New valued behaviours

1. Do the right thing
2. Never settle
3. Better together

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Chairman's statement
Annual Report 2018

Earnings per share

ZMW0.171

2016: 0.208

Dividend per share

ZMW0.17

2016: 0.21

It is both an honour and privilege to deliver this statement, my first as Chairman of the Board of Directors of Standard Chartered Bank Zambia Plc. I joined the board on 1st April 2017 as an Independent Non-Executive Director and was appointed Board Chairman on 1st October 2017.

I joined Standard Chartered Bank Zambia Plc because it is an extraordinary organisation with a rich history in Zambia stemming over 110 years. The potential to grow the business remains huge, positioning the Bank to grow its strategic footprint across different client profiles. It is clear from the interaction I have had so far with both clients and employees that they appreciate the value of our brand. It is therefore, our responsibility to ensure that this value is delivered to both our shareholders and clients.

It is my intention as Board Chairman to support the management team whilst challenging appropriately to ensure that we deliver on the overall corporate objective and the promise we have made to our clients. It is our core responsibility to uphold the strength of our franchise and engage deeply and frequently with both our internal and external stakeholders so that we continuously sharpen the execution of our strategy and meet our set corporate objectives.

"The potential to grow the business remains huge positioning the bank to grow its strategic footprint across different client profiles. It is clear from the interaction I have had so far with both clients and employees that they appreciate the value of our brand and it is our responsibility to ensure that this value is delivered to both our shareholders and clients"

Dr. Caleb M Fundanga.
Chairman

Risk and Governance

Risk continues to be at the forefront of every aspect of our business. It is imperative that we continue to be vigilant so that we stay ahead and mitigate possible economic and social headwinds. The rebound of the Zambian economy which has, over the past year, been challenged by volatility in the financial sector, presents opportunities and associated risks which we need to continue to manage and navigate. The journey will at times be tough, but there are no shortcuts to reach our desired end. Corporate Governance and conduct will continue to set the cornerstone for our business. We will endeavor to be the force that drives the good in the communities we operate in. To maintain these set of values, zero tolerance to any form of unethical behavior will continue to be our approach and commitment as we continue to uphold both the environmental and social standards we have set.

The Board and Management

The Board and Management team continue to steer the Bank in the right direction as evidenced by the strong performance and market position in 2017.

I am delighted to welcome five new members of the Executive Management team who joined in 2017: Mr. Olusegun Omoniwa, Country Head, Wealth Management; Kwale Luputa, Acting Head, Corporate Affairs Brand and Marketing; Mutu Mubita, Country Head, Human Resource; Marshal Shampongo, Country Head Group Internal Audit and Emmy Kumwenda, Country Head Commercial banking

Awards

2017 saw Standard Chartered Bank Zambia Plc win several prestigious awards. At the Lusaka Securities Exchange Corporate Governance awards, the Bank won awards in various categories including Overall Corporate Award 2017; Best Leadership Award conferred upon our Chief Executive Officer, Mr. Herman Kasekende; Overall Exceptional adherence to Corporate Governance award 2016; 1st runner up Dividend payer 2016; and 1st runner up Sustainability award 2017. The Retail Banking team was also conferred with the Retail Banking Award 2017 for Excellence in Business Performance.

The recognition awards conferred on the Bank is continued testimony of our Bank's commitment to its sustainability agenda and adherence to good Corporate Governance principles.

Political Highlights

The Political environment continues to be stable and the Government of the Republic of Zambia continues to remain active in ensuring peace and tranquility is maintained around its borders.

Financial Highlights

Standard Chartered Bank Zambia Plc continued to be a major market player as demonstrated by the profitability in the year and the continued balance sheet growth. Returns on shareholder's investments closed off at 33% in 2017 compared to 46% in 2016. This was attributable to growth in revenue which has been offset by higher year on year costs due to investments made in the business expected to yield results in the following years.

Economic Outlook

In 2017 GDP growth continued on a positive trajectory with preliminary data indicating a growth rate of 3.7% driven largely by positive performance in manufacturing, mining and agriculture sectors . Preliminary numbers show that the fiscal deficit was below the budget target of 7.0% of GDP at 6.1%, while the current account deficit narrowed to USD760.3 million in 2017 from USD1.037 billion in 2016. Liquidity conditions in The Banking sector largely improved with the easing of monetary policy. Credit to the private sector also continued to improve, but modestly where the average nominal lending rates for commercial banks declined to 24.6% in December 2017 from 29.2% in December 2016.

Inflation was contained within the band of 6-8 percent that was set at the beginning of the year. End-2017 inflation closed at 6.1%, the lowest in over thirty years. The sustained supply of food items, particularly for maize grain products explained the fall in food inflation, while the relatively lower fuel prices compared to the corresponding period in 2016, largely accounted for the decline in non-food inflation.

The Kwacha remained relatively stable against the major convertible currencies. The Kwacha against the USD in 2017 averaged K9.99 per USD. International foreign reserves in 2017 were recorded at USD2.1 billion.

Copper, having closed the year at above D7,200/tonne continued to head higher following rising Chinese imports as China growth in 2017 reflected a first full year growth acceleration since 2010. Going forward, we expect copper prices to correlate closely with news out of China's where slower infrastructure and property investment spending could drive a deceleration in base-metals demand growth.

Economic performance in 2018 is expected to remain positive supported by a stable macroeconomic environment and implementation of various policy, structural and legal reforms under the Economic Stabilization and Growth Programme (ESGP). Growth is projected to remain positive while inflation is expected to be low and in single-digit while the fiscal deficit will be maintained within budgeted levels. Regarding the programme with the IMF, The Ministry of Finance started engaging with the IMF on the basis of the ESGP approved by Cabinet in 2017. The ESGP is being strictly implemented with much of the milestones achieved.

The Outlook for Standard Chartered Bank

It is projected that the Bank's performance in 2018 will remain resolute as we continue to build on the firm and secure foundations made in 2017. Our strategic objective of being the bank that enables digital-on-the-go for all our clients will further help reinforce our positioning in the market offering world class service and value to both our clients and our shareholders as they continue on their journey with the Bank.

Summary

Challenges lie ahead for the banking sector as a whole. However, given our resilience, I am confident that we shall navigate our way through and succeed. Our deep-rooted knowledge of this market, backed by our extensive global network, gives us the leverage to remain a key market player.

Dr. Caleb M Fundanga.
Chairman
26 February 2018

Chief Executive Officer's statement

Total Revenue

ZMW 1,083m

2016: ZMW 1,035m

Total Profits before tax

ZMW 457m

2016: ZMW 563m

At the close of 2017, Standard Chartered Bank Zambia Plc continued to be one of the major players in the market, accounting for 25% of the market profitability. Prudent risk management enabled the Bank to maintain its status, a clear demonstration of the value we continue to bring to our clients and shareholders.

Our robust risk management framework and strict adherence to anti-money laundering requirements remained a key pillar in every aspect of our business, safeguarding our client and stakeholder investments. Continuous revisions to our Financial Crime and Compliance policy and training of our staff in fraud and risk management positioned the Bank to better enforce regulation around money laundering and anti-bribery.

Compliance clearly continues to be top of the agenda in 2018 as we continue to safe guard our franchise and our client's interests. Standard Chartered Bank Zambia Plc continued to focus on the key sectors of the Zambian economy by supporting major private companies in mining and energy, as well as advisory services to Government institutions. Our strong capital base positioned the Bank to ably execute this role.

Investments into our digital platforms helped to deepen our client relationships in all segments, be it large corporates, medium and small businesses, personal or priority. Our continuous investment in our processes and roll out of innovative state-of-the-art digital platforms has helped ease the way we interact and do business with our clients. Platforms such as Straight-to-Bank (S2B) have made remittance of statutory requirements to organisations such as National Pension Scheme Authority (NAPSA) and Zambia Revenue Authority (ZRA) quicker, efficient and cost effective.

"Investments into our digital platforms helped to deepen our client relationships in all segments, be it large corporates, medium and small businesses, personal or priority"

Herman Kasekende
Managing Director and Chief Executive Officer

The introduction of the first Visa Infinite Credit Cards on the Zambian market further widened the suite of products on offer. Backed by an extensive 360 degrees rewards program, another first in Africa, makes our offering truly the best in class in the market. In addition, Standard Chartered Bank Zambia Plc clients are now able to enjoy rewards on their debits for transactions made in retail, outlets.

With the growth in the number of shopping malls and other social amenities, our clients' lifestyles and spending habits have continued to evolve. That is why we developed and rolled out innovative upgrades to our Standard Chartered Bank Zambia Plc Mobile App which saw the Bank enter strategic alliances with Mobile Network Operators (MNO's). With these alliances Mobile Money services such as transfer of funds from one's bank account to another's mobile wallet and vice versa were made possible. The purchase of airtime and payment of utilities has become a reality making banking on the go, anywhere, anytime possible for our clients.

Group CEO's visit to Zambia

Standard Chartered Group CEO, Mr Bill Winters visited Zambia in September 2017, demonstrating the importance the Bank attaches to Zambia. During his visit, Mr Winters met with The President of the Republic of Zambia, His Excellency Edgar Chagwa Lungu at State House. They deliberated on the vast opportunities Zambia has to offer as well as challenges faced by emerging markets. Standard Chartered Bank Zambia Plc reiterated its firm commitment to Zambia and Africa by continuing to support key sectors of the economy. Mr Winters also hosted a client dinner graced by the Honourable Minister of Finance.

Other high-level engagements included a courtesy call on the Bank of Zambia Governor, a lunch with Commissioners, Ambassadors and representatives of International organisations.

Corporate and Institutional Banking

In 2017, the Corporate and Institutional Banking (CIB) business sharpened the focus on delivering the global network to our multinational corporate customers by revitalising the Global Subsidiaries sub-segment (formerly Global Corporates).

Corporate and Institutional Banking including Treasury Markets and Own Account recorded an impressive 22 per cent year on year growth, largely as a result of a more expansive monetary policy which made it possible for the bank to carry out its risk mitigating duties better on its own behalf and on behalf of clients.

We continued to make strides in supporting key sectors of the economy through the provision of solutions to the Public Sector as well as various private sector entities. Noteworthy were the launches of eNAPSA and Mobile Wallet Collections, as well as increased uptake of existing solutions including Mobile Wallet Payments, e-Tax and Straight to Bank (S2B).

Our aspiration is to build on our client-centric approach in our strategies, products and processes in line with our aspiration to become 'simpler, faster and better as we deliver our global network to our valued Corporate and Institutional Banking customers.

Retail Banking

The Retail Banking business delivered a strong performance in 2017 achieving 11 per cent growth on the top line year-on-year.

In line with the Retail strategy, the business launched the superior and market leading Credit Card product supported by the first ever comprehensive Rewards programme. This programme will allow clients to earn points for every retail purchase using Credit and Debit cards.

The business also successfully completed the Mobile Money integration project with MTN and Airtel in a bid to deliver best in class digital capabilities on the existing Mobile and Online banking platforms. In light of these enhancements, the Bank revised branch opening hours from 08:00hrs to 09:00hrs and closing hours from 17:00hrs to 16:00hrs. This reflects the major strides made on our digital banking aspiration for clients to be able to 'bank-on-the-go' saving them valuable time. In addition, clients can bank anywhere, anytime, from the comfort of their homes and offices amongst others

The outstanding performance from our Retail Business won us several prestigious awards: "Group Excellence in Business Performance Award" at the Retail Banking Awards Night held in Singapore, 'Best Consumer Digital Bank in Zambia"; and we emerged "Best Net Promoters Score (NPS) on the Market".

Commercial Banking

In 2017, our Commercial Banking business was consolidated across both risk and performance lines. The business continued to focus on deepening client relationships to enable clients to benefit from our international expertise. Actions taken during the course of 2017 have positioned the business for a strong start to 2018.

The coverage model for Commercial Banking was streamlined in order to achieve alignment with our strategy for attaining a strong and competitive position and to attain our aspiration to be the international bank of choice for commercial banking clients.

Commercial banking revenues remained relatively flat with the clients responding slowly to the stabilisation of the key economic indicators. Improved market liquidity in the latter part of the year also saw clients become more active allowing us to onboard a number of new names and get a number of facilities sanctions.

Outlook for 2018

The Bank's outlook on Zambia's long-term economic prospects remains positive. We believe that 2018 will continue to exhibit signs of stability and growth. Our commitment to the Zambian economy remains firmly intact as we continue working closely with our key stakeholders and clients to ensure that we are better placed to seize the many opportunities created within the economy.

We project that the Bank's performance will remain resolute in 2018, as we continue to build on the firm and secure foundations laid in 2017. Our strategic objective of being the bank that enables digital on-the-go banking for all our clients will further consolidate our position as a leading financial institution in the market, offering world class service and value to both our clients and our shareholders.

Our People

The Bank ended the year with 700 plus staff country wide. Over 50 per cent comprise Retail Banking staff. Staff development and growth remained a key priority in 2017 and this is evidenced by the number of Senior Management appointments filled from within the Bank throughout the year. Standard Chartered Bank Zambia Plc continues to support the efforts of key stakeholders such as Zambia Federation of Employers (ZFE), the Zambia Institute of Banking and Finance (ZIBFS) and the Zambia Union of Financial and Allied Workers (ZUFIAW). We continue to sponsor staff for the Banking and Finance qualification - currently 62 candidates are being sponsored for specialised banking training at Diploma and Certificate level.

In addition, the Bank continues to be recognized for staff development efforts. In 2017, ZUFIAW commended the Bank for implementing the performance reward system. The Bank, on behalf of the Zambia Federation of Employers, also represented Zambia, amongst many other African countries at the "Africa talks Jobs" conference held in Ethiopia in October 2017. The conference objectives were to build alliances for skills development and employment with African partners based on the 2017 African Union theme, "Harnessing the demographic dividend through investment in youth.

Sustainability

Our strategic objective to invest in the communities we operate in continues to be at the heart of everything we do. Through various sustainability programmes such as Seeing is Believing, we supported the rehabilitation of three eye specialist clinics in Mandevu, Bauleni and Chawama Our Retail Banking team supported the Seeing is Believing eye screening at Arthur Davison Children's Hospital in Ndola, where equipment was donated to the Children's Hospital.

Standard Chartered Bank Zambia Plc supported the Habitat for Humanity's Women's BUILD initiative where four houses were constructed in Mapepe for four vulnerable women led families. The event was graced by the First Lady of the Republic of Zambia, Madam Esther Lungu. We are also thankful for the support received from our cooperating partners such as Lafarge and MMI Steel.

Through the Bank's Financial Education for the Youth programme, we trained school pupils at Kamulanga School. A total of 43 Bank staff volunteered to educate the youth on how to manage finances.

Summary

On behalf of the Management Team, I would like to sincerely thank all our staff for their tireless dedication, their resilience in tough times and their optimism to our brand promise – Here for good. The Bank's success in 2017 is a result of their sheer efforts. I would also like to assure our clients that we do not take their loyalty and confidence for granted. We pledge to put you at the centre of everything we do. Allow me to also pay special gratitude to our shareholders for their unwavering support.

Herman Kasekende
Managing Director and Chief Executive Officer
26 February 2018

Retail banking

Our Strategy

Retail Banking continues to serve our Priority, Business and Personal Banking clients with a heightened focus on high value segments in the key cities of the Country.

Tremendous progress has been made in our Digital journey with the embedding of a more digitally focused distribution and service delivery model.

We remain confident that our retail strategy and priorities will deliver:

- A profitable business with a well diversified and optimised balance sheet;
- A superior, sustainable, and scalable distribution network; and
- An unrivalled client experience through our diverse product suite and world class digital capabilities.

The business successfully completed the Mobile money integration project with MTN and Airtel, a service that will offer the capability for clients to send and receive money to mobile wallets as well as send money from the wallet to bank account. This further complements the drive to deliver best in class Digital capabilities on the existing Mobile and Online platforms.

In light of these enhancements, the business revised branch opening hours from 08:00 hrs to 09:00hrs and closing hours from 17:00 hrs to 16:00 hrs.

Through our network optimisation agenda, Retail Banking expanded its touch points opening our flagship Kabulonga branch with a world class priority centre. Additionally, three branches were opened through our strategic partnerships, while Mongu and Kasama Branches were relocated to areas of high traffic. We closed five outlets that were no longer in line with our strategic focus. The bank continued to invest in the ATM network increasing the number of cash deposit machines to 13 and ATMs to 50.

"We have built a very strong and resilient business and we are very confident about the future"

Sonny Zulu
Head of Retail Banking Zambia and Southern Africa

Awards

The Business was recognised for an outstanding performance and received the most prestigious "Group Excellence in Business Performance" award at the Retail Banking Awards Night held in Singapore. This was in addition to the 'Best Consumer Digital Bank in Zambia' and "Best NPS on the Market" awards.

2017 Overview

The Retail Banking business delivered a strong performance in 2017 achieving 11 per cent growth on the top line year-on-year.

This was from a turbulent 2016 with challenging market and economic conditions such as high lending rates, unstable FX, low copper prices, power shortages that exerted pressure on business performance.

Risk

The Retail Banking Risk and Control Environment remained strong in 2017. The business passed a number of both local and group reviews. In all the reviews Management demonstrated ownership and understanding of risks facing the business and a reputable mechanism for identifying and addressing control weaknesses.

2018 Outlook - Revving up Retail

We have built a very strong and resilient business and we are very confident about the future. With the opportunities in the market and from the positive economic fundamentals, we are well poised to deliver yet another great performance in 2018.

We will focus on revving up performance in 2018 with continued focus on the high value segments, a well optimised distribution network and the right product suite captioned with our strong digital proposition.

Commercial Banking

Our Strategy

In 2017 the seeds of transformation planted in the preceding years began to show green shoots with the improving risk environment allowing us to begin to grow and build scale

The Commercial Banking business, which now includes Local Corporates, will continue to be grounded on building a low cost low risk business, banking the ecosystem of our Global Banking anchors and leveraging on trade corridors.

2017 Overview

WWe saw an improvement in the general business environment with our clients benefiting from improved market liquidity, currency stability and improved supply of power translating into increased productivity.

The building blocks remain in place to allow us to deliver on our ambitions in the years to come.

Key successes include:

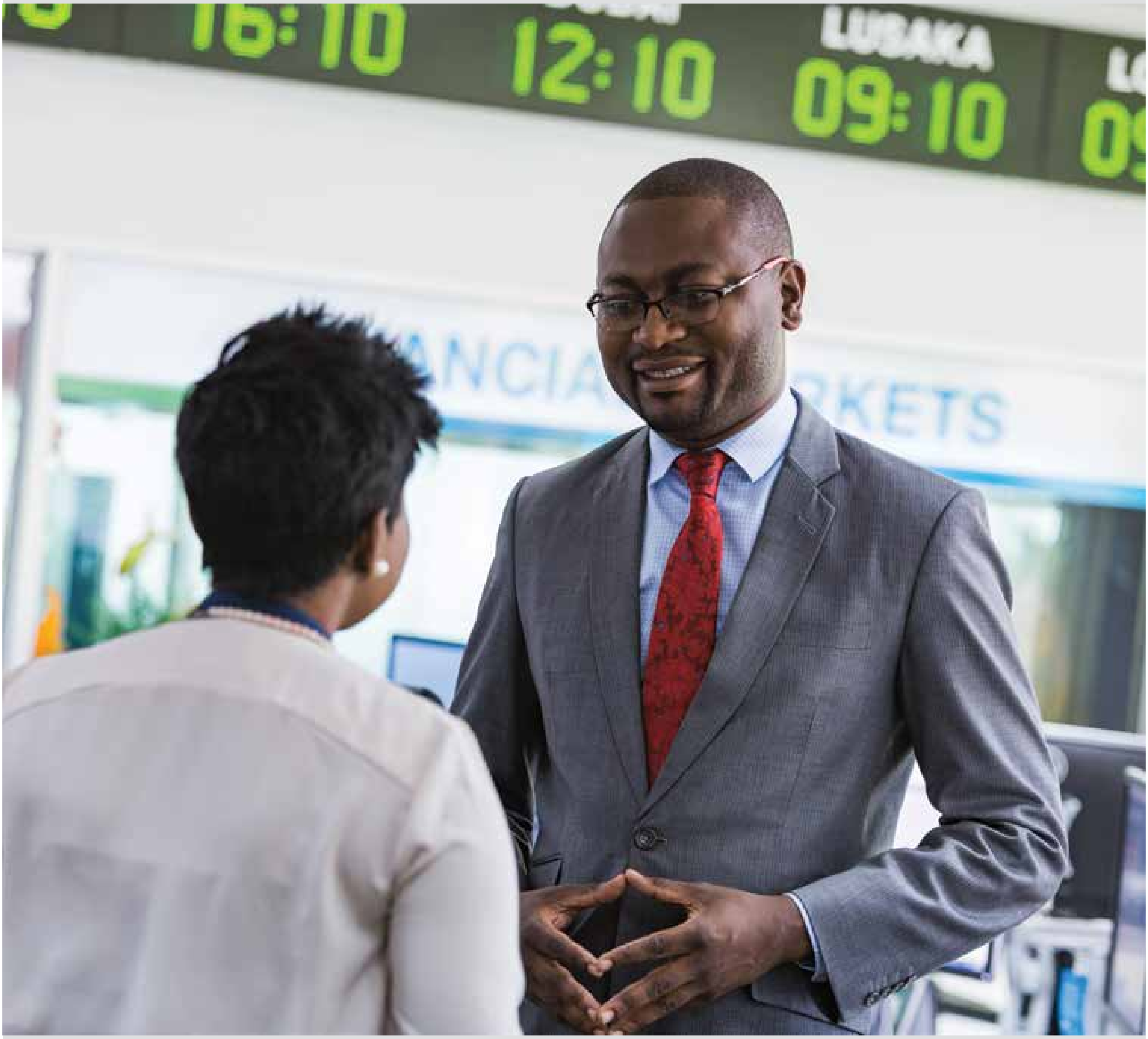
- Consistent balance sheet growth over the second half of the year;
- Successful rollout of a new platform and policies allowing the management of client due diligence to be faster and more efficient thus improving the client experience and reducing our administrative burdens; and
- Realignment of the team improving productivity and effectiveness while reducing our cost.

Outlook for 2018

- A number of key pipeline deals were approved in the fourth quarter of 2017 that will provide a strong start to the year. The focus for these will be on draw down and execution.
- Based on past experience we will continue to build a strong base of deposits and selectively lend into focused sectors mirroring the efforts of the Global Banking business.
- Our realigned strategy will see us focus on growing revenues in a sustainable manner which will be achieved by a combination of:
- Banking clients on both ends of our Trade corridors;
- Selectively acquiring lower-risk customers by focusing on the ecosystem of Corporate and Institutional Banking clients;
- Reemphasizing the fact that we are a relationship bank focusing on growing our clients in a comprehensive manner through cross selling across our product lines; and
- Improving our turn around time across the board – account opening, credit approval and documentation process.

Our aspiration is to be the International bank of choice for the fast growing and internationalizing Commercial Banking clients in Zambia

Emmy Kumwenda
Head of Commercial Banking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Corporate and Institutional Banking

Our Strategy

In 2017, Standard Chartered Bank Zambia Plc consolidated the Corporate and Institutional Banking (CIB) business following efforts made in 2016 to sharpen client focus by establishing two distinct client segments: Financial Institutions and the International Corporates Segments. It is from this foundation that the Global Subsidiaries sub-segment (formerly Global Corporates) was revitalised in 2017 to delivery of global network to multinational corporates.

2017 Overview

Corporate and Institutional Banking including Treasury Markets and Own Account grew by 22 per cent year on year. Treasury Markets income grew by 60 per cent year on year and Own Account by 15 per cent. The impressive growth was as a result of a more expansive monetary policy which made it possible for the bank to carry out its risk mitigating duties better on its own behalf and on behalf of clients.

Key highlights include:

- Loan impairments remained well controlled, a spin-off benefit from our cautious optimism in 2015/2016 when we adopted our 3 pillar credit underwriting criteria to effectively deploy capital.
- In Financial Markets, we facilitated clients' risk management needs through the deployment of an array of hedging solutions covering foreign exchange (FX), Commodities and Bonds.
- In Transaction Banking, we delivered on our commitment to continuously innovate through digitisation. This culminated in the launch of eNAPSA and Mobile Wallet Collections, whilst attaining increased uptake of existing platforms among clients; notably e-Tax, Straight to Bank (S2B) and Mobile Wallet Payments.

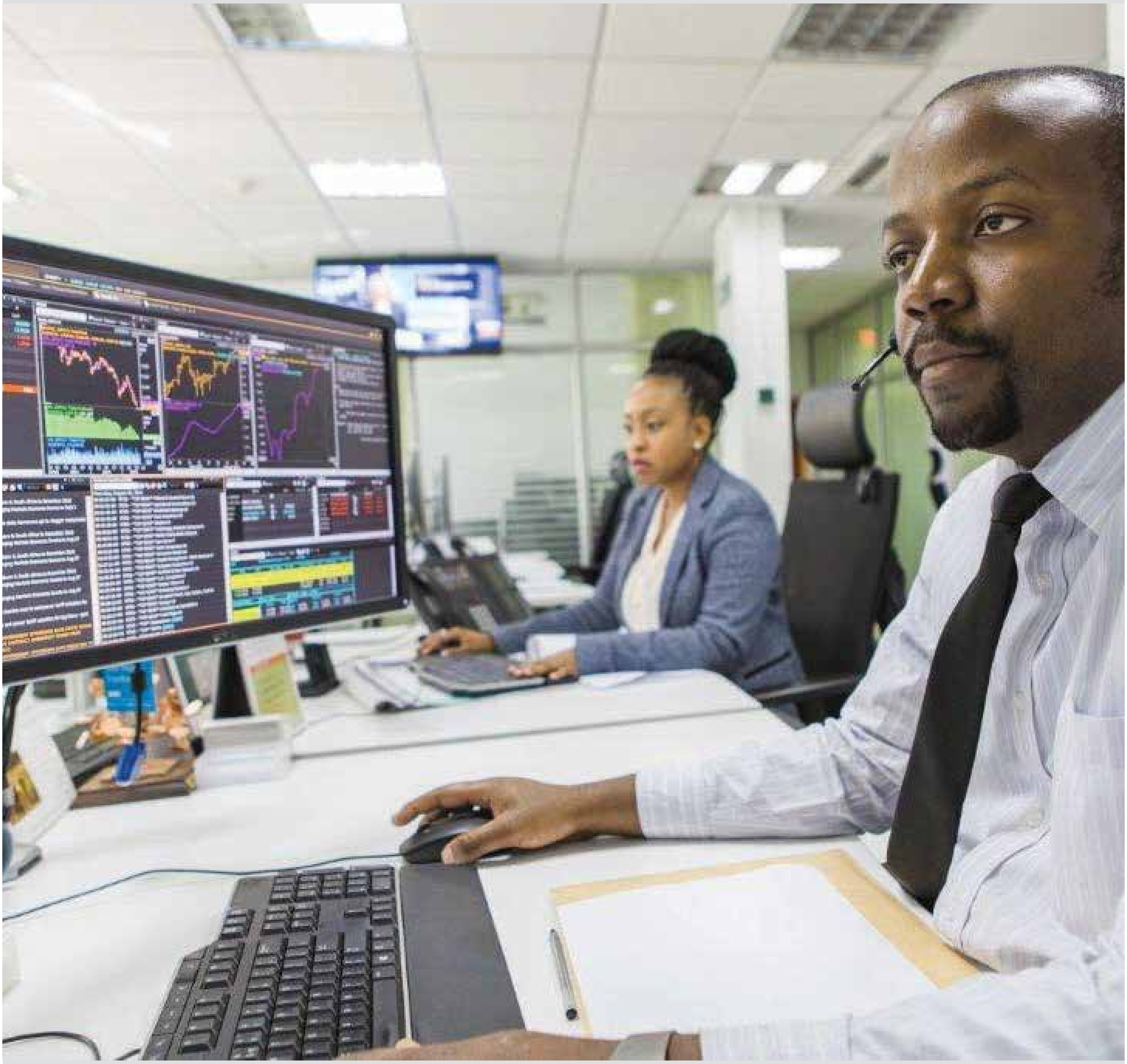
Outlook for 2018

Our aspiration is to build on our client-centric approach in our strategies, products and processes. We will do this by focusing on the following:

- In Trade, Cash and FX, we will position ourselves to deliver superior solutions and platforms to improve client experience and efficiency.
- For existing and new clients with cross-border and other complex needs, we will continue to deliver our unique and diverse international network with seamless execution.
- We will support our clients to build sustainable ecosystems with their key counterparties.
- Developing and retaining top talent will continue to underpin the delivery of our unique proposition and suite of solutions to our valued CIB clients.

"Our aspiration is to build on our client centric focus in delivering a truly Global Bank to our valued Corporate and Institutional Banking customers by leveraging our diverse and unique network"

Emmanuel Banda
Country Head of Global Banking



Wealth Management

Our Strategy

Wealth Management is Standard Chartered Bank Zambia Plc's one-stop hub for all our clients' wealth needs. Our strategy is to provide exclusive financial advice to our affluent and emerging affluent clients on the different options available for them to grow and protect their individual and business wealth. Our approach is to understand our clients' financial goals and help them build an investment portfolio that reflects their aspirations. In addition, we help our clients protect themselves, their families and businesses against risks on life using tailored insurance solutions, which are offered in partnership with Sanlam Life Insurance. What differentiates us is the quality of our advice. We have invested in infrastructure to keep our investment advisors and wealth specialists up to date with changes in the local and international market, in order to ensure that our clients make informed decisions.

Olusegun Omoniwa
Head of Wealth Management

2017 Overview

2017 was a challenging year for the Wealth Management business, but we remained resilient and took advantage of the opportunities in the market.

- Revenues declined overall by 2% over the previous year and this decline was driven predominantly by lower margins on Foreign Exchange trading in the retail banking business. Income from Bancassurance and Investments Services were up by 16% and over 100% respectively. In Investment Services, the number of clients we invested for grew by over 80% in 2017 compared to previous year and assets under management tripled from 2016. The success recorded in our investment services and Bancassurance business was driven by strengthened client relationships
- Our Relationship Managers and Investment Advisors continued to invest millions of dollars worth of client assets in both local and global capital markets. They also held a number of strategic sessions with clients to ensure they kept abreast of key trends in the market and the investment landscape.
- In 2017 we enhanced our wealth solution offering. We introduced offshore mutual funds to give our clients the option to diversify their investments through professionally managed funds. With this new addition to our offering, we expect to see an increase in the number of clients investing through Standard Chartered Bank Zambia Plc.

We also reintroduced our cash secured overdraft solution which gives individual clients with fixed deposits access to an affordable overdraft facility on their account.

Outlook for 2018

Looking forward, we anticipate 2018 will be a transformative year in which our wealth management proposition will be anchored in the customer value proposition across all individual and business client segments of the bank. Our focus will be to help our clients adapt to the changing landscape and support them make informed decisions. We will seek to 'drive prosperity' as we further expand our offering to give clients access to investment products in local and foreign currency, and refine our insurance solutions.

We will also continue to invest in the advisory capabilities of the Wealth Management team, automate key processes to broaden delivery to more clients, and accelerate the uptake of wealth solutions by our retail and commercial clients.

Support functions

Our client-facing businesses are supported by eight support functions, which work together to support the Bank's day-to-day operations run smoothly and are compliant with banking regulations.

IT & Operations
Responsible for the Bank's operations, Systems development and technology Infrastructure

Human Resources
Recruits and builds talent while providing learning and development opportunities to motivate colleagues

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

Compliance
Ensures that business is conducted in line with regulatory expectations

Risk
Responsible for the sustainability of our business through good management of risk across the Group

Finance & Administration
Incorporates five support functions: Finance, Strategy, Investor Relations, Supply Chain and Property. (CRES)

Corporate Affairs & Brand and Marketing
Manages the Group's communications and engagement with stakeholders in order to protect and promote the Group's reputation, brand and services

Internal Audit
Provide third line of defence to all the other functions.

Products and services

Retail Products
- Deposits
- Savings
- Mortgages
- Credit cards
- Personal loans

Wealth
- Investments
- Portfolio management
- Insurance and advice
- Planning services

Transaction Banking
- Cash management
- Payments and transactions
- Securities services
- Trade finance products

Financial Markets
- Investment
- Risk management
- Debt capital markets

Ability to offer Corporate Finance products e.g. Structured & project financing, Strategic advice & Mergers and acquisitions

Board of Directors

Committee Key

- Committee Chair shown in green
- (A) Board Audit Committee
- (R) Board Risk Committee
- (C) Board Credit Committee

Dr Caleb M Fundanga (65)

Independent Non-Executive Director

Appointed: 01/04/17

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

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

He served as Director on the Board of the African Export and Import Bank in Cairo, Egypt from 2002 to 2013. He was also a member of the Executive Committee of the Board during this period.

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

Dr. Fundanga obtained his Bachelor's Degree in Economics at the University of Zambia. He obtained his Master's Degree at the University of Manchester in the United Kingdom and his PhD at the University of Konstanz in the Federal Republic of Germany.

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

Age: 65 years

Other Boards:

Partnership for Making Finance Work for Africa Advisory Council based at the African Development Bank in Abidjan, Cote d'Ivoire)

APlus General Insurance – Chairman

Commonwealth Partnership for Technology Management (Smart partners, based in London) – Alternate Member of the Board.

Financial Stector Deepening Zambia - Chairman

African Economic Research Consortium - Member of the Programm Committee

Shares in SCBZ – 11,068

(R)

Robin Peter Steuart Miller (58)

Independent Non - Executive Director

Appointed: 7/08/12

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 was 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: 58 years

Other Board Directorships:

Madison General Insurance Company Ltd

Lilayi Development Company Limited

City Investments Limited

Zariant Zambia Limited.

Shares in SCBZ - NIL

(A)

Kapambwe Doreen Chiwele (54)

Independent Non-Executive Director

Appointed: 1/10/16

Kapambwe Doreen Chiwele is a Chartered Global Management Accountant (United Kingdom), and holds a Bachelor of Accountancy degree from the University of Zambia - Ndola campus (renamed Copperbelt University). She is a fellow of both the Chartered Institute of Management Accountants, as well as the Zambia Institute of Chartered Accountants, 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 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 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 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 has also worked as Accountant at the United States Agency for International Development, among others.

Kapambwe 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: 54

Other Board Directorships:

Lubu Road School

Shares in SCBZ: NIL

(A)

Richard Martin Etemesi (53)
Non Executive Director

Appointed: 22/05/14

Richard Etemesi is currently the Vice-Chairman, Africa for Standard Chartered Bank responsible for supporting the execution of the Bank's strategic intent in Africa with emphasis on exemplary governance for all Standard Chartered business interests across Africa by helping to instill a strong corporate governance culture and robust risk and control processes across the Bank in the region.

Prior to his appointment as Vice-Chairman, he was the Chief Executive Officer Standard Chartered Bank South Africa and Southern Africa for a period of three-and-a-half years Between 2006 – 2013 Richard was the Chief Executive Officer Standard Chartered Bank Kenya and also the Area General Manager for East Africa with responsibility for the overall growth and development of SCB's business within the region.

Richard is a seasoned banker with over 25 years of banking experience mostly in Africa, but has also worked on assignments in the UK and Singapore. He has rich experience across the Group's footprint in the African region, having served as the Head of Corporate Banking in Zambia, Chief Executive Officer of SCB Uganda, and Chief Financial Officer & Strategy Director for SCB Kenya, among other roles. Before joining Standard Chartered, Richard worked as a financial management consultant with Coopers & Lybrand Africa.

Richard holds a Bachelor of Commerce degree in Accounting from University of Nairobi and a Msc. in Finance from the University of Strathclyde in Glasgow, Scotland.

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

A

Louise Vogler (47)
Non Executive Director

Appointed: 29/05/15

Louise Vogler is currently the Regional Chief Credit Officer AME and Global Financial Institions Risk, 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: 47 years

Other Board Directorships:

Standard Chartered Bank Nigeria

Shares in SCBZ: NIL

C

Munakopa Sikaulu (44)
Independent Non Executive Director

Appointed: 01/08/17

Mr. Munakopa L. Sikaulu is a partner in SLM Legal Practitioners, a leading financial commercial law practice in Zambia. He is the holder of a Bachelor of Laws degree from the University of Zambia where he graduated in 1995 and a Master of Laws degree in Banking and Finance from the London School of Economics where he graduated in 2000. Mr. Sikaulu is an advocate of 20 years standing having been called to the Bar in 1996 after successfully completed studies at the Zambia Institute of Advanced Legal Studies.

A Zambian national, Mr. Sikaulu has vast experience of commercial activities in Zambia. He is specialised in the Law of Banking and Finance and has advised and represented local, regional and international banks, financial institutions and companies on various transactions in Zambia as well as in commercial litigation matters. Mr. Sikaulu, who sits on the Council of the Law Association of Zambia, is a member of the International Bar Association and Commonwealth Lawyers Association. He serves on a number of boards which include Prima Re-insurance Limited and Hollard Insurance Zambia Limited and has previously served on the board of Entreprenuers Financial Centre Zambia Limited.

Age: 44 years

Other Board Directorships:
Hollard Insurance Zambia Limited
Prima Reinsurance Plc
Brentwood Estates Limited
Brentwood Farms Limited
Baswe Limited
Belgravia Services Limited
Africa Global Development Corporation Limited
Java Foods Limited
Alpha Commodities Limited

Shares in SCBZ: NIL C

Herman Kizito Kasekende (51)
Director /Chief Executive Officer

Appointed: 27/02/17

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

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

Herman joined Standard Chartered Bank in 1998 and has held various positions in different functions. These include Regional Head of SME Products & Solutions – Africa, 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 was also an advisor on the Uganda Chamber of Mines and Petroleum Board, and the former Chairman, Uganda Institute of Banking and Financial Services Board.

Age: 51 years
Other Boards – NIL

Venus Hampinda (36)
Director /Chief Financial Officer

Appointed:01/07/17

Venus Hampinda is a certified chartered Accountant and a Fellow of Zambia Institute of Chartered Accountants with over 15 years experience in financial management, accounting, risk management and auditing. Venus was appointed to the Standard Chartered Bank Zambia Plc Board on 1st July 2017.

Prior to her current appointment, Venus served as Head of Finance in Standard Chartered Bank Zambia Plc for over a year. Before joining Standard Chartered Bank Zambia Plc, Venus worked as a Director Finance and Corporate Planning as well as Director Risk and Internal Audit at Zambia National Building Society. She also worked at Zanaco Bank Plc as a Senior Relationship Manager as well as PricewaterhouseCoopers in Zambia and the United Kingdom.

Venus previously served as a member of the Zambia Electricity Supply Corporation (ZESCO) Audit and Risk Management Committee of the Board of Directors and Trustee of the ZNBS Pension Fund Scheme Board of Trustees.

Age: 36 years

Other Boards – NIL

Shares in SCBZ – NIL

Executive Management Team

Herman Kasekende
Managing Director and Chief Executive Officer

Venus Hampinda
Chief Financial Officer

Olusegun Omoniwa
Head of Wealth Management

Mutu Mubita
Head of Human Resources

Emmanuel Banda
Country Head of Global Banking

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

Rose Kavimba
Head of Legal and Company Secretary

Sonny Zulu
Head of Retail Banking – Zambia and Southern Africa

Kabwe Mwaba
Head of Financial Markets – Zambia and Head of ALM - Southern Africa

Fanwell Phiri
Country Chief Risk Officer

Emmy Kumwenda
Head of Commercial Banking

Mwaya Siwale
Head of Transaction Banking

Peter Zulu
Head of Compliance

Mashall Shampongo
Head Internal Audit

Musonda Musakanya
Chief Information Officer

Kwale Luputa
Acting Head of Corporate Affairs, Brand & Marketing

The Year in Pictures

Directors' Report

The directors are pleased to submit their report and the audited consolidated and separate financial statements for the year ended 31 December 2017, of Standard Chartered Bank Zambia Plc ("the Bank") and its subsidiary, Standard Chartered Securities Services Nominees Limited (together "the Group").

Standard Chartered 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 26 February 2018, the Directors recommended a final dividend of ZMW 0.12 per share for the year ended 31 December 2017. This together with the interim dividend for 2017 already paid of ZMW 0.05 per share makes a total dividend for 2017 of ZMW0.17 per share.

Share capital

During the year 2017, the paid up primary capital of the Bank was ZMW 416, 745,000 (2016: ZMW 416,745,000). The authorised share capital of the Bank was ZMW 450, 000,000.The Bank has issued ZMW 416, 745,000 ordinary shares with a nominal value of ZMW 0.17 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 ZMW1,226,000 (2016: 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 706. The total remuneration to employees during the year amounted to ZMW 313,649,000 (2016: ZMW 279,785,000) and the total number of employees was as follows:

Month	Number	Month	Number
January	683	July	713
February	690	August	707
March	721	September	705
April	723	October	702
May	718	November	703
June	710	December	699

Property and equipment

The Group purchased property and equipment amounting to ZMW 9,433,000 (2016: ZMW 35,270,000) 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 34.

Directors

For the period under review, there have been three changes to the Board of Directors. Mr. Michael Mundashi, SC retired as Independent Non-executive Director and Board Chairman effective 28th September 2017. Dr. Fundanga was appointed as Board Chairperson effective 1st October 2017. Mr. Munakopa Sikaulu and Ms. Venus Hampinda were appointed as Independent Non-executive Director and Executive Director- Finance and Administration respectively in 2017. A full list of directors is available on pages 14-15.

Secretariat

There has been no change to the Secretariat during 2017.

Directors' interests in ordinary shares

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

Dr. Caleb Fundanga - Board Chairman has 11,068 shares in Standard Chartered Bank Zambia Plc.

Activities

The Group engages principally in the business of commercial banking in its widest aspects and in the provision of related services. The Group also runs 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 Bank believes that induction and ongoing development of the Board members is necessary to ensure that the directors have the requisite knowledge and understanding of the Bank and the market that it operates in for them to effectively carry out their roles as directors. During the year 2017, Dr. Caleb Fundanga, Mr. Munakopa Sikaulu and Ms. Venus Hampinda underwent induction following their appointment to the Board. During the year, the Board was trained in Conduct, Internal Credit Adequacy Assessment Process (ICAAP) IFRS 9 & 16 and Operational Risk Framework.

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 code of conduct on 24 November 2017.

Research and development

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

Prohibited borrowing or lending

There were 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.

Following the enactment of the Securities Act of Zambia in December 2016, the Securities and Exchange Commission (SEC) issued a public notice temporarily exempting the Board of Directors and Auditors of a listed company or company whose securities are registered with the Commission, from reporting on the effectiveness of the company's internal control system in the annual report as required by section 147.

The exemption covering periods ending on or before 31 December 2018 is to allow the Commission and stakeholders develop and implement an appropriate reporting framework to guide the form and content of compliance with the requirements of the Act.

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

26 February 2018

STANDARD CHARTERED BANK ZAMBIA PLC RECORD OF ATTENDANCE OF BOARD /BOARD COMMITTEES MEETINGS HELD IN 2017

MAIN BOARD MEETINGS

No. of Board Meeting 2017	1/2017 (Adhoc)	2/2017 (Main Board)	3/2017 (AGM)	4/2017 (Main Board)	5/2017 (Main Board)	6/2017 (Main Board)	7/2017 (Board Strategy)	Total
Date of Meeting	28/02 11:00 SCBZ	03/03 15:30 SCBZ	31/03 09:00 Pamodzi hotel	24/05 11:00 SCBZ	04/08 11:00 SCBZ	24/11 11:00 SCBZ	21/12 LILAYI LODGE	7
Michael Mundashi (Outgoing Chairman)	√	√	√	√	√	N/A	N/A	5
Dr. Caleb M Fundanga (Incoming Chair)	N/A	√	√	√	√	√	√	6
Robin Miller	√	√	√	√	√	√	√	7
Herman Kasekende	√	√	√	√	√	√	√	7
Kapambwe Doreen Chiwele	√	√	√	√	√	√	√	7
Munakopa Sikaulu	N/A	N/A	N/A	N/A	√*BI	√	√	3
Richard Etemesi	VC	√	√	VC	VC	VC	AP	6
Louise Vogler	√	√	√	√	√	√	√	7
Venus Hampinda	N/A	N/A	N/A	N/A	√	√	√	3

NOTE THAT MICHAEL MUNDASHI RETIRED AND ANDREW OKAI RESIGNED FROM THE BOARD EFFECTIVE 28TH SEPTEMBER 2017 AND 1ST FEBRUARY 2017 RESPECTIVELY. FURTHER NOTE MR. MUNAKOPA SIKAULU AND MS. VENUS HAMPINDA WERE APPOINTED TO THE BOARD EFFECTIVE 1ST AUGUST 2017 AND 1ST JULY 2017 RESPECTIVELY.

BOARD AUDIT COMMITTEE (AC) MEETINGS

No. of AC Meeting 2017	1/2017	2/2017	3/2017	4/2017	5/2017	Total
Date of Meeting	Adhoc 24/02 SCBZ Board Room	02/03 09:00 SCBZ Board Room	23/05/2017 09:00 SCBZ Board Room	03/08/2017 09:00 SCBZ Board Room	18/11/2017 09:00 SCBZ Board Room	5
Kapambwe Doreen Chiwele(Chairlady)	√	√	√	√	√	5
Herman Kasekende	N/A	√ BI	N/A	N/A	N/A	1
Venus Hampinda	N/A	N/A	N/A	√	√	2
Robin Miller	√	√	√	√	√	5
Caleb Fundanga	N/A	N/A	√ BI	√ BI	N/A	2
Richard Etemesi	VC	AP	VC	VC	VC	4
Louise Vogler	√	√	√	√	√	5

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

- ***BI – By invitation**

BOARD CREDIT COMMITTEE (CC) MEETINGS

No. of CC Meeting 2017	1/2017	2/2017	3/2017	4/2017	Total
Date of Meeting	02/03/2017 11:00 SCBZ Board Room	23/05/2017 11:15 SCBZ Board Room	03/08/2017 11:00 SCBZ Board Room	24/11/2017 11:00 SCBZ Board Room	4
Robin Miller (Chairman)	√	√	√	√	4
Kapambwe D. Chiwele	√	√	√	√	4
Herman Kasekende	√	√	√	√	4
Venus Hampinda	N/A	N/A	√	√	2
Louise Vogler	√	√	√	√	4
Caleb Fundanga	N/A	√*BI	√ *BI	N/A	2
Munakopa Sikaulu	N/A	N/A	√ *BI	√ *BI	2

BOARD RISK COMMITTEE (RC) MEETINGS

No. of RC Meeting 2017	1/2017	2/2017	3/2017	4/2017	Total
Date of Meeting	03/03/2017 14:00 SCBZ Board Room	23/05/2017 09:00 SCBZ Board Room	04/08/2017 09:00 SCBZ Board Room	24/11/2017 09:00 SCBZ Board Room	4
Kapambwe D. Chiwele (Chairlady)	√	√	√	√	4
Michael Mundashi	√	√	√	N/A	3
Richard Etemesi (vc)	VC * BI	N/A	N/A	N/A	1
Herman Kasekende	√	√	√	√	4
Robin Miller	BI*	N/A	N/A	N/A	1
Louise Vogler	√	√	√	√	4
Venus Hampinda	N/A	N/A	√	√	2
Munakopa Sikaulu	N/A	N/A	√ *BI	√ *BI	2
Caleb Fundanga	N/A	√*BI	√ *BI	N/A	2

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

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 In VC	Attendance By Audio	Total Attendance (In Person, VC & Audio)	%	Remarks
Chairman/ INED	Michael Mundashi	*8	8	N/A	N/A	8	100%	Attended all scheduled meetings. Retired effective 28th September 2017.
Chairman/INED	Caleb Fundanga	12	12	N/A	N/A	12	100%	Appointed as INED effective 1st April 2017 and as Board Chair effective 1st October 2017.
INED	Robin Miller	* 17	17	N/A	N/A	17	100%	Attended all scheduled meetings.
INED	Kapambwe D Chiwele	*20	20	N/A	N/A	20	100%	Attended all scheduled meetings.
INED	Munakopa Sikaulu	7	7	N/A	N/A	7	100%	Appointed to the board on 1st October 2017 and attended all scheduled meetings.
NED	Richard Etemesi	13	3	6	1	11	85%	He sent apologies for the AGM dry-run as he was en-route to Zambia for the AGM.
NED	Louise Vogler	*20	20	N/A	N/A	20	100%	Attended all scheduled meetings.
ED/CEO	Herman Kasekende	*16	16	N/A	N/A	16	100%	Appointed on 1st February 2017 and attended all scheduled meetings.
ED/CFO	Venus Hampinda	9	9	N/A	N/A	9	100%	Appointed on 1st July 2017 and attended all meetings invited for.

* Includes 1 adhoc meeting.

Corporate Governance

Our Approach

Standard Chartered Bank Zambia Plc ("Standard Chartered") is one of the Group's largest businesses in the Africa and Middle East region and also one of the oldest, having been in existence for over 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 was the first bank in Zambia to list on the Lusaka Stock Exchange on 30th November 1998.

The Board of Directors of Standard Chartered Bank Zambia Plc (the "Board") considers corporate governance to be a key factor in the long term success and continuity of any organisation. Often people talk about having an effective framework of Corporate Governance – Standard Chartered Bank Zambia Plc embodies that principle. Standard Chartered has robust processes in place to support an effective board which is underpinned by valued behaviours and a corporate culture which encourages openness, collaboration, a spirit of constructive challenge and inquiry, and a culture where there is clear accountability in relation to governance practices.

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

Rose Kavimba
Company Secretary

In November 2017, at the LuSE Corporate Governance Awards for the years 2016 and 2017, the Bank won several prestigious awards, namely, Awards for Exemplary Adherence to the Corporate Governance Code in 2016, 1st Runner Up for Best Dividend Payment 2017 and Exceptional Leadership and Direction for the Bank's Chief Executive Officer and Managing Director, Mr. Herman Kasekende.

Disclosure

The Board has the overall responsibility of ensuring that the highest standards of corporate governance are maintained and adhered to by the Bank. Our directors confirm that during the 2017 financial year, the Bank ensured substantive compliance with the Bank of Zambia and the LuSE Corporate Governance codes. The Board and senior management continue to engage in discussions with the LuSE with regard to the 25% public float requirement.

Our Board

As a Board, we take pride in our mix of tenure, experience, diversity and market knowledge. The Board presently comprises 8 members; 2 Executive Directors and 6 Non-Executive directors, 4 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.

At the Annual General Meeting in March 2017, the then Board Chairman, Mr. Michael Mundashi, SC announced that he intended to step down from the Board in Q3 2017, having led the Board as Chairman from 2009. Mr. Mundashi, SC resigned as Independent Non-Executive Director and Board Chairman effective 28th September 2017 and Dr. Caleb Fundanga was appointed as Board Chairperson effective 1st October 2017 following a rigorous selection process. Dr. Fundanga joined the Board as an Independent Non-Executive Director in March 2017.

Other significant changes to the Board in 2017 included the appointments of Mr. Munakopa Sikaulu and Ms. Venus Hampinda as Independent Non-Executive Director and Executive Director respectively.

Mr. Sikaulu is an advocate of 20 years standing and holds a Bachelor of Laws degree from the University of Zambia and a Master of Laws degree in Banking and Finance from the London School of Economics. He has vast experience in commercial activities and is specialized in banking law.

Ms. Hampinda has over 15 years of experience in Audit and Finance in both the private and the public sector. She has served in various roles and capacities in Zambia and the United Kingdom and brings to the Board a wealth of experience in financial administration and risk management.

The Board is collectively responsible for the long-term success of the Bank and for ensuring leadership within a framework of effective controls. The Board considers both the impact of its decisions and its responsibilities to all its stakeholders, including the Bank's employees, shareholders, regulators, suppliers, the environment and the communities in which the Bank operates in Zambia.

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

The Board meets quarterly and additional meetings are convened as and when required. The Board held 7 meetings during the 2017 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.

The Board delegates certain responsibilities to its committees to assist in carrying out its function of ensuring independent oversight. The Board also delegates authority for the operational management of the Bank's business to the Bank's Chief Executive Officer and his Executive Committee for matters which are necessary for the effective day-to-day running and management of the business.

Board Committees

The Bank has four sub committees of the Board through which the Board performs its oversight functions. These are the Board Audit Committee, the Board Risk Committee, the Board Credit Committee and the Board Remuneration and Nominations 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 comprises 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 the Committee is to ensure the integrity of the financial reporting process and supporting internal controls and to maintain a sound risk management environment as stipulated by the Bank of Zambia Corporate Governance Directives and other financial regulations.

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

The Committee met 4 times during the year and was chaired by an Independent Non-Executive Director, Mrs. Kapambwe Doreen Chiwele.

Board Risk Committee

The Board Risk Committee comprises two (2) Independent Non-Executive Directors, one (1) Non-Executive Director and one (1) 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 company'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 Mrs. Kapambwe Doreen Chiwele.

Board Credit Committee

The Board Credit Committee comprises two (2) Independent Non-Executive Directors and two (2) Executive Directors. The Committee exercises oversight on behalf of the Board on all matters incidental to credit and loan approvals, applications and advances made by the Bank and makes recommendations to the Board on the company's overall credit risk appetite. The Committee met 4 times during the year and is chaired by an Independent Non-Executive Director, Robin Miller.

Board Remuneration and Nomination Committee

The Board Remuneration and Nomination Committee comprises three (3) Non Executive Directors. The Committee was established and approved in November 2017. The Committee on behalf of the board will oversee and be accountable for the implementation and operation of the Bank's remuneration policies and procedures. It will periodically review the Company's remuneration policy to ensure continued compliance with country laws and regulations. The Committee will also review succession plans for the Board and Management.

The Committee will also be responsible for the Board Evaluation Review and make recommendations for the remuneration of Directors.

In accordance with the provisions of the Bank of Zambia Corporate Governance Code, the Committee will be chaired by the Board Chairman, Dr. Fundanga.

Board Effectiveness Review

The annual Board Effectiveness Review (BER) was conducted in 2017. The review comprised an evaluation of the effectiveness of the Board and its Committees. The Board discussed the outcome of the evaluation and an action plan was developed to address areas identified for improvement which included Board skill diversification, succession planning for senior management and the board, technological, market and operational risk skills and evolving accounting standards.

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 2017, the Board had various engagements with different stakeholders. The Board had opportunity to engage with the Group Chairman of Standard Chartered Plc to discuss the strategy of the Group as a whole. Further, the Board annually engages with the Group Audit Committee and Group Risk Committee Chairmen to discuss focus areas for the Bank's Audit and Risk Committees.

The Board was honored to host the Africa and Middle East Regional Management Team in July 2017 and the Group CEO, Mr. Bill Winters in September 2017.

During the year 2017, the Board was trained in Risk Management and the Operational Risk Framework, Outsourcing Guidelines, Financial Crime Compliance and ALCO reporting. Comprehensive induction sessions were held for Dr. Fundanga, Ms. Hampinda and Mr. Sikaulu on their joining the Board.

Conflicts of Interest

The Board has adopted a robust Conflict of Interest Policy which is reviewed every two years.

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.

We support Board members taking external directorships and other outside business interests and recognize the benefits greater boardroom exposure gives our directors. We closely monitor the number of directorships our Directors take on to satisfy ourselves that all of our Board Members comply with the requirements of the Bank of Zambia Corporate Governance Directives which require full disclosure of all business relationships held by Directors as well as any transactions that may pose a conflict of interest

Our Directors are clear on how they should manage their outside interests and how these may conflict with their duties as a Director of Standard Chartered Bank Zambia Plc.

All actual or potential conflicts of interest should be and are reported to the Company Secretary together with details of any benefits received.

For instance, if 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.

Further, we expect all our Board members to commit sufficient time to discharge their responsibilities. During the year 2017, the Board meeting attendance by the Board was on average 98%, a clear demonstration of the Board members commitment and ability to provide additional time.

Code of Conduct

The Board has adopted the Group Code of Conduct relating to the lawful and ethical conduct of business and this is supported by the Group's core values. The Code of Conduct is reviewed every two years and committed to annually. The Group Code of Conduct has been communicated to all Directors and employees, all of whom are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the Group operates. The Board recommitted to the Code of Conduct on 24th November 2017.

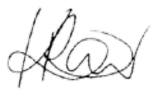
Regulatory Compliance

Standard Chartered demands the highest ethical standards in carrying out its business activities, acting with honesty and integrity with all regulatory authorities in Zambia and abroad. We strive to ensure that our relationship with all key regulators is cordial at all times.

The tone from the Board of Directors and Senior Management plays a critical role in setting the Bank's behaviours and what is expected in terms of the Bank's engagement with regulators which is considered to be important in as far as our business conduct is concerned.

It is common knowledge that the environment in which we operate in is becoming increasingly stringent in response to environmental changes, both global and local. Oversight by the regulatory authorities is also being heightened. Despite this, Standard Chartered with support from the Managing Director and Senior Management, has ensured exemplary compliance with the local regulatory requirements.

Standard Chartered is committed to ensuring that training and development of its employees is enhanced so that staff fully understand the regulatory environment in which the Bank operates. This helps the Bank meet its objectives and allows ongoing development of a professional, competent, versatile and motivated workforce that is in line with our corporate brand promise of being Here for Good.



Rose Kavimba
Company Secretary
26 February 2018

Sustainability

Our strategic objective to invest in the communities we operate in continues to be at the heart of everything we do. Our sustainability initiatives are fully integrated into our core strategy ensuring we remain a responsible company which invests in the communities we operate in. It guides everything we do, from the services we provide, to the way we run our Bank and support our communities.

Seeing is Believing

In 2017, the Bank supported the rehabilitation of three eye clinics in Mandevu, Bauleni and Chawama through our flagship avoidable blindness programme Seeing is Believing. Through these clinics, over 80, 000 households in these communities have benefited from eye care services. More Zambians now have access to affordable eye care in close proximity. Our Retail Banking team also supported an eye screening day at Arthur Davison Children Hospital in Ndola.

Road to Anfield

To promote Standard Chartered's global sponsorship of Liverpool Football Club, we held the Road to Anfield five-a-side soccer tournament in March. This tournament saw over thirty teams battle it out for a once in a lifetime experience to play at the iconic Anfield Stadium in Liverpool. The University of Zambia emerged as winners and represented Zambia at the regional tournament in Botswana.

"Through these clinics, over 80, 000 households in these communities have benefited from eye care services. More Zambians now have access to affordable eye care in close proximity."

Kwale Luputa
Acting Head of Corporate Affairs, Brand & Marketing
26 February 2018

Education - Goal

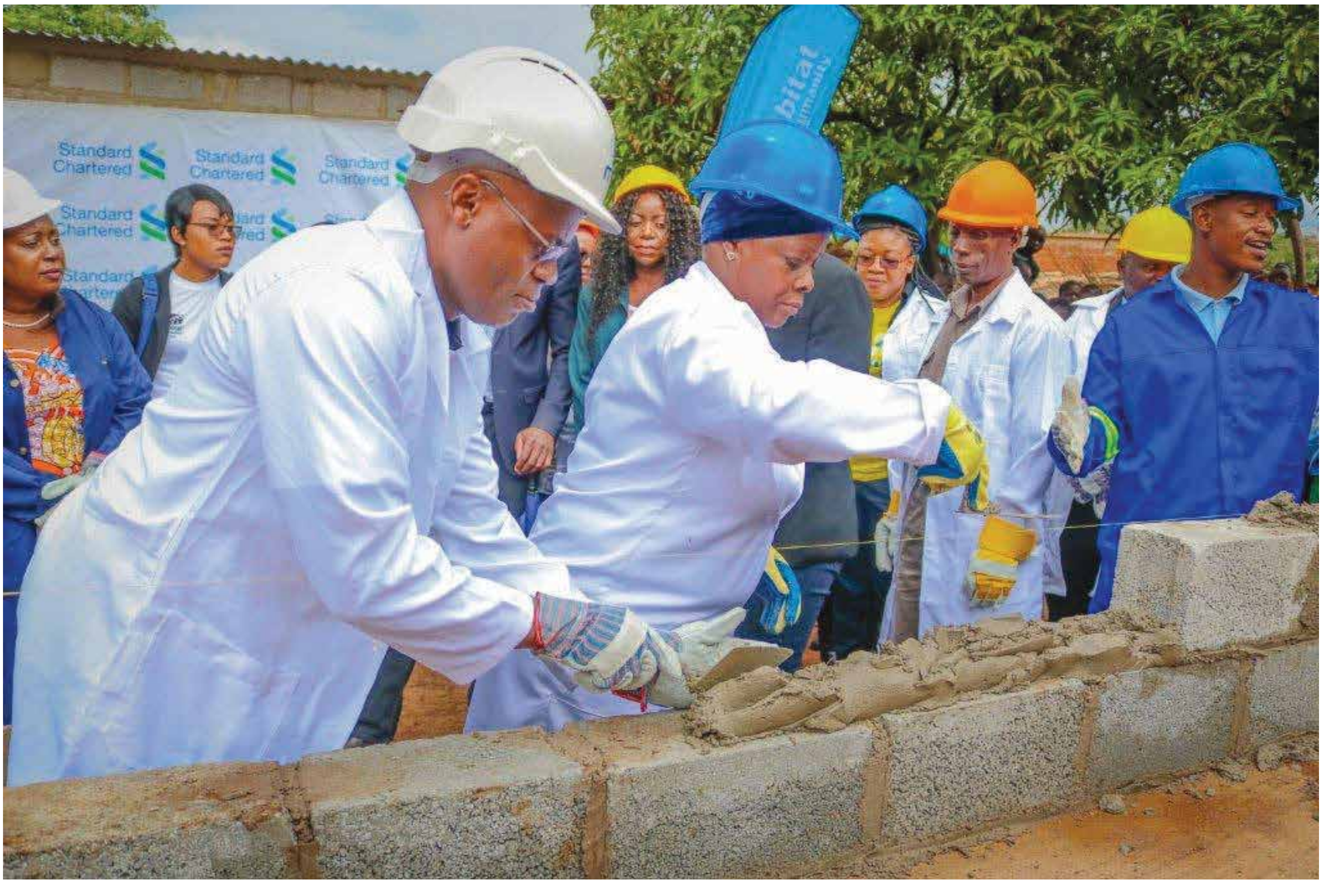
The Goal Programme aims to empower adolescent girls with life skills through sport. In 2017, the programme trained over three thousand girls across the country. Since the launch of this programme in 2011, Goal has empowered over nine thousand girls. The Bank remains firmly committed to supporting education in Zambia through the Goal programme.

Financial Education for Youth (FE4Y)

Through the Bank's Financial Education for Youth (FE4Y) programme, staff volunteered their time to deliver sessions to over five hundred young people in the country. These sessions were given to girls in the Kamanga community, Kamulanga Secondary School and University of Lusaka.

Women's Empowerment

In partnership with Habitat for Humanity Zambia, Lafargeholcim and MMI steel, Standard Chartered Bank Plc, doubled the reach of the annual Women's Build by constructing decent housing and empowering four disadvantaged women-led households in Mapepe township. The event was graced by the First Lady of the Republic of Zambia, Madam Esther Lungu.



Herman Kasekende CEO Standard Chartered Bank Zambia Plc joins the First Lady of the Republic of Zambia Mrs. Esther Lungu in Mapepe Chilanga at the Women's Build initiative supporting less privileged women with cost effective modern housing.

Standard Chartered Bank Zambia Plc

Consolidated and separate financial statements

for the year ended 31 December 2017

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 2017, 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 a summary 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.

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 26 February 2018 and were signed on its behalf by:

C. Fundanga

Chairman

H. Kasekende

Managing Director

V. Hampinda

Executive Director - Finance and Administration

KPMG Chartered Accountants
First Floor, Elunda Two
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Rhodes Park,
P.O Box 31282
Lusaka Zambia

Telephone +260 2 11372900
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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 34 to 99, which comprise the consolidated and separate statement of financial position as at 31 December 2017, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Standard Chartered Bank Zambia Plc as at 31 December 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the 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 relates to our audit of both the consolidated and the separate financial statements.

<table>
<tr><th colspan="2">Impairment of loans and advances to customers</th></tr>
<tr><td colspan="2">See note 4 use of estimates 5(a) (i) 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</td></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed</th></tr>
<tr><td>The impairment of loans and advances is estimated by the directors through the exercise of judgement and use of highly subjective assumptions.

The last few years have been underlined by a number of economic challenges faced by the Group's 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, low prices of copper and low market liquidity. While the economy has performed better in the current year, these challenges still have a lag effect on the sector's customers' ability to meet their loan commitments resulting in an increase in loan write-offs and 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 a methodology which incorporates observable data, assumptions and estimates. Management applies judgement in determining the appropriateness of the methodology, analysing the observable data, determining appropriate assumptions and formulating estimates.

Due to 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 financial statements.</td>
<td>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 evaluated 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 evaluated 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 evaluated 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 evaluated the reasonableness of key inputs such as historical default rates, loss rates, collateral valuation, economic factors and considered the sensitivity of these inputs on the assessment of impairment.

- We also evaluated the appropriateness of the accounting policies and evaluated the loan impairment methodologies across the Group and Bank with the requirements of IAS 39.</td></tr>
</table>

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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current 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 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 records; and
- we have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

KPMG Chartered Accountants

1 March 2018

Maaya Chipwayambokoma

Partner

AUD/F000861

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

for the year ended 31 December 2017

	Note	Group and Bank 2017 K'000	2016 K'000
Interest income	8	**940,215**	958,662
Interest expense	9	**(302,056)**	(308,555)
Net interest income		**638,159**	650,107
Fee and commission income	10	**239,648**	225,251
Fee and commission expense	10	**(22,463)**	(22,916)
Net fee and commission income		**217,185**	202,335
Net trading income	11	**146,350**	156,753
Net income from financial instruments at fair value through profit or loss	12	**81,691**	26,092
Revenue		**1,083,385**	1,035,287
Other income	13	**139**	8,740
Impairment on loans and advances	24	**(41,138)**	(20,580)
Personnel expenses	14	**(313,649)**	(279,785)
Depreciation, amortisation, premises and equipment expenses	14	**(63,872)**	(61,800)
Other expenses	14	**(207,861)**	(119,274)
Profit before income tax		**457,004**	562,588
Income tax expense	15(a)	**(172,053)**	(215,409)
Profit for the year		**284,951**	347,179
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	15(b)	**73,474**	16,917
Net amount reclassified to profit or loss		**-**	(3)
Related taxes	15(b)	**(25,716)**	5,709
Other comprehensive income for the year, net of income tax		**47,758**	22,623
Total comprehensive income for the year		**332,709**	369,802
Earnings per share			
Basic and diluted earnings per share (Kwacha)	16	**0.171**	0.208

The notes on pages 40 to 99 are an integral part of these financial statements.

Consolidated and separate statement of financial position

as at 31 December 2017

		Group		Bank	
	Note	2017 K'000	2016 K'000	2017 K'000	2016 K'000
Assets					
Cash and cash equivalents	19	**2,750,471**	2,048,645	**2,750,471**	2,048,645
Cash on hand and balances at Bank of Zambia	18	**1,038,238**	1,840,427	**1,038,238**	1,840,427
Pledged assets	20	**98,000**	60,000	**98,000**	60,000
Investment in subsidiary	22	**-**	-	**5**	5
Derivative financial instruments	23	**14,237**	31,511	**14,237**	31,511
Loans and advances to customers	24	**2,612,689**	2,758,591	**2,612,689**	2,758,591
Investment securities	21	**1,957,795**	1,098,777	**1,957,795**	1,098,777
Operating lease prepayments	27	**460**	479	**460**	479
Prepayments and other receivables	28	**251,208**	293,784	**251,208**	293,784
Property and equipment	25	**61,674**	48,462	**61,674**	48,462
Intangible assets	26	**14,607**	17,503	**14,607**	17,503
Current tax assets	15(c)	**52,200**	-	**52,200**	-
Deferred tax assets	15(d)	**-**	12,764	**-**	12,764
Total assets		**8,851,579**	**8,210,943**	**8,851,584**	**8,210,948**
Liabilities					
Amounts payable to group banks	19	**171,768**	148,749	**171,768**	148,749
Amounts payable to non-group banks	19	**1,949**	707	**1,949**	707
Derivative financial instruments	23	**9,326**	7,798	**9,326**	7,798
Deposits from customers	29	**7,304,664**	6,797,789	**7,304,664**	6,797,789
Dividends payable	17	**1,225**	1,261	**1,225**	1,261
Subordinated liabilities	30	**40,000**	39,700	**40,000**	39,700
Accruals and other payables	32	**412,677**	361,687	**412,682**	361,692
Provisions	31	**36,431**	32,189	**36,431**	32,189
Current tax liabilities	15(c)	**-**	63,590	**-**	63,590
Deferred tax liabilities	15(d)	**55**	-	**55**	-
Total liabilities		**7,978,095**	**7,453,470**	**7,978,100**	**7,453,475**
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		**37,156**	(10,602)	**37,156**	(10,602)
Credit reserves		**60,824**	41,948	**60,824**	41,948
Capital contribution		**17,312**	17,312	**17,312**	17,312
Retained earnings		**329,162**	279,785	**329,162**	279,785
Total equity		**873,484**	757,473	**873,484**	757,473
Total liabilities and equity		**8,851,579**	**8,210,943**	**8,851,584**	**8,210,948**

These financial statements were approved by the board of directors on 26 February 2018 and were signed on its behalf by:

C. Fundanga
Chairman

H. Kasekende
Managing Director

V. Hampinda
Director Finance and Administration

R. Kavimba
Company Secretary

The notes on pages 40 to 99 are an integral part of these financial statements.

Consolidated and separate statement of changes in equity

for the year ended 31 December 2017

Group and Bank	Share capital	Statutory reserves	Fair value reserves	Credit reserves	Share-based payment reserve	Capital contribution	Retained earnings	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Balance at 1 January 2017	**416,745**	**12,285**	**(10,602)**	**41,948**	**-**	**17,312**	**279,785**	**757,473**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	284,951	284,951
Other comprehensive income net of income tax								
Fair value reserve on available-for-sale investment securities								
- Net change in fair value	**-**	**-**	**47,758**	**-**	**-**	**-**	**-**	**47,758**
Total comprehensive income for the year	**-**	**-**	**47,758**	**-**	**-**	**-**	**284,951**	**332,709**
Transfers	-	-	-	18,876	-	-	(18,876)	-
Transactions with owners, recognised directly in equity								
Dividends (note 17)	-	-	-	-	-	-	(216,698)	(216,698)
Share based payment transactions	-	-	-	-	1,588	-	(1,588)	-
Distribution of share based payments	-	-	-	-	(1,588)	-	1,588	-
Total contributions by and distributions to Owners	**-**	**-**	**-**	**-**	**-**	**-**	**(216,698)**	**(216,698)**
Balance at 31 December 2017	**416,745**	**12,285**	**37,156**	**60,824**	**-**	**17,312**	**329,162**	**873,484**

Consolidated and separate statement of changes in equity (continued)

for the year ended 31 December 2017

	Share capital K'000	Statutory reserves K'000	Fair value reserves K'000	Credit reserves K'000	Share-based payment reserve K'000	Capital Contribution K'000	Retained earnings K'000	Total 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	-	-	22,623	-	-	-	-	22,623
Total comprehensive income for the year	-	-	22,623	-	-	-	347,179	369,802
Transfers	-	-	-	861	-	-	(861)	-
Unclaimed 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 *(continued)*

for the year ended 31 December 2017

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 business. The franchise value is the amount paid on behalf of the Bank by Standard Chartered Plc for the acquisition of the Security Services business.

Retained earnings

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

Statutory reserves

Statutory reserves 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 40 to 99 are an integral part of these financial statements.

Consolidated and separate statement of cash flows

for the year ended 31 December 2017

	Note	Group and Bank 2017 K'000	2016 K'000
Cash flow from operating activities			
Profit before tax		**457,004**	562,588
Adjustment for:			
Depreciation of property and equipment	25	**17,240**	19,227
Amortisation of intangible assets	26	**2,896**	3,636
Equity-settled share-based payments transaction	37	**1,588**	199
Expensed portion of leasehold land prepayment	27	**19**	14
Impairment losses	24	**41,138**	20,580
Gain on disposal of property		**-**	(2,552)
Net interest income	8,9	**(638,159)**	(650,107)
Effect of exchange rate fluctuations on subordinated loan capital	30	**300**	(4,247)
		(117,974)	(50,662)
Change in operating assets and liabilities			
Change in pledged assets		**(38,000)**	-
Change in loans and advances to customers		**145,902**	775,172
Change in derivative financial instruments		**18,802**	38,832
Change in prepayments and other receivables		**42,576**	(131,300)
Change in deposits from customers		**506,875**	(660,016)
Change in provisions		**4,242**	12,153
Change in accruals and other payables		**50,990**	122,633
		613,413	106,812
Interest received		**871,418**	893,094
Interest paid		**(199,747)**	(199,420)
		671,671	693,674
Net cash generated from operating activities before taxation		**1,285,084**	800,486
Income tax paid	15(c)	**(248,796)**	(111,751)
Net cash generated from operating activities		**1,036,288**	688,735
Cash flows from investing activities			
Purchase of property and equipment	25	**(30,452)**	(42,753)
Investment in government securities		**(1,658,044)**	(686,977)
Proceeds from maturity/sale of investment securities		**761,954**	596,835
Proceeds from disposal of property and equipment		**-**	2,700
Net cash used in investing activities		**(926,542)**	**(130,195)**
Cash flows from financing activities			
Dividends paid	17	**(216,734)**	(266,717)
Net cash used in financing activities		**(216,734)**	**(266,717)**
Net (decrease)/increase in cash and cash equivalents		**(106,988)**	**291,823**
Cash and cash equivalents at beginning of year		**3,739,616**	3,496,288
Effect of exchange rate fluctuation on cash held		**(17,636)**	(48,495)
Cash and cash equivalents at end of year	19	**3,614,992**	3,739,616

The notes on pages 40 to 99 are an integral part of these financial statements.

Notes to the consolidated and separate financial statements

for the year ended 31 December 2017

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 wholesale and consumer 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 authorized for issue by the Group's board of directors at its meeting held on 26th February 2018.

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 Group'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 2017 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 26 – impairment testing for Cash Generating Units (CGUs) containing goodwill: key assumptions underlying recoverable amounts; and
- Impairment of loans and advances – Loans and advances are accounted for at amortised cost and 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.

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.

Notes to the consolidated and separate financial statements (continued)
for the year ended 31 December 2017

5 Financial risk management (continued)

a) **Credit risk** *(continued)*

i) **Credit quality analysis** *(continued)*

Group and Bank

		Loans and advances to customers		Investment securities		Lending commitments and financial guarantees	
		2017	2016	**2017**	2016	**2017**	2016
	Note	**K'000**	K'000	**K'000**	K'000	**K'000**	K'000
Maximum exposure to credit risk							
Carrying amount	24,21	**2,612,689**	2,758,591	**1,957,795**	1,098,777	**-**	-
Amount committed /guaranteed		**-**	-	**-**	-	**1,004,441**	603,183
Loans and advances at amortised cost							
Grade 1-11: Low - fair risk		**2,523,121**	2,688,237	**-**	-	**-**	-
Grade 12: Substandard		**21,885**	44,270	**-**	-	**-**	-
Grade 13: Doubtful		**28,476**	51,161	**-**	-	**-**	-
Grade 14: Loss		**87,035**	25,168	**-**	-	**-**	-
Total gross amount		**2,660,517**	2,808,836	**-**	-	**-**	
Allowance for impairment (individual and collective)	24	**(47,828)**	(50,245)	**-**	-	**-**	-
Net carrying amount		**2,612,689**	2,758,591	**-**	-	**-**	-

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

5 Financial risk management (continued)

a) **Credit risk** *(continued)*

i) **Credit quality analysis** *(continued)*

Group and Bank

	Note	Loans and advances to customers		Investment securities		Lending commitments and financial guarantees	
		2017	2016	**2017**	2016	**2017**	2016
		K'000	K'000	**K'000**	K'000	**K'000**	K'000
Available for sale							
Grade 1-11: Low-fair risk	*21*	-	-	**1,940,387**	984,200	-	-
Grade 12: Substandard		-	-	**-**	-	-	-
Grade 13: Doubtful		-	-	**-**	-	-	-
Grade 14: Loss		-	-	**-**	-	-	-
Total carrying amount		-	-	**1,940,387**	984,200	-	-
Allowance for impairment (individual)		-	-	**-**	-	-	-
At fair value through profit or loss		-					
Grade 1-11: Low-fair risk	*21*	-	-	**17,408**	114,577	-	-
Grade 12: Substandard		-	-	**-**	-	-	-
Grade 13: Doubtful		-	-	**-**	-	-	-
Grade 14: Loss		-	-	**-**	-	-	-
Total carrying amount		-	-	**17,408**	114,577	-	-

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

5 Financial risk management (continued)

a) **Credit risk** *(continued)*

i) **Credit quality analysis** *(continued)*

Group and Bank

	Loans and advances to customers		Investment securities		Lending commitments and financial guarantees	
	2017	2016	**2017**	2016	**2017**	2016
	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	**-**	-	**-**	-	**729,505**	380,653
Financial guarantees						
Grade 1 - 11 Low - fair risk	**-**	-	**-**	-	**274,936**	222,530
Total exposure	**-**	-	**-**	-	**1,004,441**	603,183

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

5 Financial risk management (continued)

a) **Credit risk** *(continued)*

i) **Credit quality analysis** *(continued)*

Group and Bank

	Loans and advances to customers		Investment securities		Lending commitments and financial guarantees	
	2017	2016	**2017**	2016	**2017**	2016
Neither past due nor impaired						
Grade 1 - 11: Low-fair risk	**2,523,121**	2,688,237	**-**	-	**-**	-
	2,523,121	2,688,237	**-**	-	**-**	-
Past due but not impaired						
Grade 12: Substandard	**21,885**	44,270	**-**	-	**-**	-
Grade 13: Doubtful	**28,476**	51,161	**-**	-	**-**	-
	50,361	95,431	**-**	-	**-**	-
Individually impaired						
Grade 14: Loss	**87,035**	25,168	**-**	-	**-**	-
	87,035	25,168	**-**	-	**-**	-
Total gross amount	**2,660,517**	2,808,836				
Allowance for impairment						
Individual	**16,344**	13,605	**-**	-	**-**	-
Collective	**31,484**	36,640	**-**	-	**-**	-
Total allowance for impairment	**47,828**	50,245	**-**	-	**-**	-

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.

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. All credit approvals related to the Corporate, Institutional and Commercial segment must be supported with a credit grade (CG) rated by a relevant scorecard. The Credit Gradings range from 1-14 with Grade 1 to 11C being the good book, 11-13 past due and 13 and above non performing loans. The Credit Grading is dependant on both financial and non financial factors with the financial element being derived from the latest audited financials of the counterparty which must be used to obtain the financial score. Non-financial factors must be answered conservatively, accompanied by clear and concise justification.

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

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

5 Financial risk management (continued)

a) Credit risk (continued)

i) Credit quality analysis (continued)

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.

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 2017.

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	
	2017	2016	**2017**	2016
Carrying amount	**2,612,689**	2,758,591	**1,957,795**	1,098,777
Agriculture	**421,085**	199,908	**-**	
Mining and quarrying	**32,375**	184,307	**-**	-
Manufacturing	**20,966**	364,514	**-**	-
Energy	**92,399**	-	**-**	-
Commerce	**234,734**	74,786	**-**	-
Financial services	**108,510**	128,363	**-**	-
Transport, Storage and Communication	**6,280**	1,060	**-**	-
Other	**137,249**	324,896	**1,957,795**	1,098,777
Retail:				
Mortgages	**114,570**	103,178	**-**	-
Unsecured lending	**1,444,521**	1,377,579	**-**	-
Total	**2,612,689**	2,758,591	**1,957,795**	1,098,777

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

5 Financial risk management (continued)

a) Credit risk (continued)

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 (2016: 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).

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	
	2017	2016
At 31 December	**46.87%**	29.81%
Average for the period	**42.28%**	27.66%
Maximum for the period	**54.69%**	33.17%
Minimum for the period	**29.21%**	21.55%

The minimum required by Bank of Zambia for core liquid assets is 6% (2016: 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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

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

2017	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
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Non-derivative liabilities							
Amounts payable to group banks	171,768	212,111	4,814	66,954	70,491	69,852	-
Amounts payable to non-group banks	1,949	1,949	1,949	-	-	-	-
Deposits from customers	7,304,664	7,431,064	5,771,912	1,288,220	290,100	80,832	-
Other payables	328,765	328,765	328,765	-	-	-	-
Subordinated liabilities	40,000	51,240	-	-	-	-	51,240
Total non-derivative liabilities	7,847,146	8,025,129	6,107,440	1,355,174	360,591	150,684	51,240
Derivative liabilities							
Derivative financial instruments	9,326	9,326	9,326	-	-	-	-
Total derivative liabilities	9,326	9,326	9,326	-	-	-	-
Off Balance sheet financial liabilities							
Loan commitments	725,337	725,337	-	-	725,337	-	-
Guarantees	274,936	274,936	21,054	142,253	64,437	47,192	-
Letters of credit	4,168	4,168	-	3,340	828	-	-
Off Balance sheet financial liabilities	1,004,441	1,004,441	21,054	145,593	790,602	47,192	-

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

5 Financial risk management (continued)

b) Liquidity risk (continued)

i) **Maturity analysis for financial liabilities** *(continued)*

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

Group and Bank

2016	Carrying amount K'000	Gross Nominal outflow K'000	Less than one month K'000	One month to three months K'000	Three months to one year K'000	One to five years K'000	More than five years K'000
Non-derivative liabilities							
Amounts payable to group banks	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	313,201	313,201	313,201	-	-	-	-
Subordinated liabilities	39,700	54,758	-	-	-	-	54,758
Total non-derivative liabilities	7,300,146	7,505,513	6,547,914	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	-	-	-	-
Off Balance sheet 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	39,869	2,382	2,898	34,588	-	-
Off Balance sheet financial liabilities	603,183	603,183	24,198	65,865	420,435	92,684	-

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

5 Financial risk management (continued)

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.

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

	Group and Bank			
	2017		2016	
Financial assets	**ZMW (%)**	**USD (%)**	ZMW (%)	USD (%)
Government bonds	**18.35%**	**0.00%**	21.11%	0.00%
Treasury bills	**15.34%**	**0.00%**	24.25%	0.00%
Loans and advances	**27.02%**	**7.14%**	27.95%	5.56%
Staff mortgages and other loans	**10.00%**	**0.00%**	10.00%	0.00%
Financial liabilities				
Placements with other banks	**17.59%**	**0.70%**	21.15%	0.24%
Customer deposits	**1.50%**	**0.02%**	11.53%	0.21%

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 2017

5 Financial risk management (continued)

c) Market risk (continued)

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

Group and Bank

2017		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		1,038,238	1,038,238	-	-	-	-
Cash and cash equivalents		2,750,471	2,300,471	-	350,000	100,000	-
Investment securities		1,957,795	508	-	244,066	987,578	725,643
Derivative financial instruments		14,237	-	-	14,237	-	-
Loans and advances to customers		2,612,689	-	2,612,689	-	-	-
Total assets		8,373,430	3,339,217	2,612,689	608,303	1,087,578	725,643
Liabilities							
Amounts payable to group banks		171,768	4,814	-	66,954	50,000	50,000
Amounts payable to non-group banks		1,949	1,949	-	-	-	-
Deposits from customers		7,304,664	5,108,241	537,271	1,288,220	290,100	80,832
Derivative financial instruments		9,326	-	-	9,326	-	-
Subordinated liabilities		40,000	-	40,000	-	-	-
Total liabilities		7,527,707	5,115,004	577,271	1,364,500	340,100	130,832
Gap		845,723	(1,775,787)	2,035,418	(756,197)	747,478	594,811
Impact of increase in	5%	101,771	-	101,771	-	-	-
interest rate	10%	203,542	-	203,542	-	-	-
Impact of decrease in	2.50%	(50,885)	-	(50,885)	-	-	-
interest rate	7.5%	(152,656)	-	(152,656)	-	-	-

On the impact, a positive means increase in the profit and negative means reduction in the profit. Therefore a 5% increase in interest rates would improve the profitability by ZMW101, 771. 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 2017

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
Interest Rate Sensitivity analysis							
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	7.5%	(165,725)	-	(165,725)	-	-	-

On the impact, a positive means increase in the profit and negative means reduction in the profit. Therefore a 5% increase in interest rates would improve the profitability by ZMW110, 483. 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 2017

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

2017	**ZMW**	**USD**	**GBP**	**ZAR**	**Euro**	**Others**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Monetary assets	**4,595,286**	**2,541,621**	**1,344,195**	**32,231**	**158,722**	**2,878**	**8,674,933**
Monetary liabilities	**(3,741,291)**	**(3,712,690)**	**(32,934)**	**(23,886)**	**(160,278)**	**(455)**	**(7,671,534)**
Net position	**853,995**	**(1,171,069)**	**1,311,261**	**8,345**	**(1,556)**	**2,423**	**1,003,399**

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

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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

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	
	2017	2016	**2017**	2016
USD	**9.53**	10.30	**10.00**	9.93
GBP	**12.32**	13.88	**13.52**	12.24
ZAR	**0.72**	0.71	**0.81**	0.72
EUR	**11.00**	11.41	**12.00**	10.47

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

	2017	2016	**2017**	2016
	USD	USD	**GBP**	GBP
USD	**(1,171,069)**	(762,484)	**-**	-
GBP	**-**	-	**1,311,262**	795,306

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;

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

5 Financial risk management (continued)

d) Capital management *(continued)*

Regulatory capital *(continued)*

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.

Computation of regulatory capital position at 31 December	Bank	
	2017	2016
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	**329,162**	279,785
(e) General reserves	**-**	-
(f) Statutory reserves	**12,285**	12,285
(g) Minority interests (common shareholders' equity)	**-**	-
(h) Sub-total A (items a to g)	**775,504**	726,127
Less:		
(i) Goodwill and other intangible assets	**(14,607)**	(17,503)
(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) Net unrealized gains(losses) on available for sale securities	**37,156**	(10,602)
(o) Sub-total B (items i to n)	**22,549**	(28,105)
Other adjustments		
Provisions		-
Assets of little or no realised value		-
Statutory stocks sundry debtors, cash advances, profit project accounts		-
Other adjustments	**(2,649)**	(3,609)
(p) Sub-total C (other adjustments)	**(2,649)**	(3,609)

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

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)]	**795,404**	694,413
II	**Secondary (tier 2) capital**		
	(a) Eligible preferred shares	-	-
	(b) Eligible subordinated term debt	**40,000**	39,700
	(c) Eligible loan stock / capital	-	-
	(d) Revaluation reserves. (Maximum is 40% of revaluation reserves)	-	-
	(e) Other	-	-
	(f) Total secondary capital	**40,000**	39,700
III	**Eligible secondary capital**	**40,000**	39,700
	(The maximum amount of secondary capital is limited to 100% of primary capital)		
IV	**Eligible total capital (I(p) + III) (Regulatory capital)**	**835,404**	734,113
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)**	**315,404**	214,113

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.

Notes to the consolidated and separate financial statements (continued)
for the year ended 31 December 2017

5 Financial risk management (continued)

e) Financial assets and liabilities *(continued)*

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

2017	Note	Trading K'000	Loans and receivables K'000	Available for-sale K'000	Other amortised cost K'000	Total carrying amount K'000
Financial Assets						
Cash and cash equivalents	*19*	-	2,750,471	-	-	2,750,471
Pledged assets	*20*	-	-	98,000	-	98,000
Investment securities	*21*	17,408	-	1,940,387	-	1,957,795
Derivative financial instruments	*23*	14,237	-	-	-	14,237
Loans and advances to customers	*24*	-	2,612,689	-	-	2,612,689
Total		31,645	5,363,160	2,038,387	-	7,433,192
Financial Liabilities						
Amounts payable to group banks	*19*	-	-	-	171,768	171,768
Amounts payable to non-group banks	*19*	-	-	-	1,949	1,949
Deposits from customers	*29*	-	-	-	7,304,664	7,304,664
Derivative financial instruments	*23*	9,326	-	-	-	9,326
Subordinated liabilities	*30*	-	-	-	40,000	40,000
Other payables		-	-	-	328,765	328,765
Total		9,326	-	-	7,847,146	7,856,472

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

5 Financial risk management (continued)

e) **Financial assets and liabilities** *(continued)*

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
Financial Assets						
Cash and cash equivalent	*19*	-	2,048,645	-	-	2,048,645
Pledged assets	*20*	-	-	60,000	-	60,000
Investment securities	*21*	114,577	-	984,200	-	1,098,777
Derivative financial instruments	*23*	31,511	-	-	-	31,511
Loans and advances to customers	*24*	-	2,758,591	-	-	2,758,591
Total		146,088	4,807,236	1,044,200	-	5,997,524
Financial 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
Derivative financial instruments	23	7,798	-	-	-	7,798
Subordinated liabilities	30	-	-	-	39,700	39,700
Other payables		-	-	-	313,201	313,201
Total		7,798	-	-	7,300,146	7,307,944

Fair value information

The carrying amounts of financial assets and liabilities are representative of the Group's position at 31 December 2017 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 (continued)

for the year ended 31 December 2017

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.

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

		Level 1	**Level 2**	**Level 3**	**Total**
31 December 2017	*Note*	**K'000**	**K'000**	**K'000**	**K'000**
Assets					
Pledged assets	*20*	-	**98,000**	-	**98,000**
Derivative financial instruments	*23*	-	**14,237**	-	**14,237**
Investment securities	*21*	-	**1,957,795**	-	**1,957,795**
Liabilities					
Derivative financial instruments	*23*	-	**9,326**	-	**9,326**

Group and Bank

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

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

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

6 Fair values of financial instruments *(continued)*

B. Financial instruments measured at fair value-fair value hierarchy *(continued)*

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.

C. Financial instruments not measured at fair value

Group and Bank		**Total fair value**
31 December 2017	*Note*	**K'000**
Assets		
Cash and cash equivalents	*19*	**2,750,471**
Loans and advances to customers	*24*	**2,612,689**
Liabilities		
Amounts payable to group banks	*19*	**171,768**
Amounts payable to non-group banks	*19*	**1,949**
Deposits from customers	*29*	**7,304,664**
Other payables		**328,765**

		Total fair value
31 December 2016	*Note*	K'000
Assets		
Cash and cash equivalents	*19*	2,048,645
Loans and advances to customers	*24*	2,758,591
Liabilities		
Amounts payable to group banks	*19*	148,749
Amounts payable to non-group banks	*19*	707
Deposits from customers	*29*	6,797,789
Other payables		313,201

The fair value was equivalent to the carrying amount for the above financial instruments at the reporting date.

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 2017 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 (continued)

for the year ended 31 December 2017

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 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 (continued)

for the year ended 31 December 2017

7 Operating segments (continued)

B. Information about reportable segmentation

Group		Corporate & institutional Banking	Commercial Banking	Retail Banking	Other banking	Total
2017	*Note*	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
External revenue						
Net interest income	*8,9*	**278,995**	**38,330**	**320,101**	**733**	**638,159**
Net fee and commission income	*10*	**32,233**	**11,942**	**171,780**	**1,230**	**217,185**
Net trading income	*11*	**97,685**	**13,199**	**35,466**	**-**	**146,350**
Net income from financial assets at fair value through profit or loss	*12*	**81,691**	**-**	**-**	**-**	**81,691**
Total segment income		**490,604**	**63,471**	**527,347**	**1,963**	**1,083,385**
Other material non-cash items:						
Impairment/(recovery) losses on loans and advances	*24*	**1,482**	**(11,599)**	**(31,021)**	**-**	**(41,138)**
Reportable segment operating profit before tax		**258,687**	**2,103**	**213,248**	**(17,034)**	**457,004**
Reportable segment assets		**936,455**	**336,996**	**1,646,404**	**5,931,724**	**8,851,579**
Reportable segment liabilities and equity		**4,041,480**	**509,894**	**2,813,875**	**1,486,330**	**8,851,579**

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

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

7 Operating segments (continued)

B. Information about reportable segmentation *(continued)*

Bank		**Corporate & institutional Banking**	**Commercial Banking**	**Retail Banking**	**Other banking**	**Total**
2017	*Note*	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
External revenue						
Net interest income	*8,9*	**278,995**	**38,330**	**320,101**	**733**	**638,159**
Net fee and commission income	*10*	**32,233**	**11,942**	**171,780**	**1,230**	**217,185**
Net trading income	*11*	**97,685**	**13,199**	**35,466**	**-**	**146,350**
Net income from financial assets at fair value through profit or loss	*12*	**81,691**	**-**	**-**	**-**	**81,691**
Total segment income		**490,604**	**63,471**	**527,347**	**1,963**	**1,083,385**
Other material non-cash items:						
Impairment/(recovery) losses on loans and advances	*24*	**1,482**	**(11,599)**	**(31,021)**	**-**	**(41,138)**
Reportable segment operating profit before tax		**258,687**	**2,103**	**213,248**	**(17,034)**	**457,004**
Reportable segment assets		**936,455**	**336,996**	**1,646,404**	**5,931,729**	**8,851,584**
Reportable segment liabilities and equity		**4,041,485**	**509,894**	**2,813,875**	**1,486,330**	**8,851,584**

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

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

8 Interest income

	Group and Bank	
	2017	2016
	K'000	K'000
Cash and short term funds	**28,661**	54,311
Debt securities	**322,515**	239,438
Loans and advances	**589,039**	664,913
Total interest income	**940,215**	958,662

Interest income includes interest on impaired loans and advances of K 645,000 (2016: K466,000).

9 Interest expense

	Group and Bank	
	2017	2016
	K'000	K'000
Deposits from customers	**292,824**	264,951
Placements	**9,232**	43,604
Total interest expense	**302,056**	308,555

10 Net fee and commission income

	Group and Bank	
	2017	2016
	K'000	K'000
Retail banking customer fees	**188,589**	174,814
Corporate and Institutional banking customer fees	**38,380**	39,720
Commercial banking	**12,679**	10,717
Total fee and commission income	**239,648**	225,251
Retail banking fees and commission expenses	**(15,456)**	(14,678)
Corporate and Institutional banking fee and commission expenses	**(6,146)**	(3,051)
Commercial banking fees and commission expenses	**(737)**	(1,095)
Other banking	**(124)**	(4,092)
Total fee and commission expenses	**(22,463)**	(22,916)
Net fee and commission income	**217,185**	202,335

11 Net trading income

	Group and Bank	
	2017	2016
	K'000	K'000
Foreign currency transaction gains less losses	**125,014**	155,993
Losses arising from dealing securities	**(14,095)**	(378)
	110,919	155,615
Dealing profits	**1,740**	1,135
Gain on disposal of investment securities	**33,691**	3
Net trading income	**146,350**	156,753

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

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

	Group and Bank	
	2017	2016
	K'000	K'000
Government bonds	**81,691**	26,092

13 Other income

	Group and Bank	
	2017	2016
	K'000	K'000
Rent received	**-**	2,552
Other income	**139**	6,188
Total other income	**139**	8,740

14 Operating expenses

	Group and Bank	
	2017	2016
	K'000	K'000
Personnel expenses:		
Wages and salaries	**206,147**	192,072
Compulsory social security obligations (NAPSA)	**5,308**	4,885
Contribution to defined contribution pension plan	**12,550**	9,101
Other staff costs	**72,454**	65,996
Equity settled share-based payment transactions	**1,588**	199
Redundancy and severance	**15,602**	7,532
Total	**313,649**	279,785
Depreciation, amortisation, premises and equipment expenses:		
Depreciation of property and equipment (note 25)	**17,240**	19,227
Amortisation of intangible assets (note 26)	**2,896**	3,636
Premises costs	**27,051**	20,822
Maintenance costs	**8,107**	10,436
Security	**3,625**	5,737
Other premises and equipment expenses	**4,953**	1,942
Total	**63,872**	61,800
Other expenses:		
Release of lease prepayment for leasehold land	**14**	14
Communication expenses	**9,945**	15,170
Recharges/(recoveries) from group companies	**64,157**	(7,323)
Other operating expenses	**133,745**	111,413
Total	**207,861**	119,274

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

15 Income tax expense

	Group and Bank	
	2017 K'000	2016 K'000
a. Current tax expense		
Current tax charge	**180,493**	249,074
Under/(over) provision in prior years	**4,457**	(43,959)
	184,950	205,115

Deferred tax		
Origination and reversal of temporary difference	**(12,897)**	10,294
Total income tax expense	**172,053**	215,409

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			
		2017 K'000		2016 K'000
Profit before tax	**%**	**457,004**	%	562,588
Tax calculated at the tax rate of 35% (2016: 35%):	**35**	**159,951**	35	196,906
Under provision in prior years	**1**	**4,457**	-	-
Non-deductible expenses	**2**	**7,645**	3	18,503
Total income tax expense in profit or loss	**38**	**172,503**	38	215,409

Income tax recognised in other comprehensive income:

	Group and Bank					
	2017 K'000			2016 K'000		
	Before tax	**Tax benefit**	**Net of tax**	Before tax	Tax benefit	Net of tax
Available-for-sale investment securities	**73,474**	**(25,716)**	**47,758**	16,917	5,708	22,625
Cash flow hedges	**-**	**-**	**-**	(3)	1	(2)
	73,474	**(25,716)**	**47,758**	16,914	5,709	22,623

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

	Group and Bank	
	2017 K'000	2016 K'000
Current tax liabilities at the beginning of the year	**63,590**	14,185
Current income tax charge	**180,493**	205,115
Payments made during the year	**(248,796)**	(111,751)
WHT on securities	**(51,944)**	-
Under/(over) provision in prior years	**4,457**	(43,959)
Current tax (assets)/liabilities	**(52,200)**	63,590

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

15 Income tax expense *(continued)*

d. Deferred taxation

Deferred taxation is calculated on all temporary differences using an effective tax rate of 35% (2016: 35%). Deferred tax assets and liabilities are attributable to the following:

	Group and Bank			Group and Bank		
		2017			2016	
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
	K'000	**K'000**	**K'000**	K'000	K'000	K'000
Property and equipment	**1,125**	**-**	**1,125**	1,094	-	1,094
Other provisions	**6,012**	**-**	**6,012**	-	-	-
Available-for-sale securities	**-**	**(17,301)**	**(17,301)**	8,415	-	8,415
Allowance for loan losses	**9,095**	**-**	**9,095**	1,982	-	1,982
Intangible assets	**1,014**	**-**	**1,014**	1,273	-	1,273
	17,246	**(17,301)**	**(55)**	12,764	-	12,764

2017		**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	**1,094**	**31**	**-**	**1,125**
Other provisions	**-**	**6,012**	**-**	**6,012**
Available-for-sale securities	**8,415**	**-**	**(25,716)**	**(17,301)**
Allowance for loan losses	**1,982**	**7,113**	**-**	**9,095**
Intangible assets	**1,273**	**(259)**	**-**	**1,014**
	12,764	**12,897**	**(25,716)**	**(55)**

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 assets	2,682	(1,409)	-	1,273
	28,766	(10,294)	(5,708)	12,764

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

16 Earnings per share

	Group and Bank 2017 Profit K'000	Weighted average Number of shares '000	Per share amount Kwacha	Group and Bank 2016 Profit K'000	Weighted average Number of shares '000	Per Share amount Kwacha
Basic and diluted earnings per share	**284,951**	**1,666,981**	**0.171**	347,179	1,666,981	0.208

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 2017 (2016: nil) and basic earnings per share equals diluted earnings per share with no reconciling items.

17 Dividends payable

	Group and Bank 2017 K'000	2016 K'000
Balance at 1 January	**1,261**	8,727
Approved interim dividends for 2017 at K0.12 per share (2016: approved final dividends for 2016 at K0.04 per share)	**216,698**	266,717
Overstatement of dividend payable	**-**	(7,466)
Less: dividends paid during the year	**(216,734)**	(266,717)
Balance at 31 December	**1,225**	1,261

Dividends are recognised in the period in which they are declared. The directors recommended that an interim dividend of K0.05 be paid for half year ended 30th June 2017 (2016: K 0.06).

18 Cash on hand and balances at Bank of Zambia

	Group and Bank 2017 K'000	2016 K'000
Cash on hand	**296,825**	330,182
Statutory deposit	**666,451**	1,286,225
Total cash on hand and bank balances at Bank of Zambia	**963,276**	1,616,407
Clearing account with Bank of Zambia	**74,962**	224,020
	1,038,238	1,840,427

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 2017 the percentage was 8.5% (2016: 18%).

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

19 Cash and cash equivalents at end of year

Group and Bank

2017	At **1 January K'000**	At 31 December K'000
Cash and short term funds at group banks (note 36)	**1,928,873**	2,630,641
Cash and short term funds at non group banks	**20,522**	19,830
Placements with foreign non group banks	**99,250**	100,000
Cash and cash equivalents	**2,048,645**	2,750,471
Amounts payable to group banks (note 36)	**(148,749)**	(171,768)
Amounts payable to non-group banks	**(707)**	(1,949)
Cash on hand and balances with Bank of Zambia	**1,840,427**	1,038,238
Total per cash flow statement	**3,739,616**	3,614,992

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 representing asset	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

20 Pledged assets

	Group and Bank	
	2017 K'000	2016 K'000
Treasury bills	**98,000**	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	
	2017 K'000	2016 K'000
Investment securities at fair value through profit or loss	**17,408**	114,577
Available-for-sale investment securities	**1,940,387**	984,200
Total	**1,957,795**	1,098,777

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

21 Investment securities (continued)

Fair value through profit or loss

	Group and Bank 2017				Group and Bank 2016			
	Treasury bills	**Equity shares and trade Investments**	**Government bonds**	**Total**	Treasury bills	Equity shares and trade Investments	Government bonds	Total
	K '000	**K '000**	**K '000**	**K '000**	K'000	K '000	K'000	K'000
Of which mature:								
Within one year	-	-	-	-	-	-	-	-
Within one to five years	-	-	**17,408**	**17,408**	-	-	114,577	114,577
Total	-	-	**17,408**	**17,408**	-	-	114,577	114,577

These investment securities are held for trading.

Available - for- sale

	Group and Bank 2017				Group and Bank 2016			
	Treasury bills	**Equity shares and trade Investments**	**Government bonds**	**Total**	Treasury Bills	Equity shares and trade Investments	Government bonds	Total
	K'000	**K'000**	**K'000**	**K'000**	K'000	K'000	K'000	K'000
Of which mature:								
Within one year	**1,230,253**	-	-	**1,230,253**	381,016	-	-	381,016
Within one to five years	-	-	**709,626**	**709,626**	-	-	602,676	602,676
More than five years	-	**508**	-	**508**	-	508	-	508
Total	**1,230,253**	**508**	**709,626**	**1,940,387**	381,016	508	602,676	984, 200

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

22 Investment in subsidiary

		2017	2016
	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

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 2017		Group and Bank 2016	
	Assets K'000	Liabilities K'000	Assets K'000	Liabilities K'000
Interest rate swap	3,118	4,710	5,636	1,812
Cross currency swap	11,119	4,616	25,875	5,986
Total	**14,237**	**9,326**	31,511	7,798

24 Loans and advances to customers

	Group and Bank 2017			Group and Bank 2016		
	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	115,149	(1,093)	114,056	103,816	(479)	103,337
Personal loans	1,521,975	(29,929)	1,492,046	1,429,005	(24,695)	1,404,310
Overdrafts	23,503	-	23,503	13,149	-	13,149
	1,660,627	(31,022)	1,629,605	1,545,970	(25,174)	1,520,796
Commercial Banking:						
Term loans	223,420	(16,806)	206,614	279,840	(7,511)	272,329
Overdrafts	151,239	-	151,239	105,953	-	105,953
	374,659	(16,806)	357,853	385,793	(7,511)	378,282
Corporate & Institutional Banking:						
Term loans	402,088	-	402,088	320,108	(17,560)	302,548
Overdrafts	223,143	-	223,143	556,965	-	556,965
	625,231	-	625,231	877,073	(17,560)	859,513
Total	2,660,517	(47,828)	2,612,689	2,808,836	(50,245)	2,758,591

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

24 Loans and advances to customers *(continued)*

Maturity analysis of gross loans and advancesThe maturity analysis is based on the remaining periods to contracted maturity.

	Group and Bank	
	2017 K'000	2016 K'000
Redeemable on demand	**232,291**	594,369
Maturity within one year	**620,111**	752,958
Maturity after 12 months	**1,808,115**	1,461,509
Total	**2,660,517**	2,808,836

Included in loans and advances are loans to related parties amounting to K28,738,000 (2016: K46, 815, 000) (see note 36). Loans and advances to customers are measured at amortised cost.

Allowances for impairment

	Group and Bank	
Specific allowance for impairment	**2017 K'000**	2016 K'000
Balance at 1 January	**13,605**	14,798
Net charge against profit	**46,295**	21,726
Charge for the year	**57,052**	34,435
Recoveries	**(10,757)**	(12,709)
Discount unwind	**300**	9,830
Write down of provision	**(43,855)**	(32,749)
Balance at 31 December	**16,345**	13,605

Collective allowance for impairment		
Balance at 1 January	**36,640**	37,786
Decrease in collective impairment	**(5,157)**	(1,146)
Balance at 31 December	**31,483**	36,640
Total specific and collective impairment at 31 December	**47,828**	50,245

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

	Group and Bank	
	2017 K'000	2016 K'000
Specific allowances for impairment	**46,295**	21,726
Decrease in collective impairment	**(5,157)**	(1,146)
Total allowances for year	**41,138**	20,580

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

25 Property and equipment

Group and Bank	Property and improvements	Equipment and motor vehicles	Capital work-in-progress	Total
	K'000	K'000	K'000	K'000
Cost				
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
At 1 January 2017	**17,659**	**80,163**	**-**	**97,822**
Additions	**-**	**9,433**	**21,019**	**30,452**
At 31 December 2017	**17,659**	**89,596**	**21,019**	**128,274**
Accumulated depreciation and impairment losses				
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
At 1 January 2017	**5,049**	**44,311**	**-**	**49,360**
Depreciation Charge for the year	**395**	**16,845**	**-**	**17,240**
At 31 December 2017	**5,444**	**61,156**	**-**	**66,600**
Carrying amounts				
At 31 December 2016	12,610	35,852	-	48,462
At 31 December 2017	**12,215**	**28,440**	**21,019**	**61,674**

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

Fully depreciated equipment and motor vehicles included in the above at cost of K25,297,000 (2016: K20, 706,000) were written off from the asset register.

There were no capitalized borrowing costs related to the acquisition of equipment and motor vehicles during the year (2016: K nil).

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

26 Intangible assets

Group and Bank	Customer Relationship	Goodwill	Total
Cost	**K'000**	**K'000**	**K'000**
At 31 December 2016	33,691	13,476	47,167
At 31 December 2017	**33,691**	**13,476**	**47,167**
Accumulated amortisation and impairment losses			
At 1 January 2016	26,028	-	26,028
Charge for the year	3,636	-	3,636
At 31 December 2016	29,664	-	29,664
At 1 January 2017	**29,664**	**-**	**29,664**
Charge for the year	**2,896**	**-**	**2,896**
At 31 December 2017	**32,560**	**-**	**32,560**
Carrying amounts			
At 31 December 2016	4,027	13,476	17,503
At 31 December 2017	**1,131**	**13,476**	**14,607**

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 (2016: 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 2016.

- 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 Standard Chartered Bank Zambia 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 (continued)

for the year ended 31 December 2017

27 Operating lease prepayments

	Group and Bank	
	2017	2016
	K'000	K'000
Opening balance	**479**	493
Amortisation	**(19)**	(14)
Carrying amount	**460**	479

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 2017, the future minimum lease payment under the non cancellable operating lease were payable as follows:

	Group and Bank	
	2017	2016
	K'000	K'000
Less than one year	**49**	59
Between one and five years	**411**	420
Carrying amount	**460**	479

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

28 Prepayments and other receivables

	Group and Bank	
	2017	2016
	K'000	K'000
Prepayment of operational costs	**2,649**	1,227
Sundry debt	**14,945**	16,709
Capital advances	**1,426**	1,402
Other assets - acceptance	**139,505**	144,568
Sundry financial instrument	**-**	40,000
Sundry and other receivables	**92,683**	89,878
Total	**251,208**	293,784

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

29 Deposits from customers

	Group and Bank	
	2017	2016
	K'000	K'000
Retail Banking		
Savings accounts	**524,337**	485,511
Term deposits	**596,998**	520,746
Current deposit	**1,663,827**	1,620,398
	2,785,162	2,626,655
Corporate and Institutional Banking		
Savings accounts	**2,183**	5,322
Term deposits	**1,567,701**	1,243,943
Current deposit	**2,148,348**	2,329,891
	3,718,232	3,579,156
Commercial Banking		
Savings accounts	**10,751**	18,397
Term deposits	**74,258**	11,695
Current deposits	**716,261**	561,886
	801,270	591,978
Total	**7,304,664**	6,797,789

	Group and Bank	
	2017	2016
	K'000	K'000
Repayable on demand	**5,645,512**	5,405,157
Repayable with agreed maturity dates or periods of notice, by residual maturity:		
Three months or less	**1,289,086**	703,817
Between three months and one year	**289,235**	677,289
After one year	**80,831**	11,526
Total	**7,304,664**	6,797,789

Included in deposits from customers were deposits amounting to K 413,430,000 (2016: K369,598,000) held as collateral for irrevocable commitments under import letters of credit.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

30 Subordinated liabilities

	Group and Bank	
	2017	2016
	K'000	K'000
At 1 January 2017	**39,700**	43,947
Exchange difference	**300**	(4,247)
Total	**40,000**	39,700

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

The interest charge is 3.93% above 3 months LIBOR payable on a quarterly basis. The loan is to be fully repaid in one 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 2017 amounting to K 647, 000 (2016: K487, 000) is included in accruals and other payables.

The Group has not had any defaults of interest or other breaches with respect to its subordinated loan during the year ended 31 December 2017 (2016: no defaults).

31 Provisions

	Group and Bank	
	2017	2016
	K'000	K'000
Balance at 1 January	**32,189**	20,036
Provisions made during the year	**4,242**	12,153
Total	**36,431**	32,189

Legal proceedings

There were some legal proceedings outstanding against the Bank at 31 December 2017. 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	
	2017	2016	**2017**	2016
	K'000	K'000	**K'000**	K'000
Accruals and other payables	**367,770**	332,954	**367,775**	332,959
Loan settlement suspense	**37,947**	28,164	**37,947**	28,164
Standing order suspense	**6,960**	569	**6,960**	569
Total	**412,677**	361,687	**412,682**	361,692

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

33 Share capital

Bank	Number of ordinary shares	Ordinary share capital	Number of ordinary shares	Ordinary share capital
	(million)	K'000	(million)	K'000
Authorised	2017	2017	2016	2016
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 Bank.

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

2017	1 year	1 – 5 years	Total
	K'000	K'000	K'000
Loans commitments	725,338	-	725,338
Guarantees	227,744	47,192	274,936
Letters of credit	4,167	-	4,167
Total	**957,249**	**47,192**	**1,004,441**

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

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

35 Capital commitments

The Group had no capital commitment as at 31 December 2017 (2016: 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	**2017**	2016
		K'000	K'000
Amounts due from group companies	*19*	**2,630,641**	1,928,873
Amounts due to group companies	*19*	**(171,768)**	(148,749)
Total		**2,458,873**	1,780,124

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

Income and expenditure

	Group and Bank	
	2017	2016
	K'000	K'000
Recharges and other expenses	**(64,157)**	7,323
Commissions and net interest income	**8,190**	20,261
Total	**(55,967)**	27,584

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

36 Related party transactions (continued)

C. Key management personnel transactions

Loans

	Group and Bank 2017				Group and Bank 2016			
	Directors	Connected entities to directors	Key management staff	Total	Directors	Connected entities to directors	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	398	4,450	41,967	46,815	353	205	10,627	11,185
Loans issued during the year	419	10,903	9,324	20,646	303	602	21,802	22,707
Relocated/ resigned / promoted	(398)	-	(32,146)	(32,544)	-	3,643	10,558	14,201
Loan repayments during the year	(28)	(3,583)	(2,568)	(6,179)	(258)	-	(1,020)	(1,278)
Loans outstanding at 31 December	391	11,770	16,577	28,738	398	4,450	41,967	46,815
Of which: Executive directors	391	-	-	391	-	3,862	-	3,862
Interest and fee income earned: Key management personnel	7	739	1,077	1,823	-	554	1,393	1,947

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 year.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

36 Related party transactions (continued)

C. Key management personnel transactions (continued)

Deposits

	Group and Bank				Group and Bank			
	2017				2016			
	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	648	(105)	2,220	2,763	523	1,353	4,409	6,285
Net movement	**84**	**(818)**	**(1,772)**	**(2,506)**	125	(1,458)	(2,189)	(3,522)
Deposits at 31 December	**732**	**(923)**	**448**	**257**	648	(105)	2,220	2,763

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

Key management personnel compensation

	Group and Bank	
	2017	2016
	K'000	K'000
Salaries and allowances and short term benefits	**47,854**	37,744
Pension contributions	**2,980**	3,702
Total	**50,834**	41,446

	Group and Bank	
	2017	2016
Directors' remuneration	**K'000**	K'000
Executive directors		
Salaries and allowances	**3,288**	2,951
Pension contributions	**228**	219
Total	**3,516**	3,170

Non-executive directors	Group and Bank	
	2017	2016
	K'000	K'000
Fees and benefits	**531**	837
Total	**531**	837

Disposal of assets

There were no Group assets sold to the directors (2016: nil)

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

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 K1, 588, 000 (2016: K199,000) 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.

Employee expenses for share based payments transactions

	Group and Bank	
	2017	2016
	K'000	K'000
Restricted share scheme	**884**	227
Performance share plan	**5**	(404)
Share save scheme	**699**	376
Total expense recognised as personnel expenses	**1,588**	199

(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.

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

	Group and Bank	
	Number of options	Number of options
	2017	2016
Outstanding at the beginning of the reporting period	**6,598**	8,101
Exercised during the year	**(3,809)**	(2,467)
Expired during the year	**(90)**	-
Granted during the year	**1,283**	964
Outstanding at 31 December	**3,982**	6,598
Exercisable at 31 December	**667**	1,490

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

37 Share-based payment transactions (continued)

(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
	2017	2016
Outstanding at the beginning of the reporting period	**6,872**	7,808
Exercised during the year	**-**	-
Expired during the year	**(6,872)**	(936)
Granted during the year	**-**	-
Outstanding at 31 December	**-**	6,872
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
	2017	2016
Outstanding at the beginning of the reporting period	**28,964**	36,967
Exercised during the year	**-**	-
Expired during the year	**(16,583)**	(17,462)
Granted during the year	**17,520**	9,459
Outstanding at 31 December	**29,901**	28,964
Exercisable at 31 December	**945**	432

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

38 Financial risk management (continued)

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

38 Financial risk management (continued)

b) Credit risk (continued)

(ii) Management of credit risk (continued)

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

- 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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

38 Financial risk management (continued)

d) Market risk (continued)

(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.

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;

38 Financial risk management (continued)

e) Operational risks (continued)

- 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:

39.1 Basis of consolidation

39.2 Foreign currency

39.3 Interest

39.4 Fees and commission

39.5 Net trading income

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

39.7 Dividend income

39.8 Leases

39.9 Income tax

39.10 Financial assets and financial liabilities

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

39.19 Provisions

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 Dividends payable

39.27 Fiduciary activities

39.28 Share based payments

39.1 (a) 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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

39 Significant accounting policies (continued)

39.1 (a) Basis of consolidation (continued)

(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.

39.3 Interest

Interest income and expense are recognised in profit or loss using the effective interest method.

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 Significant accounting policies (continued)

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.

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.

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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

39 Significant accounting policies (continued)

39.9 Income tax (continued)

Deferred tax (continued)

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.

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

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

39 Significant accounting policies (continued)

39.10 Financial assets and financial liabilities (continued)

iii) Derecognition (continued)

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 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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

39 Significant accounting policies (continued)

39.10 Financial assets and financial liabilities (continued)

vii) Identification and measurement of impairment (continued)

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.

  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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

39 Significant accounting policies (continued)

39.10 Financial assets and financial liabilities (continued)

vii) Identification and measurement of impairment

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

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 and adjustments to the fair value are recognised in other comprehensive income (OCI).

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 off the related equipment is capitalised as part of that equipment.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

39 Significant accounting policies (continued)

39.15 Property and equipment (continued)

Recognition and measurement (continued)

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.

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 Significant accounting policies (continued)

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 Dividends payable

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

39.27 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.

39.28 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 (continued)

for the year ended 31 December 2017

40 Standards issued but not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

IFRS 9 Financial Instruments

We estimate that there is no impact on shareholder' equity as a result of change in measurement and reclassification arising on the initial adoption of IFRS 9. However we estimate that the shareholders' equity will decrease by approximately ZMW19 million, net of tax as a result of applying the IFRS 9 requirements relating to the expected credit loss as at 1 January 2018. This will result in an increase in the Group's loan impairment allowances from ZMW109million under IAS 39 to approximately ZMW137 million. The impact on regulatory capital is a decrease of approximately ZMW19million and the Capital Adequacy Ratio (CAR) will reduce by approximately 100bps.

The Group continues to refine its expected credit loss models and embed its operational processes which may change the actual impact on adoption.

The estimated impact of the changes to the recognition and measurement of credit impairment loss allowances, net of the related tax impacts, is set out below.

	Retained Earnings
	ZMW'000
As at 31 December 2017	**329,162**
Net estimated impact of:	
Expected credit loss	**(30,017)**
Tax impact	**10,641**
As at 1 January 2018	**309,786**

The Standard Chartered Bank Group will publish an IFRS 9 transition report prior to the issuance of the first quarter 2018 Interim Management Statement. This transition report will provide more extensive disclosures to explain the opening IFRS 9 adjustments and to provide a bridge from IAS 39 to IFRS 9. In particular it will include further details in respect of:

- Quantitative information to reconcile impairment allowances, key risk metrics and the classification and measurement of financial instruments under IAS 39 to those under IFRS 9
- The effect of IFRS 9 on significant accounting policies, credit risk policies and practices and related governance processes
- Explanation of the inputs, assumptions and estimation techniques used in determining expected credit losses and the key judgements made in applying IFRS 9
- Qualitative information regarding volatility and areas of measurement uncertainty
- Supplementary quantitative information on credit risk and classification and measurement of financial instruments in IFRS 9 terms, including stage distribution and an analysis of credit quality and expected credit loss allowances coverage by stage and segment for the loan portfolio

Classification and measurement of financial instruments IAS 39

There are four asset classifications under IAS 39: fair value through profit or loss (FVTPL), incorporating trading and instruments designated at FVTPL; loans and receivables; held to maturity; and available-for-sale (AFS). The classification of assets into these categories was determined based on a mix of management intent and product characteristics. Only the AFS category has no restrictions on classification.

In respect of hybrid financial assets, the embedded derivative component may be separated and measured at fair value, unless closely related to the host contract. If this is not possible, the entire instrument must be designated at FVTPL.

Other instruments may be designated at FVTPL if they are managed on a fair value basis, or where the designation would eliminate or significantly reduce an accounting mismatch.

IFRS 9

There are three measurement classifications under IFRS 9: amortised cost, fair value through profit or loss (FVTPL) and, for financial assets, fair value through other comprehensive income (FVOCI). The existing IAS 39 financial asset categories are removed.

Financial assets are classified into these categories based on the business model within which they are held, and their contractual cash flow characteristics.

The business model reflects how groups of financial assets are managed to achieve a particular business objective. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flows ('hold to collect'), and where those contractual cash flows are solely payments of principal and interest (SPPI). Principal represents the fair value of the instrument at the time of initial recognition.

Interest in this context represents compensation for the time value of money and associated credit risks together with compensation for other risks and costs consistent with a basic lending arrangement and a profit margin. This requires an assessment at initial recognition of the contractual terms to determine whether it contains a term that could change the timing or amount of cash flows in a way that is inconsistent with the SPPI criteria.

Assets may be sold out of hold to collect portfolios where there is an increase in credit risk. Disposals for other reasons are permitted but such sales should be insignificant in value or infrequent in nature.

Financial asset debt instruments where the business model objectives are achieved by collecting the contractual cash flows and by selling the assets ('hold to collect and sell') and that have SPPI cash flows are held at FVOCI, with unrealised gains or losses deferred in reserves until the asset is derecognised. In certain circumstances, non-trading equity instruments can be irrevocably designated as FVOCI but both unrealised and realised gains or both unrealised and realised gains and losses are recognised in reserves and no amounts other than dividends

40 Standards issued but not yet adopted (Continued)

received are recognised in the income statement.

cial assets may be designated at FVTPL only if doing so eliminates or reduces an accounting mismatch. There has been no change to the requirements in respect of the classification and measurement of financial liabilities. The de-recognition requirements have also been carried forward unchanged from IAS 39. Where the contractual terms of financial assets are modified, and that modification does not result in derecognition, a modification gain or loss is recognised in the income statement and the gross carrying amount of the asset adjusted accordingly.

Transition impact

The Group has assessed the business models that it operates across the Group. In its assessment, the Group considered the objectives of the business model, how performance is measured and how staff are remunerated amongst other factors. Where the objective of a business is to manage financial assets on a fair value basis, the instruments within that business model are measured at FVTPL. This includes the Group's trading portfolios.

Most of the Group's loans to banks and customers are held within a 'hold to collect' business model. Investment debt securities held with Treasury Markets are held within a 'hold to collect and sell' portfolio. The majority of the remaining investment debt securities are held within a 'hold to collect' business model. For hold to collect portfolios, the level of sales and the reason for those sales is also monitored to ensure they are consistent with the characteristics of a hold to collect business model.

Instruments that do not meet the SPPI criteria are measured at FVTPL regardless of the business model in which they are held. Other than hybrid financial assets, this primarily arises from prepayment clauses. While prepayment clauses are common across the Group's loan portfolio, prepayment penalties are not considered to meet the SPPI criteria if the prepayment penalty received by the bank is not considered to be reasonable compensation from an IFRS 9 perspective for early termination of the contract. This has impacted a small number of products in Retail Banking and a small number of contracts within the Corporate Finance / Corporate Lending portfolios.

Non-trading equity investments are measured at FVTPL except for a small portfolio of strategic equity investments which are irrevocably designated at FVOCI.

Assets designated at FVTPL under IAS 39 that are not as a result of an accounting mismatch have been de-designated and mandatorily classified as FVTPL either because they are managed on fair value basis or cash flows are maximised through sale or part of a broader trading business or are hybrid financial assets. There is no impact on the measurement of these instruments. The Group has also elected on initial implementation of IFRS 9 to designate certain financial assets and financial liabilities at FVTPL in order to reduce or eliminate accounting mismatches:

- Loans and advances to customers, to reduce the impact of associated credit derivatives.

Impact

The estimated impact on retained earnings and reserves as a result of reclassification and re-measurement of financial assets and liabilities was approximately ZMW19million based on globaly applied models.

The amounts previously reported as part of the available-for-sale reserve have been reclassified either to the Fair value through OCI reserve or to retained earnings

Impairment of financial assets not held at FVTPL

IAS 39

For debt instruments held at amortised cost or available-for-sale, specific loss allowances are only recognised where there is objective evidence of impairment as a result of one or more loss events occurring after the initial recognition of the instrument. This includes losses arising from credit related modifications to the contractual terms (such as forbearance).

For debt instruments held at amortised cost, where losses are known, by experience, to have been incurred but have not been separately identified, a portfolio impairment provision (PIP) is recognised. The calculation of PIP is based on regulatory expected loss models, after adjustments made to align the calculation with IFRS, together with adjustments to take into account factors not adequately covered in the underlying models.

A portfolio impairment provision is not, however, recognised for available-for-sale instruments. Impairment loss allowances are also not recognised for loan commitments and financial guarantees

Where there is objective evidence of impairment for available-for-sale debt instruments, the entire unrealised loss held in reserves is transferred to the income statement and recognised as impairment.

For equity shares classified as available-for-sale, a significant or prolonged decline in the fair value below its cost is considered, among other factors, in assessing objective evidence of impairment. On impairment, the entire unrealised loss held in reserves is transferred to the income statement and recognised as impairment.

IFRS 9

A summary of the Group's approach to determining ECL is set out within note 40 to the 2016 Annual Report and Accounts. The Group primarily uses sophisticated models that utilise the probability of default (PD), loss given default (LGD) and exposure at default (EAD) metrics, discounted using the effective interest rate. For lower value, less complex portfolios in Retail Banking, the Group uses roll rate or loss rate models.

Expected credit losses are recognised for all financial debt instruments, loan commitments and financial guarantees that are classified as hold to collect / hold to collect and sell and have cash flows that are solely payments of principal and interest. Expected credit losses are not recognised for equity instruments designated at FVOCI.

An ECL allowance is recognised at the time of initial recognition for all financial instruments that are in the scope of ECL in respect of default events that may occur over the next 12 months (so-called 'stage 1 assets' with allowances equivalent to 12-months expected credit

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 December 2017

40 Standards issued but not yet adopted (Continued)

losses). ECL continues to be determined on this basis until there is either a significant increase in credit risk (SICR) or the asset becomes credit impaired.

If a financial asset (or portfolio of financial assets) experiences a SICR since initial recognition, an expected credit loss allowance is recognised for default events that may occur over the lifetime of the asset (so-called 'stage 2 assets' with loss allowances equivalent to lifetime expected credit losses). SICR is assessed in the context of an increase in the risk of a default occurring over the remaining life of the financial instrument when compared to that expected at the time of initial recognition for the same period. It is not assessed in the context of an increase in the expected credit loss.

The Group uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to the relative and absolute changes in the lifetime PD compared to those expected at initial recognition. Qualitative factors include placement of loans on non-purely precautionary early alert, classification as higher risk (CG12) or 30 days or more past due.

An asset is only considered credit impaired, and lifetime expected credit losses recognised, if there is observed objective evidence of impairment. These factors are similar to the indicators of objective evidence of impairment under IAS 39. This includes, amongst other factors, assets in default, experiencing significant financial difficulty or subject to forbearance actions credit-impaired (so-called 'stage 3 assets').

The definition of default is aligned to the regulatory definition within CRR Article 178 and considered to occur when an asset is 90 days or more past due on contractual payments of principal and/or interest or is considered unlikely to pay without realisation of any collateral held.

To the extent that assets are credit-impaired at the point of initial recognition, they are classified as purchased or originated credit-impaired ('POCI). An expected credit loss allowance is not recognised at initial recognition. Any changes in lifetime expected losses after initial recognition are charged or credited to the income statement through 'Impairment'.

The measurement of expected credit losses across all stages is required to reflect an unbiased and probability weighted amount that is determined by evaluating a range of reasonably possible outcomes using reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all portfolios. The Group uses a Monte Carlo approach to simulate a set of 50 scenarios around the Group's central forecast to incorporate the potential non-linearity.

The period considered when measuring expected credit loss is the shorter of the expected life and the contractual term of the financial asset. The expected life may be impacted by prepayments and the maximum contractual term by extension options. For certain revolving portfolios, including credit cards, the expected life is assessed over the period that the Group is exposed to credit risk (which is based on the length of time it takes for credit facilities to be withdrawn) rather than the contractual term.

For stage 3 financial assets, the determination of lifetime expected credit losses will be similar to the IAS 39 approach; for example, loan loss allowances within Corporate & Institutional Banking will be based on the present value of estimated future cash flows for individual clients. The estimated cash flows will, however, be based on a probability range of scenarios. Where the cash flows include realisable collateral, the values used will incorporate forward looking information.

Where the contractual terms of a financial asset have been modified due to financial difficulties (forbearance, for example) and the asset has not been derecognised, a modification loss is recognised as part of 'Impairment' in the statement of profit or loss and other comprehensive income. The loss represents the difference between the present value of the cash flows before and after the modification, discounted at the original effective interest rate. Unlike IAS 39, however, no loss allowance is recorded in the statement of financial position, as the modification loss is offset against the gross carrying amount of the asset. Modifications for other reasons are accounted for in a similar way, except the gain or loss will be reported as part of income.

For assets measured at amortised cost, the balance sheet amount reflects the gross asset less the allowance for expected credit losses.

For debt instruments held at FVOCI, the balance sheet amount reflects the instrument's fair value, with the expected credit loss allowance held as a separate reserve within other comprehensive income.

Expected credit loss allowances on off-balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise they will be reported against the drawn component.

Impact

The estimated initial adoption of the ECL approach reduced retained earnings and reserves by circa ZMW19million, net of tax.

An estimate of ZMW5million of this related to loans and advances to banks and customers undrawn commitments and financial guarantees and around ZMW14million to debt securities (which have been recognised in retained earnings).

Deferred tax of around ZMW10 million has been credited to retained earnings, and is provided on additional deductible temporary differences that have arisen from loss provisions due to initial adoption of the ECL approach.

The portfolios and products most impacted by the increase in loan loss allowances are Corporate Finance and Lending portfolios, due to the relatively longer maturity profile, and unsecured products in Retail Banking.

IFRS 15

Revenue recognition was governed by IAS 18 Revenue and supported by interpretations such as IFRIC 13 Customer Loyalty Programmes and IFRIC 18 Transfers of Assets from Customers. From 1 January 2018, revenue accounting is consolidated into a single new standard which

40 Standards issued but not yet adopted (Continued)

introduces a new five step model for determining the amounts and timing of revenue recognition as well as granular disclosures around revenue related balances.

We assessed the scope of the Standard and concluded that the main account line in scope of IFRS 15 for the Group's purposes is 'Fees and commission income'. This is because IFRS 15:5 explicitly scopes out income on financial instruments and leases, which are covered by Net interest income, Net trading income and Other operating income.

Summary of work performed

The main types of contracts that would be affected by the change in standards would be long-term contracts with multiple service providers. Our initial view was that only a relatively small proportion of the Group's fee-generating contracts would satisfy these criteria, and therefore the impact of the new Standard on recognition and measurement was unlikely to be material.

We performed some preliminary scoping activities by performing quantitative analysis of fee income balances and speaking to Product Finance teams to understand the Group's product mix and identify more challenging areas of revenue recognition. Specific risk areas were identified, including bancassurance, credit cards and loan syndication.

To validate our initial assumption that current revenue recognition practices would not be required to change, we carried out a check on the main products identified from preliminary review, including details of the current booking process, revenue recognition methods and whether contracts for that product were standardised in June/ July 2017. The results from this did not indicate any material issues in respect of current revenue recognition and most products within Transaction Banking, Wealth Management and Retail are standardised.

From this, and full year 2016 fee income numbers, we made a sample selection by product, and completed a Sample Contract Checklist which covered the Standard's five step model. After reviewing the results and validating our observations with the Product Finance teams and SCB Group's IFRS 15 project team, we formed conclusions on whether revenue recognition and measurement would need to change for our main products.

Conclusions

Based on all the work performed to date, including completion of the questionnaire, sample testing, and detailed analysis of specific risk areas, the Group concluded that there is no need to revise the accounting policies in respect of recognition and measurement of fee income.

IFRS 15 offers entities certain choices on their approach to transition. The Group recommends the 'modified retrospective' option as this only requires any changes to recognition, measurement and disclosure to be applied from 01 January 2018 onwards. Given our current conclusion that recognition and measurement policies should be unchanged, we currently do not expect an adjustment to opening equity.

IFRS 16 Leases

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

The Group has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into. Currently the Group has a land lease which might be impacted after implementation of IFRS 16.The Group expects to disclose its transition approach and quantitative information in the 2018 Annual Report.

Appendix

Five year summary

	2017	2016	2015	2014	2013
	K'000	K'000	K'000	K'000	K'000
Operating profit before impairment provisions	**498,142**	583,168	323,088	393,320	381,509
Net impairment provisions against loans and advances	**(41,138)**	(20,580)	(39,976)	(12,188)	(14,466)
Profit before taxation	**457,004**	562,588	283,112	381,132	367,044
Profit attributable to shareholders	**284,951**	347,179	178,905	243,745	236,667
Loans and advances to customers	2,612,689	2,758, 591	3,533,763	3,134,604	2,779,470
Total assets	8,851,579	8,210,943	8,619,998	6,597,074	5,470,402
Deposits from customers	7,304,664	6,797,789	7,457,805	5,325,970	4,267,129
Shareholders' funds	**873,484**	752,473	647,030	689,353	734,130

Earnings per ordinary share

Basic earnings per share (Kwacha)	**0.171**	0.208	0.107	0.146	0.142
Dividends per share (Kwacha)	**0.17**	0.20	0.10	0.14	0.14

Ratios

Post-tax return on ordinary shareholders' funds	**35%**	49%	28%	35%	32%
Basic cost/income ratio	**54%**	45%	61%	51%	46%

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Dividend

At a Board meeting held on 26 February 2018, the Directors recommended a final dividend of ZMW0.12 per share for the year ended 31 December 2017. This together with the interim dividend for 2017 already paid of ZMW0.05 per share makes a total dividend for 2017 of ZMW0.17 per share.

The dividend will be paid to shareholders registered in the books of the Bank at close of business on 27 April 2018 and payable on 30 April 2018.

By Order of the Board

Rose Kavimba
Company Secretary
28 February 2017

NOTICE OF THE 47TH ANNUAL GENERAL MEETING

Notice is hereby given that the 47th Annual General Meeting (AGM) of Standard Chartered Bank Zambia Plc in respect of the period ended 31 December 2017, will be held at the Taj Pamodzi Hotel, in the Baobab Room, in Lusaka, Zambia on Wednesday 28th March 2018. 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 2017.

3. Resolution 2- Adoption of Chairman's Report, Directors' Report and Financial Statements

To receive, consider and if thought fit, adopt the Consolidated and Separate Financial Statements for the year ended 31 December 2017 together with the reports of the Chairman, Directors and Auditors thereon.

4. Resolution 3 – Dividend

To approve a Final Dividend of ZMW 0.12 per share for the year ended 31st December 2017 making total dividend paid for year 2017- ZMW 0.17. This payment to be made to all shareholders registered in the books of the company at close of business on 27 April 2018 and payable on 30 April 2018.

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 authorize the Directors to set their remuneration.

6. Resolution 5 – Appointment of Directors

In Accordance with Article 87 of the Articles of Association:

(i) To confirm the appointment of Dr. Caleb M. Fundanga as Board Chairperson following the resignation of Mr. Michael Mundashi, SC from the Board since the previous Annual General Meeting.

(ii) To confirm the appointment of Mr. Munakopa Sikaulu who was appointed as a Non-Executive Director (NED) since the previous Annual General Meeting.

(ii) To confirm the appointment of Ms. Venus Hampinda who was appointed as Executive Director Finance and Administration and Chief Financial Officer (CFO) of Standard Chartered Bank Zambia Plc since the previous Annual General Meeting.

(iv) To re-elect each of Messrs Caleb M. Fundanga, Robin P. Miller, Herman K. Kasekende, Mrs. Kapambwe D. Chiwele 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 7 – Remuneration of the Directors

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

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

A member entitled to attend and vote at the meeting is entitled to appoint 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

Issued in Lusaka, Zambia on 01 MAR 2018

Lusaka Securities Exchange Sponsoring Broker

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Stockbrokers Zambia Limited (SBZ) is a member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia

First Issued on 01 MAR 2018

Standard Chartered

FORM OF PROXY

……………….............…… 2018

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 Wednesday 28th March 2018 and at every 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 2017.	☐	☐
Resolution 2 – To receive, approve and adopt the consolidated and separate financial Statements for the year ended 31st December 2017.	☐	☐
Resolution 3 – To approve a Final Dividend of ZMW 0.17 per share To approve a Final Dividend of ZMW 0.12 per share for the year ended 31st December 2017 making total dividend paid for year 2017- ZMW 0.17. This payment to be made to all shareholders registered in the books of the company at close of business on 27 April 2018 and payable on 30 April 2018.	☐	☐
Resolution 4 – – Re-appointment of KPMG as Auditors For 2018 and to authorize the directors to fix their Remuneration.	☐	☐
Resolution 5 – (i) Confirm the appointment of the following as Directors:		
- Munakopa Sikaulu	☐	☐
- Kweku Bedu-Addo	☐	☐
- Venus Hampinda	☐	☐
(ii) To confirm the re-appointment of the following as Directors:		
- Caleb Fundanga	☐	☐
- Robin P Miller	☐	☐
- Herman Kasekende	☐	☐
- Louise Vogler	☐	☐
- Kapambwe Doreen Chiwele		

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 not later than 48 hours before the time of the meeting.

Notes

Notes