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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

Taking a stand

On a global level as Standard Chartered Bank, we have continued to make good progress against our strategic priorities . 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.

Where we operate

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.

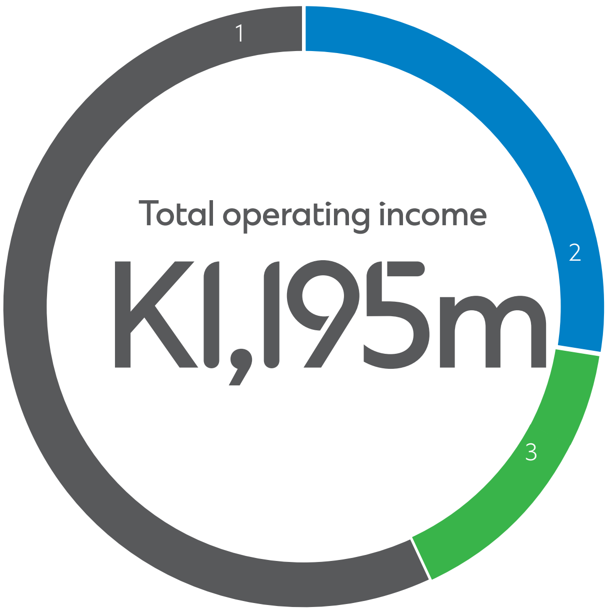
What sets us apart is our diversity – of people, cultures and networks.

Giving you Banking on the Go

Who we are and what we do

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

Our client segments



Local

1.
Consumer Private and Business Banking (CPBB)

Serving our Personal, Private and Business Banking Clients

Operating income

K600m

Global

2.
Corporate & Institutional Banking(CIB)

Serving large corporations, governments, banks and investors.

Operating income

K551m

3. **Central & other items**

Operating income

K44m

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

Delivering on our strategy

Caleb M Fundanga
Chairman

2022 presented fresh shoots of market optimism. As a Board, we focused on accelerating our strategic execution against the backdrop of an improving operating environment with the easing of global and local COVID-19 restrictions. Our strategy execution drive was further supported by positive investor sentiments and the approval of the International Monetary Fund (IMF) Extended Credit Facility (ECF) – a long anticipated economic recovery milestone.

Our financial performance is resilient amidst disruption

Our results are testament to the reinforced resilience the business has attained over the past three years since the onset of the COVID-19 pandemic, exacerbated by the far-reaching impacts of other challenges we have witnessed such as the Ukraine-Russia conflict and Zambia's increasing external debt sustainability challenges. Later in this report, Mr. Sonny Zulu, our Chief Executive Officer will give more insights into our financial performance in 2022.

Against the backdrop of the challenging operating environment, which resulted in lower income and profitability year on year, we delivered quality returns for shareholders reflected in the ROE of 25 percent. In 2022, the Bank remained highly liquid and well capitalised, with a Tier 1 Capital Ratio of 16 percent against the Regulatory Minimum Capital Requirement (MCR) of 10 percent with a consistent 100 percent dividend pay-out over the past two years.

The regulator has drafted a new Banking and Financial Services Act which introduces aspects of Basel III Capital Standards. This will require Banks (including Standard Chartered Bank) to hold increased levels of capital in line with our increased risk appetite. This will furthermore allow the Bank to provide long term and working capital support to clients looking to progress their businesses. Therefore, the Directors did not recommend any dividend for the year ended 31st December 2022.

We are delivering against our strategic objectives despite unprecedented challenges

The Board is confident that the Bank's transformation agenda is progressing in the right strategic direction. The immense value we derived from our unrivalled digital platforms and capabilities at the peak of the COVID-19 pandemic gave us the impetus in 2022 to aspire for greater levels of digital adoption and explore more innovative partnerships to further enhance the convenience of our service delivery to our clients. The launch of Agency Banking in 2022 was one such innovative milestone. Furthermore, we are confident that digital transformation will be a key enabler for our exponential growth ambitions beyond 2022.

Our unique specialist capabilities were key in the strides we made in our network and affluent businesses including the several structured financial markets transactions we executed for corporate clients and the increased uptake of Wealth Management solutions by our affluent clients reflected in the 3 percent growth in revenue and 7 percent growth in investments for our Priority Banking business.

We maintained our sharp focus on governance and culture

We maintained our strong oversight over risk management and controls, conduct, and financial crime Compliance and regulatory driven projects remained a key area of focus and discussion for the Board. The control environment has been acceptable, and the Board ensured that the delivery of our strategy remained balanced between pursuing appropriate returns and taking measured and acceptable risks within our approved risk appetite. Conduct risk was one of the key components of our Enterprise Risk Management Framework (ERMF) discussed by the Board and its committees following its elevation in the previous year (2021) from being a stand-alone principal risk type to an integral part of the ERMF due to its potential impact on all areas of the business. The elevation of Conduct risk came with a sharpened focus through two distinct pillars: Institutional conduct of the Bank and individual behaviour of our people.

The Board also reviewed and assessed the Bank's capital adequacy. As a Board, we approved the Internal Capital Adequacy Assessment Process (ICAAP) which was subsequently submitted to the Bank of Zambia (BOZ) in line with regulatory guidelines. The Board also analysed the impending change in capital adequacy rules following the enactment of the Banking and Financial Services Act (BFSA), 2017 (as amended). In this regard, the Bank of Zambia is in the process of issuing the revised Capital Adequacy Rules to operationalise the capital adequacy requirements under the new BFSA. Should the new Capital Directives be implemented, the Bank is ready to take the necessary actions to ensure we comply with the revised regulations within the timelines that will be advised by the BOZ.

We continue to advocate for profits with purpose

We are committed to responsibly fulfilling our purpose – to drive commerce and prosperity through our unique diversity, without leaving people behind, inclusively with our communities and whilst preserving the planet for future generations.

We are proud of our achievements under the phenomenal Futuremakers community investment strategy. Our CEO has given more insights on this later in this report. Our award-winning Women in Tech (WiT) programme has so far launched three cohorts, with the third cohort still running before selection of the final winners. Through our Enhanced Youth Employability and Entrepreneurship (EYEE) programme in partnership with Voluntary Services Overseas (VSO, we have empowered a record number of youths with entrepreneurship and employability skills with over 500 marginalised young people reached so far.

As a Group, we are committed to achieving net zero carbon emissions by 2030 from our operations and by 2050 from our financing activities. In addition, as a Group, we have set up structures and product framework to provide sustainable finance. The launch of our new Head Office building in Zambia is in keeping with these commitments as part of our ambition is to be the bank of choice for sustainable finance advisory services.

Board changes

Join me in welcoming Mr Sonny Zulu as the Managing Director and Chief Executive Officer after the BOZ approved his appointment effective 1 July 2022 following the resignation of Mr. Herman Kasekende from the Board following his appointment as Chief Executive Officer for Standard Chartered in Tanzania. I thank Mr. Kasekende for his service.

Mrs. Doreen Chiwele retired from the Board having served as an Independent Non-Executive Director until 30 September 2022 when she retired in line with the BOZ requirements. The process of identifying a successor is underway.

Chairman's statement continued

We are pleased to welcome Mr. Chris Egberink to the Board as a Non-Executive Director following approval by the Bank of Zambia on 13 December 2022. Mr. Egberink replaces Mrs. Louise Vogler, who retired from the Board in 2019.

Board succession planning will remain a top priority and we will continuously strive to have a Board of competent Non-Executive Directors from diverse backgrounds.

Our outlook is positive in the face of uncertainties

In 2022, we focused on responsibly executing our strategic aspirations. Despite the lower income momentum largely due to the suppressed credit appetite exacerbated by unfavourable country credit rating, we delivered business efficiencies and maintained the profitability of the Bank, ultimately delivering healthy returns to shareholders

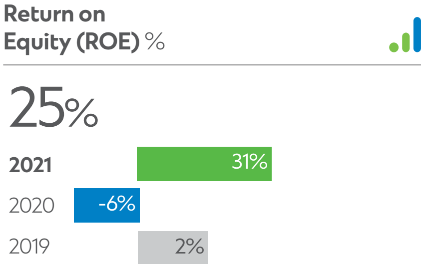
The Board will continue to monitor market developments and scan horizon risks impacting the Financial Services sector. Global shocks such as the Russia-Ukraine conflict and the evolution of the COVID-19 pandemic will continue to be closely monitored by the Board.

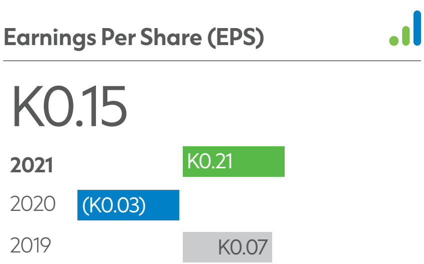
We are nevertheless optimistic about the opportunities in 2023 and beyond in the wake of improving investor sentiment and the much-needed progress with the International Monetary Fund (IMF) support for the nation. We will keenly follow the next stages of implementation under the IMF package around creditors negotiations.

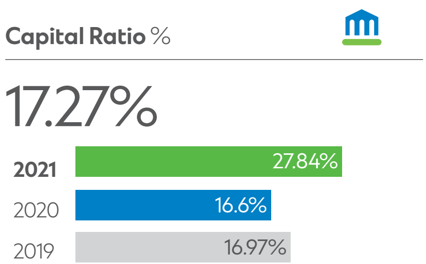
The COVID-19 pandemic has highlighted the core importance of agility and adaptability in navigating increasingly disruptive and unpredictable operating environments and the Board will continue to drive agility and adaptability as core elements of our strategic execution.

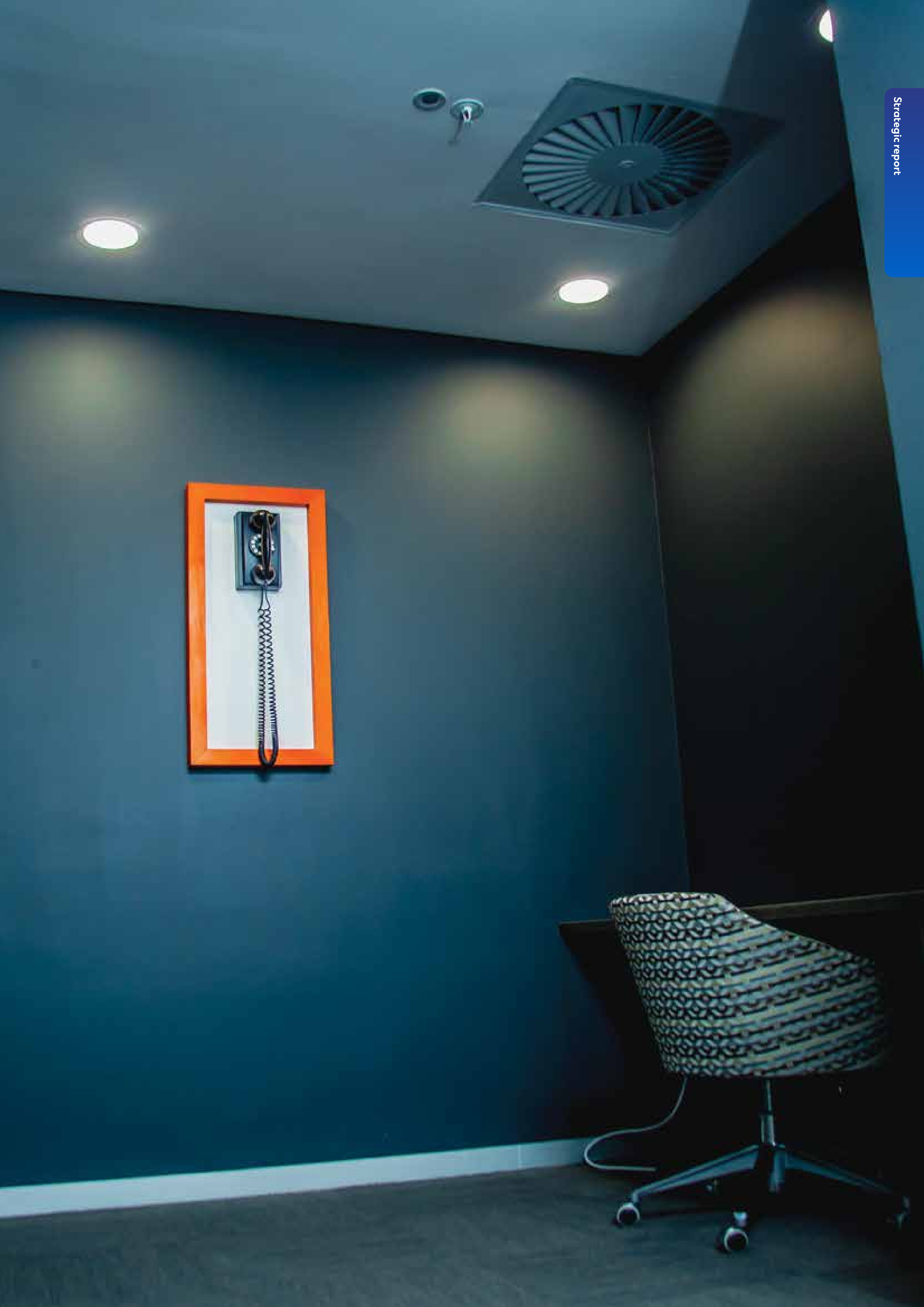
Standard Chartered Zambia Plc remains a key player in the market as a well-respected international brand with a strong balance sheet. Our overall ambition as a Group remains to be the country's most responsible and sustainable bank. We will further hone the focus of the Board and respective committees in 2023 to align with our exponential growth targets in accordance with risk appetite without detracting from the ultimate target of enhancing shareholder returns. Our clients will remain at the centre of our pursuits, and we will continue to support the communities we operate in along the way.

Caleb M Fundanga.
Chairman
24 February 2023









Chief Executive Officer's statement

Resetting for Growth

Sonny Zulu
Managing Director and Chief Executive Officer

At first, I had mixed feelings when I was given the opportunity to lead our business in Zambia. The opportunity presented itself at a time when I had successfully led the transformation of our business in the United Arab Emirates and we were on track to deliver over 1-billion-kwacha equivalent in operating profit for our Consumer, Private and Business Banking division there. I was torn between continuing to contribute to growth in the Middle East and coming back home to support the turnaround of our business in Zambia following a preservation period which had impacted its growth.

Having now spent almost nine months at the helm, I am delighted that I made the right decision. From the day I arrived, I witnessed first-hand the confidence and optimism regarding the country's economic prospects from a range of stakeholders. Despite the scars of the country's credit default, the accelerated branch optimisation, and management's deliberate actions of de-risking, the underlying spirits of our colleagues and clients remained unwavering and resolute. Standard Chartered has been doing business in Zambia since 1906 and the Bank has remained resilient in the face of a very challenging economic environment. I am privileged to be leading the Bank at a time such as this.

Our Financial Performance

The growth in the number of clients and the corresponding uplift in customer deposits show evidence of resilience and customer acceptance and adoption of our digital strategy. The number of clients grew by 9 percent and customer deposits grew by 17 percent.

Our positive returns and continued profitability in 2022 are a reflection of the success of our strategic execution and the enhanced resilience we have built amidst the Covid-19 pandemic over the past three years. Despite the overall lower income year on year, our Custody and Financial Markets businesses delivered significant growth in commission and fee income which helped to partly offset the negative impact of declining interest rates on income for both investment securities and loans and advances. We incurred lower operating costs, lower interest expenses, and net credit impairment releases that were the key factors in achieving a profit before tax of ZMW375 million and a Return on Equity of 25 percent.

Our closing Capital Adequacy Ratio (CAR) was at 17.27 percent against the Regulatory Minimum Capital Requirement of 10 percent. Our liquidity and capital positions remain sound and optimal for the delivery of our strategic objectives for the foreseeable future.

Confidence in our strategy

Our purpose is to drive commerce and prosperity through our unique diversity, with our Stand being the guiding long-term areas of ambition: Accelerating Zero, Lifting Participation and Resetting Globalisation. This speaks to our commitment to be involved in addressing some of the biggest societal challenges faced globally, which inevitably impact local businesses and communities. We aim to add depth and help accelerate the pace of our strategic execution through these stands.

Our strategic execution continued to be aligned with our strategic pillars – Affluent, Mass Retail, Network and Sustainability. We focused on delivering world class customer experience and unrivalled innovation for both retail and corporate clients, providing the best Wealth product suite for affluent clients, offering unique tailored solutions and products for our multinational corporate clients, and serving the communities we operate in.

Underpinned by our cautious and selective balance sheet growth approach in the face of a challenging macro-economic environment, we achieved our objectives by leveraging the opportunities emanating from the onset of a steady economic recovery both locally and globally that was observed as COVID-19 restrictions eased.

Corporate, Commercial and Institutional Banking (CCIB)

- Despite the negative impact of the subdued credit appetite on the corporate asset book and overall income due to the country's sovereign credit rating, we made notable strides with network clients. Our network capabilities backed by our unique global footprint remain key in servicing our corporate clients across borders.
- We executed several structured Financial Markets products in the Financial Institutions segment.
- We signed a Memorandum of Understanding with the Electronic Government (e-government) division SMART Zambia on 22nd August 2022. This will enable direct payment services for all Standard Chartered Bank and non- Standard Chartered Bank account holders for all online government services.
- We continued to support players in the mining sector and in 2022 we participated at the 10th Zambia International Mining and Energy Conference and Exhibition. We also participated in and won request for proposals for large multinational corporate entities.
- We were named the Best RMB Bank (Chinese Renminbi) [in *The Asset* magazine's Triple A Awards for 2022] for the second year in a row signaling our strength in leveraging the network to provide specialist capabilities.
- Digitisation remains a key pillar for our corporate banking and in 2022 we launched:
    - Straight2Bank Pay, an enhanced revenue collection offering for our clients.
    - Straight2Bank Next Generation, an intuitive platform that is an upgrade of our traditional online banking platform Straight to Bank Classic.

Consumer Private and Business Banking (CPBB)

- Our Consumer, Private and Business Banking business delivered strongly against our strategic ambitions with income up 3 percent year on year.

Chief Executive Officer's statement continued

- Our focus on the Affluent business was supported by our proactive Wealth Management products penetration and investments drive. In addition, the mortgages repricing initiative contributed to growth of the mortgages book. Overall Priority Banking revenue grew by 13 percent, while our Affluent (Priority) client base grew by 4 Percent in 2022.
- In line with our objective to constantly explore innovative ways of serving our mass retail clients by leveraging partnerships and technology, we launched Agency Banking with 100 agent locations in the first phase targeting an increase to 300 locations in 2023. We continued to focus on attaining exponential growth of the personal loan book and rolled out the personal loans re-pricing initiative.
- Our efforts were rewarded with internal and external recognition. The business was recognized and won the ***'Best Digital Bank'*** and ***'Best Retail Bank for Digital CX'*** by The Digital Banker at the 2022 Global Retail Banking Innovation Awards. The awards lends credence to the Bank's innovation in the digital banking space and demonstrated our commitment to continuously invest in our digital banking capabilities.

Sustainability

- We remained resolute with our ambition to achieve net zero (carbon emissions) from our operations by 2030 and from our financing activities by 2050; with interim 2030 targets set for the most carbon intensive sectors. As Standard Chartered Bank Zambia Plc, the launch of the EDGE certified new Head Office building in 2022 was a key step towards achieving the reduction target from operations. We will leverage the Green and Sustainable product frameworks that have been developed by the Group to support our clients' transitions to net zero.
- We continue to make strides under our 'Futuremakers community investment strategy. Our award-winning Women in Tech (WiT) programme continued with Cohort 2, where five more Zambian women entrepreneurs were granted USD10,000 each to accelerate their business ventures using the power of technology, and Cohort 3 was subsequently launched in line with our commitment to empower female owned SMEs in Zambia.
- We launched the Enhanced Youth Employability and Entrepreneurship (EYEE) programme in partnership with Voluntary Services Overseas (VSO). EYEE is a COVID-19 recovery project aimed at empowering marginalised young women and men, including people with disabilities, with entrepreneurship and employability skills in Samfya and Lusaka reaching 531 youths in its first year. The young people have received vocational training in tailoring, food production, ICT, carpentry, metal fabrication, power electrical as well as internships. Some youths have created microbusinesses and opened workshops.
- Our efforts in financial education continued to be recognised at the highest level of the financial services industry. The Bank of Zambia Governor's Awards (2022) recognised Standard Chartered through the Exceptional Leadership in Financial Literacy Award and 'Outstanding Theme Interpretation Award'.
- We place great importance on taking care of our environment and climate through tree planting and in 2022, I am proud that our staff planted over 1,000 trees, through partnering with the Plant A Million organisation.
- We further demonstrated our commitment to lifting participation of under - represented groups by launching the business initiative 'LIFT' under our Business Banking segment. LIFT is an initiative focused on supporting our female clients who own or head businesses.

Our growth aspirations

The economy is projected to be on a path of gradual recovery following the approval of the IMF Extended Credit Facility (ECF) for Zambia with GDP growth for 2022 forecast at 3.5 percent while 2023 is projected at 3.7 percent.

We have set ambitious targets to leverage the expected gradual economic recovery. By 2026, we are targeting:

- Double digit compound annual growth rate whilst delivering superior returns to shareholders on a high-quality asset base leveraging the significant de-risking already achieved in the recent past that has enhanced our capacity to grow more sustainably.
- Superior client experience with a Net Promoter Score of 70 percent while leveraging on the Bank's world class products, capabilities and platforms.
- Business efficiency focus with a 60 percent Cost-to-Income-Ratio
- Dynamic risk management discipline including regulatory compliance and enhanced vigilance around controls, conduct and financial crime compliance.
- An effective and engaged future-ready workforce equipped to manage ambiguity, uncertainty and disruption.

As an agile and dynamic organisation, we will, continue to assess the relevance of our objectives against the ongoing developments in our operating environment and make the necessary changes when required.

Alignment of our actions to the economic recovery and our confidence in the future

We are confident we can deliver our strategy, leveraging the strides we have made and the resilience we have built in navigating the significant headwinds and returning to profitability and aligning our focus and actions with the expected economic recovery. Some of the notable opportunities are:

- Continued positive investor sentiments following the approval of the IMF extended credit facility for Zambia in September 2022 and expected policy stability and predictability will create the enabling environment required to better support our corporate clients across our network.
- Government's digitalisation drive and clients' need for convenient and easy access to banking services in line with our drive to increase the uptake of our digital platforms and introduce more technological innovations.
- Continued pickup in economic activity projected to be driven by growth in agriculture, financial services and insurance, manufacturing, wholesale and retail trading, and information and communication technology sectors(sectors in which Standard Chartered has specialist skills).
- Expected decline in inflationary pressures to an average of 8.4 percent in 2023 from 11.4 percent in 2022 will positively impact our ambitions to offer affordable

financing to our mass retail clients and exponentially grow our retail asset book.

- Projected increase in copper turnover from current 700 metric tonnes to 3 million metric tonnes over the next five years is expected to translate to increased dollar supply, cushion against exchange rate volatility and help achieve stability of the broader macro-economic environment.

Outlook

In 2022, we prioritised improving our service to clients, the quality of returns to shareholders; maintaining regulatory compliance; exercising vigilance around conduct, financial crime and internal controls; and implementing impactful community investment initiatives. All these actions are testament to the fact that we are truly 'Here for Good'.

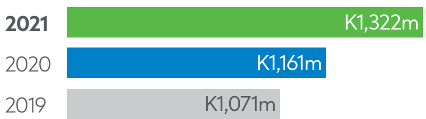
Our business remains resilient, and we have the right strategy to deliver on our ambitions; building on the strong performance we have achieved. In 2023, we will be guided by the strategic priorities outlined and the ambitious growth targets we have set for ourselves in order to deliver on our commitments to our internal and external stakeholders. While we continue to enhance our digital capabilities, we will continue to drive our affluent proposition and leverage our strength as a go to bank for mining and sustainable finance advisory services.

We value the immense commitment, trust and support of our clients and recognise the efforts of our colleagues in serving our clients diligently and contributing to the Bank's successes.

Sonny Zulu.
Managing Director and Chief Executive Officer
24 February 2023

Total Revenue

K1,195m

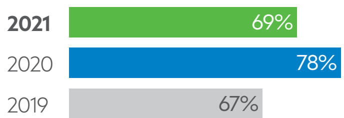


Profit /(loss) after Tax

K245m

Cost: Income Ratio

70%



Chief Risk Officer's Review

Fanwell Phiri
Country Chief Risk Officer & Head of Operational Risk, Zambia

2022 was challenging year on the country's sovereign rating front. The country went into a default position on its Euro-bonds in October 2020 and has not serviced commercial external debt since then. The default status impacted Zambia's overall sovereign rating which in turn constrained our risk appetite to grow more assets especially in our Corporate, Commercial and Institutional Banking division.

Slowing growth and tighter monetary policy in developed markets had an adverse impact to the Emerging markets ("EM") due the knock-on effect on access to financing, trade, and commodities. Tighter global financial conditions, adverse effects of the prolonged Russia-Ukraine conflict rising food commodity prices are all risk factors.

Country risks remain the most significant challenge facing economy highlighted by the slow pace of concluding the country's external debt restructuring efforts. The Kwacha experienced high volatility most in November leading to depreciation and intensified in December 2022 despite the Central Bank's intervention.

While the country's macro-outlook improved in the period under review, it remained vulnerable to external shocks. We saw the kwacha recover rapidly since depreciating against the US dollar in the first half of 2021. This provided impetus to bring inflation back to single digit levels from June 2022. Confidence in the kwacha improved following an injection of international reserves from the IMF in 2021 supported by improvements in copper prices in early 2022 which resulted in a positive current account balance. Portfolio inflows from foreign investors into local currency government debt also supported currency demand as well as the government's access to local currency financing.

The Bank's loan portfolios (both CIB & CPBB segments) held steady, despite lingering vulnerabilities in the external environment that could have impacted the Bank as well as its clients. The country's high external debt burden, rising commodity prices due to the geopolitical crisis between Russia & Ukraine and pass-through effects of COVID-19 remain as potential sources of risk to loan portfolios.

As a result of the changes in internal and external operating environment due to the risks stated above, non-financial risks areas such as fraud, information and cyber security, privacy, and conduct remained heightened. We continue to enhance our operational resilience and defences against these risks, especially as we adapted to more agile ways of working.

The Bank has built a strong foundation with solid risk fundamentals, and we are focussed on emerging strongly from the pandemic. We continue to scan the horizon for emerging risks and collaborate with internal and external partners to proactively mitigate risks as they are identified.

An update on our risk management approach

Our Enterprise Risk Management Framework (ERMF) outlines how we manage risk across Standard Chartered Bank Zambia Plc. It gives us the structure to manage existing risks effectively in line with our risk appetite, as well as allowing for holistic risk identification. As part of the annual review of the ERMF in 2022, we repositioned our 'Cross-Cutting Risks' to 'Integrated Risk Types' (IRT), which are defined as "risks that are significant in nature and materialise primarily through the relevant Principal Risk Types". The ERMF sets out the roles and responsibilities and minimum governance requirements for the management of IRTs.

Additionally, the Capital and Liquidity Principal Risk Type has been renamed to Treasury Risk and the scope of the risk type has been expanded to cover Interest Rate Risk in the Banking Book (IRRBB). Given their integrated nature, Digital Asset and Third-Party Risks, have been newly identified as IRTs in the ERMF, in addition to Climate Risk (see more details note 37).

Principal and Integrated Risk Types

Principal risks are risks inherent in our strategy and business model. These are formally defined in our ERMF which provides a structure for monitoring and controlling these risks through the Board-approved Risk Appetite. We will not compromise adherence to our Risk Appetite in order to pursue revenue growth or higher returns.

The table below provides an overview of the Group's principal and integrated risks and how these are managed. In addition to principal risks, the Group has defined a Risk Appetite Statement for Climate Risk and will give consideration to standalone Risk Appetite Statements for additional integrated risks in 2022.

Principal Risk Types	How these are managed
Credit Risk	The Bank manages its credit exposures following the principle of diversification across products, client segments and industry sectors
Traded Risk	The Bank should control its trading portfolio and activities to ensure that Traded Risk losses (financial or reputational) do not cause material damage to the franchise
Treasury Risk	The Bank should maintain a strong capital position, including the maintenance of management buffers sufficient to support its strategic aims and hold an adequate buffer of high-quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary central bank support
Operational and Technology Risk	The Bank aims to control operational and technology risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the franchise
Information and Cyber Security Risk (ICS)	The Bank seeks to minimise ICS Risk from threats to the Bank's most critical information assets and systems, and has a low appetite for material incidents affecting these or the wider operations and reputation of the Bank

Principal Risk Types	How these are managed
Compliance Risk	The Bank has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognising that whilst incidents are unwanted, they cannot be entirely avoided
Financial Crime Risk	The Bank has no appetite for breaches in laws and regulations related to financial crime, recognising that while incidents are unwanted, they cannot be entirely avoided
Model Risk	The Bank has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models, while accepting model uncertainty
Reputational and Sustainability Risk	The Bank aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm

Principal Risk Types	How these are managed
Climate Risk	The Bank aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients, in alignment with the Paris Agreement
Digital Asset Risk	This IRT is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types
Third-Party Risk	This IRT is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types
Strategic Risk	This IRT is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types, Stress Testing and alignment with the Corporate Plan

Summary

We remain fully committed to robust risk management, embracing innovation while ensuring that we achieve the right risk outcomes when adopting new technologies and digital capabilities Continued focus on enhancing risk management capabilities and leveraging our technology will help the Bank to remain stronger, as a more sustainable, innovative, resilient, and client-centred bank.


standard
chartered

Consumer, Private and Business Banking

Mwansa Kapeya.
Head Consumer, Private and Business Banking, Zambia

Our Strategy

Consumer, Private and Business Banking serves individuals and small businesses, from mass retail clients to affluent, emerging affluent and high-net worth individual in many of the world's fastest-growing cities. We provide digital banking services with a human touch to our clients, with services spanning deposits, payments, financing products and wealth management. We also support our clients with their business banking needs and are closely integrated with the Group's other client segments, offering employee banking services.

Strategic priorities

- Digital-led, personalised and contextual client engagement augmented by seamless omni channel experience
- Leading international wealth management known for personalised wealth advice and a single wealth continuum platform with distinctive segment value propositions to maximise client relationships
- Deliver Superior client experience through our diverse product suite, distribution channels and continuous investment in our leading Digital platforms
- Profitable business enabled by partnerships, digital infrastructure, and a well-diversified and optimised balance sheet.

Progress

The Following initiatives were completed during the year

- Launched cardless cash withdraw in February 2022 which enhanced our client access to funds without relying on their debit card
- Launched Agency Banking which enhanced our footprint, partnering with 15 agents and opening our clients to over 100 agent outlets country wide
- Repriced our mortgage offering from 24 percent to an industry low of 16 percent, which saw a 300 percent growth in mortgage uptake in line with the bank's commitment to providing affordable and accessible financing options for our clients
- Introduction of round table physical client engagement with Affluent and Business banking clients to enhance our client engagement and personalised wealth advisory
- Deployed on demand "How to Videos" on our website and social media channels that enhanced client awareness on how to interface with our digital channels
- Improved our turnaround time for complaint resolution with an average of 97 percent of complaints resolved within 24 hours
- Relocated our Zambia Way branch in Kitwe to ECL mall, providing our clients with first-class banking ambience and ample parking space
- Launched "**LIFT by SCB**" under Business Banking, an initiative for women owned businesses to help them build capacity as part of the Group strategy

Performance Highlights

Consumer, Private and Business Banking remained resilient and delivered strong performance despite tighter global financial conditions exacerbated by lower consumer spending and higher food and energy prices stemming from the Russia-Ukraine conflict.

Business income up 3 percent year on year which was driven by strong income momentum growth from Personal Banking and Affluent Segments. Underlying Profit was up by 66 percent driven by higher income and lower credit impairment, Return on tangible equity went up from 17.3 percent to 33.1 percent with the number of clients growing by 9 percent year on year.

Wealth Management

Despite the tighter global financial conditions driven by most major central banks leading to tightening of monetary policies, Wealth Management had a very strong year posting 19 percent growth from the previous year mainly driven by over 85 percent growth in investment sales.

This upside came from new investment clients being introduced to our differentiated proposition and from support to our already invested clients to diversify their investment portfolios across the different asset classes on offer. Successful client engagements were held to include in person round tables, six presentations to corporate executives and seventeen radio engagements aimed at educating clients on the key investment guiding principles and the tools available to implement a strong financial plan.

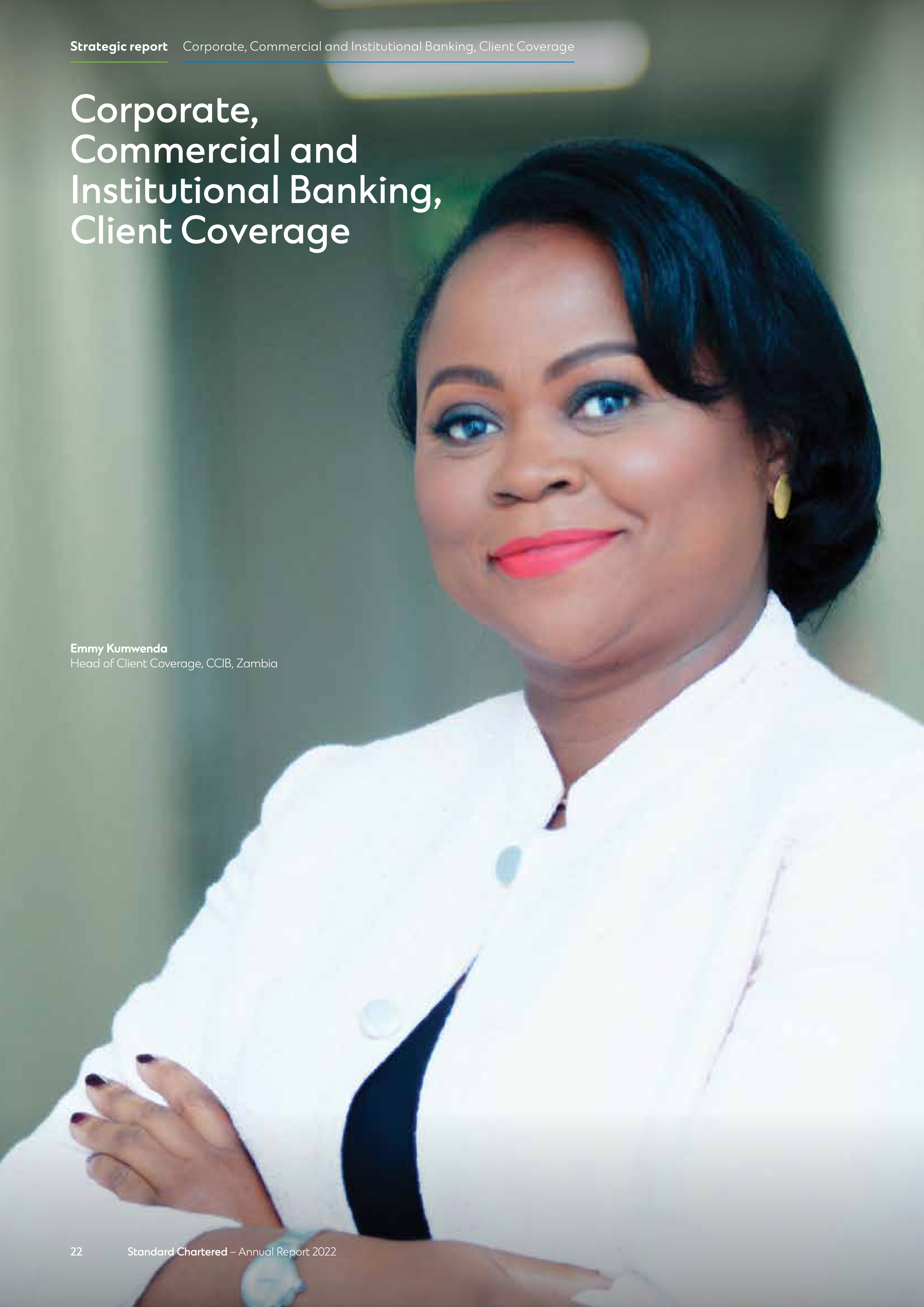
Awards

Our efforts were rewarded with internal and external recognition. The business was recognized and won the ***'Best Digital Bank'*** and ***'Best Retail Bank for Digital CX'*** by The Digital Banker at the 2022 Global Retail Banking Innovation Awards. The awards lends credence to the Bank's innovation in the digital banking space and demonstrated our commitment to continuously invest in our digital banking capabilities.nt to continuously invest in our digital banking capabilities.

Outlook

Our business remains in strong position to deliver exceptionally against our 2023 strategic ambition. We are confident we can deliver on our strategy with 2022 setting the base for growth while remaining optimistic that the uncertainties that COVID-19 are behind us. We are committed to increasing our agency banking footprint to 300 agents, to continue to offer exceptional client experience through our distribution channels, while remaining close to our clients by offering personalised and distinguished wealth management advisory. With our continued investment in our digital channels, we are confident this business model will continue to position us well for a sustainable business in the future.

Corporate, Commercial and Institutional Banking, Client Coverage



Emmy Kumwenda
Head of Client Coverage, CCIB, Zambia

Our Strategy

Corporate, Commercial and Institutional Banking (CCIB) focus remains on improving efficiency in delivery of service to our clients driven by enhanced digital capabilities. This is done via three product areas; Transaction Banking, Lending, and Financial Markets. Sustainability continues to be a priority for the business with focus on working with corporates looking to transition to sustainable operating models.

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.

2022 Overview

Despite the continued constraints in the business the performance in 2022 reflected our drive to diversify revenue. We focused our Financial Markets offering particularly in our Financial Institutions segment on structured products: cross currency swaps, secondary market bonds and structured fixed rated deposit on financial institutions portfolios. However, performance was dampened by constraints on lending and rates trading which resulted in an overall decline in revenue.

Despite the above challenges the business was able to achieve the following key successes in 2022:

- Named Best RMB (Chinese Renminbi) Bank by *The Asset* Asian Award (Triple A) for 2022] for the second year in a row. We achieved this by continuing to leverage on the strength of our network model and bringing world class capabilities to multinationals locally.
- In line with focus to diversify Financial Markets revenue from foreign exchange sales we closed the first ever kwacha denominated structured fixed rated deposit in Zambia with a financial institution
- We successfully closed a ZMW151.16 million (Chinese Yuan) conversion with a Chinese network name. This was the single biggest yuan conversion closed in Zambia and showed the confidence clients have in the Bank's Renminbi proposition.
- We closed a new working capital facility for global subsidiaries network name; to the value of ZMW180 million.
- Our strategy is anchored on delivering the network through multinational companies, public sector and financial institutions. Therefore, we brought on board two new network clients under global subsidiaries and one public sector name.
- In partnership with Risk and Control (R&C), we increased focus on self-assurance and thematic reviews, demonstrated through the risk-based fraud risk review and the up-coming review on Cash Pricing Deals.

Strategic Priorities for 2023

Our aspiration is to grow our business with network clients by simplifying the banking experience for our clients using our innovative digital platforms and specialist capabilities across Financial Markets, Transaction Banking, Advisory and Sustainable Finance. In 2023, our strategic priorities are:

- Asset Growth: We will provide long term and working capital support to clients looking to expand and able to meet credit requirements.
- Digitization: We will exploit digital capabilities to enhance client loyalty, with products and initiatives such as Straight2Bank Next Generation, Virtual accounts (quick identification and reconciliation of many similar payments from various sources, Straight2Bank Pay (mass real time collections)
- Sustainability: We intend to establish SCB as the go to bank for mining advisory and sustainable finance.

Community Investment

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

Standard Chartered Bank Zambia invested more than USD 700,000 in community support in 2022. With the lifting of COVID-19 restrictions in 2022, the Bank returned to having more physical interactions in our communities. Our engagements with women and young people included entrepreneurship, employability, mentorship, financing and coaching programmes. With programmes being delivered through our partners and staff, over 4,000 young people have been positively impacted.

Futuremakers by Standard Chartered

Futuremakers by Standard Chartered is our global initiative to tackle inequality and promote greater economic inclusion for disadvantaged young people in our communities. Our aim is to raise USD75 million between 2019 and 2023 to empower the next generation to learn, earn and grow. Futuremakers by Standard Chartered is anchored on three pillars: Education, Employability and Entrepreneurship. Across all our markets, Futuremakers' programmes reached more than 800,000 young people around the world between 2019 and mid-2022.

Launched In Zambia in 2020, Futuremakers programmes have been actively promoting social, economic inclusion for more prosperous and sustainable communities. Standard Chartered Bank Zambia Plc has four active programmes under Futuremakers - SC Women In Tech (WiT) Incubator Programme, Youth To Work, Enhanced Youth Entrepreneurship and Employability (EYEE) Programme and Goal.

Lifting participation of women -Standard Chartered Women In Tech Programme

As Standard Chartered Bank Zambia Plc we are firmly committed to our clients and the communities in which we operate, including lifting the participation of women in the economy. Through the Standard Chartered 'Women in Tech' Incubator programme, Zambian women-led or women-owned businesses are supported to apply technological innovation to their operations or business. The programme aligns with calls for more diversity in technology and entrepreneurship, and the need to create more opportunities for Zambian women to develop entrepreneurial and leadership excellence.

The programme is designed to provide targeted support in areas of business operations, digitisation and digital transformation, accounting and financial management, mentorship, coaching, and access to seed funding. The SC WiT programme was launched in November 2020 in partnership with BongoHive and is currently in its third year. So far 10 Zambian businesswomen from various sectors have each received USD10,000 seed funding through this initiative with 22 women going through the incubation phase. Each year USD150,000 is invested in the programme for Zambian women to scale-up their businesses through the power of technology.

Youth Employability and Entrepreneurship Programmes

Youth to Work Programme

Youth to Work is a placement-based programme that seeks to position and equip young people with skills and opportunities to create economic and employment changes across the economy for sustainable and measurable impact. It is an initiative under Futuremakers by Standard Chartered, funded by the Standard Chartered Foundation and implemented in partnership with Challenges Group Zambia.

Since the launch of the first cohort in Zambia in September 2020, the programme has delivered impact for our young people with an average 80 percent of young people securing job placements in the first cohort. 2022 saw the exponential growth of the programme having launched three cohorts. Over 110 young people have successfully completed the programme. In addition, Bank staff are now mentoring young alumni from the programme on the first-ever virtual mentorship platform.

Enhancing Youth Entrepreneurship and Employability Programme

The Enhancing Youth Entrepreneurship and Employability (EYEE) project in Zambia is one of the COVID-19 economic recovery projects being implemented by the Standard Chartered Foundation in partnership with VSO. The project aims to empower marginalised young women and men, including people with disabilities, with entrepreneurship and employability skills. The project has partnered and collaborated with government-established youth resource centres and community disability organisations to deliver impactful interventions to the young people being reached. This is our latest addition to our Futuremakers initiatives.

The EYEE project targets marginalised youth from vulnerable backgrounds in Samfya and Lusaka districts. Following the launch in March 2022, the project's objective was to directly benefit 500 young people, aged between 18 and 35, comprising at least 60 percent young women and 10 percent of young people with disabilities. Overall, the project has reached over 500 youths, 74 of whom have had different disabilities (visual and hearing impairment, amongst others). Close to 200 young people have received vocational training in tailoring, food production, information and communications technology (ICT), carpentry and metal fabrication. Over 100 youths have been placed in internships and some 130 micro-businesses have been created. Other youths have been fully employed, while others have formed personal workshops, savings groups and youth clubs.

Investing in Girls - Goal Programme

Futuremakers' Goal programme uses sport, play and life-skills education to transform the lives of adolescent girls across our markets. Goal equips girls in the 12 – 22 age bracket with the confidence, knowledge and skills they need to be economic leaders in their families and communities. Implemented by organisations around the world, the programme teaches girls the critical facts about health, communication, rights and managing their personal finances to help them transform not just their own lives, but those of their families and friends. The Goal Girls initiative was launched in 2011 in Zambia and has empowered over 15,000 Zambian adolescent girls with life skills training using the power of sport. In 2022 alone, the programme reached 3,755 through training sessions in Lusaka, the Copperbelt, North Western, Eastern and Southern provinces. Bank employees have continued to be active participants in the Goal programme by delivering financial literacy sessions for the girls at various locations.

Community Investment continued

The Environment

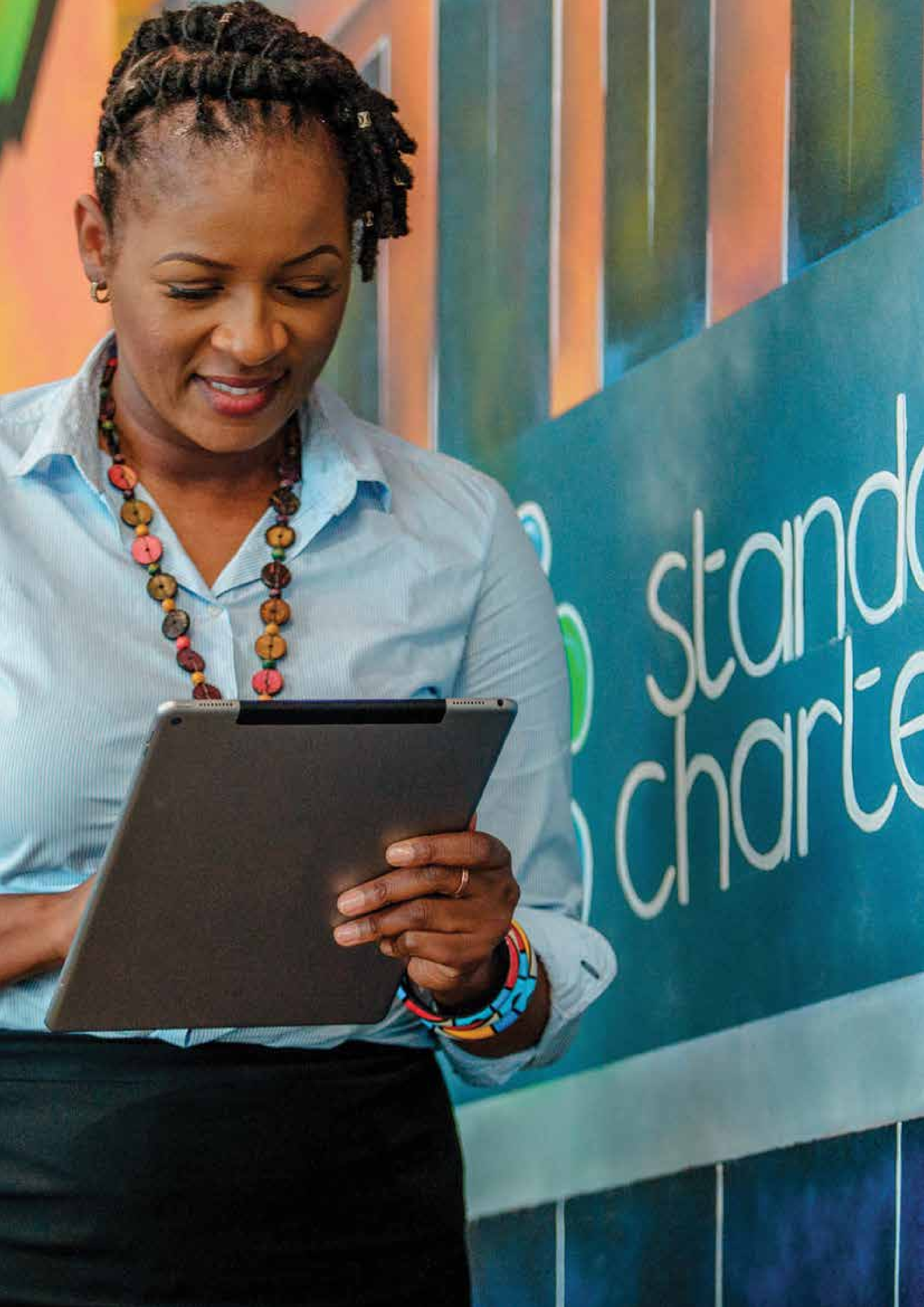
Climate Change is one of the greatest challenges facing the world today, given its widespread and proven impacts on the physical environment, human health, and its potential to adversely impact economic growth. At Standard Chartered Bank Zambia Plc, we believe that we have a unique role to play in facilitating a just transition to net zero carbon economies where it matters most. We are committed to reaching net zero carbon emissions from our operations by 2030, and from our financing by 2050. Reiterating the Bank's commitment to building a greener future, Standard Chartered Bank Zambia Plc pioneered Tree-Planting in the banking industry in Zambia. Our CEO has challenged staff to plant at least 1 tree every year to tackle deforestation. In 2022, Bank employees personally planted more than 1,000 trees. We partnered with institutions such as the defence forces, local councils, and schools to plant trees in 2022.

Awards

Standard Chartered Bank Zambia Plc had a stellar 2022, as we scooped several high profile local and international awards. The recognitions are testament to the Bank's excellence and superiority in our product offering, our continued dedication to our clients and our communities. In 2022, we were proud to win the following awards:

- Best Digital Bank in Zambia 2022 – **The Digital Banker, Global Retail Banking Innovation Awards**
- Best RMB Bank in Zambia - **Triple A Awards**
- SC Women in Tech – Best Tech Initiative for Women - **Techtrends Awards**
- Exceptional Leadership in Financial Literacy **– 2022 Bank of Zambia Governor's Awards**
- Outstanding Theme Interpretation – **2022 Bank of Zambia Governor's Awards**
- 1st Runner Up – Most Innovative Financial Education Programme – **2022 Bank of Zambia Governor's Awards**

I would like to use this opportunity to thank our partners for a fantastic 2022.



Board of Directors

Committee Key

- Committee Chair shown in green
- A Board Audit Committee
- R Board Risk Committee
- L Board Loans Reviews Committee
- RN Board Remuneration and Nominations Committee

Caleb M Fundanga (70)
Independent Non Executive Director

Board Chairman

Appointed: 01/04/17

Caleb Fundanga was Governor of the Bank of Zambia from 2002 to 2011. Among the many accolades bestowed upon him during this period were: 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 was executive director of the Macro Economic and Financial Management Institute (MEFMI) from July 2014 until 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.

He was 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 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 an economics lecturer at the University of Zambia.

Dr. Fundanga obtained his bachelor's degree in Economics from the University of Zambia, his Master's obtained his master's degree from the University of Manchester in the United Kingdom and his PhD at the University of Konstanz in the Federal Republic of Germany.

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

Other Boards directorships:

- 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

RN

Munakopa Sikaulu (49)
Independent Non Executive Director

Appointed: 01/08/17

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 26 years standing having been called to the Bar in 1996 after completing studies at the Zambia Institute of Advanced Legal Studies.

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 board and also serves on a number of other boards including Zambia Reinsurance (formerly Prima Re-insurance) and Pearl of Health Hospital and has previously served on the board of Entrepreneurs Financial Centre Zambia 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

A L R

Mainga Mukando (52)
Independent Non-Executive Director

Appointed: 01/02/22

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, Mr. Mukando 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, Mr. Mukando 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. Mr. Mukando started his career at the Zambia Export and Import (EXIM) Bank where his work involved corporate and traditional banking, as well as project finance.

Mr. Mukando 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.

Mr. Mukando serves as a trustee on the Finance and Investment Committee of the National Pension Scheme Authority (NAPSA), a member of the Independent Investment Committee of the Enterprise Zambia Challenge Fund and as a Director on the Ridgeway Properties board.

Age: 52 years

Other Board Directorships:

- Ridgeway Properties Limited
- NAPSA

Shares in SCBZ: NIL

A L R

J. Kweku Bedu-Addo (55)
Non Executive Director
Appointed: 03/04/18

J. Kweku Bedu-Addo has been Standard Chartered' s Bank's Regional CEO for Southern Africa, based in Johannesburg, South Africa since 2017.

Kweku's career has spanned Public Policy, International Development, and Banking & Finance. He worked in the Ministry of Finance in the 1990s during Ghana's Structural Adjustment reforms and joined Standard Chartered in 2000. He held several senior Corporate & Institutional Banking roles in Ghana, West Africa, Zambia and Singapore and was appointed the first Ghanaian Chief Executive in the Bank's 125-year history in Ghana in 2010.

He is a past Chairman of the Ghana Stock Exchange and is currently the Chairman of the International Banks Association in South Africa and a Board Member of Bankers Association, South Africa. Kweku is currently the Chairman of Standard Chartered Bank, Mauritius.

Kweku is the Publisher and Host of "It's Morning in Africa" Podcast series. He is an enthusiast of Astronomy and Creative Arts.

Other board directorships:

- Standard Chartered Bank Botswana

Shares in SCBZ: NIL

A R L

Christopher Ian Egberink (51)
Non Executive Director
Appointed: 13/12/22

Christopher Ian Egberink was appointed as a non-executive Director of the Board effective 13th December 2022**.**

With more than 25 years' experience in the banking industry, Mr. Egberink is a holder of two degrees, a Bachelor of Commerce (BComm) degree from the University of Kwa-Zulu Natal (1993) and a Bachelor of Law (LLB) degree from UNISA (2001). He is currently employed by Standard Chartered Bank, South Africa (SCB SA) having joined in February 2013. Mr. Egberink is the current Managing Director: Global Banking Head for South and Southern Africa, and a Member of the Country Executive Committee (Manco) for SCB SA.

He has extensive management experience mostly in the Client Coverage Team and currently leads a team of 86 members across six countries. He has continued to build an independent and competent team of strong performers. Mr. Egberink has previously held the position of Managing Director: Country Head of Global Banking South Africa. He has also worked as Absa Capital - investment banking division coverage under Absa Corporate & Merchant Bank in 2006 where he was responsible for the investment banking, and corporate coverage, within the Consumer Goods and Services Sector.

He has a strong client network at strategic/senior management (CEO/CFO) levels, with many of the main listed and large corporate clients across many relevant sub-sectors. He also has transaction execution experience and industry knowledge in various sectors across multiple geographies. He has valuable experience obtained as Acting CEO of SCB SA on numerous occasions.

Other board directorships:

None

Shares in SCBZ: NIL

A R L

Sonny Zulu (46)
Executive Director /Chief Executive Officer
Appointed: 01/07/22

Sonny Zulu is the Managing Director and Chief Executive Officer of Standard Chartered Bank Zambia Plc. He was appointed the Board as an Executive Director on 1 July 2022.

Prior to this role, Mr. Zulu was the Head and Managing Director of the Consumer, Private and Business Banking business at Standard Chartered Bank, UAE. He was responsible for developing and driving the retail business strategy while balancing governance, financial performance, risk management, distribution, and people development. Mr. Zulu also served as the Regional Head of Strategic Transformation, Alliance and Performance Management for Africa and the Middle East at Standard Chartered Bank.

Before relocating to Dubai, Mr. Zulu was the Head of Retail Banking for Standard Chartered Bank Zambia and Southern Africa. He took up senior leadership responsibilities at a very young age and has held several senior executive roles in the Bank which included Head of Retail Clients, General Manager for Distribution for Zambia and Southern Africa and Head of Corporate Affairs.

As an entrepreneur, Mr. Zulu is a joint owner of Air Mafuta Aviation Services, a family business that supplies aviation fuel to both local and international clients.

Mr. Zulu holds an MBA from Manchester Business School, and he has a degree in metallurgy and mineral processing from the University of Zambia. As part of his personal development, Sonny has completed several executive programmes at Oxford University in the United Kingdom, Duke Corporate Education in Singapore and INSEAD in Singapore.

He is the author of "Eccentric" published in 2022 December

Other Boards directorships:

- Air Mafuta Aviation Services

Shares in SCBZ – NIL

L

Kelvin Bwalya (48)
Director Finance and Administration /Chief Financial Officer
Appointed: 01/04/20

Appointed to the Board on April 1, 2020, **Kelvin Bwalya** joined Standard Chartered Bank Zambia Plc in1998, served in several capacities within the Finance Department, becoming Financial Controller in 2008. He then held various positions within the Group, which 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, Mr Bwalya 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

Management Team



1. **Sonny Zulu**
   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. **Doris Tembwe**
   Head, Legal and Company Secretary
6. **Fanwell Phiri**
   Country Chief Risk Officer
7. **Emmy Kumwenda**
   Head of Client Coverage, Corporate Commercial and Institutional Banking, Client Coverage
8. **Peter Zulu**
   Head of Conduct, Financial Crime and Compliance.
9. **Marshal Shampongo**
   Head of Internal Audit
10. **Mutu Mubita**
    Head of Human Resources
11. **Mwansa Kapeya**
    Head of Consumer, Private and Business Banking (CPBB)
12. **Audrey Malama**
    Chief Information Officer Zambia
13. **Kasanga Sondoyi**
    Head Transaction Banking, Cash Product Head
14. **Gladys Daka**
    Chief Operations Officer/Country Head -CPBB Servicing and Transacting

Year in Pictures


Standard


standard chartered


standard chartered

Directors' report

The Directors are delighted to submit their report and the audited consolidated Financial Statements for the year ended 31 December 2022, 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 11th 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

On 30th March 2022, the Shareholders approved by Special Resolution the Amendment of Article 5, of the Articles of Association of the Bank.

Results and dividend

Share capital

During the year 2022, the paid-up primary capital of the Bank was K416,745,000. The authorised share capital of the Bank was K750, 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 did not make any donations.

Number of employees and remuneration

The average number of people employed by the Group during the year was 304. The total remuneration to employees during the year amounted to K312,125,000.00 (2021: K253,331,000) and the total number of employees is as follows:

Month	Number	Month	Number
January	315	July	303
February	314	August	299
March	312	September	296
April	304	October	297
May	305	November	297
June	304	December	299

Property and equipment and right of use

The Group purchased property and equipment and right of use amounting to K8,781,000.00 (2021: K27,793,000.00) during the year. In the opinion of the Directors, the carrying value of property and equipment is more than their recoverable value.

Results

The results for the year are set out in the consolidated Income Statement and Other Comprehensive Income and Statement of Financial Position on page 46 - 48.

Directors

For the period under review, Ms. Doreen Kapambwe Chiwele retired from the Board as Independent Non-Executive Director on 30th September 2022. Mr. Christopher Ian Egberink was appointed on the Board as a Non-Executive Director on 13th December 2022. A full list of directors is available on pages 28 - 29.

Secretariat

Changes were noted in the Secretariat following the resignation of Ms. Rose Kavimba in March 2022. Mrs. Doris Chomba Tembwe was appointed as the Company Secretary for the Bank on 10th October 2022. Mrs. Tembwe is an experienced Company Secretary with over 24 years in the financial sector

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.

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 service business.

Related party transactions

Related party transactions are disclosed in note 34 to the consolidated Financial Statements.

Directors' emoluments and interests

Directors' emoluments and interests are disclosed in note 34 to the consolidated Financial Statements.

Directors' 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 2022, the Board held both virtual and physical 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 2022:

- 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.

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. Audit fees for the year were K3,379,803 (2021: K4,081,936) and non-audit fees were K444,120 (2021: K506,517).

Shareholder concerns

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

DorrisChomba.Tembwe@sc.com.

Electronic communication

The Annual Report Notice of Annual General Meeting 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 and staff.

By order of the Board
Doris Tembwe
Company Secretary
24 February 2023

Corporate Governance

Doris Tembwe
Company Secretary

Standard Chartered Bank Zambia Plc (the "Bank/Standard Chartered") was the first bank in Zambia to list on the Lusaka Stock Exchange on 30 November 1998 having been in existence for over 116 years since 1906.

Standard Chartered and its Board of Directors ("the Board") are committed to upholding the fundamental principles of sound corporate governance. The Board is responsible for establishing and overseeing an appropriate corporate governance framework that is founded on transparency, accountability, integrity, and responsibility.

Key areas of Board discussion during 2022

During 2022 a strategic focus of the Board was to provide oversight, challenge and support the Executive leadership as they continued to lead the Bank in navigating the impact of COVID-19 pandemic. This included the continued deployment of the Bank's business continuity plans, procedures for staff remote working in the first half of 2022, the adaption of business plans, strategies, and budgets.

The Board assumed ultimate responsibility for the performance and affairs of the Bank and in doing so effectively represented the legitimate interests, protection of shareholder value and continued sustainability of Standard Chartered. Other than shareholders' interests, the Board also ensured that the Bank recognised and honoured its legal and other obligations to all legitimate stakeholders. The Board and individual directors spent time to discuss and interact with key stakeholders to better understand their views, opportunities and challenges impacting the banking industry. The Board will continue to focus on considering stakeholders as part of the Bank's decision-making process.

Compliance with the applicable laws

The Board confirms that during the 2022 financial year, the Bank endeavoured to fully comply with all applicable laws and regulations including the provisions of the Banking and Financial Services Act No. 7 of 2017, the Bank of Zambia (BOZ) Corporate Governance Directives 2016 and 2017, and the Companies Act No. 10 of 2017 of Zambia. Further, the Bank remains committed to achieving exemplary corporate governance by striving for substantive compliance with all applicable regulations, including the Lusaka Stock Exchange (LuSE) Corporate Governance Code and Listing Rules as well as Standard Chartered Group minimum governance standards for subsidiaries.

Disclosure

The Board and the Executive leadership continue to engage in discussions with the LuSE regarding the 25% public float requirement.

Financial Performance

- Monitored the financial performance of the Bank
- Approved the quarterly results of the Bank
- Reviewed and approved the Bank's 2023 budget

People and Culture

- Reviewed and discussed the Human Resources reports
- Reviewed and discussed the results of the 2022 staff engagement survey
- Reviewed the remuneration of the Executive Directors and regulated role holders
- Reviewed and adopted he Bank's remuneration policies for the 2022

Governance

- Received quarterly reports of the Audit, Loans Review and Risk and bi-annual reports of the Remuneration and Nominations from the Committees from the Chairpersons on the key areas of focus for the committee
- Recommended for the shareholders' approval the appointment of External Auditors for 2023
- Received and discussed on a quarterly basis the report from Standard Chartered Zambia Securities and Nominees Limited
- Approved the Board workplan for 2023
- Considered and approved the Skills Matrix, Board Succession Plan and changes to the Board composition for 2023

Bank Strategy

- Reviewed and approved the 2023-2026 strategy plan as a basis for the preparation of the 2023 budget.
- Received confirmation from the Chief Risk Officer that the plan aligns to the Enterprise Risk Management Framework and Bank's Risk Appetite Statement.
- Reviewed the performance of the strategic and operational performance of the business across the client segments and products

Shareholder and stakeholder engagement

- Held the 2022 Annual General Meeting virtually. In upholding and protecting shareholders' rights, the Board recognizes 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 Bank performance in general meetings.
- Launched the Agency Banking
- Engaged with key clients, staff, shareholders, and regulators

The Board has engaged the services of a professional Registrar, Corpserve Zambia, to allow for quick resolution of all shareholder queries and the smooth transfer of shares

Corporate Governance (continued)

Board and Committee Structure: decisions, responsibilities, membership, and delegation of Authority

The Board is responsible for the adoption and monitoring of strategic plans, policies, operational performance targets, and processes in line with the Bank's risk appetite and internal controls. It establishes the Bank's purpose, values and strategy promoting its culture, overseeing its conduct and affairs of promoting the long-term success of the Bank. The Board considers its impact on its decisions and its responsibilities to all the Bank's stakeholders including employees, shareholders, regulators and government agencies, clients, suppliers, the environment, and the communities in which the Bank operates.

The Board delegates authority for the operational management of the Bank's business to the 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 presently comprises seven members; two Executive Directors and five Non-Executive directors, three of whom are Independent Non-Executive Directors. There exists a cordial working relationship between the non-executive and executive directors, characterized by a healthy level of debate.

During the year 2022, the attendance of meetings by the Board was 100 percent, a clear demonstration of the Directors commitment and ability to provide additional time.

The Board discharges its duties directly or through its committees as follows:

Board Audit Committee (BAC)

BAC exercises oversight and review matters relating to financial reporting, internal financial control and non-financial crime issues, internal Audit and external Audit. The BAC is comprised of three (3) Non-Executive Directors. The Committee met five times during the year and was chaired by an Independent Non-Executive Director, Ms. Kapambwe Doreen Chiwele until her retirement on 30th September 2022. The last BAC meeting for the year was chaired by Mr. Munakopa Sikaulu. In line with Corporate Governance directives, the Committee also meets at least once a year with the External Auditors, the Head of Conduct, Financial Crime & Compliance, Head of Audit, Head of Legal, Chief Financial Officer and the Chief Risk Officer without management present.

Board Risk Committee (BRC)

The Committee exercises oversight and review of the Risk Appetite Statement, the appropriateness and effectiveness of the risk management systems and all the Principal Risk Types (PRTs) including credit, market, capital, and liquidity, operational and country. The BRC also considers the implications of material regulatory change proposals. The BRC is comprised of two Independent Non-Executive Directors, and one Executive Director. The Committee met four times during the year and was chaired by an Independent Non-Executive Director Mr. Munakopa Sikaulu.

Board Loans Review Committee (BLRC)

The Committee exercises oversight on all matters incidental to credit and loan applications. The Committee also makes recommendations to the Board on the company's overall credit risk appetite. The BLRC comprises of three Directors and chaired by an Independent Non-Executive Director, Mr. Mainga Mukando. The Committee met four times during the year.

Board Remuneration and Nomination Committee (REMCO)

The Committee oversees and reviews the implementation and operation of the Bank's remuneration policies and procedures. It also periodically reviews the compensation of the Independent Non-Executive Directors Bank's and makes recommendations for shareholder approval. The Committee also reviews succession plans for the Board and Management. The REMCO comprises of two members both Independent Non-Executive Directors. The Committee is also responsible for the Board Evaluation Review. This Committee is chaired by the Board Chairman, Dr. Caleb Fundanga. The Committee met twice in 2022.

Board Trainings and Continuous Education

The Bank endeavours to upskill its directors and has a robust training plan for the Board. In 2022, the Board Chairman attended the Global Subsidiary Governance conference hosted by the Standard Chartered Group Chairman in Dubai. In 2022, REMCO held its meeting virtually with the Standard Chartered Group remuneration and Nominations Committee.

The Bank also reviews each Independent Non-Executive Director's continuing training needs. he Bank's intention that each Independent Non-Executive Director continues to receive training on a continuing basis. The Board received training in 2022 on various aspects including:

- Directors' Training - Splinternet by Patrick Tam – 7 and 14 April
- Directors' Risk Training - Responsible Use of Artificial Intelligence – 13 July
- Directors' Training AME session - Technology Training on Cloud Strategy – 12 October

STANDARD CHARTERED BANK ZAMBIA PLC

RECORD OF ATTENDANCE OF BOARD /BOARD COMMITTEES MEETINGS HELD IN 2022

BOARD OF DIRECTORS' MEETINGS

No. of Board Meeting 2022	1/2022	2/2022 (PRE-AGM)	3/2022 (AGM)	4/2022	5/2022	6/2022	7/2022 (Board Strategy)	Total
Date of Meeting	24/03/22 14:00 SCBZ	24/02/22 10:00 SCBZ	30/03/22 10:00 SCBZ	31/05/22 10:30 SCBZ	25/08/22 10:30 SCBZ	22/11/22 10:00 SCBZ	25/11/22 09:00 SCBZ	7
Dr. Caleb M Fundanga (Board Chairperson)	√	√	√	√	√	√	√	7
Herman Kasekende	√	√	√	√	N/A	N/A	N/A	4
Sonny Zulu	N/A	N/A	N/A	N/A	√	√	√	3
Kapambwe Doreen Chiwele	√	√	√	√	√	N/A	N/A	5
Mainga Mukando	N/A	N/A	N/A	√	√	√	√	4
Munakopa Sikaulu	√	√	√	AP	√	√	√	6
Kweku Bedu- Addo	√	√	√	AP	√	√	√	6
Kelvin Bwalya	√	√	√	√	√	√	√	7
Rose Kavimba	√	√	√	N/A	N/A	N/A	N/A	3
Doris Tembwe	N/A	N/A	N/A	N/A	N/A	√	√	2

NOTE: THAT:

- MR. KASEKENDE RETIRED FROM THE BOARD EFFECTIVE 30 JUNE 2022
- MS. KAPAMPWE DOREEN CHIWELE RETIRED FROM THE BOARD EFFECTIVE 30 SEPTEMBER 2022
- Mr. SONNY ZULU JOINED THE BOARD ON 1 JULY 2022

BOARD AUDIT COMMITTEE (AC) MEETINGS

No. of AC Meeting 2022	1/2022	2/2022	3/2022	4/2022	5/2022	Total
Date of Meeting	11/03/22 SCBZ	23/05/22 09:00 SCBZ	04/08/22 09:00 SCBZ	5/08/22 09:00 SCBZ	18/11/22 09:00 SCBZ	5
Kapambwe Doreen Chiwele (Chairperson)	√	√	√	N/A	N/A	3
Munakopa Sikaulu	N/A	N/A	N/A	N/A	√	1
Mainga Mukando	√	√	√	√	√	5
Kweku Bedu-Addo	√	√	√	√	√	5
Kelvin Bwalya	√*BI	√*BI	√*BI	√*BI	√*BI	5
Sonny Zulu	N/A	N/A	N/A	N/A	√*BI	1

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

- *BI – By Invitation

BOARD LOAN REVIEW COMMITTEE (LRC) MEETINGS

No. of LRC Meeting 2022	1/2022	2/2022	3/2022	4/2022	Total
Date of Meetin	10/03/2022 11:00 SCBZ	13/05/2022 11:00 SCBZ	5/08/2022 09:00 SCBZ	18/11/2022 14:00 SCBZ	4
Mainga Mukando (Chairperson)	√	√	√	√	4
Munakopa Sikaulu	√	√	√	√	4
Herman Kasekende	√	√	N/A	N/A	2
Sonny Zulu	N/A	N/A	√	√	2
Kelvin Bwalya	√*BI	√*BI	√*BI	√*BI	4

NOTE: CFO IS NOT A MEMBER AND ONLY ATTENDS LRC BY INVITATION

BOARD RISK COMMITTEE (RC) MEETINGS

No. of RC Meeting 2022	1/2022	2/2022	3/2022	4/2022	Total
Date of Meeting	10/03/2022 11:00 SCBZ	14/05/2022 09:00 SCBZ	05/08/2022 09:00 SCBZ	04/11/2022 09:00 SCBZ	4
Munakopa Sikaulu (Chairperson)	√	√	√	√	4
Mainga Mukando	√	√	√	√	4
Herman Kasekende	√*BI	√*BI	N/A	N/A	2
Sonny Zulu	N/A	N/A	√*B	√*B	2
Kelvin Bwalya	√*BI	√*BI	√*BI	√*BI	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 2022	1/2022	2/2022	TOTAL
Date of Meeting	10/03/2022 16:00 SCBZ	18/11/2022 16:00 SCBZ -VIRTUAL	2
Dr. Caleb Fundanga (Chairperson)	√	√	2
Doreen Kapambwe Chiwele	√	√	2
Mainga Mukando	N/A	√	1
Sonny Zulu	N/A	√*BI	1

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

KEY:

√ : Attended

× : Absent.

AP: Apologies

BI: By invitation

D: Delegated

AC: Acting Committee Chairperson

STANDARD CHARTERED BANK ZAMBIA PLC

Designation	Name	Total Meetings invited for	Total Attendance (In Person, VC & Audio)	%	Remarks
Chairman/INED	Caleb Fundanga	*9	9	100%	Attended all meetings.
INED	Kapambwe D Chiwele	*14	14	100%	Attended all but one meetings.
INED	Munakopa Sikaulu	*15	14	93%	Attended all but one meetings.
INED	Mainga Mukando	*17	17	100%	Attended all meetings.
NED	Kweku Bedu-Addo	*12	11	92%	Attended all meetings.
ED/CEO	Herman Kasekende	*9	9	100%	Attended all meetings.
ED/CEO	Sonny Zulu	*7	7	100%	Attended all meetings.
ED/CFO	Kelvin Bwalya	*20	20	100%	Attended all meetings.

* Includes 1 adhoc meeting.

Standard Chartered Bank Zambia Plc

Consolidated and separate financial statements

for the year ended 31 December 2022

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Director's Responsibilities

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 24 February 2023 and are signed on its behalf by:

C. Fundanga
Chairman

S. Zulu
Managing Director

K. Bwalya
Executive Director - Finance and Administration

EY
Building a better working world

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

Our 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 142 which comprise the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statement of financial position as at 31 December 2022, , 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 2022 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 Zambia Banking and Financial Services Act, 2017 and the Zambia Securities Act, 2016.

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.

Expected credit losses
See note 6 use of judgements and estimates, note 18 loans and advances to customers, note 37 credit risk section of the financial risk management, note 6 loans and advances accounting policy, and note 6 financial assets and financial liabilities accounting policy

Key audit matter	How the matter was addressed
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). **Key areas of judgement include:** - 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)).	Our audit procedures included the following: ● We tested the design and implementation and operating effectiveness of key controls over: - 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 or credit impaired. ● 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.

- 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. 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.	● We challenged the completeness and appropriateness of overlays used for risks not captured by the models, particularly the overlays with regards to the cash held with the central bank due to the continued downgrade of the country as a result of default in 2020. The country has since not been upgraded (cured) by any reputable external rating agencies post year end economic performance. 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.

Other Information

The Directors are responsible for the other information. The other information is included in pages 1 to 45 and pages 143 to 152 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 Zambia Banking and Financial Services Act, 2017 and Zambia Securities Act, 2016 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 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.

Zambia Banking and Financial Services Act, 2017

In accordance with the Zambia Banking and Financial Services Act, 2017, 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.

Zambia Securities Act, 2016

Part III, Rule 18 of the Securities (accounting and financial reporting requirements) Rules of the Securities Act, 2016 of Zambia, require that in carrying out our audit of Standard Chartered Bank Zambia Plc we report on whether::

- The consolidated annual financial statements of the Group have been properly prepared in accordance with Securities and Exchange Commission rules;
- The Group has, throughout the financial year, kept proper accounting records in accordance with the requirements of Securities and Exchange Commission rules
- The consolidated statement of financial position and consolidated statement of comprehensive income are in agreement with the Group's accounting records; and
- We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

EY Zambia

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

Mark Libakeni | **7th March 2023**
Partner | **Lusaka**

Practicing Certificate Number: AUD/F000397

Consolidated Income Statement

for the year ended 31 December 2022

	Notes	Group and Bank 2022 K '000	2021 K '000
Interest income		**958,664**	1,143,204
Interest expense		**(363,837)**	(310,581)
Net interest income	3	**594,827**	832,623
Fees and commission income		**255,026**	236,331
Fees and commission expense		**(34,607)**	(44,706)
Net fee and commission income	4	**220,419**	191,625
Net trading income	5	**360,839**	290,821
Other operating income	7	**18,754**	7,263
Operating income		**1,194,839**	1,322,332
Staff costs		**(312,125)**	(253,331)
Premises costs		**(49,771)**	(76,653)
General administrative expenses		**(391,755)**	(504,285)
Depreciation and amortisation		**(77,053)**	(77,973)
Operating expenses	8	**(830,704)**	(912,242)
Operating profit before impairment and taxation		**364,135**	410,090
Credit impairment	6	**10,489**	202,207
Profit before taxation		**374,624**	612,297
Taxation	9	**(129,997)**	(258,367)
Profit for the period		**244,627**	353,930
Earnings per share:			
Basic earnings per ordinary share	10	**0.15**	0.21

During 2022, an SCB internal reporting decision was made which led to reclassifications of amounts between reporting lines but within the same category and with nil impact at total level. Premises costs and Depreciation and amortisation were previously reported under Depreciation, amortisation, equipment, and lease expenses. General administrative expenses were previously reported under other expenses.

The notes on pages 51 to 144 form an integral part of these FINANCIAL STATEMENTS.

Consolidated Statement of comprehensive income

for the year ended 31 December 2022

		Group and Bank	
	Notes	2022 K '000	2021 K '000
Profit for the year		**244,627**	353,930
Items that may be reclassified subsequently to income statement		**(79,248)**	(10,375)
Net valuation gains taken to equity	9	**(113,211)**	(41,892)
Taxation relating to components of other comprehensive income	9	**33,963**	31,517
Other comprehensive loss for the year, net of taxation		**(79,248)**	(10,375)
Total comprehensive income for the year		**165,379**	343,555

The notes on pages 51 to 144 form an integral part of these FINANCIAL STATEMENTS.

Consolidated statement of Financial Position

for the year ended 31 December 2022

		Group and Bank	
		2022	2021
	Notes	**K '000**	**K '000**
Assets			
Cash and cash equivalents	31	**4,034,660**	5,221,081
Cash and balances at central banks	12	**1,685,766**	1,909,632
Financial assets held at fair value through profit or loss	13	**284,534**	270,436
Pledged assets	13	**409,200**	525,000
Derivative financial instruments	16	**18,409**	23,707
Investment securities	17	**2,859,062**	3,143,755
Loans and advances to banks	18	**3,889,613**	-
Loans and advances to customers	18	**1,642,633**	1,646,011
Other assets	19	**219,057**	142,076
Assets classified as held for sale	21	**6,368**	7,800
Property, plant and equipment	20	**94,931**	128,220
Current tax assets	9	**83,589**	46,214
Deferred tax assets	9	**99,623**	107,291
Prepayments and accrued income	19	**38,374**	25,572
Investments in subsidiary undertakings	14	**5**	5
Intangible assets	22	**65,271**	75,937
Total assets		**15,431,095**	13,272,737
Liabilities			
Deposits by banks	31	**482,018**	547,601
Derivative financial instruments	16	**56,185**	20,984
Customer accounts	23	**13,266,859**	10,899,749
Dividends payable	11	**5,997**	4,888
Other liabilities	24	**385,630**	375,355
Accruals and deferred income	24	**114,118**	94,913
Subordinated liabilities and other borrowed funds	28	**72,440**	66,640
Provisions for liabilities and charges	25	**81,899**	108,637
Total liabilities		**14,465,146**	12,118,767
Equity			
Share capital and share premium account	29	**416,745**	416,745
Statutory reserves		**12,285**	12,285
Fair value reserves		**156,720**	235,968
Credit reserves		**3,000**	52,548
Capital contribution		**62,312**	62,312
Retained earnings		**314,887**	374,112
Total equity		**965,949**	1,153,970
Total equity and liabilities		**15,431,095**	13,272,737

During 2022, an SCB internal reporting decision was made which led to reclassifications of amounts between reporting lines but within the same category and with nil impact at total level. Financial assets held at fair value through profit or loss were previously reported under Investment securities. Prepayments and accrued income and Accruals and deferred income were previously reported under other assets and other liabilities respectively.

The notes on pages 51 to 144 form an integral part of these FINANCIAL STATEMENTS.

Caleb Fundanga
Chairman

Sonny Zulu
Chief Executive Officer

Kelvin Bwalya
Chief Financial Officer

Doris Tembwe
Company Secretary

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

Group and Bank

	Ordinary share capital and share premium account	Statutory reserves	Fair value reserves	Credit reserves	Capital contribution	Share-based payment reserve	Retained earnings	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
As 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 (loss)/income	-	-	(10,375)	-	-	-	-	(10,375)
Distributions of share-based payments	-	-	-	-	-	624	(624)	-
Transfers	-	-	-	43,287	-	-	(43,287)	-
Share option expenses	-	-	-	-	-	(624)	624	-
As at 31 December 2021	416,745	12,285	235,968	52,548	62,312	-	374,112	1,153,970
Profit/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**244,627**	**244,627**
Other comprehensive income/(loss)	**-**	**-**	**(79,248)**	**-**	**-**	**-**	**-**	**(79,248)**
Distributions of share-based payments	**-**	**-**	**-**	**-**	**-**	**973**	**(973)**	**-**
Transfers	**-**	**-**	**-**	**(49,548)**	**-**	**-**	**49,548**	**-**
Share option expenses	**-**	**-**	**-**	**-**	**-**	**(973)**	**973**	**-**
Dividends on ordinary shares (Note 11)	**-**	**-**	**-**	**-**	**-**	**-**	**(353,400)**	**(353,400)**
As at 31 December 2022	**416,745**	**12,285**	**156,720**	**3,000**	**62,312**	**-**	**314,887**	**965,949**

Reserves

The constituents of the reserves are summarised as follows:

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 in which employees of Standard Chartered Bank Zambia Plc participate.

The notes on pages 51 to 144 are an integral part of these financial statements.

Consolidated statement of cashflows

for the year ended 31 December 2022

	Notes	Group and Bank 2022 K'000	2021 K'000
Profit/ (Loss) for the year before taxation		**374,624**	612,297
Other non-cash items included in profit before tax			
Depreciation of property, equipment and right-of-use assets	8	**50,362**	60,585
Amortisation of intangible	22	**26,691**	27,776
Equity settled share based payments transaction		**973**	(624)
Impairment losses / (reversals)	6	**10,489**	(196,598)
Gain on disposal of assets		**(21,407)**	(4,803)
Write offs of fixed assets		**2,006**	5,639
Lease cancellation gains		**2,137**	(2,344)
Effect of exchanges rate fluctuations on subordinated loan capital and software		**(17,870)**	(18,040)
Fair value (gains)/losses		**18,965**	2,808
Net Interest income		**(594,818)**	(808,433)
Change in:			
Statutory reserve deposits with the central bank		**(200,343)**	227,284
Financial assets held for trading		**101,702**	(425,000)
Due from banks		**(3,889,613)**	-
Derivative financial instruments - assets		**5,297**	(19,117)
Loans and advances to customers		**2,037**	985,751
Other assets		**92,651**	175,203
Due to customers		**2,374,576**	(1,284,856)
Provisions		**(26,738)**	29,934
Derivative financial instruments - liabilities		**35,202**	12,436
Other liabilities		**43,217**	(65,816)
		(1,462,012)	**(364,181)**
Interest received		**920,576**	1,135,591
Interest paid		**(371,074)**	(364,686)
		549,502	**770,905**
Cash (used)/generated from operating activities before taxation		**(1,060,358)**	84,987
Income tax paid		**(35,778)**	(108,832)
Net cash (used in)/ generated from operating activities		**(1,096,136)**	**(23,845)**
Investing activities			
Purchase of property and equipment		**(6,692)**	(13,136)
Proceeds from the sale of property and equipment		**19,906**	554
Proceeds from the sale of held for sale assets		**164**	5,850
Purchase of intangible assets		**(61,964)**	(33,575)
Investment in government securities		**(3,650,035)**	(3,533,661)
Proceeds from maturity/sale of investment securities		**3,740,315**	3,488,920
Net cash (used in)/ generated from investing activities		**41,694**	**(85,048)**
Financing activities			
Dividends claims		**(354,509)**	(8)
Premises, Motor vehicle and equipment lease liability principal payment		**(73,712)**	(67,857)
Net cash used in financing activities		**(428,221)**	**(67,865)**
Net (decrease)/ increase in cash and cash equivalents		**(1,482,663)**	(176,758)
Cash and cash equivalents at 1 January	31	**5,555,570**	5,745,981
Effect of exchange rate fluctuations on cash and cash equivalents held		**6,731**	(13,653)
Cash and cash equivalents at 31 December	31	**4,079,638**	**5,555,570**

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

1 . Accounting Policies

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. The Bank has a primary listing on the Lusaka Stock exchange.

These CONSOLIDATED FINANCIAL STATEMENTS comprise the Bank and its subsidiary, Standard Chartered Nominees Zambia Limited (collectively the 'Bank'). The Bank is primarily involved in corporate and consumer banking.

Basis of preparation

The CONSOLIDATED 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.

Statement of compliance

These consolidated 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 Bank's consolidate statements of profit and loss and other comprehensive income, statement of financial position, changes in equity, cash flows and notes to the financial statements are substantially the same as the Bank.

Presentation of Financial Statements

The Bank presents its **STATEMENT OF FINANCIAL POSITION** in order of liquidity based on the Bank'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 32.

Changes in accounting policies and disclosures

There were new standards issued which were effective for annual periods beginning on or after 1st January 2022 with earlier adoption permitted. The Bank has not 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 2022 but have no material impact on the **consolidated Financial Statements.**

New pronouncement	Effective date*	Applicability to Bank	
		Yes	No
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 31st March 2022.

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

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

Financial statements

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

Basis of consolidation

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

Summary of significant accounting policies

In determining the carrying amounts of certain assets and liabilities, the Bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Bank's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty and judgement, are set out in the relevant disclosure notes for the following areas:

- Interest income
- Fees and commission
- Net trading income
- Net gains on financial instruments at FVTPL
- Net gain/ loss on derecognition of financial assets measured at amortised cost or FVOCI
- Financial instruments measured at fair value (Note 15)
- Financial assets and liabilities
- Reclassification of financial assets and liabilities
- Derecognition of financial assets and liabilities
- Offsetting of financial assets and liabilities
- Impairment of financial assets (Note 6)
- Credit enhancements: collateral valuation and financial guarantees
- Collateral possessed
- Write off
- Cash and cash equivalents
- Leases
- Property, equipment and right of use
- Intangible assets, goodwill and work in progress (WIP)
- Assets held for sale
- Impairment of non-financial assets
- Deposits, debt securities issued and subordinated liabilities
- Provisions
- Taxation (Note 9)
- Employee benefits
- Share capital and reserves
- Earnings per share
- Statutory reserve deposits
- Segment reporting
- Investments in subsidiary undertakings, joint ventures and associates (Note 14)

Functional and presentation currency

These **CONSOLIDATED FINANCIAL STATEMENTS** are presented in Zambian Kwacha ("Kwacha"), which is the Bank's functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated. Transactions in foreign currencies are translated into the respective functional currency of the Bank 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 other comprehensive income, are recognised in other comprehensive income.

Significant accounting judgements, estimates and assumptions

The preparation of the Bank's **CONSOLIDATED 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 Bank'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.

Judgements

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

- Note 6: 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 15: 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 Solely Payment of Principal and Interest

(SPPI) on the principal amount outstanding.

Assumptions and estimation uncertainties Information about assumption and estimation uncertainties that have significant risk requiring a material adjustment in year ended 31st December 2022 is issued in following notes:

- Note 6: 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 36: measurement of the fair value of financial instruments with significant unobservable inputs.
- Note 9: recognition of deferred tax assets: availability of future taxable profits against which to carry-forward tax losses can be used.
- Note 27: recognition and measurement of contingencies: key assumptions about the likelihood magnitude of an outflow of resources.

The Bank recognizes 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.

Going concern

These Financial Statements were approved by the Board of Directors on 24th February 2023. The Directors have made an assessment of the Bank's ability to continue as a going concern. This assessment has been made having considered the impact of COVID-19, macroeconomic and geopolitical headwinds, including:

- A review of the Bank Strategy and Corporate Plan, both of which cover a year from the date of signing the annual report
- An assessment of the actual performance to date, loan book quality, credit impairment, legal, regulatory and compliance matters, and the updated annual budget
- Analysis of the capital, funding and liquidity position of the Bank, including the capital and leverage ratios, and ICAAP which summarises the Bank's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Further, funding and liquidity was considered in the context of the risk appetite metrics, including the ADR and LCR ratios
- The Bank's Internal Liquidity Adequacy Assessment Process, which considers the Bank's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due, was also reviewed
- A detailed review of all principal and emerging risks

Based on the analysis performed, the Directors confirm they are satisfied that the Bank has adequate resources to continue in business for a period of at least 12 months from 31 December 2022. For this reason, the Bank continues to adopt the going concern basis of accounting for preparing the FINANCIAL STATEMENTS.

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.

Effective Interest Rate (EIR) method

The Bank's EIR method, as explained in Note 3, 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 15. 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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

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.

Provisions and other contingent liabilities

The Bank 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 Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank 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 Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank 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 Bank 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.

2. Segmental information

The Bank manages and reports its business through two 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.

Basis of preparation

The analysis reflects how the client segments are managed internally. This is described as the Management View (on an underlying basis) and is principally the location from which a client relationship is managed, which may differ from where it is financially booked and may be shared between businesses and/or regions. In certain instances, this approach is not appropriate and a Financial View is disclosed, that is, the location in which the transaction or balance was booked.

Typically, the Financial View is used in areas such as the Market and Liquidity Risk reviews where actual booking location is more important for an assessment. Segmental information is therefore on a Management View unless otherwise stated. The following summary describes the operations of each of the Bank's reportable segments:

Corporate, Commercial and Institutional Banking	Includes the Bank'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 Bank'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 (part of Central and other) 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.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment. The Bank only operates in Zambia.

Underlying performance by client segment

	Note	2022 Corporate, Commercial & Institutional Banking K '000	Consumer Private & Business Banking K '000	Central & other items (segment) K '000	Total K '000
Total operating income		550,898	599,812	44,129	1,194,839
Net interest income	3	35,140	32,508	527,179	594,827
Net fees and commission income	4	18,372	191,268	10,779	220,419
Net trading income	5	306,787	51,404	2,648	360,839
Other income	7	(494)	21,512	(2,264)	18,754
External		359,805	296,692	538,342	1,194,839
Inter-segment		191,093	303,120	(494,213)	-
Operating expenses	8	(274,925)	(360,187)	(195,592)	(830,704)
Operating profit/(loss) before impairment losses and taxation		275,973	239,625	(151,463)	364,135
Credit impairment	6	46,755	2,322	(38,588)	10,489
Underlying profit/(loss) before taxation		322,728	241,947	(190,051)	374,624
Taxation	9	-	-	(129,997)	(129,997)
Statutory profit/ loss after taxation		322,728	241,947	(320,048)	244,627
Total assets		1,542,031	893,348	12,995,716	15,431,095
Of which loans and advances to customers		809,332	833,301	-	1,642,633
Total liabilities		9,231,720	4,480,680	752,746	14,465,146
Of which: customer accounts		8,805,223	4,461,636	-	13,266,859

	Note	2021 Corporate, Commercial & Institutional Banking K '000	Consumer Private & Business Banking K '000	Central & other items (segment) K '000	Total K '000
Operating income		496,716	582,623	242,993	1,322,332
Net interest income	3	60,658	42,653	729,312	832,623
Net fees and commission income	4	42,431	158,074	(8,880)	191,625
Net trading income	5	157,373	59,224	74,224	290,821
Other income	7	-	4,972	2,291	7,263
External		260,462	264,923	796,947	1,322,332
Inter-segment		236,254	317,700	(553,954)	-
Operating expenses	8	(386,037)	(461,810)	(64,395)	(912,242)
Operating profit/(loss) before impairment losses and taxation		110,679	120,813	178,598	410,090
Credit impairment	6	110,027	80,555	11,625	202,207
Underlying profit/(loss) before taxation		220,706	201,368	190,223	612,297
Taxation	9	-	-	(258,367)	(258,367)
Statutory profit/ loss after taxation		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 financial statements (continued)

for the year ended 31 December 2022

3. Net interest income

Interest income for financial assets held at either fair value through other comprehensive income or amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows, discounted at the instruments original effective interest rate. The adjustment is recognised as interest income or expense in the period in which the revision is made.

Interest income for financial assets that are either held at fair value through other comprehensive income or amortised cost that have become credit-impaired subsequent to initial recognition (stage 3) and have had amounts written off, is recognised using the credit adjusted effective interest rate. This rate is calculated in the same manner as the effective interest rate except that expected credit losses are included in the expected cash flows. Interest income is therefore recognised on the amortised cost of the financial asset including expected credit losses. Should the credit risk on a stage 3 financial asset improve such that the financial asset is no longer considered credit-impaired, interest income recognition reverts to a computation based on the rehabilitated gross carrying value of the financial asset.

	2022 K '000	2021 K '000
Loans and advances to banks	**14,082**	11,106
Loans and advances to customers	**429,228**	379,050
Debt securities	**461,546**	716,692
Other eligible bills	**53,808**	36,350
Accrued on impaired assets (discount unwind)	**-**	6
Interest income	**958,664**	1,143,204
Of which: financial instruments held at fair value through other comprehensive income	**576,258**	716,692
Deposits by banks	**38,346**	25,557
Customer accounts	**301,904**	276,602
Subordinated liabilities and other borrowed funds	**4,576**	3,054
Interest expense on IFRS 16 lease liabilities	**19,011**	5,368
Interest expense	**363,837**	310,581
Net interest income	**594,827**	832,623

During 2022, an SCB internal reporting decision was made which led to reclassifications of amounts between reporting lines but within the same category and with nil impact at total level. Accrued on impaired assets (discount unwind) was previously reported under Loans and advances to customers.

4. Net fees and commission

Fees and commissions charged for services provided by the Bank are recognised as or when the service is completed, or significant act performed. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself or retained a part at the same effective interest rate as for the other participants.

The Bank can act as trustee or in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these FINANCIAL STATEMENTS, as they are not assets and income of the Bank

The Bank applies the following practical expedients:

- information on amounts of transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period is not disclosed as almost all fee-earning contracts have an expected duration of less than one year
- promised consideration is not adjusted for the effects of a significant financing component as the period between the Bank providing a service and the customer paying for it is expected to be less than one year

- incremental costs of obtaining a fee-earning contract are recognised upfront in 'Fees and commission expense' rather than amortised, if the expected term of the contract is less than one year

The determination of the services performed for the customer, the transaction price, and when the services are completed depends on the nature of the product with the customer. The main considerations on income recognition by product are as follows:

Transaction Banking

The Bank recognises fee income associated with transactional trade and cash management at the point in time the service is provided. The Bank recognises income associated with trade contingent risk exposures (such as letters of credit and guarantees) over the period in which the service is provided.

Payment of fees is usually received at the same time the service is provided. In some cases, letters of credit and guarantees issued by the Bank have annual upfront premiums, which are amortised on a straight-line basis to fee income over the year.

Financial Markets

The Bank recognises fee income at the point in time the service is provided. Fee income is recognised for a significant non-lending service when the transaction has been completed and the terms of the contract with the customer entitle the Bank to the fee. Fees are usually received shortly after the service is provided.

Syndication fees are recognised when the syndication is complete. Fees are generally received before completion of the syndication, or within 12 months of the transaction date.

Securities services include custody services, fund accounting and administration, and broker clearing. Fees are recognised over the period the custody or fund management services are provided, or as and when broker services are requested

Wealth Management

Upfront consideration on bancassurance agreements is amortised straight-line over the contractual term. Commissions for bancassurance activities are recorded as they are earned through sales of third-party insurance products to customers. These commissions are received within a short time frame of the commission being earned. Target-linked fees are accrued based on percentage of the target achieved, provided it is assessed as highly probable that the target will be met. Cash payment is received at a contractually specified date after achievement of a target has been confirmed

Upfront and trailing commissions for managed investment placements are recorded as they are confirmed. Income from these activities is relatively even throughout the period, and cash is usually received within a short time frame after the commission is earned

Retail Products

The Bank recognises most income at the point in time the Bank is entitled to the fee, since most services are provided at the time of the customer's request. Credit card annual fees are recognised at the time the fee is received since in most of our retail markets there are contractual circumstances under which fees are waived, so income recognition is constrained until the uncertainties associated with the annual fee are resolved The Bank defers the fair value of reward points on its credit card reward programmes, and recognises income and costs associated with fulfilling the reward at the time of redemption.

	2022 K '000	2021 K '000
Fees and commissions income	**255,026**	236,331
Of which:		
Financial instruments that are not fair valued through profit or loss	**187,027**	236,325
Fees and commissions expense	**(34,607)**	(44,706)
Net fees and commission	**220,419**	191,625

The segment split

	2022			
	Corporate, Commercial & Institutional Banking K '000	Consumer Private & Business Banking K '000	Central & other Items (Segment) K '000	Total K '000
Transaction Banking	19,039	17,387	-	36,426
Trade	1,276	-	-	1,276
Cash Management	17,763	17,387	-	35,150
Lending & Portfolio Management	(109)	-	-	(109)
Retail Products	-	174,148	-	174,148
Others	6,719	(307)	3,542	9,954
Net fees and commission	**25,649**	**191,228**	**3,542**	**220,419**

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

	2021			
	Corporate, Commercial & Institutional Banking	Consumer Private & Business Banking	Central & other Items (Segment)	Total
	K '000	K '000	K '000	K '000
Transaction Banking	42,223	-	-	42,223
Trade	753	-	-	753
Cash Management	41,470	-	-	41,470
Lending & Portfolio Management	209	-	-	209
Retail Products	-	158,073	-	158,073
Others	-	-	(8,880)	(8,880)
Net fees and commission	42,432	158,073	(8,880)	191,625

5. Net trading income

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are recorded in net trading income in the period in which they arise. This includes contractual interest receivable or payable. Income is recognised from the sale and purchase of trading positions, margins on market making and customer business and fair value changes. When the initial fair value of a financial instrument held at fair value through profit or loss relies on unobservable inputs, the difference between the initial valuation and the transaction price is amortised to net trading income as the inputs become observable or over the life of the instrument, whichever is shorter. Any unamortised 'day one' gain is released to net trading income if the transaction is terminated.

	2022	2021
	K '000	K '000
Net trading income	**360,839**	290,821
Significant items within net trading income include:		
Gains/(Losses) on foreign currency transactions	**246,086**	236,325
Gains on instruments held for trading	**1,656**	201,084
Losses on financial assets mandatorily at fair value through profit or loss	**(494)**	-
Gains/(Losses) on financial assets designated at fair value through profit or loss	**72,006**	(145,749)
Gains/(Losses) on financial liabilities designated at fair value through profit or loss	**1,956**	(839)

During 2022, an SCB internal reporting decision was made which led to reclassifications of amounts between reporting lines but within the same category and with nil impact at total level. Gains on instruments held for trading was previously reported under net gains on financial instruments at FVTPL. Losses on financial assets designated at fair value through profit or loss was previously reported under losses arising from dealing securities. Losses on financial liabilities designated at fair value through profit or loss was previously reported under dealing (losses)/profits.

6. Credit impairment

Significant accounting estimates and judgements

The Bank's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions. The significant judgements in determining expected credit loss include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk.
- Development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.
- Evaluation of management overlays and post-model adjustments.
- Determination of probability weightings for Stage 3 individually assessed provisions

The calculation of credit impairment provisions also involves expert credit judgement to be applied by the credit risk management team based upon counterparty information they receive from various sources including relationship managers and on external market information. Details on the approach for determining expected credit loss can be found in the credit risk section, under IFRS 9 Methodology on Note 37, Risk Review.

Estimates of forecasts of key macroeconomic variables underlying the expected credit loss calculation can be found within the Risk review, Key assumptions and judgements in determining expected credit loss.

Expected credit losses

Expected credit losses are determined for all financial debt instruments that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments and financial guarantees.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Bank expects to receive over the contractual life of the instrument.

Measurement

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. Further details on the components of PD, LGD and EAD are disclosed in the Credit risk section. For less material Retail Banking loan portfolios, the Bank has adopted less sophisticated 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 Bank'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 Bank'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 Bank is exposed to credit risk. However, for certain revolving credit facilities, which include credit cards or overdrafts, the Bank's exposure to credit risk is not limited to the contractual period. For these instruments, the Bank estimates an appropriate life based on the period that the Bank 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.

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 purchased or originated credit-impaired instruments (POCI)) 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	Loss provisions: netted against gross carrying value
Financial assets held FVOCI - Debt instruments	Other comprehensive income (FVOCI expected credit loss reserve)
Loan commitments	Provisions for liabilities and charges
Financial guarantees	Provisions for liabilities and charges

1. Purchased or originated credit-impaired assets do not attract an expected credit loss provision on initial recognition. An expected credit loss provision will be recognised only if there is an increase in expected credit losses from that considered at initial recognition.

2. Debt and treasury securities classified as fair value through other comprehensive income (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 other comprehensive income (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 derecognised.

3. 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

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

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 balance sheet 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.

Significant increase in credit risk (Stage 2)

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 balance sheet 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;
  - o Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligation/s;
  - o The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower;
  - o Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses

Lending commitments to a credit-impaired obligor that have not yet been drawn down are included 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 expected cash shortfalls, discounted at the instrument's original effective interest rate, and the gross carrying value (including contractual interest due but not paid) of the instrument prior to any credit impairment.

Expert credit judgement

For Corporate & Institutional, Commercial and Private Banking, borrowers are graded by credit risk management on a credit grading (CG) scale from CG1 to CG14. 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 oversight of the loan will normally be performed by Bank 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 stage 3.

For individually significant financial assets within stage 3, 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 geopolitical climate of the customer, quality of realisable value of collateral, the Bank's legal position relative to other claimants and any renegotiation/ forbearance/ modification options. 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 Retail 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.

Retail Banking clients are considered credit-impaired where they are more 90 days past due. Retail Banking 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 Bank that are considered credit-impaired, the account may also be credit-impaired.

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.

Modified financial instruments

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised (an instrument is derecognised when a modification results in a change in cash flows that the Bank would consider substantial), the resulting modification loss is recognised within credit impairment in the **INCOME STATEMENT** with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the bank 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 (by comparison to the origination date) 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 Bank 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.

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. 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 credit impairment in the **INCOME STATEMENT**.

Loss provisions on purchased or originated credit-impaired instruments (POCI)

The Bank measures expected credit loss on a lifetime basis for POCI instruments throughout the life of the instrument. However, expected credit loss is not recognised in a separate loss provision on initial recognition for POCI instruments as the lifetime expected credit loss is inherent within the gross carrying amount of the instruments. The Bank recognises the change in lifetime expected credit losses arising subsequent to initial recognition in the income statement and the cumulative change as a loss provision. Where lifetime expected credit losses on POCI instruments are less than those at initial recognition, then the favourable differences are recognised as impairment gains in the income statement (and as impairment loss where the expected credit losses are greater).

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Improvement in credit risk/curing

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 forborne loan can only be removed from being disclosed as forborne if the loan is performing (stage 1 or 2) and a further two-year probation period is met. In order for a forborne loan to become performing, the following criteria have to be satisfied:

- At least a year has passed with no default based upon the forborne contract terms
- The customer is likely to repay its obligations in full without realising security
- The customer has no accumulated impairment against amount outstanding (except for ECL)

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.

Statutory Reserve deposits

Statutory deposits are held with Bank of Zambia, as a minimum reserve requirement. They are not available for the Bank's daily business. The reserve represents a requirement by the Central Bank and is a per centage of the Bank'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.

Credit Impairment

	2022 K '000	2021 K '000
Net credit impairment on loans and advances to banks and customers	29,821	192,718
Net credit impairment on debt securities	34,460	11,625
Net Credit impairment on statutory reserves deposits	(69,113)	-
Net credit impairment relating to financial guarantees and loan commitments	15,321	(2,136)
Credit impairment	**10,489**	202,207

7. Other operating income

On disposal of fair value through other comprehensive income debt instruments, the cumulative gain or loss recognised in other comprehensive income is recycled to the profit or loss in other operating income/expense. When the Bank loses control of the subsidiary or disposal Bank, the difference between the consideration received and the carrying amount of the subsidiary or disposal Bank is recognised as a gain or loss on sale of the business.

	2022 K '000	2021 K '000
Other operating income includes:		
Gains less losses on disposal of fair value through profit or loss debt instruments	(494)	-
Gain on disposal of assets	-	4,803
Lease cancellation gains	-	2,344
Other	19,248	116
Other operating income	**18,754**	7,263

*Included in other is ZMW19m relating to the sale of previously owned premises

8. Operating expenses

Short-term employee benefits: salaries and social security expenses are recognised over the period in which the employees provide the service. Variable compensation is included within share-based payments costs and wages and salaries. Further details are disclosed in the Directors' remuneration report under Note 34, Related party transactions.

Pension costs: contributions to defined contribution pension schemes are recognised in profit or loss when payable. For defined benefit plans, net interest expense, service costs and expenses are recognised in the income statement.

Share-based compensation: the Bank operates equity-settled and cash-settled share-based payment compensation plans. The fair value of the employee services (measured by the fair value of the option granted) received in exchange for the grant of the options is recognised as an expense.

	2022 K '000	2021 K '000
Staff costs:		
Wages and salaries	**197,414**	165,970
Social security costs	**-**	5,934
Other pension costs	**35,807**	9,752
Share-based payment costs	**728**	(624)
Other staff costs	**78,176**	72,299
	312,125	253,331

During 2022, an SCB internal reporting decision was made which led to reclassifications of amounts between reporting lines but within the same category and with nil impact at total level. Social security costs and Redundancy and severance which were individual line items previously are now reported under other pensions costs and other staff costs respectively. Some costs that were previously reported under wages and salaries are now reported under other staff costs.

Wages and salaries include K54,202,000 for transactions with related parties. Refer to Note 34 for related party transactions and balances. Other staff costs include training, travel costs and other staff related costs.

The table below represents the number of staff as at 31 December 2022, split between business staff and support staff;

	2022			2021		
	Business	**Support services**	**Total**	Business	Support services	Total
At 31 December	**152**	**147**	**299**	166	152	318

Share-based payments

The Bank operates equity-settled and cash-settled share-based compensation plans. The fair value of the employee services (measured by the fair value of the awards granted) received in exchange for the grant of the shares and awards is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For example, the expense for three-year awards granted in 2022 in respect of 2021 performance, which vest in 2023-2025, is recognised as an expense over the period from 1st January 2021 to the vesting dates in 2023-2025. For all other awards, the expense is recognised over the period from the date of grant to the vesting date.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and awards at the date of grant, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are included in assumptions for the number of shares and awards that are expected to vest.

At each balance sheet date, the Bank revises its estimates of the number of shares and awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the **INCOME STATEMENT** and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy service conditions and non-market vesting conditions are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when awards in the form of options are exercised.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

Cash-settled awards are revalued at each balance sheet date and a liability recognised on the **STATEMENT OF FINANCIAL POSITION** for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the **INCOME STATEMENT** until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy service conditions or market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement. Any revaluation related to cash-settled awards is recorded as an amount due from subsidiary undertakings.

The Bank operates a number of share-based arrangements for its executive directors and employees. Details are set out below.

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 Bank for grant date fair value.

The amount charged to the **STATEMENT OF CHANGES IN EQUITY** during the year was K973,000 (2021: (K624, 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:

	2022 K'000	2021 K'000
Restricted share scheme	**634**	(492)
Share save scheme	**339**	(132)
Total expense recognised as personnel expenses	**973**	**(624)**

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 Bank Plc.

The number of share options is as follows:

	Number of options 2022	Number of options 2021
Outstanding at the beginning of the reporting period	**11,234**	15,220
Exercised during the year	**(5,095)**	(6,024)
Granted during the year	**5,197**	2,038
Outstanding at 31 December	**11,336**	11,234
Exercisable at 31 December	**97**	97

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:

	Number of options 2022	Number of options 2021
Outstanding at the beginning of the reporting period	**24,386**	26,205
Exercised during the year	**(1,798)**	-
Expired during the year	**(8,575)**	(8,786)
Granted during the year	**28,217**	6,967
Outstanding at 31 December	**42,230**	24,386
Exercisable at 31 December	**1,634**	2,015

The closing share price as at 31 December 2022 was 622.4 pence (2021: 443.7 pence).

Other Operating costs

	2022 K '000	2021 K '000
Premises and equipment expenses:		
Other premises and equipment costs	**49,771**	76,653
	49,771	76,653
General administrative expenses:		
Other general administrative expenses	**391,755**	504,285
	391,755	504,285
Depreciation and amortisation:		
Property, plant and equipment:		
Premises	**35,108**	44,568
Equipment	**15,254**	16,017
	50,362	60,585
Intangibles:		
Software	**26,691**	17,388
	77,053	77,973
Total operating expenses	**518,579**	658,911

During 2022, an SCB internal reporting decision was made which led to reclassifications of amounts between reporting lines but within the same category and with nil impact at total level. Premises and equipment costs and Depreciation and amortisation were previously reported under Depreciation, amortisation, equipment, and lease expenses. General administrative expenses were previously reported under other expenses. All the other previous line items have been aggregated under general administrative costs.

Included in other general administrative expenses is Group recharges, travel costs, consultancy costs, security services, insurance and donations.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

9. Taxation

Income tax payable on profits is based on the applicable tax law in each jurisdiction and is recognised as an expense in the period in which profits arise.

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated Financial Statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the balance sheet date, and that are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where permitted, deferred tax assets and liabilities are offset on an entity basis and not by component of deferred taxation.

Current and deferred tax relating to items which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the income statement together with the current or deferred gain or loss.

Significant accounting estimates and judgements

- Determining the Bank's tax charge for the year involves estimation and judgement, which includes an interpretation of local tax laws and an assessment of whether the tax authorities will accept the position taken. These judgements take account of external advice where appropriate, and the Bank's view on settling with the relevant tax authorities
- The Bank provides for current tax liabilities at the best estimate of the amount that is expected to be paid to the tax authorities where an outflow is probable. In making its estimates the Bank assumes that the tax authorities will examine all the amounts reported to them and have full knowledge of all relevant information
- The recoverability of the Bank's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised. In preparing management forecasts the effect of applicable laws and regulations relevant to the utilisation of future taxable profits have been considered.

The following table provides an analysis of taxation charge in the year:

	2022 K'000	2021 K'000
The charge for taxation based upon the profit for the year comprises:		
Current tax:		
Current tax charge on income for the year	**88,497**	170,265
Adjustments in respect of prior years (including double tax relief)	**(130)**	(1,833)
Deferred tax:		
Origination/reversal of temporary differences	**41,630**	89,935
	41,630	89,935
Tax on profits on ordinary activities	**129,997**	258,367
Effective tax rate	**35%**	42%

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

Reconciliation of effective tax rate

	2022		2021	
	K'000	%	K'000	%
Profit on ordinary activities before tax	**374,264**		612,297	
Tax at 30 per cent (2021: 35 per cent)	**112,387**	**30**	214,304	35
Non-deductible expenses	**17,740**	**5**	11,801	2
Adjustments to tax charge in respect of prior years	**-**	**-**	(2,474)	(0.4)
Rate adjustment	**-**	**-**	34,736	6
Adjustments in respect of prior years (including double tax relief)	**(130)**	**(0)**	-	-
Tax on profit on ordinary activities	**129,997**	**35**	258,367	42

Following the 2021 Budget pronouncements for the Republic of Zambia, the income tax rate was reduced from 35 percent to 30 percent, 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.

Deferred taxation is calculated on all temporary differences using an effective tax rate of 30% (2021: 35%). Deferred tax assets and liabilities are attributable to the following: Included in other provisions are provisions and other liabilities.

Factors affecting the tax charge in future years:

The Bank's tax charge, and effective tax rate in future years could be affected by several factors including acquisitions, disposals and restructuring of our businesses, the mix of profits across jurisdictions with different statutory tax rates, changes in tax legislation and tax rates and resolution of uncertain tax positions.

The evaluation of uncertain tax positions involves an interpretation of local tax laws which could be subject to challenge by a tax authority, and an assessment of whether the tax authorities will accept the position taken. The Bank does not currently consider that assumptions or judgements made in assessing tax liabilities have a significant risk of resulting in a material adjustment within the next financial year.

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 table below show the fair value reserves and their relate taxes.

	2022			2021		
	Before tax K'000	**Tax (expense) K'000**	**Net of tax K'000**	Before tax K'000	Tax (expense) K'000	Net of tax K'000
FVOCI- investment securities	**(113,211)**	**33,963**	**(79,248)**	(41,892)	31,517	(10,375)
Total tax	**(113,211)**	**33,963**	**(79,248)**	(41,892)	31,517	(10,375)

Current tax: The following are the movements in current tax during the year

Current tax comprises:	**2022 K'000**	2021 K'000
Net current tax opening balance	**(46,214)**	22,127
Movements in income statement	**88,497**	170,265
Taxes paid	**(125,742)**	(236,773)
Adjustments in respect of prior years (including double tax relief)	**(130)**	(1,833)
Net current tax balance as at 31 December	**(83,589)**	(46,214)

Included in payments made during the year is advance income tax of K89,965,220 (2021: K127,942,179) on withholding tax on investment securities withheld at source

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

Deferred tax

Deferred taxation is calculated on all temporary differences using an effective tax rate of 30% (2021: 35%). Deferred tax assets and liabilities are attributable to the following:

	At 1 January 2022 K'000	Exchange & other adjustments K'000	(Charge)/ credit to profit K'000	(Charge)/ credit to equity K'000	At 31 December 2022 K'000
Deferred tax comprises:					
Accelerated tax depreciation	364	-	7,748	-	8,112
Other provisions	76,720	-	(51,517)		25,203
Fair value through other comprehensive income	(101,127)	-	-	33,963	(67,164)
Impairment provisions on loans and advances	41,062	-	(11,271)		29,791
Right Of Use Asset (IFRS 16 Leases)	(1,858)	-	3,014		1,156
Impairment on investment securities	71,841	-	(10,338)		61,503
Impairment on statutory reserves	20,289	-	20,733		41,022
Net deferred tax assets	**107,291**	**-**	**(41,631)**	**33,963**	**99,623**

	At 1 January 2021 K'000	Exchange & other adjustments K'000	(Charge)/ credit to profit K'000	(Charge)/ credit to equity K'000	At 31 December 2021 K'000
Deferred tax comprises:					
Accelerated tax depreciation	4,703	-	(4,339)	-	364
Other provisions	60,674	-	16,046		76,720
Fair value through other comprehensive income	(132,644)	-	-	31,517	(101,127)
Impairment provisions on loans and advances	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
Net deferred tax assets	165,707	-	(89,933)	31,517	107,291

Deferred tax comprises assets and liabilities as follows:

	2022			2021		
	Total K'000	Asset K'000	Liability K'000	Total K'000	Asset K'000	Liability K'000
Deferred tax comprises:						
Accelerated tax depreciation	8,112	8,112	-	364	364	-
Other provisions	25,203	25,203	-	76,720	76,720	-
Fair value through other comprehensive income	(67,164)	-	(67,164)	(101,127)	-	(101,127)
Impairment provisions on loans and advances	29,791	29,791	-	41,062	41,062	-
Right Of Use Asset (IFRS 16 Leases)	1,156	1,156	-	(1,858)	(1,858)	-
Impairment on investment securities	61,503	61,503	-	71,841	71,841	-
Impairment on statutory reserves	41,022	41,022	-	20,289	20,289	-
	99,623	**166,787**	**(67,164)**	107,291	208,418	(101,127)

Included in other provisions are provisions and other liabilities.

10. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, excluding own shares held. Diluted earnings per ordinary share is calculated by dividing the basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares, excluding own shares held.

The Bank also measures earnings per share on an underlying basis. This differs from earnings defined in IAS 33 Earnings per share. Underlying earnings is profit/(loss) attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Bank's normal business earnings for the year.

	2022 K'000	2021 K'000
Profit for the period attributable to equity holders	**244,627**	353,930
Basic - Weighted average number of shares (millions)	**1,666,981**	1,666,981
Basic earnings per ordinary share (ngwees)	**0.15**	0.21

There were no dilutive potential ordinary shares at 31 December 2022 (2021: nil) and basic earnings per share equals diluted earnings per share.

11. Dividends

Dividends on ordinary shares and preference shares classified as equity are recognised in equity in the year in which they are declared. Dividends on ordinary equity shares are recorded in the year in which they are declared and, in respect of the final dividend, have been approved by the shareholders.

The Board considers a number of factors prior to dividend declaration which includes the rate of recovery in the Bank's financial performance, the macroeconomic environment, and opportunities to further invest in our business and grow profitably in our markets.

	2022 K'000	2021 K '000
Balance as at 1st Jan	**4,888**	4,896
Final declared Dividends for 2021 @0.212/share	**353,400**	-
2021 final dividend declared and paid during the year	**(353,400)**	-
Dividend Claims	**1,109**	(8)
Balance as at 31 Dec	**5,997**	4,888

Dividends are recognised in the period in which they are declared. The directors did not declare any interim dividend for 2022 (2021: K Nil)

12. Cash and balances with central bank of Zambia

	2022 K'000	2021 K '000
Cash in hand	**496,354**	365,263
Mandatory reserve deposit with Central bank	**1,158,772**	1,027,542
	1,655,126	1,392,805
Clearing account with Bank of Zambia	**30,640**	516,827
	1,685,766	1,909,632

The statutory deposit held with Bank of Zambia, as a minimum reserve requirement, is not available for the Bank's daily business. The reserve represents a requirement by the Central Bank and is a percentage of the Bank's local and foreign currency liabilities to the public plus Vostro account balances. At 31st December 2022 the percentage was 9% (2021: 9%).

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

Expected Credit Losses on statutory reserve deposits at Bank of Zambia

	2022			2021		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	K '000	K '000	K '000	K '000	K '000	K '000
ECL on Reserves						
Balance at 1 January	-	67,629	67,629	-	67,629	67,629
Net remeasurements of loss allowance	-	69,113	69,113	-	-	-
Balance at 31 December	-	136,742	136,742	-	67,629	67,629

The continued default position of the Country to the Eurobond holders and subsequent sovereign rating downgrades Internally and Externally by the 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.

13. Financial assets held at Fair value through profit or loss

	2022	2021
	K'000	K'000
Treasury bills	409,200	525,000
Government bonds	284,534	270,436
Total	693,734	795,436

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.

14. Investments in subsidiary undertakings, joint ventures and associates

Subsidiaries

Subsidiaries are all entities, including structured entities, which the Bank controls. The Bank controls an entity when it is exposed to, and has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Bank's practical ability to direct the relevant activities of the entity unilaterally for the Bank's own benefit and is subject to reassessment if and when one or more of the elements of control change.

Subsidiaries are fully consolidated from the date on which the Bank effectively obtains control. They are deconsolidated from the date that control ceases, and where any interest in the subsidiary remains, this is remeasured to its fair value and the change in carrying amount is recognised in the income statement.

Significant accounting estimates and judgements

The Bank applies judgement in determining if it has control, joint control or significant influence over subsidiaries, joint ventures and associates respectively. These judgements are based upon identifying the relevant activities of counterparties, being those activities that significantly affect the entities returns, and further making a decision of if the Bank has control over those entities, joint control, or has significant influence (being the power to participate in the financial and operating policy decisions but not control them).

Changes in ownership interest in a subsidiary, which do not result in a loss of control, are treated as transactions between equity holders and are reported in equity. Where a business combination is achieved in stages, the previously held equity interest is remeasured at the acquisition date fair value with the resulting gain or loss recognised in the **INCOME STATEMENT**.

In the Company's financial statements, investment in subsidiaries are held at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2009, if any. Inter-company transactions, balances and unrealised gains and losses on transactions between Bank companies are eliminated in the Bank accounts.

	2022	2021
Investments in subsidiary undertakings	K '000	K '000
As at 1 January	5	5
As at 31 December	5	5

The above represent 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 Bank in form of cash dividends or repayments of loans or advances. In terms of the Zambia Companies Act, 2017, No. 10 of 2017 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.

15. Financial instruments

Classification and measurement

The Bank classifies its financial assets into the following measurement categories: amortised cost; fair value through other comprehensive income (FVOCI); and fair value through profit or loss. Financial liabilities are classified as either amortised cost or held at fair value through profit or loss. Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

Financial assets held at amortised cost and fair value through other comprehensive income

Debt instruments held at amortised cost or held at FVOCI have contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI) characteristics. Principal is the fair value of the financial asset at initial recognition, but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows
- Leverage features
- Prepayment and extension terms
- Terms that limit the Bank's claim to cash flows from specified assets (e.g., non-recourse asset arrangements).
- Features that modify consideration of the time value of money – e.g., periodical reset of interest rates

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Bank manages financial assets to generate cash flows.

The Bank makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed, and information is provided to management. Factors considered include:

- How the performance of the product business line is evaluated and reported to the Bank's management
- How managers of the business model are compensated, including whether management is compensated based on the fair value of assets or the contractual cash flows collected
- The risks that affect the performance of the business model and how those risks are managed
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity

The Bank's business model assessment is as follows:

Business model	Business objective	Characteristics	Businesses	Products
Hold to collect	Intent is to originate financial assets and hold them to maturity, collecting the contractual cash flows over the term of the instrument	➔ Providing financing and originating assets to earn interest income as primary income stream ➔ Performing credit risk management activities ➔ Costs include funding costs, transaction costs and impairment losses	➔ Corporate Lending ➔ Financial Markets ➔ Transaction Banking ➔ Retail Lending ➔ Treasury Markets (Loans and Borrowings)	➔ Loans and advances ➔ Debt securities
Hold to collect and sell	Business objective met through both hold to collect and by selling financial assets	➔ Portfolios held for liquidity needs; or where a certain interest yield profile is maintained; or that are normally rebalanced to achieve matching of duration of assets and liabilities ➔ Income streams come from interest income, fair value changes, and impairment losses	➔ Treasury Markets	➔ Derivatives ➔ Debt securities

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

Business model	Business objective	Characteristics	Businesses	Products
Fair value through profit or loss	All other business objectives, including trading and managing financial assets on a fair value basis	➔ Assets held for trading ➔ Assets that are originated, purchased, and sold for profit taking or underwriting activity ➔ Performance of the portfolio is evaluated on a fair value basis ➔ Income streams are from fair value changes or trading gains or losses	➔ Financial Markets ➔ All other business lines	➔ Derivatives ➔ Trading portfolios ➔ Financial Markets reverse repos ➔ Financial Markets (FM Bond and Loan Syndication)

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("hold to collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell") are classified as held at FVOCI.

Both hold to collect business and a hold to collect and sell business model involve holding financial assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular Bank of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a Bank of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in the credit risk of financial assets but sales for other reasons should be infrequent or insignificant.

Cash flows from the sale of financial assets under a hold to collect and sell business model by contrast are integral to achieving the objectives under which a particular Bank of financial assets are managed. This may be case where frequent sales of financial assets are required to manage the Bank's daily liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model

Equity instruments designated as held at FVOCI

Non-trading equity instruments acquired for strategic purposes rather than capital gain may be irrevocably designated at initial recognition as held at FVOCI on an instrument-by-instrument basis. Dividends received are recognised in profit or loss. Gains and losses arising from changes in the fair value of these instruments, including foreign exchange gains and losses, are recognised directly in equity and are never reclassified to profit or loss even on derecognition.

Financial assets and liabilities held at fair value through profit or loss

Financial assets which are not held at amortised cost or that are not held FVOCI are held at fair value through profit or loss. Financial assets and liabilities held at fair value through profit or loss are either mandatorily classified fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Mandatorily classified at fair value through profit or loss

Financial assets and liabilities which are mandatorily held at fair value through profit or loss are split between two subcategories as follows:

Trading

This including:

- Financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short-term
- Derivatives

Non-trading mandatorily at fair value through profit or loss

This includes:

- Instruments in a business which has a fair value business model (see the Bank's business model assessment) which are not trading or derivatives
- Hybrid financial assets that contain one or more embedded derivatives
- Financial assets that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics
- Equity instruments that have not been designated as held at FVOCI
- Financial liabilities that constitute contingent consideration in a business combination

Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis ('accounting mismatch')

Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have a embedded derivative where the Bank is not able to bifurcate and separately value the embedded derivative component.

Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

Preference shares which carry a mandatory coupon that represents a market rate of interest at the issue date, or which are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the **INCOME STATEMENT** as interest expense on an amortised cost basis using the effective interest method.**Financial guarantee contracts and loan commitments**

The Bank issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit loss provision. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Bank has access at the date. The fair value of a liability includes the risk that the bank will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a Bank of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the Bank of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument, and for unlisted securities, is not active, the Bank establishes fair value by using valuation techniques.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade-date (the date on which the Bank commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on the settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised or released to the **INCOME STATEMENT** as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method (see Interest income and expense). Foreign exchange gains and losses are recognised in the **INCOME STATEMENT**.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Foreign exchange gains and losses on the amortised cost are recognised in income. Changes in expected credit losses are recognised in the profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value, including contractual interest income or expense, recorded in the net trading income line in the profit or loss unless the instrument is part of a cash flow hedging relationship.

Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss are held at fair value, with changes in fair value recognised in the net trading income line in the profit or loss, other than that attributable to changes in credit risk. Fair value changes attributable to credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated at fair value through profit or loss is recognised in profit or loss.

Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Bank has retained control, the assets continue to be recognised to the extent of the Bank's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

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 the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss except for equity instruments elected FVOCI (see above) and cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively. However, where a financial liability has been modified, it is derecognised if the difference between the modified cash flows and the original cash flows is more than 10 percent, or if less than 10 percent, the Bank will perform a qualitative assessment to determine whether the terms of the two instruments are substantially different.

If the Bank purchases its own debt, it is derecognised and the difference between the carrying amount of the liability and the consideration paid is included in 'Other income' except for the cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income which are never recycled to the profit or loss

Modified financial instruments

Financial assets and financial liabilities whose original contractual terms have been modified, including those loans subject to forbearance strategies, are considered to be modified instruments. Modifications may include changes to the tenor, cash flows and or interest rates among other factors.

Where derecognition of financial assets is appropriate (see Derecognition), the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated Credit-Impaired assets (POCI).

Where derecognition is not appropriate, the gross carrying amount of the applicable instruments is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (or credit adjusted effective interest rate for POCI financial assets). The difference between the recalculated values and the pre-modified gross carrying values of the instruments are recorded as a modification gain or loss in the profit or loss

Gains and losses arising from modifications for credit reasons are recorded as part of 'Credit Impairment' (see Credit Impairment policy). Modification gains and losses arising for non-credit reasons are recognised either as part of "Credit Impairment" or within income depending on whether there has been a change in the credit risk on the financial asset subsequent to the modification. Modification gains and losses arising on financial liabilities are recognised within income. The movements in the applicable expected credit loss loan positions are disclosed in further detail in Risk Review.

Under the Phase 2 Interest Rate Benchmark Reform amendments to IFRS 9, changes to the basis for determining contractual cash flows as a direct result of interest rate benchmark reform are treated as changes to a floating interest rate to that instrument, provided that the transition from the IBOR benchmark rate to the alternative RFR takes place on an economically equivalent basis. Where the instrument is measured at amortised cost or FVOCI, this results in a change in the instrument's effective interest rate, with no change in the amortised cost value of the instrument. If the change to the instrument does not meet these criteria, the Bank applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Bank adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised effective interest rate.

Reclassifications

Financial liabilities are not reclassified subsequent to initial recognition. Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or expected credit loss computations.

Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at fair value through profit or loss, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in profit or loss.

For financial assets held at amortised cost that are reclassified to fair value through other comprehensive income, the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in other comprehensive income. Additionally, the related cumulative expected credit loss amounts relating to the reclassified financial assets are reclassified from loan loss provisions to a separate reserve in other comprehensive income at the date of reclassification.

Reclassified from fair value through other comprehensive income

Where financial assets held at fair value through other comprehensive income are reclassified to financial assets held at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the profit or loss For financial assets held at fair value through other comprehensive income that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always been held at amortised cost. In addition, the related cumulative expected credit losses held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification

Reclassified from fair value through profit or loss

Where financial assets held at fair value through profit or loss are reclassified to financial assets held at fair value through other comprehensive income or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of expected credit losses. Where financial assets held at fair value through profit or loss are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

The Bank's classification of its financial assets and liabilities is summarised in the following tables.

Assets	Notes	Assets at fair value Trading K '000	Fair value through other comprehensive income K '000	Total financial assets at fair value K '000	Assets held at amortised cost K '000	Total K '000
Cash and cash equivalents	31	-	-	-	4,034,660	4,034,660
Cash and balances at central banks	12	-	-	-	1,685,766	1,685,766
Financial assets held at fair value through profit or loss						
Debt securities, alternative tier one and other eligible bills	13	284,534	-	284,534	-	284,534
Equity shares		508	-	508	-	508
		285,042	-	285,042	-	285,042
Derivative financial instruments	16	18,409	-	18,409	-	18,409
Loans and advances to banks	18	-	-	-	3,889,613	3,889,613
Loans and advances to customers	18	-	-	-	1,642,633	1,642,633
Investment securities						
Debt securities, alternative tier one and other eligible bills	17	-	2,858,554	2,858,554	-	2,859,062
Financial assets held at fair value through profit or loss	13	409,200	-	409,200	-	409,200
		409,200	2,858,554	3,267,754	-	3,267,754
Other assets		-	-	-	219,057	219,057
Total at 31 December 2022		712,651	2,858,554	3,571,205	11,471,729	15,042,934

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for the year ended 31 December 2022

Assets	Notes	Assets at fair value Trading	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
		K '000	K '000	K '000	K '000	K '000
Cash and cash equivalents	31	-	-	-	5,221,081	5,221,081
Cash and balances at central banks	12	-	-	-	1,909,632	1,909,632
Financial assets held at fair value through profit or loss						
Debt securities, alternative tier one and other eligible bills	13	270,436	-	270,436	-	270,436
Equity shares		508	-	508	-	508
		270,944	-	270,944	-	270,944
Derivative financial instruments	16	23,707	-	23,707	-	23,707
Loans and advances to customers	18	-	-	-	1,646,011	1,646,011
Investment securities						
Debt securities, alternative tier one and other eligible bills	17	-	3,143,755	3,143,755	-	3,143,755
Financial assets held at fair value through profit or loss	13	525,000	-	525,000	-	525,000
		525,000	3,143,755	3,668,755	-	3,668,755
Other assets		9,828	-	9,828	132,248	142,076
Total at 31 December 2021		829,479	3,143,755	3,973,234	8,908,972	12,882,206

Liabilities	**Notes**	**Liabilities at fair value** **Trading**	**Derivatives held for hedging**	**Designated at fair value through profit or loss**	**Total financial liabilities at fair value**	**Amortised cost**	**Total**
		K '000	**K '000**	**K '000**	**K '000**	**K '000**	**K '000**
Derivative financial instruments	16	**56,185**	**-**	**-**	**56,185**	**-**	**56,185**
Deposits by banks		**-**	**-**	**-**	**-**	**482,018**	**482,018**
Customer accounts		**-**	**-**	**-**	**-**	**13,266,859**	**13,266,859**
Other liabilities		**-**	**-**	**-**	**-**	**385,630**	**385,630**
Subordinated liabilities and other borrowed funds	28	**-**	**-**	**-**	**-**	**72,440**	**72,440**
Total at 31 December 2022		**56,185**	**-**	**-**	**56,185**	**14,206,947**	**14,263,132**

Liabilities	Notes	Liabilities at fair value Trading	Derivatives held for hedging	Designated at fair value through profit or loss	Total financial liabilities at fair value	Amortised cost	Total
		K '000	K '000	K '000	K '000	K '000	K '000
Derivative financial instruments	16	20,984	-	-	20,984	-	20,984
Deposits by banks		-	-	-	-	547,601	547,601
Customer accounts		-	-	-	-	10,899,749	10,899,749
Other liabilities		-	-	-	-	375,355	375,355
Subordinated liabilities and other borrowed funds	28	-	-	-	-	66,640	66,640
Total at 31 December 2021		20,984	-	-	20,984	11,889,345	11,910,329

Interest rate benchmark reform

In 2017, the FCA announced that it had reached an agreement with London Interbank Offered Rate (LIBOR) panel banks to contribute to LIBOR until the end of 2021, after which there would be a transition from LIBORs to risk-free rates (RFRs). Since then, there have been further updates, particularly with respect to the cessation date for certain USD LIBOR tenors being deferred from 31 December 2021 to 30 June 2023.

How the Bank is managing the transition to alternative benchmark rates. In 2018, the Bank established its InterBank Offered Rate (IBOR) Transition Programme, with Senior Manager oversight from the Bank Chief Operating Officer, to manage the transition away from LIBOR. The Programme's strategic bank-wide approach aims to support clients throughout the transition, whilst ensuring key risks and issues are identified and effectively managed. The Programme is governed by a principal Programme Steering Committee that oversees sixteen workstreams aligned to the Bank's businesses and functions. Within the Programme, separate committee meetings are held for each workstream, with all workstreams having dedicated accountable executives.

Additional governance is supported by regular updates provided to senior risk committees, including the Bank Risk Committee, Board Risk Committee and the Corporate, Commercial and Institutional Banking Risk Committee.

From an industry and regulatory perspective, the Bank actively participates in and contributes to RFR working Banks, industry associations and business forums that focus on different aspects of the transition. The Bank monitors the developments at these forums and reflects, then aligns significant decisions into its broader transition plans.

Progress during 2021 was supported by a number of system enhancements, the Bank has successfully enabled the transition to RFR products, with end-to-end capabilities developed across a full suite of derivative and cash products. The Bank maintained full adherence to all the interim GBP LIBOR cessation milestones set by the Bank of England's Working Bank on Sterling Risk-Free Reference Rates. Activity in products referencing RFRs continued to grow throughout the year.

The Bank has adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol for all its trading entities and engaged clients that had not adhered to negotiate remediation of non-USD LIBOR contracts by 31 December 2021. The conversion events at the London Clearing House were successfully completed for cleared derivatives.

Clients with legacy non-USD LIBOR loans were engaged to remediate their contracts via active conversions to alternative rates, fallbacks, or other suitable transition mechanisms.

The Bank is well-positioned to support the transition to Secured Overnight Financing Rate (SOFR) for the USD LIBOR transition. The Bank is operationally ready and is actively offering SOFR products, in line with the regulatory prohibitions on new USD LIBOR financial instruments. Preparations are also underway to ensure that the Bank is ready to remediate legacy USD LIBOR transactions. Over the course of 2021, the Bank made considerable progress in automating IBOR-related data, and increasing process automation remains a priority for 2022.

Frontline and client engagement, including internal and client communications, frontline training, and client webinars were a key feature of the Programme throughout 2021. This allowed for a smooth client experience during the transition of non-USD LIBOR to RFRs, and this approach will continue in 2022 for USD LIBOR. Following an initial USD LIBOR-focused client outreach and internal communications in early December 2021, the Bank has already started engaging clients to ascertain their level of readiness, and to secure an indicative timeline for remediation activities. Risks which the Bank is exposed to due to IBOR transition

The Bank **has** largely mitigated all material adverse outcomes associated with the cessation of LIBOR benchmarks, and these have not required a change to the Bank's risk management strategy. However, the Bank will continue to focus on the remediation required for other benchmarks, and will continue to monitor and manage the inherent risks of the transition, with particular attention being paid to the following:

- **Legal risk**: LIBOR transition introduces significant legal risks and the Bank has taken action to mitigate them where possible. These include risks around contracts that reference USD LIBOR and other LIBORs such as GBP and JPY. Steps have been taken to either insert robust fallbacks or actively convert transactions from the relevant LIBOR to the new RFR-based options.
- **Conduct risk**: The Bank considers conduct risk to be a significant area of non-financial risk management throughout the transition. Our risk appetite statement on conduct risk strives to maintain appropriate outcomes by continuously demonstrating that we are 'Doing the Right Thing' in the way we do business. Accordingly, we recognise that the identification and mitigation of conduct risks arising in respect of the transition are fundamental to the successful transition to new RFR based rates by 30 June 2023. The Bank has therefore taken actions in this regard as an integral part of its IBOR Transition Programme, including an extensive outreach programme.
- **Operational risk**: The Bank has recognised the importance of the ongoing identification and management of operational risk as a result of LIBOR transition. The Programme has adopted the Bank's existing Operational Risk Framework in its approach to identifying, quantifying, and mitigating the impact of operational risks resulting from the transition.
- **Market risk**: As trades are transitioned from IBOR to RFR, the business-as-usual metrics, limit structure and controls will continue to apply. Limits for value at risk and market risk sensitivities are in accordance with the Bank Risk Appetite Statement. New limits will be set following engagement with the business, to consider client demand and market liquidity in RFR-linked products, as well as the regulatory expectations and interim milestones agreed by the industry.
- **Financial and credit risk**: As part of the 'Data collection on exposures' exercise undertaken for the PRA and FCA, the Bank set out its view of the impact of LIBOR transition on its financial risk profile, including its credit risk and funding profile. At present, the Bank has yet to see any material change to any of these categories. However, all of these risks will continue to be monitored as part of the Programme across business and functional workstreams.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

- **Accounting risk**: The Bank has identified the financial instruments that may be affected by accounting issues such as accounting for contractual changes due to IBOR reform, fair value measurement and hedge accounting. We continue to monitor and contribute to industry developments (e.g. IASB consultations) on tax and accounting changes.

As at 31st December 2022 the Bank had the following principal exposures to interest rate benchmarks that are expected to be subject to interest rate benchmark reform.

IBOR exposures by benchmark as of 31 December 2022	USD Libor K '000	Total IBOR K '000
Assets		
Loans and advances to customers	62,833	62,833
	62,833	62,833
Liabilities		
Subordinated liabilities and other borrowed funds	72,440	72,440
	72,440	72,440
Total IBOR exposure	135,273	135,273
Loan commitments off balance sheet	85,595	85,595

IBOR exposures by benchmark as at 31 December 2021	USD Libor K '000	Total IBOR K '000
Assets		
Loans and advances to customers	83,530	83,530
	83,530	83,530
Liabilities		
Subordinated liabilities and other borrowed funds	14,194	14,194
	14,194	14,194
Total IBOR exposure	97,724	97,724
Loan commitments off balance sheet	89,066	89,066

Related amounts not offset in the balance sheet comprises:

Financial instruments not offset in the **balance sheet** but covered by an enforceable netting arrangement. This comprises master netting arrangements held against derivative financial instruments and excludes the effect of over-collateralisation

Financial instruments where a legal opinion evidencing enforceability of the right of offset may not have been sought, or may have been unable to obtain

Financial collateral comprises cash collateral pledged and received for derivative financial instruments and collateral bought and sold for reverse repurchase and repurchase agreements respectively and excludes the effect of over-collateralisation

16. Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivatives are initially recognised and subsequently measured at fair value, with revaluation gains recognised in profit or loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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.

Interest rate	2022 Carrying amount Asset K'000	2022 Carrying amount Liability K'000
Interest rate swaps – debt securities and other eligible bills	**11,698**	**18,135**
Interest and currency risk		
Cross currency swaps – debt securities and other eligible bills	**6,711**	**38,050**
Total at 31 December 2022	**18,409**	**56,185**

Interest rate	2021 Carrying amount Asset K'000	2021 Carrying amount Liability K'000
Interest rate swaps – debt securities and other eligible bills	828	10,673
Interest and currency risk		
Cross currency swaps – debt securities and other eligible bills	22,879	10,311
Total at 31 December 2021	23,707	20,984

The Bank limits exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are only presented net in these accounts where they are subject to legal right of offset and intended to be settled net in the ordinary course of business.

The Bank applies balance sheet offsetting only in the instance where we are able to demonstrate legal enforceability of the right to offset (e.g. via legal opinion) and the ability and intention to settle on a net basis (e.g. via operational practice).

17. Investment securities

	2022 K '000	2021 K '000
Investment securities at fair value through profit or loss	**284,534**	270,436
Pledged assets	**409,200**	525,000
FVOCI investment securities	**2,859,062**	3,143,755
Total	**3,552,796**	3,939,191

Included in Investment securities are treasury bills of K300 million pledged as Interbank collateral and title was transferred to the counter party at the point of the transaction. Fair value through profit or loss

	2022 Treasury bills K '000	2022 Government bonds K '000	2022 Equity shares and trade investments K '000	2022 Total K '000	2021 Treasury bills K '000	2021 Government bonds K '000	2021 Equity shares and trade investments K '000	2021 Total K '000
Of which mature:								
Within one to five years	**409,200**	**284,534**	**508**	**694,242**	525,000	270,436	508	795,944
Total	**409,200**	**284,534**	**508**	**694,242**	525,000	270,436	508	795,944

18. Loans and advances to banks and customers

Refer to Note 15 Financial instruments for the relevant accounting policy.

Financial statements

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

Analysis of loans and advances to customers by client segment together with their related impairment provisions are set out within the below.

	2022 Carrying value		
	Stage 3	Stage 1 and stage 2	Total
	K '000	K '000	K '000
Corporate, Commercial & Institutional Banking	-	809,332	809,332
Consumer, Private & Business Banking	2,162	831,139	833,301
At 31 December 2022	2,162	1,640,471	1,642,633

	2021 Carrying value		
	Stage 3	Stage 1 and stage 2	Total
	K '000	K '000	K '000
Corporate, Commercial & Institutional Banking	120,176	637,604	757,780
Consumer, Private & Business Banking	8,968	879,263	888,231
At 31 December 2021	129,144	1,516,867	1,646,011

19. Other assets

Refer to Note 15 Financial instruments for the relevant accounting policy.

Other assets include:	2022 K '000	2021 K '000
Financial assets held at amortised cost:		
Acceptances and endorsements	4,572	-
Unsettled trades and other financial assets	59,457	91,365
	64,029	91,365
Non-financial assets:		
Other receivables	155,028	50,711
Total Other assets	219,057	142,076
Prepayments and accrued income	38,374	25,572
	257,431	167,648

Other receivables include K38,643,000 receivable from related parties. Refer to Note 34 for related party transactions and balances. The ECL on the other receivables highlighted above is immaterial.

20. Property, plant, and equipment

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

At each **balance sheet** date the assets' residual values and useful lives are reviewed, and adjusted if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on disposals are included in the **INCOME STATEMENT**.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and buildings comprise mainly branches and offices. Freehold land is not depreciated although it is subject to impairment testing.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows

Buildings	up to 50 years
Improvements to properties - shorter of the life or	up to 50 years
Equipment and motor vehicles	three to 10 years
Right Of Use of Assets	up to 6 years

Where the Bank is a lessee of a right-of-use asset, the leased assets are capitalised and included in Property, plant and equipment with a corresponding liability to the lessor recognised in Other liabilities, in accordance with the Bank's leased assets accounting policy in Note 33.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Significant accounting estimates and judgements

The carrying amount of the Bank's aircraft leasing portfolio is based on the application of judgement and estimates to determine the most appropriate recoverable amount for each aircraft when assessing for impairment. Estimates involve the appropriate cash flows, discount rates and residual values used in determining a value-in-use for aircraft, and judgement is required in determining the appropriate observable third-party valuations to use for assessing current market value

	2022					
	Premises	Equipment and Motor Vehicles	Property Right of use assets	Non-Property Right of use assets	Capital work-in-progress	Total
	K '000	K '000	K '000	K '000	K '000	K '000
Cost or valuation						
At 1 January 2022	4,020	80,840	83,882	77,059	2,006	247,807
Exchange translation differences	-	-	1,757	-	-	1,757
Additions	-	6,692	2,089	-	-	8,781
Disposals and fully depreciated assets written off	-	(3,462)	-	-	(2,006)	(5,468)
Transfers to assets held for sale (Note 21)	(2,252)	-	-	-	-	(2,252)
As at 31 December 2022	1,768	84,070	87,728	77,059	-	250,625
Depreciation						
Accumulated at 1 January 2022	1,716	47,491	26,529	43,852	-	119,588
Exchange translation differences	-	-	(9,940)	-	-	(9,940)
Charge for the year	35	14,363	20,710	15,254	-	50,362
Attributable to assets sold, transferred or written off	-	(3,163)	-	-	-	(3,163)
Transfers to assets held for sale (Note 21)	(1,153)	-	-	-	-	(1,153)
Accumulated at 31 December 2022	598	58,691	37,299	59,106	-	155,694
Net book amount at 31 December 2022	1,170	25,379	50,429	17,953	-	94,931

	2021					
	Premises	Equipment and Motor Vehicles	Property Right of use assets	Non-Property Right of use assets	Capital work-in-progress	Total

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

	K '000	K '000	K '000	K '000	K '000	K '000
Cost or valuation						
At 1 January	3,472	73,687	86,669	78,704	5,639	248,171
Additions	-	11,130	14,657	-	2,006	27,793
Disposals and fully depreciated assets written off	548	(3,977)	(19,089)	-	(5,639)	(28,157)
Transfers to assets held for sale (Note 21)	-	-	-	-	-	-
As at 31 December	4,020	80,840	82,237	78,704	2,006	247,807
Depreciation						
Accumulated at 1 January	1,399	35,451	9,288	22,875	-	69,013
Exchange translation differences	188	-	-	20,872	-	21,060
Charge for the year	129	16,017	23,567	-	-	39,713
Attributable to assets sold, transferred or written off	-	(3,977)	(6,222)	-	-	(10,199)
Transfers to assets held for sale (Note 21)	-	-	-	-	-	-
Accumulated at 31 December	1,716	47,491	26,633	43,747	-	119,587
Net book amount at 31 December	2,304	33,349	55,604	34,957	2,006	128,220

The Right of Use assets have been disaggregate in 2022 in comparison to 2021 to disclose property and non-property assets separately.

21. Assets held for sale and associated liabilities

Financial instruments can be reclassified as held for sale if they are non-current assets or if they are part of a disposal Bank. However, in these circumstances financial instruments continue to be measured per the requirements of IFRS 9 Financial Instruments. Refer to Note 15 Financial instruments for the relevant accounting policy.

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when:

a) Their carrying amounts will be recovered principally through sale;
b) They are available for immediate sale in their present condition; and
c) Their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the assets are measured in accordance with the applicable accounting policies related to the asset or liability before reclassification as held for sale. The assets below have been presented as held for sale following the approval of Bank management and the transactions are expected to complete in 2023.

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

	Property & improvements K '000	Equipment Fixture & fittings K '000	Total K '000
Cost			
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
At 1 January 2022	11,686	5,451	17,137
Additions	2,302	-	2,302
Disposal	(3,429)	(5,451)	(8,880)
At 31 December 2022	10,559	-	10,559
Accumulated depreciation			
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
At 1 January 2022	3,977	5,360	9,337
Additions	1,462	-	1,462
Disposal	(1,248)	(5,360)	(6,608)
At 31 December 2022	4,191	-	4,191
Net position Year 2021	7,709	91	7,800
Net position Year 2022	6,368	-	6,368

22. Intangible assets

Acquired intangibles

At the date of acquisition of a subsidiary or associate, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity and are amortised on the basis of their expected useful lives (4 to 16 years). At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Computer software

Acquired computer software licences are capitalised if the principles of development are met on the basis of the costs incurred to acquire and bring to use the specific software.

Internally generated software represents substantially all of the total software capitalised. Direct costs of the development of separately identifiable internally generated software are capitalised where it is probable that future economic benefits attributable to the asset will flow from its use (internally generated software). These costs include salaries and wages, materials, service providers and contractors, and directly attributable overheads. Costs incurred in the ongoing maintenance of software are expensed immediately when incurred. Internally generated software is amortised over each asset's useful life to a maximum of a 10-year time period. On an annual basis software assets' residual values and useful lives are reviewed, including assessing for indicators of impairment. Indicators of impairment include loss of business relevance, obsolescence of asset, exit of the business to which the software relates, technological changes, change in use of the asset, reduction in useful life, plans to reduce usage or scope.

For capitalised software, judgement is required to determine which costs relate to research (and therefore expensed) and which costs relate to development (capitalised). Further judgement is required to determine the technical feasibility of completing the software such that it will be available for use. Estimates are used to determine how the software will generate probable future economic benefits, these estimates include cost savings, income increases, balance sheet improvements, improved functionality or improved asset safeguarding.

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2022

	2022			2021		
	Acquired intangibles	Computer software	Total	Acquired intangibles	Computer software	Total
	K '000	K '000	K '000	K '000	K '000	K '000
Cost						
At 1 January	33,691	158,111	191,802	33,691	124,536	158,227
Additions	-	61,964	61,964	-	33,575	33,575
Amounts written off	-	(45,940)	(45,940)	-	-	-
At 31 December	33,691	174,135	207,826	33,691	158,111	191,802
Provision for amortisation						
At 1 January	33,691	82,173	115,864	33,691	54,398	88,089
Amortisation	-	26,691	26,691	-	27,776	27,776
At 31 December	33,691	108,864	142,555	33,691	82,174	115,865
Net book value	-	65,271	65,271	-	75,937	75,937

Software amortisations change in estimate

There was no change in the useful economic life for software assets during the period under review.

23. Customers' Accounts

	2022	2021
	K '000	K '000
Customer deposit		
Current and demand deposits	9,581,376	8,000,715
Savings deposits	691,940	717,176
Time deposit	2,993,543	1,439,534
	13,266,859	10,157,425

	2022	2021
	K'000	K'000
CPBB		
Savings accounts	690,327	709,069
Term deposits	467,316	1,143,931
Current deposit	3,303,993	3,307,865
	4,461,636	5,160,865
CCIB		
Savings accounts	1,613	8,107
Term deposits	2,526,227	1,037,927
Current deposit	6,277,383	4,692,850
	8,805,223	5,738,884
Total	13,266,859	10,899,749

	2022 K'000	2021 K'000
Repayable on demand	**10,657,626**	9,686,648
Repayable with agreed maturity dates or periods of notice, by residual maturity:		
Three months or less	**1,514,986**	463,929
Between three months and one year	**1,070,140**	514,811
After one year	**24,107**	234,361
Total	**13,266,859**	10,899,749

Included in customer accounts were deposits amounting to K166,490,000 held as collateral for irrevocable commitments under import letters of credit.

24. Other liabilities

Refer to Note 15 Financial instruments for the relevant accounting policy for financial liabilities, note 33 Leased assets for the accounting policy for leases, and Note 8 Share-based payments for the accounting policy for cash-settled share-based payments.

	2022 K '000	2021 K '000
Financial liabilities held at amortised cost		
Acceptances and endorsements	**4,572**	-
Leases		
Property leases	**50,957**	58,552
Non property leases	**21,279**	25,817
Unsettled trades and other financial liabilities	**90,888**	94,140
	167,696	178,509
Non-financial liabilities		
Other payables	**217,934**	196,846
Total other liabilities	**385,630**	375,355
Accruals and deferred income	**114,118**	94,913
	499,748	470,268

During 2022, an SCB internal reporting decision was made which led to reclassifications of amounts between reporting lines but within the same category and with nil impact at total level. Lease liability was previously aggregated, in 2022 it has been split between property and non property. Accrued expenses were previously reports separately but are now reported under accruals and deferred income. The remaining other liabilities have bene split between financial and non-financial liabilities

Other payables and accruals and deferred income include K181 million payable to related parties. Refer to Note 34 for related party transactions and balances. Included in Accruals and deferred income are bonus related accruals, K39 million (2021: K32 million) and operating costs related accruals, K51 million (2021: K43 million).

25. Provisions for liabilities and charges

The Bank recognises a provision for a present legal or constructive obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Where a liability arises based on participation in a market at a specified date, the obligation is recognised in the financial statements on that date and is not accrued over the period.

Significant accounting estimates and judgements

The recognition and measurement of provisions for liabilities and charges requires significant judgement and the use of estimates about uncertain future conditions or events. Estimates include the best estimate of the probability of outflow of economic resources, cost of settling a provision and timing of settlement. Judgements are required for inherently uncertain areas such as legal decisions (including external advice obtained), and outcome of regulator reviews.

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2022

	Operational risk K'000	Litigation K'000	Restructuring K'000	Total K'000
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**
Arising during the year	**63,681**	**764**	**13,011**	**77,456**
Utilisation	**(41,869)**	**(62,304)**	**(21)**	**(104,194)**
31 December 2022	**25,509**	**43,400**	**12,990**	**81,899**

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.

26. Legal and regulatory matters

Where appropriate, the Bank recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation. The uncertainties inherent in legal and regulatory matters affect the amount and timing of any potential outflows with respect to which provisions have been established. These uncertainties also mean that it is not possible to give an aggregate estimate of contingent liabilities arising from such legal and regulatory matters.

The Bank receives legal claims against it in a number of jurisdictions and is subject to regulatory and enforcement investigations and proceedings from time to time. Apart from the matters described below, the Bank currently considers none of the ongoing claims, investigations or proceedings to be material. However, in light of the uncertainties involved in such matters there can be no assurance that the outcome of a particular matter or matters currently not considered to be material may not ultimately be material to the Bank's results in a particular reporting period depending on, among other things, the amount of the loss resulting from the matter(s) and the results otherwise reported for such period.

Based on the facts currently known, it is not possible for the Bank to predict the outcome of these lawsuits.

	2022 K '000	2021 K '000
At 1 January	**104,940**	76,487
Arising during the year	**765**	33,546
Utilisation	**(62,304)**	(5,093)
At 31 December	**43,401**	104,940

Legal proceedings

There were some legal proceedings outstanding against the Bank at 31st December 2022. 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 31st 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

27. Contingent liabilities and commitments

Financial guarantee contracts and loan commitments

The Bank issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit loss provision. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held. Notional values of financial guarantee contracts and loan commitments are disclosed in the table below.

Financial guarantees, trade credits and irrevocable letters of credit are the notional values of contracts issued by the Bank's Transaction Banking business for which an obligation to make a payment has not arisen at the reporting date. Transaction Banking will issue contracts to clients and counterparties of clients, whereby in the event the holder of the contract is not paid, the Bank will reimburse the holder of the contract for the actual financial loss suffered.

These contracts have various legal forms such as letters of credit, guarantee contracts and performance bonds. The contracts are issued to facilitate trade through export and import business, provide guarantees to financial institutions where the Bank has a local presence, as well as guaranteeing project financing involving large construction projects undertaken by sovereigns and corporates.

The contracts may contain performance clauses which require the counterparty performing services or providing goods to meet certain conditions before a right to payment is achieved, however the Bank does not guarantee this performance. The Bank will only guarantee the credit of the counterparty paying for the services or goods.

Commitments are where the Bank has confirmed its intention to provide funds to a customer or on behalf of a customer under prespecified terms and conditions in the form of loans, overdrafts, future guarantees whether cancellable or not and the Bank has not made payments at the **balance sheet** date; those instruments are included in these **FINANCIAL STATEMENTS** as commitments. Commitments and contingent liabilities are generally considered on demand as the Bank may have to honour them, or the client may draw down at any time. Capital commitments are contractual commitments the Bank has entered into to purchase non-financial assets.The table below shows the contract or underlying principal amounts of unmatured off-**balance sheet** transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	2022 K '000	2021 K '000
Financial guarantees and trade credits		
Financial guarantees, trade credits and irrevocable letters of credit	902,433	592,546
	902,433	592,546
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend		
Less than one year	366,087	400,767
	366,087	400,767

As set out in Note 27, the Bank has contingent liabilities in respect of certain legal and regulatory matters for which it is not practicable to estimate the financial impact as there are many factors that may affect the range of possible outcomes.

28. Subordinated liabilities and other borrowed funds

Subordinated liabilities and other borrowed funds are classified as financial instruments. Refer to Note 15 Financial instruments for the accounting policy.

All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements. Where a debt instrument is callable, the issuer has the right to call.

	2022 K'000	2021 K'000
At 1 January	66,640	84,680
Exchange difference	5,800	(18,040)
At 31 December	72,440	66,640

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

The interest charge is 3.93% 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 31st December 2022 amounting to K4,575,814.22 (2021: K3,054,014.99) is included in accruals and other payables.

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

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

29. Share capital

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Securities which carry a discretionary coupon and have no fixed maturity or redemption date are classified as other equity instruments. Interest payments on these securities are recognised, net of tax, as distributions from equity in the period in which they are paid.

Where the Company or other members of the consolidated Group purchase the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity of the Group and/or of the Company as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity of the Group and/or the Company.

	2022		2021	
	Number of ordinary shares (million)	Ordinary shares	Number of ordinary shares (million)	Ordinary shares
	K'000	K'000	K'000	K'000
At 1 January - ordinary shares of K0.25	1,800	450,000	1,800	450,000
At 31 December 2021 - 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

During the period nil shares were issued under employee share plans.

30. Capital review

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 31st December 2022.

Computation of capital position

	2022 K'000	2021 K'000
I Primary (Tier 1) Capital		
(a) Paid-up common shares	**416,745**	416,745
(b) Capital contributed	**62,312**	62,312
(c) Retained earnings	**314,887**	374,112
(d) Statutory reserves	**12,285**	12,285
Sub-total A (items a to d)	**806,229**	865,454
Less:		
(f) Goodwill and other intangible assets	**(65,271)**	(75,937)
(h) Net unrealized gains (losses) on available-for-sale securities	**156,720**	235,968
Sub-total B (items f to h)	**91,449**	160,031
Other adjustments		
Assets of little or no realizable value	**(686)**	(0)
Sub-total C (other adjustments)	**(686)**	(0)
Total primary capital (A +B – C)	**898,364**	1,025,485
II Secondary (tier 2) capital		
(a) Eligible subordinated term debt	**72,440**	66,640
(c) Total secondary capital	**72,440**	66,640
III Eligible secondary capital	**72,440**	66,640
(The maximum amount of secondary capital is limited to 100% of primary capital)		
IV Eligible total capital (I(p) + III) (Regulatory capital)	**969,432**	1,092,125
V Minimum total capital requirement (10% of total on and off balance sheet risk weighted assets)	**520,000**	520,000
VI Excess (IV minus V)	**449,432**	572,125
Risk weighted assets	**5,613,334**	3,923,164
Tier 1 capital ratio	**16.0%**	26.14%
Total capital ratio	**17.3%**	27.84%

31. Additional cash flow information

	2022 K '000	2021 K '000
Cash on hand and Clearing account with Bank of Zambia	**526,996**	882,090
Cash and short term funds at group Banks	**3,667,865**	4,256,685
Cash and short term funds at non group Banks	**366,795**	214,696
Placements with foreign non group banks	**-**	749,700
Total cash and cash equivalents as per statement of financial position	**4,034,660**	5,221,081
Deposits by Banks	**(482,018)**	(547,601)
Total cash and cash equivalents as per statement of cashflows	**4,079,638**	5,555,570
Changes in liabilities arising from financing activities		
Opening balance	**66,640**	84,680
FX movement	**5,800**	(18,040)
Closing balance	**72,440**	66,640

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

32. 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.

	2022			2021		
	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	4,034,660	-	4,034,660	5,221,081	-	5,221,081
Cash on hand and balances at Bank of Zambia	1,685,766	-	1,685,766	1,909,632	-	1,909,632
Financial assets held at fair value through profit or loss	693,734	-	693,734	795,436	-	795,436
Derivative financial instruments	18,409	-	18,409	23,707	-	23,707
Loans and advances to banks	3,889,613	-	3,889,613	-	-	-
Loans and advances to customers	1,642,633	-	1,642,633	817,000	829,011	1,646,011
Investment securities	2,634,713	224,349	2,859,062	2,882,390	261,365	3,143,755
Investment in subsidiaries	-	5	5	-	5	5
Assets held for sale	6,368	-	6,368	7,800	-	7,800
Property and equipment and right of use assets	-	94,931	94,931	-	128,220	128,220
Intangible assets	-	65,271	65,271	-	75,937	75,937
Current tax assets	83,589	-	83,589	46,214	-	46,214
Deferred tax assets	-	99,623	99,623	-	107,291	107,291
Prepayments and other receivables	257,431	-	257,431	167,648	-	167,648
Total assets	14,946,916	484,179	15,431,095	11,870,908	1,401,829	13,272,737
Liabilities						
Deposits by banks	482,018	-	482,018	547,601	-	547,601
Derivative financial instruments	56,185	-	56,185	20,984	-	20,984
Deposits from customers	13,266,859	-	13,266,859	10,665,388	234,361	10,899,749
Dividends payable	5,997	-	5,997	4,888	-	4,888
Subordinated liabilities	-	72,440	72,440	-	66,640	66,640
Provisions	38,499	43,400	81,899	3,697	104,940	108,637
Accruals and other payables	499,748	-	499,748	470,268	-	470,268
Total liabilities	14,349,306	115,840	14,465,146	11,712,826	405,941	12,118,767
Net	597,610	368,339	965,949	158,082	995,888	1,153,970

33. Leased assets

The Bank assesses whether a contract is a lease in scope of this policy by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, unless the underlying asset is of low value.

Where the Bank is a lessee and the lease is deemed in scope, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable in the economic environment of the lease. The liability is recognised in 'Other liabilities'. A corresponding right-of-use asset equal to the liability, adjusted for any lease payments made at or before the commencement date, is recognised in 'Property, plant and equipment'. The lease term includes any extension options contained in the contract that the Bank is reasonably certain it will exercise.

The Bank subsequently depreciates the right-of-use asset using the straight-line method over the lease term and measures the lease liability using the effective interest method. Depreciation on the asset is recognised in 'Depreciation and amortisation', and interest on the lease liability is recognised in 'Interest expense'.

If a leased premise, or a physically distinct portion of a premise such as an individual floor, is deemed by management to be surplus to the Bank's needs and action has been taken to abandon the space before the lease expires, this is considered an indicator of impairment. An impairment loss is recognised if the right-of-use asset, or portion thereof, has a carrying value in excess of its value-in-use when taking into account factors such as the ability and likelihood of obtaining a subtenant.

The judgments in determining lease balances are the determination of whether the Bank is reasonably certain that it will exercise extension options present in lease contracts. On initial recognition, the Bank considers a range of characteristics such as premises function, regional trends and the term remaining on the lease to determine whether it is reasonably certain that a contractual right to extend a lease will be exercised. Where a change in assumption is confirmed by the local property management team, a remeasurement is performed in the Bank-managed vendor system.

The estimates were the determination of incremental borrowing rates in the respective economic environments. The Bank primarily enters lease contracts that grant it the right to use premises such as office buildings and retail branches.

Existing lease liabilities may change in future periods due to changes in assumptions or decisions to exercise lease renewal or termination options, changes in payments due to renegotiations of market rental rates as permitted by those contracts and changes to payments due to rent being contractually linked to an inflation index. In general, the re-measurement of a lease liability under these circumstances leads to an equal change to the right-of-use asset balance, with no immediate effect on the income statement.

The right-of-use asset balances and depreciation charges are disclosed in Note 20. The lease liability balances are disclosed in Note 24 and the interest expense on lease liabilities is disclosed in Note 3.

Amounts recognised in statement of income or loss

	2022	2021
	K '000	K '000
Depreciation	**35,964**	44,439
Lease interest expense: Note 3	**19,011**	29,549
Expenses relating to short term leases	**-**	1,849

Maturity analysis – Property leases

	2022				
	One year or less	**Between one year and two years**	**Between two years and five years**	**More than five years**	**Total**
	K '000	**K '000**	**K '000**	**K '000**	**K '000**
Other liabilities – lease liabilities	**459**	**42,916**	**7,582**	**-**	**50,957**

	2021				
	One year or less	Between one year and two years	Between two years and five years	More than five years	Total
	K '000	K '000	K '000	K '000	K '000
Other liabilities – lease liabilities	21,664	21,079	15,809	-	58,552

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2022

Maturity analysis – non-property leases

The maturity profile for lease liabilities associated with leased premises and equipment assets is as follows:

	2022				
	One year or less	Between one year and two years	Between two years and five years	More than five years	Total
	K '000	K '000	K '000	K '000	K '000
Other liabilities – lease liabilities	**10,193**	**3,410**	**7676**	**-**	**21,279**

	2021				
	One year or less	Between one year and two years	Between two years and five years	More than five years	Total
	K '000	K '000	K '000	K '000	K '000
Other liabilities – lease liabilities	9,552	6,712	8,778	775	25,817

Lease liabilities are reported within other liabilities on the **statement of financial position** (see note 24)

Some leases of office premises contain extension options exercisable by the Bank up to one year before the end of the non-cancellable contract period where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility.

The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The total cash outflow during the year for premises and motor vehicle leases was K73 million.

34. Related party transactions

Parent and controlling party

The Bank 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 Bank 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.

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	2022 K '000	2021 K '000
Assets			
Due from fellow subsidiaries		**6,745,351**	4,256,624
Other receivables	19	**38,643**	12,081
Derivative financial instrument - Assets		**5,827**	8,463
Total assets		**6,789,821**	4,277,168
Liabilities			
Due to fellow subsidiaries		**114,500**	360,733
Surbodinated liabilities	28	**72,440**	66,640
Accounts payable and sundry creditors	24	**179,775**	113,024
Derivative financial instrument- Liabilities		**3,366**	7,359
Total liabilities		**370,081**	547,756
Off balance sheet		**751,705**	447,854

Other receivables, accounts payable and sundry creditors are included on Notes 19 and 24 respectively. Off balance sheet items include only guarantees issued by SCBZ to SCBUK but it will not cover SCBUK to SCBZ guarantees. 2021 amounts payable to fellow subsidiaries included K175,386,000 relating to non-Group entities which has been reclassified in 2022.

Income and expenditure	Note	2022 K'000	2021 K'000
Income			
Interest income	3	**63,054**	7,250
Net trading income	5	**1,956**	3,973
Expenses			
Interest expense on Subordinated loans	3,28	**4,576**	3,054
Interest expense	3	**60,317**	1,245
Fee and commission income	4	**1,091**	230
Wages and salaries	8	**52,873**	14,111
Recharges from group companies	8	**171,068**	238,704
Purchase of software assets	22	**61,964**	33,575

	2022				2021			
	Executive directors	**Connected entities to directors**	**Management Staff**	**Total**	Executive directors	Connected entities to directors	Management staff	Total
	K '000	**K '000**	**K '000**	**K '000**	K '000	K '000	K '000	K '000
Loans outstanding at 1 January	**883**	**-**	**16,003**	**16,886**	960	20,383	13,954	35,297
Loans issued during the year	**-**	**-**	**11,689**	**11,689**	-	-	7,775	7,775
Relocated/ resigned / promoted	**-**	**-**	**-**	**-**	-	(20,383)	(3,675)	(24,058)
Loan repayments during the year	**(437)**	**-**	**(5,581)**	**(6,018)**	(77)	-	(2,051)	(2,128)
Loans outstanding at 31 December	**446**	**-**	**22,111**	**22,557**	883	-	16,003	16,886
Executive directors	**446**	**-**	**-**	**446**	883	-	-	883
Interest and fee income earned:	**36**	**-**	**1,029**	**1,065**	79	-	644	723

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

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

At 31st December 2022, there were no loan obligations to Independent Non-executive Directors in their personal capacity.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

At 31st December 2022, the total amounts to be disclosed under Zambia Companies Act, 2017, No. 10 of 2017 about loans and advances were as follows;

Name of borrower	Opening Balance 1Jan 2022 K '000	Issued during the year K '000	Loan Repayments during the year K '000	Amount outstanding at 31st Dec 2022 K '000	Average Interest Rate (%)	Composition
Executive Director A-Outgoing	319	-	(319)	-	11	Personal loan and Credit card
Executive Director A-Incoming	-	20	-	20	12	Credit Card
Director B	565	-	(118)	447	10	Mortgage, Personal loan and Credit card
Officer A	683	-	(86)	597	10	Personal loan, Mortgage and Credit Card
Officer B	4,115	-	(67)	4,048	10	Mortgage, Personal loan and Credit card
Officer C	516	448	(416)	548	10	Mortgage, Personal loan and Credit card
Officer D	1,523	1,475	(512)	2,486	10	Mortgage, Personal loan and Credit card
Officer E	3,897	450	(404)	3,943	10	Personal Loan, Mortgage and Credit card
Officer F - Outgoing	157	-	(157)	-	10	Credit card
Officer G	2,394	3,060	(2,093)	3,361	10	Mortgage, Personal loan and Credit card
Officer H	-	-	-	-	10	Credit Card
Officer I - Outgoing	109	-	(109)	-	10	Mortgage and Credit card
Officer J	1,813	449	(403)	1,859	10	Mortgage, Personal loan and Credit card
Officer K	796	450	(361)	885	10	Mortgage, Personal loan and Credit card
Officer L	-	3,051	(394)	2,657	10	Mortgage, Personal loan and Credit card
Officer M	-	2,134	(511)	1,623	10	Mortgage, Personal loan and Credit card
Total	16,887	11,537	(5,950)	22,475		

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

	2022				2021			
	Executive directors	Connected entities to directors	Management Staff	Total	Executive directors	Connected entities to directors	Management Staff	Total
	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000
Deposit at 1 January	232	-	835	1,067	935	2,878	4,942	8,755
Net movement	627	-	396	1,023	(703)	(2,878)	(4,107)	(7,688)
Deposits at 31 December	859	-	1,231	2,090	232	-	835	1,067

Directors and officers

Details of Directors' remuneration and interests in shares are disclosed in the Directors' remuneration report. IAS 24 Related party disclosures requires the following additional information for key management compensation. Key management comprises non-executive Directors, executive Directors of Standard Chartered Zambia Plc and the persons discharging managerial responsibilities (PDMR) of Standard Chartered Zambia Plc.

	2022 K '000	2021 K '000
Salaries, allowances and benefits in kind	**54,202**	48,836
Pension contribution	**4,652**	3,398
Bonuses paid or receivable	**19,638**	-
Total	**78,492**	52,234

Transactions with Directors and others

At 31 December 2022, the total amounts to be disclosed under the Companies Act about loans to directors were as follows:

	2022		2021	
	Number	K '000	Number	K '000
Directors	**3**	**466**	3	884

Disposal of assets

There were no Bank assets sold to the non-executive Directors in 2022. (2021: nil).

35. Post balance sheet events

At the date of preparation of these financial statements, there were no issuances of debt or equity, or re-financing undertaken or any other post balance sheet events that would have an impact on the financial statements.

36. Fair value measurement

Valuation of financial instruments

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Bank. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use nonmarket observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison with instruments that have characteristics similar to those of the instruments held by the Bank.

The Valuation Methodology function is responsible for independent price verification, oversight of fair value and appropriate value adjustments and escalation of valuation issues. Independent price verification is the process of determining that the valuations incorporated into the financial statements are validated independent of the business area responsible for the product. The Valuation Methodology function has oversight of the fair value adjustments to ensure the financial instruments are priced to exit.

These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. The market data used for price verification (PV) may include data sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. Valuation Methodology perform an ongoing review of the market data sources that are used as part of the PV and fair value processes which are formally documented on a semi-annual basis detailing the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

The Valuation and Benchmarks Committee (VBC) is the valuation governance forum consisting of representatives from Bank Market Risk, Product Control, Valuation Methodology and the business, which meets monthly to discuss and approve the independent valuations of the inventory. For Principal Finance, the Investment Committee meeting is held on a quarterly basis to review investments and valuations.

Significant accounting estimates and judgments

The Bank evaluates the significance of financial instruments and material accuracy of the valuations incorporated in the **financial statements** as they involve a high degree of judgement and estimation uncertainty in determining the carrying values of financial assets and liabilities at the balance sheet date.

- Fair value of financial instruments is determined using valuation techniques and estimates (see below) which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Changes in the observability of significant valuation inputs can materially affect the fair values of financial instruments
- When establishing the exit price of a financial instrument using a valuation technique, the Bank estimates valuation adjustments in determining the fair value
- In determining the valuation of financial instruments, the Bank makes judgements on the amounts reserved to cater for model and valuation risks, which cover both Level 2 and Level 3 assets, and the significant valuation judgments in respect of Level 3 instruments

  Where the estimated measurement of fair value is more

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2022

judgemental in respect of Level 3 assets, these are valued based on models that use a significant degree of non-market-based unobservable inputs.

Valuation techniques

Refer to the fair value hierarchy explanation – Level 1, 2 and 3

Financial instruments held at fair value

- Debt securities – asset-backed securities: asset-backed securities are valued based on external prices obtained from consensus pricing providers, broker quotes, recent trades, arrangers' quotes, etc. Where an observable price is available for a given security, it is classified as Level 2. In instances where third-party prices are not available or reliable, the security is classified as Level 3. The fair value of Level 3 securities is estimated using market standard cash flow models with input parameter assumptions which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type, and credit ratings
- Debt securities in issue: these debt securities relate to structured notes issued by the Bank. Where independent market data is available through pricing vendors and broker sources these positions are classified as Level 2. Where such liquid external prices are not available, valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads, and are classified as Level 3. These input parameters are determined with reference to the same issuer (if available) or proxies from comparable issuers or assets
- Derivatives: derivative products are classified as Level 2 if the valuation of the product is based upon input parameters which are observable from independent and reliable market data sources. Derivative products are classified as Level 3 if there are significant valuation input parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying variable. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. In most cases these unobservable correlation parameters cannot be implied from the market, and methods such as historical analysis and comparison with historical levels or other benchmark data must be employed
- Equity shares - private equity: the majority of private equity unlisted investments are valued based on earning multiples - Price-to-Earnings (P/E) or enterprise value to earnings before income tax, depreciation and amortisation (EV/EBITDA) ratios - of comparable listed companies. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earning multiples for the comparable listed companies. To ensure comparability between these unquoted investments and the comparable listed companies, appropriate adjustments are also applied (for example, liquidity and size) in the valuation. In circumstances where an investment does not have direct comparables or where the multiples for the comparable companies cannot be sourced from reliable external sources, alternative valuation techniques (for example, discounted cash flow models), which use predominantly unobservable inputs or Level 3 inputs, may be applied. Even though earning multiples for the comparable listed companies can be sourced from third-party sources (for example, Bloomberg), and those inputs can be deemed Level 2 inputs, all unlisted investments (excluding those where observable inputs are available, for example, Over-the-counter (OTC) prices) are classified as Level 3 on the basis that the valuation methods involve judgements ranging from determining comparable companies to discount rates where the discounted cash flow method is applied
- Loans and advances: these primarily include loans in the Financial Market Bond and Loan Syndication business which were not syndicated as of the balance sheet date and other financing transactions within Financial Markets and loans and advances including reverse repurchase agreements that do not have SPPI cash flows or are managed on a fair value basis. These loans are generally bilateral in nature and, where available, their valuation is based on observable clean sales transactions prices or market observable spreads. If observable credit spreads are not available, proxy spreads based on comparable loans with similar credit grade, sector and region, are used. Where observable credit spreads and market standard proxy methods are available, these loans are classified as Level 2. Where there are no recent transactions or comparable loans, these loans are classified as Level 3.
- Other debt securities: these debt securities include convertible bonds, corporate bonds, credit and structured notes. Where quoted prices are available through pricing vendors, brokers or observable trading activities from liquid markets, these are classified as Level 2 and valued using such quotes. Where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product, these are classified as Level 3. The valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets.

Financial instruments held at amortised cost

The following sets out the Bank's basis for establishing fair values of amortised cost financial instruments and their classification between Levels 1, 2 and 3. As certain categories of financial instruments are not actively traded, there is a significant level of management judgment involved in calculating the fair values:

- **Cash and balances at central banks**: the fair value of cash and balances at central banks is their carrying amounts
- **Debt securities** in issue, subordinated liabilities and other borrowed funds: The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity

- **Deposits and borrowings**: the estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using the prevailing market rates for debts with a similar Credit Risk and remaining maturity

- **Investment securities**: for investment securities that do not have directly observable market values, the Bank utilises a number of valuation techniques to determine fair value. Where available, securities are valued using input proxies from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or input proxies from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxies as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relates to asset-backed securities. The fair value for such instruments is usually proxies from internal assessments of the underlying cash flows

- **Loans and advances to banks and customers**: for loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar Credit Risk and remaining maturity. The Bank's loans and advances to customers' portfolio is well diversified by geography and industry. Approximately a quarter of the portfolio re-prices within one month, and approximately half re-prices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally approximates the carrying value. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and Credit Risk. Expected cash flows are discounted at current market rates to determine fair value. The Bank has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical

- **Other assets**: other assets comprise primarily of cash collateral and trades pending settlement. The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are either short-term in nature or re-price to current market rates frequently

Valuation governance

The Bank 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 Bank 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 Bank 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 includes:

- Verifying that the broker or pricing service is approved by the Bank 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.

Fair value hierarchy – financial instruments held at fair value

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy.

The Bank recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

- **Level 1:** Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities
- **Level 2:** Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- **Level 3:** Fair value measurements are those where inputs which could have a significant effect on the instrument's valuation are not based on observable market data.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy:

Assets	Note	Level 1 K '000	Level 2 K '000	Level 3 K '000	Total K '000
Financial instruments held at fair value through profit or loss					
Debt securities and other eligible bills Of which:	13	-	**693,734**	-	**693,734**
Issued by Central banks & Governments		-	**693,734**	-	**693,734**
Equity shares		-	**508**	-	**508**
Derivative financial instruments	16	-	**18,409**	-	**18,409**
Of which:					
Foreign exchange		-	**6,711**	-	**6,711**
Interest rate		-	**11,698**	-	**11,698**
Investment securities					
Debt securities and other eligible bills Of which:	17	-	**2,859,062**	-	**2,859,062**
Issued by Central banks & Governments		-	**2,859,062**	-	**2,859,062**
Total financial instruments at 31 December 2022		-	**3,571,713**	-	**3,571,713**
Liabilities					
Financial instruments held at fair value through profit or loss					
Derivative financial instruments Of which:	16	-	**56,185**	-	**56,185**
Foreign exchange		-	**38,050**	-	**38,050**
Interest rate		-	**18,135**	-	**18,135**
Total financial instruments at 31 December 2022		-	**56,185**	-	**56,185**

Assets	Note	Level 1 K '000	Level 2 K '000	Level 3 K '000	Total K '000
Financial instruments held at fair value through profit or loss					
Debt securities and other eligible bills	13	-	795,436	-	795,436
Of which:					
Issued by Central Banks & Governments		-	795,436	-	795,436
Derivative financial instruments Of which:	16	-	23,707	-	23,707
Foreign exchange		-	22,879	-	22,879
Interest rate		-	828	-	828
Investment securities					
Debt securities and other eligible bills Of which:	17	-	3,143,755	-	3,143,755
Issued by Central Banks & Governments		-	3,143,755	-	3,143,755
Total financial instruments at 31 December 2021		-	3,962,898	-	3,962,898
Liabilities					
Financial instruments held at fair value through profit or loss					
Derivative financial instruments Of which:	16	-	20,984	-	20,984
Foreign exchange		-	10,311	-	10,311
Interest rate		-	10,673	-	10,673
Total financial instruments at 31 December 2021		-	20,984	-	20,984

Fair value hierarchy - financial instruments measured at amortised cost

Carrying amounts incorporate the Bank's estimate of fair values of those financial assets and liabilities not presented on the Bank's balance sheet at fair value. These fair values may be different from the actual amount that will be received or paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

The carrying values of the financial instruments classified at amortised cost approximates the fair values as at the balance sheet date.

The following section describes the significant unobservable inputs identified in the valuation techniques:

- Comparable price/yield is a valuation methodology in which the price of a comparable instrument is used to estimate the fair value where there are no direct observable prices. Yield is the interest rate that is used to discount the future cash flows in a discounted cash flow model. Valuation using comparable instruments can be done by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable instrument, then adjusting that yield (or spread) to derive a value for the instrument. The adjustment should account for relevant differences in the financial instruments such as maturity and/or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable instrument and the instrument being valued in order to establish the value of the instrument (for example, deriving a fair value for a junior unsecured bond from the price of a senior secured bond). An increase in price, in isolation, would result in a favourable movement in the fair value of the asset. An increase in yield, in isolation, would result in an unfavourable movement in the fair value of the asset
- Correlation is the measure of how movement in one variable influences the movement in another variable. An equity correlation is the correlation between two equity instruments while an interest rate correlation refers to the correlation between two swap rates
- Credit spread represents the additional yield that a market participant would demand for taking exposure to the Credit Risk of an instrument
- Discount rate refers to the rate of return used to convert expected cash flows into present value
- Equity-FX correlation is the correlation between equity instrument and foreign exchange instrument
- EV/EBITDA multiple is the ratio of Enterprise Value (EV) to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA). EV is the aggregate market capitalisation and debt minus the cash and cash equivalents. An increase in EV/EBITDA multiple will result in a favourable movement in the fair value of the unlisted firm
- EV/Revenue multiple is the ratio of Enterprise Value (EV) to Revenue. An increase in EV/Revenue multiple will result in a favourable movement in the fair value of the unlisted firm
- Foreign exchange curves is the term structure for forward rates and swap rates between currency pairs over a specified period
- Net asset value (NAV) is the value of an entity's assets after deducting any liabilities
- Interest rate curves is the term structure of interest rates and measure of future interest rates at a particular point in time
- Liquidity discounts in the valuation of unlisted investments primarily applied to the valuation of unlisted firms' investments to reflect the fact that these stocks are not actively traded. An increase in liquidity discount will result in unfavourable movement in the fair value of the unlisted firm
- Price-Earnings (P/E) multiple is the ratio of the market value of the equity to the net income after tax. An increase in P/E multiple will result in a favourable movement in the fair value of the unlisted firm
- Price-Book (P/B) multiple is the ratio of the market value of equity to the book value of equity. An increase in P/B multiple will result in a favourable movement in the fair value of the unlisted firm
- Price-Sales (P/S) multiple is the ratio of the market value of equity to sales. An increase in P/S multiple will result in a favourable movement in the fair value of the unlisted firm
- Recovery rates are the expectation of the rate of return resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan
- Repo curve is the term structure of repo rates on repos and reverse repos at a particular point in time
- Volatility represents an estimate of how much a particular instrument, parameter or index will change in value over time.

Sensitivities in respect of the fair values of Level 3 assets and liabilities

Sensitivity analysis is performed on products with significant unobservable inputs. The Bank applies a 10 percent increase or decrease on the values of these unobservable inputs, to generate a range of reasonably possible alternative valuations. The percentage shift is determined by statistical analysis performed on a set of reference prices based on the composition of the Bank's Level 3 inventory as the measurement date. Favourable and unfavourable changes (which show the balance adjusted for input change) are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. The Level 3 sensitivity analysis assumes a one-way market move and does not consider offsets for hedges.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

37. Risk Review

The Risk function

The Risk function is responsible for the sustainability of our business through good management of risk across the Bank by providing oversight and challenge, thereby ensuring that business is conducted in line with regulatory expectations.

The Chief Risk Officer directly manages the Risk function, which is separate and independent from the origination, trading and sales functions of the businesses. The Risk function is responsible for:

- Maintaining the Enterprise Risk Management Framework , ensuring that it remains relevant and appropriate to the Bank's business activities, and is effectively communicated and implemented across the Bank, and administering related governance and reporting processes
- Upholding the overall integrity of the Bank's risk and return decisions to ensure that risks are properly assessed, that these decisions are made transparently on the basis of this proper assessment and that risks are controlled in accordance with the Bank's standards and Risk Appetite
- Overseeing and challenging the management of Principal Risk Types under the Enterprise Risk Management Framework

The independence of the Risk function ensures that the necessary balance in making risk and return decisions is not compromised by short-term pressures to generate revenues. In addition, the Risk function is a centre of excellence that provides specialist capabilities of relevance to risk management processes in the broader organisation. The Risk function supports the Bank's commitment to be Here for good by building a sustainable framework that places regulatory and compliance standards and a culture of appropriate conduct at the forefront of the Bank's agenda, in a manner proportionate to the nature, scale and complexity of the Bank's business.

Whilst risk is inherent in the Bank's activities, it is managed through an Enterprise Risk Management Framework , including ongoing identification, measurement and monitoring, and subject to risk limits and other controls. The Enterprise Risk Management Framework:

- 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 Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank 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

Enterprise Risk Management Framework

Effective risk management is essential in delivering consistent and sustainable performance for all of our stakeholders and is therefore a central part of the financial and operational management of the Bank. The Bank adds value to clients and the communities in which they operate by taking and managing appropriate levels of risk, which in turn generates returns for shareholders.

The Enterprise Risk Management Framework (ERMF) enables the Bank to manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite. The ERMF has been designed with the explicit goal of improving the Bank's risk management, and since its launch in January 2018, it has been embedded across the Bank and rolled out to its branches and subsidiaries.

As part of the annual review of the ERMF in 2022, we repositioned our 'Cross-Cutting Risks' to' Integrated Risk Types' (IRT), which are defined as "risks that are significant in nature and materialise primarily through the relevant Principal Risk Types". The ERMF sets out the roles and responsibilities and minimum governance requirements for the management of IRTs.

Additionally, the Capital and Liquidity Principal Risk Type has been renamed to Treasury Risk and the scope of the risk type has been expanded to cover Interest Rate Risk in the Banking Book (IRRBB). Given their integrated nature, Digital Asset and Third-Party Risks, have been newly identified as IRTs in the ERMF, in addition to Climate Risk.

The Three lines model

Roles and responsibilities for risk management are defined under a three lines model. Each line has a specific set of responsibilities for risk management and control as shown in the table below.

Lines of defence	Definition	Key responsibilities include
1st	The businesses and functions engaged in or supporting revenue-generating activities that own and manage the risks	• Propose the risks required to undertake revenue-generating activities • Identify, assess, monitor and escalate risks and issues to the second line and senior management1 and promote a healthy risk culture and good conduct • Validate and self-assess compliance to Risk Type Frameworks and Policies, confirm the quality of validation, and provide evidence based affirmation to Second Line. • Manage risks within Risk Appetite, set and execute remediation plans and ensure laws and regulations are being complied with • Ensure systems meet risk data aggregation, risk reporting and data quality requirements set by the second line
2nd	The control functions independent of the first line that provide oversight and challenge of risk management to provide confidence to the Bank Chief Risk Officer, senior management and the Board	• Identify, monitor and escalate risks and issues to the Bank Chief Risk Officer, 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 • Propose Risk Appetite to the Board, monitor and report adherence to Risk Appetite and intervene to curtail business if it is not in line with existing or adjusted Risk Appetite, there is material non-compliance with policy requirements or when operational controls do not effectively manage risk • Set risk data aggregation, risk reporting and data quality requirements • Ensure that there are appropriate controls to comply with applicable laws and regulations, and escalate significant non-compliance matters to senior management and the appropriate committees
3rd	The Internal Audit function provides independent assurance on the effectiveness of controls that support first line's risk management of business activities, and the processes maintained by the second line	• Independently assess whether management has identified the key risks in the businesses 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

Risk culture

The Bank's risk culture provides guiding principles for the behaviours expected from our people when managing risk. The Board has approved a risk culture statement that encourages the following behaviours and outcomes:

- An enterprise-level ability to identify and assess current and future risks, openly discuss these and take prompt actions
- The highest level of integrity by being transparent and proactive in disclosing and managing all types of risks
- A constructive and collaborative approach in providing oversight and challenge, and taking decisions in a timely manner
- Everyone to be accountable for their decisions and feel safe in using their judgement to make these considered decisions

We acknowledge that banking inherently involves risk-taking and undesired outcomes will occur from time to time. However, we shall take the opportunity to learn from our experience and formalise what we can do to improve. We expect managers to demonstrate a high awareness of risk and control by self-identifying issues and managing them in a manner that will deliver lasting change.

Risk mitigation and risk culture

As part of its overall risk management, the Bank 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 Bank 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.

Risk measurement and reporting systems

The Bank'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 Bank 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 Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries.

In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate

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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 Bank. At all levels of the Bank'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 Bank'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 Bank is exposed to that they decide to take on. The Bank's continuous training and development emphasises that employees are made aware of the Bank's risk appetite and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Bank's risk appetite limits.

Compliance breaches and internal audit findings are important elements of employees' annual ratings and remuneration reviews.

Risk governance and risk management strategies and systems

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 Bank's performance to developments affecting a particular industry or geographical location. In order to avoid excessive concentrations of risk, the Bank'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 Bank to manage risk concentrations at both the relationship and industry levels.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank 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 Bank'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 Bank 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 Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

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 Bank 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 Bank applies portfolio-based debit and credit value adjustments. With gross–settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honours its obligation, but the counterparty fails to deliver the counter value.

Credit–related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank 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 Bank 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 Bank to similar risks to loans and are mitigated by the same control processes and policies.

Impairment assessment

The references below show where the Bank'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.

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 forborne 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 forborne loan to become performing, the following criteria have to be satisfied:

- At least a year has passed with no default based upon the forborne 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 Stressed Assets Group assets while they have been in SAG – 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 asses" with the amortised cost being the Net At Risk (NAR) before Security (i.e. "Effective Interest Rate x Net At Risk").

The Bank's internal rating and PD estimation process

For Corporate, Commercial 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 SAG 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 the Bank's SAG.

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 nonperforming loans, i.e. Stage 3 or credit impaired exposures.

For individually significant financial assets within Stage 3, the Bank's Stressed Asset Group (SAG) 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 Bank'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

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 Bank that are considered credit impaired, the account may also be credit impaired.

The information below provides an indicative mapping of how the Bank's internal credit risk grades relate to PD and for the Corporate portfolio, to external sovereign credit ratings.

Mapping of credit quality

The Bank uses the following internal risk mapping to determine the credit quality for loans.

Credit quality description	Corporate, Commercial and Institutional Banking			Private Banking	Consumer and Business Banking
	Internal grade mapping	S&P external ratings equivalent	Regulatory PD range (%)	Internal ratings	Number of days past due
Strong	1A to 5B	AAA to BB+	0 to 0.425	Class I and Class IV	Current loans (no past dues nor impaired)
Satisfactory	6A to 11C	BB to B-/CCC	0.426 to 15.75	Class II and Class III	Loans past due till 29 days
Higher risk	Grade 12	CCC/C	15.751 to 99.999	GSAM managed	Past due loans 30 days and over till 90 days

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for the year ended 31 December 2022

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 Bank uses a Monte Carlo approach to simulate a set of 50 scenarios around the Bank'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 Bank 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, Commercial & 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,vas 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 Bank'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.

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 Bank 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 Bank'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 forwardlooking 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 Bank'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 Bank is exposed to credit risk. However, for certain revolving credit facilities, which include credit cards or overdrafts, the Bank's exposure to credit risk is not limited to the contractual period. For these instruments, the Bank estimates an appropriate life based on the period that the Bank 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 Bank 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.

Impairment assessment

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

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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.

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 Bank 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 Bank'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 Bank 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 Bank has significant exposures to the mines and their capacity to meet their obligations will be affected. This is applicable for all segments.

Analysis of inputs to the ECL model under multiple economic scenarios

The Bank 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

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 Bank 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 Bank's senior management.

The Bank 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.

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 Bank 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 noncredit 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 Bank 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.

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Analysis of risk concentration

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances and investment securities is shown below.

Loans and advances

This section provides an analysis of the Bank's amortised cost portfolio by industry on a gross, total credit impairment and net basis.

	2022											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount
Amortised cost	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000
Industry:												
Energy	147,582	(294)	147,288	99,704	(18,139)	81,565	-	-	-	247,286	(18,433)	228,853
Manufacturing	1,956	(2)	1,954	56,830	(8,300)	48,530	26,961	(26,961)	-	85,747	(35,263)	50,484
Transport, telecom and utilities	6	-	6	1,924	(161)	1,763	2,971	(2,971)	-	4,901	(3,132)	1,769
Food and household products	128,371	(44,072)	84,299	252,645	(9,190)	243,455	59,295	(59,295)	-	440,311	(112,557)	327,754
Commercial real estate	69,959	(274)	69,685	-	-	-	-	-	-	69,959	(274)	69,685
Mining and quarrying	10,877	(48)	10,829	121,113	(1,170)	119,943	-	-	-	131,990	(1,218)	130,772
Construction	-	-	-	15	-	15	34,797	(34,797)	-	34,812	(34,797)	15
Retail Products:												
Mortgage	116,854	(123)	116,731	1,584	(1)	1,583	670	(670)	-	119,108	(794)	118,314
Credit Cards	35,666	(640)	35,026	2,754	(117)	2,637	1,571	(167)	1,404	39,991	(1,236)	38,755
Personal loans and other unsecured lending	558,398	(1,610)	556,788	17,988	(4,768)	13,220	758	-	758	577,144	(7,205)	569,939
Auto	5,573	(6)	5,567	-	-	-	-	-	-	5,573	(6)	5,567
Secured wealth products	76,773	(648)	76,125	28,369	(5,777)	22,592	669	(669)	-	105,811	(7,094)	98,717
Other	965	(95)	870	-	-	-	-	-	-	965	1,044	2,009
Net carrying value (customers)	1,152,980	(47,812)	1,105,168	582,926	(47,623)	535,303	127,692	(125,530)	2,162	1,863,598	(220,965)	1,642,633

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

	2021											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount
Amortised cost	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000
Industry:												
Energy	76,528	(30,535)	45,993	39,740	(15,227)	24,513	-	70,785	70,785	116,268	25,023	141,291
Manufacturing	5,560	-	5,560	21,795	(6,788)	15,007	16,404	(16,162)	242	43,759	(22,950)	20,809
Financing, insurance and non-banking	-	-	-	1,756	(1,549)	207	-	-	-	1,756	(1,549)	207
Transport, telecom and utilities	-	-	-	60,775	-	60,775	7,702	(1,738)	5,964	68,477	(1,738)	66,739
Food and household products	28,192	(11,099)	17,093	223,183	(10,651)	212,532	101,794	(24,200)	77,594	353,169	(45,950)	307,219
Commercial real estate	51,419	(41,000)	10,419	-	-	-	-	-	-	51,419	(41,000)	10,419
Mining and quarrying	-	-	-	148,062	-	148,062	-	-	-	148,062	-	148,062
Consumer durables	-	-	-	-	-	-	8,600	(8,600)	-	8,600	(8,600)	-
Construction	-	-	-	-	-	-	67,514	(15,629)	51,885	67,514	(15,629)	51,885
Other	11,156	(7)	11,149	-	-	-	-	-	-	11,156	(7)	11,149
Retail Products:												
Mortgage	112,021	(107)	111,914	-	-	-	-	-	-	112,021	(107)	111,914
Credit Cards	41,570	(1,270)	40,300	1,027	(61)	966	5,297	(1,208)	4,089	47,894	(2,539)	45,355
Personal loans and other unsecured lending	601,328	(2,635)	598,693	13,630	(1,198)	12,432	6,096	(540)	5,556	621,054	(4,373)	616,681
Auto	3,029	(3)	3,026	-	-	-	-	-	-	3,029	(3)	3,026
Secured wealth products	101,156	(5,686)	95,470	3,060	(488)	2,572	3,325	(502)	2,823	107,541	(6,676)	100,865
Other	8,781	(7)	8,774	-	(128)	(128)	-	1,744	1,744	8,781	1,609	10,390
Net carrying value (customers)	1,040,740	(92,349)	948,391	513,028	(36,090)	476,938	216,732	3,950	220,682	1,770,500	(124,489)	1,646,011

Gross carrying amounts in the loans and advances increased year on year by 5.2% on account of the increase in the Mortgage loan book following the reduction in mortgage interest rates.

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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 18.

Loans and advances by client segment

		2022						
			Customers					
		Banks	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Customer Total	Undrawn commitments	Financial Guarantees
Amortised cost	**Note**	**K '000**	**K '000**	**K '000**	**K '000**	**K '000**	**K '000**	**K '000**
Stage 1		814,950	358,751	794,229	-	1,152,980	203,470	755,375
- Strong		814,950	358,751	794,229	-	1,152,980	-	-
- Satisfactory		-	-	-	-	-	203,470	755,375
Stage 2		-	532,231	50,695	-	582,926	162,617	126,492
- Strong		-	532,231	50,695	-	582,926	-	-
- Satisfactory		-	-	-	-	-	162,617	126,492
Stage 3, credit-impaired financial assets		-	124,024	3,668	-	126,692	-	-
Gross balance	18	814,950	1,015,006	848,592	-	1,863,598	366,087	881,867
Stage 1		(4,037)	(30,690)	(3,122)	-	(33,812)	582	2
- Strong		(4,067)	(30,690)	(1,155)	-	(31,845)	-	-
- Satisfactory		30	-	(1,967)	-	(1,967)	582	2
Stage 2		-	(50,960)	(10,663)	-	(61,623)	2,301	2,195
- Strong		-	(50,960)	(10,663)	-	(61,623)	-	-
- Satisfactory		-	-	-	-	-	2,301	2,195
Stage 3, credit-impaired financial assets		-	(124,024)	(1,506)	-	(125,530)	-	-
Total credit impairment	18	(4,037)	(205,674)	(15,291)	-	(220,965)	2,883	2,197
Net carrying value	18	810,913	809,332	833,301	-	1,642,633		
Stage 1		0.5%	8.6%	0.4%	0.0%	2.9%	-0.3%	-0.0%
- Strong		0.5%	8.6%	0.1%	0.0%	2.8%	0.0%	0.0%
- Satisfactory		0.0%	0.0%	0.0%	0.0%	0.0%	-0.3%	-0.0%
Stage 2		0.0%	9.6%	21.0%	0.0%	10.6%	-1.4%	-1.7%
- Strong		0.0%	9.6%	21.0%	0.0%	10.6%	0.0%	0.0%
- Satisfactory		0.0%	0.0%	0.0%	0.0%	0.0%	-1.4%	-1.7%
- Higher risk		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Of which (stage 2):								
- Less than 30 days past due		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- More than 30 days past due		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)		0.0%	100.0%	41.1%	0.0%	98.3%	0.0%	0.0%
Cover ratio		0.5%	20.2%	1.8%	0.0%	11.9%	-0.8%	-0.2%
Net carrying value (incl FVTPL)	18	810,913	809,332	833,301	-	1,642,633	-	-

		2021						
			Customers					
			Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Customer Total	Undrawn commitments	Financial Guarantees
		Banks						
Amortised cost	Note	K '000	K '000	K '000	K '000	K '000	K '000	K '000
Stage 1		-	257,215	870,671	-	1,127,886	191,950	463,129
- Strong		-	257,215	870,671	-	1,127,886	-	-
- Satisfactory		-	-	-	-	-	191,950	463,129
Stage 2		-	441,585	20,175	-	461,760	208,817	129,417
- Strong		-	441,585	20,175	-	461,760	-	-
- Satisfactory		-	-	-	-	-	208,817	129,417
Stage 3, credit-impaired financial assets		-	171,380	9,474	-	180,854	-	-
Gross balance	18	-	870,180	900,320	-	1,770,500	400,767	592,546
Stage 1		-	(82,641)	(9,708)	-	(92,349)	(67)	-
- Strong		-	(82,641)	(9,708)	-	(92,349)	-	-
- Satisfactory		-	-	-	-	-	(67)	-
Stage 2		-	(34,215)	(1,875)	-	(36,090)	(17,200)	(2,458)
- Strong		-	(34,215)	(1,875)	-	(36,090)	-	-
- Satisfactory		-	-	-	-	-	(17,200)	(2,458)
Stage 3, credit-impaired financial assets		-	4,456	(506)	-	3,950	-	-
Total credit impairment	18	-	(112,400)	(12,089)	-	(124,489)	(17,267)	(2,458)
Net carrying value		-	757,780	888,231	-	1,646,011	-	-
Stage 1		0.0%	32.1%	1.1%	0.0%	8.2%	0.0%	0.0%
- Strong		0.0%	32.1%	1.1%	0.0%	8.2%	0.0%	0.0%
- Satisfactory		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Stage 2		0.0%	7.7%	9.3%	0.0%	7.8%	8.2%	1.9%
- Strong		0.0%	7.7%	9.3%	0.0%	7.8%	0.0%	0.0%
- Satisfactory		0.0%	0.0%	0.0%	0.0%	0.0%	8.2%	1.9%
- Higher risk		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Of which (stage 2):								
- Less than 30 days past due		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- More than 30 days past due		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)		0.0%	-2.6%	5.3%	0.0%	-2.2%	0.0%	0.0%
Cover ratio		0.0%	12.9%	1.3%	0.0%	7.0%	4.3%	0.4%
Net carrying value (incl FVTPL)		-	757,780	888,231	-	1,646,011	-	-

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2022

Investment securities and pledged assets

	Note	2022 Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Grade 1-11: Low-fair risk		-	**2,859,062**	-	**2,859,062**
Carrying amount		-	**2,859,062**	-	**2,859,062**
Loss allowance	17	-	**(205,013)**	-	**(205,013)**

Included in Investment securities are treasury bills of K300m pledged as Interbank collateral and title was transferred to the counter party at the point of the transaction.

	Note	2021 Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Grade 1-11: Low-fair risk		-	3,143,755	-	3,143,755
Carrying amount		-	3,143,755	-	3,143,755
Loss allowance	17	-	(239,474)	-	(239,474)

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 Bank 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, Commercial 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 industrystandard 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.

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 Bank 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 Bank 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 Bank'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 OF 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 OF LOSS and OTHER COMPREHENSIVE INCOME.

Movement of debt securities, alternative tier one and other eligible bills

FVOCI	Credit impairment Stage 2 K '000	Total credit impairment K '000
As at 1 January 2021	(251,099)	(251,099)
Net change in exposures	(190,706)	(190,706)
Exchange translation differences and other risk parameters	202,331	202,331
As at 31 December 2021	(239,474)	(239,474)
As at 1 January 2022	**(239,474)**	**(239,474)**
Net change in exposures	**(41,050)**	**(41,050)**
Exchange translation differences and other risk parameters	**75,510**	**75,510**
As at 31 December 2022	**(205,014)**	**(205,014)**

Included in exchange translation differences and other movements are changes in risk parameters and foreign currency gains/losses.

Movement of ECL at segment level;

Corporate, Commercial & Institutional Banking

Amortised cost	Total credit im pairment Stage 1 K '000	Total credit impairment Stage 2 K '000	Total credit impairment Stage 3 K '000	Total credit impairment K '000
As at 1 January 2021	(42,767)	(150,831)	(45,728)	(239,326)
Transfers to stage 1	(44,098)	44,098	-	-
Transfers to stage 2	73,344	(73,344)	-	-
Transfers to stage 3	-	76,350	(76,350)	-
Net change in exposures	(72,160)	-	-	(72,160)
Financial Assets that have been derecongnised	-	-	39,232	39,232
(Write-offs)/Recoveries	-	-	58,230	58,230
Exchange translation differences and other risk parameters	3,040	69,512	29,072	101,624
As at 31 December 2021	(82,641)	(34,215)	4,456	(112,400)
As at 1 January 2022	**(82,641)**	**(34,215)**	**4,456**	**(112,400)**
Transfers to stage 1	**11,308**	**(11,308)**	**-**	**-**
Transfers to stage 2	**(29,627)**	**29,627**	**-**	**-**
Transfers to stage 3	**-**	**(501)**	**501**	**-**
Net change in exposures	**31,520**	**-**	**-**	**31,520**
Financial Assets that have been derecongnised	**-**	**4,699**	**-**	**4,699**
Exchange translation differences and other risk parameters	**38,750**	**(39,262)**	**(128,981)**	**(129,493)**
As at 31 Dec 2022	**(30,690)**	**(50,960)**	**(124,024)**	**(205,674)**

Included in exchange translation differences and other movements are changes in risk parameters and foreign currency gains/losses.

Financial statements

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

Consumer, Private and Business Banking

	Total credit impairment Stage 1	Total credit impairment Stage 2	Total credit impairment Stage 3	Total credit impairment
Amortised cost	**K '000**	**K '000**	**K '000**	**K '000**
As at 1 January 2021	(89,372)	(6,824)	(3,624)	(99,820)
Transfers to stage 1	(39,636)	39,636	-	-
Transfers to stage 2	41,415	(44,763)	3,348	-
Transfers to stage 3	-	30,037	(30,037)	-
Net change in exposures	(3,806)	-	-	(3,806)
Financial assets that have been derecognised	80,577	982	10,338	91,897
(Write-offs)/Recoveries	-	-	22,910	22,910
Exchange translation differences and other movements	1,114	(20,943)	(3,441)	(23,270)
As at 31 December 2021	(9,708)	(1,875)	(506)	(12,089)
As at 1 January 2022	**(9,708)**	**(1,875)**	**(506)**	**(12,089)**
Transfers to stage 1	**(7,162)**	**7,162**	**-**	**-**
Transfers to stage 2	**165**	**(712)**	**546**	**(1)**
Transfers to stage 3	**-**	**171**	**(171)**	**-**
Net change in exposures	**3,614**	**-**	**-**	**3,614**
Changes in risk parameters	**11,482**	**(145)**	**-**	**11,337**
Exchange translation differences and other movements	**(1,513)**	**(15,264)**	**(1,375)**	**(18,152)**
As at 31 Dec 2022	**(3,122)**	**(10,663)**	**(1,506)**	**(15,291)**

Included in exchange translation differences and other movements are changes in risk parameters and foreign currency gains/ losses.

	2022 Stage 1 K '000	2022 Stage 2 K '000	2022 Total K '000	2021 Stage 1 K '000	2021 Stage 2 K '000	2021 Total K '000
ECL on Reserves						
Balance at 1 January	-	**67,629**	**67,629**	-	67,629	67,629
Net remeasurements of loss allowance	-	**69,113**	**69,113**	-	-	-
Balance at 31 December	-	**136,742**	**136,742**	-	67,629	67,629

	2022 Stage 1 K '000	2022 Stage 2 K '000	2022 Total K '000	2021 Stage 1 K '000	2021 Stage 2 K '000	2021 Total K '000
ECL on loans to banks						
New financial assets originated or purchased	**4,030**	-	**4,030**	-	-	-
Foreign exchange movements	**7**	-	**7**	-	-	-
Balance at 31 December	**4,037**	-	**4,037**	-	-	-

Loan commitments and financial guarantee contracts

	2022 Stage 1 K '000	2022 Stage 2 K '000	2022 Stage 3 K '000	2022 Total K '000	2021 Stage 1 K '000	2021 Stage 2 K '000	2021 Stage 3 K '000	2021 Total K '000
Balance at 1 January	**14,209**	**5,516**	-	**19,725**	594	19,333	-	19,927
- Transfer to Stage 1	**3,775**	**(3,775)**	-	-	248	(248)	-	-
- Transfer to Stage 2	-	-	-	-	-	2,278	(2,278)	-
- Transfer to Stage 3	-	**(285)**	**285**	-	-	-	-	-
	17,984	**1,456**	**285**	**19,725**	842	21,363	(2,278)	19,927
New loan commitments and financial guarantees	**(1,671)**	**(11,123)**	**(376)**	**(13,170)**	13,526	-	-	13,526
Foreign exchange and other risk parameters	**(2,734)**	**4,496**	**(3,237)**	**(1,475)**	(159)	(15,847)	2,278	(13,728)
								-
Balance at 31 December	**13,579**	**(5,171)**	**(3,328)**	**5,080**	14,209	5,516	-	19,725

Included in the total ECL for off balance sheet (loan commitments and financial guarantees) is ECL relating to off balance sheet on related party transactions.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

The following table provides an anaysis of the 'credit impairment' line item in the **CONSOLIDATED INCOME STATEMENT.**

2022

	Cash and balances at Bank of Zambia	Loans and advances to banks	Loans and advances to customers	Investment securities	Loan commitments and financial guarantee contracts	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Net remeasurement of loss allowance	(69,113)	-	8,518	75,510	-	14,915
New financial assets originated or purchased	-	(4,030)	25,333	(41,050)	15,321	(4,426)
Total	(69,113)	(4,030)	33,851	34,460	15,321	10,489

2021

	Cash and balances at Bank of Zambia	Loans and advances to banks	Loans and advances to customers	Investment securities	Loan commitments and financial guarantee contracts	Total
	K'000	K'000	K'000	K'000	K'000	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

Maximum exposure to Credit risk

The Bank 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 and the Bank's maximum exposure to Credit risk for its on-balance sheet and off-balance sheet financial instruments as at 31 December 2022, before and after taking into account any collateral held or other Credit risk mitigation.

	2022			2021		
		Credit risk management			Credit risk management	
	Maximum exposure	Collateral	Net Exposure	Maximum exposure	Collateral	Net exposure
	K '000	K '000	K '000	K '000	K '000	K '000
On-balance sheet						
Cash and balances at central banks	**1,685,766**	**-**	**1,685,766**	1,909,632	-	1,909,632
Loans and advances to banks	**3,889,643**	**-**	**3,889,643**	-	-	-
Loans and advances to customers	**1,642,633**	**1,054,787**	**587,846**	1,646,011	869,694	776,317
Investment securities - Debt securities and other eligible bills	**2,859,062**		**2,859,062**	3,143,755		3,143,755
Fair value through profit or loss	**693,734**	**-**	**693,734**	795,436	-	795,436
Investment securities - Debt securities and other eligible bills	**693,734**		**693,734**	795,436		795,436
Derivative financial instruments	**18,409**	**-**	**18,409**	23,707	-	23,707
Assets held for sale	**6,368**		**6,368**	-		-
Other assets	**257,431**		**257,431**	167,648		167,648
Total balance sheet	**11,053,046**	**1,054,787**	**9,998,259**	**7,686,189**	**869,694**	**6,816,495**
Off-balance sheet						
Undrawn Commitments	**366,087**	**20,566**	**345,521**	400,767	-	400,767
Financial Guarantees and other equivalents	**902,433**	**-**	**902,433**	592,546	-	592,546
Total off-balance sheet	**1,268,520**	**20,566**	**1,247,954**	993,313	-	993,313
Total	**12,321,566**	**1,075,353**	**11,246,213**	8,679,502	869,694	7,809,808

Collateral held on loans and advances

Non-tangible collateral, such as guarantees and standby letters of credit, is also held against corporate exposures, although the financial effect of this type of collateral is less significant in terms of recoveries. However, this is considered when determining the probability of default and other credit-related factors. Collateral is also held against off-balance sheet exposures, including undrawn commitments and trade-related instruments.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

Corporate, Commercial & Institutional Banking

Amortised cost	2022 K'000	2021 K'000
Maximum exposure	**809,332**	757,780
Property	**494,042**	415,492
Cash	**315,290**	342,288
Total value of collateral	**809,332**	757,780

Consumer, Private & Business Banking

The following table presents an analysis of loans to individuals by product; split between fully secured, partially secured and unsecured.

	2022				2021			
	Fully secured	Partially secured	Unsecured	Total	Fully secured	Partially secured	Unsecured	Total
Amortised cost	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000
Maximum exposure	**223,604**	**-**	**609,697**	**833,301**	111,914	-	776,317	888,231
Loans to individuals								
Mortgages	**164,978**	**-**	**-**	**164,978**	111,914	-	-	111,914
CCPL	**-**	**-**	**599,117**	**599,117**	-	-	770,456	770,456
Auto	**2,000**	**-**	**-**	**2,000**	-	-	-	-
Secured wealth products	**56,626**	**-**	**-**	**56,626**	-	-	-	-
Other	**-**	**-**	**10,580**	**10,580**	-	-	5,861	5,861
Total collateral				**223,447**				-
Net exposure				**609,854**				888,231
Percentage of total loans	**27%**	**0%**	**73%**		13%	0%	87%	

The general creditworthiness of a corporate, commercial 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 Bank generally requests that corporate, commercial and institutional borrowers provide it. The Bank 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 Bank's focus on corporate, commercial and Institutional customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate, commercial 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 Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

Offsetting financial assets and financial liabilities

There are no financial assets and financial liabilities that are offset in the Bank'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.

Liquidity and funding risk

Liquidity risk is defined as the risk that the Bank does not have sufficient stable or diverse sources of funding to meet our contractual and contingent obligations as they fall due.

Liquidity risk arises because of the possibility that the Bank 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 Bank 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.

The Bank has developed internal control processes and contingency plans for managing liquidity risk. Assets and Liabilities Committee (ALCO) is responsible for managing the Bank'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 Bank. The treasury department of the Bank is responsible for working with other departments within the Bank 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 Bank 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 Bank 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 Bank 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 Bank's compliance with the liquidity limit established by the Bank of Zambia. The ratios during the year were as follows:

Core liquid asset ratios

	2022	2021
At 31 December	**81%**	72%
Average for the period	**76%**	79%
Maximum for the period	**92%**	102%
Minimum for the period	**63%**	26%

The minimum required by Bank of Zambia for core liquid assets is 9 percent (2021: 9 percent).

The concentration of funding requirements at any one date or from any one source is managed continuously. A substantial proportion of the Bank's deposit base is made up of current and savings accounts and other short term customer deposits.

Advances to deposit ratios

	2022	2021
At 31 December	**13%**	15%
Average for the period	**13%**	16%
Maximum for the period	**16%**	17%
Minimum for the period	**11%**	14%

The Bank 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 percentage of core customer current accounts and savings accounts, together with term funding with a remaining term to maturity in excess of one year.

Contractual maturity of assets and liabilities

The following table presents assets and liabilities by maturity Bankings based on the remaining period to the contractual maturity date as at the balance sheet date on a discounted basis. Contractual maturities do not necessarily reflect actual repayments or cashflows.

Within the tables below, cash and balances with central banks, interbank placements and investment securities that are fair value through other comprehensive income are used by the Bank principally for liquidity management purposes.

As at the reporting date, assets remain predominantly short-dated, with over 60 percent maturing in under one year. Our less than three-month cumulative net funding position remained in surplus and the scale of the surplus increased from the previous year, largely due to an increase in customer accounts as the Bank focused on improving the quality of its deposit base. In practice, these deposits are recognised as stable and have behavioural profiles that extend beyond their contractual maturities

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

	2022								
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
Assets									
Cash and balances at central banks	1,685,766	-	-	-	-	-	-	-	1,685,766
Derivative financial instruments	-	6,516	11,893	-	-	-	-	-	18,409
Loans and advances to banks	-	810,913	724,400	724,400	1,629,900	-	-	-	3,889,613
Loans and advances to customers	563,184	141,736	108,223	24,625	15,171	137,412	461,954	190,328	1,642,633
Investment securities	50,141	773,558	604,251	1,051,645	788,984	172,253	87,690	24,275	3,552,796
Other assets	108,704	131,715	-	-	17,216	-	-	156	257,431
Total assets	2,407,795	1,864,078	1,448,767	1,800,670	2,451,271	309,665	549,644	214,759	11,046,649
Liabilities									
Deposits by banks	482,018	-	-	-	-	-	-	-	482,018
Customer accounts	11,020,649	284,050	688,439	180,703	185,923	812,659	94,436	-	13,266,859
Derivative financial instruments	2,147	23,802	28,949	-	-	607	680	-	56,185
Other liabilities	-	499,748	-	-	-	-	-	-	499,748
Subordinated liabilities and other borrowed funds	-	-	-	-	-	72,440	-	-	72,440
Total liabilities	11,504,814	807,599	717,388	180,703	185,923	885,706	95,116	-	14,377,249
Net liquidity gap	(9,097,019)	1,056,479	731,379	1,619,967	2,265,348	(576,041)	454,528	214,759	(3,330,600)

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

	2021								
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000
Assets									
Cash and balances at central banks	1,909,632	-	-	-	-	-	-	-	1,909,632
Derivative financial instruments	-	-	23,707	-	-	-	-	-	23,707
Loans and advances to customers	453,981	104,040	123,962	106,062	22,398	128,985	580,284	126,299	1,646,011
Investment securities	117,794	715,977	548,443	1,307,305	466,962	24,332	174,264	59,114	3,414,191
Other assets	-	113,866	-	-	53,584	-	-	198	167,648
Total assets	2,481,407	933,883	696,112	1,413,367	542,944	153,317	754,548	185,611	7,161,189
Liabilities									
Deposits by banks	547,601	-	-	-	-	-	-	-	547,601
Customer accounts	9,058,996	141,415	186,219	204,177	154,655	906,725	247,562	-	10,899,749
Derivative financial instruments	-	-	20,984	-	-	-	-	-	20,984
Other liabilities	28,012	442,256	-	-	-	-	-	-	470,268
Subordinated liabilities and other borrowed funds	-	-	-	-	-	-	66,640	-	66,640
Total liabilities	9,634,609	583,671	207,203	204,177	154,655	906,725	314,202	-	12,005,242
Net liquidity gap	(7,153,202)	350,212	488,909	1,209,190	388,289	(886,688)	440,346	185,611	(4,944,053)

Behavioural maturity of financial assets and liabilities

The cashflows presented in the previous section reflect the cashflows that will be contractually payable over the residual maturity of the instruments. However, contractual maturities do not necessarily reflect the timing of actual repayments or cashflow. In practice, certain assets and liabilities behave differently from their contractual terms, especially for short-term customer accounts, credit card balances and overdrafts, which extend to a longer period than their contractual maturity. On the other hand, mortgage balances tend to have a shorter repayment period than their contractual maturity date. Expected customer behaviour is assessed and managed on a country basis using qualitative and quantitative techniques, including analysis of observed customer behaviour over time.

Maturity of financial liabilities on an undiscounted basis

The following table analyses the contractual cashflows payable for the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. Derivatives not treated as hedging derivatives are included in the 'On demand' time bucket and not by contractual maturity.

Within the 'More than five years and undated' maturity band are undated financial liabilities, the majority of which relate

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

to subordinated debt, on which interest payments are not included as this information would not be meaningful, given the instruments are undated. Interest payments on these instruments are included within the relevant maturities up to five years.

	2022									
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Carrying amount	Gross nominal outflow
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Deposits by banks	**482,018**	-	-	-	-	-	-	-	**482,018**	**482,018**
Customer accounts	**10,984,736**	**285,415**	**699,425**	**190,236**	**196,641**	**815,875**	**94,436**	-	**13,266,859**	**13,266,764**
Derivative financial instruments	-	**56,185**	-	-	-	-	-	-	**56,185**	**56,185**
Subordinated liabilities and other borrowed funds	-	-	-	-	-	-	**103,942**	-	**72,440**	**103,942**
Other liabilities	**1,607**	**498,141**	-	-	-	-	-	-	**499,742**	**499,748**
Total liabilities	**11,468,361**	**839,741**	**699,425**	**190,236**	**196,641**	**815,875**	**198,378**	-	**14,377,244**	**14,408,657**

	2021									
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Carrying amount	Gross nominal outflow
	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000	K '000
Deposits by banks	-	200,744	346,857	-	-	-	-	-	547,601	547,601
Customer accounts	9,051,453	143,386	189,102	216,526	163,511	928,038	247,562	-	10,899,749	10,939,578
Derivative financial instruments	-	-	-	-	-	20,984	-	-	20,984	20,984
Subordinated liabilities and other borrowed funds	-	-	-	-	-	-	102,205	-	66,640	102,205
Other liabilities	38,220	432,048	-	-	-	-	-	-	470,268	470,268
Total liabilities	9,089,673	776,178	535,959	216,526	163,511	949,022	349,767	-	12,005,242	12,080,636

Encumbrance

Encumbered assets

Encumbered assets represent on-balance sheet assets pledged or subject to any form of arrangement to secure, collateralise or credit enhance a transaction from which it cannot be freely withdrawn.

Unencumbered – readily available for encumbrance

Unencumbered assets that are considered by the Bank to be readily available in the normal course of business to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements and are not subject to any restrictions on their use for these purposes.

Unencumbered – other assets capable of being encumbered

Unencumbered assets that, in their current form, are not considered by the Bank to be readily realisable in the normal course of business to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements and are not subject to any restrictions on their use for these purposes. Included within this category are loans and advances which would be suitable for use in secured funding structures such as securitisations.

Unencumbered – cannot be encumbered

Unencumbered assets that have not been pledged and cannot be used to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements, as assessed by the Bank.

Below is the analysis of the Bank'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.

	2022				
	Encumbered		Unencumbered		
	Pledged as collateral	Uncollater-alised	Available as collateral	Uncollateralised	Total
	K '000	K '000	K '000	K '000	K '000
Cash on hand and balances at Bank of Zambia	-	-	526,995	1,158,771	1,685,766
Pledged assets	109,200	-	-	-	109,200
Derivative financial instruments	-	-	-	18,409	18,409
Loans and advances to banks	-	-	-	3,889,613	3,889,613
Loans and advances to customers	-	-	-	1,642,633	1,642,633
Investment securities	300,000	-	-	3,143,596	3,443,596
Assets held for sale	-	-	-	6,368	6,368
Property and equipment	-	-	-	90,774	90,774
Prepayments and other receivables	-	-	-	257,431	257,431
Total	409,200	-	526,995	10,207,595	11,143,790

	2021				
	Encumbered		Unencumbered		
	Pledged as collateral	Uncollater-alised	Available as collateral	Uncollateralised	Total
	K '000	K '000	K '000	K '000	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	-	-	-	128,220	128,220
Prepayments and other receivables	-	-	-	74,431	74,431
Total	655,000	-	882,090	6,191,902	7,728,992

Financial statements

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2022

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 Bank 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.

Exposure to Interest rate risk - non-trading portfolios

The Bank'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 Bank 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 Bank's sensitivity to interest rate changes.

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:

	2022		2021	
	K	USD	K	USD
Financial assets	(%)	(%)	(%)	(%)
Government bonds	17.5	-	26.3	-
Treasury bills	10.0	-	17.7	-
Loans and advances	23.6	9.2	26.1	5.3
Staff mortgages and other loans	10.0	-	10.0	-
Financial liabilities				
Placements with other banks	-	-	3.5	0.3
Customer deposits	1.4	-	0.0	-

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank'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 Bank'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.

Interest Rate Risk in the Banking Book

These interest rate shock scenarios assume all other economic variables remain constant. The sensitivities shown represent the estimated change to a hypothetical base case projected net interest income (NII), plus the change in interest rate implied income and expense from FX swaps used to manage banking book currency positions, under the different interest rate shock scenarios.

The interest rate sensitivities are indicative and based on simplified scenarios, estimating the aggregate impact of an instantaneous parallel shock across all yield curves over a one-year horizon, including the time taken to implement changes to pricing before becoming effective. The assessment assumes that the size and mix of the balance sheet remain constant and that there are no specific management actions in response to the change in rates. No assumptions are made in relation to the impact on credit spreads in a changing rate environment.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

Significant modelling and behavioural assumptions are made regarding scenario simplification, market competition, pass-through rates, asset and liability re-pricing tenors, and price flooring. In particular, the assumption that interest rates of all currencies and maturities shift by the same amount concurrently, and that no actions are taken to mitigate the impacts arising from this are considered unlikely. Reported sensitivities will vary over time due to a number of factors including changes in balance sheet composition, market conditions, customer behaviour and risk management strategy and should therefore not be considered an income or profit forecast.

Exposure to interest rate risk - non-trading portfolios

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 Bank's non-trading activities. The following is a summary of the Bank's interest rate gap position on non- trading portfolios.

	2022					
	Total	Zero rate instrument	Floating rate instrument instruments	Fixed rate instruments Less than three months	Three months to one year	Between one and five years
	K '000	K '000	K '000	K '000	K '000	K '000
Assets						
Cash on hand and balances at Bank of Zambia	1,685,766	1,685,767	-	-	-	-
Cash and cash equivalents	4,034,660	1,493,827	-	2,540,833	-	-
Loans and advances to banks	3,889,613	-	810,913	362,200	2,716,500	-
Investment securities	2,859,062	508	-	397,347	2,176,709	284,498
Derivative financial instruments	18,409	-	-	18,409	-	-
Loans and advances to customers	1,642,633	-	1,642,633	-	-	-
Total assets	14,130,144	3,180,102	2,453,546	3,318,789	4,893,209	284,498
Liabilities						
Amounts payable to group banks	482,018	482,018	-	-	-	-
Deposits from customers	13,266,859	12,574,907	691,939	13	-	-
Derivative financial instruments	56,185	-	-	56,185	-	-
Subordinated liabilities	72,440	-	72,440	-	-	-
Lease liabilities	72,236	-	-	-	46,294	25,942
Total liabilities	13,949,737	13,056,925	764,379	56,198	46,294	25,942
Gap	180,407	(9,876,823)	1,689,167	3,262,591	4,846,407	258,556
Impact of increase in 5%	489,934	-	84,458	163,130	242,346	
interest rate 10%	979,867	-	168,917	326,259	484,691	
Impact of decrease in 2.5%	(245,523)	-	(42,229)	(81,565)	(121,729)	
interest rate 7.5%	(734,900)	-	(126,688)	(244,694)	(363,518)	

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 K84,458,000 and equity by K298,687,000. Fair value changes arising from increase or decrease in fair value of FVOCI instruments are recorded directly in equity.

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for the year ended 31 December 2022

2021

	Total	Zero rate instrument	Floating rate instrument instruments	Fixed rate instruments: Less than three months	Three months to one year	Between one and five years
	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	3,143,755	508	-	833,264	2,048,583	261,400
Derivative financial instruments	23,707	-	-	23,707	-	-
Loans and advances to customers	1,646,011		1,646,011	-	-	-
Total assets	11,944,186	4,049,121	1,646,011	3,189,371	2,798,283	261,400
Liabilities						
Deposits by banks	547,601	200,744	-	346,857	-	-
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	324,843	(5,121,094)	862,194	2,345,807	2,270,597	(32,661)
Impact of increase in 5%	289,189	-	43,110	118,384	127,695	-
interest rate 10%	578,378	-	86,219	236,768	255,391	-
Impact of decrease in 2.5%	(144,595)	-	(21,555)	(59,192)	(63,848)	-
interest rate 7.5%	(433,784)	-	(64,665)	(177,576)	(191,543)	-

Currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank'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 Bank, as follows (in Zambian Kwacha terms):

2022	K K '000	USD K '000	GBP K '000	ZAR K '000	Euro K '000	Others K '000	Total K '000
Monetary assets	**5,865,707**	**5,920,646**	**2,264,636**	**378,244**	**728,572**	**7,472**	**15,165,277**
Monetary liabilities	**(4,830,468)**	**(5,787,455)**	**(2,259,738)**	**(368,621)**	**(725,345)**	**(113,730)**	**(14,085,357)**
Net position	**1,035,239**	**133,191**	**4,898**	**9,623**	**3,227**	**(106,258)**	**1,079,920**
Impact of 5% depreciation of the local currency		**(6,660)**	**(245)**	**(481)**	**(161)**		**(7,547)**
Impact of 10% depreciation of the local currency		**(13,319)**	**(490)**	**(962)**	**(323)**		**(15,094)**

A 10 percent depreciation in local currency will have an K15m impact on the statement of financial position's net position.

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 an K20m impact on the statement of financial position's net position

The following exchange rates applied during the year:

	Average rate		Period end Rate	
	2022 **K**	2021 K	**2022** **K**	2021 K
USD	**16.80**	19.77	**18.11**	16.66
GBP	**21.75**	27.45	**21.79**	22.45
ZAR	**1.07**	1.36	**1.07**	1.04
EUR	**18.22**	22.09	**19.31**	18.87

As at the reporting date, net currency exposures representing more than 10% of the Bank's equity were as follows:

	2022 **K '000**	**2021** **K '000**
USD	**133,192**	(642,833)
GBP	**4,898**	1,237,050

Country risk

While Country risk is no longer recognise as a stand alone PRT but has been embedded in the ERMF under Strategic Risk Management, the risk that an occurrence within a country could have an adverse effect on the Bank, directly by impairing the value of the Bank or indirectly through an obligor's ability to meet its obligations to the Bank still exists. 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 Bank 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 overconcentration 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 intraBank, issuer risk, and equity investments.

When the risk outlook for a country change, 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 Bank.

Operational and Technology risk

Operational Risk (OR) is the potential for loss arising from inadequate or failed internal processes, technology events, 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.

Notes to the consolidated financial statements (continued)

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The Operational Risk Type Framework (ORTF) sets out the approach to measure and assess OR control effectiveness across the Bank. 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 Bank 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 Bank'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 Bank. 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 Bank's tolerance.

The Bank 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.

The Chief Risk Officer and Head of Operational Risk is responsible for Operational Risk in country. The ExecutiveRisk Committee (ERC) oversees the management of operational risk and ensures that it meets the standards of the ORTF. The ERC meets regularly to review the Bank's significant risks and to ensure appropriateness and adequacy of mitigating action plans. The CEO is the chairman of the CNFRC.

Compliance risk

Compliance risk is the potential for penalties or loss to the Bank or for an adverse impact to Bank'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 Bank 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 Bank has no appetite for breaches in laws and regulations; whilst recognising that regulatory noncompliance cannot be entirely avoided, the Bank strives to reduce this to an absolute minimum.

Determination of whether the Bank 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 Bank's relationship with its key college of regulators.

The Bank'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 decisionmaking. 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 Bank's controls that require attention.

Strategic risk management

The Bank approaches strategic risk management as follows:

- By conducting an impact analysis on the risk profile from growth plans, strategic initiatives and business model vulnerabilities with the aim of proactively identifying and managing new risks or existing risks that need to be re prioritised as part of the strategy review process
- By confirming that growth plans and strategic initiatives can be delivered within the approved Risk Appetite and/or proposing additional Risk Appetite for Board consideration as part of the strategy review process
- By validating the Corporate Plan against the approved or proposed Risk Appetite Statement to the Board. The Board approves the strategy review and the five-year

Corporate Plan with a confirmation from the Country Chief Risk Officer (CCRO) that it is aligned with the ERMF and the Bank Risk Appetite Statement where projections allow

- Country risk management approach and country risk reviews are used to ensure the Country Limits and Exposures are reasonable and in line with Bank strategy, country strategy, and the operating environment, considering the identified risks.

Roles and responsibilities

Senior Managers Regime

Roles and responsibilities under the ERMF are aligned to the objectives of the Senior Managers Regime. The Country Chief Risk Officer is responsible for the overall development and maintenance of the Bank's ERMF and for identifying material risk types to which the Bank may be potentially exposed. The Country Chief Risk Officer delegates effective implementation of the Risk Type Frameworks to Risk Framework Owners who provide second line of defence oversight for the Principal Risk Types. In addition, the Country Chief Risk Officer has been formally identified as the relevant Senior Manager responsible for Climate Risk management as it relates to financial and non-financial risks to the Bank arising from climate change. This does not include elements of corporate social responsibility, the Bank's contribution to climate change and/or Sustainable Finance strategy in supporting a low-carbon transition, which are the responsibility of other relevant Senior Managers.

Risk appetite and profile

We recognise the following constraints which determine the risks that we are willing to take in pursuit of our strategy and the development of a sustainable business:

- Risk capacity is the maximum level of risk the Bank can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements and internal operational capability (including but not limited to technical infrastructure, risk management capabilities, expertise), or otherwise failing to meet the expectations of regulators and law enforcement agencies
- Risk Appetite is defined by the Bank and approved by the Board. It is the maximum amount and type of risk the Bank is willing to assume in pursuit of its strategy. Risk Appetite cannot exceed risk capacity

The Board has approved a Risk Appetite Statement, which is underpinned by a set of financial and operational control parameters known as Risk Appetite metrics and their associated thresholds. These directly constrain the aggregate risk exposures that can be taken across the Bank. The Bank Risk Appetite is reviewed at least on an annual basis to ensure that it is fit for purpose and aligned with strategy, and focus is given to emerging or new risks. The Risk Appetite Statement is supplemented by an overarching statement outlining the Bank's Risk Appetite principles.

Risk Appetite principles

The Bank Risk Appetite is defined in accordance with risk management principles that inform our overall approach to risk management and our risk culture. We follow the highest ethical standards and ensure a fair outcome for our clients, as well as facilitating the effective operation of financial markets, while at the same time meeting expectations of regulators and law enforcement agencies. We set our Risk Appetite to enable us to grow sustainably and to avoid shocks to earnings or our general financial health, as well as manage our Reputational Risk in a way that does not materially undermine the confidence of our investors and all internal and external stakeholders.

Risk Appetite Statement

The Bank will not compromise adherence to its Risk Appetite in order to pursue revenue growth or higher returns. The Bank Risk Appetite is supplemented by risk control tools such as granular level limits, policies, standards and other operational control parameters that are used to keep the Bank's risk profile within Risk Appetite.

The Bank's risk profile is its overall exposure to risk at a given point in time, covering all applicable risk types. Status against Risk Appetite is reported to the Board, Board Risk Committee and the Bank Risk Committee, including the status of breaches and remediation plans where applicable. To keep the Bank's risk profile within Risk Appetite (and therefore also risk capacity), we have cascaded critical Bank Risk Appetite metrics across our Principal Risk Types to our footprint markets with significant business operations. Country Risk Appetite is managed at a country or local level with Bank and regional oversight. In addition to Risk Appetite Statements for the Principal Risk Types, the Bank also has a Risk Appetite Statement for Climate Risk which is a material cross-cutting risk that can manifest through other risk types. The Bank aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients in alignment with the Paris Agreement. The Bank Risk Committee, the Bank Financial Crime Risk Committee, the Bank Non-Financial Risk Committee and the Bank Asset and Liability Committee are responsible for ensuring that our risk profile is managed in compliance with the Risk Appetite set by the Board.

The Country Risk Committee advise the Board on the Risk Appetite Statement and monitor the Bank's compliance with it. The individual Principal Risk Types' Risk Appetite Statements approved by the Board are set out in the Principal Risks section.

Risk identification and assessment

Identification and assessment of potentially adverse risk events is an essential first step in managing the risks of any business or activity. To ensure consistency in communication we use Principal Risk Types to classify our risk exposures. Nevertheless, we also recognise the need to maintain an overall perspective since a single transaction or activity may give rise to multiple types of risk exposure, risk concentrations may arise from multiple exposures that are closely correlated, and a given risk exposure may change its form from one risk type to another. There are also sources of risk that arise beyond our own operations such as the Bank's dependency on suppliers for the provision of services and technology. As the Bank remains accountable for risks arising from the actions of such third parties, failure to adequately monitor and manage these relationships could materially impact the

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2022

Bank's ability to operate and could have an impact on our ability to continue to provide services that are material to the Bank.

To facilitate risk identification and assessment, the Bank maintains a dynamic risk-scanning process with inputs from the internal and external risk environment, as well as potential threats and opportunities from the business and client perspectives. The Bank maintains an inventory of the Principal Risk Types and risk sub-types that are inherent to the strategy and business model; and emerging risks that include near-term as well as longer-term uncertainties. Near-term risks are those that are on the horizon and can be measured and mitigated to some extent, while uncertainties are longer-term matters that should be on the radar but are not yet fully measurable.

The Country Chief Risk Officer and the Country Risk Committee review regular reports on the risk profile for the Principal Risk Types, adherence to the approved Risk Appetite and the Bank risk inventory including emerging risks. They use this information to escalate material developments in each risk event and make recommendations to the Board on any potential changes to our Corporate Plan.

Stress testing

The objective of stress testing is to support the Bank in assessing that it:

- Does not have a portfolio with excessive risk concentration that could produce unacceptably high losses under severe but plausible scenarios
- Has sufficient financial resources to withstand severe but plausible scenarios
- Has the financial flexibility to respond to extreme but plausible scenarios
- Understands the key business model risks and considers what kind of event might crystallise those risks – even if extreme with a low likelihood of occurring – and identifies as required, actions to mitigate the likelihood or impact as required

Enterprise stress tests include Capital and Liquidity Adequacy Stress Tests, including in the context of capital adequacy, recovery and resolution, and stress tests that assess scenarios where our business model becomes challenged, such as the BoE Biennial Exploratory Scenario, or unviable, such as reverse stress tests.

Stress tests are performed at Bank, country, business and portfolio level. Bespoke scenarios are applied to our traded and liquidity positions as described in the sections on Traded Risk (page 134), and Treasury Risk (page 135). In addition to these, our stress tests also focus on the potential impact of macroeconomic, geopolitical and physical events on relevant regions, client segments and risk types.

Based on the stress test results, the Chief Financial Officer and Country Chief Risk Officer can recommend strategic actions to the Board to ensure that the Bank strategy remains within the Board-approved Risk Appetite.

Principal Risk Types

Principal Risk Types are risks that are inherent in our strategy and business model and have been formally defined in the Bank's ERMF. These risks are managed through distinct Risk Type Frameworks (RTFs) which are approved by the Country Chief Risk Officer. The Principal Risk Types and associated Risk Appetite Statements are approved by the Board The Bank currently recognises Climate Risk as a material cross-cutting risk. Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it.

In the coming years we will continue to consider if existing Principal Risk Types or incremental risks should be treated as cross-cutting risks. The table below shows the Bank's current Principal Risk Types.

Principal Risk Types	Definition
Credit Risk	• Potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Bank
Traded Risk	• Potential for loss resulting from activities undertaken by the Bank in financial markets
Treasury Risk	• "potential for insufficient capital, liquidity or funding to support our operations, the risk of reductions in earnings or value from movements in interest rates impacting banking book items and the potential for losses from a shortfall in the Group's pension plans.
Reputational and Sustainability Risk	• Potential for damage to the franchise (such as loss of trust, earnings or market capitalisation), because of stakeholders taking a negative view of the Bank through actual or perceived actions or inactions, including a failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm through our client, third-party relationships, or our own operations
Operational and Technology Risk	• Potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks)
Compliance Risk	• Potential for penalties or loss to the Bank or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws or regulations
Information and Cyber Security Risk	• Risk to the Bank's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems

Financial Crime Risk	• Potential for legal or regulatory penalties, material financial loss or reputational damage resulting • from the failure to comply with applicable laws and regulations relating to international sanctions, • anti-money laundering, anti-bribery and corruption and Fraud
Model Risk	• Potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models
Risk	Risk Appetite Statement
General	Standard Chartered Bank Zambia PLC will not compromise adherence to its Risk Appetite to pursue revenue growth or higher returns.

ERMF effectiveness reviews

The Country Chief Risk Officer is responsible for annually affirming the effectiveness of the ERMF to the Board Risk Committee. To facilitate this, an ERMF effectiveness review was established in 2018, which follows the principle of evidence-based self-assessments for all the Risk Type Frameworks and relevant policies.

The annual ERMF effectiveness review, first introduced in 2018, was conducted in 2021 and 2022, and enables measurement of progress against the 2018 baseline. The 2022 effectiveness review has shown that:

- Since the launch of the ERMF in 2018, the focus in 2020 has been on effective embedding of the framework across the organisation and we continue to make progress on overall effectiveness
- In 2022, effectiveness has improved year-on-year, with a substantial focus on development of non-financial risk management practices. Financial risks continue to be managed more effectively on a relative basis as compared with the non-financial risks. This reflects the maturity of these Risk Type Frameworks and the underlying risk management practices.
- Self-assessments performed in our footprint markets reflect the use of the ERMF and Principal Risk Types, with reinforced first line ownership of risks. Country and regional risk committees continue to play an active role in managing and overseeing material issues arising in countries. Automation opportunities for manual risk oversight processes and effective change management will continue to be explored in 2021

Ongoing structured ERMF effectiveness reviews enable us to identify improvement opportunities and proactively build plans to address them. Over the course of 2023, the Bank aims to further strengthen its risk management practices and target improvements in the management of non-financial risk types.

Executive and Board Risk oversight

Overview

The Board has ultimate responsibility for risk management and is supported by four Board Committees. The Board approves the ERMF based on the recommendation from the Board Risk Committee, which also recommends the Bank Risk Appetite Statement for all Principal Risk Types.

At Group level, Financial Crime Risk Appetite is reviewed and recommended to the Board by the Board Financial Crime Risk Committee. Information regarding material risk issues and compliance with policies and standards is communicated to the appropriate country, client segment, functional and Bank-level senior management and committees.

Board Risk committee

The Board Risk Committee, which derives its authority from the Board, is responsible for ensuring the effective management of risk throughout the Bank in support of the Bank's strategy. An Independent Non- Executive Director chairs the Board Risk Committee, whose members are drawn from the Board Members. The Committee determines the ERMF and oversees its effective implementation across the Bank, including the delegation of any part of its authorities to appropriate individuals or properly constituted sub-committees.

Executive Risk committee

The Executive Risk Committee, chaired by the Chief Risk Officer, governs the all the financial and non-financial risks across clients, businesses, products and functions. The non-financial Risk Types in scope are Operational and Technology Risk, Compliance Risk, Information and Cyber Security Risk, Fraud and Reputational Risk that is consequential in nature arising from potential failures of Principal Risk Types. The Committee also reviews the adequacy of the internal control systems across all Principal Risk Types.

The Financial Crime Risk Committee, chaired by the CEO governs the Financial Crime Risk Type Framework across the Bank. The committee ensures that the Financial Crime risk profile is managed within approved Risk Appetite and policies. The Committee is also responsible for recommending the Financial Crime Risk Appetite Statement and Risk Appetite metrics to the Board.

Bank Asset and Liability Committee

The Asset and Liability Committee is chaired by the Country Chief Executive Officer. Its members are drawn principally from the Management Team. The Committee is responsible for determining the Bank's approach to balance sheet strategy and recovery planning. The Committee is also responsible for ensuring that, in executing the Bank's strategy, the Bank operates within internally approved Risk Appetite and external requirements relating to capital, loss-absorbing capacity, liquidity, leverage, Interest Rate Risk in the Banking Book, Banking Book Basis Risk and Structural Foreign exchange Risk, and meets internal and external recovery planning requirement

Credit Risk

The Bank defines Credit Risk as the potential for loss due to

Notes to the consolidated financial statements (continued)

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the failure of a counterparty to meet its agreed obligations to pay the Bank

Risk Appetite Statement

The Bank manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors

Roles and responsibilities

The Credit Risk Type Frameworks for the Bank are set and owned by the Chief Risk Officer. The Credit Risk function is the second line control function responsible for independent challenge, monitoring and oversight of the Credit Risk management practices of the business and functions engaged in or supporting revenue-generating activities which constitute the first line of defence. In addition, they ensure that Credit Risks are properly assessed and transparent; and that credit decisions are controlled in accordance with the Bank's Risk Appetite, credit policies and standards.

Mitigation

Segment-specific policies are in place for the management of Credit Risk. The Credit Policy for Corporate, Commercial and Institutional Banking Client Coverage sets the principles that must be followed for the end-to-end credit process including credit initiation, credit grading, credit assessment, product structuring, Credit Risk mitigation, monitoring and control, and documentation.

The Consumer, Private and Business Banking Credit Risk Management Policy sets the principles for the management of the Consumer, Private and Business Banking lending, account and portfolio monitoring, collections management and forbearance programmes. In addition, there are other Bank-wide policies integral to Credit Risk management such as those relating to Risk Appetite, Model Risk, stress testing, and impairment provisioning.

The Bank also set out standards for the eligibility, enforceability and effectiveness of Credit Risk mitigation arrangements. Potential credit losses from a given account, client or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees. Risk mitigants are also carefully assessed for their market value, legal enforceability, correlation and counterparty risk of the protection provider.

Collateral must be valued prior to drawdown and regularly thereafter as required to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of liquidation. The Bank also seeks to diversify its collateral holdings across asset classes and markets. Where guarantees, credit insurance, standby letters of credit or credit derivatives are used as Credit Risk mitigation, the creditworthiness of the protection provider is assessed and monitored using the same credit approval process applied to the obligor.

Governance committee oversight

At the Board level, the Loans Review Committee (LRC) oversees the effective management of Credit Risk. At the executive level, the Credit Issues Committee (CIC) oversees the management of Credit Risk

The LRC also receives reports from other key Bank Committees such as the Credit Approvals Committee. . These Committees are responsible for overseeing the Credit Risk profile of the Bank within the respective business areas . Meetings are held regularly, and the committees monitor all material Credit Risk exposures, as well as key internal developments and external trends, and ensure that appropriate action is taken

Decision-making authorities and delegation

The Credit Risk Type Frameworks are the formal mechanism which delegate Credit Risk authorities cascading from the Board, to individuals such as the business segments' Credit Officers. Credit Risk authorities are reviewed at least annually to ensure that they remain appropriate.

Monitoring

We regularly monitor credit exposures, portfolio performance, and external trends that may impact risk management outcomes. Internal risk management reports that are presented to risk committees contain information on key political and economic trends across major portfolios and countries; portfolio delinquency and loan impairment performance.

The Industry Portfolio Mandate, developed jointly by the Corporate, Commercial and Institutional banking Client Coverage business and Risk function, provides a forward-looking assessment of risk using a platform from which business strategy, risk considerations and client planning are performed with one consensus view of the external industry outlook, portfolio overviews, Risk Appetite, underwriting principles and stress test insights.

In Corporate, Commercial and Institutional banking Client Coverage, clients and portfolios are subjected to additional review when they display signs of actual or potential weakness; for example, where there is a decline in the client's position within the industry, financial deterioration, a breach of covenants, or non-performance of an obligation within the stipulated period. Such accounts are subjected to a dedicated process overseen by the Credit Issues Committees in the relevant countries where client account strategies and credit grades are re-evaluated. In addition, remedial actions including exposure reduction, security enhancement, or exiting the account could be undertaken, and certain accounts could also be transferred into the control of Stressed Assets Group (SAG), which is our specialist recovery unit for Corporate, Commercial and Institutional banking Client Coverage and Private Banking that operates independently from our main business.

For Consumer, Private and Business Banking exposures, portfolio delinquency trends are monitored on an ongoing basis. Account monitoring is based on behavioural scores and bureau performance (where available). Accounts that are past due (or perceived as high risk but not yet past due) are subject to a collections or recovery process managed by a specialist function independent from the origination function. In some countries, aspects of collections and recovery activities are outsourced.

Credit rating and measurement

All credit proposals are subject to a robust Credit Risk assessment. It includes a comprehensive evaluation of the client's credit quality, including willingness, ability and capacity to repay. The primary lending consideration is based on the client's credit quality and the repayment capacity from operating cashflows for counterparties, and personal income or wealth for individual borrowers. The risk assessment gives due consideration to the client's liquidity and leverage position. Where applicable, the assessment includes a detailed analysis of the Credit Risk mitigation arrangements to determine the level of reliance on such arrangements as the secondary source of repayment in the event of a significant deterioration in a client's credit quality leading to default.

Risk measurement plays a central role, along with judgement and experience, in informing risk-taking and portfolio management decisions. Since 1st January 2008 we have used the advanced internal ratings-based approach under the Basel regulatory framework to calculate Credit Risk capital requirements. The Bank has also established a global programme to undertake a comprehensive assessment of capital requirements necessary to be implemented to meet the latest revised Basel III finalisation (Basel IV) regulations.

A standard alphanumeric Credit Risk grade system is used for Corporate, Commercial and Institutional banking Client Coverage. The numeric grades run from 1 to 14 and some of the grades are further sub-classified. Lower numeric credit grades are indicative of a lower likelihood of default. Credit grades 1 to 12 are assigned to performing customers, while credit grades 13 and 14 are assigned to non-performing or defaulted customers.

Retail Banking internal ratings-based portfolios use application and behavioural credit scores that are calibrated to generate a probability of default and then mapped to the standard alphanumeric Credit Risk grade system. We refer to external ratings from credit bureaus (where these are available). However we do not rely solely on these to determine Retail Banking credit grades.

Advanced internal ratings-based models cover a substantial majority of our exposures and are used in assessing risks at a customer and portfolio level, setting strategy and optimising our risk-return decisions. Material internal ratings-based risk measurement models are approved by the Model Risk Committee. Prior to review and approval, all internal ratings-based models are validated in detail by a model validation team which is separate from the teams that develop and maintain the models. Models undergo annual validation by the model validation team. Reviews are also triggered if the performance of a model deteriorates materially against predetermined thresholds during the ongoing model performance monitoring process which takes place between the annual validations.

Credit Concentration Risk

Credit Concentration Risk may arise from a single large exposure to a counterparty or a Bank of connected counterparties, or from multiple exposures across the portfolio that are closely correlated. Large exposure Concentration Risk is managed through concentration limits set for a counterparty or a Bank of connected counterparties based on control and economic dependence criteria. Risk Appetite metrics are set at portfolio level and monitored to control concentrations, where appropriate, by industry, specific products, tenor, collateralisation level, top clients and exposure to holding companies. Single name credit concentration thresholds are set by client Bank depending on credit grade, and by customer segment. For concentrations that are material at a Bank level, breaches and potential breaches are monitored by the respective governance committees and reported to the Bank Risk and Board Risk Committees.

Credit impairment

Expected credit losses (ECL) are determined for all financial assets that are classified as amortised cost or fair value through other comprehensive income. ECL is computed as an unbiased, probability-weighted provision determined by evaluating a range of plausible outcomes, the time value of money, and forward looking information such as critical global or country-specific macroeconomic variables. For more detailed information on macroeconomic data feeding into IFRS 9 ECL calculations, please refer to page 106.

At the time of origination or purchase of a non-credit-impaired financial asset (stage 1), ECL represent cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. ECL continue to be determined on this basis until there is a significant increase in the Credit Risk of the asset (stage 2), in which case an ECL is recognised for default events that may occur over the lifetime of the asset. If there is observed objective evidence of credit impairment or default (stage 3), ECL continue to be measured on a lifetime basis. To provide the Board with oversight and assurance that the quality of assets originated are aligned to the Bank's strategy, there is a Risk Appetite metric to monitor the stage 1 and stage 2 expected credit losses from assets originated in the last 12 months.

In Corporate, Commercial and Institutional banking Client Coverage and Private Banking, a loan is considered credit-impaired where analysis and review indicate that full payment of either interest or principal, including the timeliness of such payment, is questionable, or as soon as payment of interest or principal is 90 days overdue. These credit-impaired accounts are managed by our specialist recovery unit (GSAM). Where appropriate, non-material credit impaired accounts are co-managed with the business under the supervision of GSAM.

In Consumer, Private and Business Banking, a loan is considered credit-impaired as soon as payment of interest or principal is 90 days overdue or meets other objective evidence of impairment such as bankruptcy, debt restructuring, fraud or death. Financial assets are written off when there is no realistic prospect of recovery and the amount of loss has been determined. For Retail Banking assets, a financial asset is written off when it meets certain threshold conditions which are set at the point where empirical evidence suggests that the client is unlikely to meet their contractual obligations, or a loss of principal is expected.

Estimating the amount and timing of future recoveries involves significant judgment and considers the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market. The total amount of the Bank's impairment provision is inherently uncertain, being sensitive to changes in economic and credit conditions across the regions in which the Bank operates. For further details on sensitivity analysis of expected credit losses under IFRS 9, please refer to page 106.

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Stress testing

Stress testing is a forward-looking risk management tool that constitutes a key input into the identification, monitoring and mitigation of Credit Risk, as well as contributing to Risk Appetite calibration. Periodic stress tests are performed on credit portfolios/segments to anticipate vulnerabilities from stressed conditions and initiate timely right-sizing and mitigation plans. Additionally, multiple enterprise-wide and country-level stress tests are mandated by regulators to assess the ability of the Bank and its subsidiaries to continue to meet their capital requirements during a plausible, adverse shock to the business. These regulatory stress tests are conducted in line with the principles stated in the Enterprise Stress Testing Policy. Stress tests for key portfolios are reviewed by the Credit Risk Type Framework Owners (or delegates) as part of portfolio oversight; and matters considered material to the Bank are escalated to the Bank Chief Risk Officer and respective regional Risk Committee.

Traded Risk

The Bank defines Traded Risk as the potential for loss resulting from activities undertaken by the Bank in financial markets

Risk Appetite Statement

The Bank should control its trading portfolio and activities to ensure that Traded Risk losses (financial or reputational) do not cause material damage to the Bank's franchise. The Traded Risk Type Framework (TRTF) brings together all risk types exhibiting risk features common to Traded Risk. These risk sub-types include Market Risk, Counterparty Credit Risk, Issuer Risk, XVA, Algorithmic Trading and Pension Risk. Traded Risk Management (TRM) is the core risk management function supporting market-facing businesses, specifically Financial Markets and Treasury

Roles and responsibilities

The TRTF, which sets the roles and responsibilities in respect of Traded Risk for the Bank, is owned by the CCRO. The business, acting as first line of defence, is responsible for the effective management of risks within the scope of its direct organisational responsibilities set by the Board.

The TRM function is the second line control function that performs independent challenge, monitoring and oversight of the Traded Risk management practices of the first line of defence. The first and second lines of defence are supported by the organisation structure, job descriptions and authorities delegated by Traded Risk control owners

Mitigation

The Bank controls its trading portfolio and activities within Risk Appetite by assessing the various Traded Risk factors. These are captured and analysed using proprietary analytical tools, in addition to risk managers' specialist market and product knowledge.

The Bank's Traded Risk exposure is aligned with its Risk Appetite for Traded Risk, and assessment of potential losses that might be incurred by the Bank as a consequence of extreme but plausible events.

All businesses incurring Traded Risk must be in compliance with the TRTF. The TRTF requires that Traded Risk limits are defined at a level appropriate to ensure that the Bank remains within Traded Risk Appetite.

The TRTF, and underlying policies and standards ensure that these Traded Risk limits are implemented. All Traded Risk exposures throughout the Bank aggregate up to TRM's Bank-level reporting. This aggregation approach ensures that the limits structure across the Bank is consistent with the Bank's Risk Appetite.

The TRTF and Enterprise Stress Testing Policy ensure that adherence to stress-related Risk Appetite metrics is achieved. Stress testing aims at supplementing other risk metrics used within the Bank by providing a forward-looking view of positions and an assessment of their resilience to stressed market conditions. Stress testing is performed on all Bank businesses with Traded Risk exposures, either where the risk is actively traded or where material risk remains. This additional information is used to inform the management of the Traded Risk taken within the Bank. The outcome of stress tests is discussed across the various business lines and management levels so that existing and potential risks can be reviewed, and related management actions can be decided upon where appropriate.

Policies are reviewed and approved by the Board annually to ensure their ongoing effectiveness.

Governance committee oversight

At the Board level, the Board Risk Committee oversees the effective management of Traded Risk. At the executive level, the Asset and Liabilities Committee act as the primary risk governance for Traded Risk.

Decision-making authorities and delegation

The Bank's Risk Appetite Statement, along with the key associated Risk Appetite metrics, is approved by the Board with responsibility for Traded Risk limits, then tiered accordingly. Subject to the Bank's Risk Appetite for Traded Risk, the Board Risk Committee approves Bank-level Traded Risk limits..

Additional limits are placed on specific instruments, positions, and portfolio concentrations where appropriate. Authorities are reviewed at least annually to ensure that they remain appropriate and to assess the quality of decisions taken by the authorised person. Key risk-taking decisions are made only by certain individuals with the skills, judgement and perspective to ensure that the Bank's control standards and risk-return objectives are met. Authority delegators are responsible for monitoring the quality of the risk decisions taken by their delegates and the ongoing suitability of their authorities.

Market Risk

The Bank uses a Value at Risk (VaR) model to measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities. VaR is a quantitative measure of Market Risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcomes.

For day to day risk management, VaR is calculated as at the close of business, generally at UK time for expected market movements over one business day and to a confidence level of 97.5 percent. Intra-day risk levels may vary from those reported at the end of the day.

The Bank applies two VaR methodologies:

- **Historical simulation:** this involves the revaluation of all existing positions to reflect the effect of historically observed changes in Market Risk factors on the valuation of the current portfolio. This approach is applied for general Market Risk factors and the majority of specific (credit spread) risk VaRs
- **Monte Carlo simulation:** this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is applied for some of the specific (credit spread) risk VaRs in relation to idiosyncratic exposures in credit markets

A one-year historical observation period is applied in both methods.

As an input to regulatory capital, Trading Book VaR is calculated for expected movements over ten business days and to a confidence level of 99 percent. Some types of market risk are not captured in the regulatory VaR measure, and these "Risks-not-in-VaR" (RNiVs) are subject to capital add-ons.

Counterparty Credit Risk

The Counterparty Credit Risk arising from activities in financial markets is in scope of the Risk Appetite set by the Bank for Traded Risk. The Bank uses a Potential Future Exposure (PFE) model to measure the credit exposure arising from the positive mark to market of traded products and future potential movements in market rates, prices and volatilities.

PFE is a quantitative measure of Counterparty Credit Risk that applies recent historical market conditions to estimate the potential future credit exposure that will not be exceeded in a set time period at a set statistical confidence level. PFE is calculated for expected market movements over different time horizons, based on the tenor of the transactions. The Bank applies two PFE methodologies, predominantly simulation-based, as well as by way of add-ons

Underwriting

The underwriting of securities and loans is in scope of the Risk Appetite set by the Bank for Traded Risk. Additional limits approved by the Bank Chief Risk Officer are set on the underwriting portfolio stress loss, and the maximum holding period. The Underwriting Committee, under the authority of the Bank Chief Risk Officer, approves individual proposals to underwrite new security issues and loans for our clients.

Monitoring

TRM monitors the overall portfolio risk and ensures that it is within specified limits and therefore Risk Appetite. Limits are typically reviewed twice a year.

Most of the Traded Risk exposures are monitored daily against approved limits. Traded Risk limits apply at all times, unless separate intra-day limits have been set. Limit excess approval decisions are based on an assessment of the circumstances driving the excess and of the proposed remediation plan. Limits and excesses can only be approved by a Traded Risk manager with the appropriate delegated authority.

TRM reports and monitors limits applied to stressed exposures. Stress scenario analysis is performed on all Traded Risk exposures in financial markets and in portfolios outside financial markets such as syndicated loans and principal finance. Stress loss excesses are discussed with the business and approved where appropriate, based on delegated authority levels.

Stress testing

The VaR and PFE measurements are complemented by weekly stress testing of Market Risk and Counterparty Credit Risk to highlight the potential risk that may arise from severe but plausible market events. Stress testing is an integral part of the Traded Risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs

Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and equity prices. This covers all asset classes in the Financial Markets and Treasury books. Ad hoc scenarios are also prepared, reflecting specific market conditions and for particular concentrations of risk that arise within the business. Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The TRM function reviews stress testing results and, where necessary, enforces reductions in overall Traded Risk exposures. The Bank Risk Committee considers the results of stress tests as part of its supervision of Risk Appetite.

Where required, Bank and business-wide stress testing will be supplemented by entity stress testing at a country level. This stress testing is coordinated at the country level and subject to the relevant local governance

Treasury Risk

The Bank defines Treasury Risk as the potential for insufficient capital, liquidity or funding to support our operations, the risk of reductions in earnings or value from movements in interest rates impacting banking book items and the potential for losses from a shortfall in the Group's pension plans.

Risk Appetite Statement

The Bank should maintain a strong capital position including the maintenance of management buffers sufficient to support its strategic aims and hold an adequate buffer of high-quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary central bank support.

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Roles and responsibilities

The Treasurer is responsible for developing a Risk Type Framework for Capital and Liquidity Risk and for complying with regulatory requirements at a Bank level. The Treasury and Finance functions, as the second line of defence, provide independent challenge and oversight of the first line risk management activities relating to Capital and Liquidity Risk. In country, the Treasurer is supported by Treasury and Finance in implementing the Capital and Liquidity Risk Type Framework

Mitigation

The Bank develops policies to address material Capital and Liquidity risks and aims to maintain its risk profile within Risk Appetite. In order to do this, metrics are set against Capital Risk, Liquidity and Funding Risk and Interest Rate Risk in the Banking Book. Where appropriate, Risk Appetite metrics are cascaded down to regions and countries in the form of limits and management action triggers.

Capital Risk

In order to manage Capital Risk, strategic business and capital plans are drawn up covering a five-year horizon and are approved by the Board annually. The capital plan ensures that adequate levels of capital, including loss- absorbing capacity, and an efficient mix of the different components of capital are maintained to support our strategy and business plans. Treasury is responsible for the ongoing assessment of the demand for capital and the updating of the Bank's capital plan.

Capital planning takes the following into account:

- Current regulatory capital requirements and our assessment of future standards and how these might change
- Demand for capital due to the business and loan impairment outlook and potential market shocks or stresses
- Available supply of capital and capital raising options, including ongoing capital accretion from the business

Additionally, Risk Appetite metrics including capital, leverage, minimum requirement for own funds and eligible liability (MREL) and double leverage are assessed within the Corporate Plan to ensure that our business plan can be achieved within risk tolerances.

Liquidity Risk

At country level we implement various business-as-usual and stress risk metrics and monitor these against limits and management action triggers. This ensures that the Bank maintains an adequate and well-diversified liquidity buffer as well as a stable funding base, and that it meets its liquidity and funding regulatory requirements. The approach to managing risks and the Board Risk Appetite are assessed annually through the Internal Liquidity Adequacy Assessment Process. A funding plan is also developed for efficient liquidity projections to ensure that the Bank is adequately funded in the required currencies, to meet its obligations and client funding needs.

Interest Rate Risk in the Banking Book

The Bank defines Interest Rate Risk in the Banking Book (IRRBB) as the potential for a reduction in future earnings or economic value due to changes in interest rates. This risk arises from differences in the repricing profile, interest rate basis, and optionality of banking book assets, liabilities and off-balance sheet items. IRRBB represents an economic and commercial risk to the Bank and its capital adequacy. The Bank monitors IRRBB against a Board-approved Risk Appetite.

Recovery and Resolution Planning

In line with PRA requirements, the Bank maintains a Recovery Plan which is a live document to be used by management in the event of stress in order to restore the Bank to a stable and sustainable position. The Recovery Plan includes a set of Recovery Indicators, an escalation framework and a set of management actions capable of being implemented in a stress.

Governance committee oversight

At the Board level, the Board Risk Committee oversees the effective management of Capital and Liquidity Risk. At the executive level, the Bank Asset and Liability Committee ensures the effective management of risk throughout the Bank in support of the Bank's strategy, guides the Bank's strategy on balance sheet optimisation and ensures that the Bank operates within the internally approved Risk Appetite and other internal and external capital and liquidity requirements.

The Bank Asset and Liability Committee delegates part of this responsibility to the Operational Balance Sheet Committee to ensure alignment with business objectives.

Regional and country oversight under the capital and liquidity framework resides with regional and country Asset and Liability Committees. Regions and countries must ensure that they remain in compliance with Bank capital and liquidity policies and practices, as well as local regulatory requirements

Decision-making authorities and delegation

The Chief Financial Officer has responsibility for capital, funding and liquidity under the Senior Managers Regime. The Country Chief Risk Officer has delegated the Risk Framework Owner responsibilities associated with Capital and Liquidity Risk to the Treasurer. The Treasurer delegates second line oversight and challenge responsibilities to relevant and suitably qualified Treasury and Finance individuals.

Monitoring

On a day-to-day basis, the management of Capital and Liquidity Risk at the country level is performed by the Country Chief Executive Officer and Treasury Markets respectively. The Bank regularly reports and monitors Capital and Liquidity Risk inherent in its business activities and those that arise from internal and external events.

The management of capital and liquidity is monitored by Treasury and Finance with appropriate escalation processes in place. Internal risk management reports covering the balance sheet and the capital and liquidity position of the Bank are presented to the Operational Balance Sheet Committee and the Bank Asset and Liability Committee. The reports contain key information on balance sheet trends, exposures against Risk Appetite and supporting risk measures which enable members to make informed decisions around the overall management of the Bank's balance sheet. Oversight at regional and country level is provided by the regional and country Asset and Liability Committee, with a focus on the local capital and liquidity risks, local prudential requirements and risks that arise from local internal and external events.

Stress Testing

Stress testing and scenario analysis are an integral part of the capital and liquidity framework and are used to ensure that the Bank's internal assessment of capital and liquidity considers the impact of extreme but plausible scenarios on its risk profile. A number of stress scenarios, some designed internally, some required by regulators, are run periodically.

They provide an insight into the potential impact of significant adverse events on the Bank's capital and liquidity position and how this could be mitigated through appropriate management actions to ensure that the Bank remains within the approved Risk Appetite and regulatory limits. Daily liquidity stress scenarios are also run to ensure the Bank holds sufficient high-quality liquid assets to withstand extreme liquidity events.

Operational and Technology Risk

The Bank defines Operational Risk as the potential for loss resulting from inadequate or failed internal processes, technology events, human error or from the impact of external events (including legal risks).

Risk Appetite Statement

The Bank aims to control 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 Bank's franchise.

Roles and responsibilities

The Operational Risk Type Framework (ORTF) sets the roles and responsibilities in respect of Operational Risk for the Bank. This Framework collectively defines the Bank's operational risk sub types which have not been classified as Principal Risk Types (PRTs) and sets standards for the identification, control, monitoring and treatment of risks. These standards are applicable across all PRTs and risk sub-types in the ORTF. These risk sub-types relate to execution capability, governance, reporting and obligations, legal enforceability, and operational resilience (including client service, third party vendor services, change management, safety and security and system availability). The ORTF reinforces clear accountability for managing risk throughout the Bank and delegates second line of defence responsibilities to identified subject matter experts. For each risk sub-type, the expert sets policies and standards for the organisation to comply with, and provides guidance, oversight and challenge over the activities of the Bank. They ensure that key risk decisions are only taken by individuals with the requisite skills, judgement, and perspective to ensure that the Bank's risk-return objectives are met

Mitigation

The ORTF sets out the Bank's overall approach to the management of Operational Risk in line with the Bank's Operational Risk Appetite. This is supported by Risk and Control Self-Assessment (RCSA) which defines roles and responsibilities for the identification, control and monitoring of risks (applicable to all PRTs and risk sub-types).

The RCSA is used to determine the design strength and reliability of each process, and requires:

- The recording of processes run by client segments, products, and functions into a process universe
- The identification of potential breakdowns to these processes and the related risks of such breakdowns
- An assessment of the impact of the identified risks based on a consistent scale
- The design and monitoring of controls to mitigate prioritised risks

Assessments of residual risk and timely actions for elevated risks. Risks that exceed the Bank's Operational Risk Appetite require treatment plans to address underlying causes.

Governance committee oversight

At the Board level, the Board Risk Committee oversees the effective management of Operational Risk. At the executive level, the Country Risk Committee is responsible for the governance and oversight of Operational Risk for the Bank, monitors the Bank's Operational Risk Appetite and relies on other key Bank committees for the management of Operational Risk- in particular the Country Non-Financial Risk Committee (CNFRC).

Decision-making authorities and delegation

The ORTF is the formal mechanism through which the delegation of Operational Risk authorities is made. The Country Chief Risk Officer delegates second line authorities to designated subject matter experts (SMEs) responsible for the risk sub-types through this framework. The SMEs may further delegate their second line responsibilities to designated individuals at a global business, product and function level as well as regional or country level.

Monitoring

To deliver services to clients and to participate in the financial services sector, the Bank runs processes which are exposed to Operational Risks. The Bank prioritises and manages risks which are significant to clients and to the financial services sectors. Control indicators are regularly monitored to determine the residual risk the Bank is exposed to. The residual risk assessments and reporting of events form the Bank's Operational Risk profile. The completeness of the Operational Risk profile ensures appropriate prioritisation and timeliness of risk decisions, including risk acceptances with treatment plans for risks that exceed acceptable thresholds.

The Board is informed on adherence to Operational Risk Appetite through metrics reported for selected risks. These metrics are monitored, and escalation thresholds are devised

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for the year ended 31 December 2022

based on the materiality and significance of the risk. These Operational Risk Appetite metrics are consolidated on a regular basis and reported at relevant Bank committees. This provides senior management with the relevant information to inform their risk decisions.

Stress testing

Stress testing and scenario analysis are used to assess capital requirements for Operational Risks. This approach considers the impact of extreme but plausible scenarios on the Bank's Operational Risk profile. A number of scenarios have been identified to test the robustness of the Bank's processes and assess the potential impact on the Bank. These scenarios include anti-money laundering, sanctions, as well as information and cyber security.

Information and Cyber Security Risk

The Bank defines Information and Cyber Security Risk as the risk to the Bank's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems.

Risk Appetite Statement

The Bank seeks to avoid risk and uncertainty for our critical information assets and systems and has a low appetite for material incidents affecting these or the wider operations and reputation of the Bank.

Roles and responsibilities

The Bank's ICS Risk Type Framework (RTF) defines the roles and responsibilities of the first and second lines of defence in managing and governing ICS Risk respectively across the Bank with emphasis on business ownership and individual accountability.

The Information Security Officer has overall first line of defence responsibility for ICS Risk and holds accountability for the Bank's ICS strategy. The Information Security Officer (ISO) leads the development and execution of the ICS strategy. The Information Security Risk Officer (ISRO) function within Bank Risk, led by the Bank ISRO, operates as the second line of defence and sets the strategy and methodology for assessing, scoring and prioritising ICS risks across the Bank. This function has overall responsibility for governance, oversight and independent challenge of ICS Risk.

Mitigation

ICS Risk is managed through a structured ICS policy framework comprising a risk assessment methodology and supporting policies and standards which are aligned to industry best practice models.

In 2022, to ensure ICS risk management principles prioritise the adverse impact of cyber threat and vulnerability of information on Confidentiality, Integrity and Availability of Information Assets and Systems across the Bank, the ICS RTF was uplifted to include a threat led risk assessment methodology.

The ISRO function monitors compliance to the ICS framework through the review of the ICS risk assessments conducted by ISO. All key ICS risks, breaches and weaknesses are reviewed and approved by ISRO prior to the execution of mitigating actions. The ISO function performs ICS risk assessment to determine the ICS risk posture across the Bank with reporting to key Bank governance committees. Key ICS risks, breaches or weaknesses identified are documented, reviewed and approved by ISRO with mitigation activities monitored for completion with statuses reported to the relevant Bank governance committees.

Governance committee oversight

ICS Risk within the Bank is currently governed via the Board Risk Committee (BRC) which has responsibility for approving the definition of ICS Risk and the Risk Appetite. In addition, the Bank Risk Committee (GRC) has delegated authority to the ExecutiveRisk Committee (ERC) to ensure effective implementation of the ICS RTF. The BRC and ERC are responsible for oversight of ICS Risk posture and Risk appetite breaches rated very high and high. Sub-committees of the ERC have oversight of ICS Risk management arising from business and functional areas.

Decision-making authorities and delegation

The ICS RTF is the formal mechanism through which the delegation of ICS Risk authorities is made. The Board has delegated the ICS Risk Framework Owner authority to the ISRO. The ISRO has the responsibilities for approval for business andfunctions. The ISO, presents the proposed ICS Risk ratings to ISRO for review and sign-off Information Asset Owners, Information System Owners and process owners are responsible for the identification, creation and implementation of processes as required to comply with the ICS RTF. Approval of ICS Risk ratings follows an approval matrix defined by the ICS RTF where the CRO and Bank ISRO sign off very high and high risks respectively.

Monitoring

The ICS Risk assessment is in transition in 2022 to a threat-focused risk assessment. The risk assessment is performed by Bank CISO to identify key ICS risks, breaches and weaknesses, and to ascertain the severity of the risk posture. The risk postures of all businesses, functions and countries are consolidated to present a holistic Bank-level ICS risk posture for ongoing ICS risk monitoring. During these reviews, the status of each risk is assessed to identify any changes to materiality and likelihood, which in turn affect the overall ICS risk score and rating. Risks which exceed defined thresholds are reviewed with Bank CISRO for approval and escalated to appropriate Bank governance committees.

Monitoring and reporting on the ICS Risk Appetite profile ensures that performance which falls outside the approved Risk Appetite is highlighted and reviewed at the appropriate governance committee or authority levels and ensures that adequate remediation actions are in place where necessary.

Stress Testing

The ISRO determines ICS Risk controls to be subjected to scenario-based resiliency stress testing and sensitivity analysis, which is aimed to either ensure robustness of control and the ability to respond should a control fail. The Bank's stress testing approach entails:

- ISRO oversees all ICS risk-related stress testing the Bank carries out to meet regulatory requirements

- Incident scenarios affecting information assets and systems are periodically tested to assess the incident management capability in the Bank
- Penetration testing and vulnerability scanning are performed by Bank CISO against the Bank's internet-facing services and critical information assets/s

Compliance Risk

The Bank defines Compliance Risk as the potential for penalties or loss to the Bank, or for an adverse impact to our clients, stakeholders or to the integrity of the markets in which we operate through a failure on our part to comply with laws or regulations

Risk Appetite Statement

The Bank has no appetite for breaches in laws and regulations. Recognising that regulatory non-compliance cannot be entirely avoided, the Bank strives to reduce this to an absolute minimum.

Roles and responsibilities

The Head Conduct, Financial Crime and Compliance (Head, CFCC) as Risk Framework Owners for Compliance Risk provides support to senior management on regulatory and compliance matters by:

- Providing interpretation and advice on CFCC regulatory requirements and their impact on the Bank
- Setting enterprise-wide standards for management of compliance risks through the establishment and maintenance of the Compliance Risk Type Framework (Compliance RTF)
- Setting a programme for monitoring Compliance Risk

The Compliance RTF sets out the Bank's overall approach to the management of Compliance Risk and the roles and responsibilities in respect of Compliance Risk for the Bank. All activities that the Bank engages in must be designed to comply with the applicable laws and regulations in the countries in which we operate. The CFCC function is the second line that provides oversight and challenge of the first line risk management activities that relate to Compliance Risk. Where Compliance Risk arises, or could arise, from failure to manage another principal risk or risk sub-type, the Compliance RTF outlines that the responsibility rests with the respective Risk Framework Owner or control function to ensure that effective oversight and challenge of the first line can be provided by the appropriate second line function.

Each of the assigned second line functions has responsibilities including monitoring relevant regulatory developments from Non-Financial Services regulators at both Bank and country levels, policy development, implementation, and validation as well as oversight and challenge of first line processes and controls.

In addition, the Compliance RTF has been enhanced in 2020 via risk appetite metrics that enable greater oversight of implementation of country-level regulatory requirements, and by bringing together all data management risks including transition of Data Quality from the Operational Risk Type Framework.

Mitigation

The CFCC function develops and deploys relevant policies and standards setting out requirements and controls for adherence by the Bank to ensure continued compliance with applicable laws and regulations. Through a combination of risk assessment, control standard setting, control monitoring and assurance activities, the Compliance Risk Framework Owner seeks to ensure that all policies are operating as expected to mitigate the risk that they cover. The installation of appropriate processes and controls is the primary tool for the mitigation of Compliance Risk. In this, the requirements of the Operational Risk Type Framework are followed to ensure a consistent approach to the management of processes and controls. Deployment of technological solutions to improve efficiencies and simplify processes has continued in 2020. These include further expansion of digital chatbots and a tool to track non-financial regulatory reporting.

Governance committee oversight

Compliance Risk and the risk of non-compliance with laws and regulations resulting from failed processes and controls are overseen by the Country Financial Risk Committee and Executivel Risk Committee.

The Compliance Risk Framework Owner has also established a CFCC Oversight Bank to provide oversight of CFCC risks including the effective implementation of the Compliance RTF. The Conduct, Financial Crime and Compliance Non-

Financial Risk Committee has a consolidated view of these risks and helps to ensure that appropriate governance is in place for these. In addition, the Committee helps to ensure that elevated levels of Compliance Risk are reported to the Executivel Risk Committee, Board Risk Committee and Audit Committee.

Decision-making authorities and delegation

The Compliance Risk Type Framework is the formal mechanism through which the delegation of Compliance Risk authorities is made. The Head, CFCC has the authority to delegate second line responsibilities within the CFCC function to relevant and suitably qualified individuals.

Monitoring

The monitoring of controls designed to mitigate the risk of regulatory non-compliance in processes are governed in line with the Operational Risk Type Framework. The Bank has a monitoring and reporting process in place for Compliance Risk, which includes escalation and reporting to Executive Risk Committee, Board Risk Committee and Audit Committee, as appropriate.

Stress testing

Stress testing and scenario analysis are used to assess capital requirements for Compliance Risk and form part of the overall scenario analysis portfolio managed under the Operational Risk Type Framework. Specific scenarios are developed annually with collaboration between the business, which owns and manages the risk, and the CFCC function, which is second line to incorporate significant Compliance Risk tail events. This approach considers the impact of extreme but plausible scenarios on the Bank's Compliance Risk profile.

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Financial Crime Risk

The Bank defines Financial Crime Risk as the potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering, anti-bribery and corruption, and fraud.

Risk Appetite Statement

The Bank has no appetite for breaches in laws and regulations related to financial crime, recognising that while incidents are unwanted, they cannot be entirely avoided.

Roles and responsibilities

The Head, CFCC has overall responsibility for Financial Crime Risk and is responsible for the establishment and maintenance of effective systems and controls to meet legal and regulatory obligations in respect of Financial Crime Risk. The Head Financial Crimes is Bank's Money-Laundering Reporting Officer and performs the function in accordance with the requirements set out by the Regulatory agencies. As the first line, the business unit process owners have responsibility for the application of policy controls and the identification and measurement of risks relating to financial crime. Business units must communicate risks and any policy non-compliance to the second line for review and approval following the model for delegation of authority.

Mitigation

There are four Bank policies in support of the Financial Crime Risk Type Framework:

- Anti-bribery and corruption as set out in the Bank Anti-Bribery and Corruption Policy
- Anti-money laundering and countering terrorist financing as set out in the Bank Anti-Money Laundering and Counter Terrorist Financing Policy
- Sanctions as set out in the Bank Sanctions Policy
- Fraud as set out in the Bank Fraud Risk Management Policy

The Bank operates risk-based assessments and controls in support of its Financial Crime Risk programme, including (but not limited to):

- **Bank Risk Assessment** - a Bank-wide Financial Crime Risk assessment that is undertaken annually to assess the inherent Financial Crime Risk exposures and the effectiveness of the implemented controls by which these exposures are mitigated, so that the Bank can direct and allocate appropriate mitigating resources
- **Country Risk Assessment (Geographic Risk Rating)** – an assessment and measurement of the inherent Financial Crime Risk within specific countries or jurisdictions based on political, economic and criminal factors
- **Product Risk Assessment** – an assessment of the inherent Financial Crime Risks within the products offered by the Bank
- **Client Risk Assessment** – a model, calibrated and monitored using Bank Model Validation standards, designed to dynamically measure the inherent Financial Crime Risks posed by a client relationship
- **Financial Crime Surveillance** – risk-based systems and processes to prevent and detect financial crime

The strength of controls is tested and assessed through the Bank's ORTF, in addition to oversight by CFCC Assurance and Bank Internal Audit.

Governance committee oversight

Financial Crime Risk within the Bank is governed by the Financial Crime Risk Committee and the Executive Risk Committee which is appointed by and reports into the Board Risk Committee. Both Committees are responsible for ensuring the effective management of Operational Risk relating to Financial Crime Risk and Fraud Risk compliance throughout the Bank. The Board appoints the Board Risk Committee to provide oversight on anti-bribery and corruption, anti-money laundering (and terrorist financing), sanctions and fraud risk. The Committees provide oversight of the effectiveness of the Bank's policies, procedures, systems, controls and assurance mechanisms designed to identify, assess, manage, monitor, detect or prevent money laundering, non-compliance with sanctions, bribery, corruption, internal/ external fraud and tax crime by third parties.

Decision-making authorities and delegation

The Financial Crime Risk Type Framework is the formal mechanism through which the delegation of Financial Crime Risk authorities is made. The HeadFinancial Crimes is the Risk Framework Owners for Financial Crime Risk under the Bank's Enterprise Risk Management Framework and has delegated authorities to effectively implement the Financial Crime Risk Type Framework. Certain aspects of Financial Crime Compliance, second line oversight and challenge, are further delegated within the CFCC function. Approval frameworks are in place to allow for risk-based decisions on client on-boarding, potential breaches of sanctions regulation or policy, and situations of potential money laundering (and terrorist financing), bribery and corruption or internal and external fraud.

Monitoring

The Bank monitors Financial Crime Risk compliance against a set of Risk Appetite metrics that are approved by the Board. These metrics are reviewed periodically and reported regularly to the Financial Crime Risk Committee, Executive Risk Committee, and Board Risk Committee.

Stress testing

The assessment of Financial Crime vulnerabilities under stressed conditions or extreme events with a low likelihood of occurring is carried out through enterprise stress testing.

Model Risk

The Bank defines Model risk as potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models due to errors in the development, implementation, or use of such models.

Risk Appetite Statement

The Bank has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models, whilst accepting model uncertainty.

Roles and responsibilities

The CRO is the Risk Framework Owner for Model Risk under the Bank's Enterprise Risk Management Framework and Responsibility for the oversight and implementation of the Model Risk Type Framework as delegate at country level.

The Model Risk Type Framework sets out clear accountability and roles for Model Risk management through the three lines of defence. First line ownership of Model Risk resides with Model Sponsors, who are the business or function heads and assign a Model Owner for each model.

Model Owners represent model users and are responsible for end-to-end model development, ensuring model performance through regular model monitoring and communicating model limitations, assumptions, and risks. Model Owners also coordinate the submission of models for validation and approval and ensure appropriate model implementation and use. Second line oversight is provided by Model Risk Management, which is comprised of Bank Model Validation and Model Risk Policy and Governance.

Bank Model Validation independently review and grade models, in line with design objectives, business uses and compliance requirements, and highlight identified model risks. Model Risk Policy and Governance team provide oversight of Model Risk, performing regular Model Risk Assessment and risk profile reporting to senior management.

Mitigation

The Model Risk policy and standards define requirements for model development and validation activities, including regular model performance monitoring. Any model issues or deficiencies identified through the validation process are mitigated through the application of model overlays and/or a model redevelopment plan, which undergo robust review, challenge and approval. Operational controls govern all Model Risk-related processes, with regular risk assessments performed to assess appropriateness and effectiveness of those controls, in line with the Operational Risk Type Framework, with remediation plans implemented where necessary.

Governance committee oversight

At the Board level, the Board Risk Committee exercises oversight of Model Risk within the Bank. At the executive level, the ExecutiveRisk Committee ensures effective measurement and management of Model Risk.

Decision-making authorities and delegation

The Model Risk Type Framework is the formal mechanism through which the delegation of Model Risk authorities is made. The second line ownership for Model Risk at country level is delegated to CRO.. At group level, the Model Risk Committee is responsible for approving models for use. Model approval authority is also delegated to the Credit Model Assessment Committee, Traded Risk Model Assessment Committee and individual model approvers for less material models.

Monitoring

The Bank monitors Model Risk via a set of Risk Appetite metrics that are approved by the Board. Adherence to Model Risk appetite and any threshold breaches are reported regularly to the Board Risk Committee and Model Risk Committee. Models undergo regular monitoring based on their level of perceived model risk, with monitoring results and breaches presented to Model Risk Management and delegated model approvers. Model Risk Management produces Model Risk reports covering the model landscape, which include performance metrics, identified issues and remediation plans. These are presented for discussion at the Model Risk governance committees on a regular basis.

Stress testing

Models play an integral role in the Bank's stress testing and are rigorously validated to ensure they are fit-for-purpose for use under stressed market conditions. Compliance with Model Risk management requirements and regulatory guidelines are also assessed as part of each stress test, with any identified gaps mitigated through model overlays and defined remediation plans.

Reputational and Sustainability Risk

The Bank defines Reputational and Sustainability Risk as the potential for damage to the franchise, (such as loss of trust, earnings or market capitalisation) because of stakeholders taking a negative view of the Bank through actual or perceived actions or inactions including a failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm through our client and third-party relationships or our own operations.

Risk Appetite Statement

The Bank aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm.

Sustainability Risk continues to be an area of growing importance, driving a need for strategic transformation across business activities and risk management to ensure that we uphold the principles of Responsible Business Conduct and continue to do the right thing for our stakeholders, the environment and affected communities. Throughout 2022, we have laid the foundation to integrate Sustainability Risk management for clients, third parties and our operations and continued to invest in infrastructure and technology to keep pace with emerging environmental, social and governance (ESG) regulatory obligations and accelerating commitments across our markets

Roles and responsibilities

The CRO is the Risk Framework Owner for Reputational and Sustainability Risk under the Bank's ERMF CA. The CRO constitutes the second line of defence, overseeing and challenging the first line which resides with the CEO,

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

Business and Product Heads in respect of risk management activities of reputational-related risks. The Environmental and Social Risk Management team (ESRM), which is in the first line of defence, also provides dedicated support on the management of environmental and social risks and impacts arising from the Bank's client relationships and transactions

Mitigation

In line with the principles of Responsible Business Conduct and Do No Significant Harm, the Bank deems Reputational and Sustainability Risk to be driven by:

- Negative shifts in stakeholder perceptions due to decisions related to clients, products, transactions, third parties and strategic overage;
- Potential material harm or degradation to the natural environment (environmental) through actions/inactions of the Bank
- Potential material harm to individuals or communities (social) risks through actions/inactions of the Bank

The Bank's Reputational Risk policy sets out the principal sources of Reputational Risk driven by negative shifts in stakeholder perceptions as well as responsibilities, control and oversight standards for identifying, assessing, escalating and effectively managing Reputational Risk.

The Bank takes a structured approach to the assessment of risks associated with how individual client, transaction, product and strategic coverage decisions may affect perceptions of the organisation and its activities, based on explicit principles including, but not limited to gambling, defence and dual use goods. Whenever potential for stakeholder concerns is identified, issues are subject to prior approval by a management authority commensurate with the materiality of matters being considered. Such authorities may accept or decline the risk or impose conditions upon proposals, to protect the Bank's reputation.

The Bank's Sustainability Risk policy sets out the requirements and responsibilities for managing environmental and social risks for the Bank's operations, clients and third parties, as guided by various industry standards such as the OECD"s Due Diligence Guidance for Responsible Business Conduct, Equator Principles, United Nations Sustainable Development Goals and the Paris Agreement.

Through our operations, the Bank seeks to minimise its impact on the environment and have targets to reduce energy, water and waste. Clients are expected to adhere to minimum regulatory and compliance requirements, including criteria from the Bank's Position Statements. Suppliers must comply with the Bank's Supplier Charter which sets out the Bank's expectations on ethics, anti-bribery and corruption, human rights, environmental, health and safety standards, labour and protection of the environment.

Governance committee oversight

The Board retains overall responsibility for Reputational and Sustainability Risk. Oversight from an operational perspective falls under the remit of the ERC to ensure the effective management of primary and secondary Reputational and Sustainability Risk across the Bank.

The ERC's remit is to:

- Challenge, constrain and, if required, stop business activities where risks are not aligned with the Bank's Risk Appetite;
- Make decisions on Reputational Risk matters assessed as high or very high based on the Bank's primary Reputational Risk materiality assessment matrix, and matters escalated from client businesses.
- Provide oversight of material Reputational Risk and/or thematic issues arising from the potential failure of other risk types; and
- Oversee Sustainability Risk management of the Bank.

Decision-making authorities and delegation

The Reputational and Sustainability RTF is the formal mechanism through which the delegation of Reputational and Sustainability Risk authorities is made. The Global Head, ERM delegates risk acceptance authorities for stakeholder perception risks to designated individuals in the first line and second line or to Committees such as the GRRRC via risk authority matrices.

These risk authority matrices are tiered at country, regional, business segment or Bank levels and are established for risks incurred in strategic coverage, clients, products or transactions. For Environmental and Social Risks, the ESRM must review and support the risk assessments for clients and transactions and escalate to the Reputational Risk leads as required. Throughout 2022 the risk authorities would be enhanced as Sustainability risk is embedded throughout the Bank.

Monitoring

Reputational and Sustainability Risk policies and standards are applicable to all Bank entities. However, local regulators in some markets may impose additional requirements on how banks manage and track Reputational and Sustainability Risk. In such cases, these are complied with in addition to Bank policies and standards.

Exposure to stakeholder perception risks arising from transactions, clients, products and strategic coverage are monitored through established triggers outlined in risk materiality matrices to prompt the right levels of risk-based consideration by First Line and escalations to Second Line where necessary. Risk acceptance decisions and thematic trends are also being reviewed on a periodic basis.

Exposure to Sustainability Risk is monitored through triggers embedded within the first-line processes where environmental and social risks are considered for clients and transactions via the Environmental and Social Risk Assessments and considered for vendors in our supply chain through the Modern Slavery questionnaires.

Stress testing

Reputational Risk outcomes are taken into account in enterprise stress tests and incorporated into the Bank's stress testing scenarios. For example, the Bank might consider what impact a hypothetical event leading to loss of confidence among liquidity providers might have, or what the implications might be for supporting part of the organisation in order to protect the brand. As Sustainability Risk continues to evolve as an area of emerging regulatory focus and ESG regulatory guidance is being developed, the Bank is keeping pace with external developments to enable us to explore meaningful scenario analysis with the aim of advancing Reputational and Sustainability Risk management

Climate Risk – Integrated Risk Type

The Bank currently recognises Climate Risk as an Integrated Risk Type. Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it. Climate risk is primarily managed at a Group level, while the Bank leverages Group processes and data for Climate risk management

Risk Appetite Statement

The Bank aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients in alignment with the Paris Agreement.

Climate Risk has been recognised as an emerging risk since 2017 and was elevated to an integrated risk type (previously known a material cross cutting risk) in 2019. We have integrating Climate Risk into mainstream risk management in alignment with the home (Bank of England's Supervisory Statement 3/19) requirements. We have a climate risk workplan with defined milestones for 2022 and are making good progress. However, it is still a relatively nascent area which will mature and stabilise over the years to come.

Roles and responsibilities

The three lines of defence model as per the Enterprise Risk Management Framework applies to Climate Risk. The Chief Risk Officer (CRO) has the ultimate second line and Senior Management Responsibility for Climate Risk in country.

As climate risk is integrated into the relevant PRTs, second line responsibilities between the risk framework owner and the central climate risk team will be shared.

Mitigation

As a material cross-cutting risk manifests through other Principal Risk Types (PRT), risk mitigation activities are specific to individual PRTS. Centrally, a cross-cutting standard is being put in place to capture practices across various PRTs. Within each individual PRT, relevant framework, policy and standards are being updated as per the climate risk workplan. As an example, for operational risk in our own operations, the checklist for new property acquisition has been updated to include physical risk rating.

Governance committee oversight

Board level oversight is exercised through the Board Risk Committee (BRC), and quarterly Climate Risk updates are provided to the Board through the BRC. At the executive level the Executive Risk Committee oversees implementation of the Climate Risk workplan.

Tools and methodologies

Applying existing risk management tools to quantify Climate Risk is challenging given inherent data and methodology challenges, including the need to be forward looking over long time horizons. To leverage expertise from various areas, we have invested into a number of tools and partnerships:

- **Munich Re** – we are using Munich Re's physical risk assessment tool, which is built on extensive re-insurance experience
- **Baringa Partners** – we are using Baringa's flagship climate models to understand climate scenarios, compute transition risk and temperature alignment
- **Standard and Poor** – we are leveraging S&P and Trucost's wealth of climate data covering asset locations, energy mixes and emissions
- **Imperial College** – we are leveraging Imperial's academic expertise to advance our understanding of climate science, upskill our staff and senior management, and progress the state of independent research on climate risks with an acute focus on emerging markets

Decision-making authorities and delegation

The CRO is supported by a centralised Climate Risk team within the Group ERM function. The Global Head, Climate Risk and Net Zero Oversight is responsible for ensuring and executing the delivery of the Climate Risk workplan which will define decision-making authorities and delegations across the Group.

Monitoring

The Climate Risk Appetite Statement is approved and reviewed annually by the Board. The Group has developed its first-generation Climate Risk reporting and Management Team level Risk Appetite metrics. The first version of these metrics was shared with the relevant committees as part of the Group Risk Information Report and Board Risk Information Report, respectively, in September 2021. Going forward, these will be included in the Group and Board risk reports quarterly, and management information is also being progressively rolled out at the regional and country level.

Stress testing

Climate risk intensifies over time and future global temperature rises depend on today's transition pathway. Considering different transition scenarios is crucial to assessing climate risk over the next 10, 20 and 50 years. Stress testing and scenario analysis are used to assess capital requirements for climate risk and in 2023 physical and transition risks will included in the Bank Internal Capital Adequacy Assessment Process (ICAAP). At group level in 2023, we will undertake a number of climate risk stress tests, including by the Bank of England and the Hong Kong Monetary Authority. This will help us develop our understanding and management of climate risk. +Details on the Bank's Taskforce for Climate-related Financial Disclosures can be found on sc.com/tcfd

Emerging Risks

In addition to our Principal Risk Types that we manage through Risk Type Frameworks, policies and Risk Appetite, we also maintain an inventory of emerging risks. Emerging risks refer to unpredictable and uncontrollable outcomes from events which may have the potential to materially impact our business. These include near-term risks that are on the horizon and can be measured or mitigated to some extent, as well as longer-term uncertainties that are on the radar but not yet fully measurable.

In 2020, we undertook a thorough review of our Emerging Risks, using the approach described in the Enterprise Risk

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

Management Framework (ERMF) section. The key results of the review are detailed below.

The following items have been amended or added as new emerging risks:

- 'Interbank Offered Rate discontinuation and transition' – This risk has been removed given the Group has a wellestablished global IBOR Transition Programme to consider all aspects of the transition and how risks from the transition can be mitigated
- The following items have been amended or added as new emerging risks:
- 'Crystallisation of inflation fears' – Interest rates have already increased or are likely to rise in several countries as central banks respond to inflationary pressure. Drivers of price increases include shortages of materials and labour, increased demand as economic recoveries take hold and long-term monetary stimulus, with growing acceptance that the inflationary shock will last longer than initially expected
- 'Energy security' – Increased industrial demand and accelerated transitions to cleaner energy sources have put a strain on supply lines. This has increased tensions between nations as power shifts towards energy exporters, and energy security becomes questionable across developed markets and emerging markets alike. A lack of investment by oil producers as we transition could also lead to an increase in oil prices in the short term
- 'Supply chain dislocations' – Global supply chains have been disrupted both by COVID-19 lockdowns and deglobalisation. As economies recover there are shortages in some key source materials and delivery delays which are affecting many industries' ability to meet the rapid increase in demand
- 'Expanding stakeholder expectations for environmental, social and corporate governance (ESG)' – Added as an emerging risk to reflect the broader sustainability agenda of the Group and capture ESG concerns beyond Climate Risk such as biodiversity loss and depletion of natural resources, which are increasing areas of focus for regulators, investors and non-governmental organisations. The speed of transition to meet the requirements could be faster in developed markets
- 'Expanding array of global tensions' – Expanded to cover a proliferation of global political and economic agenda items that create disruption and potential flashpoints between countries. These are reshaping global political alliances and disrupting traditional economic corridors.
- 'Adapting to endemic COVID-19 and a K-shaped recovery' – Encapsulates the shift towards living with COVID-19 and what the new post-COVID normal will look like. Varying vaccination rates and levels of economic stimulus have widened the recovery gap and threaten a K-shaped global recovery, where countries or sectors recover at different rates depending on their ability to adapt to a post-COVID world
- 'New business structures, channels and competition' – Reflects the linkage between the Bank's increasing reliance on partnerships and alliances in exploring new technologies and digital enhancement, and the heightened risks that are intrinsically linked to such activities. Digital assets are also covered within this emerging risk
- Talent pools of the future' – Expanded to consider the risks of widening skills gaps and shifting expectations of the future workforce, beyond just the practical challenges of increased remote working
- In addition to the above, the Bank further monitors the following emerging risks:
- Energy concerns' – We monitor and assess the frequency of power cuts and the resulting impact on the economy. Standby generators have been installed in the Bank to minimise the impact on operations. The Bank has robust Business Continuity Plans that are reviewed regularly to manage a range of scenarios.
- 'Speed of Regulatory change' – The Bank actively monitors regulatory initiatives to identify any potential impact on the business model. The regulatory landscape remains extremely crowded for the next 24 months with staff capacity streched to deal with the scale of regulatory reforms underway. Increased pressure due to divergence between PA and PRA / other key regulator implementation timelines. Increased senior management oversight and escalation to AME region to request additional support to meet PA requirements.

Our list of emerging risks, based on our current knowledge and assumptions, is set out below, with our subjective assessment of their impact, likelihood and velocity of change. This reflects the latest internal assessment of material risks that the Bank faces as identified by senior management. This list is not designed to be exhaustive and there may be additional risks which could materialise or have an adverse effect on the Bank. Our mitigation approach for these risks may not be successful in completely eliminating them, but rather shows the Bank's attempt to reduce or manage the risk. As certain risks develop and materialise over time, management will take appropriate incremental steps based on the materiality of the impact of the risk to the operations of the Bank.

Appendix

Five year summary

	2022 k'000	2021 k'000	2020 k'000	2019 k'000	2018 k'000
Operating profit before impairment losses and taxation	**364,135**	410,090	250,878	369,517	470,171
Impairment losses on loans and advances and other credit risk provisions	**10,489**	202,207	(293,252)	(303,730)	(55,784)
Profit before taxation	**374,624**	612,296	(42,374)	65,787	414,387
Profit/(loss) attributable to shareholders	**244,627**	353,930	(48,078)	12,286	230,051
Loans and advances to customers	**1,642,633**	1,646,011	2,410,457	3,131,664	2,886,321
Total assets	**15,431,095**	13,272,737	14,186,870	11,067,439	9,746,335
Customer accounts	**13,266,859**	10,899,749	12,214,521	9,289,287	8,204,152
Shareholders' equity	**965,949**	1,153,970	810,415	742,825	613,550
Information per ordinary share					
Basic earnings/(loss) per share (Kwacha)	**0.147**	0.212	(0.029)	0.007	0.138
Dividends per share (Kwacha)	**-**	0.21	(0.03)	0.01	0.13
Ratios					
Statutory return on ordinary shareholders' equity	**25%**	31%	-6%	2%	37%
Cost to income ratio	**70%**	69%	78%	67%	58%
Capital ratios:					
Tier 1	**16%**	26%	15%	16%	12%
Total capital	**17%**	28%	17%	17%	13%

Principal Addresses

Head Office

Standard Chartered Bank Zambia Plc
Standard Chartered House, Stand No 4642, corner of Mwaimwena Road
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Executive Management Team

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Branch Network

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Addis Ababa Road
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Tel: +260 (211) 422051/56

United Nations (UN) Agency Branch
P.O. Box Lusaka 33610
Tel: +260 (211) 386200

Central Park Branch
Central Park - Shop no. 4, Main Building,
Corner Cairo Road/Church Road
P.O. Box 32238, Lusaka
Tel: +260 (211) 422600-20

Copperbelt Branch
ECL Mall-Stand No. 7732,
Corner Freedom Avenue and Independence Avenue
P.O. Box 32238, Kitwe
Tel: +260 (212) 422750-80

Agents

Agent Name	Location	Town
Mandale Corporation	Shop No 4 Shoprite Complex, Congo Road	Chililabombwe
Mandale Corporation	Ground Floor Zango Building, Plot 4226 Congo Road	Chililabombwe
Mandale Corporation	First Floor Zango Building, Plot 4226 Congo Road	Chililabombwe
Same Team Investment Limited	Plot No 40 – 14th Street Town Centre	Chingola
Liquid Intelligent Technologies	Shop #029 Mukuba Mall	Kitwe
Liquid Intelligent Technologies	Stand #59 Centro Mall Kabulonga, Corner Bishop and Kabulonga Road	Lusaka
Liquid Intelligent Technologies	Lewanika Shopping Mall	Lusaka
Liquid Intelligent Technologies	Shop #3 Central Park, Lusaka	Lusaka
Liquid Intelligent Technologies	Cosmopolitan Mall Makeni, between Muchachos and Galitos	Lusaka
Liquid Intelligent Technologies	East Park Mall – next to Roca Mamas	Lusaka
Cloud Smart Enterprise	Shop 110 Chamba Valley Shopping Mall, Meanwood	Lusaka
Mobrin Colour Drop Limited	Unit 21 Centro Mall, Kabulonga, Corner Bishop and Kabulonga Road	Lusaka
PORKAS ICT Services	Shop No. 11, Makeni Mall Kafue Road	Lusaka
Digital Zone	3rd Wing Shop #32, Cosmopolitan Mall Kafue Road	Lusaka
Marvelous Touch Outfiters T/A Elegant Scents	Shop 79/A, New Wing, East Park Mall	Lusaka
Mushambo Travel & Tours	Central Park Mall, Corner Church Road and Cairo Road	Lusaka
Right Price Limited	Levy Mall, Shop No.G35, Church Road	Lusaka
Prime Performance Limited	Stand # 2204 Shop number 3, Cairo Mall, Cairo Road	Lusaka
PORKAS ICT Services	Shop No. 11, Makeni Mall Kafue Road	Lusaka
Spot On Cafe Enterprise	Shop 5 Lot Number 23826/M Palabana Rd Silverest	Lusaka
Right Price Limited	Shop #2 Corner of Blantyre road Opposite old Hungry Lion	Ndola
Mobrin Colour Drop Limited	Shop No. 5 Z-mart Mall, President Avenue	Ndola
PORKAS ICT Services	Shop No.18 Kafue River Mall	Kafue
PORKAS ICT Services	Shop No. 3 Chirundu Mall	Chirundu

Dividend

At a Board meeting held on 24 February 2023, the Directors did not recommend any dividend for the year ended 31st December 2022 due to regulatory requirements..

By Order of the Board
Doris Tembwe
Company Secretary
24 February 2023

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 52nd Annual General Meeting of the fully paid-up shareholders of Standard Chartered Bank Zambia Plc in respect of the period ended 31 December 2022, will be held virtually on https://eagm.creg.co.zw/eagm/login.aspx and physically on the 4th floor at Standard Chartered Bank House, Corner of Mwaimwena Road and Addis Ababa Drive on 30 March 2023, 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 or physically at the above address.

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 March 2022.

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 2022 and the reports of the Chairman, Directors and Auditors.

4. **Resolution 3 – Dividend**

   To approve a recommendation from the Board of Directors regarding dividends for the year ended 31 December 2022.

5. **Resolution 4 – 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.

6. **Resolution 5 – Appointment and Re-Appointment of Directors**

   To receive and accept the retirement of Caleb Mailoni Fundanga in line with the Bank of Zambia Corporate Governance Directives. And to ratify the appointment of Christopher Ian Egberink as a Non-Executive Director.

7. **Resolution 6 – Remuneration of the Directors**

   To authorize the Board to fix the remuneration of the Directors.

8. **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 Monday, 13th March 2023 and automatically close at the commencement of the Meeting on Wednesday, 29th March 2023 at 17:00 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 DorrisChomba.Tembwe@sc.com. before the commencement of the AGM.

By Order of the Board

Doris Tembwe
Company Secretary

Issued in Lusaka, Zambia on 7 March 2023

Lusaka Securities Exchange Sponsoring Broker

STOCKBROKERS ZAMBIA LIMITED

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E | advisory@sbz.com.zm
W | www.sbz.com.zm
Stockbrokers Zambia Limited (SBZ) is a member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia

First Issued on 7 March 2023

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 Second Annual General Meeting of theCompany, to be held on Thursday, 30 March 2023 and at every Adjournment thereof:

	In favour	Against
Resolution 1 – To confirm, adopt and sign the minutes of the AGM held on 30 March 2022.	☐	☐
Resolution 2 – To receive, approve and adopt the Chairman's Report, Directors' Report and Financial Statements for the year ended 31 December 2022.	☐	☐
Resolution 3 – To approve a recommendation from the Board of Directors regarding dividends for the year ended 31 December 2022.	☐	☐
Resolution 4 – To re-appointment of 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.	☐	☐
Resolution 5 – To receive and accept the retirement of Caleb Mailoni Fundanga in line with the Bank of Zambia Corporate Governance Directives. And to ratify the appointment of Christopher Ian Egberink as a Non-Executive Director.	☐	☐
Resolution 6: To authorise the Board to fix their remuneration.	☐	☐
Signature(s)	☐	☐
Certificate Number(s)	☐	☐

Supplementary Information

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.