,191	3,414,191
Assets held for sale	-	-	-	7,800	7,800
Property and equipment and right of use assets	-	-	-	128,220	128,220
Prepayments and other receivables	-	-	-	74,431	74,431
Total	655,000	-	882,090	6,191,902	7,728,992
2020 *restated	Pledged as collateral K'000	Uncollateralised K'000	Available as collateral K'000	Uncollateralised K'000	Total K'000
Cash on hand and balances at Bank of Zambia	-	-	773,435	1,322,456	2,095,891
Pledged assets	100,000	-	-	-	100,000
Derivative financial instruments	-	-	-	4,590	4,590
Loans and advances to banks	-	-	-	2,410,457	2,410,457
Loans and advances to customers	-	-	-	3,542,091	3,542,091
Investment securities	-	-	-	9,761	9,761
Property and equipment and right of use assets	-	-	-	179,158	179,158
Prepayments and other receivables	-	-	-	77,846	77,846
Total	100,000	-	773,435	7,546,359	8,419,794

*Prior year pledged assets have been included as encumbered and presented as collateralised.

48.8 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading (the Trading book) or non-trading (the Banking book) portfolios and manages each of those portfolios separately.

48.8.1 Exposure to Interest rate risk - non-trading portfolios

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times and/or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices. Asset-liability risk management activities are conducted in the context of the Group's sensitivity to interest rate changes.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.8 Market risk (continued)

48.8.1 Exposure to interest rate risk - non-trading portfolios (continued)

The table below indicates the effective interest rates at the reporting date.

The effective interest rates for principal financial assets and financial liabilities averaged as follows:

	Group and Bank			
	2021		2020	
	K (%)	USD (%)	K (%)	USD (%)
Financial assets				
Government bonds	26.34	-	33.32	-
Treasury bills	17.71	-	24.29	-
Loans and advances	26.09	5.33	24.26	6
Staff mortgages and other loans	10.00	-	10.00	-
Financial liabilities				
Placements with other banks	3.48	0.33	-	0.96
Customer deposits	0.04	-	0.44	0.01

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 5% and 10% parallel rise in all yield curves and a 2.5% and 7.5% parallel fall in all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial statement position, is as shown below:

Interest rate movements affect reported equity in the following ways:

- Retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss.
- Fair value reserves arising from increases or decreases in fair values of FVOCI financial instruments reported directly in other comprehensive income.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.8 Market risk (continued)

48.8.1 Exposure to interest rate risk - non-trading portfolios (continued)

Overall non-trading interest rate risk positions are managed by Financial markets, which use investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

Group and Bank

	Total	Zero rate instrument	Floating rate instruments	Fixed rate instruments		
				Less than three months	Three months to one year	Between one and five years
2021	K'000	K'000	K'000	K'000	K'000	K'000
Assets						
Cash on hand and balances at Bank of Zambia	1,909,632	1,909,632	-	-	-	-
Cash and cash equivalents	5,221,081	2,138,981	-	2,332,400	749,700	-
Investment securities	3,414,191	508	-	833,264	2,319,019	261,400
Derivative financial instruments	23,707	-	-	23,707	-	-
Loans and advances to customers	1,646,011	-	1,646,011	-	-	-
Total assets	12,214,622	4,049,121	1,646,011	3,189,371	3,068,719	261,400
Liabilities						
Amounts payable to group banks	536,119	189,262	-	346,857	-	-
Amounts payable to non-group banks	11,482	11,482	-	-	-	-
Deposits from customers	10,899,749	8,969,471	717,177	463,929	514,811	234,361
Derivative financial instruments	20,984	-	-	20,984	-	-
Subordinated liabilities	66,640	-	66,640	-	-	-
Lease liabilities	84,369	-	-	11,794	12,875	59,700
Total liabilities	11,619,343	9,170,215	783,817	843,564	527,686	294,061
Gap	595,279	(5,121,126)	862,194	2,345,807	2,541,033	(32,661)
Impact of increase in interest rate	5%	289,189	-	43,110	118,384	127,695
Impact of decrease in interest rate	10%	578,378	-	86,219	236,768	255,391
Impact of increase in interest rate	2.5%	(144,595)	-	(21,555)	(59,192)	(63,848)
Impact of decrease in interest rate	7.5%	(433,784)	-	(64,665)	(177,576)	(191,543)

The following is a summary of the Group's interest rate gap position on non-trading portfolios.

On the impact, a positive means increase in the profit and equity and negative means reduction in the profit and equity. Therefore a 5% increase in interest rates would increase the profitability by **K43,110** and equity by **K118,384**. Fair value changes arising from increase or decrease in fair value of FVOCI instruments are recorded directly in equity.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48 Risk Management (continued)

48.8 Market risk (continued)

48.8.1 Exposure to interest rate risk - non-trading portfolios (continued)

The following is a summary of the Group's interest rate gap position on non- trading portfolios. (continued)

Group and Bank

2020	Total K'000	Zero rate instrument K'000	Floating rate instruments K'000	Fixed rate instruments		
				Less than three months K'000	Three months to one year K'000	Between one and five years K'000
Assets						
Cash on hand and balances at Bank of Zambia	2,095,891	2,095,891	-	-	-	-
Cash and cash equivalents	5,251,892	2,182,242	-	2,117,000	952,650	-
Investment securities	3,542,091	508	-	762,483	2,754,108	24,992
Derivative financial instruments	4,590	-	-	4,590	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	2,410,457	-	2,410,457	-	-	-
Total assets	13,304,921	4,278,641	2,410,457	2,884,073	3,706,758	24,992
Liabilities						
Amounts payable to group banks	325,740	44,459	-	154,261	127,020	-
Amounts payable to non-group banks	21,266	21,266	-	-	-	-
Deposits from customers	12,214,521	9,848,972	602,500	844,412	583,030	335,607
Derivative financial instruments	8,548	-	-	8,548	-	-
Subordinated liabilities	84,680	-	84,680	-	-	-
Lease liabilities	163,640	-	-	6	10,133	153,501
Total liabilities	12,818,395	9,914,697	687,180	1,007,227	720,183	489,108
Gap	486,526	(5,636,056)	1,723,277	1,876,846	2,986,575	(464,116)
Impact of increase in						
interest rate	5%	86,164	-	86,164	-	-
	10%	172,328	-	172,328	-	-
Impact of decrease in						
interest rate	2.5%	(43,082)	-	(43,082)	-	-
	7.5%	(129,246)	-	(129,246)	-	-

The following is a summary of the Group's interest rate gap position on non- trading portfolios.

On the impact, a positive means increase in the profit and equity and negative means reduction in the profit and equity. Therefore a 5% increase in interest rates would increase the profitability and equity by K86,164. Fair value changes arising from increase or decrease in fair value of FVOCI instruments are recorded directly in equity

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48 Risk Management (continued)

48.8 Market risk (continued)

48.8.1 Exposure to interest rate risk - non-trading portfolios (continued)

48.8.1.1 IBOR reform

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Bank has established a project to manage the transition for any of its contracts that could be affected. The project is sponsored by senior management and is being led by senior representatives from functions across the Bank including the client facing teams, Legal, Finance, Operations and Technology. The project provides progress updates to the relevant stakeholders.

During 2021, the Bank has successfully completed the transition of a significant portion of its IBOR exposure to RFRs and has in place detailed plans, processes and procedures to support the transition of the remainder. Following the progress made during 2021, the Bank is confident that it has the operational capability to process the remaining transitions to RFRs for those interest rate benchmarks such as USD LIBOR that will cease to be available after 30 June 2023 and the IBORs for which the transition date has not yet been determined.

For other benchmark interest rates such as EURIBOR that have been reformed and can therefore continue, financial instruments referencing those rates will not need to transition.

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely.

These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available
- Accounting risk from unrepresentative income statement volatility as financial instruments transition to RFRs

48.8.2 Currency risk

The Group is exposed to currency risk through transactions in foreign currencies. The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the statement of profit or loss and other comprehensive income. These exposures comprise the monetary assets and monetary liabilities of the Group, as follows (in Zambian Kwacha terms):

Group and Bank 2021	K K'000	USD K'000	GBP K'000	ZAR K'000	Euro K'000	Others K'000	Total K'000
Monetary assets	6,544,279	4,476,663	1,613,540	278,319	163,045	6,920	13,082,766
Monetary liabilities	(5,352,516)	(5,119,496)	(376,491)	(199,530)	(633,778)	(1,237)	(11,683,048)
Net position	1,191,763	(642,833)	1,237,049	78,789	(470,733)	5,683	1,399,718
Impact of 5% depreciation of the local currency		32,142	(61,852)	(3,939)	23,537		(10,112)
Impact of 10% depreciation of the local currency		64,283	(123,705)	(7,879)	47,073		(20,228)

A 10% depreciation in local currency will have a negative impact of K20m on the statement of financial position's net position.

Group and Bank 2020	K K'000	USD K'000	GBP K'000	ZAR K'000	Euro K'000	Others K'000	Total K'000
Monetary assets	6,419,875	5,871,464	923,246	117,550	772,602	180,473	14,285,210
Monetary liabilities	(5,493,997)	(6,497,825)	(45,590)	(58,520)	(778,135)	(166,007)	(13,040,074)
Net position	925,878	(626,361)	877,656	59,030	(5,533)	14,466	1,245,136
Impact of 5% depreciation of the local currency		(31,318)	43,883	2,951	(277)		15,239
Impact of 10% depreciation of the local currency		(62,636)	87,766	5,902	(554)		30,478

A 10% depreciation in local currency will have a K30m impact on the statement of financial position's net position.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48 Risk Management (continued)

48.8 Market risk (continued)

48.8.2 Currency risk (continued)

The following exchange rates applied during the year:

Group and Bank	Average rate		Reporting rate	
	2021 K	2020 K	2021 K	2020 K
USD	19.77	19.17	16.66	21.17
GBP	27.45	24.74	22.45	28.89
ZAR	1.36	1.25	1.04	1.44
EUR	22.09	19.99	18.87	25.98

As at the reporting date, net currency exposures representing more than 10% of the Group's equity were as follows.

Group and Bank	2021 K'000	2020 K'000
USD	(642,833)	(626,362)
GBP	1,237,050	877,656

48.9 Country risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Group, directly by impairing the value of the Group or indirectly through an obligor's ability to meet its obligations to the Group. Generally, these occurrences relate, but are not limited, to:

- sovereign events such as defaults or restructuring;
- political events such as contested elections or referendums;
- restrictions on currency movements;
- non-market currency convertibility;
- regional conflicts;
- economic contagion from other events such as sovereign default issues or regional turmoil;
- banking and currency crisis; and
- natural disasters.

The Group manages its Country Risk exposures following the principle of diversification across geographies. Risk Appetite focusses on monitoring Gross Country Risk exposure to a single country as a percentage of aggregated Gross Country Risk exposure across all countries. Overall concentration is managed through a 15% cap to avoid over-concentration in one country. Furthermore, concentration risks to certain sectors and tenor concentration risks are assessed as part of the Country Risk Appetite Mandates ("CRAM").

The Country Risk function monitors exposures through the Country Risk Dashboard, which includes a broad range of indicators (in addition to Credit Risk exposure) including intragroup, issuer risk, and equity investments.

When the risk outlook for a country changes, Country Risk will promptly initiate an out-of-cycle review to ensure the sovereign rating and Country Risk limits accurately capture our assessment of the risks facing the Group.

48.10 Operational and business risk

Operational Risk (OR) is the potential for loss arising from inadequate or failed internal processes and systems, human error or from the impact of external events, including legal risks. These risks are primarily mitigated through the deployment of a strong and reliable system of controls.

The Operational Risk Type Framework (ORTF) sets out the approach to measure and assess OR control effectiveness across the Group. All risks, regardless of risk type, are required to be assessed in line with the ORTF. The ORTF also sets out the overall risk management approach for all Risk Types not designated as Principal Risks.

The Group aims to manage operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise. Adherence to this Operational Risk Appetite (RA) statement is monitored through several Board-approved metrics with breach and escalation thresholds.

The levels of inherent and residual risk are assessed for all risks in the Group. Inherent risk is an expression of the exposure arising as a consequence of the business activity in the absence of any mitigation. Residual risk is the level of risk remaining after mitigation is applied. Mitigation can include a combination of controls, insurance and/or business volume reduction. The process owner is responsible for ensuring that necessary mitigation is taken to maintain residual risk within the Group's tolerance.

The Group reviews external and internal events to identify improvements to its control environment. Events that result in either financial or non-financial impacts are recorded. Root Cause Reviews are conducted for significant OR events to identify incremental control enhancements for implementation.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2021

48. Risk Management (continued)

48.10 Operational and business risk (continued)

The Country Head of Operational Risk is responsible for Operational Risk in country. The Country Non-Financial Risk Committee (CNFRC) oversees the management of operational risk and ensures that it meets the standards of the ORTF. The CNFRC meets regularly to review the Group's significant risks and to ensure appropriateness and adequacy of mitigating action plans. The CEO is the chairman of the CNFRC.

48.11 Compliance risk

Compliance risk is the potential for penalties or loss to the Group or for an adverse impact to Group's clients, stakeholders or to the integrity to markets operated in through a failure on our part to comply with laws or regulations.

The Compliance function develops and deploys relevant policies and standards setting out requirements and controls for adherence by the Group to ensure continued compliance with applicable laws and regulations. The Compliance Risk Type Framework ("CRTF") sets out the overall risk management approach for Compliance Risk.

The Compliance Risk Framework Owner relies on the compliance risk assessment, control standard setting, control monitoring and compliance assurance activities, to ensure that the CRTF and its underpinning policies are operating as expected to mitigate the risk that they cover. Appropriate processes and controls are used as primary tools to mitigate Compliance risk. To do so, the requirements set out in the Operational Risk Type Framework are followed to ensure a consistent approach to the management of processes and controls. Furthermore, the effectiveness of the CRTF and its underpinning policies are reviewed and attested to on an annual basis.

The Group has no appetite for breaches in laws and regulations; whilst recognising that regulatory non-compliance cannot be entirely avoided, the Group strives to reduce this to an absolute minimum.

Determination of whether the Group remains within risk appetite is through monitoring of approved metrics which includes, but is not limited to, applicable material regulations which have not been implemented in a timely manner, tracking of regulatory enforcement actions and breaches as well as monitoring the Group's relationship with its key college of regulators.

The Group's ongoing efforts to manage compliance with applicable laws and regulation follows a cycle of activities detailed in the CRTF. Key activities include but not limited to:

- Risk assessment: Periodic risk assessments incorporating both a qualitative and quantitative review are undertaken for each compliance risk area
- Policies, Standards and controls: Policy ownership and responsibility for defining standards and controls for each compliance risk area is allocated to the function with the appropriate expertise to manage that risk. An annual evidence-based attestation of the effectiveness of policies must be made by policy owners as part of the Enterprise Risk Management Framework (ERMF) effectiveness review process.
- Training and communication: Regulatory requirements are often complex and span multiple businesses, functions and jurisdictions. Many elements of Compliance risk are difficult to control solely through preventative or detective controls and so the provision of appropriate training and communication is a core element of the management of Compliance risk. This includes communicating controls and stating how we expect our staff to act when executing their responsibilities.
- Effectiveness review: The Compliance function is responsible for performing an annual effectiveness review of the RTF and supporting policies.
- Information and analysis: Management information is an essential support tool for planning and decision-making. Compliance also uses management information to drive its risk and governance reporting. Compliance is continually seeking to improve methods of analysing the information available to determine if there are trends in regulatory development or areas within the Group's controls that require attention.

Appendix

Five year summary

	2021	2020	2019	2018	2017
	K'000	K'000	K'000	K'000 Restated	K'000
Operating profit before impairment provisions	410,090	250,878	369,517	470,171	498,142
Net impairment provisions against loans and advances	202,207	(293,252)	(303,730)	(55,784)	(41,138)
Profit/(Loss) before taxation	612,297	(42,374)	65,787	414,387	457,004
Profit/(Loss) attributable to shareholders	353,930	(48,078)	12,286	230,051	209,549
Loans and advances to customers	1,646,011	2,410,457	3,131,664	2,886,321	2,612,689
Total assets	13,272,732	14,186,870	11,067,439	9,746,335	8,799,379
Deposits from customers	10,899,749	7,304,664	6,797,789	12,214,521	9,289,297
Shareholders' funds	1,153,970	613,551	798,082	752,473	647,030
Earnings per ordinary share					
Basic earnings per share (Kwacha)	0.21	(0.03)	0.01	0.14	0.13
Dividends per share (Kwacha)	0.212	(0.029)	0.007	0.138	0.126
Ratios					
Post-tax return on ordinary shareholders' funds	31%	(6%)	2%	37%	35%
Basic cost/income ratio	69%	78%	67%	58%	54%

Note that this table does not form part of audited financial statements

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Managing Director and Chief Executive Officer

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Kelvin Bwalya

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Financial Officer

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Chief Information Officer

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Rose Kavimba

Head, Legal & Company Secretary

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Fanwell Phiri

Country Chief Risk Officer

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Christine Matambo

Head of Corporate Affairs, Brand & Marketing - Zambia
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Marshal Shampongo

Head of Internal Audit

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Tel: +260 (212) 422480-89

Branch Network

LUSAKA

Lusaka Head Office Branch

P.O. Box 32238, Lusaka
Tel: +260 (211) 422051/56

Central Park Branch

P.O. Box 31353, Lusaka
Tel: +260 (211) 422600-20

United Nations (UN) Agency Branch

P.O. Box Lusaka 33610
Tel: +260 (211) 386200
Priority Banking- Lusaka

COPPERBELT

Zambia Way Branch

P.O. Box 20061, Kitwe
Tel: +260 (212) 422750-80

Dividend

At a Board meeting held on 24th February 2022, the Board of Directors recommended a dividend of ZMW0.212 per share for the year ended 31 December 2021.

The dividend will be paid to shareholders registered in the books of the Bank at close of business on 22nd April 2022 and payable on 25th April 2022.

By Order of the Board

Rose Kavimba

Company Secretary

24 February 2022



STANDARD CHARTERED BANK ZAMBIA PLC

[Incorporated in the Republic of Zambia]

Company registration number: 6525

Share Code: SCZ

ISIN: ZM0000000094

["SCZ" or "the Bank"]

NOTICE OF THE 51st ANNUAL GENERAL MEETING

Notice is hereby given that the 51st Annual General Meeting of the fully paid-up shareholders of Standard Chartered Bank Zambia Plc in respect of the period ended 31 December 2021, will be held virtually on <https://eagm.creg.co.zw/eagm/login.aspx> on Wednesday, 30 March 2022 at 10:00 hours. The voting at the Annual General Meeting will be conducted electronically on <https://eagm.creg.co.zw/eagm/login.aspx>.

All shareholders are encouraged to make arrangements to participate in the Annual General Meeting through the eAGM link provided.

The meeting is convened to transact the following business:

1. Call to order, tabling proxies, and announcement regarding quorum

2. Resolution 1 – Adoption of Minutes

To confirm, adopt and sign the Minutes of the AGM held on 30th April 2021.

3. Resolution 2- Adoption of Chairman’s Report, Directors’ Report and Financial Statements

To receive, approve and adopt the Financial Statements for the year ended 31 December 2021 and the reports of the Chairman, Directors and Auditors.

4. Resolution 3 – Dividend

To approve a recommendation from the Board of Directors to declare a dividend for the year ended 31 December 2021.

5. Resolution 4 – Amendment of Articles of Association

To approve by Special Resolution the Amendment of Article 5 of the Articles of Association of the Bank.

6. Resolution 5 – Appointment of Auditors

To re-appoint EY as auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Directors to set their remuneration.

7. Resolution 6 – Appointment and Re-Appointment of Directors

To re-elect each of Caleb M Fundanga, Doreen Kapambwe Chiwele, Munakopa Sikaulu, Kweku Bedu-Addo, Herman Kasekende and Kelvin Bwalya, who retire by rotation in terms of the Companies Act, and who, being eligible, offer themselves for re-election. And to ratify the appointment of Mainga Mukando as Independent Non Executive Director.

8. Resolution 7 – Remuneration of the Directors

To authorize the Board to fix the remuneration of the Directors.

9. To transact any other business that may properly be transacted at the Annual General Meeting.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak, and, on a poll, vote in his/her stead. Proxy forms are available from the Company Secretary.

Notes:

- i. The proceedings of the Meeting will be streamed live through the following link, and shareholders are required to register in advance.

<https://eagm.creg.co.zw/eagm/login.aspx>

- ii. Shareholders and proxies are requested to **Sign Up now**. Please sign up onto the link with the credentials that shall be forwarded to you via email and phone.

The key steps to follow are as given below:

- a. Sign up on the (“**eAGM platform**”) given.
 - b. Log into the (“**eAGM platform**”) and register to attend the meeting
- iii. To sign up for the Meeting, a shareholder must have a working email and an active cell phone number.
 - iv. The window for signing up for the Meeting shall be open on Tuesday, 15th March 2022 and automatically close at the commencement of the Meeting on Wednesday, 30th March 2022 at 10:00 hours. Registration will commence at 08:00 hours on the day of the meeting. A shareholder who does not register before the start of the meeting will not be able to do so when the meeting starts.
 - v. After registering, a shareholder will be allowed to join the meeting.
 - vi. To fully participate in the AGM, a shareholder must have a reliable internet connection.
 - vii. Queries on how to log into the Meeting, registration or on the voting process can be channelled to the Corpserve Transfer Agents on info@corpservezambia.com.zm or james@corpservezambia.com.zm: Or phone **0950968435, 0979420470, 0979946143**
 - viii. A member entitled to attend and vote at the meeting is entitled to appoint any person (whether a member of the Company or not) to attend and, on a poll, to vote in his/her stead. Proxy forms are obtainable from the Company Secretary and must be lodged at the Registered Office of the Company, **5th floor, Standard Chartered House, Corner Nasser/ Mwaimwena roads, Rhodespark**, or emailed to Rose.Kavimba@sc.com before the commencement of the AGM.



By Order of the Board

Rose N Kavimba
Company Secretary

Issued in Lusaka, Zambia on 3 March 2022

Lusaka Securities Exchange Sponsoring Broker	
 <p style="background-color: #008000; color: white; padding: 2px; margin-top: 5px;">STOCKBROKERS ZAMBIA LIMITED</p>	<p>T +260-211-232456 E advisory@sbz.com.zm W www.sbz.com.zm</p> <p>Stockbrokers Zambia Limited (SBZ) is a member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia</p>
First Issued on 3 March 2021	

FORM OF PROXY

..... 2022

I/We, (full names in block letters) of

.....
member/members of Standard Chartered Bank Zambia Plc, hereby appoint

.....
of

as my/our proxy to attend and speak, on poll, vote instead of me/us at the Fifty- First Annual General Meeting of the Company, to be held on Wednesday, 30 March 2022 and at every Adjournment thereof:

	In favour	Against
Resolution 1 – To confirm, adopt and sign the minutes of the AGM held on 30 April 2021.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – To receive, approve and adopt the Chairman’s Report, Directors’ Report and Financial Statements for the year ended 31 December 2021.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – To approve a recommendation from the Board Of Directors not to pay a dividend for the year ended 31 December 2021. Remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – To approve by Special Resolution the Amendment of Article 5, of the Articles of Association of the Bank.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – To re-appoint EY as auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Directors to set their remuneration..	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – (i) Confirm the re-appointment of the following as Director:		
Caleb Fundanga	<input type="checkbox"/>	<input type="checkbox"/>
Munakopa Sikaulu	<input type="checkbox"/>	<input type="checkbox"/>
Kweku Bedu-Addo	<input type="checkbox"/>	<input type="checkbox"/>
Herman Kasekende	<input type="checkbox"/>	<input type="checkbox"/>
Kapambwe Doreen Chiwele	<input type="checkbox"/>	<input type="checkbox"/>
Kelvin Bwalya	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To onfirm the appointment of the following as Director:		
Mainga Mukando	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7: To authorize the Board to fix the remuneration of the Directors		
Signature(s)	<input type="checkbox"/>	<input type="checkbox"/>
Certificate Number(s)	<input type="checkbox"/>	<input type="checkbox"/>

NOTE:

The Form of Proxy shall be:

- a) In the case of an individual, signed by the appointer or by his Attorney.
- b) In the case of a corporation, signed either by an Attorney or Officer of the Corporation on its behalf or be given under its common seal.

Shareholders are encouraged to deposit their instruments of proxy at the Registered Office of the Company.