ZICB

Making tomorrow possible!

2023 Annual Report.

Zambia Industrial Commercial Bank Ltd

(A registered commercial bank)

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MSME Banking

Introduction

Zambia Industrial Commercial Bank Limited (ZICB) was incorporated on 31st August 2017 and opened to the public on 1st August 2018. The Bank was created with a vision to contribute towards Zambia's economic development with a focus on industrialisation and commercialisation of local business enterprises.

The Bank is 100% locally owned and its key shareholders include the National Pension Scheme Authority (NAPSA) through its investment company - NAPSA Investment Holding Limited (NAPSA-IH), the Industrial Development Corporation Limited (IDC), and the Workers' Compensation Fund Control Board.

Shareholding structure

NAPSA Investment Holdings limited (NAPSA-IH)	64.27%
Industrial Development Corporation (IDC)	30.21%
Workers Compensation Fund Control Board	4.74%
Mahdi Manufacturing Ltd	0.30%
Guardian Insuarance Brokers	0.24%
Davies/Angela Kabuswe	0.23%

Supporting the Industrialization and commercialization of the Zambian economy.

+ Our vision

To be the preferred bank in our chosen segments supporting commercialisation, industrialisation and growth of our customers.

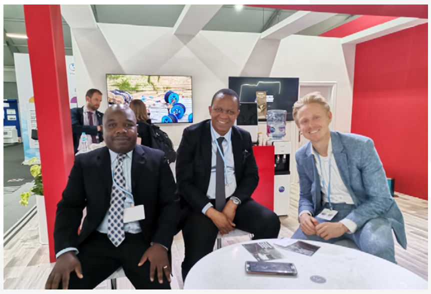
+ Our mission

To support our customers' wealth creation and growth through provision of customer centric banking solutions to our chosen segments pivotal to commercialisation and industrialisation of the Zambian economy.

+ Our focus

ZICB has been set up for the primary purpose of supporting the growth of local businesses. The Bank will also extend support to its corporate clients' value chain predicated by its relationship with the corporate.

Looking back at 2022.




ZICB

Financial Literacy
Seminar



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K 250,000


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MAY 2022
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#ZICB

Accolades of the Year 2022.

ZAMBIA E-COMMERCE AWARD BEST AGRI-CENTRIC BUSINESS.

MOST INNOVATIVE ENTERPRISE ZICB - ACRICOLLECT.

SUN FM KWACHA MUSIC AWARDS 2022 CERTIFICATE OF APPRECIATION.

SUN FM KWACHA MUSIC AWARDS 2022.

BEST ECOMMERCE LEADER OF THE YEAR AWARD 2022
MS. MWANGALA MUYOYETA CIO.

CSR Activities 2022

Our New Branches

NDOLA BRANCH

LONGACRES BRANCH

LIVINGSTONE BRANCH

Musonda Cheta
Board Chairman

Chairman's Statement

Building sustainable Business Resilience and Growth

The Zambia Industrial Commercial Bank Limited (ZICB) accelerated its growth trajectory and outperformed its financial targets in 2022 against a backdrop of a challenging macroeconomic environment exacerbated by geo-political tensions which caused inflationary pressure and resulted in quantitative tightening by many governments across the globe.

Building on the strong foundation set in 2021, the Bank leveraged its balance sheet, which was strengthened by the capital injection from NAPSA, to accelerate asset formation. This effort resulted in increased support for MSME and local corporate customers.

While continuing to cement its position as a formidable digital bank in the market, the Bank increased its physical footprint with the opening of three new branches in Ndola, Livingstone, and at Longacres Mall in Lusaka. These additional branches brought the total number of the Bank's branches to six.

In improving its service offering and visibility to its customers, the Bank took a step further and relocated its head office from Central Park on Cairo Road in the Central Business District to Longacres Mall.

The opening of new locations will enable the Bank to enhance its customer value proposition towards serving its chosen segments.

Corporate Governance

The Bank continued to entrench its good corporate governance credentials by maintaining high professional and ethical standards. The Board effectively executed its overall oversight responsibilities and provided prudential guidance in the subcommittees of the Board.

Having closed off the Corporate Strategic Plan for the period 2018 – 2022, the Bank went through a facilitated collaborative process and developed a new Corporate Strategic Plan (CSP) for 2023-2027. The new CSP charts the direction that ZICB will take to fulfil its mandate and meet its strategic goals in the next five years. This strategic plan will ensure that the Bank's operations are aligned to its status and enhances its credibility and brand.

Corporate Social Responsibility

The Board of Directors supported the Bank's Corporate Social Responsibility (CSR) programmes targeted at uplifting the wellbeing of vulnerable and underprivileged people in our communities. In line with its CSR policy, the Bank supported programmes in the health sector and launched a 3-year Financial Literacy program targeting children under the age of 18-years. To fulfil its CSR mandate, the Bank annually allocates a percentage of its previous financial year's total costs towards CSR programmes.

Outlook for 2023

While the global economy has made steady progress in unravelling the supply chain disruptions that had emanated from the Covid-19 pandemic, the geo-political tensions caused by the Russia-Ukraine conflict has continued to weigh down global economic recovery by driving up energy costs and causing inflationary pressure in several western economies. In response, United States of America (USA) has implemented a monetary tightening programme, which comparatively has led to the adverse performance of most national currencies and will likely cause the Zambian Kwacha to continue underperforming leading to unintended consequences in the short- to medium-term.

Against this background, the Government's efforts to recalibrate the economy through an International Monetary Fund (IMF)-supported recovery programme is imperative.

While the delay in concluding the debt restructuring programme has created uncertainty in the economy, we see great opportunities in various economic sectors, particularly among SMEs, not only in mining but also in agriculture where the Government has announced the implementation the Comprehensive Agriculture Support Programme (CASP) as a successor to the Farmers Input Support Programme (FISP). While continuing to support the growth of primary agriculture, the Bank has developed capabilities and provided lines of credit to support the agribusiness sector. This will see ZICB play a pivotal role in securing Zambia's fertilizer supply for the 2023/24 agricultural season and beyond. Additionally, the Bank will continue to support value-addition through financing of agro-processing ventures to enhance the profitability of Zambian agriculture, particularly in the processing of beef and beef products, as well as the processing of soya beans into edible oils and soya cake for both local and regional markets.

The Bank is well positioned to exploit the opportunities and challenges in the economy and is expanding its influence in the petroleum subsector. In keeping with the Government's green climate agenda, the Bank is developing its Sustainable Financing competences to be a leading player in Zambia's green financing and carbon trading markets. Being the nominated National Implementation Entity for Zambia to the Adaptation Fund, the Bank will support the country in accessing green financing for climate change adaptation programmes and projects.

Being a bank that has been built with a "digital first" mentality, the Bank is alive to the growing threat of cybercrime as it pertains to financial services. Working with cybersecurity contractors and state agencies, the Bank has implemented robust protocols to safeguard its operations and protect customers' funds.

Acknowledgment of Clients

On behalf of the Board, Management, and employees of ZICB, I would like to sincerely thank our customers and stakeholders for their continued support. As a growing bank, we appreciate the support rendered to the Bank and we remain committed to providing digital solutions to make your banking operations easier and delivering a return on investment for our shareholders.

Conclusion

I want to thank my fellow Directors of the Board for working with me in delivering on the Bank's strategic goals and objectives. Being the first year in the life of this Board of Directors, the past year gave me the privilege of working with you and it has been an honour for me to be part of the team.

While we encountered numerous challenges in the year, it is gratifying to note that we also achieved many milestones. And for this, I am grateful for the support of my colleagues, the Directors of the Board, and the dedication and hard work of the management team and staff in taking ZICB on the path to greatness.

May the Almighty God bless the Bank and all of us collectively and severally.

Musonda Cheta
Board Chairman

ZICB

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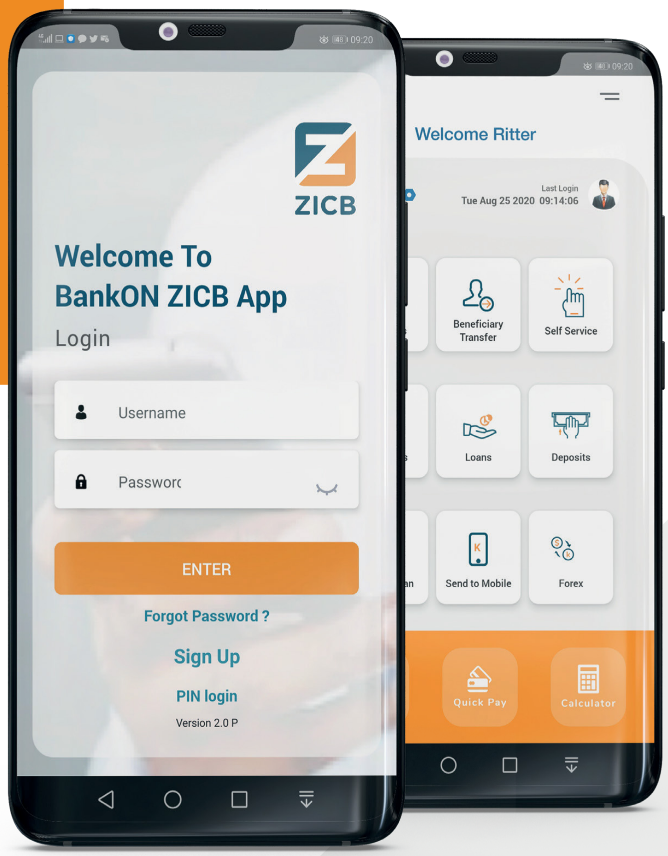

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Zambia Industrial Commercial Bank Ltd | Making tomorrow possible

Ignatius Mwanza
Managing Director

CEO's statement

Introduction

Zambia's macroeconomic environment in 2022 can be described as a tale of two halves. The first half saw steady reduction in rate of inflation and the local currency steadily appreciated against the US Dollar and other major global currencies to a point where it was recognised as one of the best performing currencies in the world. However, the start of the Russia-Ukraine conflict in February of 2022 induced a myriad of challenges for the global economy that consequently took a toll on Zambia's economic performance in the second half of the year with the resultant increases in the costs of energy, agricultural inputs, and food stuffs.

Notwithstanding the challenging economic environment, the Bank managed to perform well in 2022. From achieving breakeven in 2021, the Bank continued on a growth trajectory in 2022 as evidenced by the increased profit that we posted for the year. We achieved remarkable growth in our loan book driven mainly by lending to the corporate segment.

- Deposits grew 145% to ZMW2,561 million
- Overall Loans and Advances grew 171% to ZMW1,118 million (net of credit provisions and including ex-IBC Loans)
- Net Interest Income grew by 133% to ZMW269 million
- The Bank posted an increased profit after tax of ZMW12 million in 2022 from ZMW2 million in 2021.

Commercial Banking

We recorded growth in all the four Commercial Banking segments in 2022. These are SME, Retail, Corporate and Public Sectors. The opening of new branches and the introduction of new products in the SME and Retail segments enabled us to get closer to our clients and spurred acquisition of more new-to-bank clients. We will continually strive to be innovative and relevant in the provision our products and services.
Through a human-centred approach to banking, ZICB has partnered with various multilateral and development institutions to implemented sustainable financing initiatives to fight against climate change and its effects on small businesses. Based on our strategic target customer segments, ZICB is exploring nature-based solutions to reduce the emissions caused by loss of natural systems and help remove carbon dioxide already in the atmosphere. Addressing climate change is among the most urgent and complex challenges today and will require a significant level of investment. With the creation of the Carbon Markets business line, ZICB will extend its ability to offer sustainable financing solutions to its corporate and MSME customers.

Digital Banking and Marketing

During 2022, the Bank persistently invested in and enhanced its digital banking offerings to meet the rising demand for online and mobile banking services. We are delighted to report that these efforts have yielded substantial improvements in customer acquisition and channel throughput. Specifically, the digital banking throughput in 2022 surged by 102% compared to the previous year.

In the Agritech industry, the Bank has maintained its leadership position for three consecutive years by providing support to FISP. We are proud to report that this achievement has been recognized by the Zambia eCommerce awards, and we were awarded as the Best Agri-centric Business of the Year in 2022.
To further increase customer touchpoints, acquisition, and utilization, we have strengthened our alliances with other digital financial providers, while also prioritizing financial inclusion. Overall, we believe that our investment in digital banking has positioned us for future success and will enable us to continue meeting the evolving needs of our customers.

Credit Management

We registered good growth in our loan book that was driven by corporate customers in the manufacturing, fertiliser commodities, real estate, and transport sectors. Growth in the retail consumer loans was partly driven by the acquisition and increased utilisation of new companies under the scheme loans program as well as increased utilisation from walk-in clients whose salaries are routed through the Bank.
The Bank also participated in the fertiliser distribution exercise through availing loan facilities to two significant suppliers as well as providing a guarantee to another.
The Bank achieved the following milestones in the year under review:

- We closed the year with a total of 2,147 performing loans compared to 1,503 loans the previous year (excluding ex-IBC Loans).
- We made credit recoveries of ZMW1.7 million from ex-customers of Intermarket Banking Corporation as compared to ZMW19.1 million in 2021; and
- We closed the year with a non-performing loans ratio of 3.8% on the ZICB book.

Treasury

At an amount of ZMW26.7 million, our 2022 trading income was an increase of 16% over the previous year's position. This was driven by increased foreign exchange transaction volumes through the onboarding of new customers, and fixed income trading, which provided a new revenue line for the Bank. Interest income from government securities was ZMW139.97 million, increasing by 20% over prior year, supported by prudent liquidity management and proactive response to the interest rate
environment.

Information Technology

The Bank's IT architecture has been implemented with great agility and flexibility to meet the ever-growing, diverse service needs that embrace technological advances using Application Programming Interface (API). The technology then facilitates modern transformative digital banking services such as host-to-host integrations that provide real-time banking with minimal reconciliation challenges for payments & collections for various corporate entities. The IT architecture implemented at ZICB has enabled the delivery of innovative digital banking products and services at reduced cost while also contributing to the revenue of the Bank.
We will continue to build on our infrastructure to support business growth while maintaining a lean team through use of innovative technology and alliance partnerships to increase functionality that boost eCommerce capabilities and provide ecosystems to support customer retention through value-added services.

Risk Management

The year 2022 had a mix of opportunities and uncertainties. Multiple emergent risks arose from macroeconomic headwinds, necessitating risk managers to cautiously negotiate risk threats across several domains of commerce. During the year, the Risk Management division oversaw the development and enhancement of the function within the bank, guided by the corporate strategic plan. These initiatives included implementing the fraud monitoring tools, stress testing framework and scenario analysis process and enhancing Business Continuity Plans (BCP). Cyber security is a key risk to the banking sector and 2022 saw an increase in cyber fraud. The Bank is in the procurement phase of cyber tools to manage this risk.
The Bank believes that enterprise risk management provides capabilities to identify and assess the full spectrum of risks and enables staff at all levels to better understand and manage risks. This ensures that:

- Risk acceptance is done in a responsible manner;
- The Executives and the Board of the Bank have adequate risk management support;
- Uncertain outcomes are better anticipated;
- Accountability is strengthened; and
- Stewardship is enhanced.

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- Uncertain outcomes are better anticipated;
- Accountability is strengthened; and
- Stewardship is enhanced.

Operations

The program of automating back-office manual processes continued in year under review with 30% of tasks already done. This initial phase comprised of automation of processes that required no specific financial expenditure. The next phase of automation of processes that requires financial expenditure is expected to be concluded by the close of 2023 for the 70% of identified processes that need to be automated. This program is expected to improve operational efficiencies by reducing processing times and costs, and eliminating the risk of income leakages that may result from human-related errors.

After successfully onboarding United Bank of Africa New York (UBANY) and Absa as our correspondent banks for US Dollar and South African Rand-based transactions respectively, ZICB is engaging more banks for correspondent relationships to meet applicable regulatory requirements.

Human Capital

The Bank has seen a 30% increase in its staff complement to 124 mainly as a result of opening of three additional branches / agencies in the last one year and has sustained a low turnover rate of 8% in the year 2022. This is an indication that we are positioned to attract the right talent in the market to support the growth trajectory of the Bank. The focus for Management is to ensure that we support staff development and training in as far as resources permit to ensure that all staff are developed for efficiency, consistent with the Corporate Strategic Plan as well as achieve efficiency in our Human Resource processes for the smooth running of our operations. To this end, we had 32 members of staff from various departments enrol for the Certificate in Corporate Credit (CICC) and Certified Retail Banker (CRB) courses, which are year-long training programs by Moody's Analytics. We also had six (6) senior executive staff enrol for a six (6) month course in Sustainable Finance with the Frankfurt School of Finance and Management. These trainings are all illustration of the Bank's commitment to invest in developing our staff. Further, to enhance cross-team collaborations, the Change Management agenda that is aimed at solidifying a "one-bank" culture in the Bank is also underway.

Corporate Social Responsibility

The Bank participated in Financial Literacy programmes in Kitwe at Mukuba Mall and in Lusaka at the University of Zambia as part of the 10th anniversary of the commemoration of Financial Literacy Week in Zambia. We further unveiled a 3-year Financial Literacy partnership with Zed Kidpreneur through which ZICB will sponsor the mentorship to children between the ages of 4 and 20 years. The program is centered on developing financially literacy and entrepreneurial mindsets at a young age.

In line with our strategic focus of supporting the growth of Zambian MSMEs, ZICB provided sponsorship to Travium Investments Ltd for their participation in the Summer Fancy Foods Fair that took place in New York, USA from the 12th to the 14th June 2022. Through our sponsorship, Travium Investments Ltd are now exploring the possibility of exporting their Zambian products to the USA market.

Under the Health pillar of our CSR agenda, we funded the procurement of various medical supplies at a total value ZMW97,150-00 for a clinic outreach activity to Chibanga in Mulungwe chiefdom, in Mkushi rural. This programme was implemented under a partnership with Bethel Christian Ministries. In the year under review, the Bank also partnered with Thy Word Networks in donating various baby items, including diapers, infant milk, and baby blankets, to mothers at the UTH Neonatal Ward during the Christmas season.

Outlook for 2023

The impact of the geo-political tensions caused the Russia-Ukraine conflict continues to weigh heavily on the Global economy. This has resulted in increases in the average Global costs of energy and food, causing high inflation rates in most developed economies, which have in most instances responded with quantitative tightening programmes. Such programmes are expected to dry up credit to households and businesses thus affecting consumer demand for goods and services, and could possibly cause a reduction in Global GDP. The IMF has projected that Global growth will fall from an estimated 3.4 percent in 2022 to 2.9 percent in 2023.

At a national level, the delay in implementing an IMF-supported debt restructuring programme is negatively affecting the macroeconomic factors of the economy. It is expected that the implementation of the programme will unlock the much-needed financial flows into the country which will bring relief to the local currency.

ZICB is perfectly positioned to leverage its unique relationships in the market to deliver value-added services to its customers. As we continue to support the growth of our MSME and Corporate customers, we will broaden our service and product offering to include sustainable financing and carbon trading capabilities. With our continued strategic expansion of physical touchpoints, we will continue to offer increased convenience in service delivery to our customers.

Mr. Ignatius Mwanza
Chief Executive Officer

Mwape Mondoloka
Bank Secretary

Notice of AGM

Notice is hereby Given that the 5th Annual General Meeting (AGM) of Zambia Industrial Commercial Bank Limited (ZICB) will be held on Tuesday 28 March 2023 commencing at 10:00 hours at Le Elementos Boutique Hotel, No 14 Lukasu Road Rhodespark Lusaka to transact the following business:

ORDINARY BUSINESS

1. Call to order

Call to order, tabling of proxies and confirmation of quorum.

2. Resolution 1 - Adoption of Minutes

2.1 To consider and adopt the minutes of the 4th Annual General Meeting held on 29 March 2022
2.2 To consider and adopt the minutes of the 3rd Extraordinary General Meeting held on 29 July 2022

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

To receive and adopt the Financial Statements for the year ended 31st December 2022 and the Reports of the Directors and Auditors.

4. Resolution 3 - Appointment of External Auditors

To ratify the appointment of Grant Thornton Zambia Limited as the external auditors of the Company and to authorise the Directors to set their remuneration.

5. Resolution 4 - Access Third Party Funding

To approve the request to access Third Party Funding from various Development Financial Institutions (DFIs) or Multilateral Institutions

6. Resolution 5 - Notice of Change of Financial Year End

To approve the change of Financial Year End at the Patents and Companies Registry Agency (PACRA)

7. Any Other Business

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

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in his/her stead. A proxy need not also be a member of the Company. Proxy forms must be lodged at the registered office of the Company by no later than 14:00hrs on Monday, 27 March 2023.

A proxy form is attached to this Notice.

BY ORDER OF THE BOARD

....

Mwape Mondoloka
Bank Secretary

Zambia Industrial Commercial Bank Limited
P.O Box 30228, Tel: +260 211 428 700 / 7000
mwape.mondoloka@zicb.co.zm

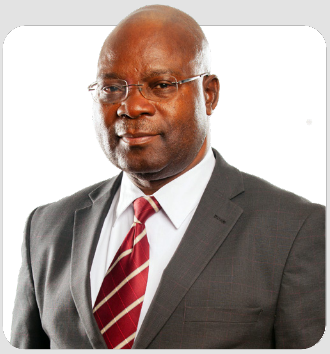
28 March 2023
Making Tomorrow Possible

The Board of Directors

The composition of the Board as at 31st December 2022 was as follows;

Mr. Musonda Cheta
Board Chairman

Mr. Chisha Mwanakatwe
Non-Executive Director



Mr. Henry Sakala
Non-Executive Director

Was elected as Board Chairman on 3 February 2022. Until then, Mr. Musonda Cheta was the Chairman of the Loans Review Committee and a member of Audit Committee.
Mr. Cheta has multi-disciplinary experience in engineering, banking, investment management, project management and general administration in both the public and private sectors. In the banking sector, he has in the past worked at Stanbic Bank, Meridian BIAO Bank and at Commerce Bank. At the National Pension Scheme Authority (NAPSA), he worked as Director Corporate Planning and Development and acted as Director Contributions and Benefits for 6 years. He was Project Manager for the conversion of the Zambia National Provident Fund to the National Pension Scheme Authority. Mr. Cheta has served as an ad-hoc consultant/speaker on pension matters locally and abroad. He has broad directorship experience and has served as Chairman of the Board of Trustees of the Zanaco Pension Trust Fund and as member of the NAPSA Technical Committee. He has also served as a member of the NAPSA Staff Pension Scheme and chaired the Contractual Savings Working Group at the Bank of Zambia under the Financial Sector Development Plan (FSDP). He established Goldline Pavers Limited in 2007 and currently serves as the company's Managing Director.

Mr. Chisha Mwanakatwe has over 31 years of experience gained in the commercial banking sector and at the Central Bank. Until his retirement from the Bank of Zambia, he served as Senior Director – Supervisory Policy, and held other senior positions, including Director Regional Office; Director Banking, Currency and Payment Systems; Director Bank Supervision, and Director Non-Bank Financial Institutions Supervision. He is a former Board Member of the World Bank-funded Enterprise Development Project and was Country Leader for the SADC Payment System Project. He also was a Member of the COMESA Committee of Payment Experts and is a Past Chairman of the Eastern and Southern Africa Bank Supervision Application (BSA) Stakeholders' Committee. Mr. Mwanakatwe served as the Chairman of the Board of Directors of the Zambia Credit Guarantee Scheme Limited. He previously served as a member of the Finance and Investment Committee of the Workers' Compensation Fund Control Board of Directors and a member of the Advisory Council of the Swedish company ECS Supermoto.

Mr. Henry Sakala has broad senior and executive experience with over 25 years in private sector development, public sector reform, and restructuring of State-owned enterprises. He is currently serving as the Acting Chief Executive Officer at the Industrial Development Corporation (IDC). Previously, Mr. Sakala was Director Public-Private Partnership (PPP) Unit charged with the responsibility of coordinating the implementation of PPP projects in Zambia. He had earlier worked for the Zambia Development Agency as Director – PPP & Privatisation where he was part of the technical team that oversaw the divestiture of State-owned enterprises. Over the years, Mr. Sakala has provided advisory services on PPPs and privatisation to the governments of Sierra Leone, Uganda and Ethiopia. Mr. Sakala has also worked for Barclays Bank Zambia, Lima Bank and Finance Bank in various portfolios. He is a Certified Public-Private Partnerships Specialist and a Fellow of the Chartered Institute of Development Finance. Mr. Sakala is currently serving on the Boards of Directors of Pendulum Enterprises Limited; Pendulum Fisheries and Transport Limited, Ndola Trust School, and Jarban S.A. of Belgium.

Mr. Danny Luswili
Non-Executive Director

Mrs. T.M. Liswaniso Kampata
Non-Executive Director

Mr Isaiah Chindumba
Non-Executive Director

Mr. Ignatius Mwanza
Executive Director and CEO

Mr Luswili has over 30 years' experience in the fields of accounting and finance, administration, risk management, bank operations, money laundering, financial crime control, compliance risk management and strategy formulation and implementation. He holds a bachelor's degree in Accounting and Finance (B. Acc), and a Master of Science in Strategic Business Management (M. Sc). He is a Fellow member of the Zambia Institute of Chartered Accountants (ZICA), Fellow of the Chartered Institute of Management Accountants (CIMA), member of the Chartered Institute of Public Finance Accountants (CIPFA) a Fellow of the Institute of Directors in Zambia (FIoDZ) and of the Chartered Global Management Accountants (CGMA). He previously worked for various companies in the agriculture,research, manufacturing, banking and financial sectors at senior executive positions. He is a shareholder and director in LMD Management Consultants Limited, a private firm of professional management consultants specializing in accounting, tax administration, debt collection and business consultancy training, corporate governance, and business restructuring.

Mrs. Kampata presently works as Board Secretary/Director Legal at Zambia Development Agency (ZDA) on secondment from the Ministry of Justice, where she is employed as Principal Counsel in the Department of International Law and Agreements. Up until November 2019, Mrs. Kampata was the Company Secretary for First National Bank Zambia. Her previous roles in the bank were: (i) Head: Governance, Risk & Compliance (2009 to 2015); and (ii) Company Secretary & Head Legal (2015 to March 2017) culminating in ten (10) years of executive level work experience in the Banking Sector. Mrs Kampata has also worked as Legal Officer - Zambia Revenue Authority (ZRA), Assistant Legal Counsel (Project and Commercial) – Copperbelt Energy Corporation, Legal Officer - Development Bank of Zambia, an Advocate at Lukona Chambers, a State Advocate – Attorney General's Chambers and as a Learner Legal Practitioner – National Legal Aid Clinic for Women

Mrs Kampata is an Advocate of the High Court for Zambia with over twenty-five (25) years working experience.

Mr Chindumba has over 30 years of commercial banking and Information Technology experience both at local and international levels. He previously sat on the board of a regulated financial institution in three countries in the region. He worked for Commercial Bank of Rwanda, now IM Bank Rwanda Limited, as Chief Operating Officer in Kigali, Rwanda. Before that he worked for Citi Bank Zambia Limited as Resident Vice President, Country Legal and Compliance Officer, and Chief of Staff. He also held the positions of Assistant General Manager and Senior Branch Operations Officer, Manager Operations, and Head of Administration and Treasury Operation.

Mr. Ignatius Mwanza is a career banker with broad banking experience. He has been involved with the Bank from its project phase and was appointed as the first CEO of the Bank in January 2018. He was previously Director of Corporate Banking at Zanaco where he had portfolio responsibility for Government, agriculture, corporates, small to medium enterprises (SMEs) and Transactional Banking. Prior to joining Zanaco, Mr. Mwanza worked for Stanbic Bank Zambia as Head Wholesale Banking and later set up the Investment Banking Unit. He previously worked for Standard Chartered Bank Zambia in various roles including Treasurer and Head Sales Corporate Banking. He also worked for Standard Chartered Bank in London initially as Contingency Planning Manager for Africa and later as Senior Manager Corporate Banking. Prior to joining Standard Chartered, Mr. Mwanza worked at the Bank of Zambia. He holds a Masters' Degree in Business Administration (MBA) from Henley Business School and an Associateship of the Chartered Institute of Bankers (ACIB), both from the United Kingdom and a Diploma in Accountancy from the Evelyn Hone College of Applied Arts and Commerce in Zambia.

Management Committee

Mr. Ignatius Mwanza
Executive Director and CEO

Dr. Louis Kabula
Chief Financial Officer

Mr. Cyprian Mwamba
Chief Commercial Officer

Mr Andrew Chimasa
Chief Digital & Marketing Officer

Ms. Mwangala Muyoyeta
Chief Information Officer

Mr. Thulani Muchiya
Chief Risk Officer

Ms. Mwape Mondoloka
Bank Secretary

Ms. Karen Kapika
Head Treasury

Mrs. David Ndumba
Head Human Capital

Mrs. Hlupekile Luhana
Head Internal Audit

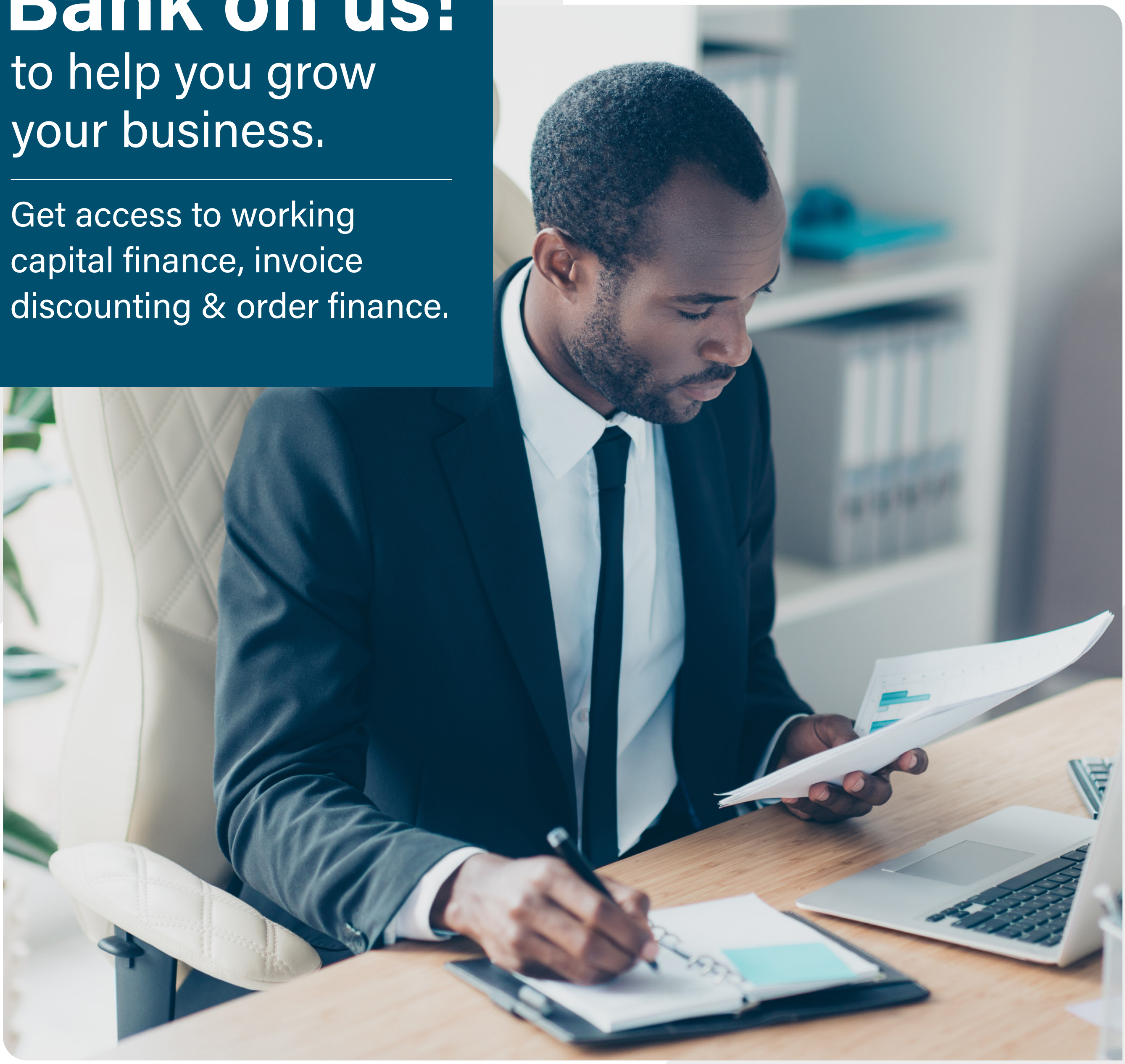
Mr. Sangulukani Lwara
Head Credit

Mr. Anthony Simbeye
Head Procurement & Shared Services

Dr. Manyando Sikanda
Head Operations

Mr. Luke Njovu
Corporate Affairs Manager

Mrs. Mutauka Kazoka
Manager Compliance



Corporate Governance.

Introduction

Zambia Industrial Commercial Bank Limited (ZICB) is committed to a high level of corporate governance and fostering a culture that values ethical behaviour, integrity and respect. We believe that adopting and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation
.

The Board has ultimate authority over, and oversight of, the Bank and regards corporate governance as a critical element in achieving the Bank's objectives. Accordingly, the Board has adopted Bank of Zambia Corporate Governance Directives 2016 as amended in 2017 and established a number of board committees to discharge its duties.

Board role and responsibilities

During the year under review, the Board undertook the annual review of its Board Charter which was revised during the prior year 2021 in order to fully align it to the requirements of the Banking and Financial Services Corporate Governance Directives of 2016 and the subsequent amendment in 2017, the Banking and Financial Services Act of 2017 and the Companies Act of 2017.
The Board Charter is an important component of the framework that defines corporate governance practices within the Bank and is designed to provide guidance to Board of Directors, shareholders and other external stakeholders as to how the Bank approaches this critical issue. The Board Charter details the Board's role, powers, duties, and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of ZICB's business activities is delegated to the Chief Executive Officer (CEO) who is accountable to the Board.

The Board is responsible to the stakeholders and the shareholders for creating and delivering sustainable value through oversight of the management of the Bank's businesses. The Board is ultimately accountable to ensure that all Directors uphold the highest standards of

in the Board Charter, responsibility for the management of ZICB's business activities is delegated to the Chief Executive Officer (CEO) who is accountable to the Board.
The Board is responsible to the stakeholders and the shareholders for creating and delivering sustainable value through oversight of the management of the Bank's businesses. The Board is ultimately accountable to ensure that all Directors uphold the highest standards of governance in the discharge of their fiduciary duties and to take all reasonable measures to prevent any breach of duty and/or responsibility.

During the period under review, the Board discharged many of its functions including risk management, oversight on capital expenditure, review and approval of the Internal Capital adequacy assessment Process (ICAAP), approval of the strategic objectives and plans for achieving the objectives of the Company so as to deliver such long-term value, providing overall strategic direction, monitoring of the compliance with rules and regulations applicable to the Bank to enhance performance of its duties and ensure that the adequacy of systems of financial, operational and internal controls of the Bank.

We are happy to report that in discharging its mandate, the Board exuded independence and was well informed. In March 2023, the Board confirmed that the Bank had complied with the provisions of the laws, regulations, guidelines issued by the Bank of Zambia and the codes of industry practice as contained in the Code of Banking Practice. The Statement of Compliance by the Chairman of the Board has since been submitted to Bank of Zambia.

Composition

The Board is currently composed of 7 directors, 6 of whom are non-executive and one being the Chief Executive Officer is an executive director.
The first set of Directors were appointed to the Board on 22 February 2018 for a period of 3 years. The Board of Directors tenure was extended for a further period of 1 year on 22 February 2021 to expire on 22 February 2022 by the then majority shareholder Industrial Development Corporation (IDC). On 24 January 2022 following execution of the new Shareholders Agreement which saw the National Pension Scheme Authority (NAPSA) become the majority shareholder at 64%, the Board was reconstituted as follows:

1.The following Directors resigned on 24 January 2022

- Mr Charles Sichangwa who was the first Board Chairman.
- Mrs Cecilia Zimba
- Mr Mundia Mundia

2. The following NAPSA nominated Directors were appointed on 24 January 2022

- Mr Danny Luswili
- Mr Isaiah Chindumba
- Mrs Theresa Kampata

3. The tenure of the following continuing Directors was extended for two (2) years with effect from 22 February 2022

- Mr Cheta Musonda
- Mr Chisha Mwanakatwe
- Mr Henry Sakala

The composition of the board as at 31 December 2022 was as follows:

Responsibilities of the Board

The Board is primarily responsible to the stakeholders and the shareholders for creating and delivering sustainable value through oversight of the management of the Company's business.

- The Board should therefore review and approve the strategic objectives and plans for achieving the objectives of the Bank so as to deliver such long-term value, providing overall strategic direction within a framework of rewards, and controls.
- The Board must ensure that management strikes an appropriate balance between promoting long-term sustainable growth and delivering short-term performance.
- Directors must act in good faith, promote
- the success of the company for the benefit of the stakeholders as a whole.
- The Board is committed to upholding the highest standards of integrity and ethical behaviour in line with the values of the Bank.

- The Board is the decision-making body for all other matters of such importance and significance to the Bank as a whole because of their strategic, Financial, or reputational implications or consequences.
- The Board shall delegate to the Chief Executive Officer or any director holding any executive office or any senior executive any of the powers, authorities and directions vested in the Board's directors, including the power of sub-delegation. Delegate similarly such powers, authorities and discretions to any committee and company Boards as may exist or be created from time to time.

- The Board shall approve capital funding for the company and the terms and conditions of rights or other issues and any prospectus in connection therewith, subject to the authority of the majority shareholders,
- The Board shall ensure that an adequate budget and planning process exists, that performance is measured against budgets and plans and approve annual budgets in line with the approved policies and procedures of the Bank.
- The Board shall consider and approve capital expenditure recommended by management.
- The fiduciary duties and responsibilities of all Directors are governed by the provisions of the Banking and Financial Services Act, the Bank of Zambia Corporate Governance Directives, The Securities act the Financial Intelligence Centre act as amended and the Companies Act. The Directors have a responsibility to acquaint themselves with their fiduciary duties, and responsibilities, as well as with the issues pertaining to the operations and business environment of the Bank so that they are able to fulfil their duties.

Board Performance Evaluation

The Nominations & Remuneration Committee is responsible for determining the process for evaluating Board performance.

During the year under review, the Board underwent an evaluation which was facilitated internally. The evaluation included performance assessments for the Chairman, Chief Executive, Company Secretary, Board Committees and individual directors. The review of the Board revealed that the performance of the Board and its committees continues to be effective and fit for purpose. The Board deliberations were robust and properly managed by the Chairman to ensure that matters related to the Bank are adequately considered.
The results of the Board evaluation form the basis for the Directors' continuous development and enhancement of its performance.

Board will continue to implement appropriate actions to enhance its performance.

Director Induction and Continuous Education
Th Board has put in place a Director Induction and On-Going Training Policy and a program to ensure that all directors receive a full formal and tailored induction on joining the Board to ensure that they are provided with the knowledge and material to add value from an early stage. The induction is relevant to all new Board members; however, the content of the programme is also tailored to meet each director's individual level of experience and expertise as may be appropriate. The directors are advised of the legal, regulatory, and other obligations of a director on an ongoing basis. The directors also receive training on corporate governance. The directors have access to independent professional advice to enable them to discharge their duties.
Directors' Remuneration
The fees paid to the Directors are representative of their commitment towards the Bank being able to meet its target in terms of performance. The Directors' fees are determined by the majority shareholder and thereafter tabled approved by the shareholder. The disclosure of the Director's fees and remuneration is made in note of the financial statement. During the year, the total directors' remuneration was K4,503,175.

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Directors' Remuneration

The fees paid to the Directors are representative of their commitment towards the Bank being able to meet its target in terms of performance. The Directors' fees are determined by the majority shareholder and thereafter tabled for ratificationby the shareholders at the subsequent general meeting (AGM). The disclosure of the Director's fees and remuneration is made in note of the financial statement. During the year, the total directors' remuneration was ZMW5,569,752.

Meetings of the Board

During the year ended 31st December 2022 the Board held four (4) regular meetings and 5 Special meetings. Attendance was as shown in the table below:

Name of Director	24/01/22 S	03/02/22 S	22/03/22 R	13/04/22 S	26/05/22 R	01/09/22 R	15/09/22 S	14/12/22 R	27/12/22 S
Mr. C. Sichangwa	√	N/e	N/e	N/e	N/e	N/e	N/e	N/e	N/e
Mr. M. Cheta	√	√	√	√	√	√	√	√	√
Mr. C. Mwanakatwe	√	√	√	√	√	√	√	√	√
Mr. H. Sakala	√	√	√	Apology	√	Apology	√	√	√
Mrs. C. Zimba	√	N/e	N/e	N/e	N/e	N/e	N/e	N/e	N/e
Mr. M. Mundia	*	N/e	N/e	N/e	N/e	N/e	N/e	N/e	N/e
Mr I Chindumba	√	√	√	√	√	√	√	√	√
Mr D Luswili	√	√	√	√	√	√	√	√	√
Mrs T Kampata	√	√	√	√	√	√	√	√	√
Mr. I. Mwanza	√	√	√	√	√	√	√	√	√

Key

√	Present
*	Apologies rendered
R	Regular meeting
S	Special meeting
N/e	Not eligible to attend

Board Committees Membership, Meetings and Record of Attendance

The Board has established five (5) committees namely, Risk Committee, Nominations and Remuneration Committee, Loans Review Committee, Credit Committee and Audit Committee. Each of these Committees operates under approved terms of reference and are chaired by Independent Non-Executive Directors.

Risk Committee

The Committee provides oversight in the identification, evaluation and management of all potential and actual risks of the Bank, including liquidity risk, credit risk, operational risk, reputational risk, legal risk, compliance risk, strategic risk and market risk. It reviews the integrity and effectiveness of the Bank's risk management systems and ensures that a robust risk management culture exists in the Bank.

On a quarterly basis, the Committee reviews and monitors the Bank's risk profile against the Risk Appetite Statement. The Committee also receives formal and informal communication from the Chief Risk Officer and Manager Compliance.

During the period under review, the Risk Committee was chaired by Director, Chisha Mwanakatwe and held four (4) meetings.

Record of attendance at the meetings

NAME	23/02/2022	10/05/2022	17/08/2022	21/11/2022
Mr. Chisha Mwanakatwe	√	√	√	√
Mr. Isaiah Chindumba	√	√	√	√
Mrs. Theresa Kampata	√	√	√	√

Key

√	Present
*	Apologies rendered

Audit Committee

The Audit Committee exercises oversight on the Bank's financial reporting process. This includes assessing the integrity and effectiveness of the financial, accounting and internal control systems to safeguard the assets of the Bank.

The Committee ensures that Management takes appropriate corrective actions in a timely manner to address any control weaknesses, non-compliance with laws, regulations and other problems. It oversees the independence and effectiveness of the Bank's internal and external audit functions. The Committee also receives formal and informal communication from the Head of Internal Audit.

The Audit Committee was chaired by Director, Danny Luswili and held four (4) meetings during 2022.

Record of attendance at meetings

NAME	15/03/2022	11/05/2022	17/08/2022	21/11/2022
Mr. Danny Luswili	√	√	√	√
Mr. Henry Sakala	√	√	√	√
Mr. Chindumba Isaiah	√	√	√	√

Key

√	Present
*	Apologies rendered

Loans Review Committee

The Board Loans Review Committee is responsible for approving lending strategies and policies including appropriate loan limits. In line with its mandate, the Committee approves asset quality standards with respect to all lending areas and monitors concentration of credit by product, industry and geographical areas.

It further ensures that effective credit governance is in place and regularly reviews the Bank's lending activities to ensure the Bank is compliant with the approved internal credit policies and all applicable laws.

The Loans Review Committee was chaired by Director, Mr. Henry Sakala and held four (4) meetings during the period under review

Record of attendance at the meeting

NAME	24/02/2022	10/05/2022	11/08/2022	23/11/2022
Mr. Henry Sakala	√	√	√	√
Mr. Musonda Cheta	√	√	√	√
Mr. Danny Luswili	√	√	√	√

Key

√	Present
*	Apologies rendered

Nominations and Remuneration Committee

The Committee assists the Board by reviewing the recruitment process for the Board, executives and key senior staff of the Bank. It establishes formal selection criteria for prospective directors and is responsible for the board evaluation review. The Committee also reviews and assesses the adequacy of the Bank's corporate governance principles and is also responsible for promoting ethical behaviour in the Bank.

In accordance with the provisions of the Bank of Zambia Corporate Governance Directives, the Committee was chaired by the Board Chairman, Mr. Musonda Cheta. It held four (4) regular meetings and one (1) Special meeting during the period under review.

Record of attendance at the meetings is as follows:

NAME	24/02/2022	23/03/2022 (S)	12/05/2022	09/08/2022	24/11/2022
Mr. Musonda Cheta	√	√	√	√	√
Mr. Chisha Mwanakatwe	√	√	√	√	√
Mrs Theresa Kampata	√	√	√	√	√

Key

√	Present
*	Apologies rendered

Credit Committee

The Committee was set up for the purpose of ensuring compliance with the requirements of the Banking and Financial Services (Large Loans Exposures) Regulations Statutory Instrument No 96 of 1996 (the Large Loan Regulations) and the Banking and Financial Services (Insider Lending) Regulations Statutory Instrument No 97 of 1996 (the Insider Lending Regulations); to consider for approval, credit facilities referred to it by the Management Credit Committee and also to ensure that effective credit governance relating to the approval of Large Loans and insider lending is in place.

The Credit Committee was chaired by Director, Mr. Chisha Mwanakatwe and met as and when there was competent business for its consideration.

Management Committees

The Board and its Committee are supported by five Key Management Committees as follows:

Executive Committee (EXCO)

The Executive Committee (EXCO) was established to assist the CEO to implement the Bank's Strategic Plan subject to statutory limits and the Board's limitations on delegation of authority to the CEO, to achieve sustainable growth within the Bank's governance framework and approved risk profile.

The committee is conferred with the power to take any action necessary to manage the business of the Bank and fulfil its responsibilities to the Board, which include:

- Formulation of the Bank's strategy and targets (both financial and non-financial) that are to be approved by the Board of directors;
- Delivery of the Bank strategy as approved by the Board of directors and review of the performance against the agreed financial, non-financial and operational targets set;
- Monitor the Bank's financial performance;
- Monitor actual performance against budget and financial indicators and ensure the efficient use of capital;
- Ensuring adequate budget and planning processes;
- Ensure that the Bank has adequate systems of financial and operational internal controls;

Where appropriate, the Committee can delegate these responsibilities to another Committee comprising such persons as the Chief Executive shall appoint.

Enterprise Risk Management Committee

The Enterprise Risk management Committee (ERMC) is mandated by the Board to oversee the implementation of risk management framework of the Bank. ERMC evaluates the adequacy of the Bank's risk management systems and the adequacy of the Bank's control environment with management, and the internal and external auditors.

The committee shall have the following responsibilities for all risks within its purview:

- Formulate policies, processes, systems and procedure;
- Monitor implementation of risk policies, systems process and procedures;
- Review risk reports for presentation to the Board and or Board committees;
- Under ICAAP the Committee shall:
- Oversee the establishment and implementation of the ICAAP.
- Review the risk and capital policies of the Bank and ensure the implementation of these policies.
- Ensure the establishment of policies and procedures for the management of material risks.
- Ensure there are processes in place linking capital to the Bank's material risks.
- Review and approve the framework for capital allocation among the classes of risk, business lines and geography.
- Monitor the relevance of the risk and capital policy on a regular basis.
- Review all capital management reports and ensure compliance with capital management policies.

Asset and Liability Committee (ALCO)

The Asset and Liability Committee (ALCO) is the principal local management forum for balance sheet management and related longer-term strategy. The Committee is responsible for market and liquidity risk management of the Bank. ALCO shall have the following roles and responsibilities:

- Review and approve the capital adequacy targets.
- Review the process, policies and strategies for the management and maintenance of the Bank's capital and forward to the ERMC for endorsement to the Board.
- Review the framework for capital allocation among the classes of risk, business lines and geography and endorse to ERMC for approval.
- Review all capital management reports against target capital levels and develop action plans and recommendations to the ERMC to remediate such deviations.

The ALCO shall comprise the following members:

- Chief Executive Officer (Chairperson)
- Chief Financial Officer (Deputy Chair)
- Chief Risk Officer
- Chief Commercial Officer

- Treasurer (Secretary)

Other personnel may be called upon from time to time to attend ALCO meetings and to provide input or present papers/data on particular subject.

Management Credit Committee

The Management Credit Committee (MCC) is a committee of Management that has delegated authority for the oversight of the Bank's credit risk management process.

The functions of the MCC include:

- Consideration and approval of business lines and credit programs in line with acceptable products for the Bank's operations
- approval of individual credits in line with credit approval authority limits
- Approval of loan write offs beyond the approved authority of the Credit Department, within delegated authority
- Review of credit risk portfolio reports, impairment adequacy and credit risk sectors
- Review the identified Early Warning accounts. Provide guidance and oversight on remedial actions for Early Warning and problem accounts,

The Committee comprises of the CEO and Committee Chair, Head of Credit, Chief Financial Officer, Chief Commercial Officer, Chief Risk Officer and the Bank Secretary as appointed by the CEO.

Procurement Committee

The Procurement Committee is constituted to examine and accept tenders relating to the procurement of goods and services.

The role of the Committee is to:

- To review, consider and approve all purchase above K250, 000 and all contractual procurements.
- To ensure that all procurements by the Bank are conducted in accordance with the Bank procurement Procedures and legislation pertaining to public procurement.
- Providing prior authorisation of the procurement in accordance with the procedures.
- Ratify procurements made outside the approved procedure,

The approval by Procurement Committee shall have a validity period of six (6No.) months after which fresh authority has to be obtained if the contract has not been entered into with the supplier, contractor or service provider.

The Procurement Committee shall be chaired by the CEO and shall comprise the Chief Financial Officer, Chief Commercial Officer, the Bank Secretary, The Head of Procurement and Shared Services is Secretary to the Committee. The Committee also has an Independent Procurement Prac-

"Price is what you pay.
Value is what you get."
Warren Buffett

Risk Management

The Bank's risk management framework consists of structure, policies, strategies, processes and techniques for the management of risks. All activities and processes of the Bank consider risk management as shared beliefs and practices characterising how the Bank considers risk in everything it does, from strategy development and implementation to its day-to-day activities. The strategy for the management of risk in ZICB is to empower all staff to proactively identify, control, monitor, and regularly report risk issues to management through various interventions. The Bank's Risk Management function provides central oversight of risk management across the Bank to ensure that the full spectrum of risks facing the Bank are properly identified, measured, monitored, and controlled inoder to minimize adverse outcomes. The focus is to inculcate a risk culture in the Bank. The Board of Directors are responsible for risk management oversight roles and responsibilities which are delegated to the following committees: Board Risk Committee, Board Audit Committee, Board Loans Review Committee and the Board Nominations and Remuneration Committee. At the tactical level, management manages risk through executive management committees namely, the ERMC, ALCO and the MCC.

At the operational level, risk management responsibilities per risk area are managed through business and functional unit managers. The risk management is through definition and monitoring of the risk limits, of key risk indicators (KRI) and key performance indicators (KPI) at granular levels in line with the overall approved corporate objectives and risk appetite.
During the year, the risk management division oversaw the development and enhancement of the function within the bank, guided by the corporate strategic plan. These initiatives included:

- Implemented the fraud monitoring tools and increased fraud awareness of staff and customers,
- Implemented the stress testing framework and scenario analysis process to better dimension to ensure shocks and early warning indicators are triggered.
- Business Continuity Plan (BCP) - Considering the ongoing and evolving pandemic,

"

In an ever-changing world, our ability to identify, assess, and respond to risks determines our resilience and success.

we continue to ensure that effective health and safety measures are in place for both our internal and external customers.

The Bank's risk management process has continued to achieve desired results as evidenced by improved risk ratios. Risk management is fundamental to the Bank's decision-making and management process. The Bank remains committed to sustainable risk management practices to drive institutional growth.

Risk Appetite

Risk Appetite is the amount and type of risk an organization is willing to accept in pursuit of business objectives. A well-defined risk appetite helps clarify and align an organization's strategic direction with its risk management policy and practice in terms of its willingness to pursue high, above average, moderate or low risk strategic options.

The ZICB's Risk Appetite is owned by the Board of Directors, it expresses the aggregate level of risk that we are willing to assume in the context of achieving our strategic objectives. The risk appetite is derived using both quantitative and qualitative criteria. Risk appetite in relation to the major risks to which the Bank is exposed is regulated by limits and thresholds. These metrics aid in reaching our financial targets and guiding the Bank's profitability profile.

The Board is responsible for approving the overall risk appetite and high-level tolerances for all relevant risk categories taking into consideration the risk capacity, capital structure and access to financial markets as well as 'non-financial equity. It is the role of the Board to hold Management accountable for the timely identification, management and scalation of breaches in risk limits and of material risk exposure. The Board must ensure that annual business plans are in line with the approved risk appetite and that Management takes appropriate action with regard to any breaches in risk limits.

Everyone in the organization has a role to play in effective deployment of the risk appetite framework. The Board ensures there is alignment between the strategic objectives of the Bank and the risk appetite. The risk management committees: ERMC, MCC- and ALCO are responsible for making recommendations to the Board for approval of risk limits and thresholds in line with the approved risk appetite and regular monitoring of limit breaches and deviations for appropriate remedial actions.

The Chief Risk Officer ensures the risk appetite is translated to well-defined risk limits and threshold at business unit and product levels and ensures continuous monitoring and appraises the risk committees and the Board of the actual risk profiles and deviations from the plan or desired risk profile.

All staff have direct responsibility for the control and risk management environment in their area. Where there is a failure or potential weakness in controls, it must be reported to line management to resolve the situation. The line manager will advise whether the incident should be reported as a risk incident.

The risk appetite statement shows the total impact of risk that ZICB is willing to accept in pursuit of its strategic objectives. It shows how the Bank wishes to be perceived by its stakeholders such as shareholders, employees, regulators, customers, rating agencies, etc.

The risk appetite statement must always be aligned with the Bank's overall corporate risk philosophy and culture.

Stress Testing

Stress testing forms an integral part of the Bank's internal capital adequacy assessment and risk management process. The specific objectives of stress testing include providing a forward-looking impact assessment of risk exposures under stressed conditions and enabling the development of appropriate man-

agement actions and contingency plans across a range of stressed scenarios or sensitivity analyses, as input in setting the Bank's risk appetite and determining whether its risk exposures are within the stated risk appetite under stressed conditions and supporting internal and external communications regarding the Bank's financial condition, particularly during periods of heightened market volatility and economic uncertainty.

The Bank has a Stress Testing Policy that governs the stress testing programme. The Board is responsible for approving the policy and procedures governing the stress testing programme, and ensuring sufficient resources and expertise to effectively implement the programme.

The Bank uses a range of stress testing methodologies such as sensitivity and scenario analysis to ensure that its stress testing programme is comprehensive.

Sensitivity analysis estimates the impact on the value of a portfolio of exposures arising from assumed movements in a single risk factor or several closely related risk factors such as a parallel yield curve shift or an increase in the probability of default (PD) of borrowers. When performing sensitivity analysis, the identified risk factors are stressed using different degrees of severity.
Scenario analysis contains simultaneous movement in a number of risk factors such as interest rates and other macroeconomic variables. The stressed scenarios may be based on historical (a significant market event experienced in the past) or hypothetical events (plausible events that have yet to occur).

Internal Capital Adequacy Assessment Process (ICAAP)

The Internal Capital Adequacy Assessment Process ("ICAAP") as stipulated in Pillar 2 of Basel II is to ensure that the Bank has sufficient capital to support all material risks to which the business is exposed. The Internal Capital Adequacy Assessment Process document is produced annually and sets out the results of the Bank's own assessment of its internal capital requirements in accordance with Pillar II framework.
The purpose is to determine the adequate level of capital to support the Bank's business strategy and ensure adequate capital levels with regards to the associated risks.

The ICAAP report serves some key purposes:
- It informs the Bank's Board of Directors how the Bank assesses its risks, mitigates
- those risks and how much current and future capital is deemed necessary to support
- the Bank's operations considering those risks.
- It also serves as an evidence of the Bank's internal capital adequacy assessment
- process to the Bank of Zambia,
- It is used in the facility approval process; assesses the impact of any loan facility on the Bank's capital as part of the review and monitoring process.
- It is used in the capital planning and stress testing models of the Bank.

The ICAAP is regularly reviewed at the highest levels of the Bank's organisational structure means that the Bank's risk management processes and ICAAP assumptions are regularly being challenged. Maintaining and continually reviewing the Bank's ICAAP helps to ensure that the Bank continues to retain its focus on the risks it faces.

The efficient use of capital is fundamental to enhance shareholder value through careful deployment of capital resources. The ICAAP framework ensures that internal systems, controls, and management information are in place to enable the Board and senior management track changes in the economic environment, which may require adjustments to the business strategy in order to remain within the risk appetite.

Capital management is an integral part of decision-making within the Bank. Progress is measured against pre-determined targets in the balanced scorecard which incorporates capital metrics. Decisions on the allocation of capital resources, which are an integral part of the ICAAP and capital management process, are based on several factors including return on regulatory capital.

The Board of Directors and its Committees, the ERMC and ALCO form the core governance bodies related to ICAAP.

Code of Ethics

The Board has approved the Code of Conduct for all staff. The also abides to the Code of Conduct for all commercial banks in Zambia. All staff of the bank have assented to the Code of Conduct. We take our responsibility to our customers and shareholders very seriously. We understand the importance of transparency, accountability, and ethical behaviour in everything we do.

Whistle Blowing Policy

The Board has developed a Whistle Blowing Policy that is designed to enable employees and other relevant stakeholders report acts of impropriety/-malpractices that fall outside the scope of other procedures which should be reported to appropriate authorities.

All staff are protected from victimisation, harassment, or disciplinary action as a result of any disclosure, where the disclosure is made in good faith and is not made maliciously or for personal gain.

Conflict of Interest

All Directors of the Bank must avoid any situation which may give rise to a conflict between their personal interest and that of the Bank. The Directors are each responsible to notify the Chairman and the Secretary of any actual or potential conflict of interest situations as soon as they arise.

Pursuant to the Conflict of Interest Policy, the Bank has established a robust process requiring directors to disclose outside business interests before they are entered into. Further, any potential or actual conflicts of interest are reported to the Company Secretary and a register of directors' interests is maintained.
At every meeting of the Board or a Committee, the Directors are required to put on record any conflict of interest on any matters on the agenda.

Relationship with Stakeholders

The Board recognises the importance of maintaining good communications with all shareholders, staff and stakeholder on all areas of concern. This is achieved through the holding of staff town halls, media and investor briefing sessions as well as the hosting of the Annual General Meetings (AGM). Ad hoc shareholder requests for information are handled on an on-going basis and on the floor of the AGM.

The Bank's financial results are published in the local media every quarter in accordance with the reporting requirements under the Banking and Financial Services Act, the Companies Act and the Securities Act.

Access to Information and Independent Advice

The Board is entitled to seek any information it requires from any Bank employee or from any source. In this regard, procedures are in place which enable the Directors to have access to all relevant company information and to senior management, to assist them in the discharge of their duties and to enable them to make informed decisions.

By Order of the Board

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Mwape Mondoloka
Bank Secretary
28 March 2023

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER

The Directors submit their report together with the audited annual financial statements for the year ended 31 December 2022, which disclose the state of affairs and performance of the Zambia Industrial Commercial Bank Limited ("ZICB", the "Company" or the "Bank" are used interchangeably).

Principal activities
The principal activities of the Company is provision of financial services to the general public. There has been no significant changes in the Company's business during the year.

Share capital and beneficial owner(s)
The authorised share capital of the bank is 822,028,645 ordinary shares of K1 each and a total of 695,028,645 ordinary shares were allotted to the shareholders of the company. The beneficial share-holding is represented in the table below:

Name of shareholder	Shares Allotted	Percentage of shareholding	Beneficial Owner(s)
*NAPSA Investment Holdings Limited	446,700,000	64.27%	This is the national pension scheme with various members.
Industrial Development Corporation	210,000,000	30.21%	The Company is controlled by the Government of the Republic of Zambia
Workers Compensation Fund Control Board	32,934,162	4.74%	This is a national compensation fund for Zambian workers with all staff of locally registered companies registered as members
Mahdi Manufacturing Ltd	2,119,519	0.30%	This is a privately owned local company
Davies Angela Kabuswe	1,600,000	0.23%	Davies Kabuswe and Angela Kabuswe
Guardian Insurance Brokers	1,674,964	0.24%	This is a privately owned local company

There were no changes in beneficial owners during the year.

Significant subsequent events
There were none.

Results and dividend

The profit for the year was ZMW12 million which has been added to reduce the accumulated losses (2021: profit ZMW2 million).

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER

Directors and remuneration

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

Musonda Cheta	-	Chairman (Appointed 22 February 2018 as non-executive director and appointed on 3 February 2022 as Chairman)
Ignatius Mwanza	-	Managing Director (Appointed on 8 January 2018)
Henry Sakala	-	Non-executive (Appointed on 22 February 2018)
Chisha Mwanakatwe	-	Non-executive (Appointed on 22 February 2018)
Danny Luswili	-	Non-executive (Appointed 24 January 2022)
Theresa Kampata	-	Non-executive (Appointed 24 January 2022)
Isaiah Chindumba	-	Non-executive (Appointed 24 January 2022)

During the year, the total director's remuneration was K5,569,753 (2021: K4,503,175).

Interests register information

During the year, there were no interests in company transactions and business affairs by any of the Company officers (director, company secretary or executive officer of the Bank).

The interests' register, as required by the Companies Act 2017 of Zambia, containing interests declared, is available for inspection at the Company's registered office.

Average number of employees and remuneration

The total remuneration of employees during the year amounted to K84.76 million (2021: K57 million) and the average number of employees was 117 (2021; less than 100)

The Company has policies and procedures to safeguard the occupational health, safety, and welfare of its employees.

Gifts and donations

During the year the Company donated K132,067 (2021: K255,868) to various charitable organisations involved in empowering youths, women and the community.

Research and development

The Company did not incur any costs on research and development during the year (2021, Nil).

Exports

The Company did not export any products nor services during the year (2021: Nil).

Property, plant and equipment

The Bank acquired leasehold improvements and equipment amounting to K39.1million during the year (2021: K7.51 million). In the opinion of the Directors, the carrying value of property, plant and equipment is not less than their recoverable value.

Company Auditor and Remuneration

The Auditor, Grant Thornton Zambia, has indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the next annual general meeting.

Signed on behalf of the Board of Directors

Musonda Cheta
Chairman

Danny Luswili
Non Executive Director

Date: 28/03/2023

Statement of Directors' Responsibilities

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

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

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of annual financial statements, and for such internal controls as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the financial statements set out on pages 10 to 73 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with International Financial Reporting Standards, the Companies Act 2017 of Zambia and the Banking and Financial Services Act, 2017. The Directors further report that they have implemented and adhered to the corporate governance principles or practices contained in Part VII's Sections 82 to 122 of the Companies Act 2017 of Zambia.

As disclosed in note 2.3, the Bank made a pre tax profit of K20.5 million during the financial year (2022- Profit : K3.9 million) and had accumulated losses of K22.7 million at the reporting date (2021: K30.6 million). The Directors of the Bank are confident that the Bank will continue to generate sufficient resources from operations to discharge its liabilities in the normal course of business for at least 12 months and the foreseeable future, from the date of approval of these annual financial statements. On this basis, the preparation of the financial statements under the going concern basis is appropriate.

Signed on behalf of the Board of Directors

Musonda Cheta
Chairman

Danny Luswili
Non Executive Director

Date: 28|03|2023

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zambia Industrial Commercial Bank Limited, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Zambia Industrial Commercial Bank Limited as of 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of 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 Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code together with the ethical requirements that are relevant to our audit of the financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF ZAMBIA INDUSTRIAL COMMERCIAL BANK LIMITED

Description of matter	How matter was addressed
Classification, measurement and impairment of financial assets The Bank classified, measured and assessed impairment of the Bank's assets in accordance with IFRS 9 "financial instruments". The Directors are required to review the classifications of assets and align the classifications to the requirements of the reporting standards. The Directors also reviewed the fair valuations and impairment models. Due to the complex and subjective judgements required in estimating the timing and valuation of impairment and in estimating the fair value of assets, this was considered a key audit matter.	We reviewed the classification of the financial assets to ensure compliance with the reporting standards. We reviewed the valuation and verified the calculation of the fair values. We also verified the inputs used in the valuations. In considering the reasonableness of the impairment provision, we reviewed the assumptions used in impairment calculations.

Other information

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

Our opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the annual financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the annual financial statement

- The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Banking and Financial Services Act, 2017 and the Companies Act, 2017, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

- Those charged with governance are responsible for overseeing the Bank's financial reporting process.

- **Auditor's Responsibilities for the Audit of the Financial Statements**

- Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high-level 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Auditor's Responsibilities for the Audit of the Financial Statements (continued)
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the 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

The Companies Act, 2017 requires that in carrying out our audit, we consider and report to you on whether:

As required in Section 259 (3) of the Companies Act 2017;

- There is a relationship, interest or debt which we have, as the Bank Auditors, with the Bank; and
- There were no serious breaches of corporate governance principles or practices by the directors.
- As regards to loans made to a director, company secretary or executive officer of the company the company does not share the:-
  - particulars of any relevant loan made during the financial year to which the accounts apply including any loan which was repaid during the year; and
  - amount of any relevant loan, whenever made, which remain outstanding at the end of the financial year.

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

In accordance with the requirements of the Banking and Financial Services Act. 2017, we are required to report whether:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- There were any transactions that were not within the powers of the Bank or which were contrary to the Act which came to our attention;
- The Bank has complied with the provisions of this Act and the regulations, guide lines and prescriptions under this Act;
- There are transactions or conditions affecting the wellbeing of the Bank which have come to our attention that in our opinion are not satisfactory and require rectification.

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

Grant Thornton

Chartered Accountants

Christopher Mulenga (AUD/F000178)
Name of Partner signing on behalf of the Firm

Lusaka

Date 28 March 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2022	2021
		K'000	K'000
Interest income	7	269,423	151,568
Interest expense	8	(124,071)	(89,075)
Net interest income		145,352	62,493
Recoveries on loans and advances	17	1,704	19,050
Impairment loss	17	(2,620)	(196)
Net interest income after recoveries on loans and advances		144,436	81,347
Fee and commission income	9	26,671	18,555
Fee and commission expense	9	(3,862)	(4,830)
Net Fee and commission income		22,809	13,725
Other income	10	-	5,176
Foreign exchange income	11	26,341	22,488
Personnel expenses	12	(84,536)	(56,960)
Depreciation and amortisation	19,20 &21	(14,351)	(8,325)
Administrative expenses	13	(74,150)	(53,573)
Profit before income tax		20,549	3,878
Income tax (charge)/ credit	14	(7,556)	(1,842)
Profit for the year		12,993	2,036
Profit/(loss) for the year			
Other comprehensive income		12,993	2,036
Business combination loss – deferred tax	14	-	(13,407)
Total comprehensive (loss)/income for the year		12,993	(11,371)

The notes on pages 14 to 73 are an integral part of these annual financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	2022	2021
		K'000	K'000
Total liabilities and equity			
Assets			
Cash and balances at Bank of Zambia	15	514,476	271,707
Balances with other banks	16	226,043	211,454
Financial investments at amortised cost	18	1,028,187	487,571
Loans and advances to customers	17	1,117,794	412,733
Other assets	22	90,090	68,740
Leasehold improvements and equipment	19	54,626	26,527
Intangible assets	21	58,441	56,167
Right of use assets	20	14,016	13,184
Deferred tax	14	70,352	77,908
Total assets		3,174,025	1,625,991
Liabilities			
Deposits from customers	23	2,560,690	1,044,693
Balances due to banks	24	52,583	36,100
Lease liabilities	25	15,211	13,480
Other liabilities	26	23,529	22,699
Total liabilities		2,652,013	1,116,972
Equity			
Share capital	27	695,029	295,029
Amounts received pending allotment of shares	27	-	400,000
General reserves	27	(155,367)	(155,367)
Accumulated losses		(22,740)	(30,643)
Statutory Credit Risk Reserves		5,090	-
Total equity		522,012	509,019
Total liabilities and equity		3,174,025	1,625,991

The notes on pages 14 to 73 are an integral part of these annual financial statements.

These annual financial statements on pages 10 to 73 were approved by the Board of Directors on 28 March 2023 and were signed on its behalf by:

Musonda Cheta
Chairman

Ignatius Mwanza
Managing Director

Mwape Mondoloka
Bank Secretary

Danny Luswili
Non Executive Director

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Amounts received pending allotment of shares	Common Control reserves	Statutory credit risk Reserves	Accumulated Losses	Total
		K'000	K'000	K'000	K'000	K'000	K'000
Balance at 1 January 2021		295,029	121,833	(155,367)	-	(19,272)	242,223
Transactions with equity holders, recorded directly in equity:							
Amounts received pending allotment of shares	27	-	278,167	-	-	-	278,167
		295,029	400,000	(155,367)	-	(19,272)	520,390
Profit for the year						2,036	2,036
Business combination loss – deferred tax	14	-	-	-	-	(13,407)	(13,407)
Balance at 31 December 2021		295,029	400,000	(155,367)	-	(30,643)	509,019
Balance at 1 January 2022		295,029	400,000	(155,367)	-	(30,643)	509,019
Transactions with equity holders, recorded directly in equity:							
Allotment of shares	27	400,000	(400,000)	-	-	-	-
		695,029	-	(155,367)	-	(30,643)	509,019
Profit for the year						12,993	12,993
Statutory credit risk reserve		-	-	-	5,090	(5,090)	-
Balance at 31 December 2022		695,029	-	(155,367)	5,090	(22,740)	522,012

The notes on pages 14 to 73 are an integral part of these annual financial statements.

STATEMENT OF CASH FLOWS

	Note	2022	2021
		K'000	K'000
Cash flows from operating activities			
Loss for the period before tax		20,549	3,878
Adjustments for:			
Depreciation of leasehold improvements and equipment		14,351	8,325
Reassessment of right-of-use assets		(4,855)	-
Reassessment of lease liabilities		5,242	-
Net interest receivable / (payable)		1,994	1,344
,		37,281	13,547
Changes in operating assets			
Change in loans and advances to banks and customers		(719,650)	(327,787)
Change in other assets		(21,350)	(40,640)
		(741,000)	(368,427)
Changes in operating liabilities			
Change in balances due to banks		16,483	(25,000)
Change in deposits from customers		1,515,997	445,474
Change in other liabilities		829	(2,437)
		1,533,309	418,037
Net cash generated from operating activities		829,590	63,157
Cash flows from investing activities			
Purchase of investment securities		(540,616)	(143,599)
Purchase of leasehold improvement and equipment	19	(39,066)	(7,511)
Purchase of intangible assets		(2,516)	(14,536)
Net cash (used)/generated (on)/ from investing activities		(582,198)	(165,646)
Cash flows from financing activities			
Amounts received pending allotment of shares		-	278,167
Lease payments		(4,623)	(4,145)
		(4,623)	274,022
Net cash used in financing activities			
		242,769	171,533
Net increase in cash and cash equivalents			
		242,769	171,533
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period		271,707	100,174
	15	514,476	271,707

The notes on pages 14 to 73 are an integral part of these annual financial statements.

1. General information

Zambia Industrial Commercial Bank Limited ("the Bank") is domiciled in Zambia. The registered office of the Bank is Plot 30228, Central Park, Corner of Church and Cairo Roads, Lusaka. The Bank is primarily involved in corporate and retail banking as well as provision of related financial services.

2. Significant accounting policies

2.1. Compliance with International Financial Reporting Standards

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

2.2 Basis of preparation

The annual financial statements have been prepared on the historical cost basis unless otherwise stated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the time of the transactions.

The financial statements are presented in Zambian Kwacha (K) and all values are rounded to the nearest thousand Kwacha, except when otherwise indicated.

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

2.3 Going concern

The Bank made a pre-tax profit of K20.5 million (2021: Profit K3.9 million) and had accumulated losses of K22.7 million (2021: K30.6 million). The Directors of the Bank are confident that the Bank will continue to generate sufficient resources from operations to discharge its liabilities in the normal course of business for at least 12 months and the foreseeable future from the date of approval of these annual financial statements. The shareholders are committed to supporting the Bank financially. The directors have considered these circumstances and believe it is appropriate to prepare the financial statements on a going concern basis.

The Bank's going concern status is further supported by the following:

i. The continuation of business on a strong growth path experienced in 2022 for deposits and loan growth during the fourth year of operations to enable it to generate sufficient revenues to cover its overheads.

ii. Making good decisions towards a sustainable approach to surviving the highly competitive and dynamic environment through preserving our capital and providing sustainable solutions to our clients.

iii. Leveraging digital capabilities, third-party technologies, and alliances to enhance reach and impact to our deserving clients in urban and rural communities.

vi. During 2023, the company will approach the shareholders to approve plans to contract development finance debt to strengthen and support its balance sheet lending demanded by clients and to boost foreign currency funding.

v. Promote sustainability by contributing to a net zero carbon emissions.

2. Significant accounting policies (continued)

2.3 Going concern (continued)

vi. The Board and Management have created a formidable strategy adapted to the market environment and competitive landscape to realise the company's goals, business objectives, and create value for all its stakeholders.

2.4 New standards adopted at 1 April 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Bank's financial results or position.

2.5 Other Standards and amendments that are effective for the first time in 2022 and could be results or position applicable to the Bank are:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 – Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements (2018-2020 Cycle): – Subsidiary as a First-time Adopter (Amendments to IFRS 1) – Fees in the '10 per cent' Test for Derecognition of Liabilities (Amendments to IFRS 9) – Lease Incentives (Amendments to IFRS 16) – Taxation in Fair Value Measurements (Amendments to IAS 41).

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

2.6 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Bank.

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been early adopted by the Bank. These include:

- IFRS 17 'Insurance Contracts' - IFRS 17 'Insurance Contracts' will have a major impact on entities issuing insurance contracts, however, it will not affect the Bank
- Amendments to IFRS 17 'Insurance Contracts' (Amendments to IFRS 17 and IFRS 4)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Bank's financial statements

2. Significant accounting policies (continued)

(a) Functional and presentation currency

i. Functional and presentation currency translation Items included in the annual financial statements are measured using the currency of the primary economic environment in which the Bank operates (the functional currency).The annual financial statements are presented in the Zambian Kwacha which is the functional currency.

i. Transactions and balances Transactions in foreign currencies during the year are converted into Zambian Kwacha at rates prevailing at transaction dates. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(b) Interest income and expense

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

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

Interest income and expense presented in the statement of comprehensive income include:

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

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

ii.

(c) Fees and commission

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

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 drawdown of a loan, then the related loan commitment fees are recognised on a straight – line basis over the commitment period.

Other fees and commission expense relate to transactions and service fees, which are expensed as the services are provided.

2. Significant accounting policies (continued)

(d) Trading income

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

(e) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the annual financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

(f) Financial assets and financial liabilities

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

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus,in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability,such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Financial assets

(i) Classification and subsequent measurement

The Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost

The classification requirements for debt and equity instruments are described below:

(a) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

Classification and subsequent measurement of debt instruments depend on:
- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one one of the following three measurement categories:

Amortised cost

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

Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through Other Comprehensive Income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'.

Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

Financial assets (continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very)infrequent and none occurred during the period.

(b) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement of profit or loss. In the year ended 31st December 2023, the Bank had no equity investments designated as FVPL (2021, Nil).

(ii) Impairment of financial assets
The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iii) Overview of the ECL principles

The Bank records an allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

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

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

Both LTECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for Banking financial assets measured on a collective basis.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank classifies its loans into Stage 1, Stage 2, Stage 3 and POCI as described below:

- Stage 1 : When loans are first recognised, the Bank recognises an allowance based on 12m ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2 : When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3 : Loans considered credit-impaired.The bank records an allowance for the LTECLs.
- POCI : Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The Bank took over loan assets from the failed bank, IBC as part of the purchase and assumption agreement. All of the loans were deemed as Purchased or originated credit impaired recognised initially at fair value.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

Financial assets (continued)

(iii) Overview of the ECL principles (continued)

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

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

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

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that

the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios (a base case, best case and worst case).

The mechanics of the ECL method are summarised below:

- Stage 1 : The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

Financial assets (continued

(iii) Overview of the ECL principles (continued)

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3 : For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- Loan Commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
- Financial guarantee contracts: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios.

Sovereign Debt

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

- The market's assessment of creditworthiness as reflected in the bond yields.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The currency in which the debt is denominated and Government's ability to print money.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

f) Financial assets and financial liabilities (continued

Financial assets (continued)

(iv) Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

a) If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
b) Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
c) Significant extension of the loan term when the borrower is not in financial difficulty.
d) Significant change in the interest rate.
e) Change in the currency the loan is denominated in.
f) Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of negotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(v) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

Financial assets (continued)

(v) Derecognition other than on a modification (continued)

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

a) Has no obligation to make payments unless it collects equivalent amounts from the assets;
b) Is prohibited from selling or pledging the assets; and
c) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a subordinated residual interest.

Financial Liabilities

(i) Classification and subsequent measurement
In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability.

- Financial guarantee contracts and loan commitments

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

Financial Liabilities (continued)

(ii) Derecognition (continued)

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- the amount of the loss allowance; and
- the premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

Financial Liabilities (continued

(i) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes from Bloomberg and Reuters.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or where there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting dates.

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models
such as present value techniques are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The Bank uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the Bank's credit spreads widen, the Bank recognises a gain on these liabilities because the value of the liabilities has decreased. When the Bank's credit spreads narrow, the Bank recognises a loss on these liabilities because the value of the liabilities has increased.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

Financial Liabilities (continued)

(i) Determination of fair value (continued)

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Bank holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, related controls and procedures applied, the directors believe that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

(ii) Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(iv) Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(g) Leasehold improvements and equipment

Leasehold improvements and equipment is initially stated at historical cost and subsequently measured at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to 'operating expenses' during the period in which they are incurred.

Depreciation on other assets is calculated on a straight-line basis to allocate the cost less the residual values over estimated useful lives, as follows:

Furniture and fittings	20%
Leasehold improvements	Over life of lease (average life of lease 5 years)
Motor vehicles	25%
Office equipment	20%
Computer hardware	25% (Computer servers 10%)
Servers	10%

Leasehold improvements are written off over the shorter of the period of the lease or the economic life of the asset.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other operating expenses' in profit or loss.

(h) Intangible assets

All software costs are stated at historical cost less amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. It is amortised over 10 years. All other expenditure is expensed as incurred.

(i) Impairment non-financial assets

At each reporting date, the Bank 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.

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.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(i) Impairment non-financial assets (continued)
The 'recoverable amount' of an asset or CGU (Cashflow Generating Unit) 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 Bank'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 to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. 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.

(j) Taxation

(i) Current income tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws substantively enacted at the reporting date in the country as the the bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax
Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the Central Bank, treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents exclude the cash statutory reserve requirement held with the Central Bank.

(l) Employee benefits

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Bank pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(m) Share capital

The Board classifies capital instruments in accordance with the substance of the contract terms of the instruments as financial liabilities or equity instances. Ordinary shares are classified as equity instruments.

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Dividend on the Bank's ordinary shares

Dividends on ordinary shares are recognized in equity in the period when approved by the Bank's shareholders. Dividends for the year that are declared after the end of the reporting period are dealt with in the subsequent events note.

(n) Leases

- The Bank's leasing activities and how these are accounted for
- The Bank recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and for short-term leases, i.e. leases that at commencement date have lease terms of 12 months or less. The Company defines low-value leases as leases of assets for which the value of the underlying asset when it is new is US$5,000 or less and is not considered fundamental to its operations. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.
- Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(n) Leases (continued)

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments specific to the lease, e.g. term, country, currency and security.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(n) Leases (policy post 1st January 2019) (continued)

ii) Renewal and termination options

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Company's business planning cycle of three to five years and history of terminating/not renewing leases.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.
A number of leases entitle both the Company and the lessor to terminate the lease without a termination penalty. In determining whether the Company has an economic incentive to not exercise the termination option, the Company considers the broader economics of the contract and not only contractual termination payments.
The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

(o) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a company comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Bank
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a
business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred

2. Significant accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

(o) Business combinations (continued)

The excess of the
- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity
- over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Business combination transactions under common control are outside the scope of IFRS 3 Business Combinations and no specific guidance has been provided in any other standard therefore, management has to make an accounting policy choice that provides relevant and reliable information. The choice that is available is to account for the transaction under the acquisition method in accordance with IFRS 3 or using a predecessor value method. The predecessor value method involves accounting for the assets and liabilities of the acquired business using existing carrying values and management has chosen this policy to account for the business combination transaction in the period under review.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(p) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentations in the current year.

3 Significant Accounting Judgements, Estimates And Assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, Management has made the following judgements and assumptions concerning the future and other key sources of estimation regarding uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

3. Significant Accounting Judgements, Estimates And Assumptions (continued)

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL, which also sets out key sensitivities of the ECL to changes in these elements.

The Bank assess 12month ECL for performing loans and a Lifetime ECL for non-performing loans. Loans are staged into 4 categories Stage 1a, Stage 1b, Stage 2 and Stage 3) consisting of performing (Stage 1 A & B), substandard performing (stage 2) and Non-performing (stage 3) in an ECL model utilising the internally developed risk grading system on note 4(b). Stage 1a and Stage 1b consists of loans where there has been no Significant Increase in Credit Risk (SICR) and 12-month ECLs are assessed. Stage 2 are sub optimally performing loans and Stage 3 non-performing loans, where there is SICR and here a Lifetime ECL is assessed. The ECL is calculated as a product of Exposure at Default (EAD), Probability of Default (PD) and the Loss Given Default (LGD).

In assessing the 12month ECL portfolio data and statistical methods are used to predict a PD and forward looking information to estimate the LGD, which are applied to the EAD. In the first full year of application of IFRS9 no future EADs were computed but instead the outstanding exposures at the reporting date due to limitations of non existence of a complex estimation methodology and this resulted in a more conservative 12month ECL for Stage 1a and 1b loans. Lifetime ECL computed for stage 2 and 3 loans assume a 100% PD as default is taken to have occurred with 100% certainty, and this is applied to the LGD and EAD to determine the Life time ECL charge. The Bank regularly reviews the quality and rigour of assumptions and validity of inputs to enable it make appropriate changes to the measurements of the expected credit loss allowance.

(b) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired.

3. Significant Accounting Judgements, Estimates And Assumptions (continued)

(b) Credit-impaired financial assets (continued)

The directors estimate that the fair value of the loans is K1,118million (2021: K413 million) which is the carrying amount of the assets having already taken into account Expected Credit Losses.

(c) Current income and deferred tax

The Company is subject to income taxes under the Zambian tax legislation only. This does not require much judgement in terms of provision for income taxes but a certain level of judgement is required for recognition of the deferred tax assets. Management is required to assess the ability of the Company to generate future taxable economic earnings that will utilise the deferred tax assets. Assumptions over the generation of future taxable profits depends on management's estimates of future cash flows. This estimate of future taxable income are based on forecast cash flows from operations.

The income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Zambia, where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(d) Lease term in determining the right of use asset
'Management made assumptions and judgements around the lease term of leases based included in the IFRS 16 model. 'Under IFRS 16 ‘Leases’, determining the correct ‘lease term’ is significant because the longer the lease term, the larger the right-of-use asset and lease liability will be. Secondly, the length of the lease term determines whether a lease qualifies for the short-term lease exemption. It is for this reason that we have determined this one of the critical accounting estimates.

4. Financial risk management
The Bank has exposure to the following risks from financial instruments:

(a) Introduction and overview

The Bank has exposure to the following risks from financial instruments:

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

This note presents information about the Bank’s objectives, policies and processes for measuring and managing risk.

Risk management framework

The Board of Directors of the Bank have overall responsibility for the establishment and oversight of the Bank’s risk management framework. The Board’s risk management oversight roles and responsibilities are delegated to the following committees; Board Audit Committee, Board Risk Management Committee; Board Loans Review Committee and Board Remunerations and Nominations Committee. The primary role of the Committee is to report to the Board and provide appropriate advice and recommendations on matters relevant to Risk Management.

4 Financial risk management (continued)

(a) Introduction and overview (continued)

Risk management framework (continued)

The Board of Directors has established the Enterprise Risk Committee, Management Credit Committee and the Asset and Liability Management Committee (ALCO), which are responsible for developing and monitoring the Bank’s risk management policies. The Management Credit Committee has management oversight over credit risk, the Asset and Liabilities Committee (ALCO) has oversight over interest rate, liquidity and foreign exchange risk and the Enterprise Risk Management has oversight over strategic risk, operational risk, compliance risk, legal and reputational risk and IT risk.

The Bank’s Risk Management function provides central oversight of risk management across the Bank to ensure that the full spectrum of risks facing the Bank are properly identified, measured, monitored and controlled in order to minimize adverse outcomes. The Bank has put in place policies and procedures to identify, measure, monitor, report and control the risks the Bank faces.

The Banks Internal Audit department has the responsibility of auditing the risk management and compliance functions to ensure that all units charged with risk management perform their roles effectively

4. Financial risk management
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(a) Introduction and overview

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4 Financial risk management (continued)

(a) Introduction and overview (continued)

Risk management framework (continued)

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The Banks Internal Audit department has the responsibility of auditing the risk management and compliance functions to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal Audit shall also test the adequacy of internal control and make appropriate recommendations where there are weaknesses.

The Bank's Risk Culture Statement

The Bank considers risk management philosophy and culture as the shared beliefs and practices characterising how the Bank considers risk in everything it does, from strategy development and implementation to its day-to-day activities. The Bank's Risk Management philosophy is that above average and managed risk attitude will ensure sustainable growth in shareholder value and reputation.

The strategy for the management of risk in the Bank is to empower all staff to proactively identify, control, monitor, and regularly report risk issues to management. The Bank's Risk Management function provides central oversight of risk management across the Bank to ensure that the full spectrum of risks facing the Bank are properly identified, measured, monitored and controlled in order to minimize adverse outcomes.

Risk management is at the core of the operating structure of the Bank. The Bank aims to limit adverse variations in earnings and capital by identifying and managing existing and new risks in a planned and coordinated manner with minimum disruption and cost and protecting the bank against unforeseen losses and ensure stability of earnings.

The Bank believes that enterprise risk management provides the superior capabilities to identify and assess the full spectrum of risks and to enable staff at all levels to better understand and manage risks. This will ensure that:

- Risk acceptance is done in a responsible manner;
- The executive and the Board of the Bank have adequate risk management support;
- Uncertain outcomes are better anticipated;
- Accountability is strengthened; and
- Stewardship is enhanced.

4. Financial risk management (continued)

(a) Introduction and overview (continued)

The Bank's Risk Culture Statement (continued)

The Bank identifies the following attributes as guiding principles for its risk culture.

i. Management and staff:

- Consider all forms of risk in decision-making;
- Create and evaluate business-unit and Bank-wide risk profile to consider what is best for their individual business units/department and what is best for the Bank as a whole;
- Adopt a portfolio view of risk in addition to understanding individual risk elements;
- Retain ownership and accountability for risk and risk management at the business unit or other point of influence level;
- Empower risk officers to perform their duties professionally and independently without undue interference;
- Strive to maintain a conservative balance between risk and profit considerations; and
- Continue to demonstrate appropriate standards of behaviour in development of strategy and pursuit of objectives.

ii. Risk officers' partners with other stakeholders within and outside the Bank and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties.

iii. Equal attention is paid to both quantifiable and non-quantifiable risks.

iv. The Bank avoids products and businesses it does not understand.

(b) Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting internal and regulatory limits on the amount of risk it is willing to accept for individual counterparties and for segmental and industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the Credit Department. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties. Credit Risk Management consists of credit risk officers who are responsible for their business lines and manage specific portfolios and experts who support the Head of Credit, as well as the business with tools such as credit risk systems, policies, models and reporting.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established using internal and regulatory targets enforced using a risk appetite statement, which monitors whether exposures to industries or counterparties is in line with targets. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

4. Financial risk management (continued)
(b) Credit risk (continued)

Credit-related commitment risk

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. The Bank also makes commitment on loans offered to customers but not disbursed in part or in full. Guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the securing contracts and payments to third parties. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Impairment assessment

(i) Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include but are not limited to:

- internal rating of the borrower indicating default or near – default

- the borrower is decreased
- the borrower is in the process of, or files for bankruptcy
- the borrower is undergoing significant restructuring as a result of financial stress
- the borrower goes into receivership

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months for Retail customers and six consecutive months for Corporate and SME customers. The Bank will reclassify an asset first to Stage 2 and then to Stage 1. The cure observation periods are set out as below:

Retail customers

For retail customers, the cure is classified as follows;
- Bucket 3 to bucket 2– 3 months consecutive repayments
- Bucket 2 to Bucket 1 – 6 months consecutive repayments

Corporate and SME customers

For Corporate and SME customers, the cure is classified as follows;
- Bucket 3 to bucket 2– 3 months consecutive repayments
- Bucket 2 to Bucket 1 – 6 months consecutive repayments:

The movement of loans is staged from one bucket to the other where applicable.

(ii) The Bank's internal rating and PD estimation process

Internal rating

The Bank's Credit Department operates a credit risk assessment tool. The scale incorporates both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplement external information that could affect the borrower's behaviour. These ratings are consistent with guidance in the Basel framework. The internal credit grades are then assigned into IFRS 9 stages as appropriate as is shown in the table overleaf:

Grade	Internal risk category	internal rating description	Stage 1	Stage 2	Stage 3
	Performing				
1	Acceptable risk	No arrears	√		
2	Watch risk	Arrears over 30 days but less than 59 days		√	
3	Unacceptable risk	Arrears over 60 days but less than 89 days		√	
	Non-performing				
4	Sub-standard	Arrears over 90 days but less than 119 days			√
5	Doubtful	Arrears over 120 days but less than 179 days			√
6	Loss	Arrears over 180 days			√

PD estimation process

The Bank generates probabilities of default using a risk assessment tool. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios and industry movements as appropriate.

(iii) Exposure at Default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

(iv) Loss Given Default (LGD)

LGD values are assessed every three months by account managers and reviewed and approved by the Bank's specialised Credit Risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held or derived historical Recovery Rate (RR).

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS

9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2 and Stage 3 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

4. Financial risk management (continued)

(b) Credit risk (continued)

(v) Significant Increase in Credit Risk (SICR)

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk when a contractual payment is 30 days or more past due.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider events that lead to a significant increase in credit risk as opposed to a default.

(vi) Assessment of impairment

The Bank categories its loans based on the common characteristics and behaviour. For purposes of impairment the loan book is segmented into the following groups:
- Retail;
- SME; and
- Corporate.

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.1 h Summary of significant accounting policies and in Note 3 c Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (such as the Bank of Zambia and Credit Reference Bureau); and the Risk Management of the Bank verifies the accuracy of inputs to the Bank' ECL models including determining the weights attributable to the multiple scenarios.

(c) Liquidity risk

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

Management of liquidity risk

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

4. Financial risk management (continued)

(c) Liquidity risk (continued)

Management of liquidity risk (continued)

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

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

The Bank's 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. The Treasury department then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of business units and subsidiaries are met through loans from The Treasury department to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

(d) Market risks

'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 Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk.

Management of market risks

The Bank separates its exposure to market risks between trading and non-trading portfolios. Trading portfolios are mainly held in the trading book, 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.

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

The Bank employs a range of interventions to monitor and limit market risk exposures. These are mainly provided through the Bank's audit and Risk management functions.

Financial risk management (continued)

(d) Market risks (continued)

Exposure to market risk – non-trading portfolios

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 the Treasury Department in its day-to-day monitoring activities.

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

'The effect of structural foreign exchange positions on the Bank's net investments, together with any related net investment hedges, is recognised in OCI. The Bank's policy is only to hedge such exposures when not doing so would have a significant impact on the regulatory capital ratios of the Bank. 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 Value at Risk (VaR) in respect of foreign currency, the Bank 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 Bank (after taking account of the impact of any qualifying net investment hedges).

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

(a) Credit risk:
- i. Analysis of credit quality
- ii. Concentrations of credit risk
- iii. Stage 3 (impaired) loans and advances and investment debt securities

(b) Liquidity risk
- i. Maturity analysis of financial assets and liabilities

(c) Market risk
- i. Foreign exchange risk
- ii. Interest rate risk

(d) Capital management

FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

(i) Credit quality analysis

	Loans and advances to customers	Financial assets at amortised cost	Balances with other banks	Cash and balances at Bank of Zambia	Total
	2022	**2022**	**2022**	**2022**	**2022**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**
Carrying amount At amortised cost	-	-	-	-	-
Grade 1: Low - fair risk	1,046,413	1,028,187	226,043	514,476	2,815,119
Grade 2-3: Watchlist	-	-	-	-	-
Grade 4: Substandard	-	-	-	-	-
Grade 5: Doubtful	37,756	-	-	-	37,756
Grade 6: Loss *	36,625	-	-	-	36,625
Carrying amount	**1,120,794**	**1,028,187**	**226,043**	**514,476**	**2,886,500**

FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Credit quality analysis (continued)

	Loans and advances to customers	Financial assets at amortised cost	Balances with other banks	Cash and balances at Bank of Zambia	Total
	2021	2021	2021	2021	2020
	K'000	K'000	K'000	K'000	K'000
Carrying amount At amortised cost	-	-	-	-	-
Grade 1: Low - fair risk	366,003	487,571	211,454	271,707	1,336,735
Grade 2-3: Watchlist	-	-	-	-	-
Grade 4: Substandard	-	-	-	-	-
Grade 5: Doubtful	11,904	-	-	-	11,904
Grade 6: Loss *	34,825	-	-	-	34,825
Carrying amount	412,732	487,571	211,454	271,707	1,383,464

Loans and advances to customers amounting to K33,625 (2021, K34,825) are with respect to discounted loans taken over from the failed Intermarket Banking Corporation. These advances were all at stage 3 and the carrying value is discounted to the expected recovery on disposal of collateral held.

FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Credit quality analysis (continued)

	Loans and advances to customers	Financial assets at amortised cost	Balances with other banks	Cash and balances at Bank of Zambia	Total
	2021	**2021**	**2021**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**
Carrying amount At amortised cost	-	-	-	-	-
Grade 1: Low - fair risk	366,003	487,571	211,454	271,707	1,336,735
Grade 2-3: Watchlist	-	-	-	-	-
Grade 4: Substandard	-	-	-	-	-
Grade 5: Doubtful	11,904	-	-	-	11,904
Grade 6: Loss *	34,825	-	-	-	34,825
Carrying amount	**412,732**	**487,571**	**211,454**	**271,707**	**1,383,464**

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FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Concentrations of credit risk

Industry sector risk concentrations were as follows for on-and off-statement of financial position.

CONCENTRATION RISK RELATING TO ON - STATEMENT OF FINANCIAL STATEMENT POSITION ITEMS:

2022	Financial K'000	Manufacturing K'000	Wholesale and retail trade K'000	Individuals K'000	Total K'000
Loans and advances to customers	54,757	544,043	414,905	104,089	**1,117,794**
Investment securities: - Armotised cost	1,028,187				**1,028,187**
Other assets	-	-	-	-	-
At 31 December 2022	**1,082,944**	**544,043**	**414,905**	**104,089**	**2,145,981**
% of Total	51%	25%	19%	5%	**100%**

CONCENTRATION RISK RELATING TO ON - STATEMENT OF FINANCIAL STATEMENT POSITION ITEMS:

2021	Financial K'000	Manufacturing K'000	Wholesale and retail trade K'000	Individuals K'000	Total K'000
Loans and advances to customers	21,102	157,626	145,238	88,767	**412,733**
Investment securities: - Armotised cost	487,571				**487,571**
Other assets	-	-	-	-	-
At 31 December 2021	**508,673**	**157,626**	**145,238**	**88,767**	**900,304**
% of Total	56%	18%	16%	10%	**100%**

4. Financial risk management (continued)

(iii) Stage 3 (impaired) loans and investment debt securities

The Bank regards a loan and advance or a debt security as impaired in the following circumstances.

Debt securities

- There is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.

As at 31 December 2022 (2021: nil), no debt securities are considered to be impaired.

Loans and advances

- A loan is overdue for 90 days or more.

- A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

- Impaired loans and advances are graded 6 to 8 in the Bank's internal credit risk grading system.

As at 31 December 2022, loans and advances considered to be impaired amount to K46.7 million (2021 K71.4 million) and these were mainly loans taken over from the Intermarket Banking Corporation (the failed bank).

FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Maturity analysis of financial assets and liabilities
The following table represents discounted cash flows of financial assets and liabilities, receivable and payable in their remaining contractual maturities at the reporting:

Year ended 31 December 2022

	Upto 1 month	Upto 3 months	3-12 months	1-15 years	Total
Assets	**K**	**K**	**K**	**K**	**K**
Cash and Balances with Bank of Zambia	514,476	-	-	-	514,476
Balances with Banks	226,043	-	-	-	226,043
Financial invetsments at amortised cost	-	69,006	672,330	286,851	1,028,187
Other assets (excluding prepayments)	90,090	-	-	-	90,090
Loans and advances to customers	343,785	2,909	70,566	700,534	1,117,794
	1,174,394	71,915	742,896	987,385	2,976,590
Liabilities					
Other liabilities	23,529	-	-	-	23,529
Lease liability	338	676	3,041	11,156	15,211
Amounts due to other banks	16,483	-	-	36,100	52,583
Deposits from customers	1,721,663	194,117	639,987	4,923	2,560,690
	1,762,013	194,793	643,028	52,179	2,652,013
Off Balance Sheet					
Commitment					
Net liquidity gap	**(587,619)**	**(122,878)**	**99,868**	**935,206**	**324,577**

FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

Maturity analysis of financial assets and liabilities (continued)

Year ended 31 December 2021

	Upto 1 month	Upto 3 months	3-12 months	1-15 years	Total
Assets	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Cash and Balances with Bank of Zambia	271,707	-	-	-	271,707
Balances with Banks	211,454	-	-	-	211,454
Financial invetsments at amortised cost	-	214,685	176,365	96,521	487,571
Other assets (excluding prepayments)	68,740	-	-	-	68,740
Loans and advances to customers	9,419	45,509	72,783	285,022	412,733
	561,320	260,194	249,148	381,543	1,452,205
Liabilities					
Other liabilities	22,699	-	-	-	22,699
Lease liability	259	517	2,329	10,375	13,480
Amounts due to other banks	-	-	-	36,100	36,100
Deposits from customers	341,638	330,156	368,929	3,970	1,044,693
	364,596	330,673	371,258	50,445	1,116,972
Off Balance Sheet					
Commitment					
Net liquidity gap	**196,724**	**70,479**	**122,110**	**331,098**	**335,233**

FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

Maturity analysis of financial assets and liabilities (continued)

Year ended 31 December 2021

	Upto 1 month	Upto 3 months	3-12 months	1-15 years	Total
Assets	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Cash and Balances with Bank of Zambia	271,707	-	-	-	271,707
Balances with Banks	211,454	-	-	-	211,454
Financial invetsments at amortised cost	-	214,685	176,365	96,521	487,571
Other assets (excluding prepayments)	68,740	-	-	-	68,740
Loans and advances to customers	9,419	45,509	72,783	285,022	412,733
	561,320	260,194	249,148	381,543	1,452,205
Liabilities					
Other liabilities	22,699	-	-	-	22,699
Lease liability	259	517	2,329	10,375	13,480
Amounts due to other banks	-	-	-	36,100	36,100
Deposits from customers	341,638	330,156	368,929	3,970	1,044,693
	364,596	330,673	371,258	50,445	1,116,972
Off Balance Sheet					
Commitment					
Net liquidity gap	**196,724**	**70,479**	**122,110**	**331,098**	**335,233**

4. Financial risk management (continued)

(c) Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates. The Bank separates exposures to market risk into either trading or non-trading portfolios. The market risks arising from trading and non-trading activities are concentrated in the Treasury department and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

The Treasury Department in consultation with the Managing Director, Chief Financial Officer and Head of Operations review the foreign exchange buying and selling rates on a daily basis and a decision is made as to whether to hold long or short positions, within the limits stipulated by Bank of Zambia.

Similarly the same composition of individuals also monitors the interest rates on a weekly basis and adjustments are made on interest chargeable on loans and advances. The monitoring process pays attention to Treasury bill rates and base rates changes announced by other Banks.

(i) Foreign Exchange risk

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

Foreign Exchange risk is the exposure of the Bank's financial condition to adverse movements in exchange rates. The Bank is exposed to foreign exchange risk primarily through its assets, managing customers' deposits and through acting as an intermediary in foreign exchange transactions between central and commercial banks.

The Board of Directors defines its risk tolerance levels and expectations for foreign exchange risk management and ensures that the risk is maintained at prudent levels.Foreign exchange risk is quantified using the net balance of assets and liabilities in each currency, and their total sum. The assets and liabilities include current positions, forward positions, commitments, and the market value of derivatives in foreign currency.

FINANCIAL RISK MANAGEMENT (CONTINUED)

(c)Market risk (continued)

(i) Foreign Exchange risk (continued)

Exposure to currency risk is as follows:

	31st December 2022				
	USD	GBP	EUR	ZAR	Total
Assets	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Cash and balances with Bank of Zambia	54,092	13	211	54	54,370
Balances with Banks	197,899	751	1,939	457	201,046
Loans and advances to customers	340,182	-	-	-	340,182
Other assets (excluding prepayments)	7,405	-	-	-	7,405
	599,578	764	2,150	511	603,003
Liabilities					
Deposits from customers	546,380	90	166	65	546,701
Other liabilities	44,634	-	-	-	44,634
	591,014	90	166	65	591,335
Off-balance sheet commitments	(6,525)	-	-	-	(6,525)
Net On and Off Balance Sheet Position	**2,039**	**674**	**1,984**	**446**	**5,143**

	31st December 2021				
	USD	GBP	EUR	ZAR	Total
Assets	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Cash and balances with Bank of Zambia	35,755	28	34	238	36,055
Balances with Banks	132,475	266	302	224	133,267
Loans and advances to customers	68,552	-	-	-	68,552
Other assets (excluding prepayments)	51,662	-	-	-	51,662
	288,444	294	336	462	289,536
Liabilities					
Deposits from customers	269,658	-	11	338	270,007
Other liabilities	367	-	-	-	367
	270,025	-	11	338	270,374
Off-balance sheet commitments	(14,346)	2,474	-	-	(11,872)
Net On and Off Balance Sheet Position	**4,073**	**2,768**	**325**	**124**	**7,290**

A +/-10% change in the United States Dollar against the Kwacha will impact profit or loss and equity by a gain or loss of K514,000 (2021; K729,000). The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's transactional exposures give rise to foreign currency gains and losses recognised in profit or loss. These exposures comprise the monetary assets and monetary liabilities of the Bank. In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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

Year ended 31 December 2022

	Carrying Amounts	Less than 3 months	4 to 6 months	7 to 12 months	1 to 5 year	Non-Interest bearing
Assets	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Cash and Balances at Bank of Zambia	514,476	-	-	-	-	514,476
Balances with banks	226,043	226,043	-	-	-	-
Financial assets at amortised cost	1,028,187	69,006	268,932	403,398	286,851	-
Loans and advances to customers	1,117,794	311,411	70,566	35,283	700,534	-
Other Assets	90,090	-	-	-	-	90,090
Total assets	2,976,590	606,460	339,498	438,681	987,385	604,566
Liabilities						
Other liabilities	23,529	-	-	-	-	23,529
Lease liability	15,211	338	676	3,041	11,157	-
Balances due to other banks	52,563	-	-	-	52,563	-
Deposits from customers	2,560,690	1,721,663	194,117	639,987	4,923	-
Total liabilities	2,652,013	1,722,001	194,793	643,028	68,643	23,529
Gap	**324,577**	**(1,115,541)**	**144,705**	**(204,347)**	**918,712**	**581,037**

A +/- 100 basis change in interest rate will impact net interest income by +/-K3,410,600.

FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Year ended 31 December 2021

	Carrying Amounts	Less than 3 months	4 to 6 months	7 to 12 months	1 to 5 year	Non-Interest bearing
Assets	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Cash and Balances at Bank of Zambia	271,707	-	-	-	-	271,707
Balances with banks	211,454	211,454	-	-	-	-
Financial assets at amortised cost	487,571	214,685	70,546	105,819	96,521	-
Loans and advances to customers	412,733	18,536	72,783	36,392	285,022	-
Other Assets	68,740	-	-	-	-	68,770
Total assets	1,452,205	444,675	143,329	142,211	381,543	340,447
Liabilities						
Other liabilities	22,699	-	-	-	-	22,699
Lease liability	13,480	259	517	2,329	10,375	-
Balances due to other banks	36,100	-	-	-	36,100	-
Deposits from customers	1,044,693	341,638	330,156	368,929	3,970	-
Total liabilities	1,116,972	341,897	330,673	371,258	50,445	22,699
Gap	**335,233**	**102,778**	**187,344**	**229,047**	**331,098**	**317,748**

A +/- 100 basis change in interest rate will impact net interest income by +/- K3,352,000.

FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Year ended 31 December 2021

Assets	Carrying Amounts K'000	Less than 3 months K'000	4 to 6 months K'000	7 to 12 months K'000	1 to 5 year K'000	Non-Interest bearing K'000
Cash and Balances at Bank of Zambia	271,707	-	-	-	-	271,707
Balances with banks	211,454	211,454	-	-	-	-
Financial assets at amortised cost	487,571	214,685	70,546	105,819	96,521	-
Loans and advances to customers	412,733	18,536	72,783	36,392	285,022	-
Other Assets	68,740	-	-	-	-	68,770
Total assets	1,452,205	444,675	143,329	142,211	381,543	340,447
Liabilities						
Other liabilities	22,699	-	-	-	-	22,699
Lease liability	13,480	259	517	2,329	10,375	-
Balances due to other banks	36,100	-	-	-	36,100	-
Deposits from customers	1,044,693	341,638	330,156	368,929	3,970	-
Total liabilities	1,116,972	341,897	330,673	371,258	50,445	22,699
Gap	**335,233**	**102,778**	**187,344**	**229,047**	**331,098**	**317,748**

A +/- 100 basis change in interest rate will impact net interest income by +/- K3,352,000.

FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital management (continued

(i)Computation of capital position

	2022	2021
I Primary (Tier 1) Capital	**K**	**K**
(a) Paid-up common shares	295,029	295,029
(b) Eligible preferred shares	-	-
(c) Amounts received pending allotment of shares	400,000	400,000
(d) Retained earnings	(22,740)	(30,643)
(e) General reserves	(155,367)	(155,367)
(f) Statutory reserves	5,090	-
(g) Minority interests (common shareholders' equity)	-	-
(h) Sub-total A (items a to g)	522,012	509,019
Subtractions:		
(i) Goodwill and other intangible assets	-	-
(j) Investments in unconsolidated subsidiaries and associates	-	-
(k) Lending of a capital nature to subsidiaries and associates	-	-
(l) Holding of other banks' or financial institutions' capital instruments	-	-
(m) Assets pledged to secure liabilities	-	-
(n) Sub-total B (items i to m)	-	-
Provisions		
Assets of little or no realised value	-	-
Other adjustments (prepayment)	-	-
(o) Sub-total C (other adjustments)	-	-
(p) Total primary capital [h – (n to o)]	520,012	509,019
II Secondary (tier 2) capital		
(a) Eligible preferred shares	-	-
(b) Eligible subordinated term debt	-	-
(c) Eligible loan stock / capital	-	-
(d) Eligible general provisions	-	-
(e) Revaluation reserves. (Maximum is 40% of revaluation reserves)	-	-
(f) Other	-	-
(f) Total secondary capital	-	-
III Eligible secondary capital	-	-
(The maximum amount of secondary capital is limited to 100% of primary capital)	-	-
IV Eligible total capital (I(p) + III) (Regulatory capital)	522,012	509,019
V Minimum total capital requirement (10% of total capital to total risk-weighted assets or hold a minimum of K104 million whichever is higher)	(127,852)	(104,000)
VI Excess (IV minus V)	394,160	405,019

5. Fair value of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Bank 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.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, credit spreads and other premia (proxy data) used in estimating discount rates, bonds and equity prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at an arm's length.

FINANCIAL ASSETS AND LIABILITIES

The table below sets out the carrying amounts and fair values of the Bank's financial assets and liabilities:

The directors are of the opinion that the carrying amounts are not materially different from the fair values of the financial instruments.

Year ended 31 December 2022	Note	Amortized cost K'000
Cash and balances with Bank of Zambia	15	514,476
Balances with banks	16	226,043
Financial investments at amortized cost	18	1,028,187
Loans and advances to customers	17	1,117,794
Other assets (excluding prepayments)	22	90,090
		2,976,590
Deposits from customers	23	2,560,690
Balances due to other banks	24	52,583
Lease liabilities	25	15,211
Other liabilities	26	23,529
		2,652,013

Year ended 31 December 2021	Note	Amortized cost K'000
Cash and balances with Bank of Zambia	15	271,707
Balances with banks	16	211,454
Financial investments at amortized cost	18	487,571
Loans and advances to customers	17	412,733
Other assets (excluding prepayments)	22	68,740
		1,452,205
Deposits from customers	23	1,044,693
Balances due to other banks	24	36,100
Lease liabilities	25	13,480
Other liabilities	26	22,699
		1,116,972

INTEREST INCOME

	2022 K'000	2021 K'000
Government securities	139,787	95,018
Loans and advances to customers	126,734	55,464
Placements with other banks	2,902	1,086
Total Interest Income	269,423	151,568

INTEREST EXPENSE

Deposits from customers	120,540	78,940
Deposits from other banks	3,531	10,135
Total Interest expense	124,071	89,075

FEE AND COMMISSION INCOME

Account maintenance charge and handling commission	26,671	18,555
Commission expense	(3,862)	(4,830)
	22,809	13,725

OTHER INCOME

Write back Ex IBC provision for liabilities	-	5,176
	-	5,176

FOREIGN EXCHANGE INCOME

Foreign currency transaction gains	26,341	22,488
	26,341	22,488

PERSONNEL EXPENSES

Salaries and other staff benefit costs	68,005	46,713
Social security costs	16,531	10,247
	84,536	56,960

ADMINISTRATIVE EXPENSES	2022 K'000	2021 K'000
Premises and equipment costs	-	-
Professional fees	3,010	1,410
Insurance	5,843	4,615
Business travel expenses	2,408	965
Auditor's renumeration	715	510
Board expenses	5,570	4,503
Communication expenses	788	3,314
Data Network and IT expenses	17,256	13,708
Advertisements and marketing expenses	7,064	7,020
Events, charities and sponsorship	132	256
Depreciation on right of use assets	14,351	8,325
Interest on lease liabilities	1,112	1,062
Security expenses	1,827	1,668
Stationary, postage and printing	1,463	911
Skills development	1,799	562
Subscriptions	3,188	-
Bank charges	4,055	1,819
BOZ supervisory fees	1,440	796
Other expenses	2,129	2,129
	74,150	53,573

INCOME TAX EXPENSE

The Bank had no corporate tax paid in the year under review as a result of the incurred losses.

The tax charge is determined in accordance with the provisions of the Income Tax Act, 1996 (as amended) and is based on the taxable profit for the year. Tax on the profit or loss for the year comprises the change in deferred tax asset or liability.

	2022 K'000	2021 K'000
Income tax expense		
Current year tax	-	-
Current year deferred tax	7,556	(1,842)
Income tax expense	7,556	(1,842)

The tax on the Bank's loss before income tax differences from the theoretical amount that would arise using the effective tax rate is as follows:

(a) Reconciliation of the tax charge

	2022 K'000	2021 K'000
Profit before taxation	20,549	3,878
Taxation at current rate on accounting profit	6,165	1,358
Permanent differences:		
Disallowable expenses	9,010	6,713
Loss adjustment	13,244	(13)
Timing differences:		
Capital allowances and depreciation	(359)	(2,126)
Other deductible expenses	(5,340)	(8,500)
Loss brought forward	(95,109)	(92,541)
Deferred tax	(7,556)	(1,842)
Loss carried forward	72,389	95,109
Tax charge	(7,556)	(1,842)

INCOME TAX EXPENSE (CONTINUED)

Tax losses are available for carry forward only for a maximum period of 5 years. The carried forward losses, which are subject to agreement with the Zambia Revenue Authority, are as follows.

Accounting period	Tax loss K'000	Expiry date
31 December 2019	170,053	31 December 2024
31 December 2020	63,918	31 December 2025
31 December 2021	7,335	31 December 2026
Loss carried forward	241,306	

The estimate tax loss available for offset against the future taxable income is K241.3 million (2021; K271.1 million).

Deferred income tax

Deferred income taxes are calculated on all temporary differences using the liability method and an effective tax rate of 30%. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	Balance b/f	P&L 2022	Equity 2022	Balance c/f 2022
	K'000	K'000	K'000	K'000
Deferred tax asset				
Accelerated depreciation	(8,599)	(710)	-	(9,309)
Other temporary differences	4,985	2,130	-	7,115
Other tax losses	81,522	(9,130)	-	72,392
Other adjustments	-	154	-	154
Deferred tax asset (recognised)	77,908	(7,556)	-	70,352

	Balance b/f	P&L 2021	Equity 2021	Balance c/f 2021
	K'000	K'000	K'000	K'000
Deferred tax asset				
Accelerated depreciation	(8,059)	(540)	-	(8,599)
Other temporary differences	8,368	-	(3,383)	4,985
Other tax losses	92,541	(995)	(10,024)	81,522
Other adjustments	307	(307)	-	-
Deferred tax asset (recognised)	93,157	(1,842)	(13,407)	77,908

Cash and balances at Bank of Zambia

	2022	2021
	K'000	K'000
Cash on hand	9,157	7,903
Balance with Bank of Zambia	291,306	165,114
	300,463	173,017
Mandatory statutory reserve deposit with Bank of Zambia	214,013	98,690
	514,476	271,707

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 Banking and Financial Services Act and is a percentage of the Bank's local currency and foreign currency liabilities to the public. At 31 December 2022, the required percentage was 6%.

Balances with other banks

	2022 K'000	2021 K'000
Balances with local banks	132,843	100,482
Balances with foreign banks	93,200	110,972
	226,043	211,454

Loans and advances to customers

Maturity analysis of loans and advances
The maturity analysis is based on the remaining periods to contractual maturity.

	2022 K'000	2021 K'000
Loans and advances to customers	1,090,658	396,894
Loans and advances to staff	36,151	22,234
Allowance for impairment (ECL) (i)	(9,015)	(6,395)
	1,117,794	412,693
Maturity within one year	417,260	127,725
Maturity after 12 months	700,534	284,968
	1,117,794	412,693
(i) Allowance for impairment		
Opening balance	6,395	6,199
Charge for the year	2,620	196
Closing balance	9,015	6,395

(ii) The Bank took over impaired loans from the defunct Intermarket Banking Corporation (IBC) with a net book value of K135million as at 28th November 2016. These loans were recognised at a discounted value of (K44million) the net realisable value of collateral held in properties. The loans were all past due their repayment debts and non-performing, so no interest revenue was recognised with respect to these loans during the year. The Bank has put in place a strategy to recover the loans taken over from the failed bank.

(iii) Included in the loans and advances are performing loans to staff amounting to K36.1 million (2021: K22.2 million).

(iv) During the year the Bank made net recoveries amounting to K1.7million (2021: K19.1million).

Balances with other banks

	2022 K'000	2021 K'000
Balances with local banks	132,843	100,482
Balances with foreign banks	93,200	110,972
	226,043	211,454

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	2022 K'000	2021 K'000
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	1,117,794	412,693
Maturity within one year	417,260	127,725
Maturity after 12 months	700,534	284,968
	1,117,794	412,693
(i) Allowance for impairment		
Opening balance	6,395	6,199
Charge for the year	2,620	196
Closing balance	9,015	6,395

(ii) The Bank took over impaired loans from the defunct Intermarket Banking Corporation (IBC) with a net book value of K135million as at 28th November 2016. These loans were recognised at a discounted value of (K44million) the net realisable value of collateral held in properties. The loans were all past due their repayment debts and non-performing, so no interest revenue was recognised with respect to these loans during the year. The Bank has put in place a strategy to recover the loans taken over from the failed bank.

(iii) Included in the loans and advances are performing loans to staff amounting to K36.1 million (2021: K22.2 million).

(iv) During the year the Bank made net recoveries amounting to K1.7million (2021: K19.1million).

Financial investments at amortised cost

	2022 K'000	2021 K'000
Investment securities	1,028,187	487,571
	1,028,187	487,571

There were no treasury bills sold to customers under repurchase agreements as at 31 December 2022. Included in investment securities are treasury bills with a total face value K6 million pledged as collateral to the Zambia Electronic Clearing House Limited as at 31 December 2022.

Leasehold improvements and equipment

	Lease hold improvements K'000	Computer hardware K'000	Furniture & fittings K'000	Motor vehicles K'000	Total K'000
Cost					
At 1 January 2022	7,731	23,984	3,875	5,182	40,772
Additions	10,805	18,618	8,899	744	39,066
Disposals	-	-	-	(1,923)	(1,923)
At 31 December 2022	**18,536**	**42,602**	**12,774**	**4,003**	**77,915**
Depreciation					
Balance at 1 January 2022	3,370	6,537	2,019	2,319	14,245
Charge for the year	3,285	4,832	1,089	880	10,086
Disposals	-	-	-	(1,042)	(1,042)
At 31 December 2022	**6,655**	**11,369**	**3,108**	**2,157**	**23,289**
Carrying amounts:					
At 31 December 2022	**11,881**	**31,233**	**9,666**	**1,846**	**54,626**

Leasehold improvements and equipment (continued)

	Lease hold improvements K'000	Computer hardware K'000	Furniture & fittings K'000	Motor vehicles K'000	Total K'000
Cost					
At 1 January 2021	6,723	19,631	3,351	3,556	33,261
Additions	1,008	4,353	524	1,626	7,511
At 31 December 2021	**7,731**	**23,984**	**3,875**	**5,182**	**40,772**
Depreciation					
Balance at 1 January 2021	2,025	3,368	1,099	1,375	7,867
Charge for the year	1,345	3,169	920	944	6,378
At 31 December 2021	**3,370**	**6,537**	**2,019**	**2,319**	**14,245**
Carrying amounts:					
At 31 December 2021	**4,361**	**17,447**	**1,856**	**2,863**	**26,527**

The register showing the details of property, as required by the Zambia Companies Act, is available during business hours at the registered office of the Bank.

Right of use asset

The Bank recognises a carrying value for the 'right of use assets' equivalent to the lease liabilities of rented property. The right of use assets have been depreciated on a straight line method over the tenor of the leases.

Right of use asset (continued)

	Buildings K'000	Total K'000
Gross carrying amount		
Balance 1 January 2022	29,378	29,378
Additions	4,855	4,855
Balance at 31 December 2022	34,233	34,233
Depreciation and impairment		
Balance 1 January 2022	16,194	16,194
Depreciation charge for the year	4,023	4,023
Balance at 31 December 2022	20,217	20,217
Carrying amount 31 December 2022	14,016	14,016

	Buildings K'000	Total K'000
Gross carrying amount		
Balance 1 January 2021	16,737	16,737
Additions	12,641	12,641
Balance at 31 December 2021	29,378	29,378
Depreciation and impairment		
Balance 1 January 2021	14,248	14,248
Depreciation charge for the year	1,946	1,946
Balance at 31 December 2021	16,194	16,194
Carrying amount 31 December 2021	13,184	13,184

Intangible assets

	2022 K'000	2021 K'000
Cost		
Opening balance	56,897	42,361
Additions	2,516	14,536
At 31 December	59,413	56,897
Accumulated amortisation		
Opening balance	730	486
Charge for the year	242	244
At 31 December	972	730
Carrying amount		
At 31 December	58,441	56,167

Other assets

	2022 K'000	2021 K'000
Other receivables	90,090	68,740
	90,090	68,740

Deposits from customers

	2022 K'000	2021 K'000
Current accounts	822,529	33,430
Term deposits	1,738,161	1,011,263
	2,560,690	1,044,693

Balances due to other banks

	2022 K'000	2021 K'000
Bank of Zambia COVID 19 Relief Funds	36,100	36,100
Balances due to local banks	16,483	-
	52,583	36,100

Lease liabilities

	2022 K'000	2021 K'000
Balance at adoption - 1st January	13,480	3,923
add: Interest charge	1,112	1,061
Less: Payments	(4,623)	(4,145)
New leases	5,242	12,641
Closing Balance 31st December	15,211	13,480
Current	4,054	3,105
Non Current	11,157	10,375
	15,211	13,480

The Bank has leases for its buildings. The leases are reflected on the balance sheet as right-of-use assets and a lease liabilities. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of bank interest) are excluded from the initial measurement of the lease liability and asset. The Bank classifies its right-of-use assets in a consistent manner to its buildings.

The table below describes the nature of the Bank's leasing activities by type of right-of-use asset recognised on the statement of financial position:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Buildings	5	0.8 – 3 years	2 years	3	-	-	2

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2022 were as follows:

	Minimum lease payments due						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Lease payments	4,676	4,032	4,219	4,139	-	-	17,066
Finance charges	(835)	(568)	(348)	(104)	-	-	(1,855)
Net present values	3,841	3,464	3,871	4,035	-	-	15,211

Other liabilities

	2022	2021
	K'000	K'000
Other payables	7,318	12,981
Payroll related liabilities	16,211	9,718
	23,529	22,699

Share capital

	Number of ordinary shares	Ordinary share capital K'000	Common Control Reserve K'000	Total K'000
Authorised				
Ordinary shares of K1 each	832,028,645	295,029	(155,367)	139,662
Issued and fully paid				
Balance on 31 December 2021	295,029,645	295,029	(155,367)	139,662
Amounts received during the year pending allotment	400,000,000	400,000	-	400,000

	Amounts received pending all above of share	Number of ordinary shares	Ordinary share capital K'000	Common Control Reserve K'000	Total K'000
Authorised					
Ordinary shares of K1 each		322,028,645	295,029	(155,367)	139,662
New authorised shares		500,000,000	-	-	-
		822,028,645	295,029	(155,367)	139,662
Issued and fully paid					
Balance on 1 January 2022	400,000	295,029,645	295,029	(155,367)	539,662
Amounts allotted during the year	(400,000)	400,000,000	400,000	-	-
Balance as at 31 December 2022	-	695,029,645	695,029	(155,367)	539,662

The total authorised number of ordinary shares remained at 832,028,645 (2021; 832,028,645) with a par value of K1 per share. There was no change in beneficial ownership during the year.

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.

Prior to the incorporation of Zambia Industrial Commercial Bank Limited ("ZICB") the failure of the Intermarket Banking Corporation resulted into a loss in value where deposit liabilities assumed were in excess of recoverable assets. The Government of the Republic of Zambia stepped in to safeguard depositor interest through the Industrial Development Corporation (IDC) where a restructuring plan was agreed with other shareholders of ZICB. This resulted in ZICB taking on the loss after assuming net liabilities of the failed bank (K155.4 million) and this amount was charged as a loss to the common control reserve to provide a correct account of the capital position of the Bank at the start of the company. This adverse write off to capital will be mitigated by future earnings from the growth of the Bank. On 18 December 2020, the shareholders resolved to increase the Zambia Industrial Commercial Bank Limited (ZICB) share capital from K322,028,645 to K822,028,645.00 by the issuance of 500,000,000 shares of a par value of K1.00 per share.

Following the increase in share capital, 400,000,000 shares at a par value of K1.00 per share were allotted to NAPSA Investments Holding Limited (NAPSA IH) on 14 January 2022. NAPSA thereafter in accordance with the resolution of the shareholders made on 18 December 2020, transferred the 46,700,000 shares in ZICB held by NAPSA to NAPSA IH Limited on 8 September 2022.

28. Contingent liabilities and Commitments

Claims and litigation

Contingent liability and commitments

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

Nature of instruments

An acceptance is undertaken by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Bank in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transactions related to custom and performance bonds and are generally short term commitments to third parties which are not directly dependent on the customer's credit worthiness. Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period or have no specific maturity dates but are cancellable by the lender subject to notice requirements. Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The table below summarises the fair value amount of contingent liabilities and commitments and off-financial position risk: Acceptances, bonds, guarantees and other obligations on account of dealings with suppliers and customers:

	2022 K'000	2021 K'000
Contingent liabilities		
Credit Commitments	101,339	94,248
	101,339	94,248

There were commitments for extension of credit to clients disclosed above

Related parties

	Nature of relationship
Indeni Petroleum Refinery Company Ltd	Fellow subsidiary
Industrial Development Corporation Ltd	Shareholder
Infratel Corporation Ltd	Fellow subsidiary
Mpulungu Habour	Fellow subsidiary
Mulungushi Village	Fellow subsidiary
Nitrogen Chemicals of Zambia	Fellow subsidiary
ZSIC Life	Fellow subsidiary
Zambia Telecommunication Company	Fellow subsidiary
Zambia Reinsurance	Fellow subsidiary
Zamcapital Limited	Fellow subsidiary
ZCCM Investment Holdings	Fellow subsidiary
National Pension Scheme Authority	Fellow subsidiary

During the year, the Bank received a deposit placement from fellow subsidiaries and extended loans to fellow subsidiaries. The deposit and loans were contracted at arm's length.

Amounts due to related parties

	2022 K'000	2021 K'000
Fellow subsidiaries	575,517	242,256
	575,517	242,256

Amounts due from related parties

	2022 K'000	2021 K'000
Fellow subsidiaries	82,219	39,075
	82,219	39,075

Related parties (continued)

Transactions with directors and key management personnel

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. 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:

(i) Loans and advances

31st December 2022	**Key management staff** **K'000**	**Total** **K'000**
Loans outstanding at 1 January 2022	8,670	8,670
Loans issued during the year:	9,642	9,642
Loan repayments during the year	(3,614)	(3,614)
Loans and advances outstanding at 31 December 2022	14,698	14,698
Of which:		
Executive directors		5,450
Non-executive directors	5,450	-
	-	
Interest and fee income earned	398	398

31st December 2021	**Key management staff** **K'000**	**Total** **K'000**
Loans outstanding at 1 January 2021	6,501	6,501
Loans issued during the year:	4,248	4,248
Loan repayments during the year	(2,079)	(2,079)
Loans and advances outstanding at 31 December 2021	8,670	8,670
Of which:		
Executive directors		
Non-executive directors	4,714	4,714
	-	-
Interest and fee income earned	321	321

Amounts due from related parties

	2022 K'000	2021 K'000
Fellow subsidiaries	82,219	39,075
	82,219	39,075

Related parties (continued)

Transactions with directors and key management personnel

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. 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:

(i) Loans and advances

31st December 2022	Key management staff K'000	Total K'000
Loans outstanding at 1 January 2022	8,670	8,670
Loans issued during the year:	9,642	9,642
Loan repayments during the year	(3,614)	(3,614)
Loans and advances outstanding at 31 December 2022	14,698	14,698
Of which:		
Executive directors		5,450
Non-executive directors	5,450	-
	-	
Interest and fee income earned	398	398

31st December 2021	Key management staff K'000	Total K'000
Loans outstanding at 1 January 2021	6,501	6,501
Loans issued during the year:	4,248	4,248
Loan repayments during the year	(2,079)	(2,079)
Loans and advances outstanding at 31 December 2021	8,670	8,670
Of which:		
Executive directors		
Non-executive directors	4,714	4,714
	-	-
Interest and fee income earned	321	321

Related parties (continued)

(iii) Directors emoluments

	2022	2021
	K'000	K'000
Salaries and other short-term employment	29,644	16,407
Pension contribution	7,834	3,888
	37,478	20,295

Key management compensation in 2022 takes into account the cost of two executive appointments and the alignment of 6 posts to key management status following a job evaluation exercise.

30. Climate change

Risks induced by climate changes may have future adverse effects on the Bank's business activities. These risks include transition risks (eg regulatory changes and reputational risks) and physical risks (even if the risk of physical damage is low due to the bank activities and geographical locations). How the Bank operates its businesses may be affected by new regulatory constraints on the CO2 emissions it generates via the data centres that the Bank operates. Energy consumption of data centers is high, and the Bank is currently implementing new technology solutions to reduce the level of energy needed, particularly in the area of maintaining the maximum protection possible for its critical IT infrastructure (through using highly efficient evaporative cooling solutions). The Bank has indicated it is committed to sourcing 100% of its energy needs from renewable resources, no later than 2035.

31. Events after reporting date

The Directors are not aware of any material event which occurred after the reporting date and up to the date of this report which would require adjustment or disclosure in these annual financial statements.

There are no other post balance sheet events that require disclosure in the Bank financial statements.

ZICB

Zambia Industrial Commercial Bank

(Registered Commercial Bank)

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