Indo Zambia Bank Limited

Annual report

for the year ended 31 December 2023

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The Directors submit their report together with the audited annual financial statements for the year ended 31 December 2023, which disclose the state of affairs and performance of Indo Zambia Bank Limited (the "Bank").

Principal activities

The principal activity of the Bank is the provision of Retail and Commercial Banking and related services to the general public. There have been no significant changes in the Bank's business during the year.

Share capital and beneficial owner(s)

The nominal capital of the Bank remained unchanged at 780,000,000. The authorised share capital remained unchanged at 420,000,000 ordinary shares of 1 kwacha each. The issued and fully paid-up share capital remained at 416,000,000 ordinary shares of 1 kwacha each.

The Bank shareholding and beneficial ownership is represented as follows:

Name of shareholder	Percentage of shareholding	Beneficial owners
Industrial Development Corporation	40%	Government of the Republic of Zambia
Bank of Baroda	20%	Government of India
Bank of India	20%	Government of India
Central Bank of India	20%	Government of India

There were no changes in the shareholding during the year and the Bank has no natural person as the beneficial owner.

Operating results	2023	2022
Net interest income	1,430,448,647	1,242,800,758
Profit before income tax	842,196,387	738,607,559
Income tax expense	(237,863,237)	(229,656,969)
Profit for the year	604,333,150	508,950,590

Dividend

During the year, K100,000,000 representing K0.24 per ordinary share was paid as dividends to the shareholders for the year ended 31 December 2022 (2021: K80,000,000 representing K0.19 per ordinary share was paid as dividends to the shareholders for the year ended 31 December 2021). After the reporting date, a dividend of K120,000,000 was proposed (2022: K100,000,000). This dividend is subject to approval by the shareholders at the Annual General Meeting.

Developments during the year

At 31 December 2023, the Bank had a total of 30 branches (2022: 30 branches) and 6 retail agencies (2022: 6 retail agencies).

Directors

The Directors who held office during the year and up to the date of this report were:

Dr Michael Mikayeli Gondwe	Chairperson	
Ngenda Nyambe	Director	
Kowdichar Shashidhar	Managing Director	
Swarup Dasgupta	Director	Appointed 26 July 2022
Ajaj K Khurana	Director	Appointed 19 December 2022

Interest register information

During the year, the interests declared, if any, by the Bank officers (a Director, Company Secretary or executive officer of a Bank) were recorded in the minutes of Board and Committee meetings. The Declaration of Interests Register, as required by the Companies Act No. 10 of 2017, containing particulars of the above stated interests declared, is available for inspection at the Company's registered office.

Directors' interests and emoluments

Except for the Managing Director, no other Director has a service contract with the Bank. No Director had an interest in any significant contract entered by the Bank during the year (2022: Nil).Directors emoluments paid during the year ended 31 December 2023 were K14.85 million (2022: 17.61 million) of which K7.88 million (2022: 8.44 million) related to Directors fees.

Property and equipment

During the year, the Bank purchased property and equipment amounting to K77.99 million (2022: K96.05 million).

Research and developments

During the year, the Bank incurred costs of K3.06 million (2022: K3.58 million) on research and development.

Related party transactions

As required by the Banking and Financial services Act, 2017 (As amended) of Zambia, related party transactions are disclosed in note 28 of the financial statements.

Employees

The total remuneration to employees during the year amounted to K327.66 million (2022: K336.93 million) as disclosed in Note 13a of the financial statements and the average number of employees for each month of the year were as follows:

Month	No of employees	Month	No of employees
January	365	July	361
February	366	August	359
March	369	September	359
April	368	October	357
May	367	November	360
June	364	December	361

Employee policies

Human Resources and Training policies have been reviewed and updated.

Health and safety of employees

The Directors are aware of their responsibilities regarding the safety and health of employees and have put appropriate measures in place to safeguard the safety and health of the Bank's employees.

Gifts and donations

The Bank made donations during the year amounting to K1.85 million (2022: K1.33 million) in order to support various charitable organisations and events.

Exports

The Bank did not export any of its primary goods or services in the year.

Other material facts, circumstances and events

The Directors are not aware of any material fact, circumstance or event which occurred between the reporting date and the date of this report which might influence an assessment of the Bank's financial position or the results of its operations.

Prohibited borrowings or lending

There were no prohibited borrowings or lending as defined under Sections 81 and 82 of the Banking and Financial services Act, 2017 (As amended) of Zambia.

Risk Management and Control

The Bank, through its normal operations, continues to be exposed to a number of risks, the most significant of which are credit, market, operational and liquidity risks. The Bank's risk management objectives, policies and strategies are disclosed in Note 29 to the financial statements.

Compliance Function

The Bank has a compliance function whose responsibility is to monitor compliance with regulatory requirements and the various internal control processes and procedures.

Know Your Customer (KYC) and Anti-Money Laundering (AML) Policies

The Bank continues to utilise and update it's Know-Your-Customer ("KYC") and Anti-Money Laundering ("AML") policies and comply with current legislation in these areas.

Company Auditor and remuneration

In accordance with the provision of the Articles of Association of the Bank, the auditor PricewaterhouseCoopers Zambia were appointed at the Company's 35th Annual General Meeting and the Directors were authorised to determine their remuneration for each of the ensuing years.

The auditor remuneration for the year was K2.35 million (2022: K2.11 million), comprised of K2.14 million (2022: K1.90 million) as regards audit services and K0.21 million (2022: K0.21 million) for other services rendered to the Bank.

Signed on behalf of the Board of Directors

Dr Michael Mikayeli Gondwe
Chairman

7th .... **March 2024**

Kowdichar Shashidhar
Managing Director

Corporate governance

The Bank has put in place measures and processes to ensure that it is in compliance with the Corporate Governance Directives as issued by the Bank of Zambia, which were effective 1 November 2017.

Board of Directors

The Board of Directors has been appointed and is responsible to the Shareholders for the performance and direction of Indo Zambia Bank Limited through the establishment of strategic objectives and key policies as well as approving major business decisions in accordance with its mandate.

Duties and functions specified in the Companies Act No.10 of 2017, and the Banking and Financial Services Act No.7 of 2017

- Formulation of policies for the Bank
- Ensuring corporate governance and business performance of the bank
- Directing the affairs and business operations of the bank
- Ensuring that the business of the bank is carried on in compliance with all applicable laws and regulations and is conducive to safe and sound practices;
- Constituting committees of the Board as prescribed;
- Reporting to the shareholders, at an annual general meeting, on the internal controls and systems and information management systems of the bank;
- Reporting to the Bank of Zambia on any material changes in the activities, structure and condition of the Bank;
- Reporting to the Bank of Zambia on matters that may affect the suitability of Shareholders , Directors and Senior Managers.

Other responsibilities and duties:

The Board has overall responsibility over the Bank, including approving and overseeing the implementation of its strategic objectives, risk strategy, governance framework and corporate values and culture. The Board is also responsible for providing oversight to Senior Management. In executing its mandate, the Board;

- Approves the overall business strategy of the Bank, taking into account the Bank's long-term financial interests and its ability to manage risk effectively.

Other responsibilities and duties *(continued)*

- Establishes and oversees the implementation and embedment of the Bank's :
  - Overall business objectives and strategy;
  - Corporate culture and values;
  - Risk culture;
  - Risk management function and an appropriate risk governance framework. The Board has developed, along with Senior Management and the Chief Risk Officer, the Bank's risk appetite, landscape taking into consideration the competitive and regulatory, long-term interests, exposure to risk and the ability to manage risk effectively; and
  - Corporate governance framework, principles and corporate values, including a code of conduct or comparable document and compensation system.
- Approves and oversees the implementation of the Bank's capital adequacy assessment process, capital and liquidity plans, compliance policies and obligations and the internal control system.
- Ensures that Shareholders have the opportunity to participate effectively and vote at general meetings. Additionally, the Board ensures that Shareholders are informed of the rules, including voting procedures that govern general meetings.
- Is accountable to Shareholders and responsible for the efficient and effective governance of the Bank.
- Facilitates questioning of external auditor on their opinion at annual general meetings or extraordinary. Shareholders meetings when deemed necessary by the shareholders.
- Has established an effective process for the selection and appointment of key Senior Management officers that are qualified, professional and competent to administer the affairs of the Bank approves the succession planning policy and monitor senior management performance on an on-going basis.
- Has ensured that the Bank operates prudently and complies with relevant laws, supervisory directives. directives, codes of business practice and its own policies and directives.
- Has ensured that Management has established an effective compliance function that monitors adherence to laws, regulations and policies to which the institution is subject and ensured that any deviations are reported and corrected.
- Has ensured that Senior Management implements policy to identify, prevent or manage and disclose, as appropriate, any conflicts of interest that may arise.
- Has established a disclosure policy that enhances transparency.
- Oversees the design and operation of the Bank's compensation system and monitor and review 'the system to ensure that it is aligned with the bank's desired risk appetite and risk culture.
- Has ensured that transactions with related parties (including internal Bank transactions) are reviewed to assess risk and are subject to appropriate restrictions (e.g. by requiring that such transactions are conducted at arm's length terms).

Board Committees

The Board has established the following Committees:
i. Board Audit Committee;
ii. Risk Management Committee;
iii. Loans Review Committee; and
iv Nominations, Remunerations & Governance Committee

Board Audit Committee

- Provide oversight over the Bank's financial reporting process;
- Provide oversight of the institutions internal and external auditor, approving their appointment, compensation and dismissal;
- Review and approve audit scope and frequency;
- Receive audit reports and ensuring that Senior Management is taking appropriate corrective actions in a timely manner to address control weaknesses, non-compliance with laws and regulations and other problems identified by auditor;
- Satisfy itself that accounting principles, policies and practices are adequate to ensure resources are safeguard; laws are followed; reliable data is disclosed; and internal control systems are adequate;
- The appointment or dismissal of external auditor is only be made by a decision of the independent, non-executive audit Committee members;
- Ensure that the internal audit adopts a risk-based approach in the development of its audit programs and the annual work plan.
- Provide oversight on Senior Management in the management of credit risk, market risk, liquidity risk, operational risk, legal risk, compliance risk reputational risk, strategic risk and other risk that the institution is exposed to.
- Approve the internal audit annual work plan, which shall include for each assignment, the scope, objectives, timing and resources needed to carry out the assignment.
- Advising the Board on the institutions overall current and future risk tolerance/appetite and strategy and for overseeing Senior Management's implementation of that strategy. This include strategies for capital and liquidity management as well as credit, market, operational, compliance, reputational and other risks of the bank.
- In order to enhance effectiveness of the Committee, it receives formal and informal communication from the risk management function and the Chief Risk Officer and where appropriate receives external expert advice, particularly in relation to proposed strategic transactions such as mergers and acquisitions.
- Ensuring the Bank's risk governance framework includes policies, supported by appropriate control procedures and processes, designed to ensure that its risk identification, aggregation, mitigation and monitoring capabilities are commensurate with its size, complexity and risk profile.
- Ensuring the risk identification processes encompass all material risks that the bank is exposed to, both on- and off-balance sheet.
- Ensuring the risk identification and measurement include both quantitative and qualitative elements including bank-wide views of risk relative to the Bank external operating environment.

Board Committees *(continued)*

The committee-wise responsibilities are as follows:

Board Audit Committee

- Ensuring the Bank's internal controls are designed to assure that each key risk has a policy, process or other measure and that these are being applied and working as intended.
- Ensuring the Bank has accurate internal and external data to identify and assess risk, make adequacy. strategic business decisions and determine capital and liquidity.
- Ensuring the internal controls place reasonable checks on managerial and employee discretion in order to avoid actions beyond the authority of the individual.

Risk Management Committee

- Provide oversight on Senior Management in the management of credit risk, market risk, liquidity risk, operatio nal risk, legal risk, compliance risk reputational risk, strategic risk and other risk that the institution is exposed to.
- Advising the Board on the institutions overall current and future risk tolerance/appetite and strategy and for overseeing Senior Management's implementation of that strategy. This include strategies for capital and liquidity management as well as credit, market, operational, compliance, reputational and other risks of the bank.
- In order to enhance effectiveness of the Committee, it receives formal and informal communication from the risk management function and the Chief Risk Officer and where appropriate receives external expert advice, particularly in relation to proposed strategic transactions such as mergers and acquisitions.
- Ensuring the Bank's risk governance framework includes policies, supported by appropriate control procedures and processes, designed to ensure that its risk identification, aggregation, mitigation and monitoring capabilities are commensurate with its size, complexity and risk profile.
- Ensuring the risk identification processes encompass all material risks that the bank is exposed to, both on- and off-balance sheet.
- Ensuring the risk identification and measurement include both quantitative and qualitative elements including bank-wide views of risk relative to the Bank external operating environment.
- Ensuring the Bank's internal controls are designed to assure that each key risk has a policy, process or other measure and that these are being applied and working as intended.
- Ensuring the Bank has accurate internal and external data to identify and assess risk, make strategic business decisions and determine capital and liquidity adequacy.
- Ensuring the internal controls place reasonable checks on managerial and employee discretion in order to avoid actions beyond the authority of the individual.

Loans Review Committee

- Review and approve lending strategies and policies including appropriate loan limits;
- Approve asset quality standards with respect to all lending areas and monitor concentration of credit by product, industry and geographic areas;
- Approve appropriate general underwriting guidelines with respect to all lending areas and ensure institutional adherence to such guidelines;
- Review institution's lending activities and ensure compliance with approved internal policies and all applicable laws;
- Review and if appropriate, approve all loans recommended by the management credit committee and where appropriate approve exceptions to defined policies;
- Review compliance exceptions matters arising from supervisory, internal audit and external audit findings that pertain to the bank's credit portfolio and monitors how they are being addressed;
- Review the Bank's credit quality including but not limited to trends in loan quality, classification of loans charge-offs and delinquencies.

Nominations, Remuneration & Governance Committee

- Identify and assist with the recruitment of competent and qualified candidates for Board membership, Chairpersons of the Board, and of the Board's Committees and of Committee members and members of Senior Management;
- Establish a formal selection criterion for prospective Directors and participate in the evaluation of Board and Senior Management effectiveness;
- Assess the effectiveness of the Board and direct the process of renewing and replacing Board members;
- Recommend to the Board to accept or decline any tendered resignation of a Director;
- Ensure a review at least annually of incumbent Directors' performance and attendance at Board and Committee meetings;
- Ensure that the Board members receive thorough orientation on Board governance and key strategic issues facing the institution;
- Review and reassess the adequacy of the institution's corporate governance principles and practices for 'the Board of Directors at least annually and recommend proposed changes to the Board;
- Provide oversight of remuneration and compensation of Directors, Senior Management and other key personnel;
- Provide oversight of the remuneration system's design and operation and ensure that it is consistent with the institution's culture, long-term objectives, business and risk strategy, performance and control environment; and
- Make recommendations to the Board regarding the use of incentive compensation plans and equity bases remuneration plans.

Board of Directors evaluation

The Board undertakes an annual self-evaluation in accordance with the Bank of Zambia Banking and Financial Services Corporate Governance Directives. This process helps to identify areas of governance that need to be improved. During the year, the Board conducted an external evaluation to enhance feedback from this process.

Risk management and control

In its normal operations, the Bank is exposed to a number of risks, the most significant of which are credit, market, operational and liquidity risks. These are described and explained in greater detail in Notes 6 and 29.

The Board is satisfied with adequacy of accounting records and effectiveness of the system of governance and risk management.

Code of ethics

The Bank has developed a Code of Ethics that stipulates the specific guidelines, ethical values or standards guiding the Bank in the interaction with its internal and external stakeholders. The Bank is in compliance with the Code of ethics and there are no instances of unethical behaviour during the period under review.

Stakeholder's interest

The Bank has served the interests of the Shareholders by ensuring the following :

- Compliance with all the regulatory requirements of Bank of Zambia, Zambia Revenue Authority, Companies Act and other requirements.
- Performance beyond budget projections.
- Good corporate governance.
- Timely reporting to the shareholders on quarterly financials and other returns.
- Reporting to the Board on instances of fraud and action taken.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the requirements of the Companies Act of Zambia, 2017 and the Banking and Financial services Act, 2017 (As amended) of Zambia.

Statement of Directors' responsibilities
for the year ended 31 December 2023

The Companies Act, 2017 of Zambia, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank. The Directors are further required to ensure the Bank adhere to the corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with the IFRS Accounting Standards and the requirements of the Companies Act, 2017 of Zambia.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, and for such internal controls as the directors determine necessary to enable the preparation 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 set out on pages 18 to 105 give a true and fair view of the state of the financial affairs of the Bank and of its financial performance in accordance with IFRS accounting standards and the Companies Act, 2017 of Zambia. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Part VII of the Companies Act, 2017 of Zambia.

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

Signed on behalf of the Board of Directors

Dr Michael Mikayeli Gondwe
Chairman

7th March 2024

Kowdichar Shashidhar
Managing Director

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Independent auditor's report

To the Shareholders of Indo Zambia Bank Limited

Report on the audit of the annual financial statements

Our opinion

In our opinion, the annual financial statements give a true and fair view of the financial position of Indo Zambia Bank Limited (the "Bank") as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, 2017 of Zambia and the Banking and Financial services Act, 2017 (As amended) of Zambia.

What we have audited

Indo Zambia Bank Limited's annual financial statements are set out on pages 18 to 105 and comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the annual financial statements, comprising material accounting policies and other explanatory information.

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 annual financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Report on the audit of the annual financial statements (continued)

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of financial assets measured at amortised cost As at 31 December 2023 , the Bank's portfolio of financial assets measured at amortised cost included loans and advances and investment securities. The Bank's management has applied an expected credit loss ("ECL") model to determine the allowance for impairment on financial assets. In coming up with the expected credit loss provision, the Bank relies on specialist actuarial models which makes this an area of focus. Estimating the ECL involves the use of various assumptions which include the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) as well as forecast macroeconomic information. Significant judgments were made in determining the PDs. LGDs and forward-looking information taking into account he Covid 19 pandemic and its impact on the Bank's credit risk. Additional information on impairment of financial assets at amortised cost is presented in Note 6: Financial risk management and Note 29: Financial risk management.	We carried out the following procedures: • Tested the controls around the credit process including origination, credit appraisal, disbursement process, delinquent loans and investment approval process. • Obtained an understanding of the Bank's methodology in arriving at the PDs, EAD and LGDs used in the ECL calculation and assessed this against the requirements of IFRS 9. • Tested the impairment of financial assets carried at amortised cost including the basis for their judgments and reasonableness of key inputs and assumptions. • For loans and advances, tested a sample of accounts to understand their performance and appropriateness of staging in line with IFRS 9 by recalculating the number of days past due. • For investment securities, agreed assumptions relating to PDs and LGDs to information from reputable independent third parties. • With the support of our specialists, we obtained an understanding and tested the formulae driving the models calculation and re-performed the calculation of the PDs, LGD and EAD which involves a detailed data check, full recalculation of the model assumptions and an independent re-run of the models. • Tested forward looking information used and evaluated it against external sources of information. • Reviewed the financial statement disclosures

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Report on the audit of the annual financial statements (continued)

Other information

The Directors are responsible for the other information. The other information comprises the Bank's Annual Report but does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual 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 annual financial statements

The Directors are responsible for the preparation of annual financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the requirements of the Companies Act, 2017 of Zambia and the Banking and Financial services Act, 2017 (As amended) of Zambia, and for such internal control as the Directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Directors are responsible for assessing 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 Bank or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the annual financial statements

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

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Report on the audit of the annual financial statements (continued)

Auditor's responsibilities for the audit of the annual financial statements (continued)

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

- Identify and assess the risks of material misstatement of the annual 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 Bank's internal control.

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual 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 Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other legal and regulatory requirements

The Companies Act, 2017 of Zambia

The Companies Act, 2017 of Zambia requires that in carrying out our audit of Indo Zambia Bank Limited, we report on whether:

i. as required by section 259 (3)(a), there is a relationship, interest or debt which, ourselves, as the Bank Auditor, have in the Bank;

ii. as required by section 259 (3)(b), there are serious breaches by the Bank's Directors, of corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia; and

iii. in accordance with section 250 (2), as regards loans made to a Bank Officer (a director, company secretary or executive officer of the company), the Bank does not state the:

- particulars of any relevant loan made during the financial year to which the accounts apply, including any loan which was repaid during that year; or
- amount of any relevant loan, whenever made, which remained outstanding at the end of the financial year.

In respect of the foregoing requirements, we have no matters to report.

The Banking and Financial services Act, 2017 (As amended) of Zambia

The Banking and Financial services Act, 2017 (As amended) of Zambia also requires that our audit report should state whether, among other matters, Indo Zambia Bank Limited has complied with the provisions of the Act. In accordance with the requirements of the Banking and Financial services Act, 2017 (As amended) of Zambia, we are required to report to you whether:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- there are transactions or conditions affecting the ability of the Bank continue as a going concern which have come to our attention and that in our opinion are not satisfactory and require rectification; and
- any transaction undertaken by the Bank which was not within the powers of the Bank or which was contrary to this Act or other relevant law came to our attention;
- the Bank had non-performing or restructured loans outstanding, whose individual values exceeded 5% of the Bank's regulatory capital.

In respect of the foregoing requirements, we have no matters to report.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

17 MARCH 2024

Martin Bamukunde
Practicing Certificate Number: AUD/A009933
Partner signing on behalf of the firm

Indo Zambia Bank Limited
Annual Financial Statements
Statement of financial position
as at 31 December 2023
All amounts are in Zambian Kwacha unless otherwise stated

	Notes	2023	2022
Assets			
Cash and balances with other banks	16.1	1,715,910,080	1,581,071,376
Balances at Central Bank	16.2	2,258,830,994	2,008,894,789
Investment securities	17	5,951,319,218	5,571,635,780
Loans and advances to customers	18	5,899,352,725	4,233,471,185
Derivative financial asset	23	270,393,432	-
Other assets	19	303,047,258	218,717,386
Property and equipment	20a	376,041,594	336,562,867
Right of Use Assets	20b	58,797,736	29,064,465
Deferred income tax asset	14d	160,864,920	106,944,150
Total assets		16,994,557,957	14,086,361,998
Liabilities			
Deposits from customers	21	12,757,244,717	10,053,620,393
Borrowings	33	1,522,499,894	1,896,278,158
Lease Liabilities	20b	73,728,554	36,712,721
Other liabilities	22	218,163,615	229,216,754
Derivative financial liability	23	15,703,100	-
Current income tax liabilities	14c	119,858,664	88,598,050
Total liabilities		14,707,198,544	12,304,426,076
Equity			
Share capital	24	416,000,000	416,000,000
Statutory reserve		15,000,000	15,000,000
Fidelity reserve		126,369	126,369
Revaluation reserve		24,984,168	30,194,373
Retained earnings		1,831,248,876	1,320,615,180
Total equity attributable to the equity holders of the bank		2,287,359,413	1,781,935,922
Total liabilities and equity		16,994,557,957	14,086,361,998

The notes on pages 22 to 105 are an integral part of these annual financial statements.

These annual financial statements were approved and authorised for issue by the board of directors on .... 2024 and were signed on its behalf by:

Dr Michael Mikayeli Gondwe
Chairman

Kowdichar Shashidhar
Managing Director

Cuthbert K. Tembo
Company Secretary

Indo Zambia Bank Limited
Annual Financial Statements
Statement of profit and loss and other comprehensive income
for the year ended 31 December 2023
All amounts are in Zambian Kwacha unless otherwise stated

	Notes	2023	2022
Interest income	7	1,905,280,882	1,737,472,703
Interest expense	8	(474,832,235)	(494,671,945)
Net interest income		1,430,448,647	1,242,800,758
Fee and commission income	9	134,602,958	94,812,388
Net trading income	10	122,905,699	111,890,089
Other operating income	11	1,919,039	48,288,006
		1,689,876,343	1,497,791,241
Impairment loss on financial instruments	6.1(iii)	(157,813,585)	(88,096,410)
Administrative expenses	12	(160,367,595)	(150,639,221)
Operating expenses	13(a)	(523,215,095)	(516,487,695)
Finance cost	13(c)	(6,283,681)	(3,960,355)
Profit before tax		842,196,387	738,607,560
Income tax expense	14a	(237,863,237)	(229,656,969)
		604,333,150	508,950,591
Total comprehensive income for the year		604,333,150	508,950,591

The notes on pages 22 to 105 are an integral part of these annual financial statements.

Statement of changes in equity

for the year ended 31 December 2023

All amounts are in Zambian Kwacha unless otherwise stated

	Share capital	Statutory reserves	Fidelity reserves	Revaluation reserves	Regulatory reserves	Retained earnings	Total
Balance at 1 January 2022	416,000,000	15,000,000	126,369	30,072,426	50,300,313	837,729,807	1,349,228,915
Profit for the year	-	-	-	-	-	508,950,590	508,950,590
Other comprehensive income							
Revaluation surplus - Effect of reducing tax rate from 35% to 30% (2021)	-	-	-	2,666,076	-	-	2,666,076
BOZ excess provision over IFRS 9	-	-	-	-	(50,300,313)	50,300,313	-
Transfer of excess depreciation on revaluation	-	-	-	(3,634,470)	-	3,634,470	-
Tax on excess depreciation revaluation	-	-	-	1,090,341	-	-	1,090,341
Total comprehensive income for the year, net of tax	-	-	-	121,947	(50,300,313)	53,934,783	3,756,417
Transactions with owners, recorded directly in equity							
Dividend paid	-	-	-	-	-	(80,000,000)	(80,000,000)
Balance at 31 December 2022	416,000,000	15,000,000	126,369	30,194,373	-	1,320,615,180	1,781,935,922
Balance at 1 January 2023	416,000,000	15,000,000	126,369	30,194,373	-	1,320,615,180	1,781,935,922
Profit for the year	-	-	-	-	-	604,333,150	604,333,150
Other comprehensive income							
Revaluation surplus - Effect of reducing tax rate from 35%	-	-	-	(2,666,076)	-	2,666,076	-
Transfer of excess depreciation on revaluation	-	-	-	(3,634,470)	-	3,634,470	-
Tax on excess depreciation revaluation (note 14)	-	-	-	1,090,341	-	-	1,090,341
Total comprehensive income for the year, net of tax	-	-	-	(5,210,205)	-	6,300,546	1,090,341
Transactions with owners, recorded directly in equity							
Dividend paid (note 24)	-	-	-	-	-	(100,000,000)	(100,000,000)
Balance at 31 December 2023	416,000,000	15,000,000	126,369	24,984,168	-	1,831,248,876	2,287,359,413

Refer to note 32 for the detailed explanation for each reserve within the Statement of Changes in Equity. The notes on pages 22 to 105 are an integral part of these financial

Indo Zambia Bank Limited
Annual Financial Statements
Statement of cash flows
for the year ended 31 December 2023
All amounts are in Zambian Kwacha unless otherwise stated

	Notes	2023	2022
Cash flow from operating activities			
Profit before income tax		842,196,387	738,607,560
Adjustment for			
- Profit on sale of property, plant and equipment	11	(4,660)	-
- Depreciation	20a	38,509,134	25,975,389
- Amortisation of right of use asset	20b	21,069,221	13,007,574
- Exchange loss on remeasurement of lease liabilities	20b	2,441,464	2,756,597
- Interest expense on lease liabilities	20b	6,282,948	3,960,355
- Impairment of government securities	17	2,653,208	85,164,985
- Exchange differences on Eurobond	17	(117,757,144)	(16,590,836)
- Accrued interest on Eurobonds	17	-	(22,393,751)
- Interest on borrowings	33	50,083,131	101,361,261
- Write-off capital work in progress items	20a	-	721,082
-Tax paid	14c	(259,433,051)	(174,559,146)
- Exchange differences		-	10,579,898
		586,040,638	768,590,968
Changes in working capital:			
- Loans and advances to customers		(1,665,881,540)	(1,232,232,560)
- Other assets		(84,329,872)	232,402,655
- Customer deposits		2,703,624,324	2,251,076,462
- Statutory deposits		(1,158,316,198)	(212,458,645)
- Other liabilities		(10,913,540)	131,384,307
		(215,816,826)	1,170,172,219
Net cash generated from operating activities		370,223,812	1,938,763,186
Cash flows from investing activities			
Acquisition of property and equipment	20(a)	(77,987,861)	(96,051,794)
Acquisition of investment securities	17	(4,027,412,218)	(4,350,294,233)
Disposal of investment securities	17	3,687,736,539	3,455,596,208
Acquisition of derivative assets	23	(179,917,000)	-
Net cash utilised in investing activities		(597,580,540)	(990,749,819)
Cash flows from financing activities			
Proceeds from borrowings	33	-	1,717,794,000
Repayment of borrowings	33	(423,861,395)	(1,590,826,220)
Payment of interest on lease liabilities	20(b)	(6,282,948)	(3,960,355)
Repayment of principal on lease liabilities	20(b)	(16,040,217)	(15,508,381)
Dividends paid	24	(100,000,000)	(80,000,000)
Net cash flows utilised in financing activities		(546,184,560)	27,499,044
Net increase/(decrease) in cash and cash equivalents		(773,541,288)	975,512,411
Cash and cash equivalents at 1 January		2,685,621,138	1,720,688,625
Effect of exchange rate fluctuations on cash held		-	(10,579,898)
Cash and cash equivalents at 31 December		1,912,079,850	2,685,621,138
Represented by:			
Cash and cash equivalents	16	1,912,079,849	2,685,621,138

The notes on pages 22 to 105 are an integral part of these annual financial statements.

1 Reporting entity

Indo Zambia Bank Limited ("the Bank") is a limited liability company incorporated and domiciled in Zambia under the Companies Act, 2017 of Zambia. Furthermore, the Bank is licensed under the Banking and Financial services Act, 2017 (As amended) of Zambia 2017 to provide commercial banking services. The Bank commenced operations on 19 October 1984. The Bank's activities are the provision of retail and corporate banking services and investment of surplus funds in various financial instruments.

The registered office of the Bank is:
Plot 6907
Cairo Road
Lusaka.

2 Basis of preparation

These financial statements have been prepared in accordance with International IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Zambia Companies Act of, 2017 and the Banking and Financial services Act, 2017 (As amended) of Zambia.

The financial statements comply with IFRS Accountings Standards as issued by the International Accounting Standards Board (IASB). They were approved by the Bank's Board of Directors. The board of directors have the power to amend the financial statements after issue.

The Bank's financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below:

- Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the time of the
- Fair value is the price that would be received to sell an asset or paid to transfer a liability measurement date, in an orderly transaction between market participants at the regardless of whether that price is directly observable or estimated using another valuation technique In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16.

The Bank presents its statement of financial position in order of liquidity.

Financial assets and financial liabilities are generally reported gross in the statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Bank and/or its counterparties

2 Basis of preparation *(continued)*

Positions recognised on a net basis primarily include balances with exchanges, clearing houses and brokers. Derivative assets and liabilities with master netting arrangements are only presented net when they satisfy the eligibility of netting for all of the above criteria and not just in the event of default.

The accounting policies applied in the preparation of financial statements are disclosed in Note 31.

Going concern

The Bank's Directors has made an assessment of the Bank's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, Directors are not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3 Functional and presentation currency

These financial statements are presented in Zambian Kwacha ("Kwacha"), which is the Bank's functional currency.

4 Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates

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

The preparation of the Bank's 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. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements, with substantial management judgement and/or estimates, are collated as follows.

4 Use of Judgements and Estimates *(continued)*

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 6, which also sets out key sensitivities of the ECL to changes in these elements. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

ECL Measurement period

The ECL measurement period at a minimum, is equal to the 12-month ECL of the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition, including where a default has occurred.

Significant increase in credit risk (SICR) and low credit risk

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. The Bank ordinarily considers a facility to have SICR when the facility has been outstanding for 30 days or more, however, qualitative criteria set out in Note 6 are also considered.

Forward-looking expectations

Forward looking economic expectations are included in the ECL by adjusting the probability of default (PD) and LGD. Adjustments are made based on the Bank's macro-economic outlook, using models that correlate these parameters with macro-economic variables. The process of including forward-looking variables is as listed below:

- The Bank's credit team determines the macroeconomic with an impact on the performance of the loan book over a period of time of at least 5 years;
- Macroeconomic outlooks take into account various variables such as Gross Domestic Product, Central Bank; policy interest rates, inflation and exchange rates;
- Probabilities are assigned to each of the best, optimistic and downturn based on primary macroeconomic drivers and are reviewed annually; and
- The forward-looking economic expectations are updated on an annual basis or more regularly when deemed appropriate.

Default

The Bank's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, as occurring at the earlier of:

- where, in the Bank's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Bank has not rebutted IFRS 9 90 days past due rebuttable presumption.

4 Use of Judgements and Estimates *(continued)*

(a) Measurement of the expected credit loss allowance *(continued)*

Loss Given Default

Increased lifetime period over which subsequent cures and re-defaults are considered result in higher credit impairments for credit impaired financial assets. The impact of the lifetime loss given default (LGD) workout, being an increase in the lifetime period over which subsequent cures and re-defaults are considered.

Please refer to Note 6 for more details on how the SICR is determine, the definition of Default, LGD and EAD.

(b) Valuation of financial instruments at fair value

The Bank estimates the fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Bank uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

For details of the key assumptions used and the impact of changes to to provide an indication about the reliability of the inputs used in determining fair value, the Bank has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable data exist, as described in Note 31.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest ates, used in estimating discount rates bond, foreign currency, exchange rates equity and equity index prices and expected price volatilities and correlations. The reporting date that would have been determined by market participants acting at arm's length.

5 Changes in accounting policies

(i) New standards and interpretations issued and effective

In the current year, the Bank has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatory effective for an accounting period that begins on or after 1 January 2023. The Bank has not adopted early any standard, interpretation or amendment that has been issued but is not yet effective:

Number	Effective date	Executive summary
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.
Amendments to IAS 12 International Tax Reform-Pillar Two Model Rules	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. (Published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

5 Changes in accounting policies *(continued)*

(i) New standards and interpretations issued and effective *(continued)*

Number	Effective date	Executive Summary
Amendments to IAS 1 - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IFRS 16 - Leases on sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
Amendments to IAS 21 Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable

6 Financial risk management

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

For information on the Bank's financial risk management framework, see Note 29.

6.1 Credit risk

For the definition of credit risk and information on how credit risk is mitigated by the Bank, see Note 29(b).

i) Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost based on the internal risk category as well as per IFRS 9 staging categories.

Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 31.

(a) Loans and advances to customers at amortised cost

			2023		
Internal risk category			**IFRS 9 staging**		
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Grades 1: Low–fair risk		5,677,945,627	-	-	5,677,945,627
Grades 2: Medium risk		-	53,409,691	-	53,409,691
Grades 3: Higher risk		-	128,911,593	-	128,911,593
Grade 4: Substandard		-	-	34,231,998	34,231,998
Grade 5: Doubtful		-	-	103,683,370	103,683,370
Grade 6: Loss		-	-	87,233,673	87,233,673
Gross carrying amount	*18a*	5,677,945,627	182,321,284	225,149,041	6,085,415,952
Impairment loss	*18a*	(48,722,315)	(51,010,953)	(86,329,962)	(186,063,230)
Total impairment and modification loss		(48,722,315)	(51,010,953)	(86,329,962)	(186,063,230)
Carrying amount for loans and advances	*18a*	5,629,223,312	131,310,331	138,819,079	5,899,352,722

(b) Debt investments securities at amortised cost

Grades 1: Low–fair risk		5,845,410,687	-	337,317,220	6,182,727,907
Impairment loss allowance		(38,582,901)	-	(192,833,242)	(231,416,143)
Carrying amount	*17a*	5,806,827,786	-	144,483,978	5,951,311,764

(c) Financial guarantee contracts & loan commitments

Grades 1: Low–fair risk	*18b*	2,297,674,210	-	-	2,297,674,210
Impairment Loss allowance		(1,770,906)	-	-	(1,770,906)
Carrying amount		2,295,903,304	-	-	2,295,903,304

6 Financial risk management *(continued)*

6.1 Credit risk *(continued)*

i) Credit quality analysis *(continued)*

(a) Loans and advances to customers at amortised cost

Internal risk category			**2022 IFRS 9 staging**		
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Grades 1: Low–fair risk		3,696,678,223	-	-	3,696,678,223
Grades 2: Medium risk		-	49,500,923	-	49,500,923
Grades 3: Higher risk		-	488,055,863	-	488,055,863
Grade 4: Substandard		-	-	23,026,234	23,026,234
Grade 5: Doubtful		-	-	5,476,344	5,476,344
Grade 6: Loss		-	-	79,281,100	79,281,100
Gross carrying amount	*18(a)*	3,696,678,223	537,556,786	107,783,678	4,342,018,687
Impairment loss	*18(a)*	(60,254,253)	(3,431,745)	(44,861,504)	(108,547,502)
Total impairment and modification loss		(60,254,253)	(3,431,745)	(44,861,504)	(108,547,502)
Carrying amount for loans and advances	*18(d)*	3,636,423,970	534,125,041	62,922,174	4,233,471,185
(b) Debt investments securities at amortised cos					
Grades 1: Low–fair risk	*17(a)*	5,505,735,008	-	294,663,707	5,800,398,715
Impairment loss allowance	*17(b)*	(38,582,901)	-	(190,180,034)	(228,762,935)
Carrying amount	*17(b)*	5,467,152,107	-	104,483,673	5,571,635,780
(c) Financial guarantee contracts & loan commitments					
Grades 1: Low–fair risk	18b	2,297,674,210	-	-	2,297,674,210
Impairment Loss allowance		(1,770,906)	-	-	(1,770,906)
Carrying amount		2,295,903,304	-	-	2,295,903,304

6 Financial risk management *(continued)*

6.1 Credit risk *(continued)*

ii) Collateral held and other credit enhancements

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.

Type of credit exposure

Exposure that is subject to collateral requirements

	Note	**2023**	2022	**Principal type of collateral held**
Retail mortgage lending	18	113,285,037	90,579,172	Residential property
Other retail lending	18	726,495,449	583,655,031	Vehicles and other tangible assets
Corporate Loans and advances to corporate customers	18	5,245,635,468	3,667,784,484	Commercial property, floating charges over movable assets
Total		**6,085,415,954**	**4,342,018,687**	

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties
- Charges over business assets such as premises, inventory and accounts receivable
- Charges over financial instruments such as debt instruments; and
- Cash

Collateral quality and values are determined through professional appraisals commissioned by the Bank at origination of credit facilities. Assessed open market values (OMV) of collateral are subject to internal haircuts in determining collateral adequacy for lending purposes. For IFRS impairment considerations, it is the Bank's policy to use the forced sale values (FSV) of collateral less the estimated allocated costs to dispose of collateral. The Bank is not permitted to sell or repledge the collateral in the absence of default by owner.

6 Financial risk management *(continued)*

6.1 Credit risk *(continued)*

ii) Collateral held and other credit enhancements *(continued)*

Year ended 31 December 2023	Maximum credit exposure	Cash	Property	3rd party/ govt guarantee	Other securities	Total collateral	Net exposure	Corresponding ECLs
Financial assets								
Cash balances with other banks	1,715,910,080	-	-	-	-	-	1,715,910,080	-
Balances at Central Bank	2,258,830,994	-	-	-	-	-	2,258,830,994	-
Investment securities	6,182,735,361	-	-	-	-	-	6,182,735,361	231,416,143
Loans and advances to customers	6,085,415,954	641,011,453	10,057,564,983	-	8,888,192,453	19,586,768,889	-	186,063,229
Derivative financial asset	270,393,432	-	-	-	-	-	270,393,432	-
Other assets	303,047,258	-	-	-	-	-	303,047,258	-
Total financial assets	**16,816,333,079**	**641,011,453**	**10,057,564,983**	**-**	**8,888,192,453**	**19,586,768,889**	**10,730,917,125**	**417,479,372**
Off balance sheet								
Financial guarantees	2,297,674,210	9,789,818	26,224,170	-	13,514,083	49,528,071	2,248,146,139	186,945
Letters of credit	40,803,800	-	12,835,645	-	5,801,220	18,636,865	22,166,935	100,229
Total off-balance sheet	**2,338,478,010**	**9,789,818**	**39,059,815**	**-**	**19,315,303**	**68,164,936**	**2,270,313,074**	**287,174**
Total (including off balance sheet)	19,154,811,089	650,801,271	10,096,624,798	-	8,907,507,756	19,654,933,825	13,001,230,199	417,766,546
Year ended 31 December 2022								
Financial assets								
Cash balances with other banks	1,581,071,376	-	-	-	-	-	1,581,071,376	-
Balances at Central Bank	2,008,894,789	-	-	-	-	-	2,008,894,789	-
Investment securities	5,800,398,715	-	-	-	-	-	5,800,398,715	228,762,935
Loans and advances to customers	4,342,018,687	384,614,779	6,795,368,058	-	5,892,098,672	13,072,081,509	-	108,547,502
Other assets	218,717,386	-	-	-	-	-	218,717,386	-
Total financial assets	13,951,100,953	384,614,779	6,795,368,058	-	5,892,098,672	13,072,081,509	9,609,082,266	337,310,437
Financial guarantees	84,666,012	8,240,878	29,174,735	-	13,004,145	50,419,758	34,246,254	30,455
Letters of credit	2,213,008,198	-	5,043,627	459,730,943	2,151,552	466,926,122	1,746,082,076	1,481,577
Total off-balance sheet	2,297,674,210	8,240,878	34,218,362	459,730,943	15,155,697	517,345,880	1,780,328,330	1,512,032
Total (including off balance sheet)	16,248,775,163	392,855,657	6,829,586,420	459,730,943	5,907,254,369	13,589,427,389	11,389,410,596	338,822,469

6 Financial risk management *(continued)*

6.1 Credit risk *(continued)*

Investment securities

The Bank currently invests in Treasury bills and Bonds. These instruments are measured at amortised cost. Cash flows from these instruments are mainly the contractual principal and interest. These cash flow characteristics pass the "SPPI" test. The Bank does not hold these instruments for purposes of selling in the secondary market but rather holds them to maturity. The Bank does not acquire any investments with an intention to engage in trading to realise value from favourable movements in market price. These investments are guaranteed by Government Republic of Zambia by way of sovereign guarantee.

iii) Amounts arising from ECL

See accounting policy in Note 31.

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

6.1 Credit risk *(continued)*

iii) Amounts arising from ECL *(continued)*

Inputs, assumptions and techniques used for estimating impairment *(continued)*

Significant increase in credit risk *(continued)*

A significant increase in credit risk has occurred if the change in above comparison exceeds by 50%.The Bank uses both quantative and qualitative criteria's for determining whether there has been a significant increase in credit risk:

- a backstop of 30 days past due or loan is default or otherwise impaired
- quantitative test based on movement in PD; and
- qualitative indicators.
- Change in the credit rating of the counter party

Credit risk grades

The Bank allocates each exposure to a credit risk grade as per internal grading system 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.

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.

Loans and advances	Cash balances with other banks, Balances at Central Bank, investment securities	Other assets
Information obtained during periodic review of customer files - 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, senior management and changes quality of management.	External data from credit reference agencies, including industry-standard credit scores.	Payment record - this includes overdue status as well as arrange of variables about payment ratios.
Data from credit reference agencies, press articles, changes in external credit ratings.		Utilisation of the granted limit
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities		Existing and forecast changes in business, financial and economic conditions

6.1 Credit risk *(continued)*

iii) Amounts arising from ECL *(continued)*

Inputs, assumptions and techniques used for estimating impairment *(continued)*

Significant increase in credit risk *(continued)*

The table below provides an indicative mapping of how the Bank's internal credit risk grades relate to Probability of Default (D).

Corporate loan portfolio

The corporate portfolio of the Bank comprises' loans and advances to banks, public sector entities, sovereigns, corporates and other businesses.

Grading	12 month weighted average PD	Internal rating
Grades 1: Low–fair risk	3.34	AAA to AA
Grades 2: Medium risk	12.53	A
Grades 3: Higher risk	6.02	A
Grades 4–6: Substandard, doubtful, loss	100	B-C (Default)

The retail portfolios are comprised of mortgage lending, asset financing and personal loans

Grading	12-month weighted-average PD
Grades 1: Low–fair risk	6.19
Grades 2: Medium risk	8.02
Grades 3: Higher risk	11.04
Grades 4–6: Substandard, doubtful, loss	100

Investment securities

Debt investment securities refers to the Investments with the Government Republic of Zambia. The Bank has no other debt investment securities other than with the Government Republic of Zambia. In assessing whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The payments of coupon payments on the required dates
- The change in the country's sovereign rating
- The economic forecasts for the country and revenue collection
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

All investments in government securities are categorised as grade 1 and 3 as per internal policy while the IFRS 9 categorise is determined at each balance sheet assessment.

6.1 Credit risk *(continued)*

iii) Amounts arising from ECL *(continued)*

Inputs, assumptions and techniques used for estimating impairment *(continued)*

Significant increase in credit risk *(continued)*

Assumptions used

Scenario weightings	
Scenario	*Weighting*
Upside	14%
Base	70%
Downside	16%

Probability of default	
Scenario	*Credit rating*
Optimistic	B
Base	CCC+
Downside	CCC

Loss Given Default (LGDs)	
Scenario	*LGD*
Optimistic/Base	11%
Downside	45%

The exposure at default was calculated as a sum of the asset's market value and accrued interest. The final ECL was computed as the sum of the discounted cash shortfalls for all possible defaults in the remaining lifetime of the financial instrument (for financial instruments in stage 2) and the discounted cash shortfall for a default within the next 12 months for financial instruments in stage 1.

Balances with other banks including Central Bank

The bank has assessed the impairment for balances held with other banks including the Central Bank. The bank holds balances with other reputable financial institutions such as other large banks and the Central Bank. Balances held with the Central Bank and other banks have the nature of cash and cash equivalents. The bank's internal assessment of the creditworthiness of these counterparties indicates a very high likelihood of recovery. Due to their nature, impairment has been considered to be immaterial.

Other assets

Other assets have a very short-term nature and have historically matured without any credit loss suffered. As a result of this assessment, the impairment on such financial assets has been considered to be immaterial in the context of these financial statements.

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.

The Bank generates probabilities of default using the migration matrix. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic

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 retail.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as below:

- internal rating of the borrower indicating default or near – default;
- the borrower is deceased;
- the borrower is in the process of, or files for bankruptcy;
- the borrower is undergoing significant restructuring as a result of financial stress;
- the borrower goes into receivership
- Change in the external credit rating for the sovereign
- Missed coupon payments

6.1 Credit risk *(continued)*

iii) Amounts arising from ECL *(continued)*

Inputs, assumptions and techniques used for estimating impairment *(continued)*

Determining whether credit risk has increased significantly *(continued)*

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms. The Bank's probation periods are set out below:

- 3 months out of default status reclassified from stage 3 to stage 2
- 3 months out of default reclassified from stage 2 to stage 1

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank.
- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

Quantitative criteria:

- the borrower is more than 90 days past due on any material credit obligation to the Bank.

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent;
- The borrower is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- It is becoming probable that the borrower will enter bankruptcy; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

6.1 Credit risk *(continued)*

iii) Amounts arising from ECL *(continued)*

Inputs, assumptions and techniques used for estimating impairment *(continued)*

Definition of default *(continued)*

Incorporation of forward-looking information

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.

The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 53.45% probability of occurring, one upside assigned a 24.14% and one downside assigned a 22.41% probability of occurring. The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by official sources of information such as the OECD and the International Monetary Fund.

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 the bank's portfolios are GDP per capita, inflation, commercial bank lending rates and the government Treasury-bill rates.

The economic scenarios used as at 31 December 2023 included the following key indicators for Zambia for the years ending 31 December 2023 to 2027.

	2024	2025	2026	2027	2028
Commercial lending rates	Base 26.70% Upside 26% Downside 28%	Base 24.7% Upside 24% Downside 26%	Base 26.3% Upside 25% Downside 27%	Base 27.9% Upside 27% Downside 29%	Base 27.9% Upside 27% Downside 29%
Inflation rate	Base 13.9% Upside 8.4% Downside 19%	Base 14.3.0% Upside 8.8% Downside 20%	Base 14.7% Upside 9.1% Downside 20%	Base 15.0% Upside 9.4% Downside 21%	Base 15.0% Upside 9.4% Downside 21%
GDP per capita	Base 4026 Upside 2,729 Downside 2933	Base 4077 Upside 2,877 Downside 2984	Base 3582 Upside 4128 Downside 3035	Base 3632 Upside 4178 Downside 3086	Base 3632 Upside 4178 Downside 3086
Copper price	Base 10,256 Upside 11,758 Downside 8,754	Base 10,521 Upside 12,022 Downside 9,019	Base 9,761 Upside 11,262 Downside 8,259	Base 11,200 Upside 12,702 Downside 9,698	Base 11,200 Upside 12,702 Downside 9,698

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years from 2019 to 2023.

6.1 Credit risk *(continued)*

iii) Amounts arising from ECL *(continued)*

Inputs, assumptions and techniques used for estimating impairment *(continued)*

Incorporation of forward-looking information *(continued)*

The economic scenarios used as at 31 December 2022

	2023	2024	2025	2026	2027
Commercial lending rates	Base 28.6% Upside 27% Downside 30%	Base 26% Upside 25% Downside 27%	Base 23.9% Upside 23% Downside 25%	Base 26% Upside 25% Downside 21%	Base 27.5% Upside 26% Downside 21%
Inflation rate	Base 11.3% Upside 5.5% Downside 17%	Base 14.6% Upside 8.8% Downside 20%	Base 15.0% Upside 9.2% Downside 21%	Base 15.4% Upside 9.6% Downside 21%	Base 15.5% Upside 9.7% Downside 21%
GDP per capita	Base 2,293 Upside 2,581 Downside 2,005	Base 2,441 Upside 2,729 Downside 2,153	Base 2,589 Upside 2,877 Downside 2,301	Base 2,746 Upside 3,033 Downside 2,459	Base 2,895 Upside 3,182 Downside 2,608
Copper price	Base 9,511 Upside 11,125 Downside 7,898	Base 10,682 Upside 12,295 Downside 9,069	Base 11,360 Upside 12,973 Downside 9,747	Base 11,022 Upside 12,635 Downside 9,408	Base 11,412 Upside 13,025 Downside 9,799

Sensitivity analysis

The most significant macro-economic assumptions affecting the ECL allowance are lending rates and exchange rates. To test the sensitivity of the impairment to changes in the relevant macro-economic factors, an assumption that an improvement or downturn in these factors would result in a 10% decrease or increase, in the forecast probabilities of default resulting in an increase/(decrease) of K13.11 (2022: 13.56m) of impairment for the year.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

6.1 Credit risk *(continued)*

iii) Amounts arising from ECL *(continued)*

Inputs, assumptions and techniques used for estimating impairment *(continued)*

Measurement of ECL *(continued)*

However, for overdraft facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect, but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated considering the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms. All overdrafts are assumed to have an average of 12 months period for the purposes of calculating the ECL.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- Instrument type;
- Collateral type;
- LTV ratio for retail mortgages;
- Date of initial recognition;
- Remaining term to maturity; and
- Industry;

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

The following table provides a reconciliation between the 'impairment losses on financial instruments' line item in the statement of profit or loss and other comprehensive income.

Year ended 31 December 2023	**Loans and advances to customers at amortised cost**	**Debt investment securities at amortised cost**	**Off balance sheet facilities**	**Total**
Net remeasurement of loss allowance	(36,710,044)	(182,365,235)	-	(219,075,279)
New financial assets originated	129,523,628	247,365,235	-	376,888,863
	92,813,584	65,000,000	-	157,813,584
Year ended 31 December 2022				
Net remeasurement of loss allowance	(28,623,999)	(97,011,930)	(1,202,748)	(126,838,677)
New financial assets originated	30,987,509	182,176,915	1,770,663	214,935,087
	2,363,510	85,164,985	567,915	88,096,410

There are significant changes in the gross carrying number of financial instruments during the period that contributed to changes in loss allowance as shown in note 17 and 18.

6 Financial risk management *(continued)*

6.1 Credit risk *(continued)*

iv) Concentration of credit risk

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

		Loans and advances to customers		Investment securities	
		2023	**2022**	**2023**	**2022**
1	Agriculture,	722,962,603	406,552,706	-	-
2	Mining and quarrying	21,773,577	19,295,124	-	-
3	Manufacturing	1,730,585,019	984,829,730	-	-
4	Electricity, gas, water and energy	-	-	-	-
5	Construction	60,611,227	49,420,386	-	-
6	Wholesale and retail trade	412,409,415	303,472,067	-	-
7	Restaurants and hotels	58,614,090	48,131,809	-	-
8	Transport, storage and communications	530,686,756	404,471,080	-	-
9	Financial services	64,172,380	28,776,481	-	-
10	Community, social and personal services	70,805,320	51,358,462	-	-
11	Real estate	112,438,259	59,343,158	-	-
12	Government	1,363,572,362	1,238,886,376	5,951,319,218	5,571,635,780
13	Others	750,721,716	638,933,806	-	-
Carrying amount		**5,899,352,724**	**4,233,471,185**	**5,951,319,218**	**5,571,635,780**

v. Financial assets pledged as collateral

At 31 December 2023, the fair value of financial assets accepted as collateral that the Bank is permitted to sell or repledge in the absence of default was K283.35 million (2022: K356.86 million). There were no assets that were repledged or sold in the year.

6 Financial risk management *(continued)*

6.1 Credit risk *(continued)*

v) 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.

6.2 Liquidity risk

For the definition of liquidity risk and information on how liquidity risk is managed by the Bank, see Note 29c.

i. Exposure to liquidity risk

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. Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2023	2022
At 31 December	69.89%	63.12%
Average for the period	83.20%	66.81%
Maximum for the period	56.25%	71.52%

The minimum required by Bank of Zambia for core liquid assets is 6% (2022: 6%).

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.

6 Financial risk management *(continued)*

6.2 Liquidity risk *(continued)*

ii. Maturity analysis for financial liabilities and financial assets

The following table below analyses financial assets and financial liabilities of the Bank into relevant contractual, undiscounted maturity groupings:

Year ended 31 December 2023	**Carrying Amount**	**Gross nominal**	**up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**
Financial assets							
Cash balances at Bank of Zambia	2,258,830,994	2,258,830,994	196,169,769	-	-		2,062,661,225
Cash balances with other Banks	1,715,910,080	1,767,823,517	1,715,910,080	-	-	-	-
Investment securities	5,951,319,218	6,182,727,909	-	1,284,909,779	3,345,180,682	1,552,637,449	-
Loans and advances to customers	5,899,352,725	6,085,557,647	661,825,089	292,517,867	973,665,662	3,194,429,849	963,119,180
Derivative financial asset	270,393,432	270,393,432	-	-	270,393,432	-	-
Other assets	303,047,258	303,047,258	-	44,438,209	118,517,070	140,091,979	-
Total financial assets	**16,398,853,707**	**16,868,380,757**	**2,573,904,938**	**1,621,865,855**	**4,707,756,846**	**4,887,159,277**	**3,025,780,405**
Financial liabilities							
Deposits from customers	12,757,244,717	14,288,114,085	2,173,696,131	2,173,696,131	4,785,053,461	2,577,834,181	2,577,834,181
Borrowing	1,522,499,894	1,860,024,779	87,360,894	201,245,272	38,309,000	1,533,109,613	-
Other liabilities	218,163,615	218,163,614	185,797,619	154,171	19,729,896	308,342	12,173,586
Lease liabilities	73,728,554	129,024,971	-	-	-	90,317,480	38,707,491
Derivative financial liability	15,703,100	15,703,100	-	-	15,703,100	-	-
Total financial liabilities	**14,587,339,880**	**16,511,030,549**	**2,446,854,644**	**2,375,095,574**	**4,858,795,457**	**4,201,569,616**	**2,628,715,258**
Net liquidity gap	**1,811,513,827**	**357,350,208**	**127,050,294**	**(753,229,719)**	**(151,038,611)**	**685,589,661**	**397,065,147**

6 Financial risk management *(continued)*

6.2 Liquidity risk *(continued)*

ii. Maturity analysis for financial liabilities and financial assets

The following table below analyses financial assets and financial liabilities of the Bank into relevant contractual, undiscounted maturity groupings:

Year ended 31 December 2022	Carrying Amount	Gross nominal	up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial assets							
Cash balances at Bank of Zambia	2,008,894,789	2,058,234,961	744,231,736	409,658,199	-	-	904,345,026
Cash balances with other Banks	1,581,071,376	1,584,101,962	1,262,915,627	321,186,335	-	-	-
Investment securities	5,571,635,780	6,254,884,755	396,170,000	333,200,000	3,101,377,879	2,424,136,876	-
Loans and advances to customers	4,233,471,185	6,929,566,422	234,051,971	201,516,775	1,679,558,090	3,910,262,234	904,177,352
Other assets	218,717,386	218,717,386	101,972,123	38,103,295	-	78,641,968	-
Total financial assets	**13,613,790,516**	**17,045,505,486**	**2,739,341,457**	**1,303,664,604**	**4,780,935,969**	**6,413,041,078**	**1,808,522,378**
Financial liabilities							
Deposits from customers	10,053,620,393	10,129,177,332	267,067,366	7,712,440,758	2,149,669,208	-	-
Borrowing	1,896,278,158	2,281,414,488	-	-	34,333,550	2,247,080,938	-
Other liabilities	229,216,754	215,651,316	203,902,510	3,423	7,859,691	6,846	3,878,846
Lease liabilities	36,712,721	44,248,470	-	-	8,849,694	35,398,776	-
Total financial liabilities	**12,215,828,026**	**12,670,491,606**	**470,969,876**	**7,712,444,181**	**2,200,712,143**	**2,282,486,560**	3,878,846
Net liquidity gap	**1,397,962,490**	**4,375,013,880**	**2,268,371,581**	**(6,408,779,577)**	**2,580,223,826**	**4,130,554,518**	**1,804,643,532**

6 Financial risk management *(continued)*

6.2 Liquidity risk *(continued)*

ii) Maturity analysis for financial liabilities and financial assets *(continued)*

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- demand deposits from customers are expected to remain stable or increase;
- unrecognised loan commitments are not all expected to be drawn down immediately; and
- retail mortgage loans have an original contractual maturity of between 20 and 25 years but an average expected maturity of six years because customers take advantage of early repayment options.

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. In addition, the Bank maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral with central banks (these amounts are referred to as the 'Bank's liquidity reserves').

The following table sets out the gross carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

	2023	2022
Investment securities	3,932,966,843	2,794,036,863
Loans and advances to customers	2,335,527,936	1,829,071,740
	6,268,494,779	**4,623,108,603**
Financial liabilities		
Deposits from customers	**12,757,244,717**	10,129,177,332

iii. Liquidity reserves

The following table sets out the components of the Bank's liquidity reserves.

	2023	2022
Balances with central banks	2,258,830,994	2,008,894,789
Cash and cash equivalents	1,715,910,080	1,581,071,376
Unencumbered debt securities issued by sovereigns	6,173,003,395	5,477,249,104
Undrawn credit lines granted by other banks*	128,600,000	90,400,000
Total liquidity reserves	**10,276,344,469**	9,157,615,269

*** Undrawn line of credit of USD 5 million is sanctioned by Bank of Baroda, New York.**

6 Financial risk management *(continued)*

6.2 Liquidity risk *(continued)*

iv. Financial assets available to support future funding

The following table sets out the availability of the Bank's financial assets to support future funding.

	Note	**Encumbered** Pledged as collateral (at fair value)	**Unencumbered** Available as collateral	Other	Total
31 December 2023					
Cash balances at Bank of Zambia*	*16*	-	196,169,769	-	196,169,769
Cash balances with other Banks	*16*	-	1,767,823,517		1,715,910,080
Investment securities	*17*	98,999,631	6,173,003,395	-	6,272,003,026
Loans and advances to customers	*18*	5,238,852,021	673,587,484	-	6,085,415,954
Total assets		**5,337,851,652**	**8,810,584,165**	**-**	**14,269,498,829**
31 December 2022					
Cash balances at Bank of Zambia*	*16*	-	1,104,549,762	-	1,104,549,762
Cash balances with other Banks	*16*	-	1,581,071,376		1,581,071,376
Investment securities	*17*	94,386,676	5,477,249,104	-	5,571,635,780
Loans and advances to customers	*18*	3,675,321,566	666,697,121	-	4,342,018,687
Total assets		3,769,708,242	8,829,567,363	-	12,599,275,605

* Represents assets that are not restricted for use as collateral, but that the Bank would not consider readily available to secure funding in the normal course of business.

v. Financial assets pledged as collateral

The total financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at 31 December 2023 and 2022 is shown in the preceding table.

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing and securitisation transactions under terms that are usual and customary for such activities. In addition, as part of these transactions, the Bank has received collateral that it is permitted to sell or repledge in the absence of default.

At 31 December 2023, the fair value of financial assets accepted as collateral that the Bank is permitted to sell or repledge in the absence of default was K283.35 million (2022: K356.86 million). There were no assets that were repledged or sold in the year.

6 Financial risk management *(continued)*

6.3 Market risk

For the definition of market risk and information on how the Bank manages the market risks see Note 29(d).

i) 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 re-price 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 re-pricing 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 following is a summary of the Bank's interest rate gap position on non-trading portfolios. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet based on either (i) the next repricing date or the maturity date if floating rate or (ii) the maturity date if fixed rate.

Year ended 31 December 2023	Total	Zero rate instruments	Floating rate instruments	up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Cash balances at Bank of Zambia	2,258,830,994	2,258,830,994	-	196,169,769	-	-		2,062,661,225
Cash balances with other Banks	1,715,910,080	1,715,910,080	-	1,715,910,080	-	-	-	-
Investment securities	5,951,319,218	-	-	-	1,284,909,779	3,345,180,682	1,552,637,449	-
Loans and advances to customers	5,899,352,725	-	-	661,825,089	292,517,867	973,665,662	3,194,429,849	963,119,180
Derivative financial asset	270,393,432	270,393,432	-	-	-	270,393,432	-	-
Other assets	303,047,258	303,047,258	-	-	44,438,209	118,517,070	140,091,979	-
Total financial assets	**16,398,853,707**	**4,548,181,764**	**-**	**2,573,904,938**	**1,621,865,855**	**4,707,756,846**	**4,887,159,277**	**3,025,780,405**
Financial liabilities								
Deposits from customers	(12,757,244,717)	(12,757,244,717)	-	(2,173,696,131)	(2,173,696,131)	(4,785,053,461)	(2,577,834,181)	(2,577,834,181)
Borrowings	(1,522,499,894)	-	-	(87,360,894)	(201,245,272)	(38,309,000)	(1,533,109,613)	-
Lease liabilities	(73,728,554)	-	-	-	-	-	35,021,063	38,707,491
Derivative financial liability	(15,703,100)	-	-	-	-	(15,703,100)	-	-
Other liabilities	(218,163,615)	(218,163,615)	-	-	-	-	-	-
Total financial liabilities	**(14,587,339,880)**	**(12,975,408,332)**	**-**	**(2,261,057,025)**	**(2,374,941,403)**	**(4,839,065,561)**	**(4,075,922,731)**	**(2,539,126,690)**
Interest rate gap position	**1,811,513,827**	**(8,427,226,568)**	**-**	**312,847,913**	**(753,075,548)**	**(131,308,715)**	**811,236,546**	**486,653,715**

6 Financial risk management *(continued)*

6.3 Market risk *(continued)*

i) Exposure to interest rate risk - non-trading portfolios *(continued)*

Year ended 31 December 2022	Total	Zero rate instruments	Floating rate instruments	up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Cash balances at Bank of Zambia	2,008,894,789	1,388,581,000	-	440,396,789	-	-	179,917,000	-
Cash balances with other Banks	1,715,910,080	1,124,696,705	-	456,374,671	-	-	-	-
Investment securities	5,571,635,780	-	-	-	354,765,210	1,511,808,026	3,705,062,544	-
Loans and advances to customers	4,233,471,185	-	-	150,272,562	191,243,294	1,478,234,064	2,116,848,612	296,872,653
Other assets	218,717,386	218,717,386	-	-	-	-	-	-
Total financial assets	**13,748,629,220**	**2,731,995,091**	**-**	**1,047,044,022**	**546,008,504**	**2,990,042,090**	**6,001,828,156**	**296,872,653**
Financial liabilities								
Deposits from customers	(14,195,680,109)	(4,142,059,716)	-	(1,390,633,795)	(1,426,747,377)	(3,459,467,625)	(3,776,771,596)	-
Borrowing	(1,896,278,158)	-	-	-	-	(28,537,542)	(1,867,740,616)	-
Lease liabilities	(36,712,721)	-	-	-	-	(7,289,779)	(29,422,942)	-
Other liabilities	(444,868,070)	(215,651,316)	-	(217,467,948)	(3,423)	(7,859,691)	(6,846)	(3,878,846)
Total financial liabilities	**(16,573,539,058)**	**(4,357,711,032)**	**-**	**(1,608,101,743)**	**(1,426,750,800)**	**(3,503,154,637)**	**(5,673,942,000)**	**(3,878,846)**
Interest rate gap position	**(2,824,909,838)**	**(1,625,715,941)**	**-**	**(561,057,721)**	**(880,742,296)**	**(513,112,547)**	**327,886,156**	**292,993,807**

6 Financial risk review *(continued)*

6.3 Market risk *(continued)*

i) Exposure to interest rate risk - non-trading portfolios *(continued)*

Interest rate sensitivity analysis	**2023** ZMW	US$	**2022** ZMW	US$
Increase in basis points	0.50	0.50	0.50	0.50
Sensitivity of annual net interest income (in millions)	25.35	2.24	(6.67)	(5.56)
Decrease in basis points	0.50	0.50	0.50	0.50
Sensitivity of annual net interest income (in millions)	(25.35)	(2.24)	6.67	5.56

ii) Exposure to currency risks – non-trading portfolios

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank of Zambia sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

2023	**US dollar**	**Pound**	**Euro**	**Rand**	**Rupee**	**Total**
Monetary assets	5,570,528,794	28,646,214	43,007,733	19,413,499	183,844	5,661,780,084
Monetary liabilities	(5,553,076,210)	(30,277,999)	(43,148,041)	(19,141,680)	(2,380,741)	(5,648,024,671)
Net recognised position	17,452,584	(1,631,785)	(140,308)	271,819	(2,196,897)	13,755,413
2022						
Monetary assets	3,363,671,081	31,217,851	23,686,586	19,783,048	1,445,139	3,439,803,705
Monetary liabilities	(3,425,206,954)	(31,100,530)	(21,231,194)	(19,510,234)	(418,678)	(3,497,467,590)
Net recognised position	(61,535,873)	117,321	2,455,392	272,814	1,026,461	(57,663,885)

In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

6 Financial risk management *(continued)*

6.3 Market risk *(continued)*

ii) Exposure to currency risk- non-trading portfolios *(continued)*

Exchange rate sensitivity

AA strengthening (weakening) of the Kwacha by 10 percent, as indicated below against the USD, GBP, Euro, Rupee and ZAR at 31 December 2023 would have increased (decreased) equity and profit or loss by the amounts shown below. This computation is based on the foreign exchange rate variance that the company considered reasonably possible at the reporting date. The computation assumes all the other variables remain constant.

	Strengthening		Weakening	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2023				
USD	1,745,258	1,745,258	(1,745,258)	(1,745,258)
GBP	(163,179)	(163,179)	163,179	163,179
Euro	(14,031)	(14,031)	14,031	14,031
ZAR	27,182	27,182	(27,182)	(27,182)
Rupee	(219,690)	(219,690)	219,690	219,690
31 December 2022				
USD	(6,153,587)	(6,153,587)	6,153,587	6,153,587
GBP	11,732	11,732	(11,732)	(11,732)
Euro	245,539	245,539	(245,539)	(245,539)
ZAR	27,281	27,281	(27,281)	(27,281)
Rupee	102,646	102,646	(102,646)	(102,646)

6 Financial risk management *(continued)*

6.4 Capital management *(continued)*

i. Regulatory capital *(continued)*

Computation of capital position

	2023	2022
I Primary (Tier 1) Capital		
(a) Paid-up common shares	416,000,000	416,000,000
(b) Eligible preferred shares		-
(c) Contributed surplus		-
(d) Retained earnings	1,831,176,300	1,320,615,180
(e) General reserves	126,369	126,369
(f) Statutory reserves	15,000,000	15,000,000
(g) Minority interests (common shareholders' equity)		-
(h) Sub-total A (items a to g)	**2,262,302,669**	1,751,741,549
Subtractions:		
(i) Goodwill and other intangible assets		-
(j) Investments in unconsolidated subsidiaries and associates		-
(k) Lending of a capital nature to subsidiaries and associates		-
(l) Holding of other banks' or financial institutions' capital instruments		-
(m) Assets pledged to secure liabilities		-
(n) Sub-total B (items i to m)		-
Provisions		-
Assets of little or no realised value		-
Other adjustments (prepayment)		-
(o) Sub-total C (other adjustments)		-
(p) Total primary capital [h – (n to o)]	**2,262,302,669**	1,751,741,549
II Secondary (tier 2) capital		
(a) Eligible preferred shares		-
(b) Eligible subordinated term debt		-
(c) Eligible loan stock / capital		-
(d) Eligible general provisions		-
(e) Revaluation reserves. (Maximum is 40% of revaluation reserves)	50,548	12,077,749
(f) Other		-
(g) Total secondary capital	**50,548**	12,077,749
III Eligible secondary capital	**50,548**	12,077,749
(The maximum amount of secondary capital is limited to 100% of primary capital)		
IV Eligible total capital (I(p) + III) (Regulatory capital)	**2,262,353,217**	1,763,819,298
V Minimum total capital requirement (10% of total on and unrecognized risk weighted assets)	**520,000,000**	520,000,000
VI Excess (IV minus V)	**1,742,353,217**	1,243,819,298
VII Risk weighted assets	**9,253,212,000**	8,502,013,448
Tier 1 (Regulatory minimum – 5%)	**26.61%**	20.60%
Tier 1 + Tier 2 (Regulatory minimum – 10%)	**26.61%**	20.75%

6 Financial risk review *(continued)*

6.4 Capital management *(continued)*

The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' returns is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a stronger capital position.

ii) Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In these cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support an operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Bank Risk and Bank Credit and is subject to review by the Bank Asset and Liability Management Committee (ALCO).

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives.

7 Interest income	2023	2022
See accounting policies in note 31 b		
Loans and advances to customers	732,913,749	636,255,059
Investment securities	1,101,762,096	1,067,986,174
Cash and short term funds	37,119,155	25,779,178
Loans and advances fees	33,485,882	7,452,292
	1,905,280,882	1,737,472,703

8 Interest expense
See accounting policies in note 31 b

Deposits from customers	328,629,939	367,326,407
Interbank deposits	22,985,862	1,448,096
Borrowings	123,216,434	125,897,442
	474,832,235	494,671,945

9 Fee and commission income
See accounting policies in note 31 c

Retail banking customer fees	120,848,619	84,759,206
Swift charges recovered	308,885	724,765
Correspondent banking charges receivable	13,445,454	9,328,417
	134,602,958	94,812,388

Performance obligations and revenue recognition policies

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

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

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 January 2018)
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions and servicing fees.	Revenue from account service and servicing fees is recognised over time as the services are provided.
	Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates on an annual basis.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
	Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.	
	Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	

10 Net trading income	**2023**	**2022**
See accounting policies in note 31 d		
Foreign currency transaction gains	70,064,082	73,046,964
Fair value gain on financial derivative	52,841,617	38,843,125
	122,905,699	111,890,089

11 Other income		
See accounting policies in note 31 d		
Gain on disposal of property and equipment	4,660	-
Gain on disposal of Bond	-	46,620,062
Cheque book charges	1,378,762	1,250,597
Other income	535,616	417,346
	1,919,039	48,288,006

12 Administrative expenses		
Audit fees	2,140,000	1,900,000
Non audit services	210,000	210,000
Directors fees (Note 28(e))	7,880,447	7,841,157
Depreciation	38,509,134	25,975,389
Stationery	12,936,280	6,283,549
Swift and telephone	4,046,928	3,695,606
Security charges	10,566,165	8,398,141
Bank of Zambia supervisory charges	28,249,070	24,709,088
Consultancy Fees	4,253,116	1,521,198
Repairs and maintenance	2,441,464	8,358,550
Payment gateway charges	21,072,427	13,576,531
Fuel expenses	8,469,699	5,727,699
Insurance	10,144,123	3,732,152
Legal charges	2,770,085	2,883,921
Provision for contingent liabilities	6,678,657	22,000,000
Administrative expenses	-	13,826,240
	160,367,595	150,639,221

13 (a) Operating expenses		
Staff costs (Note 13 b)	327,660,307	336,931,637
National Pension Scheme Authority contributions	0	
NHIMA	0	
Directors' emoluments (Note 28(e))	6,968,798	9,769,220
Property related expenses	4,085,149	22,733,653
Exchange loss/ (Gain) on revalutaion of leases	2,083,326	-
Advertising	20,356,353	36,591,568
Depreciation on right of use assets (Note 20(b))	21,069,221	13,007,574
License fees	27,796,514	20,688,102
Research and Development	3,055,718	3,575,000
ICT expenses	62,429,223	69,040,218
Office expenses	47,710,485	4,150,723
	523,215,095	516,487,695

13 (b) staff costs

The following items are included within employee benefits expense:	2023	2022
Staff cost	309,478,305	317,738,725
Pension Payments/Terminal Benefit	11,301,428	9,848,310
National Pension Scheme Authority contributions	5,500,438	8,207,413
National Health Insurance Management Authority	1,380,136	1,137,189
	327,660,307	336,931,637

Staff costs relate to basic salary, housing allowance, annual leave pay, upkeep allowance, fuel allowance and medical scheme costs.

13 (c) Finance cost

Interest expense on leases *(note 20b)*	6,283,681	3,960,355

Provision for impairment

Provision for impairment advances (Note 18)	92,813,585	2,363,510
Provision for impairment investments (Note 18)	65,000,000	85,164,985
Provision for impairment off balance sheet and loan commitments (Note 18)	-	567,915
	157,813,585	88,096,410

14 Income taxes

See accounting policies in note 31 e

14 (a) Income tax expense

Current income tax	290,693,665	269,210,683
Deferred income tax *(note 14d)*	(52,830,428)	(39,553,714)
	237,863,237	229,656,969

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

14 (b) Reconciliation of effective tax rate

Profit before income tax	842,196,387	738,607,560
Tax calculated at the statutory income tax rates of 30% (2022 - 30%)	252,658,916	221,582,268
Tax effect of:		
Non-deductible expenses	(14,133,582)	5,565,540
Deferred tax adjustment for prior year	-	-
Effect of change in tax rates	(662,097)	2,509,161
	237,863,237	229,656,969

14 (c) Current income tax movement in the statement of financial position

At the start of year	88,598,050	(6,053,487)
Charge for the year	290,693,665	269,210,683
Tax paid	(259,433,051)	(174,559,146)
At the end of year	119,858,664	88,598,050

14 Income taxes *(continued)*

14 (d) Deferred income tax assets and liabilities
See accounting policies in note 31 e

The following are the deferred income tax (assets)/liabilities recognised by the Bank.

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
Property and Equipment	(9,910,542)	(10,970,619)	-	-	(9,910,542)	(10,970,619)
Revaluation	-	-	20,316,854	20,316,854	20,316,854	20,316,854
Deferred Revenue - Processing Fees	(10,400,653)	(5,700,438)	-	-	(10,400,653)	(5,700,438)
Right Of Use Assets	(5,212,011)	(3,354,738)	-	-	(5,212,011)	(3,354,738)
IFRS 9 Provision	(62,046,137)	(32,120,616)	-	-	(62,046,137)	(32,120,616)
Bad Debts Provision - IFRS 9 Adjustment	-	-	6,719,613	6,719,613	6,719,613	6,719,613
Provision for off balance sheet and loan commitments	(531,272)	(1,074,890)	-	-	(531,272)	(1,074,890)
Provision for impairment on Investments	(69,422,607)	(68,199,426)	-	-	(69,422,607)	(68,199,426)
Employee Provisions	(4,081,892)	(5,959,890)	-	-	(4,081,892)	(5,959,890)
Other provisions	-	(6,600,000)	-	-	-	(6,600,000)
Accrued Interest on Euro Bonds	(18,706,273)				(18,706,273)	
Other Expenses Not Enumerated (Contingent Provisions)	(7,590,000)				(7,590,000)	
	(187,901,387)	**(133,980,618)**	**27,036,467**	**27,036,467**	**(160,864,920)**	**(106,944,151)**

All balances are non-current.

14 Income taxes *(continued)*

14 (d) Deferred income tax assets and liabilities

See accounting policies in note 31 e

i) Movement in temporary differences during the year.

The following is the movement in the deferred tax (assets)/liabilities during the year.

	Balance at 1 January 2022	Recognised in profit or loss	Recognised in equity	Balance at 31 December 2022	Recognised in profit or loss	Recognised in equity	Balance at 31 December 2023
Property and Equipment	(6,375,032)	1,905,484	-	(4,469,548)	2,150,417	-	(2,319,131)
Revaluation	12,705,570	-	-	12,705,570	-	-	12,705,570
Amortisation of revaluation surplus	4,866,632	-	(1,090,341)	3,776,291	-	-	3,776,291
Revaluation surplus - Effect of reducing tax rate from 35% to 30% (2021)	-	-	(2,666,076)	(2,666,076)	(4,700,214)	(1,090,341)	(8,456,631)
Deferred Revenue - Processing Fees	(26,727,149)	(5,700,438)	-	(32,427,587)	-	-	(32,427,587)
IFRS 9 Provision	(3,314,780)	(709,053)	-	(4,023,833)	-	-	(4,023,833)
Right of use of Asset	6,719,613	(39,958)	-	6,679,655	(1,857,273)	-	4,822,382
Adjustment to opening IFRS 9 provision	-	-	-	-	(29,925,521)	-	(29,925,521)
Provision for off balance sheet and loan commitments	(904,515)	(170,375)	-	(1,074,890)	543,618	-	(531,272)
Provision for impairment Investments	(47,334,345)	(25,549,496)	-	(72,883,841)	(1,223,181)	-	(74,107,022)
Employee Provisions	(3,270,012)	(2,689,879)	-	(5,959,891)	1,877,999	-	(4,081,892)
Other Provisions	-	(6,600,000)	-	(6,600,000)	(990,000)	-	(7,590,000)
Accrued Interest on Euro Bonds					(18,706,273)		(18,706,273)
	(63,634,018)	**(39,553,715)**	**(3,756,417)**	**(106,944,150)**	**(52,830,428)**	**(1,090,341)**	**(160,864,919)**

All balances are non-current.

15 Financial assets and financial liabilities

Classification of financial assets and financial liabilities

See accounting policies in Notes 31(h)

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

	Note	31 December 2023 Amortised cost	31 December 2023 Total carrying amount	31 December 2022 Amortised cost	31 December 2022 Total carrying amount
Cash balances at Bank of Zambia	*16*	2,258,830,994	2,258,830,994	2,008,894,789	2,008,894,789
Cash balances with other Banks	*16*	1,715,910,080	1,715,910,080	1,581,071,376	1,581,071,376
Investment securities at amortised cost	*17*	5,951,319,218	5,951,319,218	5,571,635,780	5,571,635,780
Loans and advances at amortised cost	*18*	5,899,352,725	5,899,352,725	4,233,471,185	4,233,471,185
Derivative financial asset	*23*	270,393,432	270,393,432	270,393,432	270,393,432
Other assets	*19*	303,047,258	303,047,258	218,717,386	218,717,386
Total financial assets		**16,398,853,707**	**16,398,853,707**	**13,884,183,948**	**13,884,183,948**
Deposits from customers	*21*	12,757,244,717	12,757,244,717	10,053,620,393	10,053,620,393
Borrowing	*34*	1,522,499,894	1,522,499,894	1,896,278,158	1,896,278,158
Lease liability		73,728,554	73,728,554.00	36,712,721	36,712,721
Derivative financial liability	*23*	15,703,100	15,703,100	15,703,100	15,703,100
Other liabilities	*22*	218,163,615	218,163,615	229,216,754	229,216,754
Total financial liabilities		**14,587,339,880**	**14,587,339,880**	**12,231,531,126**	**12,231,531,126**

16 Cash and cash equivalents

See accounting policies in note 31 h

16.1 Cash and balances with other banks	**2023**	**2022**
Cash on hand	608,561,536	262,916,401
Balances with local banks	561,913,436	456,374,671
Balance with banks abroad	545,435,108	861,780,304
	1,715,910,080	1,581,071,376

16.2 Balances at Central Bank		
Current balances at Bank of Zambia	144,724,169	303,400,973
Bank of Zambia statutory reserve	2,062,661,225	904,345,027
Open Market operations	51,445,600	801,148,789
	2,258,830,994	2,008,894,789

Maturity analysis		
Current	144,724,169	303,400,973
Non-current	2,062,661,225	1,705,493,816
	2,207,385,394	2,008,894,789

The total statutory reserve 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 Banking and Financial Services Act and is a percentage of the Bank's local and foreign currency liabilities to the public. At 31 December 2023, the required percentage was 11.5% (2022: 9%). Therefore, this is not added to the cashflow statement.

16 Cash and cash equivalents *(continued)*

Analysis of cash and cash equivalents as shown in the Cash flow Statement	**2023**	**2022**
Cash and balances with Bank of Zambia	2,258,830,994	2,008,894,789
Less: Statutory deposits requirements	(2,062,661,225)	(904,345,027)
	196,169,769	1,104,549,762
Balances with other Banks	1,107,348,544	1,318,154,975
Cash on hand	608,561,536	262,916,401
	1,912,079,849	2,685,621,138

17 Investment securities

See accounting policies in note 31 j

Treasury bills	3,081,573,265	2,705,023,179
Government bonds	2,763,837,422	2,800,711,829
Euro bonds	337,324,674	294,663,707
Total	6,182,735,361	5,800,398,715
Impairment loss provision	(231,416,143)	(228,762,935)
Net of impairment	5,951,319,218	5,571,635,780
Current	3,932,966,843	3,513,283,405
Non-current	2,018,352,375	2,058,352,375
	5,951,319,218	5,571,635,780

Included in investment securities are treasury bills with a total face value of K100 million (2022: K100 million) pledged as security by the Bank for transactions with various counter parties and the Zambia Electronic Clearing House.

17 Investment securities *(continued)*

a) Analysis of gross carrying amount

2023	**Stage 1 12m- ECL**	**Stage 2 LTECL**	**Stage 3 LTECL**	**Total**
Gross carrying amount as at 1 January 2023	**5,505,735,008**	**-**	**294,663,707**	**5,800,398,715**
Changes in gross carrying amount	**-**	**-**	**-**	**-**
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
New financial assets originated	4,027,412,218	-	(75,103,631)	3,952,308,587
Financial assets derecognised	(3,687,736,539)	-	-	(3,687,736,539)
Exchange differences	-	-	117,757,144	117,757,144
Gross carrying amount as at 31 December 2023	**5,845,410,687**	**-**	**337,317,220**	**6,182,727,907**
Treasury bills				
Gross carrying amount as at 1 January 2023	**2,705,023,179**	**-**	**-**	**2,705,023,179**
Changes in gross carrying amount				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
New financial assets originated	3,369,820,086	-	-	3,369,820,086
Financial assets that have been derecognised	(2,993,270,000)	-	-	(2,993,270,000)
Gross carrying amount as at 31 December 2023	3,081,573,265	-	-	3,081,573,265
Government Bonds				
Gross carrying amount as at 1 January 2023	**2,800,711,829**	**-**	**-**	**2,800,711,829**
Changes in gross carrying amount				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
New financial assets originated	657,592,132	-	-	657,592,132
Financial assets that have been derecognised	(694,466,539)	-	-	(694,466,539)
Gross carrying amount as at 31 December 2023	2,763,837,422	-	-	2,763,837,422
Euro bonds				
Gross carrying amount as at 1 January 2023	**-**	**-**	**294,663,707**	**294,663,707**
Changes in gross carrying amount				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
New financial assets originated	-	-	-	-
Financial assets derecognised	-	-	(75,103,631)	(75,103,631)
Exchange difference	-	-	117,757,144	117,757,144
Gross carrying amount as at 31 December 2023	-	-	337,317,220	337,317,220

17 Investment securities *(continued)*

a) Analysis of gross carrying amount *(continued)*

2022	Stage 1 12m- ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Gross carrying amount as at 1 January 2022	4,611,036,983	-	255,679,120	4,866,716,103
Changes in gross carrying amount	-	-	-	-
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
New financial assets originated	4,350,294,233	-	-	4,350,294,233
Financial assets that have been derecognised	(3,455,596,208)	-	-	(3,455,596,208)
Accrued interest	-	-	22,393,751	22,393,751
Exchange difference	-	-	16,590,836	16,590,836
Gross carrying amount as at 31 December 2022	5,505,735,008	-	294,663,707	5,800,398,715
Treasury bills				
Gross carrying amount as at 1 January 2022	2,461,718,481	-	-	2,461,718,481
Changes in gross carrying amount				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
New financial assets originated	2,705,023,179	-	-	2,705,023,179
Financial assets that have been derecognised	(2,461,718,481)	-	-	(2,461,718,481)
Gross carrying amount as at 31 December 2022	**2,705,023,179**	**-**	**-**	**2,705,023,179**
Government Bonds				
Gross carrying amount as at 1 January 2022	2,149,318,502	-	-	2,149,318,502
Changes in gross carrying amount				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
New financial assets originated	1,645,271,054	-	-	1,645,271,054
Financial assets that have been derecognised	(993,877,727)	-	-	(993,877,727)
Gross carrying amount as at 31 December 2022	**2,800,711,829**	**-**	**-**	**2,800,711,829**
Eurobonds				
Gross carrying amount as at 1 January 2022	-	-	255,679,120	255,679,120
Changes in gross carrying amount				-
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
New financial assets originated	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Accrued interest	-	-	22,393,751	22,393,751
Exchange difference	-	-	16,590,836	16,590,836
Gross carrying amount as at 31 December 2022	**-**	**-**	**294,663,707**	**294,663,707**

17 Investment securities *(continued)*

b) Analysis of Expected Credit Loss (ECL)

2023	**Stage 1 12m- ECL**	**Stage 2 LTECL**	**Stage 3 LTECL**	**Total**
Loss allowance as at 1 January 2023	38,582,901	-	190,180,034	228,762,935
Changes in loss allowance	-	-	-	-
Movements without income statement impact	-			
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
Total movements	38,582,901	-	190,180,034	228,762,935
Adjustment	-	-	(62,346,792)	(62,346,792)
Total movements	38,582,901	-	127,833,242	166,416,143
Movements with income statement impact		-		
New financial assets originated	**182,365,235**	-	**65,000,000**	**247,365,235**
Financial assets that have been derecognised	**(182,365,235)**	-	-	**(182,365,235)**
Charge to profit and loss	**-**	-	**65,000,000**	**65,000,000**
Loss allowance as at 31 December 2023	**38,582,901**	-	**192,833,242**	**231,416,143**

2022	**Stage 1 12m- ECL**	**Stage 2 LTECL**	**Stage 3 LTECL**	**Total**
Loss allowance as at 1 January 2022	105,417,246	-	38,180,704	143,597,950
Changes in loss allowance	-	-	-	-
Movements without income statement impact	-			-
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
Total movements	-	-	-	-
Movements with income statement impact		-		-
New financial assets originated	30,177,419	-	151,999,496	182,176,915
Financial assets that have been derecognised	(97,011,930)	-	-	(97,011,930)
Charge to profit and loss	**(66,834,511)**	-	**151,999,496**	**85,164,985**
Loss allowance as at 31 December 2022	38,582,735	-	190,180,200	228,762,935

18 Loans and advances to customers

	2023			2022		
	Gross amount	**Impairment allowance**	**Carrying amount**	**Gross amount**	**Impairment allowance**	**Carrying amount**
Retail customers:						
Mortgage lending	113,285,037	(7,598,356)	105,686,681	90,579,172	(6,790,163)	83,789,009
Personal loans	493,536,459	(36,155,174)	457,381,285	471,416,447	(45,408,018)	426,008,429
Term loans	232,958,990	(4,040,705)	228,918,285	112,238,584	(745,877)	111,492,707
Total	839,780,486	(47,794,235)	791,986,251	674,234,203	(52,944,058)	621,290,145
Corporate customers:						
Term loans	3,275,094,888	(113,303,686)	3,161,791,202	2,246,625,371	(33,963,370)	2,212,662,001
Overdrafts	1,970,540,580	(24,965,308)	1,945,575,272	1,421,159,113	(21,640,074)	1,399,519,039
Total	5,245,635,468	(138,268,994)	5,107,366,474	3,667,784,484	(55,603,444)	3,612,181,040
Total loans	6,085,415,954	(186,063,229)	5,899,352,725	4,342,018,687	(108,547,502)	4,233,471,185

	2023	**2022**
Current	2,335,527,936	1,829,071,740
Non-current	3,749,888,018	2,515,606,333
	6,085,415,954	4,344,678,073

18 Loans and advances to customers *(continued)*

a) Analysis of gross carrying amount - On-Balance Sheet Facilities

2023	Stage 1 12m- ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Gross carrying amount as at 1 January 2023	**3,696,678,223**	**537,556,786**	**107,783,678**	**4,342,018,687**
Changes in gross carrying amount				
- Transfer to stage 1	503,851,409	(483,224,867)	(20,626,542)	-
- Transfer to stage 2	(81,541,355)	82,663,323	(1,121,968)	-
- Transfer to stage 3	(106,363,538)	(8,865,031)	115,228,569	-
New financial assets originated	2,177,938,257	60,267,294	113,807,527	2,352,013,078
Financial assets that have been derecognised	(512,617,369)	(6,076,220)	(89,922,222)	(608,615,811)
Gross carrying amount as at 31 December 2023	**5,677,945,627**	**182,321,285**	**225,149,042**	**6,085,415,954**
Retail				
Gross carrying amount as at 1 January 2023	**563,448,630**	**22,278,302**	**33,041,374**	**618,768,306**
Changes in gross carrying amount				
- Transfer to stage 1	16,553,927	(13,100,794)	(3,453,133)	-
- Transfer to stage 2	(17,977,520)	19,099,488	(1,121,968)	-
- Transfer to stage 3	(5,686,282)	(1,437,084)	7,123,366	-
New financial assets originated	345,546,572	15,903,551	1,521,667	362,971,790
Financial assets matured	(119,555,666)	(2,428,234)	(11,768,399)	(133,752,299)
Gross carrying amount as at 31 December 2023	**782,329,661**	**40,315,229**	**25,342,907**	**847,987,797**
Corporate				
Gross carrying amount as at 1 January 2023	**3,133,229,593**	**515,278,484**	**74,742,304**	**3,723,250,381**
Changes in gross carrying amount				-
- Transfer to stage 1	487,297,482	(470,124,073)	(17,173,409)	-
- Transfer to stage 2	(63,563,835)	63,563,835	-	-
- Transfer to stage 3	(100,677,256)	(7,427,947)	108,105,203	-
New financial assets originated	1,832,391,685	44,363,743	112,285,860	1,989,041,288
Financial assets matured	(393,061,703)	(3,647,986)	(78,153,823)	(474,863,512)
Gross carrying amount as at 31 December 2023	**4,895,615,966**	**142,006,056**	**199,806,135**	**5,237,428,157**

18 Loans and advances to customers *(continued)*

a) Analysis of gross carrying amount - On-Balance Sheet Facilities *(continued)*

2022	Stage 1 12m- ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Gross carrying amount as at 1 January 2022	**2,896,259,432**	**29,554,979**	**183,517,280**	**3,109,331,691**
Changes in gross carrying amount				
- Transfer to stage 1	1,208,390	(10,890,033)	9,681,643	-
- Transfer to stage 2	(481,589,688)	482,192,474	(602,786)	-
- Transfer to stage 3	(6,014,537)	(1,042,177)	7,056,714	-
New financial assets originated	1,827,984,024	45,838,362	2,996,658	1,876,819,044
Financial assets that have been derecognised	(541,169,398)	(8,096,819)	(94,865,831)	(644,132,048)
Gross carrying amount as at 31 December 2022	**3,696,678,223**	**537,556,786**	**107,783,678**	**4,342,018,687**
Retail				
Gross carrying amount as at 1 January 2022	**532,440,465**	**72,051,718**	**44,885,285**	**649,377,468**
Changes in gross carrying amount	-	-	-	-
- Transfer to stage 1	2,734,675	(2,263,864)	(470,811)	-
- Transfer to stage 2	(7,062,383)	7,342,988	(280,605)	-
- Transfer to stage 3	(1,705,762)	(952,929)	2,658,691	-
New financial assets originated	336,172,402	6,015,119	2,960,822	345,148,343
Financial assets that have been derecognised	(299,130,767)	(4,448,833)	(16,712,008)	(320,291,608)
Gross carrying amount as at 31 December 2022	**563,448,630**	**77,744,199**	**33,041,374**	**674,234,203**
Corporate				
Gross carrying amount as at 1 January 2022	**2,363,818,967**	**(42,496,739)**	**138,631,995**	**2,459,954,223**
Changes in gross carrying amount				-
- Transfer to stage 1	(1,526,285)	(8,626,169)	10,152,454	-
- Transfer to stage 2	(474,527,305)	474,849,486	(322,181)	-
- Transfer to stage 3	(4,308,775)	(89,248)	4,398,023	-
New financial assets originated	1,491,811,622	39,823,243	35,836	1,531,670,701
Financial assets that have been derecognised	(242,038,631)	(3,647,986)	(78,153,823)	(323,840,440)
Gross carrying amount as at 31 December 2022	**3,133,229,593**	**459,812,587**	**74,742,304**	**3,667,784,484**

18 Loans and advances to customers *(continued)*

b) Analysis of gross carrying amount - Off-Balance Sheet Facilities

2023	Stage 1 12m- ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Gross carrying amount as at 1 January 2023	**254,257,564**	-	-	**254,257,564**
Changes in gross carrying amount				
- Transfer to stage 1	-	-	-	
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
Financial assets originated	2,295,642,538	-	-	2,295,642,538
Financial assets matured	(252,225,892)	-	-	(252,225,892)
Charge to profit and loss				
Gross carrying amount as at 31 December 2023	**2,297,674,210**	-	-	**2,297,674,210**

2022	Stage 1 12m- ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Gross carrying amount as at 1 January 2022	254,257,564	-	-	254,257,564
Changes in gross carrying amount				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
Financial assets originated	2,295,642,538	-	-	2,295,642,538
Financial assets matured	(252,225,892)	-	-	(252,225,892)
Gross carrying amount as at 31 December 2022	**2,297,674,210**	-	-	2,297,674,210

2023

c) Analysis of gross carrying amount - On and Off-balance Sheet Facilities

Gross carrying amount as at 1 January 2023	**3,950,935,787**	**537,556,786**	**107,783,678**	**4,596,276,251**
Changes in gross carrying amount				
- Transfer to stage 1	503,851,409	(483,224,867)	(20,626,542)	-
- Transfer to stage 2	(81,541,355)	82,663,323	(1,121,968)	-
- Transfer to stage 3	(106,363,538)	(8,865,031)	115,228,569	-
Financial assets originated	4,473,580,795	60,267,294	113,807,527	4,647,655,616
Financial assets matured	(764,843,261)	(6,076,220)	(89,922,222)	(860,841,703)
Gross carrying amount as at 31 December 2023	**7,975,619,837**	**182,321,285**	**225,149,042**	**8,383,090,164**

2022				
Gross carrying amount as at 1 January 2022	**3,150,516,996**	**29,554,979**	**183,517,280**	**3,363,589,255**
Changes in gross carrying amount				
- Transfer to stage 1	1,208,390	(10,890,033)	9,681,643	-
- Transfer to stage 2	(481,589,688)	482,192,474	(602,786)	-
- Transfer to stage 3	(6,014,537)	(1,042,177)	7,056,714	-
Financial assets originated	4,123,626,562	45,838,362	2,996,658	4,172,461,582
Financial assets matured	(793,395,290)	(8,096,819)	(94,865,831)	(896,357,940)
Gross carrying amount as at 31 December 2022	**5,994,352,433**	**537,556,786**	**107,783,678**	**6,639,692,897**

18 Loans and advances to customers (continued)

d) Analysis of Expected Credit Loss (ECL) - On-Balance Sheet Facilities

2023	Stage 1 12m- ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Loss allowance as at 1 January 2023	**60,254,253**	**3,431,745**	**44,861,504**	**108,547,502**
Changes in loss allowance				
Movements without income statement impact				
- Transfer to stage 1	2,519,038	(803,574)	(1,715,464)	-
- Transfer to stage 2	(1,244,445)	2,151,431	(906,986)	-
- Transfer to stage 3	(2,665,628)	(325,460)	2,991,088	-
Total movements	58,863,218	4,454,142	45,230,142	108,547,502
Movements with income statement impact				
New financial assets originated	29,751,732	47,286,964	52,484,932	129,523,628
Financial assets matured	(24,594,778)	(730,154)	(11,385,112)	(36,710,044)
Charge to profit and loss	**5,156,954**	**46,556,810**	**41,099,820**	**92,813,584**
Write offs			(15,156,166)	(15,156,166)
Loss allowance as at 31 December 2023	**64,020,172**	**51,010,952**	**86,329,962**	**186,204,920**
Retail				
Loss allowance as at 1 January 2023	**21,651,540**	**2,317,208**	**27,204,404**	**51,173,152**
Changes in loss allowance				
Movements without income statement impact				
- Transfer to stage 1	2,424,857	(709,393)	(1,715,464)	-
- Transfer to stage 2	(284,550)	1,191,536	(906,986)	-
- Transfer to stage 3	(273,778)	(305,260)	579,038	-
Total movements	**23,518,069**	**2,494,091**	**25,160,992**	**51,173,152**
Movements with income statement impact				
New financial assets originated	8,887,529	6,016,318	824,885	15,728,732
Financial assets matured	(14,832,057)	(177,434)	(5,840,927)	(20,850,418)
Charge to profit and loss	**(5,944,528)**	**5,838,884**	**(5,016,042)**	**(5,121,686)**
Write off	**1,770,906**	**-**	**-**	**1,770,906**
Loss allowance as at 31 December 2023	**19,344,447**	**8,332,975**	**20,144,950**	**47,822,372**
Corporate				
Loss allowance as at 1 January 2023	**36,831,807**	**1,114,537**	**17,657,100**	**55,603,444**
Changes in loss allowance				
Movements without income statement impact				
- Transfer to stage 1	94,181	(94,181)	-	-
- Transfer to stage 2	(959,895)	959,895	-	-
- Transfer to stage 3	(2,391,850)	(20,200)	2,412,050	-
Total movements	**33,574,243**	**1,960,051**	**20,069,150**	**55,603,444**
Movements with income statement impact				**-**
New financial assets originated	20,864,203	41,270,646	51,660,047	113,794,896
Financial assets matured	(9,762,721)	(552,720)	(5,544,185)	(15,859,626)
Charge to profit and loss	**11,101,482**	**40,717,926**	**46,115,862**	**97,935,270**
Financial assets written off	-	-	(15,156,166)	(15,156,166)
Loss allowance as at 31 December 2023	**44,675,725**	**42,677,977**	**51,028,846**	**138,382,548**

18 Loans and advances to customers *(continued)*

d) Analysis of Expected Credit Loss (ECL) - On-Balance Sheet Facilities *(continued)*

2022	Stage 1 12m- ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Loss allowance as at 1 January 2022	**49,021,659**	**3,545,289**	**55,526,118**	**108,093,066**
Changes in loss allowance				
Movements without income statement impact				
- Transfer to stage 1	827,037	(385,304)	(441,733)	-
- Transfer to stage 2	(315,628)	578,902	(263,274)	-
- Transfer to stage 3	(140,922)	(343,364)	484,286	-
Recoveries and Other movements	-	-	-	-
Total movements	**49,392,146**	**3,395,523**	**55,305,397**	**108,093,066**
Movements with income statement impact				
New financial assets originated	27,469,053	1,569,572	1,948,884	30,987,509
Financial assets matured	(14,697,872)	(1,533,350)	(12,392,777)	(28,623,999)
Charge to profit and loss	12,771,181	36,222	(10,443,893)	2,363,510
Financial assets written off	(1,909,074)	-	-	(1,909,074)
Loss allowance as at 31 December 2022	**60,254,253**	**3,431,745**	**44,861,504**	**454,436**

Retail	Stage 1 12m- ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Loss allowance as at 1 January 2022	**19,904,338**	**2,939,559**	**31,304,722**	**54,148,619**
Changes in loss allowance				
Movements without income statement impact				
- Transfer to stage 1	815,782	(374,049)	(441,733)	-
- Transfer to stage 2	(285,904)	549,178	(263,274)	-
- Transfer to stage 3	(75,213)	(259,615)	334,828	-
Recoveries and Other movements	-	-	-	-
Total movements	**20,359,003**	**2,855,073**	**30,934,543**	**54,148,619**
Movements with income statement impact				
New financial assets originated	15,713,846	783,874	1,915,256	18,412,976
Financial assets matured	(12,650,403)	(1,321,739)	(5,645,395)	(19,617,537)
Charge to profit and loss	**3,063,443**	**(537,865)**	**(3,730,139)**	**(1,204,561)**
Loss allowance as at 31 December 2022	**26,485,889**	**1,779,343**	**23,474,265**	**51,739,497**

Corporate	Stage 1 12m- ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Loss allowance as at 1 January 2022	**29,117,321**	**605,730**	**24,221,396**	**53,944,447**
Changes in loss allowance				
Movements without income statement impact				
- Transfer to stage 1	11,255	(11,255)	-	-
- Transfer to stage 2	(29,724)	29,724	-	-
- Transfer to stage 3	(65,709)	(83,749)	149,458	-
Recoveries and Other movements	-	-	-	-
Total movements	**29,033,143**	**540,450**	**24,370,854**	**53,944,447**
Movements with income statement impact				-
New financial assets originated	11,755,207	785,698	33,628	12,574,533
Financial assets matured	(2,047,469)	(211,611)	(6,747,382)	(9,006,462)
Charge to profit and loss	**9,707,738**	**574,087**	**(6,713,754)**	**3,568,071**
Financial assets written off	(1,909,074)	-	-	(1,909,074)
Loss allowance as at 31 December 2022	**36,831,807**	**1,114,537**	**17,657,100**	**55,603,444**

18 Loans and advances to customers *(continued)*

e) Analysis of Expected Credit Loss (ECL)- Off-Balance Sheet Facilities

2023	Stage 1 12m- ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Loss allowance as at 1 January 2023	**1,770,906**	**-**	**-**	**1,770,906**
Changes in loss allowance				
Movements without income statement impact				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
Recoveries and Other movements	-	-	-	-
Total movements	**1,770,906**	**-**	**-**	**1,770,906**
Movements with income statement impact				
New financial assets originated	-	-	-	-
Financial assets matured	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Charge to profit and loss	-	-	-	-
Loss allowance as at 31 December 2023	**1,770,906**	**-**	**-**	**1,770,906**

2022	Stage 1 12m- ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Loss allowance as at 1 January 2022	1,202,991	-	-	1,202,991
Changes in loss allowance				
Movements without income statement impact				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
Recoveries and Other movements	-	-	-	-
Total movements	-	-	-	-
Movements with income statement impact				
New financial assets originated	1,770,663	-	-	1,770,663
Financial assets matured	(1,202,748)	-	-	(1,202,748)
Financial assets that have been derecognised	-	-	-	-
Charge to profit and loss	-	-	-	-
Loss allowance as at 31 December 2022	1,770,906	-	-	1,770,906

18 Loans and advances to customers *(continued)*

e) Analysis of Expected Credit Loss (ECL)

f) Reconciliation of on and off balance sheet facilities ECL

Loss allowance as at 1 January 2023	**62,025,159**	**3,431,745**	**44,861,504**	**110,318,408**
Changes in loss allowance				
Movements without income statement impact				
- Transfer to stage 1	2,519,038	**(803,574)**	**(1,715,464)**	-
- Transfer to stage 2	(1,244,445)	**2,151,431**	**(906,986)**	-
- Transfer to stage 3	(2,665,628)	**(325,460)**	**2,991,088**	-
Total movements	**60,634,124**	**4,454,142**	**45,230,142**	**110,318,408**
	-	-	-	-
				-
Movements with income statement impact				
New financial assets originated	**29,751,732**	**47,286,964**	**52,484,932**	129,523,628
Financial assets matured	**(24,594,778)**	**(730,154)**	**(11,385,112)**	**(36,710,044)**
Charged	**5,156,954**	**46,556,810**	**41,099,820**	**92,813,584**
Financial assets written off	-	-	**(15,156,166)**	**(15,156,166)**
Loss allowance as at 31 December 2023	**65,791,078**	**51,010,952**	**86,329,962**	**187,975,826**

Loss allowance as at 1 January 2022	50,224,650	3,545,289	55,526,118	109,296,057
Changes in loss allowance				
Movements without income statement impact				
- Transfer to stage 1	827,037	(385,304)	(441,733)	-
- Transfer to stage 2	(315,628)	578,902	(263,274)	-
- Transfer to stage 3	(140,922)	(343,364)	484,286	-
Recoveries and Other movements	-	-	-	-
Total movements	50,595,137	3,395,523	55,305,397	109,296,057
Movements with income statement impact				-
New financial assets originated	29,239,716	1,569,572	1,948,884	32,758,172
Financial assets matured	(15,900,620)	(1,533,350)	(12,392,777)	(29,826,747)
Charge to profit and loss	13,339,096	36,222	(10,443,893)	2,931,425
Financial assets written off	(1,909,074)	-	-	(1,909,074)
Loss allowance as at 31 December 2022	62,025,159	3,431,745	44,861,504	110,318,408

18 Loans and advances to customers *(continued)*

See accounting policies in note 31 i

Analysis of off-balance sheet facilities

Contingent liabilities and commitments

See accounting policies in note 31 g

To meet the financial needs of customers, the Bank enters various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank. Impairment on off balance sheet exposures is performed by adjusting the gross exposure by the credit conversion factor (CCFs) and in turn adjusting the converted exposure by multiplying by the Loss Given Default (LGD). Credit conversion factors (CCFs) are derived using guidance set forth in Basel-II. Letters of credit and guarantees 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. Guarantees and standby letters of credit carry a similar credit risk to loans. The nominal values of such commitments are listed below.

31 December 2023

See accounting policies in note 31 i	Gross amount EAD	Impairment	Carrying amount
Financial guarantees	87,809,523	(186,945)	87,622,578
Letters of credit	40,803,800	(100,229)	40,703,571
	128,613,323	(287,174)	128,326,149

31 December 2022

See accounting policies in note 31 i	Gross amount	Impairment	Carrying amount
Financial guarantees	84,666,012	(30,455)	84,635,557
Letters of credit	2,213,008,198	(1,481,577)	2,211,526,621
	2,297,674,210	(1,512,032)	2,296,162,178

Maturity analysis	2023	2022
Current	128,326,149	2,296,162,178
	128,326,149	2,296,162,178

19 Other assets

	2023	2022
Inter branch accounts receivable	5,663	-
Prepaid expenses	22,144,713	28,062,709
Visa settlement receivables	7,544,998	2,393,415
Mark to market on staff loan receivables	54,623,256	33,221,800
National Financial Switch settlement receivables	-	22,558,291
Recoverable deposits	197,476,036	78,182,901
Wallet banking settlements	-	53,505,201
Other ereceivables	21,252,592	793,069
	303,047,258	218,717,386

Maturity analysis

	2023	2022
Current	105,571,222	140,534,485
Non-current	197,476,036	78,182,901
	303,047,258	218,717,386

20 a) Property and equipment
See accounting policies in note 31 n

	Land and buildings	Leasehold improvements	Motor vehicles	Computer and office equipment	Furniture and fixtures	Capital work in progress	Total
Cost/ revalued assets							
At 1 January 2022	139,578,382	29,787,406	12,340,977	112,980,181	56,323,427	80,867,120	431,877,493
Additions	-	-	613,418	4,737,349	7,119,685	83,581,342	96,051,794
Disposals	-	-	-	-	-	(721,082)	(721,082)
At 31 December 2022	139,578,382	29,787,406	12,954,395	117,717,530	63,443,112	163,727,380	527,208,205
At 1 January 2023	139,578,382	29,787,406	12,954,395	117,717,530	63,443,112	163,727,380	527,208,205
Additions	8,746,852	-	-	22,436,026	23,248,553	23,556,430	77,987,861
Transfers	119,357,591	-	-	6,391,668	33,558,725	(159,307,984)	-
Disposals	-	-	-	-	(150,315)	-	(150,315)
At 31 December 2023	267,682,825	29,787,406	12,954,395	146,545,224	120,100,075	27,975,827	605,045,751
Depreciation							
Balance at 1 January 2022	11,252,973	24,205,646	6,157,327	74,463,231	48,590,772	-	164,669,949
Charge for the year	2,114,989	2,376,474	1,823,330	15,290,179	4,370,417	-	25,975,389
At 31 December 2022	13,367,962	26,582,120	7,980,657	89,753,410	52,961,189	-	190,645,338
Balance at 1 January 2023	13,367,962	26,582,120	7,980,657	89,753,410	52,961,189	-	190,645,338
Charge for the year	3,795,715	2,021,465	1,793,353	18,156,875	12,741,726	-	38,509,134
Disposals		-		-	(150,315)	-	(150,315)
At 31 December 2023	17,163,677	28,603,585	9,774,010	107,910,285	65,552,600	-	229,004,157
Carrying amounts							
At 31 December 2022	126,210,420	3,205,286	4,973,738	27,964,120	10,481,923	163,727,380	336,562,867
At 31 December 2023	250,519,148	1,183,821	3,180,385	38,634,939	54,547,475	27,975,827	376,041,594

Included in property and equipment are fully depreciated assets with a cost of K133.75 million (2022: K108.88 million). In December 2020, land and buildings were revalued by Fairworld Properties Limited, Registered Valuation Surveyors, based on open market. The revaluation surplus arising was K21.75m. In the opinion of the directors, the carrying value of land and buildings at 31 December 2023 approximates fair value.Revaluations are performed every 5 years and inintervening years if the carrying amount of the land and buildings differs materially from their fair value.

In accordance with Section 247 of the Companies Act, 2017 of Zambia list of the Bank's properties is available for inspection at the

20 a) Property and equipment *(continued)*

If the buildings were stated on a historical cost basis, the carrying value would be as follows:

	2023	2022
Cost	164,214,242	36,109,799
Accumulated depreciation	(7,451,541)	(6,866,678)
Net book value	156,762,701	29,243,121

(i) Fair value hierarchy

Level 3 fair values of buildings are based on prevailing market prices are determined by prices obtained for similar buildings in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The most significant input into this valuation approach is the valuation of similar buildings based on recent transactions.

Property and equipment written off

(See accounting policies in note 31 n)

The Bank wrote off some items relating to Computer and office equipment and furniture and fittings in its continued modernisation of its branch network. The amounts written off have been included in the income statement.

	2023	2022
Computer and Office Equipment	-	2,364,337
Furniture and Fittings	-	28,386
	-	2,392,723

20 b) Leases
See accounting policies in note 31 m

Leases as lessee

The bank leases a number of branches, ATM premises, residence for officers and ATM machines. The leases typically run for a period of one year to 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Lease terms are negotiated on an individual basis. The average tenure of ATM leases is 2 years while for premises its 5 years. Kwacha denominated leases are discounted at an average discount rate of 15%, Dollar denominated leases are discounted at an average rate of 7%.

20 b) Leases *(continued)*

Leases as lessee *(continued)*

i) Right-of-use assets

31 December 2023

	Buildings	ATM space	ATM Machines	Officer's residence	Total
At start of year	14,942,045	2,783,917	7,473,389	3,865,114	29,064,465
Additions	2,675,596	474,551	-	-	3,150,147
Modifications/(terminations)	28,715,054	3,440,137	16,782,064	(1,284,910)	47,652,345
Amortisation charge for the year	(11,253,165)	(1,620,751)	(6,790,427)	(1,404,878)	(21,069,221)
At end of year	35,079,530	5,077,854	17,465,026	1,175,326	58,797,736

31 December 2022

	Buildings	ATM space	ATM Machines	Officer's residence	Total
At start of year	26,287,902	2,622,808	6,268,154	339,550	35,518,414
Additions	207,913	674,281	-	5,298,203	6,180,397
Adjustment	(4,604,040)	776,224	5,015,963	(814,919)	373,228
Amortisation charge for the year	(6,949,730)	(1,289,396)	(3,810,728)	(957,720)	(13,007,574)
At end of year	14,942,045	2,783,917	7,473,389	3,865,114	29,064,465

ii) Lease Liabilities

31 December 2023

	Buildings	ATM space	ATM Machines	Officer's residence	Total
At start of year	19,227,175	3,462,955	9,031,618	4,990,973	36,712,721
Additions	2,815,219	319,307	-	-	3,134,526
Modifications	1,170,810	(743,533)	4,313,681	(5,583,399)	(842,440)
Interest expense	3,660,997	553,201	1,673,718	395,032	6,282,948
Lease payments	(12,122,284)	(1,888,152)	(6,589,350)	(1,723,379)	(22,323,165)
Foreign exchange gain	8,086,523	1,303,434	3,807,087	592,425	13,789,469
Adjustments	19,421,984	2,790,059	11,510,572	3,251,881	36,974,496
At end of year	42,260,423	5,797,270	23,747,325	1,923,534	73,728,554

31 December 2022	Buildings	ATM space	ATM Machines	Officer's residence	Total
At start of year	30,716,983	5,992,341	5,296,833	911,071	42,917,228
Additions	207,913	647,836	-	5691528	6,547,277
Restoration	-	-	-		-
Interest expense	1,992,587	331,102	1,424,962	211,704	3,960,355
Lease payments	(12,144,063)	(1,693,160)	(4,709,163)	(922,350)	(19,468,736)
Foreign exchange loss	(1,546,245)	(1,815,164)	7,018,986	(900,980)	2,756,597
At end of year	19,227,175	3,462,955	9,031,618	4,990,973	36,712,721

20 b) Leases *(continued)*

iii) Maturity Analysis

	2023	2022
Rent in Kwacha		
Between one year	22,973	177,157
More than one year	37,956,145	17,421,681
Rent quoted in dollars (amounts in kwacha)	-	
Less than one year	-	287,970
Between one year and five years	35,749,436	18,825,913
Total undiscounted lease liabilities as at 31 December	73,728,554	36,712,721

iv) Breakdown of Amounts recognised in the balance sheet

a) Right of use assets

	2023	2022
Office space	35,079,530	14,942,045
ATM premises	5,077,854	2,783,917
ATM Machines	17,465,026	7,473,389
Officer's Residence	1,175,326	3,865,114
	58,797,736	29,064,465

b) Lease Liabilities

	2023	2022
Office space	43,816,865	19,227,175
ATM premises	6,648,714	3,462,955
ATM Machines	21,196,200	9,031,618
Officer's Residence	2,066,775	4,990,973
Total lease liability	73,728,554	36,712,721

Depreciation charge of Right of use assets

	2023	2022
Office space	1,404,878	6,949,730
ATM Premises	1,620,751	1,289,396
ATM Machines	6,790,427	3,810,728
Officer's Residence	11,253,165	957,720
	21,069,221	13,007,574

The bank has presented interest expense on the lease liability separately from the depreciation charge for the right of-use asset. Interest expense on the lease liability is a component of finance costs, which are presented separately in of profit or loss.

20 b) Leases *(continued)*
See accounting policies in note 31 m

Leases as lessee *(continued)*

v) Amounts recognised in statement of cash flows

Interest expense	**2023**	**2022**
Office space	3,660,997	1,992,587
ATM premises	553,201	331,102
ATM Machines	1,673,718	1,424,962
Officer's Residence	395,032	211,704
	6,282,948	3,960,355
Principal payments		
Office space	9,949,066	10,151,476
ATM premises	1,194,652	1,362,058
ATM Machines	4,590,348	3,284,201
Officer's Residence	1,228,304	710,646
	16,962,370	15,508,381

During the year, the bank entered into short lease term leases. The short-term leases include rent paid for one of the officers for Eight Months before he was moved to bank flats. These leases are short-term, and the bank has elected not to recognize right-of-use assets and lease liabilities for these leases.

The bank has classified: - cash payments for the principal portion of lease payments as well as cash payments for the interest portion as financing activities and - short-term lease payments as operating activities.

vi) The Bank's leasing activities and how these are accounted for

The bank leases various offices, ATM machines, residence, and ATM space. Rental contracts are typically made for fixed periods of 1 year to 10 years but may have extension options as described in (v) below.

Contracts may contain both lease and non-lease components. The bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the vendor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement
- Amounts expected to be payable by the Bank under residual value guarantees
- The exercise price of a purchase option if the Bank is reasonably certain to exercise that option, and Payments of penalties for terminating the lease, if the lease term reflects the bank exercising that option

20 b) Leases *(continued)*
See accounting policies in note 31 m

Leases as lessee *(continued)*

vi) The Bank's leasing activities and how these are accounted for *(continued)*

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received For rentals quoted in kwacha the incremental borrowing rate is determined as BOZ policy rate plus a credit risk premium of five(5) per cent whereas for lease payments quoted in dollar, the incremental borrowing rate is determined as Libor rate plus credit risk premium of 5%.

The Bank is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate takes effect, the lease liability is reassessed and adjusted against the right-of-use asset.

In addition, sensitivity check was conducted on the financial Lease liability, to assess the impact when there is an upward or downward movement of 5% on the incremental borrowing rate. The sensitivity results are as detailed below:

		Impact of change (5%)	
31 December 2023	Current	Increase	Decrease
Interest expense	6,282,948	16,102,256	5,207,304
Lease liability	73,728,554	116,249,730	105,354,778
31 December 2022			
Interest expense	3,960,355	1,871,645	(1,921,450)
Lease liability	36,712,721	1,703,749	(2,089,345)

An increase of five per cent on the existing incremental borrowing rate was going to result in an increase in interest expense of K K16,102,256 (2022: K 1,871,645) and an increase in the lease liability of K5,586,672 (2022: K 1,703,749).

A decrease of five per cent in the incremental borrowing rate was going to result in a decrease in interest expense of K 5,207,304 (2022: K 1,921,450) and a decrease lease liability of K10,894,952 (2022: K 1,987,014).

20 b) Leases *(continued)*
See accounting policies in note 31 m

Leases as lessee *(continued)*
Lease payments are allocated between principal and interest expense on leases. The Interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the bank revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the bank.

21 Deposits from customers
See accounting policies in note 31 k

	2023	2022
Current & demand deposits	7,732,998,444	5,585,138,527
Savings deposits	1,227,751,509	1,902,825,178
Term deposits	3,796,494,764	2,565,656,688
	12,757,244,717	10,053,620,393
Maturity analysis		
Current:		
· Repayable on demand	3,856,002,960	7,487,963,705
· Three months or less	4,652,631,217	265,931,678
· Between three months and one year	4,248,610,540	2,299,725,010
Total	12,757,244,717	10,053,620,393

22 Other liabilities
See accounting policies in note 31 g

	2023	2022
Bills payable	3,081,030	2,770,367
Indirect taxes payable	15,933,944	13,565,438
Accrued expenses	111,134,462	115,826,668
Employee Accruals	31,588,096	25,637,691
National financial switch settlement payables	-	8,228,936
Cash margins	2,287,341	12,658,450
Restoration costs	-	3,150,000
Other provisions	52,367,836	45,608,298
Impairment for off balance sheet assets (note 25)	1,770,906	1,770,906
	218,163,615	229,216,754

Maturity analysis:

	2023	2022
Current	205,735,213	216,558,304
Non-current	12,428,402	12,658,450
	218,163,615	229,216,754

23 Financial asset Derivatives

On 30 December the Bank entered into a cross-currency swap. the terms of the transactions were as follows:

- The bank delivers 10,000,000 USD to the counter party on the initiation date
- For the US dollar funds delivered by the bank, the counter party will deliver an equivalent amount in ZMW at the contractually defined spot rate on that date, being 179,197,000 ZMW.
- The Bank invests the ZMW receipts in a counter party issued term deposit at a return based on the prevailing rate on the Government of the Republic of Zambia 364-day treasury bill plus the policy rate at the point of investment.

At maturity, the counter party will deliver the USD funds that had been tendered on the effective date, at no interest, while the Bank will deliver to the counter party K209,416,283 that had been tendered on the effective date, plus interest that accrued at a contractually specified rate being the prevailing rate on the Government of the Republic of Zambia 364-day treasury bill security at the time of the transaction.

2023

Derivative asset	**Risk exposure**	**Nominal amount**	**Fair value**
Foreign currency derivatives	Currency risk		270,393,432
			270,393,432
Current			270,393,432
Derivative liabilities			
Foreign currency derivatives	Currency risk		(15,703,100)
			(15,703,100)
Current			(15,703,100)

24 Share capital

See accounting policies in note 31 p

	Number of ordinary shares 2023	Ordinary share capital 2022
Authorised		
Ordinary shares of K 1 each	420,000,000	420,000,000
Dividends paid	100,000,000	80,000,000
Issued and fully paid		
Ordinary shares of K 1 each	416,000,000	416,000,000
Dividends		
Dividends per share	0.24	0.19

The holders of ordinary shares are entitled to vote at meetings of the Bank and to dividends as declared from time to time. After the reporting date, a dividend of K125,000,000 (2022: K100,000,00) was proposed. The dividends have not been recognised as liabilities, therefore, there are no tax consequences. During the year, K100,000,000 representing K0.24 per ordinary share was paid as dividends to the shareholders for the year ended 31 December 2022 (2021: K80,000,000 representing K0.19 per ordinary share was paid as dividends to the shareholders for the year ended 31 December 2021).

25 Contingent liabilities

In common with other banks, the Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

There were contingent liabilities as at 31 December 2023 amounting to K128.3 million (2022: K2,295.90 million). These are financial guarantees and letters of credit, which are not recognised in the statement of financial position.

	2023	2022
Financial guarantees	2,297,674,210	84,666,012
Acceptances and letters of credit	40,803,800	2,213,008,198
Total	2,338,478,010	2,297,674,210
Impairment	(287,174)	(1,770,906)
Net carrying amount	**2,338,190,836**	**2,295,903,304**

Nature of contingent liabilities

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's.

26 Subsequent events

A dividend of K125,000,000 translating to K0.24 per share (2022: K100,000,000 translating to K0.190) was proposed after the reporting date.

27 Capital commitments

In the year 2020, the bank has purchased a commercial land for development of new corporate office Construction works completed in 2023 and the building has since been occupied. During 2023, the following projects were initialted:

NAME OF BRANCH	Amount spent as at 31 December
Kapira	1,915,154
Kaoma	1,823,881
Cosmopolitan Mall	2,688,402
Chinsali	6,162,468
Serenje	2,975,144
ECL Mall	2,478,247
TOTAL	**18,043,296**

28 Related party transactions

The Bank's major shareholder is Industrial Development Corporation (40%), Bank of Baroda (20%), Bank of India (20%) and Central Bank of India (20%).The Bank has no defined parent company as none of the shareholders have more than 50% controlling shares.

There are other companies which are related to Indo Zambia Bank Limited through the Industrial Development Company.

Nature of transactions:

- During the year bank has lent the credit facilities to Industrial Development Corporation.
  In the normal course of business, current accounts are operated, and placings of foreign currencies are made with Bank of Baroda and Bank of India at market rates.
- Loans and advances to with key management and officers of the bank are offered at preferential rates.
- Transactions with shareholders and related entities are undertake based on the normal business terms and conditions as though it were an external party.

	2023	2022
a) Balances held with other banks (all balances are current).		
Bank of Baroda	71,990,231	170,257,654
Bank of India	19,763,886	62,566,519
	91,754,117	232,824,173
b) Interest paid by :		
Bank of Baroda	7,965,958	2,867,081
c) Deposits (all balances are current)		
Government of the Republic of Zambia	1,637,000,439	1,736,734,093

d) Key management compensation (Key management personnel includes executive management).

	2023	**2022**
Salaries and short-term benefits	57,760,834	54,548,218
Terminal benefits	12,333,581	11,630,481
	70,094,415	66,178,699
e) Directors' remuneration		
Directors' fees (Note 12)	7,880,447	7,841,157
Directors' emoluments (Note 13)	6,968,798	9,769,220
	14,849,245	17,610,377

f) Related party loans

Year ended 31 December 2023	Directors	Key management
Loans outstanding at beginning of the year	723,396	12,737,834
Loan advances during the year	-	14,659,800
Loan repayments during the year	(723,396)	(6,626,457)
Loans outstanding at end of the year	-	20,771,178
Interest earned	5,701	1,339,184

28 Related party transactions *(continued)*

f) Related party loans (continued)

Year ended 31 December 2022		
Loans outstanding at beginning of the year	-	12,737,834
Loan advances during the year	723,396	14,659,800
Loan repayments during the year	-	(6,626,457)
Loans outstanding at end of the year	723,396	20,771,177
Interest earned	29,374	1,339,184

Transactions with Directors and Officers

Name of borrower	Opening Balance 1st Jan 2023	Issued during the year		Loan repayments during the year	Amount outstanding	Average interest Rate (%)	Composition
Non-Executive	723,396	-	-	723,396	-	5.00	Mortgage, Personal loan and Vehicle loan
Officer 1	4,526,814	4,170,000	-	2,284,444	6,412,370	22.00	Mortgage, Personal loan and Vehicle loan
Officer 2	6,326,186	5,998,131	-	2,283,302	10,041,014	20.00	Mortgage, Personal Loan, Vehicle Loan, Overdraft
Officer 3	3,927,734	715,971	-	573,692	4,070,013	5.5	Mortgage, Personal Loan, Vehicle Loan, Overdraft
Officer 4	3,808,287	2,511,600	-	1,313,841	5,006,046	3.5	Personal Loan and Vehicle Loan, Overdraft
Officer 5	88	-	-	88	-	3.5	Mortgage, Overdraft
Officer 6	322,544	-	-	322,544	-	3.5	Overdraft
Officer 7	322,544	-	-	322,544	-	3.5	Overdraft
Officer 8	-	211,293		-	211,293	-	Mortgage, Personal loan and Vehicle loan
Officer 9	-	1,507,010	-	380,608	1,126,403	-	
	19,957,593	15,114,005		(8,204,459)	26,867,140		

28 Related party transactions *(continued)*

f) Related party loans (continued)

Transactions with Directors and Officers (continued)

Other than as disclosed in the Directors 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 Companies Act No.10 of 2017.All loans to directors and companies controlled by directors are given on commercial terms and at market rates, in the ordinary course of business.

Year ended 31 December 2023	**Connected entities to directors/ Key Management**	**Related Companies**
Loans outstanding at beginning of the year	4,737,542	366,626,736
Loan advances during the year	400,000	-
Loan repayments during the year	(145,283)	(86,552,448)
Loans outstanding at end of the year	4,992,259	280,074,288
Interest earned	930,982	47,729,961

Year ended 31 December 2022	**Connected entities to directors/ Key Management**	**Related Companies**
Loans outstanding at beginning of the year	5,228,612	400,000,000
Loan advances during the year	750,000	-
Loan repayments during the year	(1,241,070)	(33,373,264)
Loans outstanding at end of the year	4,737,542	366,626,736
Interest earned	769,228	57,826,683

g) Related party deposits

31 December 2023	Directors	Management
At start of year	3,266,530	5,665,986
Deposit during the year	-	-
At end of year	3,266,530	5,665,986
31 December 2022		
At start of year	2,763,532	1,890,061
Deposit during the year	502,998	3,775,925
At end of year	3,266,530	5,665,986

28 Related party transactions *(continued)*

h) Deposit balances with entities owned by the Industrial Development Corporation

The following companies that are fully owned / partly owned by the IDC held deposits accounts with the Bank:

- IDC Limited
- Zamtel Limited
- ZESCO Limited
- ZSIC Life Insurance Limited; and
- Zambia Industrial Commercial Bank Limited

The total cumulative deposits held by entities owned by Industrial Development Corporation as at 31 December 2023 was K869.69 million (2022: K711.99 million). Normal terms and conditions apply on the deposit accounts held by these entities. The transactions with the Bank were at arm's length.

i) Dividend paid

Shareholder	2023 %	2023 K'	2022 %	2022 K'
Bank of India	20	20	20	20,000,000
Bank of Baroda	20	20	20	20,000,000
Central Bank of India	20	20	20	20,000,000
Industrial Development Corporation Limited	40	40	40	40,000,000
	100	**100**	**100**	**100,000,000**

29 Financial risk management

a) Introduction and overview

This note presents information about the Bank's exposure to each of the below risks and the Bank's objectives, risk, policies and process

- Credit risk
- Market risks
- Liquidity risks

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank Asset and Liability Committee (ALCO), Loan Review Committee, Operational Risk Committee, Audit Committee and Risk Management Committee, which are responsible for developing and monitoring Bank risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

29 Financial risk management *(continued)*

Risk management framework *(continued)*

The Bank Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risk faced by the Bank. The Bank Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risks management controls and procedures, the results of which are reported to the Bank Audit Committee.

Risk management is carried out by the treasury department under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. In addition, Internal Audit and the Risk Management units are responsible for the independent review of risk management and the control environment. The most important types of risks are credit risk, liquidity risk, market risk and operational risks.

b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally through the Bank's lending activities that lead to loans and advances, and investment activities that bring about debt securities and other bills into the Bank's asset portfolio. There is also credit risk arising from unrecognised financial instruments, such as loan commitments and guarantees. The credit risk management and control are carried out by the Loan Review Committee and reported to the Board of Directors and head of each business unit regularly.

Management of credit risk

The board of directors has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit department,

reporting to the Bank Credit Committee, is responsible for managing the credit risk, including the following.

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Credit, the Head of Credit, the Credit Committee or the board of directors as appropriate.
- Reviewing and assessing credit risk Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the risk gradings to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Risk.

29 Financial risk management *(continued)*

b) Credit risk *(continued)*

Management of credit risk *(continued)*

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Credit, which may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Each business unit is required to implement credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business unit has a Chief Credit Risk officer who reports on all credit-related matters to local management and the Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval. Regular audits of business units and Credit processes are undertaken by Internal Audit.

c) Liquidity risk

Liquidity risk' is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Bank's operations and investments.

Management of liquidity risk

The Bank's Board of Directors sets the Bank's strategy for managing liquidity risk and oversight of the implementation is administered by the Asset and Liability Committee (ALCO). ALCO approves the Bank's liquidity policies and procedures. Central Treasury manages the Bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The key elements of the Bank's liquidity strategy are as follows.

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring maturity mismatches, behavioural characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- Stress testing of the Bank's liquidity position against various exposures and global, country- specific and Bank's-specific events.

29 Financial risk management *(continued)*

b) Credit risk *(continued)*

Management of liquidity risk (continued)

Central Treasury receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Central Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed considering both Bank- specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes).

d) Market risk

Market risk' is the risk that changes in market prices - e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) - will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk.

i) Management of market risks

The Bank separates its exposure to market risks between trading and non-trading portfolios. The Bank has mainly non-trading portfolios and trading portfolios are mainly consisting for foreign exchange positions held by the foreign operations department. However, Bank does not trade in foreign exchanges except for onward requirement of clients. The foreign exchange positions are treated as part of the Bank's trading portfolios for risk management purposes.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The Bank Market Risk Committee is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank of Zambia sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

ii) Exposure to market risk – Non-trading portfolios

Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Central Treasury in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the Bank's interest rate exposures, which include the impact of the Bank's outstanding or forecast debt obligations.

30 Basis of measurement

These financial statements have been prepared on the historical cost basis, except for building, which are carried at their revalued amount.

31 Significant accounting policies

Except for the changes explained in Note 5, the Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

a) Foreign currency
b) Interest income and expense
c) Fees and commission
d) Net trading income
e) Income Tax
f) Employee benefits
   i. Defined contribution plan
   ii. Short term benefits
g) Financial assets and financial liabilities
   i. Recognition and initial measurement
   ii. Classification and subsequent measurement
   iii. Derecognition
   iv. Modifications of financial assets and financial liabilities
   v. Offsetting
   vi. Fair value measurement
   vii. Impairment
   viii. Designation at fair value through profit or loss
h) Cash balances with other banks and Balances at Central Bank
i) Loans and advances
j) Investment securities
k) Deposit from customers
l) Collateral
m) Leases
n) Property and equipment
o) Impairment of non-financial assets
p) Provisions
q) Share capital and reserves
r) Financial guarantees and loan commitments
s) Acceptances and letters of credit
t) Other assets
u) Borrowings

31 Significant accounting policies *(continued)*

a) Foreign currency

Transactions in foreign currencies are translated to Kwacha at spot exchange rates at the dates of the transactions.

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which 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.

b) Interest income and expense

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

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

31 Significant accounting policies *(continued)*

b) Interest income and expense *(continued)*

Effective interest rate (continued)

Calculation of interest income and expense

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

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

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

For information on when financial assets are credit-impaired, see Note 31(g)(v).

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss includes:

- Interest on financial assets and financial liabilities measured at amortised cost;
- Interest expense presented in the statement of profit or loss includes:
- financial liabilities measured at amortised cost.

c) Fees and commission

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

Fee and commission income generally include retail banking customer fees like account maintenance charges, ATM withdrawal charges, cheque book charges etc., and loans and advances fees like documentation charges, management fees, processing charges etc., is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

31 Significant accounting policies *(continued)*

c) Fees and commission *(continued)*

Administrative expenses and operating expenses relate mainly to transaction and service fees, which are expensed as the services are received.

d) Net trading income

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

e) Income Tax

Income tax
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax represents the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustments to the tax payable in respect of previous years. The tax rates are based on the applicable Zambian tax law.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and amounts used for taxation purposes.
Deferred tax is not recognised for:

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is offset in the balance sheet as there is legal right to do this with the Tax authority in which the Bank operates.

31 Significant accounting policies *(continued)*

e) Income Tax *(continued)*

Deferred tax (continued)

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

f) Employee benefits

i) Defined contribution plan

The Bank contributes to the National Pension Scheme Authority (NAPSA) which is a defined contribution scheme. Membership to NAPSA is compulsory and monthly contributions by both employer and employee are made. Further, the Bank also makes contributions to other pension houses for non-contractual employees at 10% of basic pay from employer and 5% of basic pay from employee towards pension benefits.

Obligations for contributions to pension schemes are recognised as an expense in profit or loss in the periods during which services are rendered by employees. For employees on term contracts, a provision for gratuity has been made as per applicable service conditions.

Defined contribution plans are a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Bank's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate. The Bank has no further obligation once contributions have been paid.

ii) Short term benefits

Short-term employee benefits, such as salaries, holiday pay, and other benefits, are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid as short-term bonus to the extent that the Bank has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

31 Significant accounting policies *(continued)*

g) Financial assets and financial liabilities

i) Recognition and initial measurement

a) Financial assets

Financial assets are made up of the following asset category:

- Cash and cash equivalents
- Cash balances at central Bank
- Loans and advances
- Investment securities
- Other Assets

Recognition

The Bank initially recognises financial assets, on the date they are originated. All other financial assets (including regular way purchases and sales of financial assets) are recognised initially on the trade date which is the date the Bank becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value including, for an item not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

On initial recognition, the bank applies the business model to classify the financial asset as amortised costs.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 31(g). Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

31 Significant accounting policies *(continued)*

g) Financial assets and financial liabilities (continued)

i) Recognition and initial measurement(continued)

a) Financial assets

Business model assessment

The Bank assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, 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 loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

31 Significant accounting policies *(continued)*

g) Financial assets and financial liabilities (continued)

i) Recognition and initial measurement(continued)

a) Financial assets

Business model assessment(continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (continued)

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Investment securities

The Bank currently invests in Treasury bills and bonds. These instruments are measured at amortised cost and held in the business model, "Held to Collect. Cash flows from these instruments are mainly the contractual principle and interest. These cash flow characteristics pass the SPPI test. The Bank does not hold these instruments for the purposes of selling in the secondary market but rather holds them to maturity. The Bank does not acquire any investments with an intention to engage in trading to realise value from favourable movements in the market price.

Other Assets

These are assets that are short term in nature and arise in the normal course of business of the Bank. These instruments are measured at amortised cost as the characteristics of the cash flows from these instruments. The credit risk exposure to these financial assets is negligible due to their short-term nature.

Cash and Cash Equivalents and cash balances at Central Bank

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions. Cash and balances with other banks are carried at amortised cost in the statement of financial position.

Loans and Advances
Loans and advances include term loans, scheme loans, overdrafts and mortgages and other such similar products. Loans and advances have a contractual tenor over which the Bank recovers its contractual principle and interest. The cash flow characteristics meet the definition of "SPPI".

31 Significant accounting policies *(continued)*

g) Financial assets and financial liabilities (continued)

i) Recognition and initial measurement(continued)

Financial assets (continued)

ii) Derecognition

Financial assets

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

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

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Bank retains all or substantially all of the

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

b) Financial liabilities

Recognition

Financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial liabilities are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

Classification and subsequent measurement

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Financial guarantees are not recognised on the balance sheet until they crystallise.

31 Significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

ii) Derecognition *(continued)*

Financial liabilities

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

iii) Offsetting

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

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

iv) Fair value measurement

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 or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. 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 there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction.

v) Impairment

The Bank recognises loss allowances for ECL on the following financial instruments:

- financial assets that are debt instruments;
- financial guarantee contracts issued;
- loan commitments issued;
- Other assets.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for

- Investment in government securities (which are deemed as low credit risk) at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 6(a)(iii)).

31 Significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

v) Impairment (continued)

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

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:
financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

See also Note 6(a)(iii).

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 6(a)(iii)).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

31 Significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;

where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

- Recoveries of amounts previously written off are included in the income statement under other income/losses.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

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

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

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

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets' (see Note 19). The Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments.

31 Significant accounting policies *(continued)*

h) Cash balances with other banks and Balances at Central Bank

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the central bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in fair value, and are used by the Bank in the management of its short term commitments, cash and bank balances with Bank and non-Bank banks, and overdrafts with these banks.

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

i) Loans and advances

Loans and advances' captions in the statement of financial position include loans and advances measured at amortised cost (see g(ii)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

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

j) Investment securities

The 'investment securities' caption in the statement of financial position includes debt investment securities measured at amortised cost (see g(ii)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

k) Deposits from customers

Deposits are the Bank's sources of debt financing. Deposits are subsequently measured at amortised cost using the effective interest method.

l) Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities.

The Bank receives collateral in the form of cash or debt securities in respect of other financial instruments in order to reduce credit risk. Collateral received in the form of debt securities is not recognised on the statement of financial position. Collateral received in the form of cash is recognised on the statement of financial position with a corresponding liability. These items are assigned to deposits received from banks or other counterparties. Any interest payable or receivable arising is recognised as interest expense or interest income respectively.

31 Significant accounting policies *(continued)*

m) Leases

At inception of a contract, the bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the bank uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. The bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises. It is subsequently measured at cost less accumulated depreciation and impairment losses.

i) Bank acting as a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The estimated useful lives are as follows:
ATMs 2 years
Premises 5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the bank's incremental borrowing rate. Generally, the bank uses its incremental borrowing rate as the discount rate.

The bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the bank is reasonably certain to exercise, lease payments in an optional renewal period if the bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the bank's estimate of the amount expected to be payable under a residual value guarantee, if the bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

31 Significant accounting policies *(continued)*

m) Leases *(continued)*

i) Bank acting as a lessee *(continued)*

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The bank presents right-of-use assets and lease liabilities as separate line item in the statement of financial position.

Short-term leases and leases of low-value assets

The bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

n) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

Buildings are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses. It is the Bank's policy to perform revaluations with regularity such that the carrying amounts do not differ materially from those that would be determined using fair values every five years. The revaluation differences are credited to other comprehensive income and accumulated in equity under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease previously recognised as an expense, in which case it should be recognised as income. A decrease as a result of a revaluation is recognised as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset.

When a revalued asset is disposed , any revaluation surplus is transferred directly to retained earnings. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as party of that equipment.

When parts of an item of property and equipment have different useful lives, they are componentised as separate items of property and equipment.

Capital work in progress relates to items of property and equipment that are under construction and are yet to be commissioned for use. Work in progress is measured at the cost incurred in relation to the construction up to the reporting date. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and is recognised net within other operating income in the statement of profit or loss.

31 Significant accounting policies *(continued)*

n) Property and equipment *(continued)*

Subsequent expenditure

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

Depreciation

Depreciation is calculated to write off items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated. The estimated useful lives for the current and comparative years are as follows:

Land and building	50 years
Leasehold improvements	10 years
Motor vehicles	5 years
Furniture, fittings and office equipment	4 years
Office computer	4 years

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

Revaluation of property

An external, independent valuation expert, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Bank's land and buildings every 5 years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A market yield is applied to the estimated rental value, adjustments are made to reflect actual rentals.

i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

31 Significant accounting policies *(continued)*

n) Property and equipment *(continued)*

Revaluation surplus

The surplus arising on the revaluation of properties is initially credited to a revaluation surplus, which is a non-distributable reserve. A transfer is made (net of tax) from this reserve to retained earnings each year, equivalent to the difference between the actual depreciation charge for the year and the depreciation charge based on historical values, in respect of the re-valued assets.

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

Capital work in progress

Capital work-in-progress represents assets in the course of development, which as at the reporting date, has not brought into use.

o) Impairment of non-financial assets

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets.

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

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

Impairment losses are recognised in profit or loss.

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

31 Significant accounting policies *(continued)*

p) Provisions

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
  it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

q) Share capital and reserves

i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognised as a deduction from equity, net of tax effects.

Amounts received in respect of prepayments for shares not yet issued, and for which there is no possibility that the Bank may be required to refund the amount received and the Bank's obligation is to deliver only a fixed number of shares, are credited to a separate category of equity as funds awaiting allotment of shares.

ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders.

r) Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs

because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as follows:

The Bank has issued no loan commitments that are measured at FVTPL.
Liabilities arising from financial guarantees and loan commitments are included within provisions.

s) Acceptances and letters of credit

Acceptances and letters of credit are accounted for as unrecognised transactions and disclosed as contingent liabilities.

t) Other Assets

These are assets that are short term in nature and arise in the normal course of business of the Bank. These instruments are measured at amortised cost as the characteristics of the cash flows from these instruments. The credit risk exposure to these financial assets is negligible due to their short-term nature.

u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after end of reporting period.

32 Reserves

Included in the Statement of Changes are the following reserves:

Statutory reserve

The statutory reserve is established in accordance with section 69 of the Banking and Financial services Act, 2017 (As amended) of Zambia.

Fidelity reserve

The fidelity reserve arises from compliance with section 159 of the Banking and Financial services Act, 2017 (As amended) of Zambia, which requires the Bank to maintain a special reserve account for the purpose of making good any loss resulting from potential negligence and dishonesty of directors, the chief executive officer, managers or employees. In addition, the Bank has taken out an insurance policy with an approved insurer for this purpose.

Revaluation reserve

The revaluation reserve arises from the periodic revaluation of property and equipment and represents the excess of the revalued amount over the carrying value of property and equipment at the date of valuation.

General reserves

The credit risk reserve is a loan loss reserve that relates to the excess of the impairment provision as required by the Banking and Financial services Act, 2017 (As amended) of Zambia, over the impairment provision computed in terms of International Financial Reporting Standards (IFRS).

Retained earnings

Retained earnings are the carried forward recognised income, net of expenses of the Bank, plus current period profit attributable to shareholders, less distributions to shareholders.

33 Borrowings

	2023	2022
Borrowings from Bank of Zambia under targeted medium-term refinancing facility	1,522,499,894	1,701,253,102
Open market operations borrowing	-	180,025,056
Balances from interbank	-	15,000,000
	1,522,499,894	1,896,278,158
Current	275,832,298	251,806,810
Non-current	1,246,667,596	1,644,471,348
	1,522,499,894	1,896,278,158
Balance at start of year	1,896,278,158	1,667,949,117
Drawndown during the year	-	1,717,794,000
Interest	50,083,131	101,361,261
Payments	(423,861,395)	(1,590,826,220)
	1,522,499,894	1,896,278,158

Bank has borrowed from Bank of Zambia under targeted medium-term refinancing facility and open market operations. All the borrowings are in local currency and fixed rate for the tenure of the loan. The tenure of the targeted medium-term refinancing facility is for 3 years and 5 years. The interest rate applicable on the targeted medium term Facility is fixed over the life of each Advance at the prevailing Bank of Zambia Monetary Policy Rate (MPR) at the time of granting the Advance plus a fixed spread of 100 basis points.Open market operation borrowings are valid for 90 days to 1 year and average rate of interest is 18.25%. The bank has not breached covenants related to the facility.