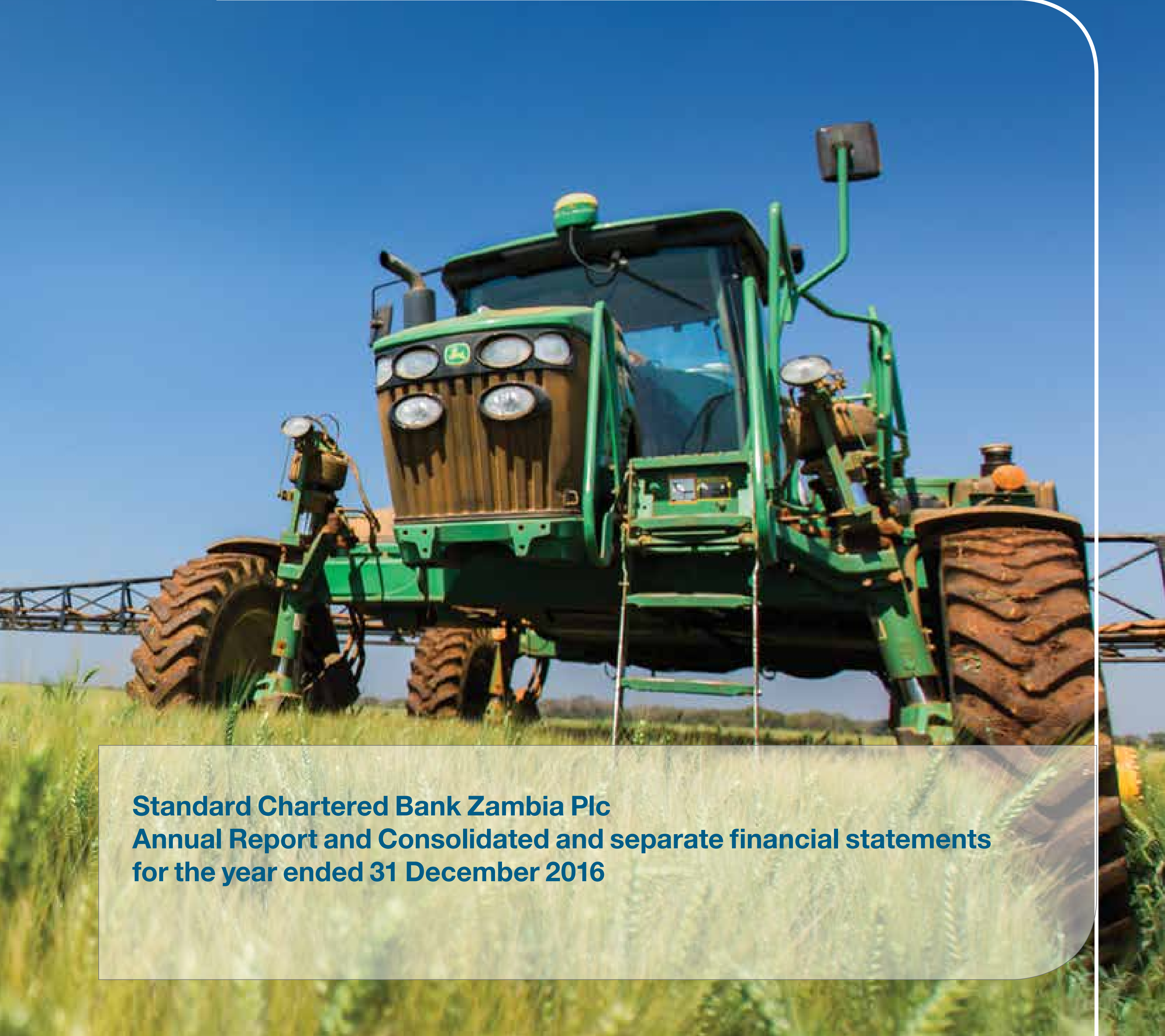
Standard Chartered



Standard Chartered Bank Zambia Plc
Annual Report and Consolidated and separate financial statements for the year ended 31 December 2016

Chairman's statement
Annual Report 2016

"In 2016, we were exceptionally proud to commemorate 110 years of Standard Chartered Bank in Zambia. This is, indeed, a unique, historic occasion. As the very first bank to open its doors in 1906 in Kalomo, Standard Chartered Bank pioneered modern banking in Zambia as we know it today. Above all, our 110th anniversary is testimony to Standard Chartered Bank's un-wavering and continued commitment to the economy and the communities of this great nation."

Michael M. Mundashi, S.C.

Chairman

On behalf of the Board of Directors, I am delighted to present you with the Standard Chartered Bank Zambia Plc Annual Report and Consolidated and Separate Financial Statements for the year ended 31 December 2016. Our results demonstrate that Standard Chartered Bank continued to be the market leader in Zambia's banking sector. Our financial position strengthened, the Bank remained highly liquid and well-positioned.

Standard Chartered Bank commemorates 110 years in Zambia

In 2016, we were exceptionally proud to commemorate 110 years of Standard Chartered Bank in Zambia. This is, indeed, a unique, historic occasion. As the very first bank to open its doors in 1906 in Kalomo, Standard Chartered pioneered modern banking in Zambia as we know it today. We held a series of week-long celebrations in November 2016 to this effect. Of particular note was a visit to Kalomo where our first branch opened – now a National Heritage site – where we laid a commemorative plaque. We also committed to construct a banking museum at the site which will not only raise the profile of Kalomo as a town with a rich history, but will also educate generations to come about the origins of banking in Zambia. Above all, our 110th anniversary is testimony to Standard Chartered Bank's un-wavering and continued commitment to the economy and the communities of this great nation.

The Board and Management

The Bank continued to be led by a strong Board and Management Team. I would like to take this opportunity to welcome our new Non-Executive Director to the Board of Standard Chartered Bank Zambia Plc, Mrs. Kapambwe Doreen Chiwele. She brings close to 30 years of experience in finance, treasury and accounting.

Former Chief Executive Officer, Andrew Okai, leaves the Board and Executive Management Team to take up his new role as Global Chief Operating Officer for Retail Banking based at Standard

Earnings per share	Dividend per share
ZMW0.208	ZMW0.20
2015: ZMW0.107 / 2014: ZMW0.146	2015: ZMW0.10 / 2014: ZMW0.14

Chartered Bank in Singapore. Andrew has made a significant contribution to Standard Chartered Bank Zambia. Through his astute leadership, the Bank has transformed into a more focussed business, performance has strengthened, and significant strides have been made to enhance staff development. On behalf of the Board, I would like to thank Andrew most sincerely for his invaluable dedication, contribution and support. I wish him every success in his new role.

I am delighted to welcome Herman Kasekende, the new Chief Executive Officer and Managing Director of Standard Chartered Bank Zambia. Herman brings a wealth of experience in banking, having worked with Standard Chartered Bank Uganda for over 15 years. I am confident that Herman will take the Zambia business and franchise to even greater heights.

I am equally delighted to welcome two new members of the Executive Management Team who joined in 2016: Mwaya Siwale, Acting Head of Transaction Banking; and Venus Hampinda Musonda, Acting Chief Financial Officer.

Awards

Standard Chartered Bank continued as a market leader in 2016, winning seven prestigious awards. Standard Chartered Bank was named 'Best Bank in Zambia' by Global Finance, and by the Europe, Middle East and Africa (EMEA) African Banking Awards. Global Finance also named Standard Chartered Bank as the 'Best Consumer Digital Bank in Zambia.'

Locally, the Zambia Federation of Employers (ZFE) named the Bank as 'Employer of the Year in Banking and Finance,' whilst the Zambia Union of Financial Institutions and Allied Workers (ZUFIAW) named Standard Chartered Bank as 'Most Supportive Financial and Banking Institution.' The Zambia Institute of Banking and Financial Services (ZIBFS) named Standard Chartered Bank as the 'Most Supportive Bank.' The Zambia Institute of Marketing awarded the Bank 'Most Creative TV Advert' for the Here for Africa Campaign. This consistent recognition demonstrates the strength of our brand and confidence in our franchise.

Political Highlights

In August 2016, Zambia held General and Presidential elections, conducted under the new Constitution. Both the Republican President, His Excellency Edgar Chagwa Lungu, and Republican Vice President, Her Honour Madam Inonge Wina, retained their respective positions.

Financial Highlights

Standard Chartered Bank Zambia continued to grow and remained profitable in 2016, against the backdrop of a challenging global and local macro-economic environment which started in 2015. Basic and diluted earnings per share doubled to ZMW0.208 per share on the back of a profit increase of 94 per cent. This growth was driven by a 25 per cent increase in income, a 49 per cent reduction in impairment negated by a 9 per cent increase in other operational costs.

Our 2016 income statement reflects our continued ability to deliver value to our shareholders. We are investing in an ambitious innovation exercise to ensure that the Bank continues to be profitable and well-positioned to capitalise on the future economic opportunities in Zambia.

Economic Outlook

Zambia's economy has performed well in recent years, with strong growth and modest inflation. The year 2016 saw a recovery on multiple fronts from a very challenging backdrop characterised, amongst others, by a weakening Kwacha and power shortages in 2015. An overall recovery in the performance of the Kwacha against the United States Dollar was recorded in 2016, closing the year at an exchange rate of ZMW9.9 per USD1 in what can be characterised as a stable foreign exchange rate environment for the latter part of 2016. The improved performance of the Kwacha can be attributed to the tight monetary policy measures implemented by the Bank of Zambia. This was supported by increased off-shore portfolio inflows into Government securities resulting from Government efforts to achieve fiscal consolidation.

Towards the last quarter of 2016, a recovery in copper prices was also witnessed, mainly driven by increased demand from traders in China, as well as improved sentiment around the consumption of commodities by western nations. As presented in the 2017 National Budget with the hallmark of 'Zambia Plus,' a number of home-grown reforms were required, all aimed at restoring Zambia's fiscal balance and public debt to more sustainable positions.

At the turn of the third quarter of 2016, inflation showed a dramatic improvement into single digits, closing the year at 7.5 per cent. Despite the Central Bank maintaining its Monetary Policy Rate (MPR) at 15.5 per cent through the year, liquidity conditions in the banking sector gradually eased. Long-term interest rates began a downward trajectory, underpinned by increased participation for long-term Government securities at the quarterly Bond Auctions. In 2017, the Government's macroeconomic objectives will be to achieve real Gross Domestic Product (GDP) growth of at least 3.4 per cent, from 3.5 per cent projected in 2016; and to limit the overall 2017 fiscal deficit to no more than 7.0 per cent of GDP on a cash basis.

The Outlook for Standard Chartered Bank

Standard Chartered Bank Zambia continues to be a key African market for the Group. The Bank is one with distinctive strengths, outstanding client relationships and a unique culture. In 2016, the Group started to implement a number of improvements to secure our foundations, improve our performance and become more efficient. The Group established a stronger financial position and remained well-capitalised. We are confident that we now have the foundations to build income, profits and returns.

Investing in our digital capabilities remains a key priority. Our brand campaign - Here for Africa - which we ran in 2016 demonstrates the Bank's continued commitment to Zambia and Africa, and our support of key growth sectors.

Summary

Finally, I am proud to reiterate Standard Chartered Bank's continued commitment to Zambia, its economy and its people. Our belief in the future of Zambia and indeed, Africa, is as un-wavering as yours. We are 110 years in Zambia – Here for good.

On behalf of the Board, I would like to thank all our stakeholders for their continued support, loyalty and confidence in the Standard Chartered Bank franchise and brand.

Michael M. Mundashi, S.C.

Chairman

28 February 2017

Chief Executive Officer's statement

Standard Chartered Bank had a great year in 2016. The Bank's superior performance gained it the number one status in the market in terms of profitability – and Standard Chartered Bank continues to be the best bank in Zambia. The 2016 year-end results demonstrate that the Bank's strategy, ability to efficiently deliver to clients, and the strong emphasis on risk management have delivered value to shareholders.

Herman Kasekende

Managing Director and Chief Executive Officer

Standard Chartered Bank had a great year in 2016. The Bank's superior performance gained it the number one status in the market in terms of profitability – and Standard Chartered Bank continues to be the best bank in Zambia. The 2016 year-end results demonstrate that the Bank's strategy, ability to efficiently deliver to clients, and the strong emphasis on risk management have delivered value to shareholders.

The capital base remains strong, which allowed the Bank to continue to support key sectors of the economy, including energy and mining. Standard Chartered Bank's advisory services to major private companies and Government institutions also formed a key element of the Bank's activities in 2016.

In 2016, Standard Chartered Bank continued to deepen relationships with clients – from large corporates, medium and small businesses, to Personal and Priority clients. The Bank's commitment and adherence to regulatory and anti-money laundering requirements remained a key pillar in every aspect of the business.

Excellent progress was made on the digital strategy. The Bank introduced, amongst others, the Standard Chartered Mobile Banking Application – SC Mobile – a 'first' on the market.

Corporate and Institutional Banking

The Corporate and Institutional Banking (CIB) business delivered excellent performance in 2016, recording year-on-year income growth of 43 per cent. The business embarked on accelerated commercialisation of the Bank's leading on-line platform - Straight to Bank (S2B). CIB also launched the Electronic Tax Payments platform – E-tax - to facilitate both domestic and customs tax payments. In 2016 the S2B Mobile Money Wallet was expanded through a new

Total Revenue	Total Profit before tax
ZMW1,035m	ZMW563m
2015: ZMW831m	2015: ZMW283m

partnership with MTN. The benefits of this initiative extend to the un-banked, which is in line with the Bank's financial inclusion agenda. The Mobile Wallet Payments (MWP) channel is set for further development in 2017.

Another key milestone was the partnership with the Government of the Republic of Zambia in landmark deals to expand power generation capacity and infrastructure development.

The CIB business re-organised in 2016 from three client segments to two. It is now managed under the Global Banking umbrella. This strategic re-organisation will ensure that clients remain strategically at the heart of the Bank's strategies, initiatives and products. In addition, the client coverage model will be refined to enhance client engagement, speed of execution and quality of solutions.

Retail Banking

The Retail Banking business delivered a strong performance in 2016, achieving 22 per cent growth on the top line year-on-year. In line with the Bank's digital agenda, the retail business launched the Standard Chartered Mobile Banking Application – SC Mobile – which will take banking to the people much faster, conveniently and safely. The mobile and on-line banking platforms were refreshed, making them more client user-friendly. The Bank invested in replacing 32 ATMs, and acquired 9 new cash deposit machines. Through these initiatives, the Retail Banking business was awarded 'Best Consumer Digital Bank in Zambia' by Global Finance.

Commercial Banking

The Commercial Banking business performed well in 2016, increasing revenue by 20 per cent year-on-year. Commercial Banking made notable improvements in credit and risk management, which made the business more efficient and better-placed to succeed at banking the value chain of the CIB clients.

Wealth Management

The Wealth Management business also performed well in 2016, growing revenue by 14 per cent year-on-year. Another milestone for Wealth Management was the launch of the on-line Client Investment Profiling (CIP) tool. Clients can now access this tool via the Standard Chartered on-line banking platform. The business made headway in raising the levels of awareness and appreciation of wealth creation, growth and preservation amongst clients. This was achieved through targeted efforts such as the annual Investment Seminar. In 2017, Wealth Management will introduce two new products - Mutual Funds and Regular Savings Plans.

People

The Bank ended the year with 688 staff country wide. As part of the Group's strategy to become lean and focused, the Bank went through a series of restructuring programmes.

In 2016, the growth and development of staff remained a key priority. Standard Chartered Bank continued to sponsor staff for the Banking and Finance certificate and diploma programme. The Bank was delighted that a staff member - Memory Komaki (a Priority Relationship Manager) – was named Best Student for the Banking Operations and International Business course.

In view of the proposed bill of 2014 to amend the Employment Act, the Bank converted existing staff on fixed term contract into permanent roles. Over 60 frontline staff were recruited mainly into the Retail Banking business.

To this end, the Bank's efforts on staff development were recognised through several accolades.

Sustainability

The Bank's commitment to communities remained firmly intact in 2016. As part of the drive across the Group, an additional US$800,000 was invested into the Seeing is Believing preventative blindness programme in Zambia. This investment will extend free eye screening and cataract surgery to Lusaka and Muchinga Provinces.

Women comprise 45 per cent of the Bank's total workforce. Close to 50 per cent of Standard Chartered Bank Zambia's Executive Management Team are women. In our communities, the Bank continued to support the Women's BUILD initiative, in partnership with Habitat for Humanity to provide decent shelter for disadvantaged women.

The Bank continued to invest in environmental protection through the annual P.L.A.N.T. (People Loving And Nurturing Trees) Campaign. Staff are challenged to plant at least 1 tree each year to tackle deforestation – Zambia's biggest environmental challenge. Bank staff leveraged on the 110th anniversary to plant 110 fruit trees at Livingstone General Hospital and another 110 at the University Teaching Hospital, amongst other locations.

Outlook for 2017

Despite the economic challenges in 2016, Standard Chartered Bank Zambia had an exceptional performance. The Bank remains positive about Zambia's long-term economic prospects, and that the year 2016 set the tone for the road to stabilisation, sustainable and inclusive growth.

Standard Chartered Bank anticipates that 2017 will bear the hallmark of improved growth across the economic landscape and across key sectors. The Bank's commitment to Zambia remains firmly intact. Standard Chartered Bank is determined to continue to work closely with clients through any challenges, to ensure they are well-positioned to seize the opportunities.

In addition, Standard Chartered Bank anticipates a much better performance in the coming year. The Bank's foundations are secure, and measures have been taken to simplify banking for clients through the digital agenda. The result will be a faster, more efficient bank for clients and shareholders.

Summary

Standard Chartered Bank would like to thank staff for their dedication, resilience and optimism. The Bank's success in 2016 is by and large due to their sheer efforts.

The Bank would like to appreciate its valued clients for their continued confidence and loyalty to the Standard Chartered Bank brand.

The shareholders' continued commitment – even during challenging times - remained un-wavering. For this, Standard Chartered Bank would like to pay special gratitude.

Herman Kasekende

Managing Director and Chief Executive Officer

28 February 2017

Corporate and Institutional Banking

We keep client relationships at the centre of our focus. We leverage on our formidable global network to forge lasting, strategic alliances with clients. We create and consistently deliver long term value to our clients through efficiency and best-in-class solutions.

Emmanuel Banda

Country Head of Global Banking

Our Strategy

In 2016, the Corporate and Institutional Banking (CIB) business was re-organised from three client segments - Global Corporates, Local Corporates, and Financial Institutions - to two client segments - International Corporates and Financial Institutions. The entire CIB business, together with our product partners namely, Financial Markets, Transaction Banking and Corporate Finance, is now managed under the Global Banking umbrella, underpinned by the spirit of keeping clients at the core of what we do.

The key focus areas, which ensure that we maintain a client-centric model, are to: Invest in making our processes more efficient and enhance clients' experience of our brand; focus on service; leverage our unique global network as a key differentiator in the market; and lastly, focus on alignment and accountability for the sales team, empowering them to make client-related decisions.

2016 Overview

Corporate and Institutional Banking had an impressive year, recording year-on-year income growth of 43 per cent, despite major headwinds in 2016. These included market liquidity constraints, a volatile exchange rate in the first half of the year, power deficits, and erratic rainfall.

In 2016, we aligned our strategic aspirations with market opportunities. We supported our clients to tap into these opportunities by providing market-sensitive, creative and competitive solutions. Of particular note was our collaboration with the Government of the Republic of Zambia in landmark deals for the expansion of power generation capacity and infrastructure development.

In Transaction Banking, we accelerated commercialisation of our cutting edge on-line platform 'Straight to Bank' (S2B). We also entered a new partnership on S2B through our Mobile Wallet Payments (MWP), which is already helping to bank the un-banked. We were delighted to introduce the Electronic Tax Platform (E-tax) to facilitate both domestic and customs tax payments.

Financial Markets Sales also delivered a strong performance, with year-on year income growth of 7 per cent. The primary revenue drivers were Foreign Exchange (FX) flows, increased client engagement and efficient FX liquidity management.

Despite the challenges from the increased cost of funds, constrained liquidity in the market and a weakened local currency, the cash business delivered positive performance of 6 per cent year-on-year, particularly from the Financial Institutions segment.

Technology remained a key priority in 2016. We have seen an increase in regulatory requirements to automate processes such as tax payments and soon, statutory pension contributions. As a Bank, we continue to drive our digitisation campaign through existing platforms – Straight-to-Bank (S2B), Mobile Wallet Payments (MWP) for cash management, and automation of manual trade transactions through S2B Trade Initiation.

Outlook for 2017

We will continue to transform our coverage model to enhance client engagement, speed of execution and quality of solutions. We will do this by putting sales teams at the centre of client relationships.

We will drive digitisation through further commercialisation of Transaction Banking products and capabilities. We will also focus on integrating our systems with key Government automation payments and collection processes. In Financial Markets Sales, we will continue to drive efficiency and effectiveness through the migration of clients to our Straight-to-Bank FX Platform, whilst providing value-add solutions via our cross-sell initiatives. Building a multi-skilled, dynamic and responsive team is key. This will ensure seamless execution of our priorities, culminating in the enhancement of long term client value.

Retail Banking

"The Retail Banking business continued on the path of consistent financial performance, despite the economic challenges experienced in 2016."

Sonny Zulu

Head of Retail Banking - Zambia and Southern Africa

Our Strategy

Retail Banking serves Priority, Personal and Business Banking clients. We have made very good progress on our transformation journey to shift towards a sustainable and profitable digital model. By executing our aggressive transformation, we will position the business for improved profitability and create capacity to continue investing in the rising affluent in our market.

We have confidence in our strategy and our priorities. These include: Continued focus on Priority customers and the emerging middle class in key cities; delivering significant cost efficiency; expanding our network primarily through digital channels; stepping up investments in brand and marketing; and raising the bar on conduct and client experience.

2016 Overview

The Retail Banking business continued on the path of consistent financial performance, despite the economic challenges experienced in 2016. Our business remained resilient and delivered 22 per cent growth on the top line year-on-year. Our income and balance sheet remained well diversified by client segment, product and geography.

We continued to focus on our clients, managing our risks and maximising our returns, whilst optimising and protecting our balance sheet to deliver positive returns. To improve on our efficiency, we continued to invest in our network and staff, whilst carefully managing our costs through deliberate cost saving initiatives.

In line with the key pillars of our strategy, we embarked on an ambitious project to optimise our branch network. We are relocating our Kabulonga, Kasama and Mongu branches. We are opening new branches at the University of Zambia, Lusaka's Industrial Area and Kalumbila Mine. We will continue to strategically position our business in growth sectors and geographies.

As part of our digital agenda, we increased our investment and refreshed all our Automated Teller Machines (ATMs) across the country. In the second half of the year, we embarked on the installation of cash deposit machines and launched our Mobile Banking App (SC Mobile). Our On-line

Banking platform was refreshed. We won a number of digital awards including ‘Best Consumer Digital Bank in Zambia’ by Global Finance.

2017 Outlook

We have built a very strong business and we are very confident about the future. We believe in the growth potential of our market, although we expect some headwinds to continue in 2017 as part of the normal business environment. We remain well resourced and positioned to weather the challenges and deliver yet another strong performance.

We will continue to drive our digitisation agenda through the introduction of more self-service functionality such as On-line Client Investments Profiling, Credit Cards and Cash Deposit Machines (CDMs). We expect to see accelerated growth from our new branches and alliances.

Our clients remain central to our business. We will continue to focus on delivering a great client experience and embedding our brand promise ‘Here for good.’

We will enhance our efforts to deliver a full relationship approach, digital end-to-end service and best quality face-to-face advice.

We thank our clients and staff for the support in 2016, and look forward to reporting another great performance for 2017.

Commercial Banking

Our focus remains on building a low cost, low risk business. We are doing this by banking the value chain of our Corporate and Institutional Banking clients.

Ngenda Nyambe

Head of Commercial Banking - Zambia and Southern Africa

Our Strategy

The Commercial Banking business is delighted to bank a much larger profile of clients. This has enabled us to offer a wider selection of products and services through enhanced product support in the areas of cash, trade and financial markets. Our strategy is to continue to focus on banking the financial ecosystem, to leverage on strategic trade corridors, and build a low risk, low cost business.

2016 Overview

2016 was another challenging year for both our business and our clients. This was due to a number of factors, including the power deficit, increased cost of borrowing, and currency depreciation.

Despite this, Commercial Banking was able to put the essential building blocks in place. This has allowed us to deliver on our key ambitions.

Commercial Banking revenues increased by 20 per cent year-on-year. We made notable improvements in credit and risk management, demonstrated by favorable control review outcomes. We implemented the Client On-Boarding and Management team (COBAM), and re-priced our loan portfolio.

Outlook for 2017

In 2017, we expect both challenges, as well as opportunities. On the back of a significantly improved risk environment and improved efficiencies, Commercial Banking is well positioned to excel. Our focus remains on building a low cost, low risk business. We are doing this by banking the value chain of our Corporate and Institutional Banking clients.

Our re-aligned strategy will see the business focus on growing revenues. We will do this through a combination of banking clients on both ends of our trade corridors; selectively acquiring lower-risk customers by focusing on the value chain of Corporate and Institutional Banking clients; and strengthening existing relationships.

In addition, we will improve turn-around time across the board – from account opening and credit approvals, to completion of the documentation process.

Commercial Banking will continue to manage cost through discipline across all levels and reducing loan impairments through increased collaboration with our recoveries teams. We will also pay close attention to our credit monitoring process.

Wealth Management

The Wealth Management business brings a number of world class suites of products to the Zambian market and allows exposure to both local and offshore financial investments. Our product suite caters for an entire spectrum of investor profile - from moderate size insurance investment products, to large ticket offshore investments. Our global research capability is second to none and is readily available to our clients.

Stanley Tamele

Head of Wealth Management

Our Strategy

For many years our market lagged behind other more advanced African economies with regard to the availability and range of investment products. However, 2016 was an exciting year for the Wealth Management business. We focused on enhancing market awareness and knowledge of the principles of investments. We are now seeing better appreciation of wealth creation, growth and preservation. The average Zambian is gradually moving away from a predominantly consumption-oriented mindset, to one of saving and investment.

The Wealth Management business brings a number of world class suites of products to the Zambian market and allows exposure to both local and offshore financial investments. Our product suite caters for an entire spectrum of investor profile - from moderate size insurance investment products, to large ticket offshore investments. Our global research capability is second to none and is readily available to our clients.

Our world class team of investment advisors in Zambia is supported by relationship managers. Together they cater to the advisory needs of our retail, business and commercial clients in insurance, investments and retail treasury.

2016 Overview

Despite some headwinds in the global economy, the Wealth Management business remained resilient in 2016. We launched a number of new solutions to complement the existing Bancassurance and Investment Services business.

Revenue grew by 14 per cent year-on–year. We diversified our investment product offering by investing millions of Zambian Kwacha worth of assets into local fixed income securities. Hundreds of clients attended our annual Investment Seminar Themed 'Adapt to a changing landscape'. The seminar provided investment ideas from our Global Head of Investment Advisory and Strategy, and our Chief Investment Economist.

We extended our reach of insurance offering to both Commercial and Business Banking. We commenced the automation of our branch network for retail treasury transactions.

The Wealth Management team achieved another milestone by launching the o n-line Client Investment Profiling (CIP) in December 2016. Clients can now access this tool via our on-line Banking platform. This will allow our team to better understand clients' investment objectives and risk appetite. It also provides clients with the convenience of completing their profile from the comfort of their home or office.

Outlook for 2017

We expect 2017 to be a challenging year for the local economy. Our primary focus will be to enhance client engagement and work with them to make better informed investment decisions. Our aspiration is to take Wealth Management to the next level.

This year we are expanding our offering with Mutual Funds and Regular Savings Plans. These are relevant to our diverse range of clients - from young professionals or entrepreneurs, to first time home buyers and retirees. At the same time they provide tailor-made insurance solutions to the growing requirements of our clients.

2017 is poised to be another landmark year for Wealth Management. We expect to increase the number of clients on our portfolio. The future of our business includes substantial investments in digital platforms, which are currently underway across the Standard Chartered Bank Group. This will enhance our competitive strengths in the market. We strive to deliver a fully integrated first class service and continue to lead the market with our Wealth Management proposition.

Board of Directors

MICHAEL MUSONDA MUNDASHI, SC
CHAIRMAN AND INDEPENDENT NON EXECUTIVE DIRECTOR

Michael Mundashi holds a Bachelor of Laws degree obtained from the University of Zambia. He has over 30 years post qualifying experience in both the private and public sector. After being admitted to the Zambian bar, he joined a private law firm as an attorney handling both civil and criminal litigation. In 1988 he joined the Zambia State Insurance Corporation Limited as in house counsel where he worked up to 1994. In the same year, he moved to the newly established Zambia Revenue Authority as head of the Legal Division. In that position, he was part of the Authority's team that advised the Zambian Government on fiscal legislation. He also participated in the negotiation and drafting of double taxation agreements between the Zambian Government and other states.

Between 1998 and 2003, Michael served as the first Non Executive Chairman of the Zambian Revenue Appeals Tribunal, a quasi-judicial tribunal handling tax appeals from tax payers challenging tax assessments of the Zambia Revenue Authority. Between 2002 and 2005, he was part of a legal team that successfully defended the then President of the Republic of Zambia in the Supreme Court of Zambia in a high profile case where the results of the 2001 Zambian presidential elections were challenged in court.

He serves as a Non Executive Director on several Boards of companies in Zambia, including Sanlam Zambia Limited. He has previously also served as a member of Konkola Copper Mines Plc Advisory Council.

Michael is currently Managing Partner at Mulenga Mundashi Kasonde Legal Practitioners, a firm he co founded in 1998 after leaving the public sector. His areas of specialisation are commercial litigation, pensions and tax advisory services. He acts as external counsel to various companies ranging from the financial services sector to mining.

Michael was appointed to the Standard Chartered Bank Zambia Plc Board on 1March 2005.

Age: 57 years

Other Board Directorships:

British America Tobaco, Plc - Chairman

Bonds and Derivatives Exchange Zambia Plc- Chairman

Lusaka Trust Hospital Limited Chairman

Nico General Insurance Limited

Shares in SCBZ: Namulundu Investments Limited, a company in which Mr. Mundashi and his wife Mildred Mundashi have an interest, has 50,933 shares in Standard Chartered Bank Zambia Plc.

ROBIN PETER STEUART MILLER
INDEPENDENT NON EXECUTIVE DIRECTOR

Robin Miller was born in Zambia and completed his education with a BSc in Accounting and International Finance from the International Centre for Accounting Research at Lancaster University (UK). In the UK he worked at Coopers and Lybrand, as well as the Virgin Group of Companies. Upon his return to Zambia, he took up the position of Managing Director of City Investments Limited, as well as that of Managing Director of Farmers House, now renamed Real Estate Investments Zambia PLC.

Robin is a Director of a number of Zambian institutions, including Standard Chartered Bank Zambia Plc, Madison General Insurance Company Limited, and City Investments Limited.

He has also been, in the past, a member of the Board of the Zambia Wildlife Authority, Chairman of 'The Post' newspaper, a member of the Government of the Republic of Zambia/European Union Trade Enterprise Support Facility, and was the founding Chairman of the Tourism Council of Zambia. In 2015 he assisted in the creation of and is the founding President of the Zambia Property Owners Association.

Robin is a trustee of the David Shepherd Wildlife Foundation/Game Rangers International.

Robin resigned as Managing Director of Real Estate Investments Zambia PLC in 2015 after 20 years in that position. He was appointed to the Standard Chartered Bank Zambia Plc Board on 7 August 2012.

He serves as Board Credit Committee Chairman at Standard Chartered Bank Zambia Plc.

Age: 57 years

Other Board Directorships:

Madison General Insurance Company Ltd

Lilayi Development Company Limited

City Investments Limited

Zariant Zambia Limited.

Shares in SCBZ - NIL

KAPAMBWE DOREEN CHIWELE
INDEPENDENT NON EXECUTIVE DIRECTOR

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

Kapambwe Doreen is currently operationalising Beaconsfield Agriculture Limited, a family entity where she is a Director. Prior to this, she was employed as Director Finance of the National Pension Scheme Authority (NAPSA), a statutory pension scheme which replaced the Zambia National Provident Fund and became operational in February 2000. Kapambwe Doreen joined NAPSA in 2002 as Director Finance and Administration (later in 2007 reverting to Director Finance), and was a member of the initial and subsequent Executive Management Teams. She was with NAPSA for 13 years (up to 31 December 2015), in which period the pension fund grew to be the largest in the country.

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

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

Age: 53

Other Board Directorships:

Lubu Road School

Shares in SCBZ: NIL

RICHARD MARTIN ETEMESI

NON EXECUTIVE DIRECTOR

Richard Etemesi is the Chief Executive Officer South Africa & Area General Manager for Southern Africa at Standard Chartered Bank. Richard was appointed to his current role in January 2014 and has over 25 years banking experience with Standard Chartered Bank Group in various capacities and different locations. Prior to his current appointment, Richard served as Chief Executive Officer for Kenya and East Africa for seven years, and before that he was the Chief Finance Officer & Strategy Director for the Bank in East Africa. He has also served as the Chief Executive Officer of Standard Chartered Bank Uganda and worked in various roles and capacities within the Bank on both long and short-term assignments in Zambia, Kenya, the UK, and Singapore mainly dealing with the establishment and development of corporate banking relationships. Before joining Standard Chartered Bank, Richard worked as a Financial Management consultant with Coopers & Lybrand Associates based in Kenya, where he was involved in a number of consultancy assignments in Kenya, Uganda, Tanzania and Malawi. Richard holds a Master of Science degree in Corporate Finance from Strathclyde Business School – University of Strathclyde, in Glasgow UK and a Bachelor of Commerce degree in Accounting from the University of Nairobi.

Richard was appointed to the Board of Standard Chatered Bank Zambia Plc on 22 May 2014.

Age: 53 years

Other Board Directorships:

Standard Chartered Bank Botswana,

Standard Chartered Bank Mauritius

Standard Chartered Bank Angola

Shares in SCBZ - NIL

LOUISE VOGLER

NON EXECUTIVE DIRECTOR

Louise Vogler is currently the Chief Credit Officer, Corporate & Institutional and Commercial Banking for Standard Chartered Bank in Africa. She is responsible for the management of the Bank's credit risk function across 15 footprint countries in Africa. She holds Bachelor of Arts and Bachelor of Commerce degrees from the University of Victoria, Canada. She also holds an Executive Masters in Business Administration from the China Europe International Business School in China. She has over 20 years of experience in international banking, with a focus on relationship management, transactional banking and credit risk management.

Louise spent over 20 years living and working in the Greater China region, with over 17 years in Mainland China. Louise is a fluent Mandarin speaker.

In March 2008, Louise was recognised as one of the '100 Most Promising Young Bankers in the Asia Pacific and Gulf region' by the Asian Banker Magazine.

Louise was appointed to the Standard Chartered Bank Zambia Plc Board on 29 May 2015.

Age: 46 years

Other Board Directorships:

Standard Chartered Bank Nigeria

Shares in SCBZ: NIL

ANDREW FENING OKAI

OUTGOING MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER

Andrew Okai has been Chief Executive of Standard Chartered Bank, Zambia Plc since October 2013. He is a holder of a Chartered Banker MBA from Bangor University in Wales, along with a Diploma in Management from Henley Management College and a Master of Science (MSc) degree in Food Processing Technology from the Kuban Technology University. He is a Member of the Chartered Institute of Bankers in Scotland and has a Certificate in Russian Language as an Instructor.

Andrew has held senior leadership roles within the Standard Chartered Group in multiple geographies (Ghana, Hong Kong, South Africa and Zambia) and across multiple client segments and functions in retail, corporate banking and financial institutions, operations and technology and general management. In his role as Managing Director and Chief Executive Officer of the Bank in Zambia, his responsibilities included business strategy formulation and implementation, identification, mitigating and monitoring of internal business and environmental risks, coordination and management of corporate governance initiatives and delivery of the strategic and tactical goals of the Bank. He also had overall responsibility for client, regulatory, media and community relations for the Bank in Zambia. Andrew reported to the Board of Directors of Standard Bank.

Prior to becoming Chief Executive Officer of Standard Chartered Bank Zambia Plc, Andrew served as Executive Director, Consumer Banking of the Bank in Ghana. He was also previously Chairman of the Board of Donewell Life Company Limited in Ghana.

Andrew was appointed to the Standard Chartered Bank Zambia Plc Board on 7th October 2013 and resigned from the Board effective 1 February 2017.

Age: 49 years

Other Boards – NIL

Shares in SCBZ – NIL

HERMAN KIZITO KASEKENDE

INCOMING MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER

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

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

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

Herman chaired the Oil and Gas Technical Working Group (TWG) under the Presidential Investors' Round Table (PIRT) in Uganda, and is current Chairman of the Uganda Varkey Foundation Advisory Board. He is also an advisor on the Uganda Chamber of Mines and Petroleum Board, and the Chairman, Uganda Institute of Banking and Financial Services Board.

Age: 50 years

Other Board Directorships:

Varkey Foundation Advisory Board (Uganda)

Uganda Chamber of Mines and Petroleum (Uganda)

Shares in SCBZ – NIL

ROSE NYENDEKAZI KAVIMBA

COMPANY SECRETARY

Rose Kavimba joined the Bank in 2011 and is responsible for providing legal support to the businesses and support functions of the Bank and assisting the Country Head of Legal in managing legal risk in Zambia. Appointed to the Board as Company Secretary on 1 April 2016, she provides Company Secretarial services to the Bank and the Board of Standard Chartered Bank Zambia Plc.

Rose is a qualified Legal Practitioner with over seven years experience. She acquired experience working for a top law firm in Zambia and has vast experience in Labour Relations, International Investment law, Corporate Finance, Mining and Commercial Law.

Rose holds a Bachelors of Laws Degree is an Associate Arbitrator and an Advocate of the High Court of Zambia. Rose is also the Country Employee Volunteering (EV) Champion.

Age: 33 years

Shares in SCBZ – NIL

Executive Management Team

Andrew Okai
Outgoing Managing Director and Chief Executive Officer

Appointed: Andrew joined Standard Chartered Bank in 1997. He was appointed CEO, Standard Chartered Bank Zambia in 2013.

Experience: Andrew has held various positions with Standard Chartered Bank. These include: Executive Director of Consumer Banking (Ghana); Regional Head of Banks, Transaction Banking (South Africa); and Head of Operational Excellence and Process Improvement (Hong Kong). Andrew has now taken a new position as Global Chief Operating Officer for Retail Banking at Standard Chartered Bank in Singapore.

Herman Kasekende
Incoming Managing Director and Chief Executive Officer

Appointed: Herman joined Standard Chartered Bank in 1998. He was appointed CEO, Standard Chartered Bank Zambia in February 2017.

Experience: Herman has held several positions with Standard Chartered Bank. He was CEO, Standard Chartered Bank Uganda since 2012. He has also worked as Head of Consumer Banking; General Manager - SME Banking; General Manager - Shared Distribution; and Senior Relationship Manager - Wholesale Banking. Herman has also worked at Standard Chartered Bank Kenya as Regional Head of SME Products and Solutions (Africa); and on a short term assignment at Standard Chartered Bank Singapore.

Venus Hampinda Musonda
Chief Financial Officer (Acting)

Appointed: Venus joined Standard Chartered Bank in 2015.

Experience: Venus is responsible for financial and management accounting, taxation, balance sheet, capital structure management, regulatory reporting. Prior to joining Standard Chartered Bank, Venus was Director of Finance and Corporate Planning at the Zambia National Building Society. She also worked at ZANACO Plc and as Audit Manager at PricewaterhouseCoopers (PwC) in Zambia and the UK.

Emmanuel Banda
Country Head of Global Banking

Appointed: Emmanuel joined Standard Chartered Bank in 2005.

Experience: Emmanuel is responsible for delivering the Global Banking strategic plans in Zambia. His previous roles at Standard Chartered Bank include: Head of Origination and Client Coverage, (Zambia), Head of Global Corporates (Zambia), Head of Commercial Banking (Kenya), Head of International Corporates (Zambia).

Sonny Zulu
Head of Retail Banking – Zambia and Southern Africa

Appointed: Sonny joined Standard Chartered Bank in 2003.

Experience: Sonny is responsible for delivering superior financial performance, people development, franchise development and customer management in Retail Banking in Zambia and Southern Africa. His previous roles at Standard Chartered Bank include: General Manager for Distribution, Head of Corporate Affairs, and International Graduate Trainee.

Ngenda Nyambe
Head of Commercial Banking – Zambia and Southern Africa

Appointed: Ngenda joined Standard Chartered Bank in 2013.

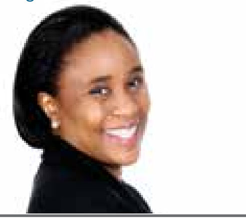
Experience: Ngenda is responsible for the Commercial Banking business segment in Zambia and Southern Africa. His previous roles at Standard Chartered Bank include: Head of Financial Institutions and Development Organisations, Head of Global Market Sales and International Graduate Trainee. He has also worked as Country Treasurer at Barclays Bank, and Director of Treasury Management at ZANACO Plc.

Stanley Tamele
Head of Wealth Management

Appointed: Stanley joined Standard Chartered Bank in 2002.

Experience: Stanley is responsible for developing and delivering the Wealth Management (WM) strategic plan. His previous roles at Standard Chartered Bank include: Head of Financial Markets, Head of ALM (Zambia and Southern Africa), and International Graduate Trainee.

Farida Mukasa Kasujja
Head of Financial Institutions, Public Sector and Development Organisations



Appointed: Farida joined Standard Chartered Bank in 1998.

Experience: Farida is responsible for the Financial Institutions business in Zambia. Her previous roles with Standard Chartered Bank include: Head of Transaction Banking (Uganda), and Head, Financial Institutions and Development Organisations (Uganda).

Kabwe Mwaba
Head of Financial Markets – Zambia and Head of ALM

Appointed: Kabwe joined Standard Chartered Bank in 2009.

Experience: Kabwe is Responsible for developing and delivering the Financial Markets (FM) and ALM strategic plans. His previous roles at Standard Chartered Bank include: Head of Asset & Liability Management (Zambia), Head of Asset & Liability Management (East Africa), and Head of ALM (Zambia).

Mwaya Siwale
Head of Transaction Banking (Acting)

Appointed: Mwaya joined Standard Chartered Bank in 2008.

Experience: Mwaya is responsible for the management of short term liabilities and trade assets and structuring of cash and trade financing solutions for clients. Her previous roles with Standard Chartered Bank include: TB Sales Manager for commodity Trades and Agri Business, Assistant Relationship Manager in CIB, Transaction Banking. Mwaya has also worked with Citibank Zambia as Citiservice Manager.

Musonda Musakanya
Chief Information Officer

Appointed: Musonda joined Standard Chartered Bank in 2012.

Experience: Musonda is responsible for the overall Bank operational strategy and service to customers and departments. Previously, she worked for Citibank (Zambia) as Cash Product Head and then as Head of Operations and Technology.

Ruth Simuyemba
Head of Human Resources

Appointed: Ruth joined Standard Chartered Bank in 2008.

Experience: Ruth is responsible for the Bank's human resources policies and procedures in Zambia. Prior to her role as Head of HR, she was Human Resources Manager for the Retail Banking segment. She also worked for the United Nations in Zambia as Human Resources Manager.

Augustine Hamwela
Head of Legal – Zambia and Southern Africa

Appointed: Augustine joined Standard Chartered Bank in 2011.

Experience: Augustine is responsible for managing legal risk for the Bank in Zambia, management oversight for Southern Africa. He is also Principal Legal Advisor for the Bank. His previous roles with Standard Chartered Bank include: Head of Retail Clients Legal and Compliance (Zambia), and Senior Legal and Compliance Counsel for Africa (South Africa). Augustine has also worked in private practice.

Tracey Gains
Chief Risk Officer – Zambia and Southern Africa

Appointed: Tracey joined Standard Chartered Bank in 1979.

Experience: Tracey is responsible for the implementation of the overall risk management framework. Her previous roles with Standard Chartered Bank include: Corporate Banking Relationship Manager, Head of Audit (India), Senior Credit Officer and Head of GSAM (Sri Lanka, Dubai and Ghana), and Regional Head of Audit and Governance (Hong Kong).

Peter Zulu
Head of Compliance

Appointed: Peter joined Standard Chartered Bank in 2001.

Experience: Peter is responsible for managing the Bank's regulatory relationships, ensuring that the Bank adheres to regulatory requirements and has oversight of Financial Crime Risk. Previously, Peter worked as Regional Engineer at the Ministry of Lands (Zambia) and on a Government/United Nations Development Programme Feeder Roads Project (Zambia).

Christine Matambo
Head of Corporate Affairs, Brand and Marketing

Appointed: Christine joined Standard Chartered Bank in 2013.

Experience: Christine is responsible for managing the Bank's Brand and Marketing and communications strategy. Christine also manages public affairs, government relations, and the reputational risk of the Bank.

Previously, Christine held senior roles in the international public sector, as Senior Private Sector Officer for the former Mayor of London, Boris Johnson (UK); and as Special Assistant to the Head of the United Nations (Zambia).

Fanwell Phiri
Head of Audit

Appointed: Fanwell joined Standard Chartered Bank in 1999.

Experience: Fanwell is responsible for managing and delivering the country audit plan. He provides assurance as to the adequacy of controls to the Local Board Audit Committee. His previous roles at Standard Chartered Bank include: Area Head of Group Special Assets Management (Southern Africa), Head of Group Special Assets Management (Zambia), and Credit Analyst, Agribusiness (Zambia).

STANDARD CHARTERED BANK ZAMBIA PLC RECORD OF ATTENDANCE OF BOARD /BOARD COMMITTEES MEETINGS HELD IN 2016

BOARD OF DIRECTORS' MEETINGS

No. of Board Meetings 2016	1/2016 (Adhoc)	2/2016	3/2016 (AGM)	4/2016 (Main Board)	5/2016 (Adhoc)	6/2016 (Adhoc)	7/2016 (Main Board)	8/2016 (Adhoc)	9/2016 (Main Board)	10/2016 (Board Strategy)	11/2016 (Adhoc)	Total
Date of Meeting	29/02 11:00 SCBZ	04/03 11:00 SCBZ	31/03 09:00 Pamodzi hotel	03/06 10:00 SCBZ	22/06 11:00 SCBZ	25/07 16:30 SCBZ	05/09 10:00 SCBZ	05/09 10:00 SCBZ	18/11 15:30 SCBZ	19/12 LILAYI LODGE	05/09 15:00 LILAYI LODGE	11
Michael Mundashi (Chairman)	√	√	√	√	√	√	√	√	√	√	√	11
Edson Hamakowa	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	6
Robin Miller	√	√	√	√	√	√	√	√	√	AP	AP	9
Andrew Okai	√	√	√	√	√	√	√	√	√	√	√	11
Kapambwe Doreen Chiwele	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	4
Richard Etemesi	√	√	√	AP	VC	VC	VC	VC	VC	AP	AP	8
Louise Vogler	√	√	√	√	VC	VC	√	VC	√	AP	AP	9
James Koni	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3
Rose Kavimba	√	√	√	√	√	√	√	D	√	√	√	10

NOTE THAT JAMES KONI AND EDSON HAMAKOWA RESIGNED FROM THE BOARD EFFECTIVE 31ST MARCH 2016 AND 28TH JULY 2016 RESPECTIVELY. FURTHER NOTE MRS. KAPAMBWE DOREEN CHIWELE WAS APPOINTED TO THE BOARD EFFECTIVE 1ST OCTOBER 2016.

BOARD AUDIT COMMITTEE (AC) MEETINGS

No. of AC Meetings 2016	1/2016	2/2016	3/2016	4/2016	Total
Date of Meeting	03/03 09:00 SCBZ Board Room	02/06 09:00 SCBZ Board Room	05/09 11:00 SCBZ Board Room	18/11 09:00 SCBZ Board Room	4
Edson Hamakowa (Chairman)	√	√	N/A	N/A	2
Andrew Okai	N/A	√	√	√	3
James Koni	√	N/A	N/A	N/A	1
Kapambwe Doreen Chiwele	N/A	N/A	N/A	√	1
Robin Miller	√	√	√*	√*	4
Richard Etemesi	VC	VC	VC	VC	4
Louise Vogler	√	√	√	√	4

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

- *Acting Committee Chair

BOARD CREDIT COMMITTEE (CC) MEETINGS

No. of CC Meeting 2016	1/2016	2/2016	3/2016	4/2016	Total
Date of Meeting	03/03 11:30 SCBZ Board Room	02/06 09:00 SCBZ Board Room	05/09 14:00 SCBZ Board Room	18/11 11:00 SCBZ Board Room	4
Robin Miller (Chairman)	√	√	√	√	4
Edson Hamakowa	√	√	N/A	N/A	2
Andrew Okai	√	√	√	√	4
James Koni	√	N/A	N/A	N/A	1
Kapambwe Doreen Chiwele	N/A	N/A	N/A	√	1
Louise Vogler	√	√	√	√	4

BOARD RISK COMMITTEE (RC) MEETINGS

No. of RC Meeting 2016	1/2016	2/2016	3/2016	4/2016	Total
Date of Meeting	04/03 09:00 SCBZ Board Room	29/05 08:00 SCBZ Board Room	05/09 08:00 SCBZ Board Room	19/11 08:00 SCBZ Board Room	4
Edson Hamakowa (Chairman)	√	√	N/A	N/A	4
Michael Mundashi	√	√	√	√	4
Richard Etemesi	VC	VC	AP	VC	4
Andrew Okai	√	√	√	√	4
Robin Miller (Acting Chair)	BI	BI	BI*	BI*	4
Louise Vogler	√	√	√	√	4
Kapambwe Doreen Chiwele	N/A	N/A	N/A	√	1

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

- ***Acting Committee Chair**

KEY:

√ : Attended in person
× : Absent
AP : Apologies
VC : Video Conference
☎ : Dialed in
BI : By invitation
D : Delegated

STANDARD CHARTERED BANK ZAMBIA PLC

Designation	Name	Total Meetings invited for	Attendance In Person	Attendance by VC	Attendance By Audio	Total Attendance (In Person, VC & Audio)	Per cent	Remarks
Chairman/ INED	Michael Mundashi	* 15	15	N/A	N/A	15	100	Attended all meetings invited for.
INED	Edson Hamakowa	12	12	N/A	N/A	12	100	Resigned effective 28th July 2016
INED	Robin Miller	23	21	N/A	N/A	21	91	Attended 95 per cent of the meeting as he sent apologies for missing Board Strategy Session
INED	Kapambwe Doreen Chiwele	7	7	N/A	N/A	7	100	Appointed to the board on 1st October 2016 and attended all meetings invited for.
NED	Richard Etemesi	19	3	11	1	15	79	He sent apologies for the AGM dry-run and the Board strategy session meeting.
NED	Louise Vogler	*23	20	N/A	1	21	91	She sent apologies for missing Board Strategy Session however she sent her comments prior to the meeting.
CEO / ED	Andrew Okai	* 22	22	N/A	N/A	22	100	Attended all meetings invited for.
CFO / ED	James Koni	5	5	N/A	N/A	5	100	Attended all meetings invited for. Resigned from the Board effective 31st March 2016

* Includes 5 adhoc meetings.

DIRECTORS' REPORT

The Directors are pleased to submit their report and the audited consolidated and separate financial statements for the year ended 31 December 2016 of Standard Chartered Bank Zambia Plc ("the Bank") and its subsidiary Standard Chartered Securities Services Nominees Limited (together "the Group").

Standard Chartered Bank Zambia Plc

Standard Chartered Plc ("the ultimate parent") is the ultimate holding company for the Group, incorporated and registered in England and Wales, as a Company limited by shares. Its ordinary shares are listed on the London and Hong Kong Stock Exchanges and it has Indian Depository Receipts listed on the Bombay and National Stock Exchanges in India. It is consistently ranked among the top 25 companies on the FTSE-100 by market capitalisation.

Standard Chartered Bank Zambia Plc

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

Articles of Association

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

Results and dividend

At a board meeting held on 28 February 2017, the Directors recommended a final dividend of ZMW0.08 per share for the year ended 31 December 2016. This together with the interim dividend for 2016 already paid of ZMW0.12 per share makes a total dividend for 2016 of ZMW0.20 per share.

Share capital

During the year 2016, the paid up primary capital of the Bank was ZMW416, 745,000(2015:ZMW416,745,000). The authorised share capital of the Bank was ZMW450, 000,000.The Bank has issued ZMW416, 745,000 ordinary shares with a nominal value of ZMW0.25 per share.

Gifts and donations

The Group identifies with the aspirations of the community and the environment in which it operates. During the year, the Group made donations of ZMW164,997 (2015: ZMW415,946) to charitable organisations and events.

Number of employees and remuneration

The average number of people employed by the Group during the year was 684. The total remuneration to employees during the year amounted to ZMW 133,710,432.72 (2015: ZMW 278,075,000) and the total number of employees was as follows:

Month	Number	Month	Number
January	761	July	681
February	694	August	675
March	690	September	673
April	685	October	671
May	681	November	674
June	683	December	688

Property and equipment

The Group purchased property and equipment amounting to ZMW 34,926,000 (2015: ZMW 20,837,000) during the year. In the opinion of the directors, the carrying value of property and equipment is not less than their recoverable value.

Results

The results for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 43.

Directors

For the period under review, there have been two changes to the Board of Directors following the resignation of Mr. Edson Hamakowa as an Independent Non-executive Director to the Board in July 2016 and the appointment of Mrs. Kapambwe Doreen Chiwele as an Independent Non-executive Director to the board in October 2016. A full list of Directors is available on pages 20 - 21.

Secretariat

The Company Secretary was appointed on 1 April 2016.

Directors' interests in ordinary shares

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

Namulundu Investments Limited, a company in which the Board Chairman and his wife Mildred Mundashi have an interest, has 50,933 shares in Standard Chartered Bank Zambia Plc.

Activities

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

Related party transactions

Related party transactions are disclosed in note 36 to the consolidated and separate financial statements.

Directors' emoluments and interests

Directors' emoluments and interests are disclosed in note 36 to the consolidated and separate financial statements.

Directors' induction and ongoing development

The Group ensures that all new Directors to the Board receive a robust induction. This ensures that the directors have the requisite knowledge and understanding to enable them to effectively carry out their roles as Directors. During the year 2016, Mrs. Kapambwe Doreen Chiwele underwent induction. During the year, the Board was trained in Risk Management Training & Operational Risk Framework, Financial Crime Compliance, Operational Risk Framework and Asset and Liability Managment Training.

Shareholder concerns

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

Rose.Kavimba@sc.com

Electronic communication

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

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

Group Code of Conduct

The Board has adopted the ultimate parent company's Code of Conduct relating to the lawful and ethical conduct of business and this is supported by the ultimate parent company's core values. All Directors and employees of the Bank have committed to the code and are all expected to observe high standards of integrity and fair dealing in relations to all our stakeholders including customers, staff and regulators. The Board recommitted to the refreshed Code of Conduct on 19 November 2015.

Research and development

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

Prohibited borrowing or lending

There was no prohibited borrowings or lending as defined under Sections 72 and 73 of the Banking and Financial Services Act, 1994 (as amended).

Health and safety

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

Relevant audit information

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

In December 2016, the Securities Act of Zambia was enacted, which is applicable to listed entities and therefore to the Bank. It contains a requirement for the auditor of a listed company or company whose securities are registered with the Commission to issue, in the audit report of the company a statement as to the existence, adequacy and effectiveness or otherwise of the internal control system of the company.

The Securities and Exchange Commission did not specify the relevant internal control framework to use in this assessment to meet the requirements of Section 147 of the new Securities Act, and no transitional guidance has been provided by the regulator to the auditors and the Board of Directors as at the date of this report. The Company was therefore unable to engage their auditors to perform the work which would be required to issue this statement for the year ended 31 December 2016. This is reflected in the auditors report on Page 38.

Auditors

The Bank's Auditors, Messrs KPMG Chartered Accountants, have indicated their willingness to continue in office. A resolution proposing their reappointment and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

By order of the Board

Rose N. Kavimba
Company Secretary

28 February 2017

CORPORATE GOVERNANCE

"The Board understands the importance of remaining cognizant of changes in the regulatory and economic environment and is aware that the Bank's strategic performance and management of risk is closely linked to the prevailing economic and market conditions."

Rose Kavimba
Company Secretary

Our Strategy

Standard Chartered Bank Zambia Plc is one of the Group's largest businesses in the Africa and Middle East region and one of the oldest, having been in existence for 110 years in Zambia. It is a public company incorporated in the Republic of Zambia on 11 November 1971 to take over the business of Standard Bank Zambia Limited, which had operated in Zambia since 1906. Standard Chartered Bank Zambia Plc was the first bank in Zambia to list on the Lusaka Stock Exchange on 30 November 1998.

The Board of Standard Chartered Bank Zambia Plc holds good governance as one of its core values and confirms its commitment to the implementation of effective corporate governance principles in its business operations. Given the fast-changing external environment and sometimes challenging market conditions, the Board understands the importance of remaining cognisant of changes in the regulatory and economic environment and is aware that the Bank's strategic performance and management of risk is closely linked to the prevailing economic and market conditions.

Each year Standard Chartered Bank Zambia Plc continuously endeavors to achieve exemplary corporate governance by striving for substantive compliance with all applicable regulations, including the Bank of Zambia Corporate Governance Directives, the Lusaka Stock Exchange Corporate Governance Code and the Listing Rules as well as Standard Chartered Group minimum governance standards for subsidiaries.

Disclosure

The Board of Directors of Standard Chartered Bank Zambia Plc (the 'Board') has the overall responsibility of ensuring that the highest standards of corporate governance are maintained and adhered to by the Bank. Our directors confirm that during the 2016 financial year, the Bank ensured substantive compliance with the Bank of Zambia and the Lusaka Stock Exchange Corporate Governance codes. The Board and senior management continue to engage in discussions with the Lusaka Stock Exchange with regard to the 25 per cent public float requirement.

Our Board

Our Board presently comprises of 6 members; one Executive Director and 5 Non Executive directors, three of whom are Independent Non Executive Directors. We believe that our Board members have the requisite integrity,skills and experience to enable them discharge the functions of their office. During the year 2016, Mr. James Koni, the Executive Director Finance and Administration resigned from the Board effective 31 March 2017. Further, Mr. Edson Hamakowa also resigned from the Board as an Independent Non Executive Director effective 29 July 2016. The Board then appointed Mrs. Kapambwe Doreen Chiwele as an Independent Non Executive Director. Kapambwe Doreen has close to 30 years of experience in Finance, treasury and Accounting in both the private and the public sector. She has served in various roles and capacities in Zambia and brings to the Board a wealth of experience in Financial Administration and Risk Management. Recently, the Bank of Zambia has approved the proposed appointment to the Board of Standard Chartered Bank Zambia Plc Dr. Caleb Fundanga, an eminent and renouned expert in the banking industry and a former Governor of the Central Bank.

In performing its oversight functions, the Board is guided by specific terms of reference and matters reserved for the Board. This ensures that the Board provides oversight, guidance and review of the Bank's performance and strategy. The Board also strives to deliver value to shareholders and other stakeholders.

The Board has responsibility for the overall management of the company and is primarily accountable to the shareholders for proper conduct of the business of the company and the management of the relationships with its various stakeholders.

In fulfilling its primary responsibility, the Board is aware of the importance of achieving a balance between conformance to governance principles and economic performance.

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

The Board meets quarterly and additional meetings are convened as and when required. The Board held 10 meetings during the 2016 financial year and had a formal schedule of matters specifically reserved for its decisions.

The Board is also responsible for the Bank's structure and areas of operation, financial reporting, ensuring that there is an effective system of internal controls and risk management and appointments to the Board. The Board also has authority to delegate matters to Directors, Board Committees and Executive Committees.

Board Committees

The Bank has three sub committees of the Board through which the Board performs its oversight functions. These are the Board Audit Committee, the Board Risk Committee and the Board Credit Committee. Each of these committees is chaired by an Independent Non Executive Director and has prescribed Terms of Reference.

Board Audit Committee

The Board Audit Committee is comprised of four (4) Non Executive Directors. It exercises oversight on behalf of the Board of the Bank's financial reporting and system of internal controls. The primary role of this Committee is to ensure the integrity of the financial reporting process, supporting internal controls,and to maintain a sound risk management environment as stipulated by the Bank of Zambia Corporate Governance code and other financial regulations. It also oversees the independence and objectivity of the Bank's external auditors and reviews on a quarterly basis audit reports from the Group Internal Audit function on the arrangements established by management for ensuring adherence to risk management, control and governance processes.

Group Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Group through its programme of business audits. The work of Group Internal Audit is focused on the areas of greatest risk as determined by a risk-based assessment methodology.

The Committee met four times during the year and was chaired by an Independent Non Executive Director, Mr. Edson Hamakowa and later by Mr. Robin Miller. Mrs. Kapambwe Doreen Chiwele was appointed as Chairperson of the Committee in November 2016.

Board Risk Committee

The Board Risk Committee is comprised of two Non Executive Directors and one Non Executive Director and one Executive Director. The Committee exercises oversight on behalf of the Board on the key risks faced by the company and makes recommendations to the Board on the company's overall risk appetite. It also reviews the appropriateness and the effectiveness of the company's risk management systems and controls and the implications of changes proposed to regulations and legislation that are material to the Group's risk appetite, risk exposure and management of risk.

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

The Committee met 4 times during the year and was chaired by Independent Non Executive Directors, firstly Mr. Edson Hamakowa and later by Mr. Robin Miller. Mrs. Kapambwe Doreen Chiwele was appointed as Chairperson of the Committee in November 2016.

Board Credit Committee

The Board Credit Committee comprises of two Non Executive Directors and two Executive Directors. The Committee exercises oversight on behalf of the Board on all matters incidental to credit/loan approvals, applications and advances made by the company and makes recommendations to the Board on the company's overall credit risk appetite. The Committee met four times during the year and is chaired by an Independent Non Executive Director, Mr. Robin Miller.

Board Effectiveness Review

The Board conducted a board effectiveness review in December 2016 to assess the performance of the Board and Board Committees against their respective mandates. This is an online self evaluation survey, the results of which are shared with the necessary stakeholders. An action plan is discussed by the Board to address areas identified for improvement. The plan is then tracked until closure of all items.

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

The Bank has a robust engagement and training plan for the Board. In 2016, the Board had various engagements with different stakeholders. The Board had the opportunity to engage with the former and new Group Chairman of Standard Chartered Plc, the Group Audit Committee Chairman and the Group Chief Executive Officer to discuss the Group's strategy and performance, as well as the importance of the Board's oversight responsibilities in respect of internal controls and compliance.

The Board was honured to host in Lusaka two Standard Chartered Plc independent directors in November 2016, which was a good opportunity for the Group to see first hand the potential of the Zambian market.

During the year 2016, the Board was trained on Risk Management and the Operational Risk Framework, the regulatory guidelines on outsourcing, financial crime compliance and Asset and Liability management. A comprehensive induction was provided to Mrs. Kapambwe Doreen Chiwele on joining the Board.

Conflicts of Interest

The Board has adopted a robust Conflict of Interest Policy.

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

Directors are clear on how they should manage their outside interests and how these may conflict with their duties as a Director of Standard Chartered Bank Zambia Plc. All actual or potential conflicts of interest should be reported to the Company Secretary together with details of any benefits received.

If, for instance, a Non Executive Director is invited to take up an additional commitment such as another directorship or other outside interest, the Director should seek the Chairman's agreement and notify the Company Secretary in advance.

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

Code of conduct

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

Regulatory Compliance

Standard Chartered Bank Zambia Plc works very closely with regulatory authorities in Zambia and across the borders. The relationship with all the key regulators may be described as cordial. Our Board and senior management have extensive experience working with regulatory bodies and understand the spirit and intent of the regulatory environment. Our business solutions provide flexibility to our business partners to quickly adapt to changing regulatory landscapes and requirements in line with our corporate brand promise of Here for good.

The regulatory environment is getting stringent Despite this; Standard Chartered Bank Zambia Plc demonstrated exemplary corporate governance standards and compliance to the local regulations in Zambia. This is attributed to the Board oversight, firm leadership by both the Managing Director and the senior management. The compliance agenda and the relationship with our regulators and stakeholders are top on our agenda as a Bank. Doing the right thing and focusing on compliance is central to long-term sustainability of the Bank.

Numerous trainings have been afforded to staff over the year and this has continued on a regular basis to ensure that staff are kept abreast with what it means to operate within the highest compliance standards in everything that we do.

Rose Kavimba
Company Secretary
28 February 2017

Sustainability

As part of the drive across the Group, an additional US$800,000 was invested into the Seeing is Believing (SIB) programme in Zambia. We signed two new partnerships with Sightsavers and Operation Eyesight Universal to expand the programme's reach to Lusaka and Muchinga provinces.

Christine Matambo

Head of Corporate Affairs, Brand & Marketing

At Standard Chartered Bank, our Sustainability approach to business ensures that we remain a responsible company, which invests in the communities where we operate. Sustainability is fully integrated into the way we conduct our business.

110th Anniversary

In 2016, we at Standard Chartered Bank were delighted to celebrate 110 years of operating in Zambia. We held a week-long series of 110 years-themed events in November, which begun with Chairman Michael M. Mundashi, S.C. presenting the 110 years in Zambia commemorative plaque to Minister of Finance, Honourable Felix Mutati. The Bank of Zambia Governor, Dr. Denny Kalyalya, joined the CEO and Bank staff on-board the '110 bus,' stopping over at Levy Mall to take part in a free public eye screening. Minister of Tourism and Arts, Honourable Charles Banda, MP un-veiled the 110 years commemorative plaque at the site of our first branch in Kalomo.

Furthermore, the Bank took this opportunity to impart life skills education and career guidance to 150 girls at Kanyama Primary School. We hosted a live match screening between Liverpool and Southampton, showcasing our commitment to sport and the Bank's global sponsorship of Liverpool Football Club. Our branches were transformed with an African look, demonstrating our long history in Zambia and our continued commitment to being Here for good. The 110 years celebrations culminated in a grande finale client banquet, hosted by Chairman Mundashi.

Here for Africa

Our 110 years celebration coincided with the launch of the 'Here for Africa' campaign - a visual affirmation and celebration of our unique heritage, culture and history on the continent. Here for Africa is an expression of our confidence in Zambia, and Africa's future, and a symbol of our commitment to continue to invest in core growth sectors to support long-term sustainable development.

Here for Africa is not a new concept – but rather a reiteration of what we are already doing in the continent. The campaign affirmed our commitment, capabilities and understanding of Africa's unique potential and trends to boost business, communities and economies.

Seeing is Believing

As part of the drive across the Group, an additional US$800,000 was invested into the Seeing is Believing (SIB) programme in Zambia. SIB is the Bank's flagship preventative blindness programme. We signed two new partnerships with Sightsavers and Operation Eyesight Universal to expand the programme's reach to Lusaka – Bauleni, Chawama and Mandevu – and Muchinga province. This new investment increases the Bank's financial commitment to avoidable blindness to USD3m (2009 – 2019). We are very proud of our new partnerships, which will ensure that more Zambians access free eye screening and sight-saving interventions.

Education – Goal

In 2016, our commitment to empower adolescent girls with life skills education remained firmly intact. Since launching the Goal initiative in 2011, over 7,000 Zambian girls have benefitted from life skills training using the power of sport. We used our 110 years celebration to conduct a Goal session for 150 girls from Kanyama Primary School.

Liverpool Ladies Football Club

To promote Standard Chartered Bank's global sponsorship of Liverpool Football Club, we hosted three professional female players from the Liverpool Ladies Football Club (LLFC) – Rosie White, Kate Longhurst and Martha Harris. The players held a Goal training session with 50 Zambian girls to inspire them with the message that women, too, can reach premier league footballer status.

Financial Education for Youth (FE4Y)

In 2016, we were delighted to celebrate one year of the Bank's Financial Education for Youth (FE4Y) training. The Central Bank Governor recognised our efforts during the 2016 annual Financial Literacy Week Awards ceremony.

Women's Empowerment

We remain committed to Women's Empowerment. In 2016, Standard Chartered Bank continued with the annual Women's BUILD in partnership with Habitat for Humanity Zambia. We held a 110 years commemorative Women's BUILD for a widow in Chunga Township in Lusaka.

Protecting our Environment

Our CEO launched the annual staff tree-planting challenge – People Loving And Nurturing Trees (P.L.A.N.T.). We planted 110 fruit trees at Livingstone General Hospital and another 110 at the University Teaching Hospital, amongst others.

As always, we relied heavily on our staff to deliver our community agenda. Bank staff donated over 450 days to volunteer in communities across Zambia in 2016.

I would like to thank our Sustainability Partners for yet another commendable year.

It was a special '110th' year for us!

Christine Matambo

Head of Corporate Affairs, Brand & Marketing

28 February 2017

Liverpool Ladies Football Club players with Goal girls

110 years in Zambia

Standard Chartered

Standard Chartered celebrates 110 years in Zambia

Standard Chartered Bank Board Chairman, Michael M. Mundashi S.C. presents a 110 years in Zambia commemorative plaque to Minister of Finance, Hon. Felix Mutati.

Minister of Tourism & Arts, Hon. Charles Banda shakes hands with Standard Chartered Bank Board Member, Robin Miller after unveiling the Plaque at the site of the first Standard Chartered Bank Branch in Kalomo. Looking on is CEO, Andrew Okai.

(L to R) Kapambwe Doreen Chiwele (Board Member Standard Chartered Bank) presents a 110 years in Zambia commemorative plaque to Bank of Zambia Governor, Dr. Denny Kalyalya. Looking on is CEO, Andrew Okai.

BoZ Governor, Dr. Denny Kalyalya and Standard Chartered Bank CEO, Andrew Okai, on board the '110 Bus' for a drive around the city.

Standard Chartered Bank staff give a 'thumbs up' to 110 years in Zambia.

Minister of Local Government, Hon. Vincent Mwale gives remarks at the Liverpool football match screening.

Andrew Okai (CEO) takes a penalty at half time during the Liverpool vs Southampton screening at Intercontinental Hotel. Looking on are Minister of Local Government, Hon. Vincent Mwale and Minister of Infrastructure and Housing, Hon. Ronald Chitotela.

(L to R) Pride Mwaanga (Kanyama Constituency representative), Matildah Mwaba (Nowspar Director) Kapambwe Doreen Chiwele (Board Member Standard Chartered Bank), H.E. Eric Schultz (US Ambassador), Andrew Okai (CEO), Mr. Zulu (Kanyama Primary School Head Teacher) and Mwaya Siwale (Acting Head of Transaction Banking, Standard Chartered Bank) at Kanyama Primary School grounds.

Minister of Mines, Hon. Christopher Yaluma addresses clients at the Standard Chartered Bank 110 years in Zambia SME Cocktail.

Standard Chartered Bank Board Chairman, Michael M. Mundashi S.C. addresses clients at the 110 years in Zambia Client Banquet.

Board Member Louise Vogler hosts Minister of Local Government, Hon. Vincent Mwale and Akashambatwa Mbikusita Lewanika at the 110 years in Zambia Client Banquet.

Mr. and Mrs. Mapoma at the 110 years in Zambia Client Banquet.

Standard Chartered Bank Zambia Plc
Consolidated and separate financial statements
for the year ended 31 December 2016

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

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Standard Chartered Bank Zambia Plc, comprising the statements of financial position at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include summaries of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act, the Banking and Financial Services Act and the Securities Act of Zambia. In addition, the Directors are responsible for preparing the Annual Report.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedule included in these financial statements.

The Directors have made an assessment of the ability of the Group to continue as a going concern and have no reason to believe the Group will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, described above.

In December 2016, the Securities Act of Zambia was enacted, which is applicable to listed entities and therefore to the Bank. It contains a requirement for the auditor of a listed company or company whose securities are registered with the Commission to issue, in the audit report of the company a statement as to the existence, adequacy and effectiveness or otherwise of the internal control system of the company.

The Securities and Exchange Commission did not specify the relevant internal control framework to use in this assessment to meet the requirements of Section 147 of the new Securities Act, and no transitional guidance has been provided by the regulator to the auditors and the Board of Directors as at the date of this report. The Company was therefore unable to engage their auditors to perform the work which would be required to issue this statement for the year ended 31 December 2016. This is reflected in the auditors report on page 38.

Approval of the financial statements

The group financial statements and financial statements of Standard Chartered Bank Zambia Plc, as identified in the first paragraph, were approved by the Board of Directors on 28 February 017 and were signed on its behalf by:

Michael Musonda Mundashi
Chairman

Kapambwe Doreen Chiwele
Director

Venus Hampinda Musonda
Acting Chief Financial Officer

KPMG Chartered Accountants
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Independent auditor's report to the shareholders of Standard Chartered Bank Zambia Plc

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Standard Chartered Bank Zambia Plc ("the Group and Bank") set out on pages 43 to 105, which comprise the consolidated and separate statement of financial position as at 31 December 2016, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and separate financial statements, including summaries of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Standard Chartered Bank Zambia Plc as at 31 December 2016, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, the Securities Act and the Banking and Financial Services Act of Zambia.

Basis for Opinion

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

Key Audit Matters

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

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

Impairment of loans and advances to customers	
See note 4(i) use of estimates 5(a) credit risk, note 24 loans and advances to customers, note 38 (b) credit risk section of the financial risk management, and note 39.13 loans and advances accounting policy	
Key audit matter	**How the matter was addressed in the audit**
The impairment of loans and advances is estimated by the directors through the exercise of judgement and use of highly subjective assumptions. The banking sector has experienced significant growth in non-performing loans due to a number of economic challenges faced by their customers such as depreciation of the Kwacha, an increase in interest rates (following the Central Bank's removal of interest rate capping), power shortages, weak global demand and low prices of copper, poor rainfall patterns and low market liquidity. These challenges have negatively affected the banking sector's customers' ability to meet their loan commitments resulting in a large increase in loan impairments in the sector. The impairment calculation is considered separately on a specific and collective basis as follows: - Specific impairment provisions take into account informed assessments of the projected cash flows and collateral values of the specific obligor. Judgement is required to determine when an impairment event has occurred and to estimate the likely timing and extent of recovery, and whether an impairment provision is required. - Collective impairment provisions are predominantly determined using statistical models which incorporate observable data, assumptions and estimates. The models will approximate the impact of current economic and credit conditions on the portfolio of loans. Management applies judgement in designing the models, analysing the observable data, determining appropriate assumptions and formulating estimates. Due to the current economic situation, the significance of loans and advances and the related estimation uncertainty, this matter was considered to be a key audit matter in our audit of the current year consolidated and separate financial statements.	As part of our audit: ● We tested the relevant controls over: - management's approval of credit origination of the loans and advances; and - monitoring of facilities issued (i.e. early identification of impaired accounts and approval of manual impairments/ write-offs). ● Where specific impairments had been made, we assessed the expected cash flows and the valuation of the collateral held, and challenged management as to whether valuation of collateral was up-to-date and appropriate for the purpose of the impairment calculation. ● Where collective impairments have been made, we understood and critically assessed the provisioning models based on our knowledge of the industry and understanding obtained during the audit. ● For all impairment provisions; - We considered the appropriateness of accounting policies and assessed the loan impairment methodologies across the Bank in order to compare these with the requirements of IAS 39 Financial Instruments: Recognition and Measurements. - We compared the Bank's assumptions to externally available information. - We assessed the reasonableness of key inputs such as historical default rates, recovery rates, collateral valuation, discount rates and economic factors and considered the sensitivity of these inputs on the assessment of impairment. ● We also assessed whether the financial statement disclosures, appropriately reflect the Group's exposure to credit risk.

Valuation of financial instruments	
See note 6 fair values of financial instruments, note 23 derivative financial instruments and note 39 (5, 12, 14) trading assets and liabilities, investment securities and financial instruments at fair value through profit or loss.	
Key audit matter	**How the matter was addressed in the audit**
The Bank holds significant financial instruments, particularly investment securities, that are classified as Level 2 financial instruments. Accordingly, the valuation of these financial instruments is based on inputs that are not quoted in the market, but are derived indirectly. The fair value of these financial instruments is determined through the application of valuation techniques which involve the exercise of judgement by the directors and the use of assumptions and estimates. Due to the significance of financial instruments and the related estimation uncertainty, this matter was considered to be a key audit matter in our audit of the current year consolidated and separate financial statements.	Our audit procedures included, among others: ● Testing relevant key controls including the following: - Management's review of reconciliations between the transaction processing system and general ledger; and - Management's review of the revaluation of portfolios/positions prepared by the valuation control team. ● We compared inputs into fair value models to externally available market data and assessed whether valuation models and methodologies used by the Bank were in line with accepted market practice. ● We challenged management on the reasonableness of the assumptions and key inputs used in their calculations (such as risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates). ● We evaluated the adequacy of the financial statements disclosures, including disclosures of key assumptions and judgements. ● We independently recalculated the carrying value of the investment securities and the fair value gain derived in the current year to assess the reasonableness of management's computation.

Other Information

The directors are responsible for the other information. The other information comprises the information contained in the Annual Report, but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, the Securities Act and the Banking and Financial Services Act of Zambia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Bank or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Bank to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with Section 173(3) of the Companies Act of Zambia, we report that, in our opinion, the required accounting records, and registers have been properly kept in accordance with the Act.

In accordance with Section 64 (2) of the Banking and Financial Services Act of Zambia, we report that in our opinion:

- the Bank made available all necessary information to enable us to comply with the requirements of this Act;

- the Bank has complied with the provisions of this Act and the regulations, guidelines and prescriptions under this Act; and

- there were no non-performing or restructured loans owing to the Bank whose principal amount exceeds 5% of the Bank's regulatory capital.

In accordance with Schedule IV, Rule of 18, of the Securities Act of Zambia CAP 254 of the Laws of Zambia we confirm that, in our opinion:

- the Bank has, throughout the financial year, kept proper accounting records in accordance with the requirements of the SEC Rules;

- the statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the Bank's accounting; and

- we have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

In accordance with section 149 of The Securities Act of Zambia, We report as follows:

In terms of relevant International Standards applicable to audit, review and other assurance engagements, we were unable to accept and perform an engagement on the existence, adequacy and effectiveness or otherwise of the internal control system of the Bank, as required by section 149 of the Securities Act, for the Act does not specify which internal control framework to use in assessment of the Banks internal control. We have not performed any audit, review or other assurance engagement in relation to these matters and accordingly we do not express any assurance opinion or conclusion thereon.

KPMG Chartered Accountants **28 February 2017**

Maaya Chipwayambokoma
AUD/F000861
Partner

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

for the year ended 31 December 2016

	Notes	Group and Bank 2016 K'000	2015 K'000
Interest income	8	**958,662**	752,308
Interest expense	9	**(308,555)**	(219,436)
Net interest income		**650,107**	532,872
Fee and commission income	10	**225,251**	203,392
Fee and commission expense	10	**(22,916)**	(16,082)
Net fee and commission income		**202,335**	187,310
Net trading income	11	**156,753**	87,269
Net income from financial instruments at fair value through profit or loss	12	**26,092**	23,287
Revenue		**1,035,287**	830,738
Other income	13	**8,740**	438
Impairment on loans and advances	24	**(20,580)**	(39,976)
Personnel expenses	14	**(279,785)**	(278,075)
Depreciation, amortisation, premises and equipment expenses	14	**(61,800)**	(49,760)
Other expenses	14	**(119,274)**	(180,253)
Profit before income tax		**562,588**	283,112
Income tax expense	15(a)	**(215,409)**	(104,207)
Profit for the year		**347,179**	178,905
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss:			
Fair value reserves (available for sale financial assets)			
Net change in fair value		**16,917**	(28,917)
Net amount reclassified to profit or loss		**(3)**	7,238
Related taxes		**5,709**	7,588
Other comprehensive income for the year, net of income tax		**22,623**	(14,091)
Total comprehensive income for the year		**369,802**	164,814
Earnings per share			
Basic and diluted earnings per share (Kwacha)	16	**0.208**	0.107

The notes on pages 49 to 105 are an integral part of these financial statements.

Consolidated and separate statement of financial position

as at 31 December 2016

		Group		Bank	
	Notes	**2016 K'000**	2015 K'000	**2016 K'000**	2015 K'000
Assets					
Cash and cash equivalents	19	**2,048,645**	2,015,656	**2,048,645**	2,015,656
Cash on hand and balances at Bank of Zambia	19	**1,840,427**	1,661,421	**1,840,427**	1,661,421
Pledged assets	20	**60,000**	60,000	**60,000**	60,000
Investment in subsidiary	22	**-**	-	**5**	5
Derivative financial instruments	23	**31,511**	70,971	**31,511**	70,971
Loans and advances to customers	24	**2,758,591**	3,533,763	**2,758,591**	3,533,763
Investment securities	21	**1,098,777**	1,025,380	**1,098,777**	1,025,380
Operating lease prepayments	27	**479**	493	**479**	493
Prepayments and other receivables	28	**293,784**	162,483	**293,784**	162,483
Property and equipment	25	**48,462**	39,926	**48,462**	39,926
Intangible assets	26	**17,503**	21,139	**17,503**	21,139
Deferred tax assets	15(d)	**12,764**	28,766	**12,764**	28,766
Total assets		**8,210,943**	8,619,998	**8,210,948**	8,620,003
Liabilitie					
Amounts payable to group banks	19	**148,749**	176,565	**148,749**	176,565
Amounts payable to non-group banks	19	**707**	4,224	**707**	4,224
Deposits from customers	29	**6,797,789**	7,457,805	**6,797,789**	7,457,805
Dividends payable	17	**1,261**	8,727	**1,261**	8,727
Derivative financial instruments	23	**7,798**	8,425	**7,798**	8,425
Accruals and other payables	32	**361,687**	239,054	**361,692**	239,059
Provisions	31	**32,189**	20,036	**32,189**	20,036
Current tax liabilities	15(c)	**63,590**	14,185	**63,590**	14,185
Subordinated liabilities	30	**39,700**	43,947	**39,700**	43,947
Total liabilities		**7,453,470**	7,972,968	**7,453,475**	7,972,973
Equity					
Share capital	33	**416,745**	416,745	**416,745**	416,745
Statutory reserves		**12,285**	12,285	**12,285**	12,285
Fair value reserves		**(10,602)**	(33,225)	**(10,602)**	(33,225)
Credit reserves		**41,948**	41,087	**41,948**	41,087
Capital contribution		**17,312**	17,312	**17,312**	17,312
Retained earnings		**279,785**	192,826	**279,785**	192,826
Total equity		**757,473**	647,030	**757,473**	647,030
Total liabilities and equity		**8,210,943**	8,619,998	**8,210,948**	8,620,003

These financial statements were approved by the board of directors on 28 February 2017 and were signed on its behalf by;

M. Mundashi	**K. Doreen Chiwele**	**V. Hampinda Musonda**	**R Kavimba**
Chairman	**Director**	**Acting Chief Financial Officer**	**Company Secretary**

The notes on pages 49 to 105 are an integral part of these financial statements.

Consolidated and separate statement of changes in equity

as at 31 December 2016

Group and Bank	Share capital	Statutory reserves	Fair value reserves	Credit reserves	Capital Contribution	Retained earnings	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Balance at 1 January 2016	416,745	12,285	(33,225)	41,087	17,312	192,826	647,030
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	347,179	347,179
Other comprehensive income net of income tax							
Fair value reserve on available-for-sale investment securities							
- Net change in fair value	-	-	16,917	-	-	-	16,917
- Net amount reclassified to profit or loss	-	-	(3)	-	-	-	(3)
- Related tax	-	-	5,709	-	-	-	5,709
Total comprehensive income for the year	-	-	22,623	-	-	347,179	369,802
Transfers	-	-	-	861	-	(861)	-
Over-accrued dividend write back	-	-	-	-	-	7,358	7,358
Transactions with owners, recognised directly in equity							
Dividends (note 17)	-	-	-	-	-	(266,717)	(266,717)
Share based payment transactions	-	-	-	-	199	(199)	-
Distribution of share based payments	-	-	-	-	(199)	199	-
Total contributions by and distributions to Owners	-	-	-	-	-	(266,717)	(266,717)
Balance at 31 December 2016	416,745	12,285	(10,602)	41,948	17,312	279,785	757,473

Consolidated and separate statement of changes in equity

as at 31 December 2016

	Share capital	Statutory reserves	Fair value reserves	Credit reserves	Capital Contribution	Retained earnings	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Balance at 1 January 2015	416,745	12,285	(19,134)	8,477	17,312	253,667	689,352
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	178,905	178,905
Other comprehensive income net of income tax							
Fair value reserve on available-for-sale investment securities							
- Net change in fair value	-	-	(28,917)	-	-	-	(28,917)
- Net amount reclassified to profit or loss	-	-	7,238	-	-	-	7,238
- Related tax	-	-	7,588	-	-	-	7,588
Total comprehensive income for the year	-	-	(14,091)	-	-	178,905	164,814
Transfer	-	-	-	32,610	-	(32,610)	-
Transactions with owners, recognised directly in equity							
Dividends (note 17)	-	-	-	-	-	(207,136)	(207,136)
Share based payment transactions	-	-	-	-	-	-	-
Distribution of share based payments	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	(207,136)	(207,136)
Balance at 31 December 2015	416,745	12,285	(33,225)	41,087	17,312	192,826	647,030

Consolidated and separate statement of changes in equity (continued)

as at 31 December 2016

Group and Bank (continued)

Fair value reserve

The fair value reserve comprises the fair value movement of financial assets classified as available-for-sale. Gains and losses are deferred to this reserve until such time as the underlying asset is sold.

Credit reserve

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

Capital contribution

The capital contribution reserve relates to the franchise value arising from the acquisition of the Security Services. The franchise value is the amount paid on behalf of the Bank by Standard Chartered Plc for the acquisition of the Security Services business.

Retained earnings

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

Statutory reserves

Statutory reserves comprise transfers out of net profits prior to dividends, of amounts prescribed under statutory instrument No. 21 of 1995: The Banking and Financial Services (Reserve Account) Regulations 1995.

The notes on pages 49 to 105 are an integral part of these financial statements.

Consolidated and separate statement of cash flows

for the year ended 31 December 2016

	Note	Group and Bank 2016 K'000	2015 K'000
Cash flow from operating activities			
Profit before tax		**562,588**	283,112
Adjustment for items not involving cash or shown separately			
Depreciation of property and equipment	25	**19,227**	5,792
Amortisation of intangible assets	26	**3,636**	4,146
Equity-settled share-based payments transaction	37	**199**	984
Expensed portion of leasehold land prepayment	27	**14**	9
Written off portion of leasehold land and prepayment	27	**-**	6
Impairment losses	24	**20,580**	39,976
Gain on disposal of property		**(2,552)**	-
Net interest income	8,9	**(650,107)**	(532,872)
Effect of exchanges rate fluctuations on subordinated loan capital	30	**(4,247)**	18,377
		(50,662)	(180,470)
Change in operating assets and liabilities			
Pledged assets		**-**	6,000
Loans and advances to customers		**775,172**	(399,159)
Derivative financial instruments		**38,832**	(55,503)
Prepayments and other receivables		**(131,300)**	(113,322)
Deposits from customers		**(660,016)**	2,131,835
Provisions		**12,153**	3,223
Accruals and other payables		**122,633**	32,921
		106,812	1,425,525
Interest received		**893,094**	674,527
Interest paid		**(199,420)**	(181,124)
		693,674	493,403
Net cash generated from operating activities before taxation		**800,486**	1,918,928
Income tax paid	15(c)	**(111,751)**	(70,917)
Net cash generated from operating activities		**688,735**	1,848,011
Cash flows from investing activities			
Purchase of property and equipment	25	**(42,753)**	(20,837)
Investment in government securities		**(686,977)**	(1,132,126)
Proceeds from maturity/sale of investment securities		**596,835**	909,670
Proceeds from disposal of property and equipment		**2,700**	-
Net cash used in investing activities		**(130,195)**	(243,293)
Cash flows from financing activities			
Dividends paid	17	**(266,717)**	(200,011)
Net cash used in financing activities		**(266,717)**	(200,011)
Net increase in cash and cash equivalents		**291,823**	1,404,707
Cash and cash equivalents at beginning of year		**3,496,288**	2,122,104
Effect of exchange rate fluctuation on cash held		**(48,495)**	(30,523)
Cash and cash equivalents at end of year	19	**3,739,616**	3,496,288

The notes on pages 49 to 105 are an integral part of these financial statements.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

1 Reporting entity

Standard Chartered Bank Zambia Plc ("Bank") is a Bank domiciled in Zambia. The Bank's registered office is Standard Chartered House, Cairo Road, Lusaka. These consolidated and separate financial statements comprise the Bank and its subsidiary (collectively the 'Group'). The Group is primarily involved in Retail, Commercial and Corporate and Institutional Banking.

2 Basis of accounting

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Companies Act, the Banking and Financial Services Act and the Securities Act of Zambia. They were authorised for issue by the Group's board of directors at its meeting held on 28 February 2017.

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

Details of the Group's accounting policies are included in note 39.

3 Functional and presentation currency

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

4 Use of estimates

In preparing these financial statements, management has made estimates and assumptions that affect the application of the Group'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.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2016 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

- Note 6 – determination of the fair value of financial instruments with significant unobservable inputs;
- Note 15(d) – recognition of deferred tax assets: available of future taxable profit against which carry forward tax losses can be used; and
- Note 26 – impairment testing for CGUs containing goodwill: key assumptions underlying recoverable amounts; and

i) Impairment of financial instruments

Assets accounted for at amortised cost are evaluated for impairment on the basis described in note 5(a)(i).

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management

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

a) Credit risk

For the definition of credit risk and information on how credit risk is managed by the Group, see note 38(b).

i) Credit quality analysis

The tables on the following pages set out information about the credit quality of financial assets and the allowance for impairment/loss held by The Group against those assets.

Group and Bank		Loans and advances to customers		Investment securities		Lending commitments and financial guarantees	
		2016	2015	**2016**	2015	**2016**	2015
	Notes	**K'000**	K'000	**K'000**	K'000	**K'000**	K'000
Maximum exposure to credit risk							
Carrying amount	24,21	**2,758,591**	3,533,763	**1,098,777**	1,025,380	**-**	-
Amount committed/guaranted		**-**	-	**-**	-	**603,183**	744,747
At amortised cost							
Grade 1-11: Low-fair risk		**2,688,237**	3,495,975	**-**	-	**-**	-
Grade 12: Substandard		**44,270**	5,721	**-**	-	**-**	-
Grade:13 Doubtful		**51,161**	45,722	**-**	-	**-**	-
Grade 14 Loss		**25,168**	38,929	**-**	-	**-**	-
Total gross amount		**2,808,836**	3,586,347	**-**	-		
Allowance for impairment (individual and collective)	24	**(50,245)**	(52,584)	**-**	-	**-**	-
Net carrying amount		**2,758,591**	3,533,763	**-**	-	**-**	-

Group and Bank	Note	Loans and advances to customers		Investment securities		Lending commitments and financial guarantees	
		2016	2015	**2016**	2015	**2016**	2015
		K'000	K'000	**K'000**	K'000	**K'000**	K'000
Available for sale							
Grade 1-11: Low-fair risk	21	**-**	-	**984,200**	944,426	**-**	-
Grade 12: Substandard		**-**	-	**-**	-	**-**	-
Grade 13: Doubtful		**-**	-	**-**	-	**-**	-
Grade 14: Loss		**-**	-	**-**	-	**-**	-
Total carrying amount		**-**	-	**984,200**	944,426	**-**	-
Allowance for impairment (individual)		**-**	-	**-**	-	**-**	-
At fair value through profit or loss							
Grade 1-11: Low-fair risk	21	**-**	-	**114,577**	80,954	**-**	-
Grade 12: Substandard		**-**	-	**-**	-	**-**	-
Grade 13: Doubtful		**-**	-	**-**	-	**-**	-
Grade 14: Loss		**-**	-	**-**	-	**-**	-
Total carrying amount		**-**	-	**114,577**	80,954	**-**	-

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management (continued)

a) Credit risk *(continued)*

i) Credit quality analysis (continued)

Group and Bank	Note	Loans and advances to customers		Loans and advances to banks		Investment securities		Lending commitments and financial guarantees	
		2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
		K'000	K'000	**K'000**	K'000	**K'000**	K'000	**K'000**	K'000
Off balance sheet									
Maximum exposure									
Lending commitments									
Grade 1 - 11 Low - fair risk		**-**	-	**-**	-	**-**	-	**380,653**	283,318
Financial guarantees									
Grade 1 - 11 Low - fair risk		**-**	-	**-**	-	**-**	-	**222,530**	461,429
Total exposure		**-**	-	**-**	-	**-**	-	**603,183**	744,747
Loans with renegotiated teams									
Gross carrying amount		**-**	-	**-**	-	**-**	-	**-**	-
Impaired amount		**-**	-	**-**	-	**-**	-	**-**	-
Allowance for impairment		**-**	-	**-**	-	**-**	-	**-**	-
		-	-	**-**	-	**-**	-	**-**	-
Neither past due nor impaired									
Grade 1 - 11: Low-fair risk		**2,688,237**	3,495,975	**-**	-	**-**	-	**-**	-
		2,688,237	3,495,975	**-**	-	**-**	-	**-**	-

Group and Bank	Note	Loans and advances to customers		Loans and advances to banks		Investment securities		Lending commitments and financial guarantees	
		2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Past due but not impaired									
Grade 12: Substandard		**44,270**	5,721	**-**	-	**-**	-	**-**	-
Grade 13: Doubtful		**51,161**	45,722	**-**	-	**-**	-	**-**	-
		95,431	51,443	**-**	-	**-**	-	**-**	-
Individually impaired									
Grade 14: Loss		**25,168**	38,929	**-**	-	**-**	-	**-**	-
		25,168	38,929	**-**	-	**-**	-	**-**	-
Allowance for impairment									
Individual		**13,605**	14,798	**-**	-	**-**	-	**-**	-
Collective		**36,640**	37,786	**-**	-	**-**	-	**-**	-
Total allowance for impairment		**50,245**	52,584	**-**	-	**-**	-	**-**	-

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management (continued)

a) Credit risk *(continued)*

i) Credit quality analysis (continued)

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 and arises principally from the loans and advances to customers and other banks and investments in debt securities. The amount of credit exposure in this regard is represented by the carrying amounts of the financial assets on the statement of financial position and financial assets that are not recognised in the statement of financial position. For risk management reporting purposes, the Bank considers all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral against loans and advances in the form of mortgage interests over property, other registered securities over assets and guarantees.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments.

Within the Corporate and institutional and Commercial clients business, a numerical grading system (Grades 1 to 14) is used for quantifying the risk associated with counterparty. The grading is based on a probability of default measure with customers analysed against a range of quantitative and qualitative measures.

For Retail Clients, approval processes are in places that are appropriate for the customer type or the market.

Retail Clients

An account is considered to be in default when payment is not received on the due date. Accounts that are overdue by more than 30 days are considered delinquent. These accounts are closely monitored and subject to a collection process.

The process used for raising impairment allowances is dependent on the product. For mortgages, personal and other SME loans, individual impairment allowances ("IIP") are generally raised at 150 days past due based on the difference between the outstanding amount of the loan and the present value of the estimated future cash flows. For unsecured products, individual allowances are recognised for the entire outstanding amount at 150 days past due. For all products there are certain accounts, such as cases involving bankruptcy, fraud and death, where the loss recognition process is accelerated.

A collective impairment allowance is held to cover the inherent risk of losses, which although not identified, are known through experience to be present in any loan portfolio. In Retail Clients, the collective impairment allowance is set with reference to past experience using loss rates and judgmental factors such as the economic environment and the trends in key portfolio indicators.

Corporate and Institutional and commercial Clients

In Corporate and Institutional and commercial banking, accounts or portfolios are placed on Early Alert when they display signs of weakness. Such accounts and portfolios are subject to a dedicated process with oversight involving Group Special Asset Management ("GSAM"). Account plans are re-evaluated and remedial actions are agreed and monitored until complete. Remedial actions include, but are not limited to, exposure reduction, security enhancement, and exit of the account or immediate movement of the account into the control of GSAM, the specialist recovery unit.

Loans are designated as impaired and considered non-performing where recognised weakness indicate that full payment of either interest or principal becomes questionable or as soon as payment of interest or principal is 90 days or more overdue. Impaired accounts are managed by GSAM, which is independent of the main businesses of the Bank. Where any amount is considered uncollectable, an individual impairment allowance is recognised, being the difference between the loan carrying amount and the present value of estimated future cash flows. In any decision relating to the raising of allowances, the Bank attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews. Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment allowance has been raised, then that amount will be written off.

A collective impairment allowance is held to cover the inherent risk of losses, which, although not identified, are known through experience to be present in any loan portfolio. In Corporate and Institutional Commercial Clients, the collective impairment allowance is set with reference to past experience using loss rates, and judgmental factors such as the economic environment and the trends in key portfolio indicators.

In Retail clients the emergence period concept is applied to ensure that only impairments that exist at the reporting date are captured. The emergence period is defined as the time lapse between the occurrence of a trigger event and the impairment being identified at an individual account level. The probability of default for each exposure class is based on historical default experience, scaled for the emergence period relevant to the exposure class. This probability of default is then applied to the total population for which specific impairments have not been recognised. The resulting figure represents an estimation of the impairment that occurred during the emergence period and therefore has not specifically been identified by the group at the reporting date.

The impairment allowance also takes into account the expected severity of loss at default, or the loss given default (LGD), which is the amount outstanding when default occurs that is not subsequently recovered. Recovery varies by product and depends, for example, on the level of security held in relation to each loan, and the group's position relative to other claimants. The LGD estimates are based on historical default experience.

Write off policy

The Group writes off a loan balance (and any related allowances for impairment losses) when the Group Credit determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balances and standardised loans, charge write off decisions generally are based on a product specific past due status.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

The Group holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except where securities are held as part of reverse repurchase and securities borrowing activity. Collateral is not usually held against investment securities, and no such collateral was held at 31 December 2016.

Details of financial and non-financial assets obtained by the Group during the year by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements and held at the year-end are shown below:

	2016	2015
	K'000	K'000
Property	**-**	4,965

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not use the non-cash collateral for its own operations.

Because of the Group's focus on corporate customers' creditworthiness, the Group does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. For impaired loans, the Group obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement when estimating future cashflows.

ii) Offsetting financial assets and financial liabilities

There are no financial assets and financial liabilities that are offset in the Group's statement of financial position or that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

iii) Concentration of credit risk

The Group monitors concentrations of credit risk by sector and an analysis of concentrations of credit risk from loans and advances and investment securities at the reporting date is shown below:

	Group and Bank			
	Loans and advances to customers		**Investment securities**	
Carrying amount	**2,758,591**	3,533,763	**1,098,777**	1,025,380
Agriculture	**199,908**	281,741	**-**	-
Mining and quarrying	**184,307**	263,381	**-**	-
Manufacturing	**364,514**	805,655	**-**	-
Energy	**-**	-	**-**	-
Commerce	**74,786**	229,059	**-**	-
Financial services	**128,363**	152,370	**-**	-
Government	**-**	-	**-**	-
Transport, Storage and Communication	**1,060**	24,739	**-**	-
Other	**324,896**	247,893	**1,098,777**	1,025,380
Retail:				
Mortgages	**103,178**	88,295	**-**	-
Unsecured lending	**1,377,579**	1,440,630	**-**	-
Total	**2,758,591**	3,533,763	**1,098,777**	1,025,380

iv) Impaired loans and advances and investment debt securities

For details of impaired financial assets see note 5(a) (i). For details of impairment allowances for loans and advances see note 24. There were no impairment allowance for loans to banks (2015: nil).

b) Liquidity risk

For the definition of liquidity risk and information on how liquidity risk is managed by the Group, see Note 38(c).

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management (continued)

b) Liquidity risk *(continued)*

Management of liquidity risk

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

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. 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 Group as a whole.

The Bank further has to comply with the liquidity requirements set by the Central Bank which monitors compliance with local regulatory limits on a regular basis.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Standard Chartered Bank Group Assets and Liabilities Committee (GALCO). A summary report, including any exceptions and remedial action taken, is submitted regularly to Assets and Liabilities Committee (ALCO).

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month. A similar, but not identical calculation is used to measure the 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:

	Group and Bank	
	2016	2015
At 31 December	**29.81%**	23.98%
Average for the period	**27.66%**	33.69%
Maximum for the period	**33.17%**	44.79%
Minimum for the period	**21.55%**	22.25%

The minimum required by Bank of Zambia for core liquid assets is 6% (2015: 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.

5 Financial risk management (continued)

b) Liquidity risk *(continued)*

i) Maturity analysis for financial liabilities

The following table provides an analysis of the financial liabilities of the Group into relevant maturity groupings:

Group and Bank	Carrying amount	Gross Nominal outflow	Less than one month	One month to three months	Three months to one year	One to five years	More than five years
2016	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Non derivative liabilities							
Amounts payable to group banks	148,749	148,749	7,283	71,991	19,850	49,625	-
Amounts payable to non-group banks	707	707	707	-	-	-	-
Deposits from customers	6,797,789	6,988,098	6,226,723	503,896	246,437	11,042	-
Other payables	569	569	569	-	-	-	-
Subordinated liabilities	39,700	54,758	-	-	-	-	54,758
Total non-derivative liabilities	6,987,514	7,192,881	6,235,282	575,887	266,287	60,667	54,758
Derivative liabilities							
Derivative financial instruments	7,798	7,798	7,798	-	-	-	-
Total derivative liabilities	7,798	7,798	7,798	-	-	-	-
Unrecognised financial liabilities							
Loan commitments	340,784	340,784	-	-	340,784	-	-
Guarantees	222,530	222,530	21,816	62,967	45,063	92,684	-
Letters of credit	39,869	39,868	2,382	2,898	34,588	-	-
Unrecognised financial liabilities	603,183	603,182	24,198	65,865	420,435	92,684	-

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management *(continued)*

b) Liquidity risk *(continued)*

i) Maturity analysis for financial liabilities (continued)

Group and Bank	Carrying amount	Gross Nominal outflow	Less than one month	One month to three months	Three months to one year	One to five years	More than five years
2015	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Non derivative liabilities							
Amounts payable to group banks	176,565	176,565	44,725	-	32,960	98,880	-
Amounts payable to non-group banks	4,224	4,224	4,224	-	-	-	-
Deposits from customers	7,457,805	7,544,338	6,307,111	813,890	421,539	1,758	40
Other payables	111,564	111,564	111,564	-	-	-	-
Subordinated liabilities	43,947	50,860	-	-	-	-	50,860
Total non-derivative liabilities	7,794,105	7,887,551	6,467,624	813,890	454,499	100,638	50,900
Derivative liabilities							
Derivative financial instruments	8,425	8,425	8,425	-	-	-	-
Total derivative liabilities	8,425	8,425	8,425	-	-	-	-
Unrecognised financial liabilities							
Loan commitments	161,260	161,260	-	-	161,260	-	-
Guarantees	461,429	461,429	18,348	101,576	179,406	162,099	-
Letters of credit	122,058	122,058	31	9,880	37,807	74,340	-
Unrecognised financial liabilities	744,747	744,747	18,379	111,456	378,473	236,439	-

c) Market risk

For the definition of market risk and information on how the Group manages the market risks of trading and non-trading portfolios, see note 38(d).

i) Exposure to interest rate risk - non-trading portfolios

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times and/or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices. Asset-liability risk management activities are conducted in the context of the Group's sensitivity to interest rate changes.

The table below indicates the effective interest rates at the reporting date and the periods in which financial assets and liabilities reprice respectively.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management *(continued)*

c) Market risk *(continued)*

The effective interest rates for principal financial assets and financial liabilities averaged as follows:

	Group and Bank			
	2016		2015	
Financial assets	**ZMW (%)**	**USD (%)**	ZMW (%)	USD (%)
Government bonds	**21.11%**	**-**	18.74%	-
Treasury bills	**24.25%**	**-**	21.72%	-
Loans and advances	**27.95%**	**5.56%**	20.57%	5.9%
Staff mortgages and other loans	**10.00%**	**-**	10%	-
Financial liabilities				
Placements with other banks	**21.15%**	**0.24%**	14.61%	0.71%
Customer deposits	**11.53%**	**0.21%**	7.73%	0.32%

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 5% and 10% parallel rise in all yield curves and a 2.5% and 7.5% parallel fall in all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial statement position, is as shown below:

Interest rate movements affect reported equity in the following ways:

- Retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss.
- Fair value reserves arising from increases or decreases in fair values of available-for-sale financial instruments reported directly in other comprehensive income.

Overall non-trading interest rate risk positions are managed by Global markets, which use investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management *(continued)*

c) Market risk *(continued)*

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

Group and Bank

2016		Total K'000	Zero rate instrument K'000	Floating rate instruments K'000	Less than three months K'000	Three months to one year K'000	Between one and five years K'000
Assets							
Cash on hand and balances at Bank of Zambia		1,840,427	1,840,427	-	-	-	-
Cash and cash equivalents		2,048,645	458,881	-	1,490,514	99,250	
Investment securities		1,098,777	508	-	58,761	518,420	521,088
Derivative financial instruments		31,511	-	-	31,511	-	-
Loans and advances to customers		2,758,591	-	2,758,591	-	-	-
Total assets		7,777,951	2,299,816	2,758,591	1,580,786	617,670	521,088
Liabilities							
Amounts payable to group banks		148,749	7,283	-	71,991	19,850	49,625
Amounts payable to non-group banks		707	707	-	-	-	-
Deposits from customers		6,797,789	5,527,183	509,231	503,896	246,437	11,042
Derivative financial instruments		7,798	-	-	7,798	-	-
Subordinated liabilities		39,700	-	39,700	-	-	-
Total liabilities		6,994,743	5,535,173	548,931	583,685	266,287	60,667
Gap		783,208	(3,235,357)	2,209,660	997,101	351,383	460,421
Impact of increase in	5%	110,483	-	110,483	-	-	-
interest rate	10%	220,966	-	220,966	-	-	-
Impact of decrease in	2.50%	(55,241)	-	(55,241)	-	-	-
interest rate	7.50%	(165,725)	-	(165,725)	-	-	-

On impact positive means increase in the profit and negative means reduction in the profit. Fair value changes arising from increase or decrease in fair value of available for sale instruments are recorded in equity.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management *(continued)*

c) Market risk *(continued)*

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

Group and Bank

2015		Total K'000	Zero rate instrument K'000	Floating rate instruments K'000	Less than three months K'000	Three months to one year K'000	Between one and five years K'000
Assets							
Cash on hand and balances at Bank of Zambia		1,661,421	1,661,421	-	-	-	-
Cash and cash equivalents		2,015,656	342,897	-	1,562,892	109,867	-
Loans and advances to banks		-	-	-	-	-	-
Investment securities		1,025,380	508	-	30,699	552,667	441,506
Derivative financial instruments		70,971	-	-	70,971	-	-
Loans and advances to customers		3,533,763	-	3,533,763	-	-	-
Total assets		8,307,191	2,004,826	3,533,763	1,664,562	662,534	441,506
Liabilities							
Amounts payable to group banks		176,565	44,725	-	131,840	-	-
Amounts payable to non-group banks		4,224	4,224	-	-	-	-
Deposits from customers		7,457,805	5,673,123	547,496	813,890	421,539	1,757
Derivative financial instruments		8,425	-	-	8,425	-	-
Subordinated liabilities		43,947	-	43,947	-	-	-
Total liabilities		7,690,966	5,722,072	591,443	954,155	421,539	1,757
Gap		616,225	(3,717,246)	2,942,320	710,407	240,995	439,749
Impact of increase in	5%	147,116	-	147,116	-	-	-
interest rate	10%	294,232	-	294,232	-	-	-
Impact of decrease in	2.5%	(73,558)	-	(73,558)	-	-	-
interest rate	7.5%	(220,674)	-	(220,674)	-	-	-

On impact positive means increase in the profit and negative means reduction in the profit. Fair value changes arising from increase or decrease in fair value of available for sale instruments are recorded in equity.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management *(continued)*

c) Market risk *(continued)*

ii) Currency risk

The Group is exposed to currency risk through transactions in foreign currencies. The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the statement of profit or loss and other comprehensive income. These exposures comprise the monetary assets and monetary liabilities of the Group, as follows (in Zambian Kwacha terms):

Group and Bank							
2016	**ZMW**	**USD**	**GBP**	**ZAR**	**Euro**	**Others**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Monetary assets	**4,330,431**	**2,782,088**	**822,280**	**27,768**	**118,447**	**3,785**	**8,084,799**
Monetary liabilities	**(3,429,206)**	**(3,544,572)**	**(26,974)**	**(23,923)**	**(116,779)**	**(17)**	**(7,141,471)**
Net position	**901,225**	**(762,484)**	**795,306**	**3,845**	**1,668**	**3,768**	**943,328**

Group and Bank							
2015	ZMW	USD	GBP	ZAR	Euro	Others	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Monetary assets	4,112,045	3,298,119	746,421	28,034	178,497	4,075	8,367,191
Monetary liabilities	(3,646,991)	(4,063,637)	(45,684)	(32,758)	(163,776)	(86)	(7,952,932)
Net position	465,054	(765,518)	700,737	(4,724)	14,721	3,989	414,259

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

5 Financial risk management (continued)

c) Market risk (continued)

ii) Currency risk *(continued)*

The following exchange rates applied during the year:

Group and Bank	Average rate		Reporting rate	
	2016	2015	**2016**	2015
USD	**10.30**	8.7	**9.93**	10.99
GBP	**13.88**	13.81	**12.24**	16.29
ZAR	**0.71**	0.67	**0.72**	0.71
EUR	**11.41**	9.72	**10.47**	11.97

iii) Exposure to currency risk

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

	Group and Bank			
Group and Bank	**2016**	2016	**2016**	2015
	USD	USD	**GBP**	GBP
USD	**(762,484)**	(765,518)		-
GBP	**-**	-	**795,306**	700,737

d) Capital management

Regulatory capital

The Bank's main objectives when managing capital are:

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

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

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

There was no change in the capital regulation during the year under review. The Bank's regulatory capital is analysed into two tiers:

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

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management *(continued)*

d) Capital management *(continued)*

Computation of regulatory capital position at 31 December

1 Primary (Tier 1) capital *(continued)*

Computation of regulatory capital position at 31 December	Bank	
	2016	2015
I Primary (Tier 1) Capital	**K'000**	K'000
(a) Paid-up common shares	**416,745**	416,745
(b) Eligible preferred shares	**-**	-
(c) Capital contributed	**17,312**	17,312
(d) Retained earnings	**279,785**	192,826
(e) General reserves	**-**	-
(f) Statutory reserves	**12,285**	12,285
(g) Minority interests (common shareholders' equity)	**-**	-
(h) Sub-total A (items a to g)	**726,127**	639,168
Less:		
(i) Goodwill and other intangible assets	**(17,503)**	(21,139)
(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)	**(17,503)**	(21,139)
Other adjustments		
Provisions	**-**	-
Assets of little or no realised value	**-**	-
Statutory stocks sundry debtors, cash advances, profit project accounts	**-**	-
Other adjustments (prepayment)	**(14,211)**	(36,435)
(o) Sub-total C (other adjustments)	**(14,211)**	(36,435)

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management *(continued)*

d) Capital management *(continued)*

Computation of regulatory capital position at 31 December

1 Primary (Tier 1) capital *(continued)*

	(p) Total primary capital [h – (n to o)]	**694,413**	581,564
II	**Secondary (tier 2) capital**		
	(a) Eligible preferred shares	-	-
	(b) Eligible subordinated term debt	**39,700**	43,947
	(c) Eligible loan stock / capital	-	-
	(d) Revaluation reserves. (Maximum is 40% of revaluation reserves)	-	-
	(e) Other	-	-
	(f) Total secondary capital	**39,700**	43,947
III	**Eligible secondary capital**	**39,700**	43,947
	(The maximum amount of secondary capital is limited to 100% of primary capital)		
IV	**Eligible total capital (I(p) + III) (Regulatory capital)**	**734,113**	625,511
V	**Minimum total capital requirement (10% of total on and off balance sheet risk weighted assets)**	**520,000**	520,000
VI	**Excess (IV minus V)**	**214,113**	105,511

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management *(continued)*

e) Financial assets and liabilities *(continued)*

Accounting classification and fair values

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 39.12.
- In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 39.12.
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy.

Details of the Group's classification of financial assets and liabilities are given below:

The carrying amounts of the financial instruments approximate their fair values due to the short term nature of the investments.

Group and Bank

2016	Note	Trading K'000	Loans and receivables K'000	Available for-sale K'000	Other amortised cost K'000	Total carrying amount K'000	Fair value K'000
Financial Assets							
Cash and cash equivalents	19	-	2,048,645	-	-	2,048,645	2,048,645
Pledged assets	20	-	-	60,000	-	60,000	60,000
Investment securities	21	114,577	-	984,200	-	1,098,777	1,098,777
Derivative financial instruments	23	31,511	-	-	-	31,511	31,511
Loans and advances to customers	24	-	2,758,591	-	-	2,758,591	2,758,591
Total		146,088	4,807,236	1,044,200	-	5,997,524	5,997,524
Financial Liabilities							
Amounts payable to group banks	19	-	-	-	148,749	148,749	148,749
Amounts payable to non-group banks	19	-	-	-	707	707	707
Deposits from customers	29	-	-	-	6,797,789	6,797,789	6,797,789
Derivative financial instruments	23	7,798	-	-	-	7,798	7,798
Subordinated liabilities	30	-	-	-	39,700	39,700	39,700
Other payables		-	-	-	28,733	28,733	28,733
Total		7,798	-	-	7,015,678	7,023,476	7,023,476

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management *(continued)*

e) Financial assets and liabilities *(continued)*

Group and Bank

2015	Note	Trading K'000	Loans and receivables K'000	Available for-sale K'000	Other amortised cost K'000	Total carrying amount K'000	Fair value K'000
Financial Assets							
Cash and cash equivalents	19	-	2,015,656	-	-	2,015,656	2,015,656
Pledged assets	20	-	-	60,000	-	60,000	60,000
Investment securities	21	80,954	-	944,426	-	1,025,380	1,025,380
Derivative financial instruments	23	70,971	-	-	-	70,971	70,971
Loans and advances to customers	24	-	3,533,763	-	-	3,533,763	3,533,763
Total		151,925	5,549,419	1,004,426	-	6,705,770	6,705,770
Financial Liabilities							
Amounts payable to group banks	19	-	-	-	176,565	176,565	176,565
Amounts payable to non-group banks	19	-	-	-	4,224	4,224	4,224
Deposits from customers	29	-	-	-	7,457,805	7,457,805	7,457,805
Derivative financial instruments	23	8,425	-	-	-	8,425	8,425
Subordinated liabilities	30	-	-	-	43,947	43,947	43,947
Other payables		-	-	-	111,564	111,564	111,564
Total		8,425	-	-	7,794,105	7,802,530	7,802,530

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

5 Financial risk management (continued)

Fair value information

The carrying amounts of financial assets and liabilities are representative of the Group's position at 31 December 2016 and are in the opinion of the directors not significantly different from their respective fair values due to generally short periods to maturity dates. Fair values are generally determined using valuation techniques or where available, published price quotations from an active market.

6 Fair values of financial instruments

A. Valuation models

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

- *Level 1*: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

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

- *Level 3:* Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instruments is to arrive at a fair value determination that reflects the price of the financial instruments at the reporting date that would have been determined by market participants acting at arm's length.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2016

6 Fair values of financial instruments *(continued)*

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

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group and Bank

31 December 2016	Note	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Assets					
Pledged assets	**20**	**-**	**60,000**	**-**	**60,000**
Derivative financial instruments	**23**	**-**	**31,511**	**-**	**31,511**
Investment securities	**21**	**-**	**1,098,777**	**-**	**1,098,777**
		-	**1,190,288**	**-**	**1,190,288**
Liabilities					
Derivative financial instruments	**23**	**-**	**7,798**	**-**	**7,798**

Group and Bank

31 December 2015	Note	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Assets					
Pledged assets	20	-	60,000	-	60,000
Derivative financial assets	23	-	70,971	-	70,971
Investment securities	21	-	1,025,380	-	1,025,380
		-	1,156,351	-	1,156,351
Liabilities					
Derivative financial instruments	23	-	8,425	-	8,425

Level 2: the fair value is determined using valuation models with directly or indirectly market observable inputs.

Major groups of assets and liabilities classified as level 2: corporate and other government bonds and debt instruments, over the counter derivates and Asset Backed Securities which are included in the Liquid Assets List of the Bank of Zambia.

Investment securities: the investment securities designated as available for sale are carried at fair value. The fair value is determined based on a Mark-to-Market (MTM) approach, which involves revaluation of cash flows based on the market yield curve maintained by Group Market Risk.

Derivative financial instruments: derivative financial instruments are carried at fair value which is determined based on a discounted cash flow approach. The cash flows are discounted at a discount factor that is based on observable market data maintained by Group Market Risk.

There were no transfers from level 1 to level 2 fair values.

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

6 Fair values of financial instruments *(continued)*

C. Financial instruments not measured at fair value

Group and Bank

31 December 2016	Note	Total fair value K'000	Total carrying amount K'000
Assets			
Cash and cash equivalents	19	2,048,645	2,048,645
Loans and advances to customers	24	2,758,591	2,758,591
Liabilities			
Amounts payable to group banks	19	148,749	148,749
Amounts payable to non-group banks	19	707	707
Deposits from customers	29	6,797,789	6,797,789
Other payables		569	569

31 December 2015	Note	Total fair value K'000	Total K'000
Assets			
Cash and cash equivalents	19	2,015,656	2,015,656
Loans and advances to customers	24	3,533,763	3,533,763
Liabilities			
Amounts payable to group banks	19	176,565	176,565
Amounts payable to non-group banks	19	4,224	4,224
Deposits from customers	29	7,457,805	7,457,805
Other payables		111,564	111,564

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include data from third party brokers based on OTC trading activity, and information obtained from other market participants, which includes observed primary and secondary transactions. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates, and default probability.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date. The carrying amounts of financial assets and liabilities are representative of the Group's position at 31 December 2016 and are in the opinion of the directors not significantly different from their respective fair values due to generally short periods to maturity dates. Fair values are generally determined using valuation techniques or where available, published price quotations from an active market.

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

7 Operating segments

A. Basis for segmentation

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

Corporate and Institutional Banking	Includes the Bank's trading, corporate finance activities, loans, trade finance, cash management, deposits and other transactions with corporate customers. The segment also includes financial markets which is the Treasury unit which undertakes the Banks management and centralized risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short term placements and corporate government securities.
Retail Banking	Includes three client segments namely; Personal, Priority and Business Clients. The segment provides Current Accounts, Savings Accounts, Term deposits, Personal Instalment Loans, Mortgages, Trade Finance, Overdraft and Business Loans (for Business Clients that have annual turnover of ZMW 64 million and below). Retail Banking also provide Bancassurance, Investment services and Foreign currency services. Retail Clients manages the entire distribution network for the bank which includes various client touch points such as branches, mobile banking, online Banking and the client contact center.
Commercial Banking	The Commercial Banking segment manages mid-sized companies that fall between the Retail Banking and Corporate and Institutional Banking. The sector is the engine room that drives economic growth across all economies globally and offers our clients with a different value proposition.

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

The Bank only operates in Zambia.

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

7 Operating segments *(continued)*

B. Information about reportable segmentation

Group		Corporate & institutional Banking	Commercial Banking	Retail Banking	Other banking	Total
2016	**Note**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
External revenue						
Net interest income	8,9	31,929	51,674	351,461	215,043	650,107
Net fee and commission income	10	36,668	9,622	160,533	(4,488)	202,335
Net trading income	11	101,486	15,405	41,328	(1,466)	156,753
Net income from financial assets at fair value through profit or loss	12	26,092	-	-	-	26,092
Total segment income		196, 175	76, 701	553, 322	209,089	1,035,287
Other material non-cash items:						
Impairment/(recovery) losses on loans and advances	24	2,701	(3,034)	(20,247)	-	(20,580)
Reportable segment operating profit before tax		33,620	20,226	302,752	205,990	562,588
Reportable segment assets		1,163,260	363,781	1,534,810	5,149,092	8,210,943
Reportable segment liabilities and equity		3,442,524	353,181	2,649,403	1,765,835	8,210,943

Group		Corporate & institutional Banking	Commercial Banking	Retail Banking	Other Banking	Total
2015	Note	K'000	K'000	K'000	K'000	K'000
External revenue						
Net interest income	8,9	205,943	43,496	283,664	(231)	532,872
Net fee and commission income	10	40,587	8,659	138,280	(216)	187,310
Net trading income	11	38,993	15,552	35,586	(2,862)	87,269
Net income from financial assets at fair value through profit or loss	12	23,287	-	-	-	23,287
Total segment income		308,810	67,707	457,530	(3,309)	830,738
Other material non-cash items:						
Impairment/(recovery) losses on loans and advances	24	(14,955)	(525)	(24,496)	-	(39,976)
Reportable segment operating profit before tax		89,919	6,463	198,486	(11,756)	283,112
Reportable segment assets		6,197,757	420,610	1,536,925	464,706	8,619,998
Reportable segment liabilities and equity		4,106,179	730,355	2,562,390	1,221,074	8,619,998

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

7 Operating segments *(continued)*

B. Information about reportable segmentation *(continued)*

Bank		**Corporate & institutional Banking**	**Commercial Banking**	**Retail Banking**	**Other banking**	**Total**
2016	**Note**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
External revenue						
Net interest income	8,9	31,929	51,674	351,461	215,043	650,107
Net fee and commission income	10	36,668	9,622	160,533	(4,488)	202,335
Net trading income	11	101,486	15,405	41,328	(1,466)	156,753
Net income from financial assets at fair value through profit or loss	12	26,092	-	-	-	26,092
Total segment income		196, 175	76, 701	553, 322	209,089	1,035,287
Other material non-cash items:						
Impairment/(recovery) losses on loans and advances	24	2,701	(3,034)	(20,247)	-	(20,580)
Reportable segment operating profit before tax		33,620	20,226	302,752	205,990	562,588
Reportable segment assets		1,163,260	363,781	1,534,810	5,149,097	8,210,948
Reportable segment liabilities and equity		3,442,524	353,181	2,649,403	1,765,840	8,210,948

Bank		Corporate & institutional Banking	Commercial Banking	Retail Banking	Other banking	Total
2015	Note	K'000	K'000	K'000	K'000	K'000
External revenue						
Net interest income	8,9	205,943	43,496	283,664	(231)	532,872
Net fee and commission income	10	40,587	8,659	138,280	(216)	187,310
Net trading income	11	38,993	15,552	35,586	(2,862)	87,269
Net income from financial assets at fair value through profit or loss	12	23,287	-	-	-	23,287
Total segment income		308,810	67,707	457,531	(3,309)	830,738
Other material non-cash items:						
Impairment/(recovery) losses on loans and advances	24	(14,955)	(525)	(24,496)	-	(39,976)
Reportable segment operating profit before tax		89,919	6,463	198,486	(11,756)	283,112
Reportable segment assets		6,197,757	420,610	1,536,925	464,711	8,620,003
Reportable segment liabilities and equity		4,106,179	730,355	2,562,390	1,221,079	8,620,003

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

8 Interest income

	Group and Bank	
	2016	2015
	K'000	K'000
Cash and short term funds	**54,311**	49,770
Debt securities	**239,438**	212,057
Loans and advances	**664,913**	490,481
Total interest income	**958,662**	752,308

Interest income includes interest on impaired loans and advances of K 466,000 (2015: K77,000).

9 Interest expense

	Group and Bank	
	2016	2015
	K'000	K'000
Deposits from customers	**264,951**	91,653
Placements	**43,604**	126,884
Subordinated loan capital	**-**	899
Total interest expense	**308,555**	219,436

10 Net fee and commission income

	Group and Bank	
	2016	2015
	K'000	K'000
Retail banking customer fees	**174,814**	149,561
Corporate and Institutional banking customer fees	**39,720**	44,313
Commercial banking	**10,717**	9,518
Total fee and commission income	**225,251**	203,392
Retail banking fees and commission expenses	**(14,678)**	(11,498)
Corporate and Institutional banking fee and commission expenses	**(3,051)**	(3,725)
Commercial banking fees and commission expenses	**(1,095)**	(859)
Other Banking	**(4,092)**	-
Total fee and commission expenses	**(22,916)**	(16,082)
Net fee and commission income	**202,335**	187,310

11 Net trading income

	Group and Bank	
	2016	2015
	K'000	K'000
Foreign currency transaction gains less losses	**155,993**	119,234
Losses arising from dealing securities	**(378)**	(31,666)
	155,615	87,568
Dealing profits	**1,135**	6,939
Gain on disposal of investment securities	**3**	(7,238)
Net trading income	**156,753**	87,269

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

12 Net income from financial instruments at fair value through profit or loss

	Group and Bank	
	2016	2015
	K'000	K'000
Government bonds	**26,092**	23,287
Net trading income	**26,092**	**23,287**

13 Other income

	Group and Bank	
	2016	**2015**
	K'000	**K'000**
Rent received	**2,552**	**166**
Other income	**6,188**	**272**
Total other income	**8,740**	**438**

14 Operating expenses

	Group and Bank	
	2016	2015
	K'000	K'000
Personnel expenses:		
Wages and salaries	**192,072**	180,230
Compulsory social security obligations (NAPSA)	**4,885**	4,443
Contribution to defined contribution pension plan	**9,101**	8,507
Other staff costs	**65,996**	48,468
Equity settled share-based payment transactions	**199**	984
Redundancy and severance	**7,532**	35,443
Total	**279,785**	278,075
Depreciation, amortisation, premises and equipment expenses:		
Depreciation of property and equipment	**8,239**	5,792
Amortisation of intangible assets	**3,636**	4,146
Premises costs	**20,822**	15,571
Maintenance costs	**10,436**	10,692
Security	**5,737**	5,093
Other premises and equipment expenses	**12,930**	8,466
Total	**61,800**	49,760
Other expenses:		
Release of lease prepayment for leasehold land	**14**	14
Communication expenses	**15,170**	11,534
Recharges/(recoveries) from group companies	**(7,323)**	75,542
Other operating expenses	**111,413**	93,163
Total	**119,274**	180,253

Other operating expenses include K1, 671,943 (2015: K 1,199,996) in respect of auditor's remuneration for the Group. The auditors of the Group, KPMG Chartered Accountants, did not receive any payments in respect of non-audit services.

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

15 Income tax expense

a. Current tax expense

	Group and Bank	
	2016	2015
	K'000	K'000
Current year	**249,074**	50,174
Change to estimate for prior years	**(43,959)**	59,510
	205,115	109,684
Deferred tax		
Origination and reversal of temporary difference	**10,294**	(5,477)
Total income tax expense	**215,409**	104,207

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

b. Reconciliation of effective tax rate:

	Group and Bank			
		2016		2015
		K'000		K'000
Profit before tax	**%**	**562,588**	%	283,112
Tax calculated at the tax rate of 35% (2015: 35%):	**35**	**196,906**	35.00	99,089
Change to estimate for prior years	**-**	**-**	21.02	59,510
Permanent differences	**3.29**	**18,503**	(19.21)	(54,392)
Total income tax expense in profit or loss	**38.29**	**215,409**	36.81	104,207

Income tax recognised in other comprehensive income

	Group and Bank					
		2016			2015	
		K'000			K'000	
		Tax	**Net**		Tax	Net
	Before tax	**benefit**	**of tax**	Before tax	benefit	of tax
Available-for-sale investment securities	**16,917**	**5,708**	**22,625**	(28,917)	10,121	(18,796)
Cash flow hedges	**(3)**	**1**	**(2)**	7,238	(2,533)	4,705
	16,914	**5,709**	**22,623**	(21,679)	7,588	(14,091)

c. Current income tax movement in the statement of financial position

	Group and Bank	
	2016	2015
	K'000	K'000
Current tax liabilities at the beginning of the year	**14,185**	34,928
Current income tax charge	**205,115**	109,684
Payments made during the year	**(111,751)**	(70,917)
Over provision of prior period	**(43,959)**	(59,510)
Current tax liabilities	**63,590**	14,185

15 Income tax expense (continued)

d. Deferred taxation

Deferred taxation is calculated on all temporary differences using an effective tax rate of 35% (2015: 35%). Deferred tax assets and liabilities are attributable to the following:

	Group and Bank			Group and Bank		
		2016			2015	
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
	K'000	**K'000**	**K'000**	K'000	K'000	K'000
Property and equipment	**1,094**	**-**	**1,094**	-	(1,772)	(1,772)
Available-for-sale securities	**8,415**	**-**	**8,415**	14,123	-	14,123
Allowance for loan losses	**1,982**	**-**	**1,982**	13,733	-	13,733
Intangible Asset	**1,273**	**-**	**1,273**	2,682	-	2,682
	12,764	**-**	**12,764**	30,538	(1,772)	28,766

2016	**Group and Bank**			
	Opening Balance	**Recognised in profit or loss**	**Recognised in equity**	**Closing Balance**
	K'000	**K'000**	**K'000**	**K'000**
Property and equipment	**(1,772)**	**2,866**	**-**	**1,094**
Available-for-sale securities	**14,123**	**-**	**(5,708)**	**8,415**
Allowance for loan losses	**13,733**	**(11,751)**	**-**	**1,982**
Intangible Asset	**2,682**	**(1,409)**	**-**	**1,273**
	28,766	**(10,294)**	**(5,708)**	**12,764**

2015	**Group and Bank**			
	Opening Balance	Recognised in profit or loss	Recognised in equity	Closing Balance
	K'000	K'000	K'000	K'000
Property and equipment	(2,222)	450	-	(1,772)
Available-for-sale securities	6,535	-	7,588	14,123
Allowance for loan losses	9,668	4,065	-	13,733
Intangible Asset	1,720	962	-	2,682
	15,701	5,477	7,588	28,766

Recognition of deferred tax asset

Recognition of deferred tax asset of K12,724,000 (2015: K28,766,000) is based on management's profit forecasts, which indicate that the Group will have future taxable profits against which these assets can be utilised. There is no unrecognised deferred tax in the year under review.

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

16 Earnings per share

	Group and Bank			Group and Bank		
	2016			2015		
	Profit	**Weighted average Number of share**	**Per share amount**	Profit	Weighted average Number of share	Per Share Amount
	K'000	**'000**	**Kwacha**	K'000	'000	Kwacha
Basic and diluted earnings per share	**347,179**	**1,666,981**	**0.208**	178,905	1,666,981	0.107

The calculation of the basic earnings per share is based on the net profit attributable to ordinary shareholders (profit after taxation) divided by the weighted average number of ordinary shares in issue during the year. There were no dilutive potential ordinary shares at 31 December 2016 (2015: nil) and basic earnings per share equals diluted earnings per share.

17 Dividends payable

	Group and Bank	
	2016	2015
	K'000	K'000
Balance at 1 January	**8,727**	1,602
Approved interim dividends for 2016 at K0.12 per share (2015: approved final dividends for 2015 at K0.04 per share)	**266,717**	207,136
Overstatement of dividend payable	**(7,466)**	-
Less dividends paid during the year	**(266,717)**	(200,011)
Balance at 31 December	**1,261**	8,727

Dividends are recognised in the period in which they are declared. The directors recommended that an interim dividend of K0.12 be paid for half year ended 30th June 2016 (2015: K 0.06).

18 Cash on hand and balances at Bank of Zambia

	Group and Bank	
	2016	2015
	K'000	K'000
Cash on hand	**330,182**	355,971
Statutory deposit	**1,286,225**	1,305,450
Total cash on hand and bank balances at Bank of Zambia	**1,616,407**	1,661,421
Clearing account with Bank of Zambia	**224,020**	-
	1,840,427	1,661,421

The statutory deposit held with Bank of Zambia, as a minimum reserve requirement, is not available for the Bank's daily business. The reserve represents a requirement by the Central Bank and is a percentage of the Bank's local and foreign currency liabilities to the public plus vostro account balances. At 31 December 2016 the percentage was 18% (2015: 14%).

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

19 Cash and cash equivalents at end of year

Group and Bank

2016	At 1 January K'000	At 31 December K'000
Cash and short term funds at group banks	**1,882,112**	**1,928,873**
Cash and short term funds at non group banks	**23,677**	**20,522**
Placements with foreign non group banks	**109,867**	**99,250**
Cash and cash equivalents	**2,015,656**	**2,048,645**
Amounts payable to group banks	**(176,565)**	**(148,749)**
Amounts payable to non-group banks	**(4,224)**	**(707)**
Cash on hand and balances with Bank of Zambia	**1,661,421**	**1,840,427**
Total per cash flow statement	**3,496,288**	**3,739,616**

2015	At 1 January K'000	At 31 December K'000
Cash and short term funds at group banks	1,045,163	1,882,112
Cash and short term funds at non group Banks	18,827	23,677
Placements with foreign non group banks	255,700	109,867
Cash and cash equivalents representing asset	1,319,690	2,015,656
Amounts payable to group banks	(191,579)	(176,565)
Amounts payable to non-group banks	(102,215)	(4,224)
Cash on hand and balances with Bank of Zambia	1,096,208	1,661,421
Total per cash flow statement	2,122,104	3,496,288

20 Pledged assets

	Group and Bank	
	2016 K'000	2015 K'000
Treasury bills	**60,000**	60,000

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

21 Investment securities

	Group and Bank	
	2016 K'000	2015 K'000
Investment securities at fair value through profit or loss	**114,577**	80,954
Available-for-sale investment securities	**984,200**	944,426
Total	**1,098,777**	1,025,380

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

21 Investment securities (continued)

Fair value through profit or loss	**Group and Bank**				Group and Bank			
	2016				2015			
	Treasury bills	**Equity shares and Trade Investments**	**Government bonds**	**Total**	Treasury bills	Equity shares and Trade Investments	Government bonds	Total
	ZMW'000		**ZMW '000**	**ZMW '000**	ZMW '000		ZMW '000	ZMW '000
Of which mature								
Within one year	**-**	**-**	**-**	**-**	-	-	-	-
Within one to five years	**-**	**-**	**114,577**	**114,577**	80,954	-	-	80,954
Total	**-**	**-**	**114,577**	**114,577**	80,954	-	-	80,954

These investment securities are held for trading.

Available - for- sale

	Group and Bank				Group and Bank			
	2016				2015			
	Treasury bills	**Equity shares and Trade Investments**	**Government bonds**	**Total**	Treasury Bills	Equity shares and Trade Investments	Government bonds	Total
	ZMW '000		**ZMW '000**	**ZMW'000**	ZMW '000	ZMW '000		ZMW'000
Of which mature								
Within one year	**381,016**	**-**	**-**	**381,016**	457,013	-	-	457,013
Within one to five years	**-**	**-**	**602,676**	**602,676**	-	-	486,905	486,905
More than five years	**-**	**508**	**-**	**508**	-	508	-	508
Total	**381,016**	**508**	**602,676**	**984, 200**	457,013	508	486,905	944,426

22 Investment subsidiary company

		2016	2015
	Ownership	**K'000**	K'000
Standard Chartered Nominees Zambia Limited	**100%**	**5**	5

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

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

In terms of section 57 of the Companies Act of Zambia, the name and address of the subsidiaries' principal office is: Standard Chartered Nominees Zambia Limited domiciled at Standard Chartered House, Cairo Road, Lusaka

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

23 Derivative financial instruments

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

	Group and Bank 2016		Group and Bank 2015	
	Assets	**Liabilities**	Assets	Liabilities
	K'000	**K'000**	K'000	K'000
Interest rate swap	**5,636**	**1,812**	9,192	2,470
Cross currency swap	**25,875**	**5,986**	61,779	5,955
Total	**31,511**	**7,798**	70,971	8,425

24 Loans and advances to customers

	Group and Bank			**Group and Bank**		
	2016			2015		
	Gross amount	**Impairment allowance**	**Carrying amount**	Gross amount	Impairment allowance	Carrying amount
	K'000	**K'000**	**K'000**	K'000	K'000	K'000
Retail Banking:						
Mortgage lending	**103,816**	**(479)**	**103,337**	88,294	(554)	87,740
Personal loans	**1,429,005**	**(24,695)**	**1,404,310**	1,440,729	(27,162)	1,413,567
Overdrafts	**13,149**	**-**	**13,149**	16,509	-	16,509
	1,545,970	**(25,174)**	**1,520,796**	1,545,532	(27,716)	1,517,816
Commercial Banking:						
Term loans	**279,840**	**(7,511)**	**272,329**	291,685	(1,575)	290,110
Overdrafts	**105,953**	**-**	**105,953**	143,130	-	143,130
	385,793	**(7,511)**	**378,282**	434,815	(1,575)	433,240
Corporate & Institutional Banking:						
Term loans	**320,108**	**(17,560)**	**302,548**	718,734	(23,293)	695,441
Overdrafts	**556,965**	**-**	**556,965**	887,266	-	887,266
	877,073	**(17,560)**	**859,513**	1,606,000	(23,293)	1,582,707
Total	**2,808,836**	**(50,245)**	**2,758,591**	3,586,347	(52,584)	3,533,763

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

24 Loans and advances to customers *(continued)*

Maturity analysis of gross loans and advances

The maturity analysis is based on the remaining periods to contracted maturity.

	Group and Bank	
	2016 K'000	2015 K'000
Redeemable on demand	**594,369**	985,324
Maturity within one year	**752,958**	1,127,015
Maturity after 12 months	**1,461,509**	1,474,008
Total	**2,808,836**	3,586,347

Included in loans and advances are loans to related parties amounting to K46,815,000 (2015: K 22,707,000) (see note 36). Loans and advances to customers are measured at amortised cost.

Allowances for impairment

	Group and Bank	
Specific allowances for impairment	**2016 K'000**	2015 K'000
Balance at 1 January	**14,798**	7,101
Charge for the year	**34,435**	41,984
Recoveries	**(12,709)**	(12,174)
Net charge against profit	**21,726**	29,810
Effect of foreign currency movements	**-**	(209)
Discount unwind	**9,830**	(2,264)
Provision no longer required	**(32,749)**	(19,640)
Balance at 31 December	**13,605**	14,798
Collective allowance for impairment		
Balance at 1 January	**37,786**	27,620
Increase/ (decrease) in collective impairment	**(1,146)**	10,166
Balance at 31 December	**36,640**	37,786
Total specific and collective impairment at 31 December	**50,245**	52,584

Impairment losses on loans and advances in the statement of comprehensive income

	Group and Bank	
	2016 K'000	2015 K'000
Specific allowances for impairment	**21,726**	29,810
Collective allowances for impairment/(recovery)	**(1,146)**	10,166
Total allowances for year	**20,580**	39,976

Notes to the consolidated and separate financial statements

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25 Property and equipment

Group and Bank	Property and improvements K'000	Equipment and motor vehicles K'000	Capital work-in-progress K'000	Total K'000
Cost				
At 1 January 2015	17,248	28,751	3,223	49,222
Additions	396	16,157	4,284	20,837
At 31 December 2015	17,644	44,908	7,507	70,059
At 1 January 2016	**17,644**	**44,908**	**7,507**	**70,059**
Work in progress write offs	**-**	**-**	**(14,990)**	**(14,990)**
Additions	**15**	**35,255**	**7,483**	**42,753**
At 31 December 2016	**17,659**	**80,163**	-	**97,822**
Accumulated depreciation and impairment losses				
At 1 January 2015	3,848	20,493	-	24,341
Depreciation charge for the year	792	5000	-	5,792
At 31 December 2015	4,640	25,493	-	30,133
At 1 January 2016	**4,640**	**25,493**	**-**	**30,133**
Depreciation Charge for the year	**409**	**18,818**	**-**	**19,227**
At 31 December 2016	**5,049**	**44,311**	**-**	**49,360**
Carrying amounts				
At 31 December 2015	13,004	19,415	7,507	39,926
At 31 December 2016	**12,610**	**35,852**	**-**	**48,462**

A register of properties is maintained by the Bank at its registered office and is available for inspection by the members.

Included in property and equipment are fully depreciated assets amounting to K20, 706,000 (2015: K15, 730,000) .

Additional disclosure of disposed off asset

In the year under review, Stand # 5102 TSB Archives was disposed off and both the cost and accumulated depreciation were below a thousand Kwacha and hence not indicated in the analysis above as the financial statements are disclosed to the nearest thousand.

There were no capitalized borrowing costs related to the acquisition of property and equipment during the year (2015: K nil).

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26 Intangible assets

Group and Bank	Customer Relationship	Goodwill	Total
Cost	K'000	K'000	K'000
At 31 December 2015	33,691	13,476	47,167
At 31 December 2016	**33,691**	**13,476**	**47,167**
Accumulated amortisation and impairment losses			
At 1 January 2015	21,882	-	21,882
Charge for the year	4,146	-	4,146
At 31 December 2015	26,028	-	26,028
At 1 January 2016	**26,028**	**-**	**26,028**
Charge for the year	**3,636**	**-**	**3,636**
At 31 December 2016	**29,664**	**-**	**29,664**
Carrying amounts			
At 31 December 2015	7,663	13,476	21,139
At 31 December 2016	**4,027**	**13,476**	**17,503**

Impairment testing for cash-generating units (CGU) containing goodwill

For the purposes of impairment testing, the entire goodwill is allocated to the Corporate and Institutional Banking unit. No impairment losses on goodwill were recognised during the year (2015: nil).

The recoverable amounts for the Corporate and Institutional Banking CGU has been calculated based on their value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. Value in use was determined in a similar manner as in 2015.

- Key assumptions used in the calculation of the value in use were the following: Cash flows were projected based on forecasts and budgets for short/medium term growth (one to five years) using budgets compiled in November of the current year through to the end of November for the following year. The cash flows for a further 20 years are extrapolated using a constant growth rate. The long term growth rate management used is based on a forecast for a ten year average GDP for country specific units; or global GDP for business specific units, and is applied after the latest approved budget (one to five years) up to twenty years. The forecast period is based on the Bank's long term perspective with respect to the operations of this CGU.

- Management uses post tax cash flows hence applies a post-tax discount rate to the cash flows to nullify the double effect of tax from the impairment calculation in determining the recoverable amount of CGU. The resultant net present value derived based on this methodology will be similar to that, had pre-tax discount rates been applied to pre-tax cash flows. Since the CGU is a business unit then SCB Plc's Weighted Average Cost of Capital is used and is adjusted for systemic risk of the specific CGU.

The assumptions described above may change as the economic and market condition change. The Bank estimates that reasonable possible changes in these assumptions are not expected to cause the recoverable amount of the CGU to decline below the carrying amount.

The intangible customer relationships will be amortised over the expected customer life initially estimated at 8 -10 years.

Notes to the consolidated and separate financial statements

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27 Operating lease prepayments

	Group and Bank	
	2016	2015
	K'000	K'000
Opening balance	**493**	508
Disposals	**-**	(6)
Amortisation	**(14)**	(9)
Carrying amount	**479**	493

Land is leased from the Government of the Republic of Zambia (GRZ) for a fixed 99 year term (or the unexpired portion thereof). The land has been classified as an operating lease. IAS 17 Leases requires all amounts paid upfront at the signing of the lease to be amortised on a straight line basis over the unexpired portion of the lease term. At 31 December 2016, the future minimum lease payment under the non cancellable operating lease were payable as follows:

	Group and Bank	
	2016	2015
	K'000	K'000
Less than one year	**59**	55
Between one and five years	**420**	438
Carrying amount	**479**	493

There are no contingent rentals or sub-lease payments expected to be received.

28 Prepayments and other receivables

	Group and Bank	
	2016	2015
	K'000	K'000
Prepayment of operational costs	**1,227**	2,090
Sundry debt	**16,709**	1,738
Capital advances	**1,402**	1,213
Prepayments and other receivables	**89,878**	(881)
Sundry Rec - Fin Instruments	**40,000**	-
Other Assets - Acceptance	**144,568**	158,323
Total	**293,784**	162,483

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29 Deposits from customers

	Group and Bank	
	2016	2015
	K'000	K'000
Retail Banking		
Savings accounts	**485,511**	514,935
Term deposits	**520,746**	372,388
Current deposit	**1,620,398**	1,654,890
	2,626,655	2,542,213
Corporate and Institutional Banking		
Savings accounts	**5,322**	6,307
Term deposits	**1,243,943**	973,528
Current deposit	**2,329,891**	2,920,626
	3,579,156	3,900,461
Commercial Banking		
Savings accounts	**18,397**	26,253
Term deposits	**11,695**	207,278
Current deposits	**561,886**	781,600
	591,978	1,015,131
Total	**6,797,789**	7,457,805

	Group and Bank	
	2016	2015
	K'000	K'000
Repayable on demand	**5,405,157**	6,220,578
Repayable with agreed maturity dates or periods of notice, by residual maturity:		
Three months or less	**703,817**	813,040
Between three months and one year	**677,289**	364,331
After one year	**11,526**	59,856
Total	**6,797,789**	7,457,805

Included in deposits from customers were deposits amounting to K369,598,000 (2015: K202,486,000) held as collateral for irrevocable commitments under import letters of credit.

Notes to the consolidated and separate financial statements

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30 Subordinated liabilities

	Group and Bank	
	2016	2015
	K'000	K'000
At 1 January 2016	**43,947**	25,570
Exchange difference	**(4,247)**	18,377
Total	**39,700**	43,947

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

The interest charge was 3.93% above 3 months LIBOR payable on a quarterly basis in the financial year 2016 . The loan is to be fully repaid in one installment on 31st October 2024. The outstanding amounts reflected on the statement of financial position are the Kwacha equivalent of USD4 million. Interest payable as at 31 December 2016 amounting to K487, 000 (2015: K162, 000) is included in accruals and other payables (note 32).

The Group has not had any defaults of interest or other breaches with respect to its subordinated loan during the year ended 31 December 2016 (2015: no defaults).

31 Provisions

	Group and Bank	
	2016	2015
	K'000	K'000
Balance at 1 January	**20,036**	16,813
Provisions made during the year	**12,153**	3,223
Total	**32,189**	20,036

Legal proceedings

There were some legal proceedings outstanding against the Bank at 31 December 2016. Provisions have been made in the financial statements in respect of such claims, based on professional advice and management's best estimates of the settlement amount. The timing of any outflows in the form of any settlement is uncertain.

32 Accruals and other payables

	Group		Bank	
	2016	2015	**2016**	2015
	K'000	K'000	**K'000**	K'000
Accruals and other payables	**332,954**	127,490	**332,959**	127,495
Loan settlement suspense	**28,164**	31,084	**28,164**	31,084
Royalty payable	**-**	52,084	**-**	52,084
Standing order suspense	**569**	3,358	**569**	3,358
Cheques in process of collection	**-**	25,038	**-**	25,038
Total	**361,687**	239,054	**361,692**	239,059

Notes to the consolidated and separate financial statements

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33 Share capital

Bank	Number of ordinary shares (million)	Ordinary shares K'000	Number of ordinary shares (million)	Ordinary Shares capital K'000
Authorised	**2016**	**2016**	2015	2015
At 1 January - ordinary shares of ZMW0.25	**1,800**	**450,000**	1,800	450,000
At 31 December - ordinary shares of ZMW0.25	**1,800**	**450,000**	1,800	450,000
Issued and fully paid				
At 1 January Ordinary shares of ZMW0.25	**1,667**	**416,745**	1,667	416,745
At 31 December	**1,667**	**416,745**	1,667	416,745

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

34 Contingent liabilities and commitments

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

Group and Bank			
2016	**1 year**	**1 – 5 years**	**Total**
	K'000	**K'000**	**K'000**
Loans commitments	**340,784**	**-**	**340,784**
Guarantees	**129,846**	**92,684**	**222,530**
Letters of credit	**39,869**	**-**	**39,869**
Total	**510,499**	**92,684**	**603,183**

Group and Bank			
2015	1 year	1 – 5 years	Total
	K'000	K'000	K'000
Loans commitments	161,260	-	161,260
Guarantees	299,330	162,099	461,429
Letters of credit	47,717	74,341	122,058
Total	508,307	236,440	744,747

Notes to the consolidated and separate financial statements

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35 Capital commitments

The Group had no capital commitment as at 31 December 2016 (2015: nil).

36 Related parties

A. Parent and controlling party

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

B. Related party transactions

A number of banking and other transactions are entered into with related parties in the normal course of business. These include loans, deposits, foreign currency and other transactions for services, such as consulting services that the parent and other related companies provide from time to time and which are charged at market rate. The volumes of related party transactions, outstanding balances at the year end, and the related interest expense and income for the year are as follows:

Group transactions

		Group and Bank	
	Note	**2016** **K'000**	2015 K'000
Amounts due from group companies	*19*	**1,928,873**	1,882,112
Amounts due to group companies	*19*	**(148,749)**	(176,565)
Total		**1,780,124**	1,705,547

Included in group transactions are placements made and received from group related entities. These are entered into at fixed interest rates and maturities periods.

Income and expenditure

	Group and Bank	
	2016 **K'000**	2015 K'000
Recharges and other expenses	**7,323**	(75,542)
Commissions and net interest income	**20,261**	70,843
Total	**27,584**	(4,699)

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36 Related party transactions *(Continued)*

C. Key management personnel transactions

Loans

	Group and Bank 2016				Group and Bank 2015			
	Directors	Connected entities to directors	Key management staff	Total	Directors	Connected entities to director	Key management staff	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Loans outstanding at 1 January	353	205	10,627	11,185	1,544	997	18,289	20,830
Loans issued during the year	303	602	21,802	22,707	264	69	8,441	8,774
Relocated/ resigned / promoted	-	3,643	10,558	14,201	(1,370)	-	(2,356)	(3,726)
Loan repayments during the year	(258)	-	(1,020)	(1,278)	(135)	(464)	(2,572)	(3,171)
Loans outstanding at 31 December	398	4,450	41,967	46,815	303	602	21,802	22,707
Of which: Executive directors	-	3,862	-	3,862	303	602	-	905
Interest and fee income earned: Key management personnel	-	554	15,842	16,396	353	205	10,627	11,185

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

No impairment allowances have arisen against loans to directors, entities connected to directors and key management staff during the period.

Deposits

	Group and Bank 2016				Group and Bank 2015			
	Directors	Connected Entities to Directors	Management staff	Total	Directors	Connected Entities to Directors	Management staff	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Deposit at 1 January	523	1,353	4,409	6,285	1,173	(2,714)	1,189	(352)
Net movement	125	(1,458)	(2,189)	(3,522)	(650)	4,067	3,220	6,637
Deposits at 31 December	648	(105)	2,220	2,763	523	1,353	4,409	6,285

There was no interest paid on these accounts during the year.

36 Related party transactions *(continued)*

C. Key management personnel transactions *(continued)*

	Group and Bank	
	2016	2015
	K'000	K'000
Salaries and allowances and short term benefits	**37,744**	44,206
Pension contributions	**3,702**	2,540
Total	**41,446**	46,746

	Group and Bank	
	2016	2015
Directors' remuneration	**K'000**	K'000
Executive directors		
Salaries and allowances	**2,951**	2,848
Pension contributions	**219**	150
Total	**3,170**	2,998

Non-executive directors	Group and Bank	
	2016	2015
	K'000	K'000
Fees and benefits	**837**	505
Total	**837**	505

Disposal of assets

There were no Group assets sold to the directors (2015: nil).

37 Share-based payment transactions

The holding company (Standard Chartered Plc) operates a number of share based payments schemes for its directors and employees in which employees of Standard Chartered Bank Zambia Plc participate. These schemes are as outlined below. Through a recharge arrangement Standard Chartered Bank Zambia Plc reimburses the group for grant date fair value. The amount charged to the statement of changes in equity during the year was K199,000 (2015: K984,000) and the corresponding amount is in liabilities. The holding company has the obligation to deliver to the respective participants the Standard Chartered Plc's ordinary shares under the various schemes.

	Group and Bank	
Employee expenses for share based payments transactions	**2016**	2015
	K'000	K'000
Restricted share scheme	**227**	(458)
Performance share plan	**(404)**	(1,035)
Share save scheme	**376**	2,477
Total expense recognised as personnel expenses	**199**	984

(a) Restricted share scheme

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

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37 Share-based payment transactions *(Continued)*

(a) Restricted share scheme *(Continued)*

The number and weighted average exercise price of share options is as follows:

	Group and Bank	
	Number of options	**Number of options**
	2016	2015
Outstanding at the beginning of the reporting period	**8,101**	9,456
Exercised during the year-	**(2,467)**	(4,952)
Expired during the year	**-**	(712)
Granted during the year	**964**	4,309
Outstanding at 31 December	**6,598**	8,101
Exercisable at 31 December	**1,490**	181

(b) Performance share plan

The performance share plan is designed to be an intrinsic part of total remuneration for executive directors and a small number of the most senior executives. It is an incentive plan that focuses executives on meeting and exceeding the long - term performance targets of the group. Awards of nil price options to acquire shares are granted to the executives and will normally be exercisable between three and ten years after the date of grant if the individual is still employed in the group. There is provision for earlier exercise in certain limited circumstances. The remaining life of the scheme is three years.

The number and weighted average exercise price of share options is as follows:

	Group and Bank	
	Number of options	Number of options
	2016	2015
Outstanding at the beginning of the reporting period	**7,808**	7,433
Exercised during the year	**-**	-
Expired during the year	**(936)**	-
Granted during the year	**-**	375
Outstanding at 31 December	**6,872**	7,808
Exercisable at 31 December	**-**	-

(c) Share save scheme

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

The number and weighted average exercise price of share options is as follows:

	Group and Bank	
	Number of options	Number of options
	2016	2015
Outstanding at the beginning of the reporting period	**36,967**	53,180
Exercised during the year	**-**	(593)
Expired during the year	**(17,462)**	(31,865)
Granted during the year	**9,459**	16,245
Outstanding at 31 December	**28,964**	36,967
Exercisable at 31 December	**432**	1,055

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38 Financial risk management

a) Introduction and overview

The Group has exposure to the following risks from financial instruments

- credit risk;
- liquidity risk;
- market risks; and
- operational risks

(i) Risk management framework

The Bank's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Group Asset and Liability Management Committee (ALCO), which is responsible for developing and monitoring Group risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, 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.

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

b) Credit risk

'Credit risk' is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk; for further details, see (d) below.

(i) Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. 'Settlement risk' is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from Group Risk.

(ii) Management of credit risk

The board of directors has delegated responsibility for the oversight of credit risk to its Group Credit Committee. A separate Group Credit department, reporting to the Group Credit Committee, is responsible for managing the Group's 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 Group Credit, the Head of Group Credit, the Group Credit Committee or the board of directors as appropriate.

- Reviewing and assessing credit risk: Group 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 process.

- 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 Group's 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 Group Risk.

- 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 Group Credit, which may require appropriate corrective action to be taken.

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38 Financial risk management (continued)

b) Credit risk (continued)

(ii) Management of credit risk (continued)

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee. Each business unit has a Chief Credit Risk officer who reports on all credit-related matters to local management and the Group 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 Group Credit processes are undertaken by Internal Audit.

c) Liquidity risk

'Liquidity risk' is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

(i) Management of liquidity risk

The Group's board of directors sets the Group's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. ALCO approves the Group's liquidity policies and procedures. Central Treasury manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Group and operating subsidiaries and foreign branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Group'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 Group's reputation. The key elements of the Group'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 liquidity ratios, maturity mismatches, behavioural characteristics of the Group's financial assets and financial liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the Group's liquidity position.

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 Group as a whole. The liquidity requirements of business units and subsidiaries are met through loans from Central Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

If an operating subsidiary or branch is subject to a liquidity limit imposed by its local regulator, then the subsidiary or branch is responsible for managing its overall liquidity within the regulatory limit in co-ordination with Central Treasury. Central Treasury monitors compliance of all operating subsidiaries and foreign branches with local regulatory limits on a daily basis.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Group-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 – such as 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 Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

(i) Management of market risk

The Group separates its exposure to market risks between trading and non-trading portfolios. Trading portfolios are mainly held by the Investment Banking unit, and include positions arising from market making and proprietary position taking, together with financial assets and financial liabilities that are managed on a fair value basis.

With the exception of translation risk arising on the Group's net investments in its foreign operations, all foreign exchange positions within the Group are transferred by Central Treasury to the Investment Banking unit. Accordingly, the foreign exchange positions are treated as part of the Group'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 Group 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.

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38 Financial risk management *(continued)*

d) Market risk *(continued)*

(i) Management of market risk *(continued)*

The Group employs a range of tools to monitor and limit market risk exposures. These are discussed below, separately for trading and non-trading portfolios.

(ii) Interest rate risk

All businesses in the Standard Chartered Group operate within market risk management policies that are set by the Group Risk Committee. Limits have been set to control the Group's exposure to movements in prices and volatilities arising from trading, lending, deposit taking and investment decisions.

(iii) Exposure to market risks-non trading portfolio

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.

Equity price risk is subject to regular monitoring by Group Market Risk, but is not currently significant in relation to the overall results and financial position of the Group.

The effect of structural foreign exchange positions on the Group's net investments in foreign subsidiaries and branches, together with any related net investment hedges, is recognised in OCI. The Group's policy is only to hedge such exposures when not doing so would have a significant impact on the regulatory capital ratios of the Group and its banking subsidiaries. The result of this policy is that hedging generally only becomes necessary when the ratio of structural exposures in a particular currency to risk-weighted assets denominated in that currency diverges significantly from the capital ratio of the entity being considered. In addition to monitoring VaR in respect of foreign currency, the Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of Group entities, and with regard to the translation of foreign operations into the presentation currency of the Group (after taking account of the impact of any qualifying net investment hedges).

e) Operational risks

Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The board of directors has delegated responsibility for operational risk to its Group Operational Risk Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is cost effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Group Operational Risk Committee, with summaries submitted to the Audit Committee and senior management of the Group.

39 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated and separate financial statements.

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

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

39 Significant accounting policies *(continued)*

39.11 Cash and cash equivalents

39.12 Trading assets and liabilities

39.13 Loans and advances

39.14 Investment securities

39.15 Property and equipment

39.16 Intangible assets and goodwill

39.17 Impairment of non-financial assets

39.18 Deposits, debt securities and subordinated liabilities

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39.20 Financial guarantees and loan commitments

39.21 Employee benefits

39.22 Share capital and reserves

39.23 Earnings per share

39.24 Segment reporting

39.25 Collateral

39.26 Financial guarantees and loan commitments

39.27 Dividends payable

39.28 Fiduciary activities

39.29 Share based payments

39.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination services.

(ii) Subsidiaries

'Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which the protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over the investee.

The financial statements of subsidiaries are included in the consolidated and separate financial statements from the date on which control commences until the date when control ceases.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

Intra- group balances and transactions, and unrealised income and expenses (except for foreign currency transaction gains and losses) arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as gains, but only to the extent that there is evidence of impairment.

39.2 Foreign currency transactions

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

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the 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. However, foreign currency differences arising from the translation of available- for-sale equity instruments are recognised in OCI.

39 Significant accounting policies *(continued)*

39.3 Interest

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

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.

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

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;

- Interest on available- for- sale investment securities calculated on an effective interest basis;

  Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income 39.

Fair value changes on other derivatives held for risk management purposes, and all other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the statement of profit or loss and OCI see 39.6.

39.4 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 40.3.

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

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

39.5 Net trading income

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

39.6 Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and financial liabilities designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

39.7 Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

39.8 Leases

i) Lease payments- lessee

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

ii) Lease assets – lessee

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

iii) Lease assets – lessor

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

39.9 Income tax

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

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

39 Significant accounting policies *(continued)*

39.9 Income tax *(continued)*

Current tax

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

Deferred tax

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that 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 realized.

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

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

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

Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period in which such a determination is made.

39.10 Financial assets and financial liabilities

i) Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

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

ii) Classification

Financial assets

The Group classifies its financial assets in one of the following categories:

- loans and receivables;
- held-to-maturity investment securities;
- available- for- sale; and
- at fair value through profit or loss, and within this category as:
  - held for trading; or
  - designated at fair value through profit or loss

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

iii) Derecognition

Financial assets

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

39 Significant accounting policies *(continued)*

39.10 Financial assets and financial liabilities *(continued)*

iii) Derecognition *(continued)*

Financial assets *(continued)*

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

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

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 Group retains all or substantially all of the risks and rewards of ownership of such assets.

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

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are primarily recorded in available-for-sale investment securities and carried at fair value. Gains or losses on securitisation depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of the transfer. Gains or losses on securitisation are recorded in other revenue.

Financial liabilities

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

iv) Offsetting financial instruments

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

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

v) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

vi) 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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group 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 Group 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 take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

39 Significant accounting policies *(continued)*

39.10 Financial assets and financial liabilities *(continued)*

vi) Fair value measurement *(continued)*

determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

vii) Identification and measurement of impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security, or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Group considers evidence of impairment for loans and advances and receivables.at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

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. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows.

- If the expected restructuring will not result in derecogntion of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of the derecogntion to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

39 Significant accounting policies *(continued)*

39.10 Foreign currency transactions *(continued)*

vii) Identification and measurement of impairment *(continued)*

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from the fair value reserve to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in OCI.

The Group writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when Group Credit determines that there is no realistic prospect of recovery.

viii) Designation at fair value through profit or loss

The Bank has designated financial assets and financial liabilities as fair value through profit and loss in either of the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

39.11 Cash and cash equivalents

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

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

39.12 Trading assets and liabilities

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

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

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

39.13 Loans and advances

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

Loans and advances to banks are classified as loans and receivables. Loans to customers include:

- Those classified as loans and receivables
- Those designated as at fair value through profit or loss; and
- Finance lease receivables

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

39.14 Investment securities

Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss, or available-for-sale.

Financial assets at fair value through profit or loss

The Group designates some investment securities as at fair value, with fair value changes recognised immediately in profit or loss as described in 40.10(viii).

Available-for-sale

'Available-for-sale investments' are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

39 Significant accounting policies *(continued)*

39.15 Property and equipment

Recognition and measurement

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

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

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

Subsequent costs

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

Depreciation

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

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

Properties	up to 50 years
Improvements to properties	shorter of the life of the lease, or up to 50 years
Equipment and motor vehicles	3 to 10 years

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

Capital work-in-progress

Capital work-in-progress represents assets in the course of development which at reporting date would not have been brought to use.

39.16 Intangible assets and goodwill

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets (see 40.1(i)). Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Customer relationships

The customer relationships are amortised over the expected customer lives, initially estimated at 8 -10 years. They are initially measured at cost and subsequent to initial measurement; they are carried at cost less accumulated amortisation and impairment.

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

39.17 Impairment of non-financial assets

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

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

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

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

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

39.18 Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Group's sources of debt funding.
When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.
The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.
Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Except where the Group derecognizes liabilities at fair value through profit or loss.

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

39 Significant accounting policies *(continued)*

39.19 Provisions

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

39.20 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.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

39.21 Employee benefits

Defined contribution plan

A defined contribution plan is a post - employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as expense in profit or loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.
Retirement benefits for members of staff are provided through a defined contribution fund.
The Group contributes 6% of employees' basic pay to the defined contribution pension fund. Obligations for contributions to the defined contribution pension plans are due in respect of services rendered before the end of the reporting period.

Termination benefits

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

Short – term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

39.22 Share capital and reserves - share issue costs

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

39.23 Earnings per share

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

39.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (who is the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 7).

39.25 Collateral

The Group 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 Group a claim on these assets for both existing and future liabilities.

The Group 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.

39.26 Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder for a loss it incurs because a specified debtors fails to make payment when due in accordance with the terms of the debt instrument. Loan commitments are firm commitments to provide credit under pre specified terms and conditions.

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

39 Significant accounting policies *(continued)*

39.27 Dividends payable

Dividends are recognised as a liability in the period in which the dividends are approved by the shareholders.

39.28 Fiduciary activities

The Group acts in a fiduciary capacity which results in the holding or placing of assets on behalf of individuals, trusts and other institutions. These assets are excluded from these financial statements, as they are not assets of the Group.

39.29 Share based payments

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

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

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

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

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

40 Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017; however, the Group has not applied the following new or amended standards in preparing these consolidated and separate financial statements.

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2017	Disclosure Initiative (Amendments to IAS 7)	The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.
1 January 2017	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this. Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type. The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

40 Standards issued but not yet adopted *(continued)*

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2018	IFRS 15 Revenue from Contracts with Customers	This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ended 31 December 2017 financial statements. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. .
1 January 2018	IFRS 9 Financial Instruments	On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard will have a significant impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group.

Notes to the consolidated and separate financial statements

for the year ended 31 December 2016

40 Standards issued but not yet adopted (continued)

Effective date	Standard Amendment or Interpretation	Summary of Requirements
1 January 2018	Clarifying share-based payment accounting (Amendments to IFRS 2)	Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment. The amendments cover three accounting areas: Measurement of cash-settled share-based payments –The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement. Classification of share-based payments settled net of tax withholdings –The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met. Accounting for a modification of a share-based payment from cash-settled to equity-settled –. The amendments clarify the approach that companies are to apply. The new requirements could affect the classification and/ or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are effective for annual periods commencing on or after 1 January 2018.
1 January 2019	IFRS 16 Leases	IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The group and company have begun assessing the potential impact on the financial statements resulting from the application of IFRS 16. No significant impact is expected for the group and company's finance leases.

Appendix

Five year summary

	2016 K'000	2015 K'000	2014 K'000	2013 K'000	2012 K'000
Operating profit before impairment provisions	**583,168**	323,088	393,320	381,509	342,896
Net impairment provisions against loans and advances	**(20,580)**	(39,976)	(12,188)	(14,466)	(3,278)
Profit before taxation	**562,588**	283,112	381,132	367,044	339,618
Profit attributable to shareholders	**347,179**	178,905	243,745	236,667	220,993
Loans and advances to customers	**2,758, 591**	3,533,763	3,134,604	2,779,470	2,233,265
Total assets	**8,210,943**	8,619,998	6,597,074	5,470,402	5,163,618
Deposits from customers	**6,797,789**	7,457,805	5,325,970	4,267,129	3,681,026
Shareholders' funds	**757,473**	647,030	689,353	734,130	594,290
Earnings per ordinary share					
Basic earnings per share (Kwacha)	**0.208**	0.107	0.146	0.142	0.133
Dividends per share (Kwacha)	**0.20**	0.10	0.14	0.14	0.14
Ratios					
Basic cost/income ratio	**45%**	61%	51%	46%	45%
Post-tax return on ordinary shareholders' funds	**49%**	28%	35%	32%	37%

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Dividend

At a Board meeting held on 28 February 2017, the Directors recommended a final dividend of ZMW0.08 per share for the year ended 31 December 2016. This together with the interim dividend for 2016 already paid of ZMW0.12 per share makes a total dividend for 2016 of ZMW0.20 per share.

The dividend will be paid to shareholders registered in the books of the Bank at close of business on 28 April 2017 and payable on 1 May 2017.

By Order of the Board

Rose Kavimba
Company Secretary
28 February 2017

NOTICE OF 46th ANNUAL GENERAL MEETING AND AGENDA

Notice is hereby given that the 46th Annual General Meeting (AGM) of Standard Chartered Bank Zambia Plc in respect of the period ended 31 December 2016, will be held at the Taj Pamodzi Hotel, in the Baobab Room, in Lusaka, Zambia on Friday 31 March 2017 at 09:00 hours for the following purposes:

1. **Call to order, tabling proxies, and announcement regarding quorum**

2. **Resolution 1 – Adoption of Minutes**

   To confirm, adopt and sign the Minutes of the AGM held on 31 March 2016.

3. **Resolution 2- Adoption of Financial Statements for the year ended 31 December 2016**

   To receive, consider and if thought fit, adopt the Consolidated and Separate Financial Statements for the year ended 31 December 2016 together with the reports of the Chairman, Directors and Auditors thereon.

4. **Resolution 3 – Dividend**

   To approve a final dividend recommendation of the Directors of K0.08 per share for the year ended 31 December 2016 making total dividend paid for the year 2016 to ZMW 0.20. This payment to be made to all shareholders registered in the books of the company at close of business on 28 April 2017 and payable on 1 May 2017.

5. **Resolution 4 – Appointment of Auditors**

   To appoint KPMG Zambia as continuing auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to set their remuneration.

6. **Resolution 5 – Election of Directors**

   In accordance with Article 87 of the Articles of Association:

   (i) To confirm the appointment of Mrs. Kapambwe Doreen Chiwele who was appointed as a Non Executive Director (NED) since the previous Annual General Meeting.

   (ii) To confirm the appointment of Dr. Caleb M. Fundanga who was appointed as a Non Executive Director (NED) since the previous Annual General Meeting.

   (iii) To confirm the appointment of Mr. Herman K. Kasekende who was appointed as Managing Director (MD) and Chief Executive Officer of Standard Chartered Bank Zambia Plc since the previous Annual General Meeting.

   (iv) To re-elect each of Messrs Robin P. Miller, Richard M. Etemesi and Ms. Louise Vogler who retire by rotation, in terms of the Companies Act, and who, being eligible, offer themselves for re-election.

7. **Resolution 6 – Remuneration of the Directors**

   To authorise the Board to fix the remuneration of the Directors.

8. **To transact any other business that may properly be transacted at the Annual General Meeting.**

   A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak, and, vote in his/her stead. Proxy forms are available from the Company Secretary.

By Order of the Board

Rose N Kavimba

Company Secretary

28 February 2017

FORM OF PROXY

……………..........……. 2017

I/We, ……………………........................……………………………… (full names in block letters) of ……….................……………

…………………………………………………………………………………………………...………………

member/members of Standard Chartered Bank Zambia Plc, hereby appoint

…………………………………………………………………………………………………...………………

of ………………………………………………………………………………………………...…………………...

as my/our proxy to attend, and speak, on poll, vote instead of me/us at the forty-sixth Annual General Meeting of the Company, to be held on Friday 31 March 2017 and at every Adjournment thereof:

In favour of/against (please tick)

	In favour	Against
Resolution 1 – To confirm, adopt and sign the minutes of the AGM held on 31 March 2016.	☐	☐
Resolution 2 – To receive, approve and adopt the consolidated and separate financial Statements for the year ended 31 December 2016.	☐	☐
Resolution 3 – To approve a final Dividend recommendation of the Directors of K0.08 per share for the year ended 31 December 2016 making total divided paid for the year 2016 to ZMW 0.20. This payment to be made to all shareholders registered in the books of the company at close of business on 28 April 2017 and payable on 1 May 2017.	☐	☐
Resolution 4 – Re-appointment of KPMG as Auditors For 2016-17 and to authorise the Directors to fix their Remuneration.	☐	☐
Resolution 5 – (i) Confirm the appointment of the following as Directors:		
- Kapambwe Doreen Chiwele	☐	☐
- Caleb M. Fundanga	☐	☐
- Herman K. Kasekende	☐	☐
(ii) To confirm the re-appointment of the following as Directors:		
- Robin P. Miller	☐	☐
- Louise Vogler	☐	☐
- Richard M. Etemesi	☐	☐
Resolution 6: To authorise the Board to fix their remuneration.	☐	☐

Signature(s)

……………………………………………………………..………………………

Certificate Number(s) ……………………………..………………………..

NOTE:

The Form of Proxy shall be:

a) In the case of an individual, signed by the appointer or by his Attorney.
b) In the case of a corporation, signed either by an Attorney or Officer of the Corporation on its behalf or be given under its common seal.

An instrument of proxy must be deposited at the Registered Office of the Company no later than 48 hours before the time of the meeting.