zambia national building society

"Shelter Through Savings"

Annual Report 2022

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Strategic Report

Performance at a Glance

K2.28 Billion
Assets

K901 Million
Deposits

K936 Million
Loans & Advances

K324 Million
Total Operating Income

72%
Net Interest Margin (NIM)

K116 Million
Net Profit

K697 Million, 17%
Shareholder Funds and ROE

Our Mandate

The Zambia National Building Society (ZNBS) was established by the Government of the Republic of Zambia on 24 December 1970 under the Building Societies Act of 1968. The Society was formed to mobilise financial resources to invest in mortgages to increase the country's housing stock.

In addition to property financing, ZNBS also provides Banking services across the country. The Society also provides office space to individuals and companies, mainly in properties along the line of rail.

OUR PRODUCTS AND SERVICES

- ### Mortgage

This is the core product of ZNBS that has a tenor of 30 years, with attractive interest rates. The home loan can be used for any of the following :Outright Purchase, Construction, Bare Land Purchase and construction on Bare Land, Home Improvement, Equity release and Balance Transfer.

ZNBS also offers the Diaspora Mortgage to Zambian living in the diaspora and the Commercial Mortgage to various types of institutions.

- ### Friendly Loan

This is a personal loan that has a tenor of 5 years, with attractive interest rates.

- ### Building Materials Loan.

This loan is designed to help customers buy building materials, land and pay for construction related activities. Construction related activities could include connection to the electricity grid, sinking of boreholes etc. The tenor for this loan is 5 years with very competitive interest rates.

- **Salary Advance**

This is a loan that is tailored to meet urgent customer needs such as school fees, medical bills, rentals etc. It has a tenor of 6 months with very attractive interest rates.

- **Salary Account**

This account is designed for customers who are in formal employment and have a monthly income.

- **Stop Order Account**

This is a save as you earn account that allows customers to set aside a portion of their income on a regular basis through payroll to meet their financial goals.

- **Baby Wallet Account**

This is a savings account that was designed to help guardians and parents save for their young ones below the age of 18 years. The account has a low minimum balance, no maintenance fees and have an attrative interest rate per annum.

- **Musika Account**

This a savings account that is designed to meet the needs of Small and Medium Enterprises (SMEs) by providing them financial services to start a business and grow it. This account has nomaintenance fees and a minimal book balance.

- **Fixed Deposit Account**

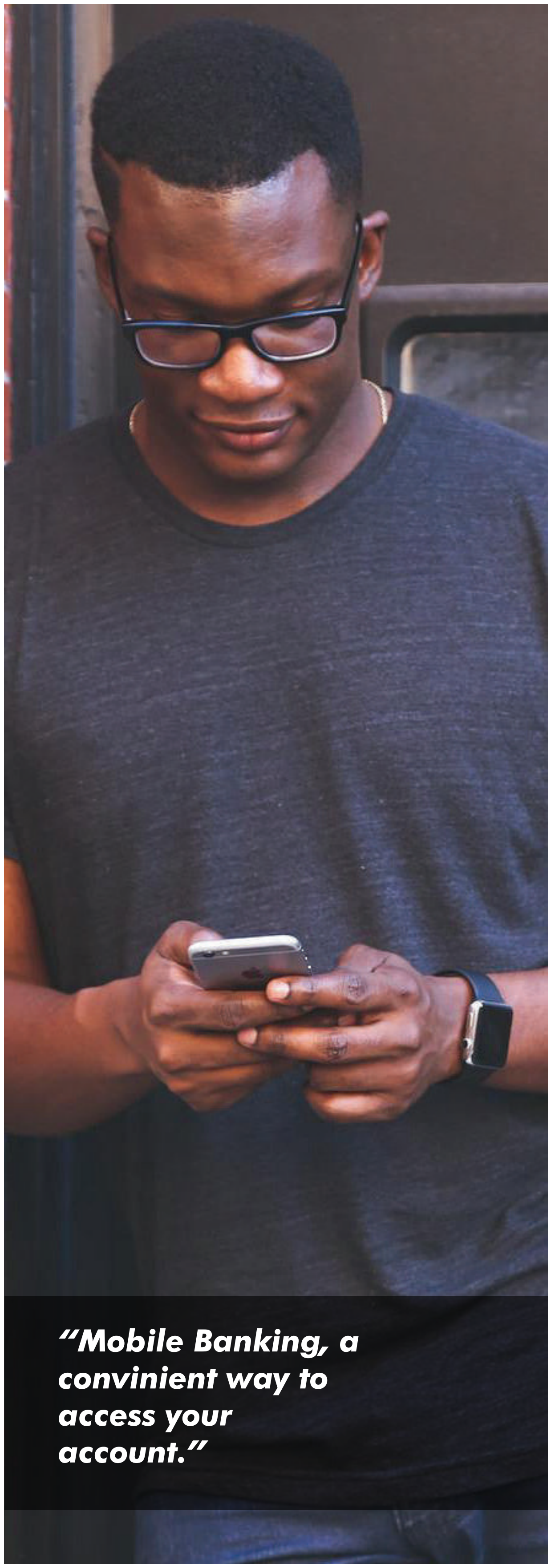
This is the ideal investment account with competitive interest rates with a tenor ranging from a month to 1 year, which is renewable.

- **Business /Mandate Account**

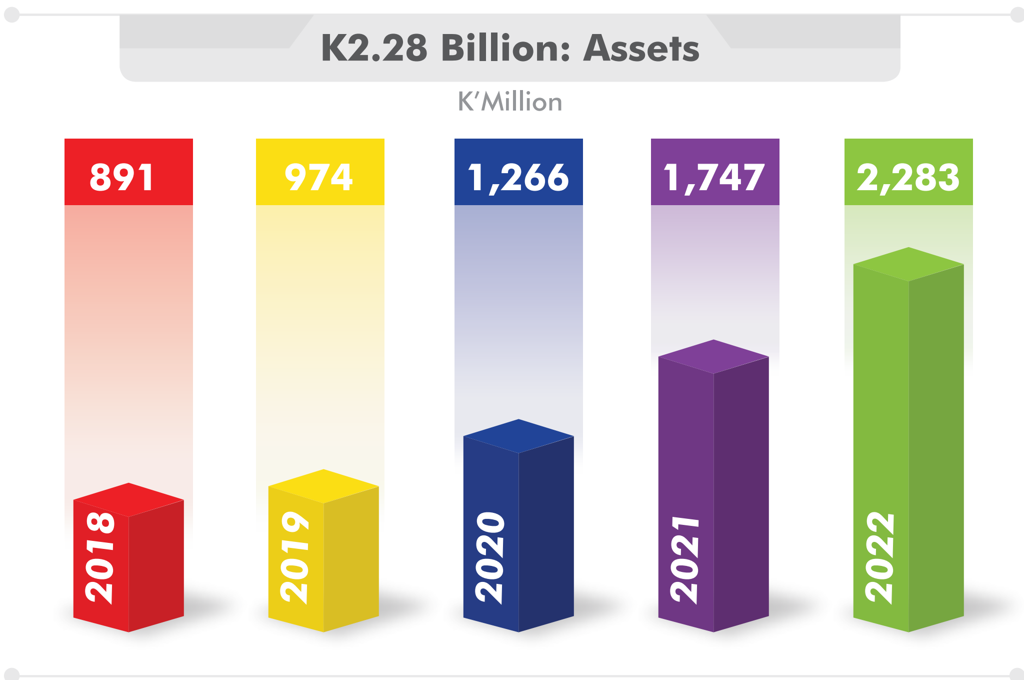
This account is designed to meet the needs of companies, schools, churches, Cooperatives, etc. This product is competitively priced.

- **Payment solutions**

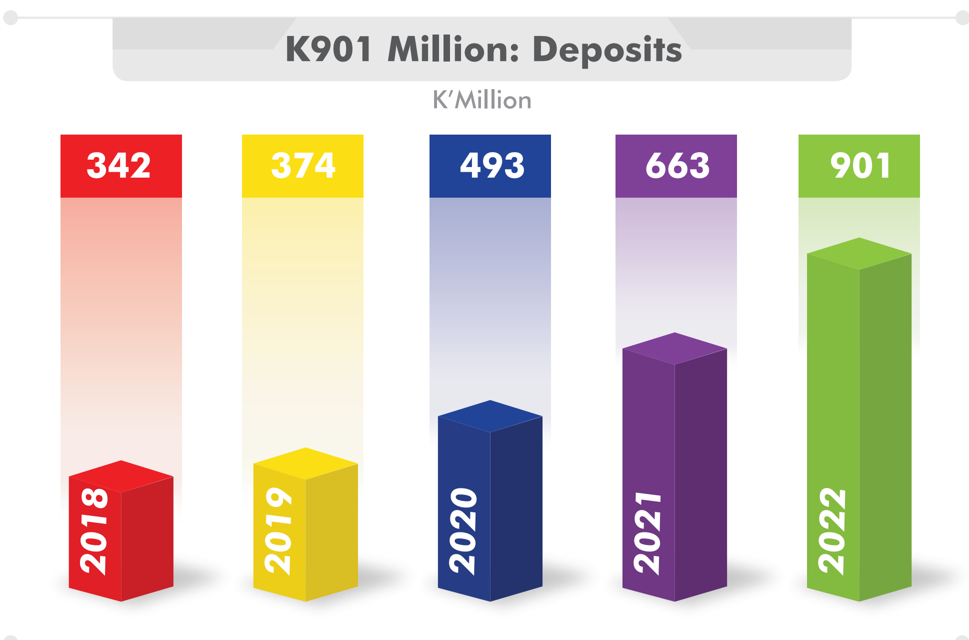
ZNBS offers mobile banking, agency banking, payroll payments and internet banking that enables us to reach customers outside normal banking hours and those in far flung



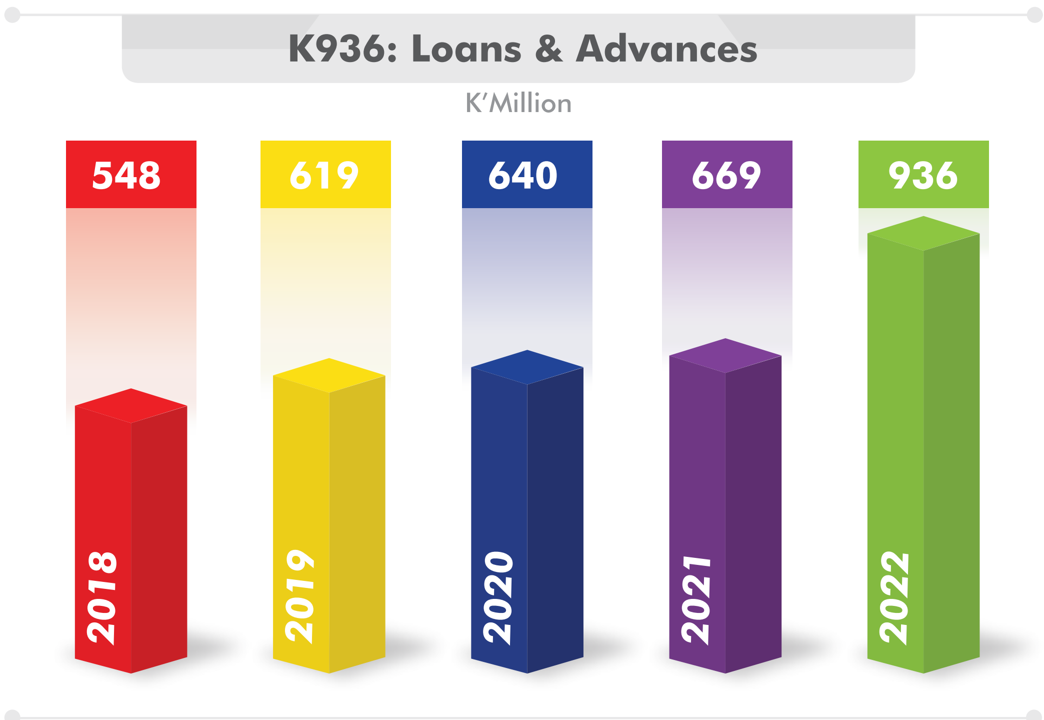
Financial Highlights



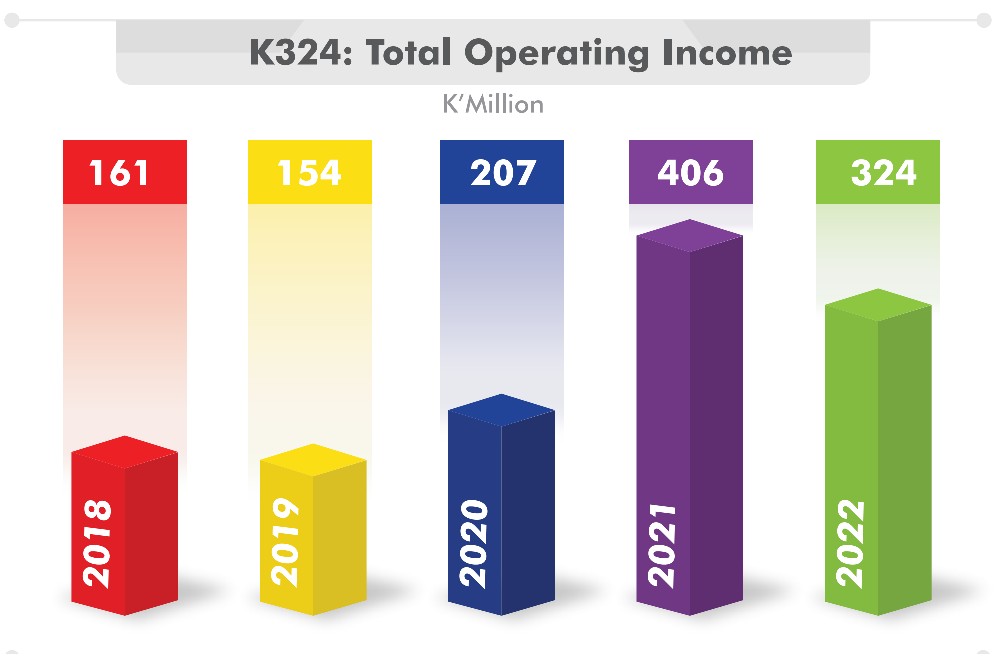
The Society's assets increased by 156 percent in the last five years, rising from K891 million to K2.28 billion. An increase in depositors funds and borrowings primarily drove the increase in assets.



Between 2018 and 2022, the Society's depositors funds increased by K559 million, a 163 percent increase on average. Growth in depositors funds is aligned with management's goal of obtaining long-term, low-cost financing.

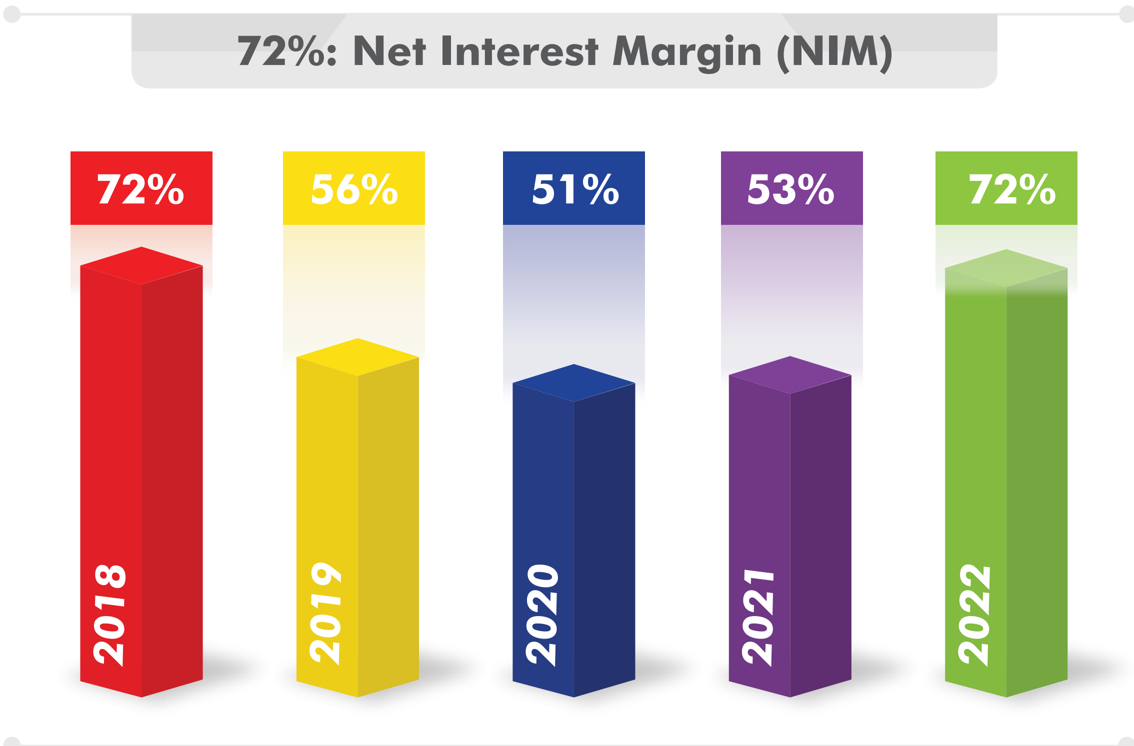


Loans and advances grew by 71%, from K548 million in 2018 to K936 million in 2022. The modest growth in 2020 was due to the financial year's unpredictable economic and market conditions, resulting in fewer unsecured loan disbursements.

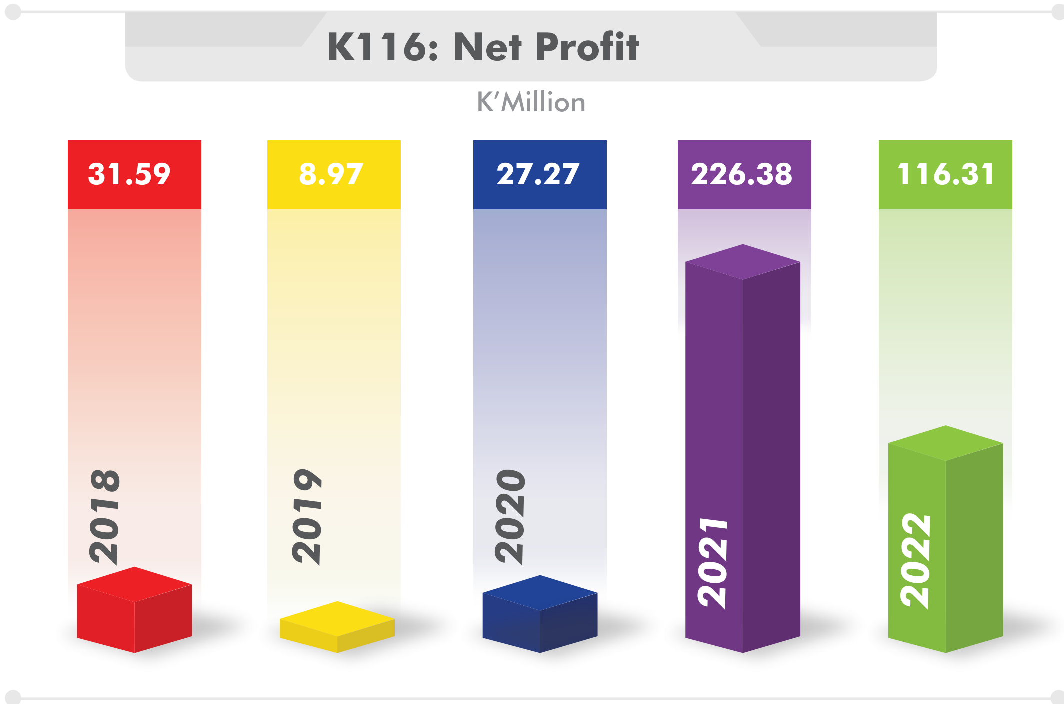


The Society's performance has been consistent since 2018, with a revenue increase of 101 percent over the last five years, attributing the performance to growth in loans and advances.

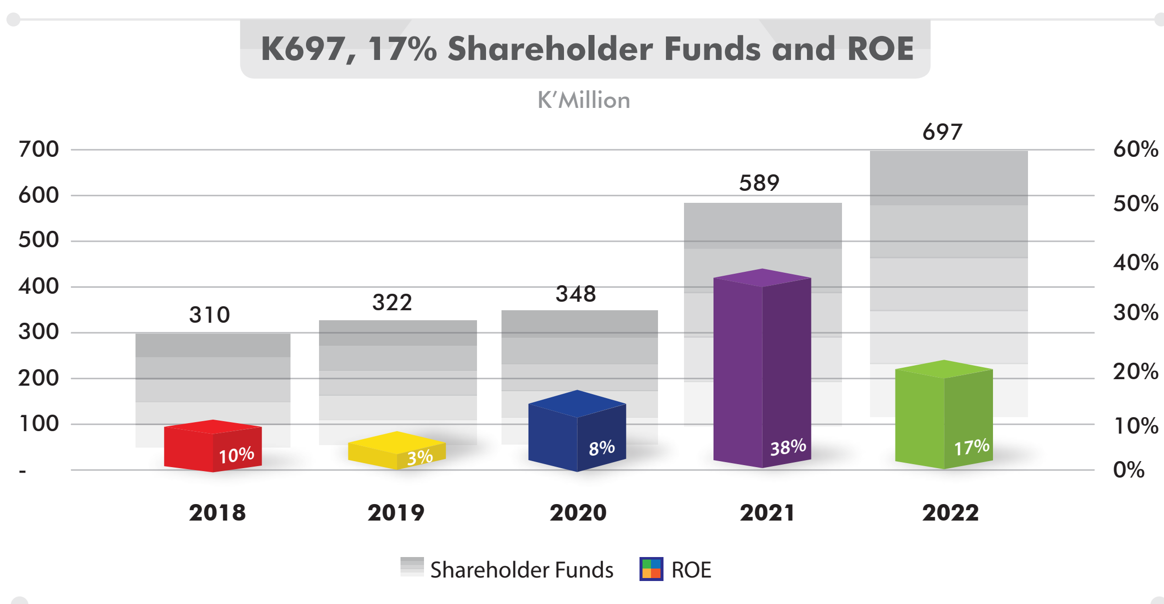
Revenue growth was fueled by a 156 percent increase in total assets over the last five years, primarily due to the rise in Loans & Advances from K548 million in 2018 to K936 million in 2022, as well as investments in government securities.



In the last three years, interest margins have risen from 56 percent in 2020 to 72 percent in 2022 because of lower interest expenses and credit losses.



In 2022, the Society made a profit of K116 million, owing to increasing interest income from loans and advances and income from alternative service delivery channels and cost control. The 2021 Net Profit was significantly high because of he profits realised from the sale of property.



The Shareholders' funds increased from K310million to K697million over the last five years. The growth in accumulated profit drove the growth of shareholder funds.

OUR VALUES

VISION

To be the leading mortgage finance institution with excellent financial services in Zambia.

MISSION

To provide quality, affordable, and sustainable mortgage finance, financial services, and other allied services for the benefit of clients, stakeholders, and the Society.

VALUES

The Society adopted the acronym iCREDIT to define the shared core values.

i — **Innovation –** Embedding a culture of innovation and creativity.

C — **Customer Centricity –** Putting customers at the centre of all that we do.

R — **Respect –** Treating every individual with dignity

E — **Excellence –** Provide superior products and services that surpass expectations.

D — **Drive –** Energetic and committed to ZNBS customers and all stakeholders.

I — **Integrity –** Trusted, honest, and ethical.

T — **Teamwork -** Working together and collaborating towards a common goal.

EVENTS OF THE YEAR

Dividend presentation to ministry of finance received by Minister of Finance

Launch of Bwela Timange Mortgage.Unveiling of Product emblem by ZNBS Board Charperson Dr.David Nama and ZNBS Managing Director Mildred Mutesa

Events of the Year in Pictures

Znbs Director Banking & Mortgages, Fortune Mukuka with Chilanga Cement Chief Financial Officer, Choolwe Natala Lungu during the signing ceremony of memorandum of agreement for the provision of cement to Znbs customers

EXCO and senior management during the Corporate Strategic Planning meeting at the Taj Pamodzi Hotel

Events of the Year in Pictures

EXCO and Branch Managers during the annual branch mangers meeting at Legacy Centre, Lusaka.

ZNBS staff participation in **Customer Service Week - Dress like your Customer**

Events of the Year in Pictures

Official opening of the refurbished Chingola Branch by Chingola Mayor His Worship Mr. Johnson Kangombe (1)

Official opening of the refurbished Ndola Branch by Copperbelt Minister, Elisha Matambo

Events of the Year in Pictures

Refurbished ZNBS Ndola Branch

Refurbished ZNBS Chingola Branch

Events of the Year in Pictures

Refurbished ZNBS Choma Branch

Official opening of the refurbished Choma Branch by Souther Province Minister Cornelius Mweetwa

Statement From The Board Chairman

Building the future

“We enabled close to 2000 Zambians to re-mortgage, buy a new home or acquire Building Materials Loans.”

I am pleased to present our Annual Report and the Audited Financial Statements for the year ended 31 March 2022. I can confirm robust financial results after successfully formulating and delivering our Corporate Strategic Plan, which harnesses opportunities amidst operating in a challenging environment. Because we have committed and dedicated Employees, the Society delivered a profit of K116million against the budgeted profit of K78million and a balance sheet growth of 34%.”

Our values remain at the core of our culture and beliefs and have guided the Society’s growth trajectory over the years. Our purpose is to give the people of Zambia a place to call home, assist them with financial support and produce long-term value for our shareholders. Pursuing this purpose is what we believe can make an outstanding contribution to our communities. As stated in the Environmental, Social, and Governance (ESG) Report, we are dedicated to doing our part to create a greener society as outlined in the Sustainable Development Goals (SDGs). This is because we understand that this contributes to achieving favourable results for our customers, shareholders, and, at large, our broader stakeholders.

Highlights of 2021/22

Last year, I highlighted how the COVID-19 pandemic had a detrimental effect on the society, the economy, and people’s lives and livelihoods. Nevertheless, we began the 2021/22 financial year with the optimism that a successful vaccination program implementation would slow the virus’ spread. I am happy to announce that the Society did not record any virus-related fatalities and that more than half of our staff had taken the vaccine. The pandemic also tested the Society’s disaster recovery plans, to which we tried our systems to ensure technical resilience. As a result, we continued to provide our customers with reduced disruptions through our branch networks and digital platforms.

Our customers entrust us with their deposits and mortgages, so being financially resilient is a bedrock of the Society. That is why the Board and management have focused on maintaining ZNBS's financial strength. The Society's financial performance was strong, and all our profits are for the benefit of our stakeholders. Our capital base is still strong and has grown throughout the year. Overall, the society delivered a strong performance in the just-ended financial year.

As a building society, we remain committed to fulfilling our mandate. During the year, we incentivised our mortgage product through the "Bwela Timange" mortgage promotion by partnering with BSI STEEL Zambia and Lafarge Zambia. As a result of this initiative and our other strategies to grow market share on mortgages and building materials loans, we enabled close to 2000 Zambians to re-mortgage, buy a new home or acquire Building Materials Loans.

We also significantly improved our brand visibility by refurbishing our Ndola, Chingola and Choma branches. This reinforced our dedication to improving our customers' experience through the enhanced physical ambience of our branches.

A purpose-led strategy

The social and economic impacts of the pandemic will be felt globally for many years. This has changed how we think about investment, health, social care, housing needs, borrowing and spending patterns. In addition, these changes have accelerated existing trends around online shopping, the primary purpose of branches, and how we will use offices in the future.

Many of us have used digital services since the onset pandemic, and we expect this trend to be sustained. We will respond to this by investing in these services and technology. We hope to improve our services and remain competitive in an increasingly digital-led financial services market.

Some of these trends are now evident and have led us to re-examine our strategy to remain relevant as a business and a place Zambians turn to for a mortgage and help with their financial needs. Thus, we recently approved the formulation of a new purpose-led Corporate Strategic Plan that will incorporate these changes and run for three years, from April 2022 to March 2025. The Corporate Strategic Plan focuses on five pillars: Employee Performance, Digital Transformation, Customer Service, Financial Performance, and supporting homeownership through the provision of affordable finance for the development of housing on ZNBS land.

> ***"The Society has changed its vision statement ... to be the leading mortgage finance institution with excellent financial services in Zambia."***

In context with the changes, the Society has changed its vision statement from "To become the Leading Housing Finance Institution with Premier Banking Services in the Zambian Financial Market" to "To Be the Leading Mortgage Finance Institution with Excellent Financial Services in Zambia". We have also added innovation to our existing core values and adopted the acronym **iCREDIT.**

The Board firmly believes that the realignment of the strategy to our purpose will elevate the Society to the next level of growth. In addition, it will enable the Society to respond effectively to internal and external changes.

Risk Management

To achieve its strategic and economic goals, the Society calculated risks systematically within the parameters of its permitted risk appetite. By giving risk management top priority and recognising its importance in the financial and operational management of the business, the Society continued to support and foster a strong risk culture.

Changes to the Board composition

As I noted in last year's Annual Report, our current Board, which consists of seven non-executive directors and one executive Director, was appointed by the Minister of Finance in February 2021. Honourable Reuben Mtolo, who chaired the Staff and Remuneration Committee, resigned from the Board during the year. I want to thank Honourable Mtolo for his outstanding contributions to the success of the Society during the current tenure of the Board as well as the previous periods years he served on the board. I wish Honourable Mtolo every success and welcome Mrs Martha Nalubamba in her role as chair of the Staff and Remuneration Committee.

Looking ahead

We will proactively monitor external environmental developments like the emergence of new variants of COVID-19 and the war between Russia and Ukraine, which may impact the Society and our ability to deliver against our purpose. With the new Corporate Strategic Plan in place, I believe that the Society is well-positioned to maintain a solid and sustainable organisation over the long term.

Without our dedicated staff, we would not have been able to achieve all we have this financial year or all we strive to in the future. I would like to sincerely thank the ZNBS staff for demonstrating their resilience, professionalism and commitment to providing our members and customers with the valuable services they deserve.

May I also thank each of the Directors for their leadership and support to the staff and their commitment to improving shareholder value.

Finally, I would like to thank our customers for their continued support.

Dr. David Nama

"Making sure everyone has a place to call home is still our goal today.."

Managing Director's Statement

> ... growing total assets by 26.6 percent from K1.8 billion in March 2021 to K2.3 billion in March 2022

The pandemic has dominated the last year, which continues to be a human crisis. The pandemic has tested the resilience of people, communities and organisations and has shown how important it is to work together. Zambia National Building Society is created on the premise that by working together, we can achieve more. Everyone has dug deep to help us keep customers and colleagues safe, keep our services running smoothly, and safeguard our financial strength. By working together, we have come through this year financially strong, which means we have been able to support our customers and communities through uncertain times. I want to thank you, our customers, and my colleagues, for your support of the Society during the last year.

We focused on the following critical priorities aligned to our mandate and the cornerstones of our strategy during the pandemic.

Discounted Mortgage Promotions

Despite a challenging year in the housing market, we remained focused on helping people achieve their dreams of home ownership. In September 2021, we launched a mortgage promotion dubbed "Bwela Timange", a Nyanja term for "Come, let us build". The promotion came with an additional package from our business partners, BSI STEEL Zambia and Lafarge Zambia. BSI STEEL offered up to 25% off on all building materials, while Lafarge Zambia offered free delivery of materials purchased from them by our customers. Therefore we promoted a one-stop-shop to our customers and reduced the building materials' cost and time. In addition, customers were eligible for a 12-month capital-free repayment. Furthermore, their arrangement fees were reduced from 5% to 2%, including legal, admin, and survey fees, while reduced interest rates by 4 percentage points. At the end of the promotion, 146 people benefited the promotion, with a total disbursement of K98 million.

Branch refurbishments

The Society has re-branded its branches to improve our brand image and customer services. Last year we managed to re-brand Ndola, Chingola and Choma. The Branches' design is to meet the increasing demand and expectations of Zambia National Building Society customers. They are also complemented by upgraded facilities, which reflect our rich legacy and the Society's transformation into a dynamic and modern organisation.

Our Digital Journey

The COVID-19 outbreak led the business to be more skewed toward technological advancement to reduce physical interactions in the business environment. As a result, we embarked on our digital migration journey and implemented the following in this regard.

1. Automate our internal processing relating to Human resource capital by implementing an Online staff self-service facility.
2. We implemented Instant Card issuance across our branch network, enabling our customers to collect the ATM card after opening an account instantly. In addition, the card has capabilities and features in any National Financial Switch-enabled machine.
3. Internet Banking- We worked around the clock to ensure that our customers could conduct transactions within their comfort zone by piloting the Internet services with our Core Banking System.

Employees Engagement

During the year, we conducted Employee Engagement and Satisfaction survey. We believe that employees who are fully engaged and involved in the company's operations and affairs are emotionally attached to the organisation, have a great enthusiasm for the success, and contribute above and beyond the employment contract terms. The overall Employee Engagement and Satisfaction Index rate was 79 per cent, with 18 per cent expressing high satisfaction, 61 per cent expressing medium satisfaction, and 21 per cent of the workforce expressing low satisfaction.

Housing Developments

The Society's mandate is to mobilise financial resources to invest in mortgages and increase the housing stock. To achieve this mandate, the Society embarked on the journey to implement the housing project in Chilanga District. During the year, we completed the subdivision of the land into individual plots and obtained approved survey diagrams. The project's goal was to enable the general public to purchase serviced plots and get affordable construction mortgages from the Society. I can happily report that our journey is moving according to our plan, and we believe this project will empower not less than 100 families with home ownership.

Investing for tomorrow

Financial services are changing fast, and sometimes it feels as if you have to run to stand still. However, in 2021 we took significant strides in delivering our change plan and can now demonstrate a track record of progress essential to our future success.

1. Stabilised our Technology platforms to ensure that we increase revenue generation from the Digital platforms while swelling the customer confidence in ZNBS.
2. We enhanced our Cyber Security Defenses as we are enabling more Digital platforms for customers' transaction convenience.
3. We embarked on Data Centre Optimization projects to improve customer service availability. (Data Centre Equipment Power Stabilization, Quality Data Cabling, Cooling & Physical Security)

4. We invested in System monitoring tools to support our drive to excellent customer service on Self-service Platforms and the ZNBS branch network.
5. We invested in an I.T. Service Management Tool(SysAid) to ensure a holistic view of the internal ICT service Management performance, which the entire organisation depends on to effectively deliver service to all our stakeholders.
6. We are still working on the Core Banking System Platform Improvements to improve further the systems performance, Security and Availability as required by our stakeholders.

A strong performance

Throughout the crisis, the Society has continued to maintain its financial strength. Our robust levels of capital resources, significantly over our regulatory requirements, allowed us to deploy some of our capital into investment in government securities to protect our customer's funds.
As a result, our depositor fund's steady growth has surpassed K900 million for the first time in the Society's history, demonstrated by a strong coverage of 179% at the year-end.

Profit before tax of K116 Million was significantly higher than in 2020 (K28million before profit on disposal), reflecting the strong demand for mortgages and unsecured loan books, improved margins resulting from participating in Government bonds, and lower credit losses throughout the year.
We remained robust in a competitive external environment, growing total assets by 26.6 percent from K1.8 billion in March 2021 to K2.3 billion in March 2022. Gross loans and advances increased to K1 billion from K 771 million in the previous financial year, funded primarily by core deposits and borrowings.

> ***"Our depositor fund's steady growth has surpassed K900 million for the first time in the Society's history."***

Strengthening Institutional and Human Capital

None of this would have been possible without my colleagues' hard work and dedication. I firmly believe that our people are our greatest asset. In what continues to be a challenging time for them personally and their families, I have been hugely impressed with how they have stepped up and delivered for our shareholders.

We implemented performance rewards and recognition policy and enhanced learning and development programs through our change management strategies to promote employee productivity. In addition, I am proud to announce that the Society launched internal Certifications programmes developed to equip Branch Managers with knowledge, skills, and appropriate business strategies that will contribute to the Society. We further sponsored employees to attend the Certified Credit Professional (CCP) programme with the Zambia Institute of Banking and Financial Services (ZIBFS). And lastly, the successful completion of the three branches' refurbishment contributed to a conducive and safe working environment.

Looking Ahead

As we enter 2022, significant uncertainties remain, not the continuation of the pandemic and the war between Russia and Ukraine. As a result, a double-dip recession remains a possibility. Accordingly, our Board of Directors approved the three-year Corporate Strategic Plan with the following areas of focus for the next 12 months to stay resilient.

1. To empower staff with knowledge, skills, and competencies that match the requirements of the roles they perform and the Society's values.
2. Redesign the infrastructure on which the Core Banking System operates;
3. Implement a digital and mobility race to enable 70% of our staff to work from anywhere Increase delivery channels such as Internet banking and Master/Visa-enabled ATM cards
4. Train and develop front-facing staff members on service standards.

To reduce the housing deficit by developing and selling one land bank to the public.

Conclusion

I want to thank all our partners for contributing to the Society's growth and our customers' continued loyalty and support. I'd also like to thank the Society's staff for driving the Society's success, ensuring that the Society's operations ran smoothly during a year when most of them had to work from home due to Covid-19. As a result, the Society has positioned itself to remain relevant to its customers and be a preferred finance provider.

Mrs Mildred N. Mutesa

Our Leadership Team

Our Board members and Executive Team bring diverse skills and experience, which is key to running a major financial services organisation.

Board of Directors

Dr David Nama

Is the Chief Executive Officer of Dana Holdings Limited. He is an Engineer by profession, an Entrepreneur and a Philosopher. He holds an engineering degree, a master's in Business Administration with distinction in research, a PhD in Doctor of Business Administration and Enterprise and a Bachelor of Theology. He has vast experience serving on various boards, including CETZAM, Zambia Bureau of Standards, Bible Society Board of Zambia, and Citizen Economic Commission.

Mrs Martha Nalubamba

Is a qualified lawyer with 17 years of experience. She holds a Master of Laws (LLM) in International Business Law and is an Associate Chartered Governance (ACG) with the Chartered Governance Institute. She currently is a partner in a law firm.

The Board of Directors is responsible for the overall management of the Society on behalf of the Shareholder. The Corporate Governance Report has more information on the role of the Board. At the date of this report, the Board comprised seven Non-Executive Directors who are independent and not employed by the Society and one Executive Director who work for the Society full time, the Managing Director.

We also have an Executive Team responsible for managing the Society and comprises our Executive Directors and Chief Officers.

Our Board members and Executive Team bring diverse skills and experience, which is key to running a major financial services organisation.

Eng. Grace Mutembo

is a qualified Civil Engineer with a Master of Engineering Degree in Civil Engineering, specialising in Transportation Engineering, from the University of Stellenbosch, South Africa. She has over 16 years of rich hands-on experience in engineering planning, design, procurement, project identification, project preparation, project appraisal, feasibility studies, loan negotiations with Multilateral Development Banks (MDBs) and project management. She is the Director of Planning & Design at the Road Development Agency.

Eng. Eugene Milambo Hazeele

Is currently the Managing Director of WCE Zambia Limited, with general business and engineering management responsibilities. Eng. Haazele is a professionally qualified Civil Engineer and has 32 years of experience in engineering. Eng. Haazele also holds a Master of Business Administration.

Mrs Laura CM Sitali

Is Managing Partner for Laura and Partners Consulting Limited and has over 15 years of experience in Organisational development for the public and private sectors. She holds a degree in Development Studies and Economics, a diploma in Project Management and a Diploma in Human Resources Management.

Executive Management Team

Mildred M. Mutesa
– Managing Director / Executive Board Member

She has over 16 years of work experience across a number of sectors, including audit assurance, manufacturing, and financial services. She is a Fellow of the Association of Chartered Certified Accountants (ACCA), a Fellow of the Zambia Institute of Chartered Accounts (ZICA) and a member of the Institute of Directors. She holds a Master of Business Administration with distinction from Herriot Watt University, a Bachelor of Accountancy Degree from the Copper-belt University and a professional accounting qualification, ACCA.
She is currently an elected Board member of the African Union Housing Finance and the Chairperson of the (AUHF) Lobbying and Advocacy Committee. She also serves on the Finance and Administration Committee of the Institute of Directors.

Vivian Milumbe
- Chief Operations Officer

She is a qualified and experienced Information and Communications Technology (ICT) professional with an MBA from Herriot Watt University, a BSc in Computing from Greenwich University and an Advanced Professional Diploma in Banking from Zambia Institute of Banking and Financial Services (ZIBFS). She has over 20 years of experience in the financial services industry. She is a member of the Institute of Directors, Information and Communication Association of Zambia and the Institute of Banking and Financial Services.

Mutinta Syulikwa
- Society Secretary

She holds a Bachelor of Law Degree from the University of Zambia and is a member of the Law Association of Zambia. She has over ten years of work experience in law, having practiced as an advocate in the private sector before joining the Society as Legal Counsel and ascending to the role of Society Secretary.

Victor Mwanza
– Director Finance

He is a Fellow of the Zambia Institute of Chartered Accountants (ZICA), a Master of Business Administration – Finance holder from the Copperbelt University, Association of Certified and Chartered Accountants (ACCA), National Accounting Technician Certificate from ZICA and a Diploma in Taxation from ZICA. As a Bank Clerk, he joined the Zambia National Building Society more than fourteen (15) years ago. Before his current role, he held various Senior Management positions, including that of Finance Manager, Business Development Manager, Manager Corporate Planning and Financial Analyst. He is also a Trustee of the Zambia National Building Society Pension Fund.

Elijah Chulu
- Director Risk

He holds an MBA in Finance and Accounting from the National University, San Diego, California, USA and a B.A. in Economics from the University of Zambia. His other qualifications include certifications in commercial lending, risk and project management. He has over 20 (twenty) years of local and international banking experience, having worked in the UK for Barclays Bank PLC and in the USA. Elijah Chulu previously held senior roles locally at ABSA Bank Zambia for over 9 (Nine) years, where he was a member of the Executive Leadership Team. He is a Fellow and Board Member of the Institute of Directors and Board Member of World Vision Zambia, where he currently serves as Chair of their respective Audit and Risk Committees.

Fortune Mukuka
- Director Banking & Mortgage

He holds a Bachelor of Business Administration degree from Copperbelt University, a Master of Business Administration from the University of Manchester, and a Master of Commerce in Development Finance from the University of Cape Town. He has over nineteen (19) years of experience in the Banking sector, with eleven (11) years at the Senior Management level. His work experience is drawn from two (2) global banks, Standard Chartered Bank and ABSA Bank Zambia Plc (formerly Barclays Bank Plc), across five countries, namely Zambia, the United Arab Emirates, Indonesia, the United Kingdom and Kenya. He is a member of the Institute of Directors in Zambia (IOD), the Institute of Bankers in South Africa (IoBSA) and the Zambia Institute of Banking & Financial Services (ZIBFS).

Christopher L. Kapoma
- Director Human Resources

He holds a Degree in Human Resources Management and a Higher Diploma in Human Resources Management. He is a Fellow of the Zambia Institute of Human Resources Management (ZIHRM) and a Member of the Institute of Directors (IOD) with 20 years of extensive work experience, of which 13 years have been at the Executive Management Level as Director of Human Resources, mostly gained from the financial services and transport sectors. He is currently serving as a Board Committee Member for Guardian Re-Insurance Brokers Human Resources Committee and a Trustee on the Zambia National Building Society Board of Trustees. He previously served on the Human Resources, Legal and Customer Service Board Committee for ZESCO and the Human Capital and Administration Board Committee for Road Development Agency (RDA).

Wamunyim Sitwala
- Acting Head Internal Audit

She holds a Bachelor of Arts degree in Marketing from the University of Greenwich, a Diploma in Banking and Finance and Certifications in Credit Risk. She has over 17 years in banking, in which she held various portfolios in Operations, Corporate Credit Risk and Retail Risk.

Environmental, Social and Governance (ESG) Report

...to help our customers reduce their environmental impacts through mortgage construction finance.

ENVIRONMENTAL REPORT

We recognise that climate change is a critical issue for our stakeholders and broader Society. Climate change's effects must be adequately managed because it creates material dangers to our business. In 2021 the Society was committed to taking the necessary actions to positively address this generational challenge and effectively manage the risks to our business. Our initial objective is to be environmentally friendly about our operations and provide appropriate products and information to help our customers reduce their environmental impacts through mortgage construction finance.

Over the last 12 months, we have made significant progress toward this objective. The Society, on the other hand, cannot tackle the climate challenge for Zambia's housing stock on its own. We will require collaboration from stakeholders in Government, utilities, and home builders if this goal is to be successful. The Society is always looking for opportunities to serve our communities better and have a practical and positive impact. Last year we carried out three events which allowed us to be actively involved in making a difference. All these activities will enable us to not only increase our footprints in environmental sustainability.

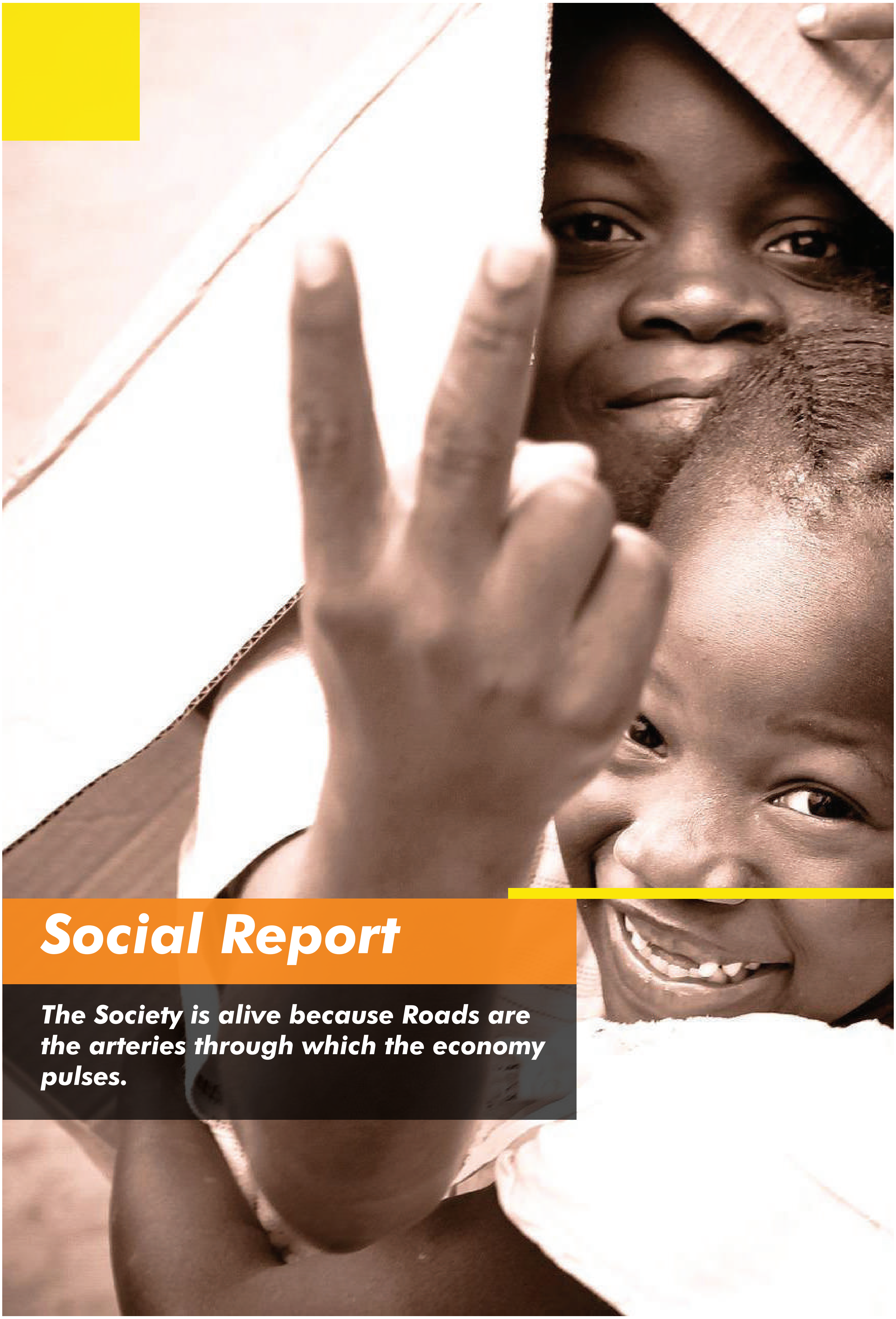
1. **Community Education on Environmental Impact of Housing Development**
   In conformity with the requirements of the Environmental Management Act, No. 12 of 2011 read with the Statutory Instrument No. 28 of 1997; The Society invited the Community Members, Concerned Citizens, NGOs, Government Agencies, and Interested and Affected Parties to the Scoping and public disclosure meeting for the proposed Housing Development Project. During this meeting, critical areas under discussion were mitigation measures in place due to Project Implementation about Groundwater contamination by sewerage, Vegetation loss, damage to land, plants and animals, pollution of water and air, and displacement of people.

2. **Strategic Partnership with Green Village Project**
   The Society entered a Strategic Partnership with Horizon Green Village Project. The project is built on sustainability, modernity, affordability, and environmental protection principles. The project will employ a biodegradable sewage system and the first in Zambia. Further, we participated in a tree planting exercise during the project's launch.

ZNBS Society Branch Manager discusses with Ministers (Hon. Masebo, Milupi and Nzovu) during the launch of the Eco -Friendly Housing Units at Horizon Green Village.

3. **The Copperbelt Green Mission**
   The Society participates in the initiatives organised by the Rotary to make Copperbelt Green through Tree Planting at Mpongwe South Boarding School.

A Znbs sponsored Tree Planting excercise at Mpongwe South Boarding School organised by Rotary Club.



Social Report

The Society is alive because Roads are the arteries through which the economy pulses.

SOCIAL REPORT

Improving communities is at the heart of everything we do. Our vision is for everyone to have a place fit to call home. To help make this happen, we have three key priorities:

- Preventing people from losing their home
- Helping people into a home
- Supporting people to thrive in their home environment.

The difference we made last year
Learn about the funding and charity donations made to local communities across Zambia in 2021-22.

1. Ground-breaking of a Community House

Zambia National Building Society may not be the first name that comes to mind when considering building a house. But bringing people together to create better quality homes was the starting point of the Society. And making sure everyone has a place to call home is still our mission today. For example, we sponsored the construction of a community house for a vulnerable family in collaboration with Habitat for Humanity to demonstrate how quality, sustainable, community-focused homes may be produced without profit. And to encourage other responsible businesses to get involved in tackling the housing crisis.

Hand over of the house to Linda Muluwe by Znbs Board Chairperson Dr.Nama

ZNBS staff participate in the construction of a house intended for a vulnerable family of Mapepe Settlement in Chilanga District

2. Community road construction

The Society is alive because Roads are the arteries through which the economy pulses. By linking producers to markets, workers to jobs, students to school, and the sick to hospitals, roads are vital to any development plan. For this reason, the Society sponsored the construction of a Community road in

Sponsored the construction of a community house for a vulnerable family in collaboration with Habitat for Humanity in Mapepe, Chilanga district

Znbs constructed community road in Balmoral area in Chilanga district.

the Balmoral area in Chilanga district, Lusaka. This road is linked to the planned housing development for the Zambia National Building Society.

3. Keep Mpika Clean Campaign.

The Society participated in community sensitisation of keeping Mpika clean organised by the local

ZNBS Mpika branch hands over drums to the distric administration for Keep Mpika Clean campaign.

authorities. The Society provided 30 empty drums to be utilised for rubbish disposal in various locations. Other participating events are cleaning the business in the marketplace and health centres.

Senior marketing officer Gift Nkhata presenting to pupils at Siavonga Secondary School during the Financial Literacy Week

4. Financial literacy, education, and inclusion

Zambia National Building Society has continued in its quest to improve financial inclusion by aligning activities with the vision of the National Financial Inclusion Strategy 2017-2022. This entailed assessing the product catalogue and pricing to ensure that the Society remained competitive and relevant to its current and prospective customers.

In response to industry demands, the Society introduced Commercial Mortgage facilities to meet the needs of corporates who could not access mortgages and help them run their businesses. ZNBS additionally introduced the Bare Land Mortgage to assist customers buying bare land and building on it.

Further, the mortgage interest rate was adjusted downwards from 24% to 21% to give more Zambians access to affordable mortgages.

ZNBS rolled out 25 agents in addition to the pilot that began running earlier with agency banking, and Internet Banking also commenced in the same period.

The Society joined in commemorating the 10th Financial Literacy under the theme "Build Your Future Be Money Smart". The Society is undertaking an exercise of training and providing free financial education to different school communities across the country. This year, the target groups included Children, Youths, Adults and Senior citizens across the entire branch network. The Society undertook various activities to this effect, such as:

- Account Opening and Signing of MoAs
- Financial Education for both primary schools and secondary schools
- Financial literacy training for members of the public

Further, ZNBS partnered with RUFEP under the programme's innovations and outreach facility. ZNBS distributed 26 Point of Sale Terminals in selected parts of the country, including Chitendele in Muchinga Province, Mbala, Siavonga, Namwala, Kalabo and Kaoma.

Corporate Governance Report

The Society has continued to apply the best corporate governance practices through continued development and improvement of the governance framework.

CORPORATE GOVERNANCE REPORT

Introduction

Zambia National Building Society ("ZNBS or The Society") strives to maintain and promote high standards of integrity, fairness, transparency, responsibility and accountability. This is achieved by adhering to the highest levels of Corporate Governance and realising its vision through fostering core values of integrity, respect, excellence, drive, teamwork and customer focus.

The Society has continued to apply the best corporate governance practice through continued development and improvement of the governance framework. This has improved the Society's overall corporate governance culture.

Compliance Status

The Society endeavours to fully comply with the Banking and Financial Services Act, the Bank of Zambia Corporate Governance Directives, The Financial Intelligence Centre Act, the Public Finance Management Act, Lusaka Stock Exchange (LUSE) Corporate Governance Code and Listing Rules. The Society has built a clear governance framework with policies that help raise the level of governance in the institution through best practices at all times.

The Board of Directors is responsible for ensuring adherence to governance practices and setting strategic direction for the institution. The Board confirms that during the financial year ended 31

March 2022, the Society ensured with the Bank of Zambia Governance Directives, LUSE Corporate Governance Code and other relevant governance regulations.

The Board of Directors

For the Society to achieve its strategic objectives, it has in place a Board that has a diverse range of skills and experience. The Board is appointed by the Shareholder, the Minister of Finance, who ensures that the Board is appropriately constituted with individuals with relevant industry knowledge and expertise. All Board appointments are subject to a fit-and-proper test by the Bank of Zambia.

Board Performance

The ZNBS Board is composed of seven (07) Non-Executive Directors (NED) and One (01) Executive Director (ED), appointed by the Minister of Finance on 19 February 2021.

> ***"For the Society to achieve its strategic objectives, it has in place a Board that has a diverse range of skills and experience."***

The Board was composed of the following;

Dr. David Nama	Chairperson
Mr. Eugene Haazele	Member
Mrs Olive Darris	Member
Mrs Laura Sitali	Member
Mr Reuben Mtolo (Retired in August 2021)	Member
Mrs Martha Nalubamba	Member
Mrs Grace Mutembo	Member
Mrs Mildred Mutesa	Member

The Board is responsible for the long-term success of the Society. The Board sets the strategic direction, approves the strategy and takes appropriate actions to ensure the Society achieves its strategic objectives and aspirations. The Board of Directors provides timely information to facilitate interactive discussions during board sessions. To ensure transparency, the Society Secretary plans and documents the activities of the Board.

Although the Board is ultimately responsible for the institution's success, this is managed on a delegated basis. The Board appoints the Managing Director and delegates authority for the operational management of the institution. The Board monitors the performance of the Managing Director and Senior Management in delivering on the strategic objectives of the institution. The Managing Director provides a quarterly report to the Board, which includes information on the operational matters, the operating environment and the institution's performance against strategic objectives. Professional advice is provided to the Board as and when needed.

The Board discharges some of its functions directly and delegates specific responsibilities to its committees to assist it in ensuring independent oversight. The Board Charter clearly outlines the Board's terms of reference and matters reserved for the Board. This ensures that the Board provides leadership and reviews the institution's overall performance. The Board Charter and the Terms of Reference are reviewed regularly against corporate governance regulations and best practices.

Board Induction

The Society has established a Board Induction program that provides a formal induction process for new Board Members. Through this process, a new Board Member is familiarised with the Society's strategy, operations, governance structures, policies, and procedures. In addition, the process involves training the Directors on corporate governance, their roles and responsibilities and potential liabilities.

Board Engagement

The Board discharges some of its responsibilities directly. However, it delegates certain other obligations to its committees to assist it in effectively carrying out its functions of ensuring independent oversight and stewardship. The Board held quarterly meetings and operated through the following committees:

I. Audit and Compliance
II. Finance
III. Credit

IV. Risk and Investment
V. Staff and Remuneration
VI. Nominations

Four (04) Ordinary Board meetings and three (03) Extraordinary Board meetings were held during the financial year. The attendance for the meetings was as tabulated below:

Table 1: Attendance for Board Meetings

2021	2021	2021	2021	2021	2021	2022	2022
DATE OF MEETING	16/04 Ordinary	10/08 Extra Ordinary	26/08 Ordinary	24/11 Ordinary	28/02 Extra Ordinary	18/02 Ordinary	29/03 Extra Ordinary
Dr David Nama	√	√	√	√	√	√	√
Mrs Olive Darris	√	√	√	√	√	√	√
Mr Eugene Haazele	√	√	√	√	√	√	√
Mr Reuben Mtolo	√	√	√	N/A	N/A	N/A	N/A
Mrs Laura Sitali	√	√	*	√	√	√	√
Mrs Martha Nalubamba	√	√	√	√	√	√	√
Mrs Grace Mutembo	√	√	√	√	N/A	√	√
Mrs Mildred Mutesa	√	√	√	√	√	√	√

Note: Mr Reuben Mtolo ceased to be a member of the Board due to his appointment as a Minister.

Board Committees

The Board of Directors is supported by six (06) Committees on which it exercises oversight functions. This contributes to the efficiency and effectiveness of the Board. Each Committee is governed by written Terms of Reference defining the duties, powers and frequency of meetings. A Non-Executive Director chairs each of the Committees, and Committee Members are appointed depending on the knowledge and expertise required.

(a) Audit and Compliance Committee

The Committee's main objectives include, among others, evaluating the internal control environment and systems, reviewing reports from internal and external Auditors and ensuring the maintenance of a good governance, compliance and control framework. The Audit and Corporate Governance held four (4) ordinary meetings the last financial year, whose attendance was as follows:

Table 2: Attendance for Audit and Compliance

NO. OF MEETINGS	2021	2021	2021	2022	Total
DATE OF MEETING	06/05	30/07	29/10	4/02	4
Mrs Olive Darris	√	√	√	√	4/4
Mrs Priscilla Mpundu	√	√	√	√	4/4
Mr Reuben Mtolo	√	√	N/A	N/A	2/4
Mr Crispin Daka	√	√	√	√	4.4

Note: Mr Reuben Mtolo ceased to be a member of the Board in August 2021

(b) Finance Committee

The Committee oversees the institution's financial risk management strategy, policy and treasury transactional matters. It reviews all borrowings by the Society and loans disbursed and assesses the asset and liability margins. The Committee held four (04) scheduled meetings, which were attended as follows:

Table 3: Attendance for Finance

NO. OF MEETINGS	2021	2021	2021	2022	TOTAL
DATE OF MEETING	03/05	26/07	26/10	31/01	4
Mr Eugene Haazele	√	√	√	√	4/4
Mr. Dionysious Makunka	√	√	√	√	4/4
Mrs Olive Darris	√	√	√	√	4/4
Mr John Nkonjela	√	√	√	√	4/4

(c) Staff and Remuneration Committee

The Committee is responsible for overseeing the institution's human resources management. It provides oversight over remuneration and compensation for all staff, terms and conditions of service, policies and Disciplinary and Grievance Procedure Codes of the Society. The Committee held five (5) meetings in the last financial year whose attendance was as follows:

Table 4: Attendance for Staff and Remuneration

NO. OF MEETINGS	2020	2021	2021	2021	2022	TOTAL
DATE OF MEETING	06/05	29/07	28/10	23/12 Special	02/02 Special	5
Mr Rueben Mtolo	√	√	N/A	N/A	N/A	1/5
Mrs. Martha Nalubamba	√	√	√	√	√	5/5
Mrs. Grace Mutembo	N/A	N/A	√	√	*	2/5
Mr Chingati Msiska	√	√	√	√	√	5/5
Mr David Kaunda	√	√	√	√-	√	5/5

Note: Mr Mtolo ceased to be a member of the Board, and Mrs Mutembo was incorporated into the Committee from October 2021

(d) Credit Committee

The Committee supervises the effective implementation of credit policies, ensures the enhancement of the Society's credit systems and processes, and has oversight on customer products and services. Furthermore, it approves all loans beyond management's mandate and reviews the loans disbursed. The Committee held four (04) meetings, whose attendance was as follows:

Table 5: Attendance for Credit Committee

NO. OF MEETINGS	2021	2021	2021	2022	TOTAL
DATE OF MEETING	04/05	27/07	27/10	28/01	4
Mrs Martha Nalubamba	√	√	√	√	4/4
Mrs Grace Mutembo	√	√	√	√	4/4
Mr Ngenda Situmbeko	√	√	√	√	4/4
Mr, Twaambo Hamusute	√	√	√	√	4/4

(e) Risk and Investments Committee

The Committee oversees all matters relating to the Society properties, makes recommendations to the Board on real property investments or de-investments and oversees all housing projects of the institution. Further, the Committee oversees the risk management systems and processes and the Information and Technology system. The Committee held four (04) meetings which were attended as follows:

Table 6: Attendance for Risk and Investments

NO. OF MEETINGS	2021	2021	2021	2022	TOTAL
DATE OF MEETING	05/05	28/07	28/10	01/02	4
Mrs Laura Sitali	√	√	√	√	4/4
Mr. Fredrick Mwalusaka	√	√	√	N/A	3/ 4
Mr. Eugene Haazele	√	√	√	√	4/4
Mr Nathan De Assis	√	√	√	√	4/4

Note: Mr Mwalusaka ceased to be a committee member following his appointment to a public office

(f) Nominations Committee

The objective of the Committee is to oversee the corporate governance practices throughout the institution, remuneration and compensation of personnel serving on the Board and its Committees. It is also tasked with monitoring the Board's performance and enforcing the Society's Code of Ethics and Integrity at all levels. The Board Chairperson chairs the Committee. The Committee held six (6) meetings, and the attendance was as follows:

Table 7: Attendance for the Nominations Committee

NO. OF MEETINGS	2021	2021	2021	2022	2022	2022	TOTAL
DATE OF MEETING	07/05	29/07	29/10	04/01	03/02	17/02	6
Dr David Nama	√	√	√	√	√	√	6/6
Mrs Laura Sitali	√	√	√	√	√	√	6/6
)(=r. Bursch Nketani	√	*	√	√	√	√	5/6
Mr Hobby Kaputa	√	√	√	√	√	√	6/6

Directors Compensation

The Director's fees and remuneration disclosure is made in note 31 of the Financial Statements. The Shareholder approves the Director's fees and any amendments at the Annual General Meeting.
Board Performance Evaluation

The Board recognises the need to evaluate its effectiveness to ensure a high level of performance for the institution's success and attainment of its strategic objectives. Accordingly, the Board regularly assesses its performance against its objectives, roles and responsibilities to continuously improve its effectiveness and efficiency. The Nominations Committee provides oversight and evaluates on an annual basis. The performance of the Board of Directors for the financial year ended 31 March 2022 was evaluated, and the same results were submitted to the central bank.

Board Training

The Board put a training plan in place, which consists of a strategy session, a review of the budget for the financial year, board training and a calendar of scheduled meetings.

Board Training Plan

As a best practice, the Directors are required to undertake training to ensure continuous development of their knowledge and skills. These training programmes are tailored to suit the needs assessed and the knowledge gaps identified throughout the year and during the performance evaluation process. In addition, the Board has implemented a Board training plan in line with the Bank of Zambia Corporate Governance Directives. This program ensures that the Directors are provided with the necessary information to facilitate interactive dialogue during board sessions.

To ensure continuous improvement, Board Members undertook training to help them understand their roles and the importance of corporate governance and risk management in an institution. Further, the Board undertook training to effectively manage the institution amidst the Covid-19 pandemic and other calamities, including training in business continuity, disaster recovery and cyber security. The Board put a training plan in place, which consists of a strategy session, a review of the budget for the financial year, board training and a calendar of scheduled meetings.

Development of Policies

i. Conflict of Interest

A robust Conflict of Interest Disclosure Policy has been developed and will be reviewed every two years. The policy's purpose is to protect the interests of Society in connection with any transaction or arrangement that might benefit the private interests of any member of staff, Board or Committee Member. This policy provides (i) a systematic mechanism for identifying, disclosing and evaluating potential and actual conflicts of interest and (ii) procedures for Management, the Board or a Committee with the Board in considering any transaction or arrangement where a conflict may exist.

All directors must avoid conflicts of interest. As a result, they must disclose such interests before each meeting and declare them after each financial year. Furthermore, the Society monitors Board Members' through benchmarking with other institutions to ensure compliance with the Bank of Zambia Corporate Governance Directives' requirements, disclosing all business relationships held by Directors and any transactions that may pose a conflict of interest.

> ***"All directors must required to disclose such interests before each meeting and declare them after each financial year."***

ii. Code of Ethics

The Board has adopted a Code of Ethics to regulate the required corporate behaviour by which the Society is judged in all its dealings and operations to promote and safeguard the institution's integrity. The Code gives guidelines regarding the ethical conduct expected at all levels and stakeholder relationships. This Code has been communicated to all Directors and employees who are expected to observe high standards of integrity and fair dealings concerning customers, stakeholders and regulators. Further, the Code of Ethics is communicated to all new employees.

The Board recently revised the Code of Ethics, and management carried out awareness for all staff within the institution.

iii. Integrity Committee Manual

An Integrity Committee is in place to enforce the provisions of the Code of Ethics and curb any corruption or maladministration in the institution. In addition, the Committee is mandated to provide redress for complaints relating to the breach of the Code of Ethics and improve processes within the institution to prevent malpractices. An Integrity Committee manual was developed to provide for the functions and proceedings of the Committee.

iv. Whistle-blowing

The Society has developed a whistle-blowing policy, a vital corporate governance tool. It is intended to make it easier for Members of staff and stakeholders to report any irregularities in good faith without fearing adverse consequences. This is done through reports to Deloitte & Touche, which has been appointed to receive whistle-blowing reports independently. The policy is critical in demonstrating the Society's commitment to the highest standards of transparency, integrity and accountability in its operations. It is also in line with the Public Interest Disclosure (Protection of Whistleblowers) Act.

Compliance

The Society ensures that the business is managed in a manner underpinned by very strong governance, compliance and financial crimes risk management standards. The Compliance functions are in place. The function reviews and develops relevant policies and manuals. Further, Compliance assessments are undertaken annually, and the Society ensures that all staff are sensitised and trained periodically to increase the compliance culture in the institution.

The Society continued its regulatory compliance and maintenance of good relations with Regulators during the period under review. A quarterly compliance report is presented to the Audit and Corporate Governance Committee and, ultimately, the Board to enable the Board and Committee to appreciate the level of management of the compliance risk. Notably, the Compliance function and monitoring program are subject to an independent evaluation by both Internal and External Auditors.

Risk Management Strategies

The Board maintains a keen focus on risk management. This is demonstrated by the approved governance structures, internal controls and risk management frameworks which are prudent and practical. The Risk Management framework ensures that risks are identified and effectively managed on an ongoing basis. In addition, the Risk and Investments Committee independently operates and monitors risks every quarter.

Internal Audit

The Internal Audit function continues to evaluate and assess the adequacy of internal controls across the institution. It regularly reports to the Audit and Corporate Governance Committee on its findings and recommendations.

External Audit

The Society's External Auditors work closely with the Society's Internal Audit team and are responsible for reporting on whether the financial statements were fairly presented following the International Financial Standards (IFRS), the Banking and Financial Services Act (BFSA) and the Building Societies Act.

Appropriate accounting policies supported by reasonable and prudent judgement and estimates were used consistently throughout the audit for the last financial year. The audit fees for the previous financial year were K 905,000.00 before VAT and disbursements. The Auditors conducted no non-audit work.

Risk Report

The Society is committed to a Culture of Risk Management across all its operations and processes to ensure that opportunities are maximised,

2. RISK REPORT

Operational Risk and Fraud is mandated to manage the Society's risks by consistent monitoring of both existing and emerging risks. The Society's Enterprise Risk Management Framework (ERMF) governs how the Society identifies and manages its risks. The Director of Risk (D.R.) is part of the Senior Management Team and is accountable for creating, maintaining and implementing the ERMF in the Society.

The below approach has been employed to strengthen the Risk Management system within the Society:

• Enterprise Risk Management Framework

The Society is committed to a Culture of Risk Management across all its operations and processes to ensure that opportunities are maximised, and risks are effectively identified and managed to minimise any financial or organisation disruption. The Society's risk management approach is based on the Enterprise Risk Management Framework (ERMF).

The ERMF governs how the Society identifies and manages its risks. It further outlines the key responsibilities of different Directorates and their staff (the lines of Defense) in enabling the Society to operate within its Risk Appetite. The primary goal is to embed a strong risk culture within the Society by setting transparent risk management practices and requirements.

The Society recognises the presence of internal and external risks that continually affect the organisation's strategy implementation. In this regard, the Society prepares and evaluates the Society's risk profile every quarter (3 months) to assess the need to continue implementing activities or a need to redirect strategy.

• RISK Identification and Mitigation Measures

The Risk Directorate continuously monitors all risks. Mitigation measures are agreed upon across the different Directorates to ensure that the risks identified are adequately addressed.

The Society recognises that to discharge its mandate and realise its goals effectively, it needs to ensure that its systems and processes are adequately secured and continuously available. The Society also provides that in combating the impact of COVID-19, adherence to the preventative measures as guided by the Ministry of Health and spot checks to ensure mandatory masking whilst on site are critical. With the high degree of uncertainty regarding the resurgence of Covid-19 infections and low vaccination uptake, the Society is working on automating processes for staff to be able to work from any location in the event of a lock-down due to new and more contagious and devastating strains of the Coronavirus.

The Society is alive to the slowdown in economic activity that could lead to disruption in business activity and ultimately result in reduced incomes at an individual customer level, leading to an inability to service loan obligations and an increase in credit default. Therefore, though we remain watchful in the face of the ongoing uncertainty, our focus remains on the resilient sectors that will withstand the negative impact of slowed economic growth due to future pandemics.

The Society also monitors Investments by the Treasury department through quarterly reviews of the Bank limits. Due diligence is conducted on Counter-parties before placements to ensure the safety of the funds. Further, strict adherence to the Society's appetite is guaranteed on all placements.

The improvement of the digital capacity of the Society and the controls on Digital capabilities will calm the increase in cybercrime. Furthermore, to manage cybercrime due to increased technology, ICT has enhanced security on systems by introducing a multi-authentication feature to block hackers. Further, the Society is in the process of developing ICT infrastructure optimisation structures to improve efficiency levels.

- ## Risk Appetite

The Society's Management objective is to minimise operational losses and damage to its reputation. The Society has therefore established policies and procedures (that, among others, stipulate risk appetite/ tolerance levels) and systems to mitigate the impact and probability of occurrence of risks inherent in its activities while adopting a cost-benefit approach.

- ## Business Continuity Plan (BCP)

The Society recognises that to discharge its mandate and realise its goals effectively, it needs to ensure that its systems and processes are appropriately secured and continuously available. To achieve this, the Society has established (BCP) as an integral part of the Society's regular business operations. Responsibility for creating and maintaining BCP capability lies with the Directorates, and the ultimate responsibility is senior management. The Society is committed to ensuring the continuity of its operations in the event of substantial disruption.
Given the Pandemic risk, the Society has a robust Business Continuity Plan aligned to the Ministry of Health guidelines.

- ## Fraud Strategy

The Society is committed to protecting its funds and other assets. The Society has zero tolerance for fraudulent activities, whether internal or external, to the Society and will vigorously pursue and prosecute any parties, by all legal means available, who engage in such practices or attempt to do so. To improve fraud detection, the Society has introduced an anonymous toll-free line, posted on every notice board in the branches and on every floor at the head office (talk about the whistle-blowing line). In the last financial year, we reduced fraud by 79% from the previous year due to our continuous scanning of the environment for emerging risks.

- ## Internal Capital Adequacy Assessment Process (ICAAP)

In the Financial Year 2021/2022, the Society developed the Internal Capital Adequacy Assessment Process (ICAAP) document. The ICAAP shows the level of capital necessary to be kept against identified material risks to which the Society is or may become exposed to satisfy current and future demands, based on three-year financial projections, the capital plan, the material risks to which ZNBS is exposed, and the risk management measures used.

ZNBS Board and Management have fully embraced Basel II concepts and are committed to embedding these concepts in the day-to-day running of the business. Accordingly, the 2021 ICAAP report was prepared using the format prescribed by the Bank of Zambia.

The Society was adequately capitalised as of 31 March 2021 on a Basel II basis with a Capital Adequacy Ratio of 36%. The Society is also expected to be adequately capitalised over the forecast period of 2022 to 2024, following Basel II principles.


"Internet Banking, a
convinient way to
to transact."

Financial Statement Report

Directors Report

Statement of Directors' Responsibility

Independent Auditor's Report

Statement of Profit or Loss

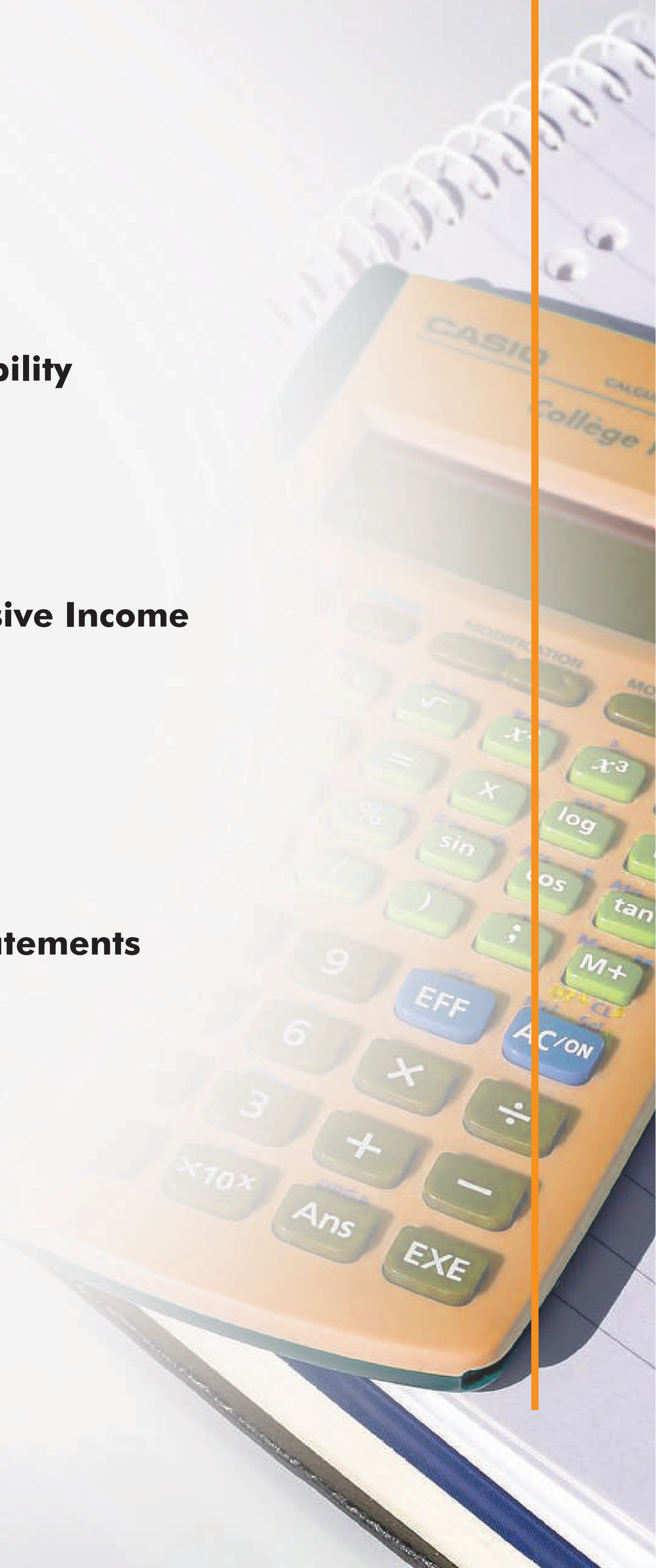
Statements of Other Comprehensive Income

Statements of Financial Position

Statements of Changes in Equity

Statements of Cash Flow

Notes to the Annual Financial statements



Financial Statements for the year ended 31 March 2022

The Directors submit their report together with the audited financial statements of Zambia National Building Society ('the Society') for the year ended 31 March 2022, which disclose the state of affairs of the Society.

Principal Activities

The Society is engaged in the business of mobilising finance, providing housing finance, banking, property management and other related services as stipulated under the Building Societies' Act, Cap 412 and the Banking and Financial Services Act, 2017 of Zambia.

Results and Dividend

The profit for the year of 116,312,871 (2021: K226,384,094) has been added to retained earnings.
The Society proposed a dividend of K25,800,000 for the year ended 31 March 2022 (2021: K8,000,000).

Directors

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

Current Board of Directors

Name	Role	Date retired
David Nama (Dr)	Board Chairperson	-
Reuben Mtolo (Retired)	Director	August 2021
Martha Nalubamba	Director	-
Olive Chisola Darris	Director	-
Laura CM Sitali	Director	-
Grace Mutembo	Director	-
Milambo E. Hazeele	Director	-
Mildred Mutesa	Managing Director	-

Average Number of Employees and Remuneration

The total remuneration paid to employees during the year amounted to K121,602,000 (2021: K111,206,000). The average number of employees for 2022 was 293 while the actual numbers of employees from 1 April 2021 to 31 March 2022 were as follows:

Month	Number	Month	Number
April	293	October	294
May	304	November	294
June	303	December	292
July	299	January	293
August	295	February	288
September	294	March	287

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

Gifts and Donations

During the year, the Society made donations of K139,467 (2021: K272,958) to charitable organisations and events.

Property and Equipment

The Society purchased property and equipment amounting to K14,044,000 (2021: K3,385,000) during the year.

Research and Development

During the year, the Society did not incur any research and development costs (2021: Nil)

Related Party Transaction

Transactions with related parties, Key Management Staff and Directors are disclosed in Note 34 of the Financial Statements.

Directors' Emoluments and Interests

Directors' emoluments and interests are disclosed in Note 34 of the financial statements

Risk Management and Control

The Society through its normal operations is exposed to several risks, the most significant of which are credit, market, operational and liquidity risks. The Society's risk management objectives, policies and strategies are in place and are disclosed in Note 4 of the financial statements.

Auditor

The auditor, PricewaterhouseCoopers, has indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the Board:

SOCIETY SECRETARY **DATE:** 28th June 2022

The Building Societies Act Cap 412, of the laws of Zambia and the Banking and Financial Services Act, 2017 of Zambia require the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Society as at the end of the financial year and of its profit or loss. It also requires the Directors to ensure that the Society keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Society. They are also responsible for safeguarding the assets of the Society.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Building Societies Act Cap 412, of the laws of Zambia and the Banking and Financial Services Act, 2017 of Zambia. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Society and of its performance in accordance with International Financial Reporting Standards. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Nothing has come to the attention of the Directors to indicate that the Society will not remain a going concern for at least twelve months from the date of these financial statements.

David Nama (Dr)
Chairman

28th June 2022
Date

Mildred Mutesa (Mrs.)
Managing Director

28th June 2022
Date

Independent auditor's report

To the Shareholders of Zambia National Building Society

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Zambia National Building Society (the "Society") as at 31 March 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Banking and Financial Services Act, 2017 of Zambia and the Building and Societies Act, Cap 412.

What we have audited

Zambia National Building Society's financial statements are set out on pages 10 to 73 and comprise:

the statement of financial position as at 31 March 2022;
the statement of profit or loss and other comprehensive income for the year then ended;
the statement of changes in equity for the year then ended;
the statement of cash flows for the year then ended; and
the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

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

Report on the audit of the financial statements (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

Key audit matter	How our audit addressed the key audit matter
Estimation of IFRS 9 expected credit losses on financial assets measured at amortised cost As at 31 March 2022, the Society's portfolio of financial assets measured at amortised cost included mortgages, loans and advances and investment in government securities. The Society assesses at each reporting date whether the financial assets carried at amortised cost are credit impaired. The Society's management has applied an Expected Credit Loss ("ECL") model to determine the allowance for impairment of financial assets. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Society's history of collection of financial assets, which include the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). Significant judgments were made in determining the PDs, LGDs and forward-looking information Additional information on impairment of financial assets measured at amortised cost is presented in Note 17: Government securities, Note 18: Loans and advances and Note 4: Financial risk management.	We carried out the following procedures: Obtained an understanding of the Society's methodology in arriving at the PDs, EAD and LGDs used in the ECL calculation and assessed this against the requirements of IFRS 9. Tested the impairment of financial assets carried at amortised including the basis for their judgments and reasonableness of key inputs and assumptions. Tested the controls around loan origination, credit appraisal, disbursement process, and delinquent loans including collections and recoveries and selected a sample of financial assets and performed a detailed credit review to confirm appropriate classification and measurement and satisfy ourselves that significant facilities are correctly classified and valued. For loans and advances, tested a sample of accounts to understand their performance and appropriateness of staging in line with IFRS 9 by recalculating the number of the days past due. Tested the formulae driving the model calculations and re-performed the calculation of certain key model inputs which involves a detailed data check, full recalculation of the model assumptions and an independent re-run of the model. Tested the financial statement disclosures.

pwc

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
	Tested forward looking information and evaluated it against external sources of information. For investment securities, agreed assumptions relating to PDs and LGDs to information from reputable, independent third parties.

Other information

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

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as issued by the IASB and the requirements of the Banking and Financial Services Act, 2017 of Zambia and the Building and Societies Act, Cap 412 and for such internal control as the Directors determine is necessary to enable the preparation of 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 Society'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 Society or to cease operations, or have no realistic alternative but to do so.

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

Report on the audit of the financial statements (continued)

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 misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society'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 Society 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.

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

Report on the audit of the financial statements (continued)

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

From the matters communicated with the Directors, 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 Banking and Financial Services Act, 2017 of Zambia

The Banking and Financial Services Act, 2017 of Zambia also requires that our audit report should state whether, among other matters, Zambia National Building Society has complied with the provisions of the Act. In accordance with the requirements of the Banking and Financial Services Act, 2017 of Zambia, we are required to report to you whether:

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

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

The Building Societies Act, Cap 412

In accordance with the requirements of the Building Societies' Act, Cap 412 we confirm that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

Date: 29 June 2022

Martin Bamukunde
Practicing Certificate Number: AA009933
Partner signing on behalf of the firm

Statement of profit or loss

	Notes	2022	2021
		K'000	K'000
Interest income	5	387,389	292,919
Interest expense	6	(136,341)	(107,019)
Net interest income		**251,048**	**185,900**
Impairment write back / (charges)	7	26,899	(30,575)
Net interest income		**277,947**	**155,325**
Fees and commission	8	39,041	37,249
Other income	10	6,656	213,716
Total operating income		**323,644**	**406,290**
Operating expenses	11	(202,978)	(177,309)
Finance costs	12	(4,353)	(2,597)
Profit for the year		**116,313**	**226,384**

The notes on page 70 to 130 form an integral part of the financial statements.

Statement of other comprehensive income

	Notes	2022	2021
		K'000	K'000
Profit for the year		**116,313**	**226,384**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation gains on buildings	19	-	14,652
Total comprehensive income for the year		**116,313**	**241,036**

The notes on page 70 to 130 form an integral part of the financial statements.

Statement of Financial Position as at 31 March 2022

	Notes	2022	2021
		K'000	K'000
Assets			
Cash & cash equivalents	15	239,780	235,340
Placements with other financial institutions	16	105,721	170,511
Government securities	17	679,353	241,570
Loans and advances	18	935,679	668,765
Other assets	22	72,167	182,494
Investment properties	20	117,718	115,714
Property and equipment	19	97,409	95,151
Intangible assets	21	23,942	23,641
Right of use asset	23	11,331	13,837
Total assets		**2,283,100**	**1,747,023**
Liabilities			
Customer deposits	24	901,488	662,920
Other liabilities	28	85,159	60,934
Provision for staff benefits	25	10,554	6,552
Borrowings	26	574,387	411,713
Lease liabilities	23	14,515	16,220
Total liabilities		**1,586,103**	**1,158,339**
Equity			
Share capital	29	191,678	191,678
Other reserves	30	66,687	68,648
Accumulated profit		438,632	328,358
Total equity		**696,997**	**588,684**
Total equity and liabilities		**2,283,100**	**1,747,023**

The notes on page 70 to 130 form an integral part of the financial statements.
The financial statements on pages 64 to 130 were approved for issue by the Board of Directors on

......28 June...... 2022 and signed on its behalf by:

David Nama (Dr)
Chairman

Mildred Mutesa
Managing Director

Mutinta Syulikwa
Society Secretary

	Share Capital	General Reserves	Statutory Reserves	Revaluation Reserves	Retained Earnings	Total Equity
	K'000	K'000	K'000	K'000	K'000	K'000
Balance at as 1 April 2021	**191,678**	**900**	**1,000**	**66,748**	**328,358**	**588,684**
Profit for the year	-	-	-	-	116,313	116,313
Other comprehensive income						
Revaluation gain on buildings	-	-	-	-	-	-
Transfer of excess depreciation*	-	-	-	(1,961)	1,961	-
Transfer from banking reserves	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**(1,961)**	**118,274**	**116,313**
Balance as at 31 March 2022	**191,678**	**900**	**1,000**	**64,787**	**446,632**	**704,997**
Transactions with owners						
Dividends paid					(8,000)	(8,000)
Balance as at 31 March 2022	**191,678**	**900**	**1,000**	**64,787**	**438,632**	**696,997**
Note	**29**	**30**	**30**			

* Transfer of excess depreciation from revaluation reserves to equity represents excess depreciation resulting from valuation of properties. The amount is calculated at 2.5% of total revaluation reserve as at the time of the most recent revaluation of properties. Last revaluation was done in March 2021.

	Share Capital	General Reserves	Statutory Reserves	Banking Reserves	Revaluation Reserves	Retained Earnings	Total Equity
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Balance as at 1 April 2020	191,678	900	1,000	170	54,057	99,843	347,648
Profit for the year	-	-	-	-	-	226,384	226,384
Other comprehensive income							
Revaluation gain on buildings	-	-	-	-	14,652	-	14,652
Transfer excess depreciation	-	-	-	-	(1,961)	1,961	-
Transfer to banking reserves	-	-	-	(170)	-	170	-
Total comprehensive income	**-**	**-**	**-**	**(170)**	**12,691**	**228,515**	**241,206**
Balance as at 31 March 2021	**191,678**	**900**	**1,000**	**-**	**66,748**	**328,358**	**588,684**
Note	**29**	**30**	**30**	**30**	**30**		

The notes on page 70 to 130 form an integral part of the financial statements.

Statement of Cash Flows

	2022	2021
	K'000	K'000
Cash flows from operating activities		
Profit before tax and other comprehensive income	116,313	226,384
Adjusted for		
Depreciation of plant property and equipment (Note 19)	11,159	11,366
Amortisation of intangible assets (Note 21)	7,263	5,028
Amortisation of Right of Use assets (Note 23)	3,193	2,722
Fair value gain on investment properties (Note 20)	(539)	(10,480)
Impairment of Government securities (Note 17)	(1,090)	6,398
(Profit)/ loss on disposal of asset (investment property Note 20)	-	(197,714)
(Profit)/ loss on disposal of asset	183	-
Lease liabilities interest expenses (Note 23)	2,505	3,058
Interest charged on borrowings (Note 26)	53,912	57,127
Movements in operating funds		
Net increase in loans and advances	(266,914)	(28,903)
Net decrease in other assets	110,327	(8,027)
Net increase in customer deposits	238,568	169,536
Net decrease in other liabilities	24,225	3,303
Net increase in staff benefits	4,002	280
Net cash inflow from operating activities	303,107	240,078
Cash flows from investing activities		
Purchase of property, plant & equipment (Note 19)	(14,044)	(3,385)
Purchase of investment property (Note 20)	(1,465)	(57)
Purchase of intangible assets (Note 21)	(7,564)	(6,527)
Investment in Government securities (Note 17)	(583,816)	(286,423)
Proceeds from investment in Government securities (Note 17)	147,123	51,882
Proceeds from disposal of investment property (Note 20)	-	100,000
Proceeds from disposal of property and equipment	444	1,310
Net cash (outflow) from investing activities	(459,322)	(143,200)
Cash flows from financing activities		
Dividend paid (Note 32)	(8,000)	-
Interest paid on borrowings (Note 26)	(49,612)	(56,954)
Principal lease payments (Note 23)	(2,392)	(1,525)
Repayment of borrowings (Note 26)	(42,120)	(51,800)
Lease liability interest payments (Note 23)	(2,505)	(3,058)
Proceeds from borrowings (Note 26)	200,494	119,984
Net cash generated from financing activities	95,865	6,647
Net increase in cash and cash equivalents	(60,350)	103,525
Cash and cash equivalent at start of year	405,851	302,326
Net decrease in cash and cash equivalents	(60,350)	103,525
Cash and cash equivalents at end of year (Note 31)	345,501	405,851

The notes on page 70 to 130 form an integral part of the financial statements.

Notes to the financial statements

1 General information

The Society was incorporated in Zambia under the Building Societies Act Cap 412, of the of laws of Zambia on 24 December 1970 as a registered Society and is licensed to carry out the business of banking under the Banking and Financial Services Act, 2017 of Zambia. It is domiciled in Zambia. The address of its registered office is:

Century House
Cairo Road
P O Box 30420
Lusaka, Zambia

2 Summary of significant accounting policies

2.1 Compliance with International Financial Reporting Standards

The financial statements of Zambia National Building Society Act 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 and the Building Societies Act, Cap 412 of the laws of Zambia and the Banking and Financial Services Act, 2017 of Zambia. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

2.2 Basis of preparation and significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Zambian Kwacha (K) and all values are rounded off to the nearest thousand Kwacha, except when otherwise indicated.
The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Going concern

The Society's management has made an assessment of the Society's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Further, management is not aware of any material uncertainties that may cast significant doubt on the Society's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.3 Changes in accounting policies and disclosures

The following amended Accounting Standards are not expected to have a significant impact on the Society's Financial Statements:

International Financial Reporting Standards and amendments effective for the first time for March 2022 year-ends		
Number	**Effective date**	**Executive summary**
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 April 2021 (Early adoption is permitted) (Published March 2021)	On 31 March 2021, the IASB published an additional amendment to extend the date of the May 2020 practical expedient from 30 June 2021 to 30 June 2022. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient.
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021 (Published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.3 Changes in accounting policies and disclosures (continued)

New standards issued but not in effect
The following amended Accounting Standards are not expected to have a significant impact on the Society's Financial Statements:

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	Effective date	Executive summary
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: • IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. • IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfill the contract. The amendment clarifies the meaning of 'costs to fulfill a contract'. Under the amendment, costs to fulfill a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)
2.3 Changes in accounting policies and disclosures (continued)

New standards issued but not in effect (continued)
The following amended Accounting Standards are not expected to have a significant impact on the Society's Financial Statements:

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	Effective date	Executive summary
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.
Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023 (Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.4 Interest income

Interest income and expense for all interest-bearing financial instruments, are recognised within 'interest income' or 'interest expense' respectively in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Society estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income accrued on the portfolio is suspended and not recognised in the financial statements until it is paid by the borrower.

2.5 Fees and commission income and expense

Fees and commissions income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fees and commissions income includes account maintenance fees, service commission and premature withdrawal fees are recognised in the period the related services are performed. If a loan commitment is expected to result in the draw-down of a loan, the related loan commitment fee is recognised on a straight-line basis over the commitment period.

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

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

IFRS 9 fees are collected at the start of the facility and amortised over the term of the instrument while IFRS 15 related fees are collected after performance obligations have been rendered.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)
2.6 Financial assets and liabilities

Financial Assets and Financial Liabilities are recognised when the Society becomes a party to the contractual provision of the instrument. Financial assets are recognised on the trade date, the date on which the Society commits to purchase or sell the asset.

At initial recognition, the Society measures a financial asset or financial liability at its fair value plus or minus, in the case of financial assets or liabilities, not at fair value through profit or loss but at amortised cost. 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 are carried at fair value through profit or loss and expensed in profit or loss. Financial liabilities are derecognized from the balance sheet when the Society's obligation is extinguished.

2.6.1 Financial assets

Classification and subsequent measurement

Classification and subsequent measurement depend on the Society's business model as well as the cash flow characteristics of the asset. As a result of the above factors the Society classifies its financial assets at amortised cost.

Amortised cost

Assets that are held for collection of contractual cash follows 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 are adjusted by any expected credit loss allowance.

Business model

The Society holds the financial assets such as cash and cash equivalents, placements with other financial institutions, banking loans and advances (unsecured) and mortgages. The Society holds the financial assets for the purposes of collecting contractual cash flows and interest (solely for payment of principal and interest (SPPI)). The Society has no intention to sell these assets at any point in the future.

- Cash and cash equivalents include notes and coins on hand and bank balances held in operations accounts with immediate value. All bank balances are assessed to have low risk at each reporting date as they are held with reputable banking institutions. Cash and bank balances are carried at amortised cost in the statement of financial position
- Placements held by other banks represent a contract between the Society and banks to receive payment of principal and interest and therefore satisfied the SPPI test. Given the nature of these banks the Society holds the placements to collect contractual cash flows and not to sell. As such, placements have been classified at amortised cost.
- Investment in securities satisfy the SPPI test as they are held sorely for collection of interest and principal, i.e. held to collect interest and principal. Cash flows from these instruments are mainly the contractual principal and interest.
- Loans and advances and mortgages satisfy the SPPI test as they are held sorely for collection of interest and principal. The Society does not intend to sell these assets in future, and as such they will continue to be classified at amortized cost.
- Other assets are short-term in nature unless when specifically stated. These instruments are measured at amortised cost.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)
2.6 Financial assets and liabilities

2.6.2 Impairment of financial assets

The Society assesses at each reporting date on a forward-looking basis the expected credit losses (ECL) associated with its financial assets carried at amortised cost and FVOCI and with the exposure arising from undisbursed loans already approved. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; 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.

(i) Overview of the ECL principles

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).The Society's policies for determining if there has been a significant increase in credit risk are set out in Note 4.

The 12month 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 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of the financial asset.

The Society 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 Society categorises its loans into Stage 1, Stage 2 and Stage 3 as described below:

- **Stage 1 (Good book) – 12 Month EL: 12** months expected loss provision will be held for all performing book assets which have not deteriorated significantly in quality since origination.
- **Stage 2 (Deteriorated book) – Lifetime EL:** a lifetime expected loss provision will be held against assets that have experienced significant increase in credit risk but for which there is not yet objective evidence of impairment.
- **Stage 3 (Impaired book) – Lifetime EL:** a lifetime expected loss provision will be held for assets for which there is objective evidence of impairment, similar to the provision under the current incurred loss model.

(ii) The calculation of ECLs

The Society calculates ECLs based on 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.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial assets and liabilities (continued)

2.6.2 Impairment of financial assets (continued)

- **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; and
- **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 Society considers three scenarios (a base case, best case and worst case).

(iii) The mechanics of the ECL method are summarised below:

- **Stage 1**: The 12mECL 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 Society 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. This calculation is made for each of the three scenarios, as explained above.

- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Society 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.

- **Stage 3:** For loans considered credit-impaired, the Society 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%. In addition to the above, the Society applies credit loss ratio of Stage 1 loans to estimate the ECL for off balance sheet commitments. The Society's off balance sheet commitments are predominantly approved mortgages but not disbursed. The Society does not ordinarily provide long term unutilised commitments and as such, off balance sheet facilities are impaired to determine 12mECL and not LTECL

Placements with other financial institutions

The Society has assessed the impairment for placements with other financial institutions. The Society holds balances with other reputable financial institutions who are approved by the Board of Directors based on individual institution risk profile such as other large banks. Balances held with the other financial institutions have the nature of cash and cash equivalents. The Society's internal assessment of the creditworthiness of these counter-parties indicates a very high likelihood of recovery. Due to their nature, impairment has been considered to be immaterial. Placements have a very short-term nature and have historically matured without any credit loss suffered. As a result of this assessment,the impairment of such financial assets has been considered to be immaterial in the context of these financial statements.

Investment in securities

In assessing whether an investment in securities debt is credit impaired, the Society uses the country risk profile and the probability of the instrument being restructured resulting in holders suffering losses by providing voluntary or mandatory debt relief. Based on publicly available information on the intentions by the investee to embark on debt sustenance initiatives through debt restructuring, the Society considers the probability of default on government securities to be material and consistent with the country risk profile. The impairment recognized on securities has been disclosed under Note 7.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)
2.6 Financial assets and liabilities (continued)

2.6.2 Impairment of financial assets (continued)

Other assets

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

2.6.3 Modified financial assets

The Society sometimes renegotiates or otherwise modifies the contractual cash flow of loans and advances to customers. The Society assess whether or not the new terms are substantially different from to the original terms by considering among others the following factors.

- If a borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in interest rate; and

Insertion of collateral, other security or credit enhancements that significantly affect the credit risk profile of the loan.

Modification that does not result in de-recognition

If the modification does not result in de-recognition, then the subsequent assessment of whether there is a significant increase in credit risk at reporting date relative to date of initial recognition, prior to modification of the contractual cash flows, will be performed as per the usual stage allocation rules.

Modification gains or losses of financial assets

For modifications that do not result in de-recognition, the gross carrying amount of the asset is recalculated by discounting the modified contractual cash flows using the EIR before modification. Differences between this recalculated amount and the current gross carrying amount is recognized in the statement of comprehensive income as a modification gain or loss. Costs or fees incurred as part of the modification will result in an adjustment to the carrying amount of the modified financial asset and will be amortised over the remaining term of the modified financial asset.

Derecognition of financial assets

Financial assets are derecognised when no future economic benefits are expected from the assets. Gains and losses arising from financial assets are recognized in profit and loss statement when the assets are derecognized.

2.6.4 Financial liabilities

Classification and subsequent measurement

In both current and prior period, financial liabilities are classified and subsequently measured at amortised cost.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.6 Financial assets and liabilities (continued)

2.6.4 Financial liabilities (continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e when the obligation specifie in the contract is discharged, cancelled, or expired. The exchange between the Society and its original lenders of debt instruments with substantially different terms, as well as substantial modification of 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.

2.7 Property and equipment

Buildings comprise mainly the Society's branches and offices. All property and equipment is initially stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets. Buildings are subsequently recognised at market value, based on valuation by external independent valuers conducted every 3 years, less depreciation based on market values. Increases in carrying amounts arising on revaluation are credited to a revaluation reserve. Decreases in the carrying amount of same asset are offset against the revaluation reserve only to the extent of previous increases credited to the revaluation reserve; excess is charged to the profit and loss. The revaluation reserves are non-distributable though they form part of equity.

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Society and its cost can be measured reliably. The carrying amount of the replaced amount is derecognised. The costs of day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

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

- **Buildings** **2.5%**
- **Fixtures and fittings, furniture and office equipment** **20%**
- **Motor vehicles** **25%**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The Society assesses at each balance sheet date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Society estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss. When revalued assets are sold, the amounts included in reserves relating to that asset are transferred to retained earnings.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.7 Property and equipment (continued)

Capital work in progress relates to items of property and equipment that are under construction and are yet to be commissioned for use. Work in progress is measured at the cost incurred in relation to the construction up to the reporting date. Capital work in progress is not depreciated.

2.8 Intangible assets

Computer software

Costs associated with maintaining computer software programmers and the acquisition of software licenses are generally expensed as incurred.

However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Society and have probable future benefit beyond one year are recognised as intangible assets. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment loss from the date that the assets are available for use. Expenditure subsequently incurred on computer software is capitalised and only amortisation is recognised in operating expenses on straight-line basis at rates appropriate to the expected lives of the assets from the date that the asset is available for use. All intangible assets on the Society' balance sheet are amortised at 20% on a straight-line basis.

2.9 Investment properties

Properties such as leasehold land and buildings and parts of buildings that are held for long-term rental yields or for capital appreciation or both, are classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost including related transaction cost. After initial recognition, investment property is carried at fair value. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Society expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location, or condition of the specific asset. If this information is not available, the Society uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Society and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.9 Investment property (continued)

When part of an investment property is replaced, the carrying amount of the replaced part is derecognised. Changes in fair values are recognised in the statement of changes in net assets available for benefit. Investment properties are derecognised when they have been disposed.

Where the Society disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of changes in net assets available for benefit.

2.10 Taxation

The Society is a statutory body established by the Building Societies (Amendment) Act 1970 on 24 December 1970 as a registered Society and is exempt from income tax in accordance with Section 14 (a) (ii) of the Income Tax (Amendment) Act No. 1 of 2009.

However, the Society pays withholding tax on interest on investments in Government Securities. Further, in the fiscal year 2022, Government introduced a tax on rental income for corporates bodies at 12.5% of gross rental income which is final tax. The Society accounts for the rental income net of the 12.5% rental income tax and as at 31 March 2022, tax payments were current.

2.11 Employee benefits

Retirement benefit obligation

Defined contribution plan

The Society and its employees contribute to the National Pension Scheme Authority (Napsa) and the Zambia National Building Society (ZNBS) Pension Fund, which are a defined contribution schemes. A defined contribution plan is a retirement benefit plan under which the Society pays fixed contributions into a separate entity. The National Pension Scheme is a statutory scheme created under the National Pension Scheme Act number 40 of 1996 of Zambia, while the ZNBS pension fund is the Society's own pension fund managed by an independent third party, Prudential Life Insurance. The Society's contributions to the defined contribution schemes are charged to profit or loss in the year in which they fall due.

Short-term and other employee benefits

A liability is recognised for benefits accruing to the employees in respect of wages and salaries, annual leave pay and commutation. The accrued benefits are charged to profit or loss in the year in which they fall due.

2.12 Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as "share premium" in equity.

2.13 Dividends

Dividends on ordinary shares are charged to equity in the period in which they are paid. Proposed dividends are not recognised as a liability until they are declared.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.14 Provisions

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.
Borrowings are classified as current liabilities unless the Society has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to a production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Investment income earned on temporary investment of specific borrowings, pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.17 Grants

Grants obtained for a specific project is initially recognised as a liability until the qualifying project in launched or completed. The liability is unwound to profit or loss on the basis of the project life span.

General purpose grants are recognised as income in the year in which they are received.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.18 Leases

The Society leases various branches, Automated Teller Machines (ATMs) and ATM spaces. Rental contracts are typically made for fixed periods of 1 to 4 years but may have extension options. Rental contracts may contain both lease and non-lease components. The Society allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices. However, for leases of real estates for which the Society is a lessee, it has elected not to separate lease from non-lease components and instead accounts for these as single lease components. The lease terms do not impose any covenants other than the security interests in the leased assets that are held by the lessor where the lease agreement specifies.

The Society applied IFRS 16 using the cumulative catch-up approach and therefore, comparative information has not been restated and is presented under IAS 17. The details of accounting policies under IAS 17 and IFRS 16 are presented below.

The Society assesses whether a contract is or contains a lease at inception of the contract. The Society recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is a lessee, except for short-term leases (defined as leases with a term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Society recognises the lease payments as operating expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date discounted using the rate implicit in the lease or at the incremental borrowing rate where the rate cannot be readily determined.

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

- Fixed lease payments (including in-substance fixed payments), less incentives receivable.
- Variable lease payments depend on an indexed rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantee.
- The exercise price of the purchase options, if the lessee is reasonably certain to exercise the options; and
- Payment of penalties for terminating the lease if the lease term reflects the exercise of option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount with lease payments made.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.18 Leases (continued)

The Society remeasures the lease liability and makes a corresponding adjustment to right-of -use asset whenever:

- The lease term has changed or there is a significant event or change in the circumstances resulting in a change in the assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payment using the revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guarantee residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case the revised discount rate is used); and
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Society did not make any such adjustments during the period presented.

The right-of-use asset comprise the initial measurement of corresponding lease liability, lease payment made at or before the commencement day, less any such lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment loss.

Right of Use Assets are depreciated over the shorter period of lease term and useful life of the underlining asset. These are depreciated on straight line basis.

The estimated useful lives are as follows;

ATM	**4 years**
Premises	**5 years**
ICT Equipment	**3 years**

Whenever the Society incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms of and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset unless those costs are incurred to produce inventories.

The right-of-use assets are presented as a separate line in the statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggered those payments occurs.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.18 Leases (continued)

Operating lease

Operating lease payments are recognised as an expense on straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of the incentives is recognised as a reduction in rental expense on a straight-line basis, except where another systematic basis is more representative of the pattern in which economic benefits from the leased assets are consumed.

2.19 Other assets

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

2.20 Comparatives

Where necessary, comparative figures are adjusted to conform with changes in the current year.

3 Critical accounting estimates and judgements in applying accounting policies

The Society makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on experience and other factors, including expectations with regard to future events.

Accounting policies and Directors' judgements for certain items are especially critical for the Society's results and financial situation due to their materiality.

(a) Measurement of the Expected Credit Loss (ECL) 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 complex models and significant assumptions about future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL are further detailed in note 4, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

(i) ECL measurement period

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

Notes to the financial statements (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

(a) Measurement of the Expected Credit Loss (ECL) allowance (continued)

(ii) Significant Increase in Credit Risk (SICR) and low credit risk

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. The Society ordinarily considers a facility to have SICR when the facility has been outstanding for 30 days or more, however, qualitative criteria set out in note 4 are also considered.

(iii) Forward-looking expectations

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

- Probabilities are assigned to each of the best, base and worst cases based on primary macroeconomic drivers and are reviewed monthly.
- The forward-looking economic expectations are updated on an annual basis or more regularly when deemed appropriate.

(iv) Lifetime LGD work out

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

(v) Default

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

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

The Society has not rebutted IFRS 9 90 days past due rebuttable presumption. Descriptions of EAD, LGD, PD and SICR are stated on note 2.6.

(vi) Impairment sensitivity analysis

The most significant macro-economic assumptions affecting the ECL allowance are year on year inflation. To test the sensitivity of the impairment to changes in the relevant macro-economic factors, an assumption that an improvement or downturn in these factors would result in a decrease or increase, respectively, in the forecast in the Society's profitability. Set out below under note 4 are the changes to the ECL as at 31 March 2022 that would result from testing the sensitivity of PDs, LGDs and year on year inflation.

Notes to the financial statements (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

(b) Valuation of investment properties and buildings

Critical estimates are made by the Directors' in determining the fair value of investment properties. The fair value of investment properties is estimated based on appropriate assumptions. These valuations are performed periodically by qualified personnel independent of management.

Valuation of investment properties is performed annually while valuation of buildings is performed every 3 years. Determination of a building as an investment property is based on the portion of owner-occupied space. The Society's policy is that for a building to be classified as an investment property, the portion of owner-occupied space should not exceed 30% of the total floor space of a particular building.

The method of valuation is open market and market rental value, assuming a willing seller or landlord based on the guidance notes published by the Royal Institute of Chartered Surveyors as adopted by the valuation chapter of the Surveyor Institute of Zambia Further, the property location and accessibility, the extent of site and size of land, design, cosmetic and general quality of the property and the current supply and demand of available properties are taken into account when estimating the value of properties.

c) Leases

The Society leases various properties and Automated Teller Machines (ATMs). Rental contracts are typically made for fixed periods of 1 to 4 years but may have extension options. The Society estimates the tenure of lease extension by adding a full new lease term to the running lease term.

The escalation rate for lease payments is referenced to the inflation rate where the lease contract does not specify. The incremental borrowing rate for computing interest on lease liabilities is estimated using the existing weighted cost of borrowing reviewed at each reporting date.

4 Financial risk management

The Society's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk, and liquidity risk. Those activities involve the analysis, evaluation, acceptance, and management of some degree of risk or combination of risks. Taking risk is core to the Society's business, and the financial risks are an inevitable consequence of being in business. The Society's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The Society defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management is carried out by senior management under policies approved by the Board of Directors'. Management identifies, evaluates, and hedges financial risks in close cooperation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk. In addition, the Internal Audit department is responsible for the independent review of risk management and the control environment.

The risks arising from financial instruments to which the Society is exposed are financial risks, which include credit risk, liquidity risk and market risk.

(a) Credit risk

The Society takes on exposure to credit risk, which is the risk of suffering financial loss, should any of the Society's customers, clients, or market counter-parties fail to fulfill their contractual obligations to the Society. Credit risk is the most important risk for the Society's business. Management therefore carefully manages the exposure to credit risk.

Notes to the financial statements (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Credit exposures arise principally in lending and investment activities. Credit risk management and control is centralised in the credit risk management team which reports regularly to the Board of Directors.

The Society further ensures that its policies are in conformity with Bank of Zambia Prudential Regulations and its own credit policy.

The Society structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. No single or group of insider borrowers can borrow more than 10% of its regulatory capital. All insiders put together cannot borrow 100% of its total regulatory capital. Large loans are defined as amounts equivalent or in excess of 10% of the regulatory capital. Any exposure to any one individual or group of companies shall not exceed 25% of the regulatory capital. The aggregate of large borrowings cannot exceed 600% of total regulatory capital.

To manage credit risk, the Society ensures sound and rigorous credit underwriting standards in the lending process. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral, but a significant portion is personal lending where no such tangible security is obtained. Lending to customers cannot exceed 50% of the borrower's net income.

The Society employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Society implements guidelines on the acceptability of specific classes of collateral. The principal collateral types for loans and advances are mortgages over residential properties. The maximum exposure to credit risk before collateral held or other credit enhancements is equal to the carrying amount.

Determining significant increase in credit risk

IFRS 9 requires for entities to assess whether there has been a significant increment in credit risk of an entity's credit exposures since initial recognition of their financial instruments. The assessment of significant deterioration is key in establishing the point of switching between the requirements to measure an allowance based on 12-month ECLs and one that is based on lifetime ECLs. In general, financial assets should be assessed as having increased significantly in credit risk earlier than when they become credit-impaired or default. In order to make the assessment of whether there has been significant credit deterioration, the Society considers reasonable and supportable information that is available without undue cost or effort and compares:

- The risk of a default occurring on the financial instrument as at the reporting date; and
- The risk of a default occurring on the financial instrument as at the date of initial recognition

Indications of changes in credit risk

The Society considers a non-exhaustive list of factors when determining whether the recognition of lifetime ECLs is required. This list of factors or indicators is, as follows:

- Changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the reporting date.
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life.
- An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally.

Notes to the financial statements (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Indications of changes in credit risk (continued)

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in unemployment rates.
- An actual or expected significant change in the operating results of the borrower. Examples include actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations.

» An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.

» Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.

» significant changes, such as reductions in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancement, that are expected to reduce the borrower's economic incentive to make scheduled contractual payments.
» Expected changes in the loan documentation (i.e., changes in contract terms) including an expected breach of contract or other changes to the contractual framework of the instrument; and
» Past due information, including the more than 30 days past due rebuttable presumption.

(i) Internal risk rating

The Society's Credit Risk division operates its internal rating scale. The scale incorporates both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental 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 below:

	Internal risk	Internal rating description	Stage 3
	Category		
	Performing		
1	Standard	No arrears	
2	Satisfactory risk	Arrears over 1 day but less than 30 days	
3	Watch list	Arrears over 29 days but less than 60 days	
4	Unacceptable risk	Arrears over 59 days but less than 90 days	
	Non-performing		
5	Sub-standard	Arrears over 89 days but less than 120 days	√
6	Doubtful	Arrears over 119 days but less than 180 days	√
7	Loss	Arrears over 179 days	√

Notes to the financial statements (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

PD Estimation Process

The Society generates probabilities of default using the score card of variables such as income, payments behaviour, interest rates, arrear count and employment status. 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 variable above scenario as appropriate.

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 Society 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 Society determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios.

Loss Given Default (LGD)

LGD values are assessed every 12 months by account managers and reviewed and approved by the Society's specialised Credit Risk division. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates consider 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 Society 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.

(ii) Determination of whether a financial asset has low credit risk as per IFRS 9

The Society determines credit risk of financial instrument to be low if:

- Financial instrument has a low risk of default; and
- Borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

Notes to the financial statements (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Determination of whether a financial asset has low credit risk as per IFRS 9 (continued)

Otherwise, what would not apply is the following:

- Regarding credit facilities to have a low credit risk simply because of the value of collateral and that credit facilities without collateral are not considered to have low credit risk.
- Regarding credit facilities to have a low credit risk simply because of they have a lower risk of default as compared to other credit facilities in the portfolio; and
- Relative to the credit risk of the jurisdiction within which an entity operates.

In determining whether a financial instrument has low credit risk, the Society uses its internal credit risk ratings as well as the risks and the type of financial instruments being assessed. IFRS 9 prescribes a "more than 30 days past due rebuttable presumption" which states that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

(iii) Determination of significant increase in credit risk of modified financial assets

In determining whether or not there has been a significant increase in credit risk of a modified financial assets, a distinction will be made between:

- Modification of financial assets that does not result in de-recognition; and
- Modification of financial assets that result in de-recognition.

(iv) Modification of financial assets

As previously mentioned, modifications of financial assets that does not result in de-recognition of the instrument with the usual stage allocation rules applicable. For modifications of financial assets that result in de-recognition, the newly recognised financial instrument is assessed for significant increase in credit risk with a new loan stage allocation.

(v) Measurement of expected credit losses of modified financial assets

The Society measures the expected credit loss of modified financial assets as per the IFRS 9 guideline as follows.

- 12-month expected credit losses on financial assets where there has not been a significant increase in credit risk, and
- Lifetime expected credit losses on financial assets where there has been a significant increase in credit risk.

Notes to the financial statements (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

(vi) Analysis of inputs to the ECL model

An overview of the approach to estimating ECLs is set out in Note 2 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Society obtains the data used from the central bank on the historical non-performing loans ratios including in periods of economic down-turn. The loan recoveries unit of the Society determines the weights attributable to the best case, base case and worst case.

The tables show the values of the key current and forward-looking probabilities of default used in each of the scenarios for the ECL calculations. The Society uses historical and current market non-performing loans ratios based on the assumption that the market ratios are reflective of year- on-year inflation.

Mortgages

	ECL scenario	Assigned probability %	2022 %	2023 %	2024 %	2025 %	2026 %	Subsequent years %
	Best case	47.06	11.00%	11.16%	11.42%	11.29%	11.17%	11.17%
	Base case	35.29	11.97%	12.32%	12.87%	12.55%	12.27%	12.27%
31 March 2022	Worst case	17.65	12.84%	13.28%	14.01%	13.54%	13.14%	13.14%
	ECL scenario	Assigned probability %	2021 %	2022 %	2023 %	2024 %	2025 %	Subsequent years %
	Best case	47.06	13.84	13.70	13.88	13.57	12.29	13.45
	Base case	35.29	14.87	15.16	15.09	15.75	15.72	15.72
31 March 2021	Worst case	17.65	14.90	15.53	15.52	18.30	17.10	16.27

Banking loans (unsecured)

	ECL scenario	Assigned probability %	2022 %	2023 %	2024 %	2025 %	2026 %	Subsequent years %
	Best case	47.06	13.95%	12.67%	12.00%	11.36%	10.83%	10.83%
	Base case	35.29	13.46%	12.36%	11.78%	11.23%	10.76%	10.76%
31 March 2022	Worst case	17.65	14.48%	13.01%	12.25%	11.51%	10.89%	10.89%
	ECL scenario	Assigned probability % %	2021 %	2022 %	2023 %	2024 %	2025 %	Subsequent years %
	Best case	47.06	14.58	12.75	10.18	13.48	13.72	12.94
	Base case	35.29	14.85	15.05	15.87	16.35	15.20	15.47
31 March 2021	Worst case	17.65	15.42	16.87	19,35	18.28	16.76	17.36

Notes to the financial statements (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Off balance sheet items - approved mortgages not yet disbursed

The Society's only off-balance sheet items are the approved loans not yet disbursed under the mortgages portfolio. The conversion rate of these loans is 100% with all disbursements done within 90 days after approval. As such, the Society's risk is fully covered at all times, the forecast PDs are similar to those indicated above under the mortgages portfolio table.

The above tables represent the worst case scenario of credit risk exposure to the Society, for all the loan products with collateral held taken into account for the mortgage portfolio. The exposures set out below are based on carrying amounts as reported in the balance sheet.

Credit conversion factor of Off-balance sheet items

K'000	2022 %	2023 %	2024 %	2025 %	2026 %	Subsequent years %
Approved mortgages not disbursed	100	100	100	100	100	100

(vii) Loans Impairment Sensitivity

Probabilities of Default (PD): To test the sensitivity of the impairment to changes in the relevant macro-economic factors, an assumption that an improvement or downturn in these factors would result in a 1 percentage points decrease or increase, respectively, in the forecast Probabilities of Default has been made. Set out below are the changes to the ECL as at 31 March 2022 that would result from a decrease or increase of 1 percentage point in PDs.

Positive outlook
Assuming a 1 percent point decrease in forecast probabilities of default:

March 2022 K'000	Mortgages	Banking loans & Advances	Total
Total ECL	**15,289**	**78,865**	**94,154**

At 31 March 2022, if the forecast PDs decreased by 1%, with all other variables held constant, net profit for the year would have increased by K5,368,000 (2021: K3,474,000).

Negative outlook
Assuming a 1 percentage point increase in forecast PDs:

March 2022 K'000	Mortgages	Banking loans & Advances	Total
Total ECL	**18,780**	**96,872**	**115,652**

At 31 March 2022, if the forecast PDs increased by 1 percentage point, with all other variables held constant, net profit for the year would reduce by K16,121,000 (2021: 704,000).

Notes to the financial statements (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

(vii) Loans impairment sensitivity (continued)

Loss Given Default (LGD): To test the sensitivity of the impairment to changes in the value of security held as well as the segment to recovery rates an assumption that an increase or decrease in these factors would result in a 5 percentage points decrease or increase, respectively, in the forecast LGDs has been made. Set out below are the changes to the ECL as at 31 March 2022 that would result from a decrease or increase of 5 percentage points in LGDs.

Positive outlook
Assuming a 5 percentage points decrease in forecast LGD:

March 2022 K'000		Mortgages	Banking loans & Advances	Total
Total ECL		15.542	80,167	95,709

At 31 March 2022, if the forecast LGD decreased by 5 percentage points, with all other variables held constant, net profit for the year would have increased by K3,814,000 (2021: K9,486,000).

Negative outlook
Assuming a 5 percentage points increase in forecast LGD:

March 2022 K'000		Mortgages	Banking loans & Advances	Total
Total ECL		17,283	89,152	106,435

At 31 March 2022, if the forecast LGD increased by 5 percentage points, with all other variables held constant, net profit for the year would have decreased by K6,912,000 (2021: K6,744,000).

Year-on-Year (YoY) Copper Price: To test the sensitivity of the impairment to year on year changes in the Copper Price, an assumption that an increase or decrease in the Copper Price would result in a 1 percentage point decrease or increase, respectively, in the forecast Copper Price has been made. Set out below are the changes to the ECL as at 31 March 2022 that would result from a decrease or increase of the Copper Price by USD2,000.

Positive outlook
Assuming an increase of USD2,000 in the YoY Copper Price:

March 2022 K'000		Mortgages	Banking loans & Advances	Total
Total ECL		15,748	81,234	96,982

At 31 March 2022, if the forecast YoY Copper Price increased by USD2,000, with all other variables held constant, net profit for the year would have increased by K2,541,000.

Notes to the financial statements (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Year-on-Year (YoY) Copper Price (continued)

Negative outlook
Assuming a decrease of USD2,000 in the YoY Copper Price:

March 2022 K'000	Mortgages	Banking loans & Advances	Total
Total ECL	**16,877**	**87,058**	**103,935**

At 31 March 2022, if the forecast YoY Copper Price decreased by USD2,000, with all other variables held constant, net profit would have decreased by K4,412,000.

(viii) Fair value of collateral held

The Society obtains property as collateral for all mortgages. At inception, the maximum mortgages advances amount to 75% of the value of the collateral held except where there is express approval from the Board and risk mitigation measures for the additional exposure have been put in place. All other credit facilities are generally unsecured.

The Society is not allowed to sell or pledge collateral in the absence of default by the collateral owner. Collateral values are determined through professional appraisals done by registered valuation surveyors who are either employed by the Society or free-lancers. For IFRS impairment considerations, it is the Society's policy to use the forced sale values (FSV) of collateral less the estimated allocated costs to dispose of collateral.

Financial assets 31 March 2022	Maximum Exposure to credit Risk K'000	Total collateral K'000	Net exposure K'000	Corres-Ponding ECLs K'000
Cash & Bank	239,780	-	239,780	-
Placements with other Financial Institutions	105,721	-	105,721	-
Government securities	684,906	-	679,353	5,553
Other assets	76,049	-	72,167	3,882
Mortgages	341,636	506,901	-	16,109
Banking loans and advances	693,566	-	610,152	83,362
Total financial assets at amortised Cost	**2,141,658**	**506,901**	**1,707,173**	**108,906**
Off balance sheet				
Approved mortgages not disbursed	7,610	10,147	-	52

Total (including off balance sheet facilities)	**2,149,268**	**517,048**	**1,707,173**	**108,958**

Notes to the financial statements (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

(viii) Fair value of collateral held (continued)

Financial assets 31 March 2021				
	Maximum			
	Exposure			**Corres**
	to credit	**Total**	**Net**	**ponding**
	Risk	**collateral**	**Exposure**	**ECLs**
	K'000	**K'000**	**K'000**	**K'000**
Cash & Bank	235,340	-	235,340	-
Placements with other financial institutions	170,511	-	170,511	-
Government securities	248,213	-	248,213	6,643
Other assets	182,494	-	144,576	5,241
Mortgages	265,442	411,081	-	17,085
Banking loans and advances	523,307	-	523,307	102,646
Total financial assets at amortised cost	1,625,307	411,081	1,321,947	131,615
Off balance sheet				
Approved mortgages not disbursed	7,182	9,576	-	253
Total (including off balance sheet facilities)	**1,632,489**	**420,657**	**1,321,947**	**131,868**

Notes to the financial statements (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Overview of modified loans

31 March 2022	Performing facilities Stages 1 & 2				
	Gross amortised cost before modification	Net modification (gain)/loss		Total gross amortised cost	Net modification (gain)/loss
	K'000	K'000		K'000	K'000
Mortgages	-	-		-	-
Loans & advances	5,560	(95)		5,560	(95)
Total	**5,560**	**(95)**		**5,560**	**(95)**

	Stages 1 & 2					
	Gross carrying amount	Temporary modification to terms	Perma-nent modifi-cation to terms	Total perfor-ming forborne loans	Total for-borne	Ratio of forborne loans
	K'000	K'000	K'000	K'000	K'000	
Mortgages	341,636	-	2,301	2,301	2,301	0.22%
Loans & advances	693,514	-	3,259	3,259	3,259	0.31%
Total	**1,035,150**	**-**	**5,560**	**5,560**	**5,560**	**0.54%**

	Gross amount of restructured loans			ECLs of restructure loans		
	Stages 1 & 2	Stage 3	Total	Stages 1 & 2	Stage 3	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Mortgages	2,301	-	5,560	37	-	37
loans & advances	3,259	-	-	304	-	304
Total	**5,560**	**-**	**5,560**	**341**	**-**	**341**

Notes to the financial statements (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Overview of modified loans (continued)

31 March 2021	Performing facilities			
	Stages 1 & 2		Stage 3	
	Gross amortised cost before modification	Net modification (gain)/loss	Gross amortised cost before modification	Net modification (gain)/loss
	K'000	K'000	K'000	K'000
Mortgages		-	-	-
Loans and advances	20,517	9,119	20,517	9,119
Total	20,517	9,119	20,517	9,119

	Stages 1 & 2				Stage 3	
	Gross carrying amount	Temporary modification to terms	Permanent modification to terms	Total performing forborne loans	Total for-borne	Ratio of forborne loans
	K'000	K'000	K'000	K'000	K'000	
Mortgages	265,442	-	-	-	-	0%
Loans and advances	523,306	-	20,517	20,517	20,517	4.0%
Total	788,748	-	20,517	20,517	20,517	4.0%

	Gross amount of restructured loans			ECLs of restructure loans		
	Stages 1 & 2	**Stage 3**	**Total**	**Stages 1 & 2**	**Stage 3**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Mortgages	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Staff loans	20,517	-	20,517	1,766	-	1,766
Total	20,517	-	20,517	1,766	-	1,766

Notes to the financial statements (continued)

4 Financial risk management (continued)

(b) Concentration risk

	Financial Institutions	Public Sector	Private Corporations	Individual Households	Other Sectors	Total
As at 31 March 2022	K'000	K'000	K'000	K'000	K'000	K'000
Cash & bank	239,780	-	-	-	-	239,780
Placements	105,721	-	-	-	-	105,721
Government securities	679,353	-	-	-	-	679,353
Other assets	-	-	-	-	72,167	72,167
Mortgages	-	-	1,293	324,234	-	325,527
Loans & advances	-	-	-	610,152	-	610,152
Gross total	**1,024,854**	**-**	**1,293**	**934,386**	**72,167**	**2,032,700**
Concentration %	50%	0%	0%	46%	4%	
As at 31 March 2021						
Cash & bank	235,340	-	-	-	-	235,340
Placements	170,511	-	-	-	-	170,511
Government securities	241,570		-	-	-	241,570
Other assets	-	-	-	-	182,494	182,494
Mortgages	-	3,295	245,062	-	-	248,357
Loans & advances	-	-	420,661	-	-	420,661
Gross total	**647,421**	**3,295**	**665,723**	**-**	**182,494**	**1,498,933**
Concentration %	43%	0%	44%	0%	12%	

(c) Liquidity risk

Liquidity risk is the risk that the Society is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The Society is exposed to daily calls on its available cash resources from overnight deposits, savings accounts, maturing deposits, and calls on cash settled obligations. The Society does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The negative liquidity gap up to 1 month is on contractual terms of customer deposits. However, behaviourally not all customer deposits are withdrawn based on their contractual terms.

Notes to the financial statements (continued)

4 Financial risk management (continued)

(c) Liquidity risk (continued)

The table below presents the undiscounted cash flows payable by the Society under financial liabilities by remaining contractual maturities at the balance sheet date and receivable from financial assets by expected maturity dates. All figures are in thousands of Zambia Kwacha. The amounts are undiscounted and thus do not equate to the carrying values on the balance sheet.

As at 31 March 2022	Up to 1 month K'000	1-3 months K'000	3-12 months K'000	1-5 Years K'000	Over 5 years K'000	Total K'000
Liabilities						
Customer deposits	416,259	49,376	476,224	-	-	941,859
Other liabilities	7,606	1,644	25,323	50,586	-	85,159
Lease liabilities	330	669	3,255	15,152	-	19,406
Borrowing	12,385	25,342	45,168	386,525	846,059	1,315,479
	436,580	77,031	549,970	452,263	846,059	2,361,903
Assets - managing liquidity						
Cash and cash equivalents	239,780	-	-	-	-	239,780
Placements with other financial institutions	16,056	33,302	66,869	-	-	116,227
Government securities	-	-	413,722	776,145	-	1,189,867
Loans and advances	50,183	100,366	451,649	1,717,295	448,105	2,767,598
Other assets	**-**	**43,254**	**7,083**	**21,830**	**-**	**72,167**
	306,019	**176,922**	**939,323**	**2,515,270**	**448,105**	**4,385,639**
Liquidity gap	**(130,561)**	**99,891**	**389,356**	**2,063,005**	**(397,954)**	**2,023,738**
As at 31 March 2021						
Liabilities						
Customer deposits	322,380	49,376	311,611	-	-	683,367
Other liabilities	5,362	1,159	17,854	36,558	-	60,933
Lease liabilities	418	846	4,114	16,111	-	21,489
Borrowing	10,442	21,456	45,168	293,274	619,002	989,342
	338,602	72,837	378,747	345,943	619,002	1,755,131
Assets - managing liquidity						
Cash and cash equivalents	235,340	-	-	-	-	235,340
Placements with other financial institutions	25,896	53,711	107,848	-	-	187,455
Government securities	10,770	10,325	145,480	229,439	-	396,014
Loans and advances	35,409	70,818	318,680	1,217,193	341,339	1,983,439
Other assets	-	130,000	5,944	8,632	-	144,576
	307,415	264,854	577,952	1,455,264	341,339	2,946,824
Liquidity gap	**(31,187)**	**192,017**	**199,205**	**1,109,321**	**(277,663)**	**1,191,693**

Notes to the financial statements (continued)

4 Financial risk management (continued)

(c) Liquidity risk (continued)

The Society liquidity ladder currently shows a gap due to the significant deposits recorded towards the end of the year on account of the deposit mobilization initiatives undertaken. Despite the surge in deposits, Liquidity ratios continue to be within the approved internal limits. Liquidity ratios are monitored on a monthly basis to ensure that the Society is operating within the approved limits. The Society has further built a high liquid asset buffer which is monitored on a monthly basis and is sufficient to meet its obligations as and when they fall due.

Assets held for managing liquidity risk

The Society holds cash and bank balances to support payment obligations and contingent funding in a stress market environment. The Society's assets held for managing liquidity risk comprise:

- Cash and bank balances and placements; and
- Secondary sources of liquidity in the form of loan payments receivable.

(d) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, all of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with senior management.

(i) Interest rate risk

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Society. It is unusual for Societies ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses. During the year, the Society made a downward adjustment on mortgage and banking loans interest rates. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Society and its exposure to changes in interest rates and exchange rates. The table below summarises the Society's exposure to interest rate risks.

Notes to the financial statements (continued)

4 Financial risk management (continued)

(i) Interest rate risk (continued)

Interest rate risk As at 31 March 2022	Up to 1 month K'000	1-3 months K'000	3-12 months K'000	Over 1 year K'000	Total K'000
Assets					
Placements with other financial institutions	15,858	31,716	58,147	-	105,721
Government securities	69,928	69,928	209,785	335,264	684,905
Loans and advances	24,860	49,718	222,737	637,364	935,679
Total financial assets	110,646	151,362	491,669	972,628	1,726,305
Liabilities					
Customer deposits	413,502	48,702	449,268	-	911,472
Borrowings	6,550	13,506	2,250	552,081	574,387
Lease liabilities	327	653	2,939	10,596	14,515
Total financial liabilities	420,379	62,861	454,457	562,677	1,500,374
Interest risk re-pricing gap	**(309,733)**	**88,501**	**37,212**	**409,951**	**225,931**

A 2.5 percentage points increase/decrease in interest rates would lead to an increase/decrease in profit for the year of K5,648,000 (2021: K250,000). The profit for the year ended 31 March 2022 was K116,313,000 (2021: K226,384,000).

As at 31 March 2021	Up to 1 month	1-3 months	3-12 months	Over 1 year	Total
Assets	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Placements	25,577	51,153	93,781	-	170,511
Government securities	10,770	10,325	122,252	98,223	241,570
Loans and advances	17,471	34,943	157,243	459,108	668,765
Total financial assets	53,818	96,421	373,276	557,331	1,080,846
Liabilities					
Customer deposits	320,245	48,702	293,973	-	662,920
Borrowing	6,550	13,506	2,250	389,407	411,713
Lease liabilities	412	826	3,715	11,267	16,220
Total financial liabilities	327,207	63,034	299,938	400,674	1,090,853
Interest risk gap	**(273,389)**	**33,387**	**73,338**	**156,657**	**(10,007)**

Notes to the financial statements (continued)

4 Financial risk management (continued)

(i) Interest rate risk (continued)

(ii) Currency risk

The Society primarily trades in Zambian Kwacha, as its functional currency. However, the Society has one bank account denominated in foreign currency reserved to manage the risk of one transaction denominated in foreign currency to do with phase 2 of the core banking software. The converted balance is reported under cash and bank and is insignificant to expose the Society to material currency risk.

(e) Capital management

The Society's objectives when managing capital, which is a broader concept than 'equity' on the statement of financial position are:

- To comply with the capital requirements set by the Banking and Financial Services Act, 2017 of Zambia and the Building Societies Act Cap 412, of the laws of Zambia.
- To safeguard the Society's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy ratio and the regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed and implemented by the Bank of Zambia for supervisory purposes. The required information is filed with the Bank of Zambia on a monthly basis.

The Society's total regulatory capital is divided into two tiers.

Tier 1 capital (primary capital): common shareholders' equity, qualifying preferred shares, and minority interests in the equity of subsidiaries that are less than wholly owned.

Tier 2 capital (secondary capital): qualifying preferred shares, 40% of revaluation reserves, subordinated term debt or loan stock with a minimum original term of maturity of over five years (subject to a straight-line amortisation during the last five years leaving no more than 20% of the original amount outstanding in the final year before redemption) and other capital instruments which the Bank of Zambia may allow. The maximum amount of secondary capital is limited to 100% of primary capital.

The risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of each asset and counterparty. (The risk weights reflect an estimate of the credit risk associated with) – A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses.

Minimum regulatory capital requirement is the higher of 10% of total on and off-balance sheet risk weighted assets or K50 million

Notes to the financial statements (continued)

4 Financial risk management (continued)

(e) Capital management (continued)

The table below summarises the composition of regulatory capital and the ratios of the Society as at 31 March 2022. These represent positions determined in accordance with filed returns with Bank of Zambia.

Primary (Tier 1) capital	2022 K'000	2021 K'000
Paid-up common shares	191,678	191,678
Eligible preferred shares	-	-
Contributed surplus	-	-
Retained earnings	438,632	333,439
General reserves	1,900	1,900
Statutory reserves	-	-
Minority interest	-	-
Sub-total	**632,210**	**527,017**
Less:		
Other adjustments	-	-
Goodwill and other intangible assets	23,942	23,641
Sub-total	23,942	23,641
Total primary capital	656,152	550,658
Secondary (Tier 2) capital		
Revaluation reserves (Maximum is 40% of the reserves)	25,915	26,699
Total secondary capital	25,915	26,699
Eligible secondary capital	25,915	26,699
Eligible total capital / regulatory capital	**682,067**	**577,357**
Minimum capital requirement	118,298	108,069
Excess	563,769	469,288
Total-risk weighted assets	**1,182,982**	**1,078,978**

Notes to the financial statements (continued)

4 Financial risk management (continued)

(f) Fair value estimation

IFRS7 and IFRS 13 specify a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka Stock Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – Inputs for assets or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Society considers relevant and observable market prices in its valuations where possible.

Classification and measurement of financial instruments

	Amortised cost		Amortised cost
Financial assets	**2022 K'000**		**2021 K'000**
Cash and cash equivalents	239,780		235,340
Placements with other financial institutions	105,721		170,511
Government securities	679,353		241,570
Loans and advances	935,679		669,018
Off –Balance sheet facilities	7,610		7,182
Financial liabilities			
Customer deposits	901,488		662,920
Provision for liabilities and charges	10,554		6,552
Other liabilities	85,159		60,934
Lease liability	14,515		16,220
Borrowings	574,387		411,713

Notes to the financial statements (continued)

4 Financial risk management (continued)

(f) Fair value estimation (continued)

Fair value of non-financial assets

Buildings - An independent valuation of the Society's buildings was performed as at 31 March 2021 by Messer's Fairworld, independent valuers. The fixed assets policy provides that buildings should be revalued every after 3 years.

Investment Properties - All investment properties were revalued as at 31 March 2022 by an independent valuers, Messer's Sandridge Properties Limited. The fixed assets policy provides that Investment properties should be revalued every year. The next revaluation will be due by 31 March 2023

The fair value increase on investment properties was K539,000. (2021: K10,480,000)

Fair value measurements at 31 March 2022			
	Level 1	Level 2	Level 3
Recurring fair value measurements	**K'000**	**K'000**	**K'000**
Buildings			
– Office buildings (Note 19)	-	-	77,069
Investment property			
– Property rented for commercial purposes (Note 20)	-	-	117,718
	-	-	194,787
Fair value measurements at 31 March 2021			
	Level 1	**Level 2**	**Level 3**
Recurring fair value measurements	**K'000**	**K'000**	**K'000**
Buildings			
– Office buildings (Note 19)	-	-	76,346
Investment property			
– Property rented for commercial purposes (Note 20)	-	-	115,714
	-	-	**192,060**

Valuation techniques used to derive level 3 fair values

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

Level 3 fair values of investment property is based on rental prices of comparable buildings in close proximity adjusted for differences in key attributes such as property size and condition. The most significant input into this valuation approach is price per square meter.

There has been no reclassification within the levels during the year.

Notes to the financial statements (continued)

5	Interest income	2022	2021
		K'000	K'000
	Interest on mortgages	54,490	45,940
	Interest on banking loans and advances	195,398	182,387
	Interest on Government securities	109,930	21,135
	Interest on placements with other financial institutions	13,782	32,750
	Banking loan administration fees	11,278	9,839
	Mortgage loan administration fees (Recognised under IFRS 9)	2,511	868
		387,389	**292,919**
	Excluded in the interest income stated above is K10,897,000 as interest charged on non-performing loans. (2021: K16,679,000). This interest has been suspended in line with the Bank of Zambia guidance.		

6	Interest expenses		
	Interest on fixed deposits	71,814	42,366
	Interest on saving accounts	10,615	7,526
	Interest on borrowings	53,912	57,127
		136,341	**107,019**

7	Impairment charges/credit		
	Loans and advances	(25,809)	24,177
	Government securities	(1,090)	6,398
		(26,899)	**30,575**

8	Fees and commission income		
	Account maintenance charges	22,906	20,251
	Premature withdrawal charges	5,882	5,711
	Other fees and commission	10,253	11,287
		39,041	**37,249**

Recognised under IFRS15	39,041	37,249
	39,041	**37,249**

9	Foreign exchange loss	(1,139)	1,276
		(1,139)	**1,276**

10	Other income		
	Net rental income (Note 20)	6,300	5,522
	Fair value gain on investment property (Note 20)	539	10,480
	Profit / (loss) on disposal of fixed assets	(183)	197,714
		6,656	**213,716**

Notes to the financial statements (continued)

11	Expenses by nature	2022	2021
		K'000	K'000
	Employee benefits expense (Note 14)	121,602	111,206
	Depreciation of property and equipment (Note 19)	11,159	11,366
	Computer Maintenance & Network Expenses	10,073	6,146
	Other operating expenses	2,897	3,426
	Amortisation of Intangible Assets (Note 21)	7,263	5,028
	Professional Fees	5,790	5,575
	Advertising	5,144	4,130
	Security	4,712	4,219
	ATM Switch Expenses	4,570	1,185
	Insurance expenses	4,208	2,708
	Office Cleaning Expenses	3,296	1,857
	Amortisation of Right-of-Use Asset	3,193	2,722
	Local travel	3,097	1,878
	Electricity and Water	2,525	2,276
	Directors Fees	2,387	1,168
	Printing and stationery	2,122	1,660
	Training Expense	1,567	607
	General expenses	1,268	1,784
	CRB expenses	895	918
	Postage & Telephone	889	730
	Motor Vehicle Expenses	875	684
	Rates Payable	813	590
	Fuel and Oil	810	778
	Audit Fees	720	955
	Legal Costs	707	1,170
	Bank charges	396	425
	Other debtors – provision	-	2,118
		202,978	**177,309**

12	Finance costs		
	Loan arrangement expenses	664	810
	Exchange loss (note 9)	1,139	(1,276)
	Lease liability interest expense	2,550	3,063
		4,353	**2,597**

13	Depreciation and amortization		
	Amortisation of Right-of-Use Asset (Note 23)	3,193	2,722
	Amortisation of intangible assets (Note 21)	7,263	5,028
	Depreciation of plant property and equipment (Note 19)	11,159	11,366

		21,615	**19,116**

Notes to the financial statements (continued)

14	**Employee benefits and expenses**	**2022**	**2021**
		K'000	**K'000**
	Salaries and wages	96,250	84,429
	Other employee costs	3,986	3,844
	Provision for staff benefits (Note 25)	13,678	16,462
	Mark to market interest forgone	-	-
	Mark to market expense	-	-
	Employer NHI contributions	516	440
	Employer pension contributions *	3,706	2,949
	Employer NAPSA contributions	3,466	3,082
		121,602	111,206

*This is employer contribution towards the defined contribution scheme managed by Prudential Life Assurance at 10% of basic pay for all eligible employees.

15	Cash & bank balances	2022	2021
		K'000	K'000
	Cash in hand	19,612	20,814
	Current accounts with banks	220,168	214,526
		239,780	**235,340**

16	Placements with other financial institutions		
	Placements with Banks	105,721	170,511
		105,721	**170,511**

	Current	105,721	170,511
	Non-Current	-	-
		105,721	**170,511**

These comprise placements made with local banks which all mature within 365 days from origination although in certain circumstances, maturity may be beyond 90 days. For the purposes of the cash flow statement, these amounts have been classified as cash and cash equivalents.

17 Government securities

	2022	**2021**
	K'000	**K'000**
Treasury bills	349,642	147,123
Government bonds	335,264	101,090
	684,906	**248,213**
IFRS 9 impairment loss allowance	(5,553)	(6,643)
	679,353	**241,570**
Current	371,659	145,098
Non-current	307,694	96,472

	679,353	241,570

Notes to financial statements (continued)

17 Government securities (continued)

On balance sheet facilities	Stage 1 12m K'000	Stage 2 K'000	Stage 3 K'000	 Total K'000
Gross carrying amount as at 1 April 2021	248,213	-	-	248,213
Movements without income statement impact	-	-	-	
Transfer from stage 1 to stage 2	-	-	-	-
	248,213	-	-	248,213
New financial assets originated	583,816			
-	-	583,816		
Financial assets that have been derecognised	(147,123)			
-	-	(147,123)		
	684,906	-	-	684,906
Gross carrying amount 31 March 2022	684,906			
-	-	684,906		
Reconciliation of ECLs				
Loss allowances as at 1 April 2021	6,643	-	-	6,643
Movements without income statement impact	-	-	-	-
Transfer from stage 1 to 2	-	-	-	-
	6,643	-	-	6,643
Movement with income statement impact				
New financial assets originated	935	-	-	935
Financial assets that have been derecognised	(2,025)	-	-	(2,025)
Charge/ (credit) to profit and loss	(1,090)	-	-	(1,090)
Loss allowance as at 31 March 2022	5,553	-	-	5,553

Notes to financial statements (continued)

17 Government securities (continued)

Movement summary of securities

	Stage 1 12m-ECL K'000	Stage 2 LTECL K'000	Stage 3 LTECL K'000	Total K'000
Loss allowances as at 1 April 2020	245	-	-	245
Movements without income statement impact	-	-	-	-
Transfer from stage 1 to 2	(245)	245	-	-
	-	245	-	245
Movement with income statement impact				
New financial assets originated	-	6,643	-	6,643
Financial assets that have been derecognised	-	(245)	-	(245)
Charge/ (credit) to profit and loss	**-**	**6,398**	**-**	**6,398**
Loss allowance as at 31 March 2021	**-**	**6,643**	**-**	**6,643**

Notes to the financial statements (continued)

17 Government securities (continued)

	Movement summary of securities			
	March 2022	**Government Bonds**	**Treasury Bills**	**Total**
	1 April 2021	101,090	147,123	248,213
	Additions	234,174	349,642	583,816
	Redemptions	-	(147,123)	
	(147,123)			
	Disposal	-	-	-
	Expected Credit Losses	(3,578)	(1,975)	(5,553)
		331,686	**347,667**	**679,353**
	Maturity analysis			
	Maturing within 90 days	27,570	33,680	61,250
	Maturing after 90 days	304,116	313,987	618,103
		331,686	**347,667**	**679,353**
	March 2021			
	1 April 2020	-	13,672	13,672
	Additions	101,090	185,333	286,423
	Redemptions	-	(51,882)	(51,882)
	Disposal		-	-
	Expected Credit Losses	(4,618)	(2,025)	(6,643)
		96,472	**145,098**	**241,570**
	Maturity analysis			
	Maturing within 90 days	5,363	47,936	53,299
	Maturing after 90 days	91,109	97,162	188,271
		96,472	**145,098**	**241,570**

* Part of treasury bills relates to a sinking fund arising from a covenant with NAPSA over K77,999,000 loan where the Society is required to make semi-annual contribution of 1.5% of the loan amount. The Sinking Fund balance as at 31 March 2022 was K7,468,378. The Society is permitted to invest the sinking fund in treasury bills.

Notes to the financial statements (continued)

18 Loans and advances

The Society's lending is categorised into mortgages, banking loans and staff loans and advances which are classified as follows:

	2022			2021		
	Gross			Gross		
On balance sheet	Carrying	Impairment	Carrying	Carrying	Impairment	Carrying
	Amount		Amount	Amount		amount
	K'000	K'000	K'000	K'000	K'000	K'000
Mortgages	341,636	(16,109)	325,527	265,442	(17,085)	248,357
Banking loans & advances	693,566	(83,362)	610,204	523,307	(102,646)	420,661
	1,035,202	**(99,471)**	**935,731**	**788,749**	**(119,731)**	**669,018**
Off- balance sheet						
Approved mortgages not disbursed	7,610	(52)	7,558	7,182	(253)	6,929
Total	**1,042,812**	**(99,523)**	**943,289**	**795,931**	**(119,984))**	**667,947**

	2022	2021
Reconciliation to balance sheet		
Gross on balance sheet assets	1,035,202	788,749
On balance sheet impairment	(99,471)	(119,731)
Off balance sheet impairment	(52)	(253)
Total reported	**935,679**	**668,765**
Current	298,315	209,657
Non-current	637,364	459,108
	935,679	668,765

Analysis of gross carrying amounts 31 March 2022				
	Stage 1	**Stage 2**	**Stage 3**	
Reconciliation of loans and advances	**12m-ECL**	**LTECL**	**LTECL**	**Total**
	K'000	**K'000**	**K'000**	**K'000**
Gross carrying amount as at 1 April 2021	621,212	82,848	84,689	788,749
Changes in the gross carrying amount				
_Transfer to stage 1	29,569	(22,786)	(6,783)	-
_Transfer to stage 2	(37,135)	40,128	(2,993)	-
_Transfer to stage 3	(9,407)	(10,098)	19,505	-
New financial assets originated	430,723	61,825	9,956	502,504
Financial assets that have been derecognised	(216,170)	(20,890)	(13,442)	(250,502)
Write offs	-	-	(5,549)	(5,549)
Gross carrying amount	**818,792**	**131,027**	**85,383**	**1,035,202**

Notes to the financial statements (continued)

18 Loans and advances (continued)

Analysis of gross carrying amounts 31 March 2022 (continued)

Reconciliation of off-balance sheet facilities				
	Stage 1	**Stage 2**	**Stage 3**	
Approved Mortgages not disbursed	**12m-ECL**	**LTECL**	**LTECL**	**Total**
	K'000	**K'000**	**K'000**	**K'000**
Gross carrying amount as at 1 April 2021	**7,182**	**-**	**-**	**7,182**
Changes in the gross carrying amount	-	-	-	-
_Transfer to stage 1	-	-	-	-
_Transfer to stage 2	-	-	-	-
_Transfer to stage 3	-	-	-	-
New financial assets originated	7,610	-	-	7,610
Financial assets that have been derecognised	**(7,182)**	**-**	**-**	**(7,182)**
Gross carrying amount	**7,610**	**-**	**-**	**7,610**

Reconciliation of on and off-balance sheet facilities				
Gross carrying amount as at 1 April 2021	628,394	82,848	84,689	795,931
Changes in the gross carrying amount				
_Transfer to stage 1	29,569	(22,786)	(6,783)	-
_Transfer to stage 2	(37,135)	40,128	(2,993)	-
_Transfer to stage 3	(9,407)	(10,098)	19,505	-
New financial assets originated	438,333	61,825	9,956	510,114
Financial assets that have been derecognised	(223,352)	(20,890)	(13,442)	(257,684)
Write offs	-	-	(5,549)	(5,549)
Gross carrying amount as at 31 March 2022	**826,402**	**131,027**	**85,383**	**1,042,812**

Notes to the financial statements (continued)

18 Loans and advances (continued)

Analysis of gross carrying amounts 31 March 2021 Reconciliation of loans and advances	Stage 1 12m-ECL K'000	Stage 2 LTECL K'000	Stage 3 LTECL K'000	Total K'000
Gross carrying amount as at 1 April 2020	548,909	47,894	124,108	720,911
Changes in the gross carrying amount				
_Transfer to stage 1	50,709	(20,081)	(30,628)	-
_Transfer to stage 2	(32,577)	45,115	(12,538)	-
_Transfer to stage 3	(14,894)	(5,844)	20,738	-
New financial assets originated	297,069	31,894	2,327	331,290
Financial assets that have been derecognised	(228,004)	(16,130)	(17,398)	(261,532)
Write offs	-	-	(1,920)	(1,920)
Gross carrying amount	**621,212**	**82,848**	**84,689**	**788,749**

Analysis of gross carrying amounts 31 March 2021				
Reconciliation of off-balance sheet facilities				
Approved Mortgages not disbursed				
Gross carrying amount as at 1 April 2020	6,347	-	-	6,347
Changes in the gross carrying amount	-	-	-	-
_Transfer to stage 1	-	-	-	-
_Transfer to stage 2	-	-	-	-
_Transfer to stage 3	-	-	-	-
New financial assets originated	7,182	-	-	7,182
Financial assets that have been derecognised	(6,347)	-	-	(6,347)
Gross carrying amount as at 31 March 2021	7,182	-	-	7,182

Reconciliation of on and off-balance sheet facilities Reconciliation of loans and advances	Stage 1 12m-ECL K'000	Stage 2 LTECL K'000	Stage 3 LTECL K'000	Total K'000
Gross carrying amount as at 1 April 2020	555,256	47,894	124,108	727,258
Changes in the gross carrying amount	-	-	-	-
_Transfer to stage 1	50,709	(20,081)	(30,628)	-
_Transfer to stage 2	(32,577)	45,115	(12,538)	-
_Transfer to stage 3	(14,894)	(5,844)	20,738	-
New financial assets originated	304,250	31,894	2,327	338,471
Financial assets that have been derecognised	(234,350)	(16,130)	(17,398)	(267,878)
Write offs	-	-	(1,920)	(1,920)

Gross carrying amount as at 31 March 2021	628,394	82,848	84,689	795,931

Notes to the financial statements (continued)

18 Loans and advances (continued)

Analysis of expected credit loss (ECL) 31 March 2022

On balance sheet facilities	Stage 1 12m-ECL K'000	Stage 2 LTECL K'000	Stage 3 LTECL K'000	Total K'000
Loss allowances as at 1 April 2021	42,362	11,546	65,823	119,731
Movements without income statement impact				
_Transfer to stage 1	5,687	(3,907)	(1,780)	-
_Transfer to stage 2	(1,499)	5,248	(3,749)	-
_Transfer to stage 3	(8,271)	(7,895)	16,166	-
Suspended interest	-	-	10,897	10,897
Write offs	-	-	(5,549)	(5,549)
	38,279	4,992	81,809	125,079
Movement with income statement impact				
New financial assets originated	8,500	1,715	17,964	28,179
Financial assets that have been derecognised	(29,472)	(2,378)	(21,937)	(53,787)
Charge to profit and loss	**(20,972)**	**(663)**	**(3,973)**	**(25,608)**
Loss allowance as at 31 March 2022	**17,307**	**4,328**	**77,836**	**99,471**

Off balance sheet facilities				
Loss allowance as at 1 April 2021	253	-	-	253
Movement with income statement impact				
New financial assets originated	52	-	-	52
Financial assets that have been derecognised	(253)	-	-	(253)
Changes to ECL due to modification				
Charge/ (credit) to profit and loss	(201)	-	-	(201)
Loss allowance as at 31 March 2022	52	-	-	52

Notes to the financial statements (continued)

18 Loans and advances (continued)

Analysis of expected credit loss (ECL) 31 March 2022 (continued)

On and off-balance sheet facilities	Stage 1	Stage 2	Stage 3	
	12m-ECL	LTECL	LTECL	Total
	K'000	K'000	K'000	K'000
Loss Allowance as at 1 April 2021	42,615	11,546	65,823	119,984
Movements without income statement impact				
_Transfer to stage 1	5,687	(3,907)	(1,780)	-
_Transfer to stage 2	(1,499)	5,248	(3,749)	-
_Transfer to stage 3	(8,271)	(7,895)	16,166	-
Suspended interest	-	-	10,897	10,897
Write offs	-	-	(5,549)	(5,549)
Gross carrying amount as at 31 March 2022	**38,532**	**4,992**	**81,808**	**125,332**
Movement with income statement impact				
New financial assets originated	8,552	1,715	17,964	28,231
Financial assets that have been derecognised	(29,725)	(2,378)	(21,937)	(54,041)
Charge/ (credit) to profit and loss	(21,173)	(663)	(3,973)	(25,809)
Loss allowance as at 31 March 2022	**17,358**	**4,329**	**77,835**	**99,523**

Analysis of expected credit loss (ECL) 31 March 2021

On Balance sheet facilities	Stage 1	Stage 2	Stage 3	
	12m-ECL	LTECL	LTECL	Total
	K'000	K'000	K'000	K'000
Loss allowances as at 1 April 2020	37,611	2,299	40,697	81,048
Movements without income statement impact				
_Transfer to stage 1	679	(389)	(290)	-
_Transfer to stage 2	(248)	10,264	(10,016)	-
_Transfer to stage 3	(5,847)	(924)	6,771	-
Liability reclassified as ECLs provision	-	-	16,679	16,679
Write offs	-	-	(1,920)	(1,920)
Gross carrying amount as at 31 March 2021	**32,195**	**11,250**	**51,921**	**95,366**
Movement with income statement impact				
New financial assets originated	15,952	1,452	12,415	30,072
Financial assets that have been derecognised	(5,785)	(1,156)	(7,632)	(15,014)
Changes to ECL due to modification			9,119	9,119
Charge / (credit) to profit and loss	10,167	296	13,902	24,365
Loss allowance as at 31 March 2021	**42,362**	**11,546**	**65,823**	**119,731**

Notes to the financial statements (continued)

18 Loans and advances (continued)

Analysis of expected credit loss (ECL) 31 March 2021 (continued)

Off balance sheet facilities

	Stage 1 12m-ECL K'000	Stage 2 LTECL K'000	Stage 3 LTECL K'000	Total K'000
Loss Allowance as at 1 April 2020	441	-	-	441
Movement with income statement impact				
New financial assets originated	253	-	-	253
Financial assets that have been derecognised	(441)	-	-	(441)
Changes to ECL due to modification				
Charge/ (credit) to profit and loss	**(188)**	**-**	**-**	**(188)**
Loss allowance as at 31 March 2021	**253**	**-**	**-**	**253**

On and off balance sheet facilities 31 March 2021				
Loss allowance as at 1 April 2020	38,052	2,299	40,697	81,048
Movements without income statement impact				
_Transfer to stage 1	679	(389)	(290)	-
_Transfer to stage 2	(248)	10,264	(10,016)	-
_Transfer to stage 3	(5,847)	(924)	6,771	-
Suspended interest	-	-	16,679	16,679
Write offs	-	-	(1,920)	(1,920)
Gross carrying amount as at 31 March 2021	**32,636**	**11,250**	**51,921**	**95,807**
Movement with income statement impact				
New financial assets originated	16,205	1,452	12,415	30,072
Financial assets that have been derecognised	(6,226)	(1,156)	(7,632)	(15,014)
Changes to ECL due to modification			9,119	9,119
Charge/ (credit) to profit and loss	**9,979**	**296**	**13,902**	**24,177**
Loss allowance as at 31 March 2021	**42,615**	**11,546**	**65,823**	**119,984**

Notes to the financial statements (continued)

18 Loans and advances (continued)

Internal credit risk rating

31 March 2022					
Rating	Internal risk category	Stage 1 12m-ECL K'000	Stage 2 LTECL K'000	Stage 3 LTECL K'000	Total K'000
	Performing				
1&2	Standard & satisfactory risk	826,350	-	-	826,350
3&4	Watch list & unacceptable risk	-	131,026	-	131,026
	Non-performing				
5,6&7	Substandard, doubtful & loss	-	-	85,384	85,384
		826,350	**131,026**	**85,384**	**1,042,760**

31 March 2021					
Rating	Internal risk category				
	Performing				
1&2	Standard & satisfactory risk	628,394	-	-	628,394
3&4	Watch list & unacceptable risk	-	82,848	-	82,848
	Non-performing				
5,6&7	Substandard, doubtful & loss	-	-	84,689	84,689
		628,394	**82,848**	**84,689**	**795,931**

Notes to the financial statements (continued)

19 Property and equipment

	Buildings	Motor Vehicles and Equipment	Works in Progress	Total
Year ended 31 March 2021	**K'000**	**K'000**	**K'000**	**K'000**
As at 1 April 2020				
Opening net book amount	64,458	25,175	30	89,663
Additions	351	2,287	747	3,385
Disposal	(1,310)	-	-	(1,310)
Revaluation	14,652	-		14,652
Depreciation	(1,932)	(9,434)	-	(11,366)
Depreciation write back on disposals	127	-	-	127
Closing net book amount	**76,346**	**18,028**	**777**	**95,151**
As at 31 March 2021				
Cost or valuation	78,446	60,458	777	139,681
Accumulated depreciation	(2,100)	(42,430)	-	(44,530)
Net book amount	**76,346**	**18,028**	**777**	**95,151**
Year ended 31 March 2022 As at 1 April 2021				
Opening net book amount	76,346	18,028	777	95,151
Additions	2,552	9,911	1,581	14,044
Disposal	(708)	-	-	(708)
Revaluation gain on own use buildings	-	-	-	-
Capitalisation of work in progress	828	-	(828)	-
Depreciation	(2,030)	(9,129)	-	(11,159)
Depreciation write back on disposals	81	-	-	81
Closing net book amount	**77,069**	**18,810**	**1,530**	**97,409**
At 31 March 2022				
Cost or valuation	81,118	70,369	1,530	153,017
Accumulated depreciation	(4,049)	(51,559)	-	(55,608)
Net book amount	**77,069**	**18,810**	**1,530**	**97,409**

The Society has borrowings secured on buildings and investment property valued at a combined value of K157,827,000. Valuation of buildings is done at an interval of three years and the last valuation was done in the year ended 31 March 2021 by independent valuers Messer's Fairworld Properties Limited. At the last valuation, the buildings were valued at K76,346,000 and the next valuation date is 31 March 2024.

If leasehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2022	2021
	K'000	K'000
Cost	15,194	12,642
Accumulated depreciation	(1,482)	(1,418)
Net book amount	13,712	11,224

Notes to the financial statements (continued)

20 Investment property

Year end 31 March 2022	Commercial K'000
At start of year	115,714
Additions	1,465
Net gain from fair value adjustment	539
Disposals	-
	117,718
Year end 31 March 2021	
At start of year	137,587
Additions	57
Net gain from fair value adjustment	10,480
Disposals	(32,410)
	115,714

(a) Amounts recognised in statement of profit or loss for investment properties

	2022 K'000	2021 K'000
Rental income	8,827	9,024
Direct operating expenses from property that generated rental income	(2,527)	(3,502)
	6,300	5,522
Net gain from fair value adjustment	539	10,480
	6,839	**16,002**

Investment buildings were revalued as at 31 March 2022 by an independent valuers, Messer's Sandridge Properties Limited. The valuations were made on the basis of the open market value, rental income and discounted cash flows. The book values of the properties were adjusted to the revalued amounts and the resultant fair value gain was recognised in profit or loss.

Profit on disposal of society business park	2022 K'000	2021 K'000
Sale value of property	-	230,000
Property valuation at sale	-	(32,286)
Profit on disposal	-	**197,714**

(b) Measuring investment property at fair value
Investment properties, principally office and residential buildings, are held for long-term rental yields and are not occupied by the Society. They are carried at fair value. Changes in fair values are recognized in the statement of profit and loss.

(c) Significant estimate – fair value of investment property
Information about the valuation of investment properties is provided in accounting policy Note 2.9.

(d) Leasing arrangements
Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

Notes to the financial statements (continued)

20 Investment property (continued)

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	2022 K'000		2021 K'000
Within one year	8,827		10,140
Later than one year but not later than 5 years	35,308		40,560
	44,135		50,700

21 Intangible assets

Year ended 31 March 2021	K'000
Cost or valuation	30,251
Accumulated depreciation	(6,610)
Net book amount	**23,641**
Opening balance Additions Disposal Amortisation **Closing net book amount**	22,142 6,527 - (5,028) **23,641**
Year ended 31 March 2022	
Opening net book amount	23,641
Additions	7,564
Disposal	-
Amortisation	(7,263)
Closing net book amount	23,942
At 31 March 2022	
Cost or valuation	37,814
Accumulated depreciation	(13,872)
Net book amount	**23,942**

The intangible asset is the core banking system software. A further K7,563,000 was capitalised under the core banking software. The asset is depreciated on a straight-line basis at 20% and has 3 years remaining on its useful life.

Notes to the financial statements (continued)

22 Other assets

	2022 K'000	2021 K'000
Rental debtors	5,462	7,430
Staff loans discount asset	51,657	31,801
Loan arrangement fees	5,734	6,117
NAPSA	-	130,000
Other debtors	13,196	12,387
	76,049	187,735
Less impairment loss provision	(3,882)	(5,241)
	72,167	182,494
Current	11,348	140,393
Non-current	**60,819**	**42,101**
	72,167	182,494

Reconciliation of impairment loss provision

Opening balance	**5,241**	**3,100**
Impairment for the year	-	2,141
Rent debtors write down against provision	(1,359)	-
Closing balance	**3,882**	**5,241**

The impairment of other assets is for rental debtors. Impairment is arrived at by assessing the recoverability of outstanding amount to get the loss given default. Recoverability is computed as the rate of recoveries received against the invoiced amount over the invoicing period.

23	Leases i) Right- of-Use Assets 31 March 2022	ATMs K'000	ICT Equipment K'000	Premises K'000	Total K'000
	Balance as at 1 April 2021	**6,780**	**924**	**6,133**	**13,837**
	Additions during the year	-	-	687	687
	Depreciation charge for the year	(1,407)	(185)	(1,601)	(3,193)
	Balance as at 31 March 2022	**5,373**	**739**	**5,219**	**11,331**

	31 March 2021				
	Balance as at 1 April 2020	8,087	1,096	7,078	16,261
	Additions during the year	-	-	298	298
	Depreciation charge for the year	(1,307)	(172)	(1,243)	(2,722)
	Balance as at 31 March 2021	**6,780**	**924**	**6,133**	**13,837**

The Society leases various branches, Automated Teller Machines (ATMs) and ICT equipment for business continuity purposes. The average lease period is 3 years with an extension option of an addition lease term.

Notes to the financial statements (continued)

23 Leases (continued)

ii) Lease liabilities	2022	2021
	K'000	K'000
Opening balance	**16,220**	**17,446**
Additions during the year	687	299
Lease payments	(4,897)	(4,583)
Interest expenses	2,505	3,058
Closing balance	**14,515**	**16,220**
Current	3,919	4,379
Non-current	10,596	11,841
Closing balance	**14,515**	**16,220**

Amounts recognised in profit or loss 31 March 2022	ATMs	ICT Equipment	Premises	Total
	K'000	K'000	K'000	K'000
Amortisation of right-of-use asset	1,407	185	1,601	3,193
Interest expense on lease liabilities	1,140	162	1,203	2,505
	2,547	**347**	**2,804**	**5,698**

31 March 2021				
Amortisation of right-of-use asset	1,307	172	1,243	2,722
Interest expense on lease liabilities	1,263	178	1,622	3,063
	2,570	**350**	**2,865**	**5,785**

24 Customer Deposits

Term deposits	541,341	366,789
Saving deposits	360,147	296,131
	901,488	**662,920**
Current	901,488	662,920
Non-current	-	-
	901,488	**662,920**

Notes to the financial statements (continued)

25 Provision for staff benefits

		2022 K'000	2021 K'000
	At start of the year	6,552	6,272
	Charge for the year	13,678	16,462
	Staff benefits paid	(9,676)	(16,182)
		10,554	**6,552**
	Current	**10,554**	**6,552**

Provision for staff benefits includes accrued gratuity for eligible staff and outstanding leave days. This is expected to be paid within one 1 year.

26 Borrowings

		2022 K'000	2021 K'000
	Development Bank of Zambia (DBZ)	6,322	9,879
	Prudential Life Insurance (Prudential)	-	4,570
	NAPSA Mortgage Deposit (NAPSA)	81,397	79,823
	Lusaka Stock Exchange – Medium Term Note Programme (MTNP)	-	23,899
	African Development Bank (AfDB)S	157,181	170,370
	Bank of Zambia (TMTRF)	329,487	123,172
		574,387	**411,713**

As at 31 March 2022	DBZ K'000	Prudential K'000	NAPSA Deposit K'000	MTNP K'000	AfDB K'000	BOZ TMTRF K'000	Total K'000
At the start of the year	9,879	4,570	79,823	23,899	170,370	123,172	**411,713**
Additions	-	-	-	-	-	200,494	**200,494**
Interest charged	503	-	7,1743	2,794	27,325	16,117	**53,912**
Interest paid	(560)	-	(5,599)	(6,643)	(26,514)	(10,296)	**(49,612)**
Repayments	(3,500)	(4,570)	-	(20,050)	(14,000)	-	**(42,120)**
At the end of the year*	**6,322**	**-**	**81,397**	**-**	**157,181**	**329,487**	**574,387**

Notes to the financial statements (continued)

26 Borrowings (continued)

As at 31 March 2021	DBZ	African Life	NAPSA Deposit	Prudential	MTNP	AfDB	BOZ TMTRF	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
At the start of the year	13,816	44,226	80,044	13,259	20,864	171,146	-	**343,355**
Additions	-	-	-	-	-	-	119,984	**119,984**
Interest	662	5,782	6,841	2,021	6,102	32,531	3,188	**57,127**
Interest paid	(849)	(10,008)	(7,062)	(2,660)	(3,067)	(33,307)	-	**(56,953)**
Repayments	(3,750)	(40,000)	-	(8,050)	-	-	-	**(51,800)**
At the end of the year*	**9,879**	**-**	**79,823**	**4,570**	**23,899**	**170,370**	**123,172**	**411,713**

	2021	2021
	K'000	K'000
Current	31,120	22,306
Non-current	543,267	389,407
	574,387	411,713

*Carrying amounts are inclusive of accrued interest payable on each loan facility as at 31 March 2022. No interest was capitalised to the principal amounts.

Development Bank of Zambia – This borrowing is a 10-year facility for an initial amount of K35,000,000 made up of seven equal tranches. The interest rate is variable based on the Bank of Zambia policy rate plus a margin of 3 percentage points. The principal is due bi-annually from the date of receipt of each tranche. The borrowing is secured on a fixed charge on buildings valued at K44,542,000.

NAPSA Mortgage Deposit – This is a combination of two (2) mortgage deposits, the first is a 10-year deposit of K18,390,000 secured with collateral in the form of property. The interest rate is variable based on the Bank of Zambia policy rate plus 3 percentage points. The second deposit is a 30-year deposit of K59,608,000 partially secured with collateral in form of property and a sinking fund account agreement. Deposits in the sinking fund account of 1.5% of the loan amount are made every six (6) months and invested in high yielding money markets instruments.

Africa Development Bank (AfDB) - This borrowing is a 15-year facility for an initial amount of K168,000,000 guaranteed by the Government of the Republic of Zambia. The interest rate is variable based on the 182-day Treasury Bill yield rate plus a margin if 1.5 percentage points. Interest payments are due on 1st February and 1st August. The loan facility offers a three (3) year moratorium on principal repayments and therefore repayments will only take effect in 2022 also payable on 1st February and 1st August.

Targeted Medium Term Relief Facility (TMTRF) – This borrowing is a 3-year facility from Bank of Zambia for an amount of K329,487,000 secured on performing loan book at the monitory policy rate.

27 Disclosure of covenants

The Society is compliant with all the covenants. Where the Society is in breach of any covenant or expects to be in breach in the near future, a letter of comfort is obtained from the lender for other financial users which is accompanied by a plan on how the breach would be addressed.

Notes to the financial statements (continued)

28 Other liabilities

	2022 K'000	2021 K'000
Staff expenses	4,329	5,244
Sundry creditors	5,401	6,242
Deferred income	15,328	8,571
Staff loan mark to market	51,657	31,801
Other liabilities & payables	8,444	9,076
	85,159	**60,934**
Current	18,175	13,271
Non-Current	66,984	47,663
	85,159	**60,934**

29 Share capital

Authorised and issued	2022 K'000	2021 K'000
Issued and fully paid up	**191,678**	**191,678**

The Society has 198,678,000 issued and fully paid-up class A shares at K1 each. All class A investment shares are held by the Government of the Republic of Zambia.

In terms of the rules of the Society, the rights and conditions relating to the shares provide that:

- The liability of a member in respect to a share is limited to the amount paid;
- The right to vote in the general meeting is limited to the holders of class 'A' shares; and
- The Board of Directors' may proportionally reduce the holdings of class 'A' shareholders by an amount equal to any loss incurred by the Society. However, subsequent surpluses can be applied in reinstating the holding to the extent of any reductions made.

30 Other reserves

	2022 K'000	2021 K'000
General reserves	900	900
Statutory reserve	1,000	1,000
Banking reserves	-	-
Revaluation reserve	**64,787**	**66,748**
	66,687	**68,648**

General reserve

The General reserve is a distributable reserve which was created in accordance with Section 92 of the Building Societies Act Cap 412, of the laws of Zambia. Dividends, bonuses, or donations can be paid out of the general reserve.

Notes to the financial statements (continued)

30 Other reserves (continued)

Statutory reserve

This is a non-distributable reserve which was created in accordance with Section 159 of the Banking and Financial Services Act, 2017 of Zambia – as a Special reserve or liability insurance. The Act provides that a financial service provider shall:

(a) maintain a special reserve account, with an amount that the board considers adequate, which shall be reserved exclusively for making good any loss resulting from the negligence or dishonesty of any director, chief executive officer, chief financial officer, manager or other employees of the financial service provider; and (b) insure itself against loss, to an amount that the board considers adequate.

The estimated amount is based on the value of related claims over the last three years.

Revaluation reserve

The revaluation reserve represents solely the surplus on the revaluation of buildings and is non-distributable.

Banking general reserve

The general reserve represents the excess of impairment provisions determined in accordance with the Bank of Zambia prudential regulations over the impairment provisions recognised in accordance with International Financial Reporting Standards (IFRS). As at the end of the financial, the IFRS 9 provisions exceeded the BoZ SI 142 provisions by K46,592,133 (2021: K50,239,619) as shown below.

	2022 K'000		2021 K'000
IFRS 9 provisions	99,523		119,984
BoZ SI 142 provisions	52,931		69,744
	46,592		**50,240**

31 Analysis of balances shown in the statement of cash flow

Cash and cash equivalents	239,780		235,340
Placements with other financial institutions	105,721		170,511
	345,501		**405,851**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and bank balances and amounts due from other financial institutions. All amounts above are current.

32 Dividends

A dividend of K25,800,000 has been proposed for the year ended 31 March 2022 (2021: K8,000,000).

33 Contingent liabilities and commitments

		2022 K'000		2021 K'000
	Mortgage advance commitments	7,610		7,182
		7,610		**7,182**

Notes to the financial statements (continued)

34 Related party transactions

The Society is solely owned by the Government of the Republic of Zambia (GRZ). Its operations are presently supervised by the Ministry of Finance. The Society has applied the requirements of IAS 24 paragraph 25 for disclosure of related party transactions for government related entities.

Dividends	2022	2021
	K'000	**K'000**
GRZ	8,000	-
	8,000	**-**

Key management remuneration (senior management team)		
Salaries and other short-term benefits	11,046	9,593
Gratuity	2,781	2,389
NAPSA contribution	95	92
	13,922	**12,074**

*Key management personnel include the Managing Director, who is an Executive Director, and six members of the senior management team. The short-term benefits for the senior management team includes benefits arising out of the interest benefit as a result of below market loans granted to all members of staff. The total key management remuneration is included in the employee benefits disclosed in Note 14.

Directors – fees, loans and advances to senior management team

	2022	2021
	K'000	**K'000**
Directors' fees expenses (Non-Executive Directors)	2,387	1,168
Loans and advances to key management personnel	7,460	5,891
	9,847	**7,059**

Borrowings from related parties

The Society has borrowings from the Development Bank of Zambia (DBZ) and National Pensions Scheme Authority (NAPSA) whose principal balances plus accrued interest payable are as indicated below; Nnote 26).

	2022	2021
	K'000	**K'000**
DBZ	6,322	9,879
NAPSA	81,397	81,054
	87,719	**90,933**

Payable to NAPSA (sinking fund)

Arising from the borrowing from NAPSA (Note 26), the Society has an obligation to establish a Sinking Fund where the Society is required to make semi-annual reservation of 1.5% of the loan amount. As at 31 March 2022, the Loan Principal balance was K77,999,000 and the Sinking Fund balance was K7,468,378 and this invested in Treasury Bills for this purpose (note 17).

Notes to the financial statements (continued)

34. Deposits from related parties

Deposits from related parties

	2022 K'000	2021 K'000
Workers Compensation Fund Control Board	135,433	124,636
	135,433	**124,636**

35 Arrangements with related parties

North gate housing project financing

The Society has signed an agreement in which NAPSA will place a 30-year deposit with the Society for the purposes of financing the north gate housing project owned by NAPSA. The placed amount is reported under borrowings (Note 26).

Guarantee from shareholder

Financing obtained from Africa Development Bank (AfDB) has been guaranteed by the Government of the Republic of Zambia.

36 Impact of COVID 19 on Society's operations

The Society's operating environment changed significantly in the year under review due to the COVID-19 pandemic which rapidly spread to other parts of the world after it was first discovered in China in December 2019. As a result of measures put in place by the Government of the Republic of Zambia where certain activities were restricted to contain the spread of the virus, the Society expects increased credit risk due to loss of income by borrowers from sectors badly affected by the pandemic.

The Society's nature of business was classified as critical by the government which needed to continue to operate to minimize disruption of the economy. Management implemented some measures in order to mitigate the impact of COVID-19 on the Society as follows;

a. Non-essential members of staff were sent on paid leave during the first and second quarter of the year under review in order to reduce on numbers in offices while critical staff were made to rotate bi-weekly for continued provision of services;

b. The Assets and Liabilities Committee commenced meeting regularly to constantly monitor all risks so that solutions to observed challenges are quickly agreed upon and implemented;
c. Sanitisation facilities were installed on all business premises to help with disinfecting the people walking in and out of the premises while all members of staff were given face masks;

d. Express authority was obtained from the Board that allowed management to arrange for standby credit facilities in an event of increased liquidity risk as a contingent measure while also taking advantage of the stimulus package offered by the Bank of Zambia; and
e. The Society stopped lending to risky sectors.

With the reducing numbers in COVID-19 cases, the society has resumed normal operations after government of Zambia gave a go ahead to operate normally whilst following the COVID-19 guidelines.

37 Subsequent events

The Society received an additional credit line of USD6,154,150.40 from AfDB on 9 May 2022 at the interest rate of 182 treasury bill plus 200 basis points for a tenure of 15 years for financing of affordable Mortgages and Building Materials loans.

Notes

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