

Annual Report

for the year ended
31 March 2023

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LIST OF ABBREVIATIONS

ZNBS	:	Zambia National Building Society
KPI	:	Key Performance Indicator
NPL	:	Non Performing Loans
NPS	:	Net Promotor Score
ROE	:	Return on Equity
PPTS	:	Percentage Points

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WHO WE ARE



Zambia National Building Society was created in 1970 through an act of Parliament (1968) with the sole responsibility of increasing housing stock by the provision of affordable House Loans and undertaking Housing Projects in the country.

ZNBS has three (3) main business strategic units:

- I. Housing Finance (Mortgages)
- II. Banking
- III. Property and Real Estate

ZNBS was recently awarded the Best Mortgage Provider in Zambia 2022 by Capital Finance International (cfi.co). This international recognition reaffirms ZNBS's position as the leading Mortgage Provider.



OUR VISION

To be the leading Mortgage Finance Institution with excellent financial services in Zambia.



OUR MISSION

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

CORE VALUES

The acronym iCREDIT define the shared core values for the Society



Our Business & Ways of Banking



Who we serve, our products & services, Our area of strength.

Available channels of banking

OUR TARGET MARKET, PRODUCTS & SERVICES

Target Market

- Personal Clients
- MSMEs
- SMEs
- Corporates
- Churches
- NGOs
- Local Authorities
- Schools

Channels

- Mobile Banking
- Internet Banking
- Agency Banking
- ATM services
- Payroll Processing
- E-Napsa
- E-ZRA

Accounts Services

- Savings Accounts
- Salary Accounts
- Fixed Deposit Accounts
- Baby Wallet
- Investment Accounts
- Corporate Accounts

Loans

- Home Loans
- Building Materials Loans
- Friendly Loans
- Salary Advance Loans
- Commercial Loans

OUR FOOTPRINT

- ZNBS has 21 Branches and one Agency (Soweto).
- The Branches are located in all the Provinces, meaning that ZNBS has an extensive network that can be accessed by customers across the country.
- To compliment the Branch Network, ZNBS has in the recent past invested heavily in alternative service delivery channels (Mobile, Internet & Agency Banking).

OUR HOME LOANS



Bare Land Financing



Construction Loan



Home Improvement Loan



Outright Purchase



Equity Release



Balance Transfer

Its **Possible** to **Buy | Build | Renovate**
Your Dream House, Now!

Events of the Year



EVENTS OF THE YEAR



1st Prize, Best Mortgage Provider

Official opening of the refurbished ZNBS Mongu branch



ZNBS members of staff at the Nc'wala ceremony of the Ngoni people



Her Honer the Vice President Mrs Mutale Nalumango with ZNBS Managing Director at the Agriculture Show



ZNBS Board chairperson presenting a Dividend Cheque on 5th August 2022.

EVENTS OF THE YEAR



During the ZNBS EXCO's review of the Corporate Strategic Plan



MOU signing ceremony with the United Church of Zambia on 10th October 2022



Donation of Waste Bins to Luanshya Municipal Council for the promotion of Keep Zambia Clean Campaign



ZNBS Management paid a courtesy call on the Ministry of Education's Permanent Secretary on 30th August 2022



The ZNBS Ladies at the When Females Lead "Women in the Boardroom" conference

EVENTS OF THE YEAR



Board & Management Strategic Meeting on 5th August 2022



Community Education on Climate Change in Chabalamuwe, Mansa



At the handover ceremony of the ZNBS renovated classroom block, a Lute primary student gives a vote of thanks in October 2022



William Tembo, a ZNBS staff, during Customer Service Week(October 2022)



Zamiwe Phiri, a ZNBS staff, during Customer Service Week



ZNBS was the proud sponsor of 2022 African Union for Housing Finance held in Rwanda

STAKEHOLDERS AND VALUE CREATION MODEL



STAKEHOLDERS REPORTING

STAKEHOLDERS GROUP	DEFINITION	stakeholder needs – what do they expect from us?	How do we engage with them?	What's been important for them in 2022?	Our response and key decisions are taken by the Board
CUSTOMERS	This group includes our mortgage and savings customers.	<ul style="list-style-type: none"> i. Great value savings and mortgage products. ii. Excellent Customer Service. iii. Stable digital channels iv. Reduce turnaround time on loans. v. High availability of Core banking systems. vi. Simple and clear communications v. Clean and modern branches. 	<ul style="list-style-type: none"> i. Our customer care hotline ii. Our dedicated frontline officers iii. Complaint monitoring iv. Annual customer service week v. Regular events for Executive Management to meet customers online and in person 	<ul style="list-style-type: none"> i. Products that meet their needs and requirements. ii. The ability to access our online services. iii. The low-interest rate on our loan products. iv. A safe environment for customers using our branch network. v. Consistency of mobile money and ATM machines 	<ul style="list-style-type: none"> i. The board approved the reduction of interest rates on mortgage products. ii. We introduced a loyalty customer award. iii. Reduce and monitor TAT across major products and processes in line with industry standards. iv. We significantly improved our digital platform v. Branch refurbishments



ZNBS Managing Director handing over building materials to a customer.



ZNBS rewards loyal customers with building materials during the customer service week (October 2022)

STAKEHOLDERS GROUP	DEFINITION	stakeholder needs – what do they expect from us?	How do we engage with them?	What’s been important for them in 2022?	Our response and key decisions are taken by the Board
EMPLOYEES	This group includes all the Society’s employees	<ul style="list-style-type: none"> i. Conducive work environment. (clean, health, safe and cordial interpersonal relations). ii. To honor contractual obligations and adherence to Labour Laws. iii. Timely payment of salaries and benefits iv. Career growth, staff development and job security. v. Effective communication by the Board, Management and stakeholders vi. Working tools and resources for the employees to perform their duties effectively. vii. Clear policy document procedures and guidelines. 	<ul style="list-style-type: none"> i. Executed employment contracts and agreements. ii. Communication through letters, circulars, memos and emails. iii. Staff Fora/town hall Meetings iv. Employee Awards/ Labour Day Awards Annual Ceremonies. v. Collective bargaining meetings with the Union vi. Union and Management quarterly meetings vii. Directorate/Departmental and Branch meetings viii. Staff Performance Review Meeting ix. SAGE Employee Service Platform. 	<ul style="list-style-type: none"> i. Strong financial performance of the Society. ii. Award of a salary increment to all employees iii. Good staff benefits and compensation plan. iv. Recognition and awarding of outstanding performing employees v. Equal employment opportunities for career growth. vi. Acquisition/provision of working tools and resources vii. Approval of two Internal Certification Programmes viii. Participation in national events and sporting activities. ix. Award hard working employees. 	<ul style="list-style-type: none"> i. The Board of Directors approved the staff budget ii. The Emoluments Commission approved a salary increment on recommendation by the Board. iii. The Board Chairperson introduced the first ever Board Chairmans award and outstanding employee performing awards for exceptional employee performance. iv. The Board approved amendments to staff policy documents. v. Good working relations with Union vi. Quarterly staff forum.



ZNBS staff at the 2023 Zambia International Trade fair in Ndola.





ZNBS members of staff participating at the Inter Company Relay

STAKEHOLDERS GROUP	DEFINITION	stakeholder needs – what do they expect from us?	How do we engage with them?	What's been important for them in 2022?	Our response and key decisions are taken by the Board
SUPPLIERS	This group includes third-party organisations and contractors who provide goods and services to us	<ul style="list-style-type: none"> i. Provide contract manager ii. Provide clear specifications iii. Provide clear terms of engagements v. Make timely payments vi. Invoke penalties vii. Contract termination terms iv. Provide accurate specification 	<ul style="list-style-type: none"> i. Through the Procurement Office ii. Through the User Departments iii. Performance Appraisal 	<ul style="list-style-type: none"> i. Timely delivery of Quality goods/services / works at the right price ii. Training in the use of the E-GP platform. 	<ul style="list-style-type: none"> i. Timely payment upon completion ii. Provision of contract to managers to manage their concerns
INVESTORS	This group includes all our wholesale funders	<ul style="list-style-type: none"> i. Timely settlement of interest and principal payments ii. Meeting all loan covenants iii. Timely provision of audit confirmations to their auditors on request iv. Financial statements 	<ul style="list-style-type: none"> i. Email ii. Through official letters iii. Annual supervision mission iv. Regular officer meeting (Physical and/ digital platforms). 	<ul style="list-style-type: none"> i. Seeing that Society Financial Position is sound. ii. Mortgages created from their funds to improve the housing deficit for the low to middle income earners. iii. Timely settlement of interest and principal payments iv. Environmentally friendly products 	<ul style="list-style-type: none"> i. Payment to investors were on time. ii. Update on contingencies were provided. iii. Financial Statements were submitted.



Handover of Ilute primary school in Mongu received by minister of livestock and fisheries Hon, Mzoko Chikote (October 2022)

STAKEHOLDERS GROUP	DEFINITION	stakeholder needs – what do they expect from us?	How do we engage with them?	What’s been important for them in 2022?	Our response and key decisions are taken by the Board		
COMMUNITIES	This group includes the communities in which we operate.	<ul style="list-style-type: none"> i. Support – financial and in kind – and to benefit from our skills and knowledge. ii. Funding commitment across the medium term. iii. Fulfilment of our Social responsibility iv. Financial literacy awareness 	<ul style="list-style-type: none"> i. We have established key points of contact in each of the organisations we work with. ii. Engaging regularly with our strategic partnerships, charities, public sector and schools both individually and as part of the Society Corporate Social Responsibilities iii. Meeting with community leaders such as Chiefs to understand needs. iv. Participating in local exhibitions to allow for interactions 	<ul style="list-style-type: none"> i. Building successful partnerships which bring value to community organisations. ii. Creating access to opportunities and raising aspirations. 	<ul style="list-style-type: none"> i. Built 1x3 classroom and refurbished 2 classes impacting children’s education at Ilute Primary School in Mongu. ii. Donated 75 school desks at Ilute Primary School in Mongu. 		
		SHAREHOLDERS	<ul style="list-style-type: none"> i. This group represent the Ministry of Finance. 	<ul style="list-style-type: none"> i. To create long-term, sustainable value for our shareholders by delivering strong returns on capital employed. 	<ul style="list-style-type: none"> i. Quarterly financial result publications. ii. Quarterly briefings were held with Board members and Executive Management. iii. The Annual General Meeting. 	<ul style="list-style-type: none"> i. Increase Return on equity of 21.6% ii. Dividend payout K25 million. iii. Total equity of K857 million. 	<ul style="list-style-type: none"> i. The board approved the ESG framework. ii. The Board approved the declaration of Dividend to the Shareholders.
REGULATORS	<ul style="list-style-type: none"> i. These include the Bank of Zambia, Competition and Consumer Protection Commission ii. Zambia Public Procurement Agency and Zambia Environmental Management Agency 	<ul style="list-style-type: none"> i. We remain committed to playing our part in supporting the effective functioning and stability of the financial system and of the broader economy through deepened engagements with relevant authorities 	<ul style="list-style-type: none"> i. Regular meetings and consultations with the Regulator on bank-specific and system-wide issues, in support of efforts towards ensuring financial stability. ii. Active participation in the forum organised by the regulators 	<ul style="list-style-type: none"> i. Net Promoter Score of 48% ii. Strength of Capital Position- T1 Ratio Basel iii of 49.10% iii. Strength of Liquidity- LCR 126.15%. iv. Approved Environmental Impact Assessment for the housing project. 	<ul style="list-style-type: none"> i. Continuous enhancements on working relations with respective authorities and regulatory bodies 		


STAKEHOLDERS VALUE CREATION

Capital Input	How we are enhancing our resources	Outcomes – Value Created	Trade-offs
<p>Financial Capital</p> <p>This capital enables us to deliver sustainable funding for our business activities. We deploy this capital to productive opportunities to sustain our business, leverage growth, achieve sustainable returns, and create value for our stakeholders</p>	<p>Customer Deposit</p> <p>K1 billion (+15% YoY, 2022: K0.9billion)</p> <p>Total Equity</p> <p>K857 million (+23% YoY, 2022: K696million)</p>	<p>48% Tier 1 Capital Ratio- Strong capital position</p> <p>K25 million Dividend paid. - Total Dividend payout.</p> <p>22% Return on equity</p>	<p>Value created for our shareholders increased, driven by a solid rise in net profit which generated strong returns for investors. A key area of focus in our strategic decision-making involves finding the right balance in maximizing gains in financial capital for our shareholders</p>
<p>Human Capital</p> <p>This consists of our people, our organizational culture, our collective skills and knowledge, and our experience in providing innovative solutions relevant to our customers’ needs and creating value for our stakeholders. Our staff remain the critical factor in deriving positive results from all other capitals as they carry the vision of the Society</p>	<p>Empowered Employee</p> <p>308 (2022; 289)</p> <p>Male - 185 Female - 123</p> <p>All members of staff were trained in fraud awareness & money laundering. 34 members of staff had ISO 9001 training</p>	<p>79% Employee Engagement Score</p> <p>40% Employee diversity- female ratio</p>	<p>Investment in our staff comprises one of the most significant costs to ensure we attract, retain, and train/develop our talent. Investments in staff impacts financial capital (in the short term) but enable strong returns (in the long-term) in other capitals.</p>



Capital Input	How we are enhancing our resources	Outcomes – Value Created	Trade-offs
<p>Intellectual Capital</p> <p>Our intellectual capital includes our technological innovations and solutions, our systems and processes, and our rich heritage and strong brand</p>	<p>1</p> <p>CFI Best Mortgage Provider</p>  <p>Transact outside the bank safely and conveniently with ZNBS AGENCY BANKING</p> 	<p>Customer Account</p> <p>1 Million</p> <p>(2022: 800,000)</p>	<p>There is a trade-off between increased automation of solutions (intellectual and manufactured capital) and client adoption of digital solutions that drive improved client experiences (social and relationship capital) with the need for direct human interaction (human capital).</p>

<p>Manufactured Capital.</p> <p>Our fixed assets such as property and equipment, and digital assets, including digital products and information technology (IT) systems provide competitive differentiation to enable us to create value for our stakeholders</p>	<p>21</p> <p>Branches</p> <p>20</p> <p>ATM machines</p> <p>10</p> <p>Agency banking</p> <p>2</p> <p>Refurbished branches</p>	<p>97%</p> <p>System uptime</p> <p>20%</p> <p>of our transactions are performed on digital platform</p>	<p>There is a trade-off between increased automation of solutions and client adoption of digital solutions that drive improved client experiences with the need for direct human interaction, particularly through brick and mortar (physical) channels.</p>
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<p>Social & Relationship Capital.</p> <p>Our social and relationship capital consists of our broader relationships and engagements within our communities and amongst our various stakeholders to enable them to thrive.</p>	<p>1 + Million</p> <p>Customer account</p> <p>Community engagement through sponsorship support and participation in sports education, health and Social Services.</p> <p>Disbursed Covid Loans worth 320 million at discounted rates</p>	<p>Net Promoter Score-</p> <p>48%</p> <p>Social Impact (NAPSA paid) K3 million</p> 	<p>Maintaining quality relationships across all stakeholders may require trade-offs in certain relationships as we balance various stakeholders' interests</p>
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Capital Input	How we are enhancing our resources	Outcomes – Value Created	Trade-offs
<p>Natural Capital</p> <p>The natural resources we impact and employ to support business operations and overall value creation to our stakeholders.</p>	<p style="text-align: center;">2</p> <p>Environmental impact assessment for our housing project.</p> <p>Launch of ESG Framework.</p> <p>Engaged with ZEMA to approve Housing Projects which do not harm the Environment.</p>	<p>Donation of collection bins to local authority community education on preserving the natural resources</p>	<p>Using and impacting natural resources, which also sometimes negatively affects human and social capital, is a key trade-off for generating value across the other capitals. We are committed to minimizing the environmental impacts of our operations and activities, and to deliver positive environmental outcomes to society.</p>



Environmental Impact Assessment meeting for our Mansa Housing Project (November 2022)

KEY PERFORMANCE INDICATORS

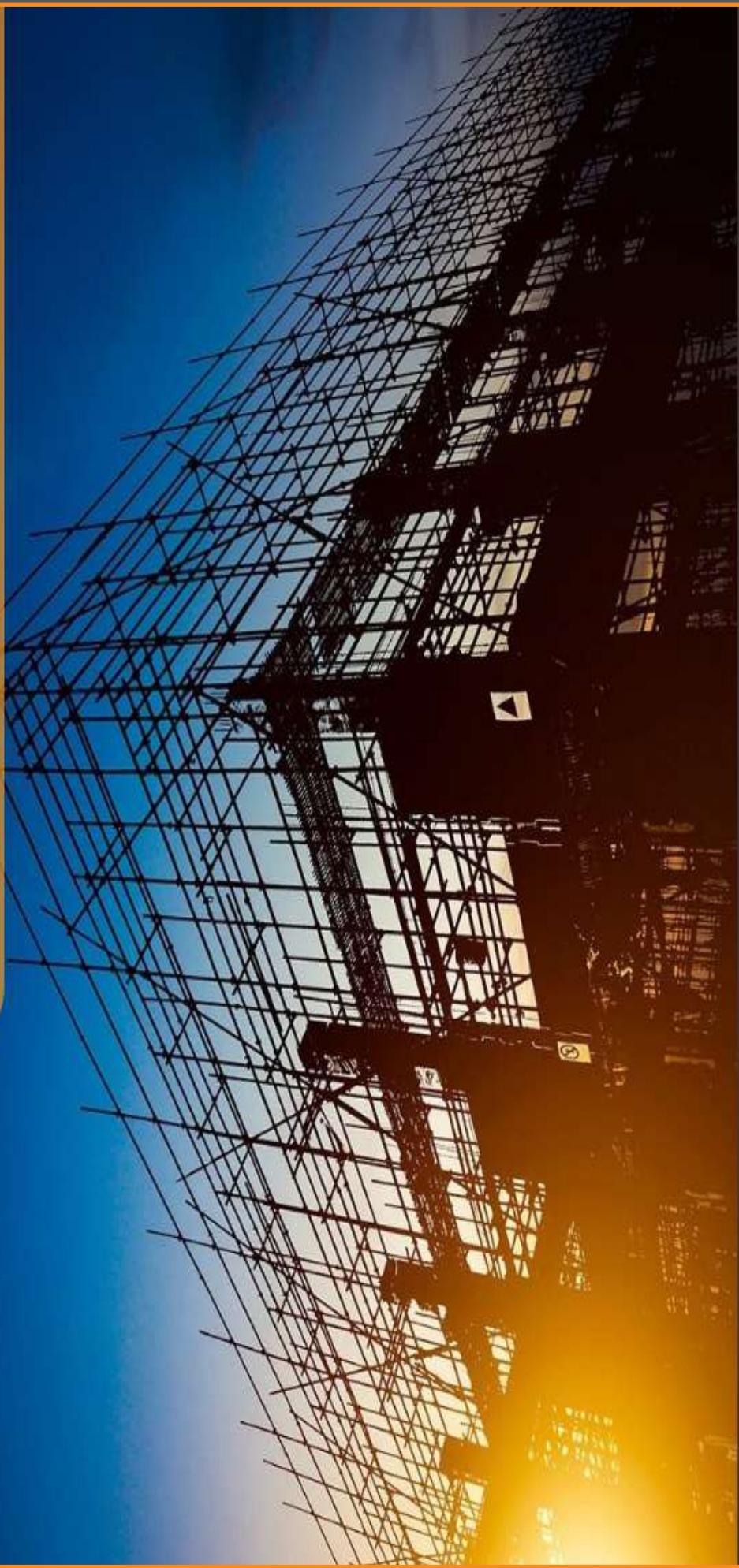
Stakeholders	Value drivers	YoY change	2023	2022	2021	2020	Outlook
Channels							
Agency Transactions	No. of Transactions	1,497	3,345	1,848	175	-	7,983
Mobile Banking	No. of Transactions	823,834	922,678	98,844	327,033	-	1,043,420
ATM Transactions	No. of Transactions	124,837	366,932	242,095	265,423	-	-
Internet Banking	No. of Transactions	268	304	36	7	-	2,612
Average TAT							
Unsecured Loans	Average TAT (Hours)	-	2	2	6	8	48 Hours
Mortgage	Average TAT (Days)	2	15	17	27	30	15 Days construction & 30 days outright purchase
Loan Disbursements							
Loan Disbursements (Covid)	No of Covid loans Issued	548	836	1,384	2,636	-	
NSFR Ratio - Basel III (%)	Strength of Funding	-34%	198%	232%	193%	115%	Positive outlook
Notable regulatory fines or penalties paid (KM)	indicator of adherence to regulatory requirements		nil	nil	nil	nil	
Employees							
Training spends (K'000.00)	Investing in employee developments	167	1,734	1,567	607	1,842	2,500
Attritions (%)	Ability to retain skills	1%	97%	96%	93%	88%	
Employee Productivity (K,000.00)	Employee engagement drives higher levels of productivity	430	1,562	1,132	673	620	

Stakeholders	Value drivers	YoY change	2023	2022	2021	2020	Outlook
Diversity, equity, and inclusion (employment equity) - female employees (%)	Progressing gender diversity	3%	45%	42%	44%	43%	
Communities							
Financial literacy participants (No. of Schools)	Value created through education	2	20	18	15	15	30
Total Social Corporate Responsibility (K'000)	Contribution to the Community	814	953	139	272	129	1,000
Environmental awareness	The impact of our business on the environment and society		Environmental awareness- Mansa Housing Project	Environmental awareness- Kwathu Hills Housing Project			Tree Planting exercise Environmental awareness - Mongu Housing Project



ZNBS and Habitat for Humanity Zambia paid a courtesy call to the Litunga palace

COMMERCIAL MORTGAGE



zambia national building society
"Shelter Through Savings"

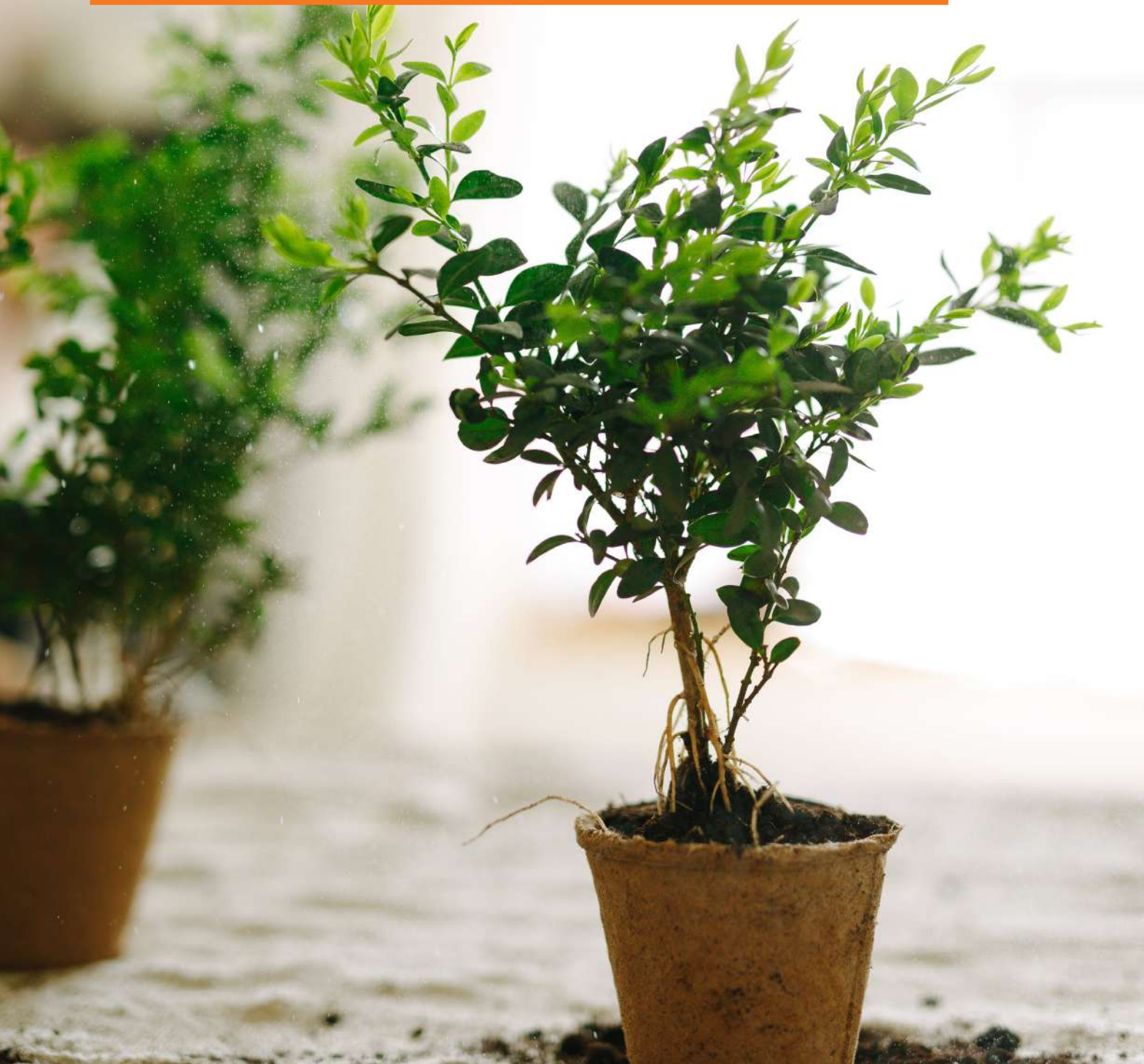
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BUILDING A SUSTAINABLE SOCIETY



ESG REPORTING

This is our second annual Sustainability Report. Whilst our commitments and targets remain the same, we've brought to life what we're doing to deliver on them and we've got some great progress to talk about.

LINKING TO UN SDGS

Zambia National Building Society is committed to supporting the United Nations Sustainable Development Goals (UN SDGs) by integrating sustainability into the products we offer, the way we operate our




business and the contribution we make to broader society. In 2022, we completed a detailed review of the UN SDGs, identifying those where the Society could make a material difference. In keeping with best practice, we chose four goals to be our areas of focus. We're making great progress against these targets, you can read a summary of our commitments and progress in 2022. The priority goals are:

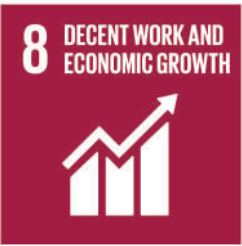

- UN SDG 4: Quality education.

- UN SDG 8: Decent work and economic growth.
- UN SDG 11: Sustainable cities and communities; and
- UN SDG 13: Climate Action

For each of these priority goals, we have agreed on ambitions and specific targets, which are outlined on the following page. These measures help to define, measure and report on our broader sustainability activities.

SUSTAINABLE DEVELOPMENT GOALS (SDG)

SDG	Why we make a difference	Our targets and ambition	In 2022, we delivered
 <p>(Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.)</p> 	<ol style="list-style-type: none"> 1. We are Zambian-owned Financial Institution, that wants to provide employment opportunities in Zambia. 2. We are committed to enhancing the skills of our employees. 3. We have the resources to make a positive impact on education in ZNBS 	<ol style="list-style-type: none"> 1. Around 100 internships during the last three years. 2. Around 100 baby wallet bank accounts for education saving to be opened every year. 3. Provide financial support to our staff who are upgrading their qualifications. 4. Provide support to Educational sector including refurbishment of class rooms and desks. 	<ol style="list-style-type: none"> 1. We renovated Ilute primary school in October 2022 at a cost of K541,714.21 in Mongu. 2. Donated 75 desks at a cost of K64,500 to Ilute primary school in Mongu 3. We offered internship to a total of 13 youths in 2023 

SDG	Why we make a difference	Our targets and ambition	In 2022, we delivered
 <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<ol style="list-style-type: none"> 1. We provide career opportunities at differing levels of seniority. 2. We spend over K13million annually with our supply chain, enabling us to drive positive changes with our suppliers. 3. We have approved a policy that recognises and reward top performing members of staff 4. Atleast 5 jobs are created for each mortgage disbursed. 5. Our housing projects support part of SMEs that are suppliers in the construction sector. 	<ol style="list-style-type: none"> 1. To introduce a performance bonus scheme for higher performing members of staff. 2. We will offer career development to enable members of staff to achieve their potential. 3. 40% of all senior manager and above roles held by women by 2025. 4. All key suppliers have committed to the ZNBS Supplier Code of Conduct by 2023. 	<ol style="list-style-type: none"> 1. We recognised and rewarded 25 top-performing employees. 2. Sustainability questions feature in supplier due diligence questionnaires and requests for proposal documents. 3. 60% of senior management roles from internal recruits by 2025. 4. All suppliers were paid within the agreed contract time frame. 5. 80% of roles are filled by internal candidates
 <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>	<ol style="list-style-type: none"> 1. Land bank servicing and provision of capital for decent shelter and housing. 2. Our community programme focuses on access to housing. 3. We can help homeowners with the transition to green housing 	<ol style="list-style-type: none"> 1. To support 1,387 people with mortgage financing and 4,580 families with building Material loans every year 2. To provide serviced plots to first-time homeowners. 3. To provide innovations in the housing development sector across the country 	<ol style="list-style-type: none"> 1. Over 300 people were supported with mortgage financing for construction and outright purchase and over 1800 people were helped with Building Material loans. 2. We constructed a house for vulnerable families as part of CSR. 3. Partnered with Horizon properties, Habitat for Humanity Zambia and Africa Panorama for the provision of affordable decent housing.



SDG	Why we make a difference	Our targets and ambition	In 2022, we delivered
 <p>Take urgent action to combat climate change and its impacts.</p>	<ol style="list-style-type: none"> 1. Our own operations emit GHG (Green House Gas) emissions. 2. Our borrowing members will need help to deal with the transition to Net Zero. 3. Growing challenge in bigger cities with waste management. 4. Temperatures in Zambia have arisen, and rainfall cycle has been impacted, this has impacted the energy and Agriculture sector hence affecting inflation. 	<ol style="list-style-type: none"> 1. To promote alternative energy use in our operations. 2. Working with a range of external bodies and suppliers to monitor, manage and reduce our environmental impacts. 3. To preserve our environment by planting trees on all our housing project estates. 4. Plant 10,000 trees by 2024 	<ol style="list-style-type: none"> 1. We conducted Environmental awareness to over 100 communities in Mansa. 2. We obtained approval of the Environmental Impact Assessment of our project from the regulators. 3. 25% reduction on paper consumption. 4. The ZNBS board approved ESG policy 5. Bin donation to Luanshya Council to assist with waste disposal





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it's possible to employ your
money to work for you**

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Our Strategy



Our Strategic Focus

The results and outcomes derived from the initial year of implementing our strategic plan (2023-2025) provide additional evidence that our ongoing pursuit of this strategic direction is appropriate.

Solid Business Growth

Further Efficiency Gains

Profitability (PAT) 185 ZMW Million (2022: ZMW 1.8 million PAT)		Profitability Growth 60%		Cost-to-Income Ratio (CIR) 58% (2022: 65% CIR)
Total Assets K 2.65 billion +16.27% YoY (2022: ZMW 2.28 billion)	Customer Deposits K 1.04 billion +15.39% YoY (2022: ZMW 0.9 billion)	Net loans & Advances K 1.34 billion +43.06% YoY (2022: ZMW 0.94 billion)	Customer growth +8,789 +32% YoY (2022: 27,378)	Improved productivity Operating income/ No. Staff K1.55 million +32.48% YoY (2022: K1.17 million)

Continued Transformation

Strong Returns

Net Promoter Score (NPS) 48%	Stable Digital Platforms Service Uptime 97%	Return on Equity (ROE) 22% (2022:17%)
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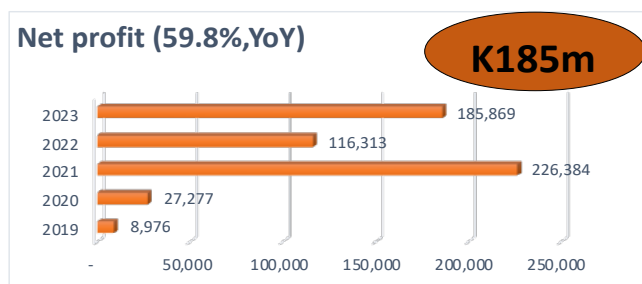


ZNBS Members of staff at the Corporate strategic planning meeting in April 2022

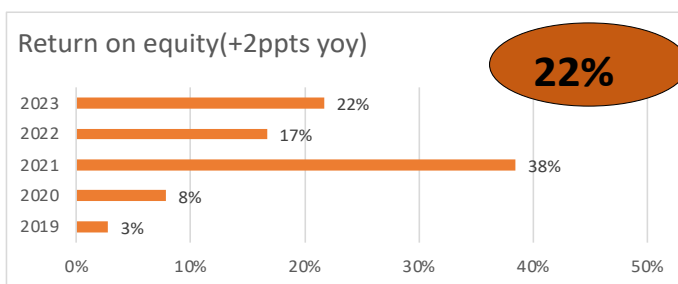
Financial Key Performance Indicators

PROFITABILITY

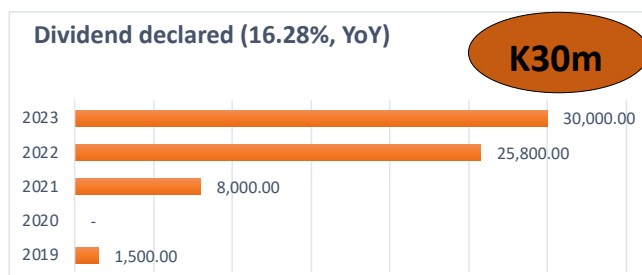
Throughout the year, we experienced robust lending activities, a considerable increase in operating income across all income lines and a substantial improvement in the quality of our loan portfolio. The Society continued to focus on providing outstanding customer service and investing in technology, while maintaining a healthy cost to income ratio. Consequently, the society's profitability in 2023 was substantial.



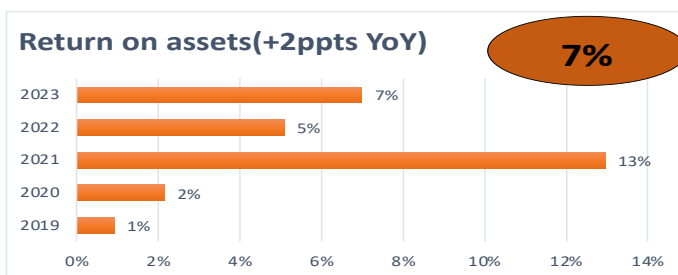
Total revenue less Interest expense, impairment charges and operating expenses.



Net profit divided by total equity.



Total dividend paid.

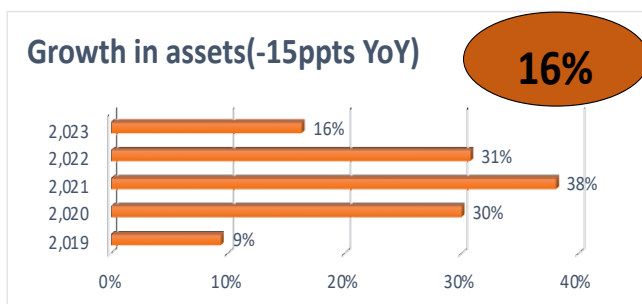


High profit in 2021 was due to profit from disposal of asset.

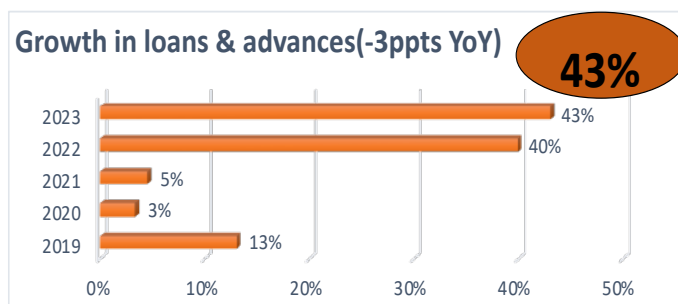
Net profit divided by total assets.

BUSINESS GROWTH

The balance sheet remained robust, as loan origination across our branch network increased substantially. The robust loan book growth of 39.39% was funded by growth in depositors fund (15%) and credit lines (11%).



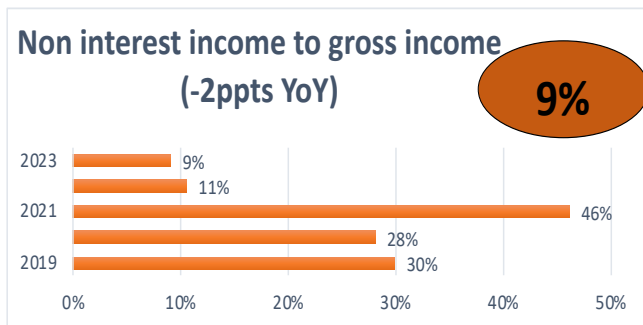
Increase in assets for the year divided by total asset opening balance.



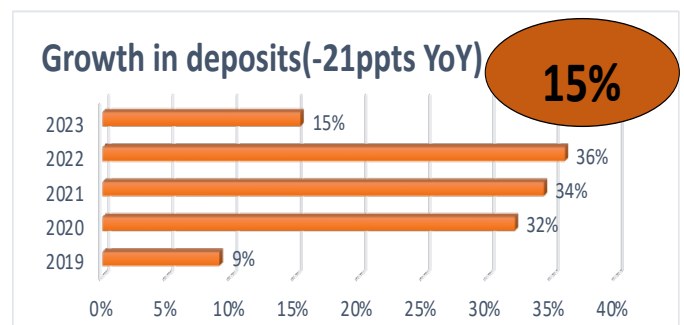
Increase in Loans and advances divided by opening balance of loans and advances.

Financial Key Performance Indicators

BUSINESS GROWTH (continued)



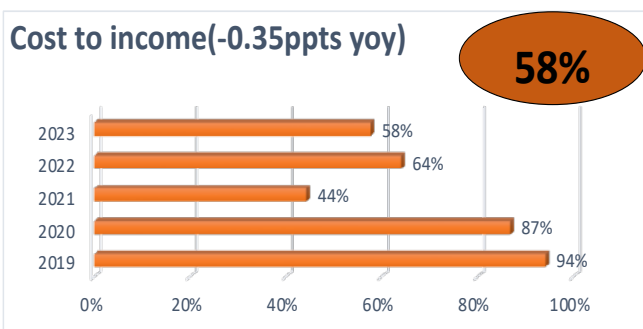
Non-interest income divided by total income.



Increase in customer deposits divided by opening balance of customer deposits.

EFFICIENCY

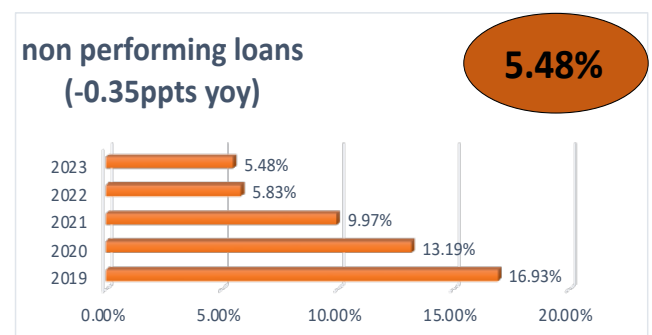
We maintained our emphasis on efficiency and cost control throughout the year, with costs remaining well-managed.



Operational costs divided by net income.

ASSET QUALITY

As a result of prudent risk management, our asset quality has remained resilient despite the economic challenges. The society's Non-performing Loans (NPL) ratio decreased from 5.83% in 2022 to 5.48% in 2023.



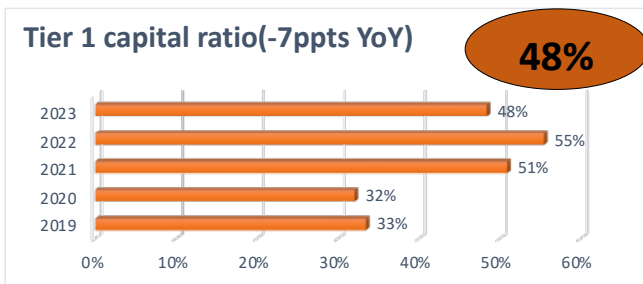
Non - performing loans divided by gross loans and advances.



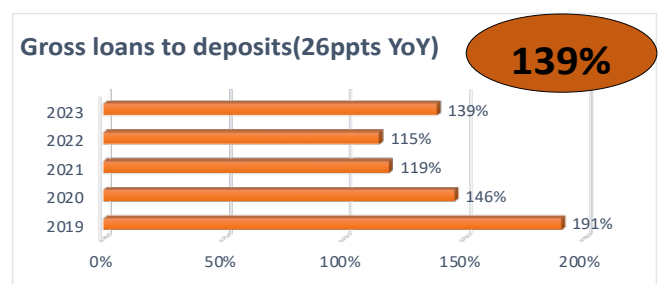
Financial Key Performance Indicators

FINANCIAL SOUNDNESS

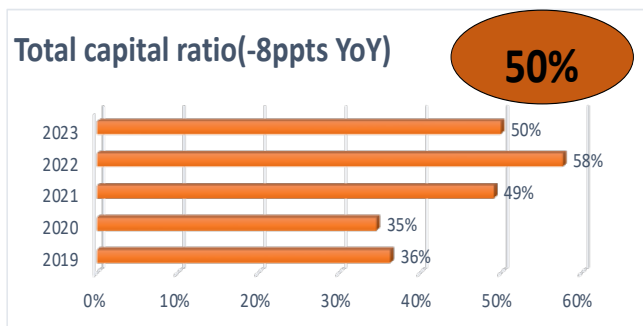
Maintaining efficient capital management is still a top priority for society. As of 31st March 2023, the Society's Tier One Capital Ratio and Total Capital Ratio stood at 48% and 50% respectively, comfortably above the minimum regulatory level of 10% of risk weighted assets. The Society continues to place a high priority on maintaining healthy funding levels consistent with our overall goals for sustainable growth.



Core Capital divided by risk weighted assets including off balance sheet items.



Total loans to customers divided by total deposits from customers.

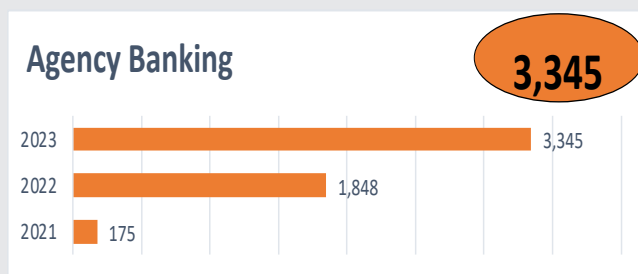


Total Capital divided by risk weighted assets including off balance sheet items.

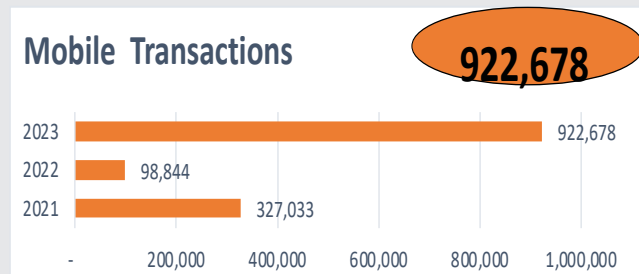
Non-Financial Key Performance Indicators

DIGITAL PLATFORMS

In pursuit of expanding financial inclusion, we steadily improve our digital offerings and restructure complete customer journeys in order to facilitate seamless digital experiences and stimulate greater digital adoption.



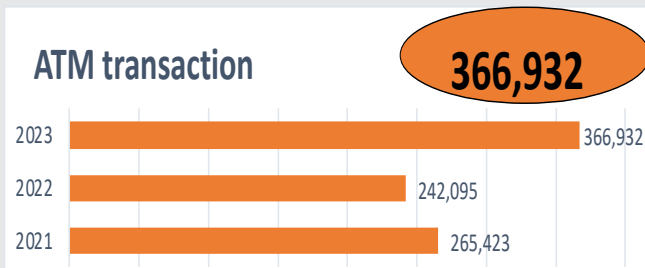
Number of transactions executed through the bank's agency banking outlets.



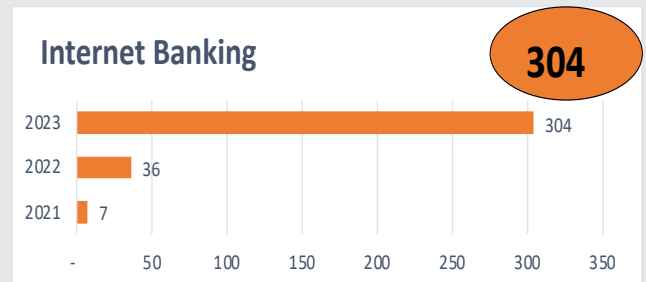
Number of transactions executed through ZNBS'S mobile banking platform.

Non-Financial Key Performance Indicators

DIGITAL PLATFORMS (continued)



Number of ATM transactions executed through the ZNBS and NFS ATM platform.



Number of transactions executed through the ZNBS internet banking platform.

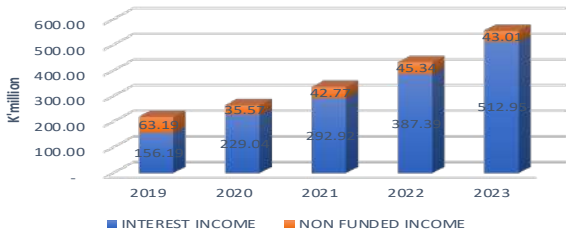


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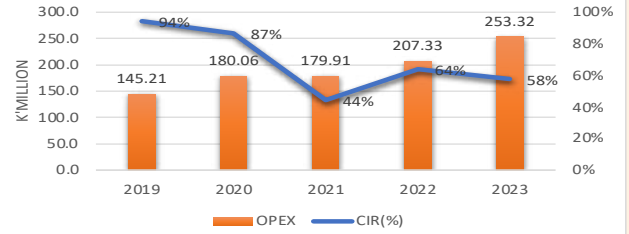


Five-Year Performance Trends

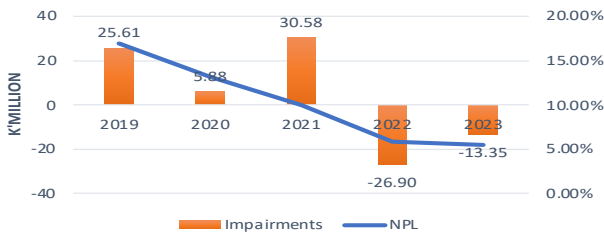
Total revenue



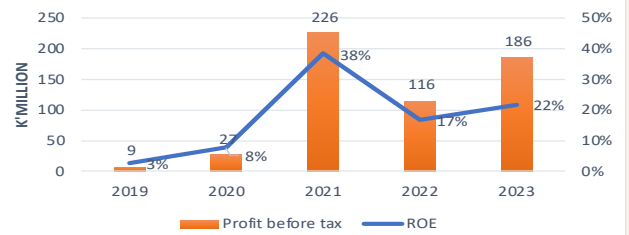
Opex & CIR(%)



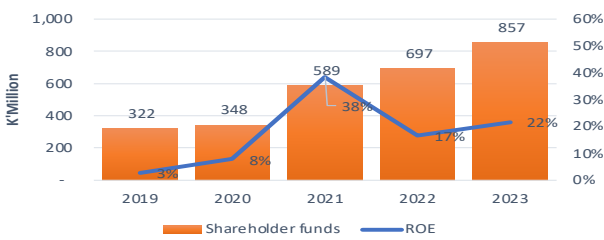
NPLs & Impairments



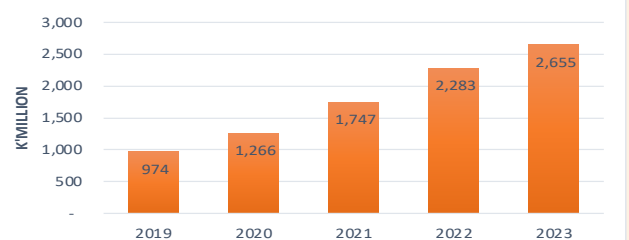
PAT & ROE



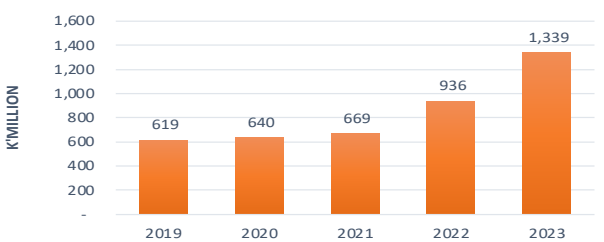
Shareholder funds & RoE



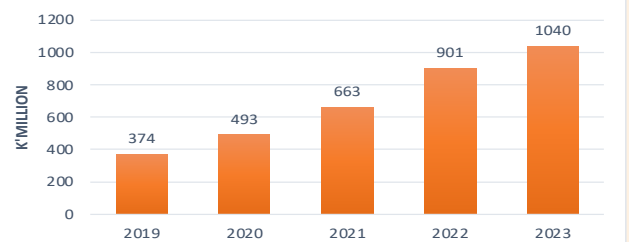
Total assets



loans & advances



Deposits





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Strategic Report



OUR OPERATING ENVIRONMENT

Domestic Economic Activities

In 2023, GDP growth is projected to be lower due to a further contraction in the mining sector as well as the slowdown in the education and electricity sectors. However, growth is expected to pick-up over the medium-term (2024-2025), underpinned by the projected recovery in the mining sector and sustained growth in the information and communications, financial and insurance as well as wholesale and retail trade sectors.



Source: Bank of Zambia

Inflation rose in Q2 2023 to an average of 9.9 per cent from 9.6 per cent in Q1 2023, moving away from the 6-8 per cent target band as projected from last year. Inflationary pressures are expected to persist over the forecast horizon with inflation projected to remain above the 6-8 percent target band.

Exchange Rate- Positive market sentiments related to the external debt restructuring agreement reached with the Official Creditors to Zambia under the G20 Common Framework notwithstanding, the market has continued to be characterised by the low supply of foreign exchange amid rising demand for foreign exchange as the economy recovers post-

COVID-19 pandemic. Whilst the Kwacha appreciated by 4.8 per cent against the US dollar in the second quarter, it depreciated by 11.0 per cent to K19.48 between end-June and August 22, 2023.

Market Environment

Growth in domestic credit and money supply slowed down to 9.1 per cent and 17.5 per cent, year-on-year, in June from 2022 12.1 per cent and 30.0 per cent in March, respectively. This largely reflected the lower Kwacha value of foreign currency deposits following the appreciation of the exchange rate of the Kwacha against the US dollar. The overnight



interbank rate marginally increased to 9.39 per cent at June from 9.26 percent at March. Over the same period, commercial banks' average lending rate edged upward to 25.7 per cent from 25.5 per cent.

Technology

Technology is continuing to change the way that customers access and interact with their financial services provider.

Events of recent years have accelerated the use of digital devices and the online service experience is seen as increasingly important to customers. This acceleration in digital adoption is expected to



be permanent with a continuing reduction in the use of cash and branches.

Data needs to be kept secure and free from cyber attacks. Challenger banks continue to focus on digitising traditional banking processes and adding functionality, which to date has focused more on current accounts. However, online mortgage-switching platforms are starting to emerge alongside digital solutions for both savers, investors and borrowers.

Climate Change

As evidence of increased climate change builds, consumers and regulators are attentive to environmental issues. The Government's commitments

to addressing climate-related issues were reaffirmed and extended at the COP26 summit in Glasgow in 2021 and at COP27 in Egypt in 2022. Regulatory disclosures for banks and building societies on the financial risks arising from climate change further increase focus in this area.



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THE CHAIRMAN'S STATEMENT



BOARD CHAIRMAN'S STATEMENT

“Welcome to the 2023 Annual Report for the Zambia National Building Society. This year, I am happy to report on a period in which the Society has performed strongly in the pursuit of our Corporate Strategic Plan.”

Financial Performance

The security of the Society's financial position has been further strengthened by our performance in 2023. We have achieved exceptional levels of growth on both sides of our balance sheet, and our capital and liquidity positions comfortably exceed regulatory minimums. The growth in our savings book in 2023 has been particularly strong, owing to the value we offer to our customers, the impact of our transformation programme, and the remarkable support provided by our staff. Shareholder equity increased to K857 million in 2023 compared to the K696 million growth in 2022. This has translated into an increase in return on equity of 21.69% from 16.69% in 2022.

The Society performance gives confidence in the overall strategic ambitions. We intend to focus even more therefore on the needs of our clients as we continue to progress along our strategic journey and build on what we have done successfully over the last few years to further improve outcomes for our stakeholders.

Investing in Technology

The speed of change in our markets, together with our increasing scale, underline the importance of the investment we are making in the technological transformation of the Society. Our customers expect a resilient, 'always on', service that they can access through a variety of means, including mobile devices, and the digitisation of the Society's savings and mortgage services is a key strategic priority for the Board.

It is really encouraging to report that the Society's investment, with its focus on technical resilience as well as enhancements to the services we offer, is clearly delivering real value, with a number of key milestones being achieved in 2022, including the implementation of Internet banking.

Customer Service

The Society is focused on consistently meeting the needs of its customer. We have made significant progress during the year in modernising our core banking systems and have begun to implement digital enhancements to our mortgage processes that will lead to a more resilient and scalable service. I expect this progress to continue in 2024 as we make significant enhancements to both our mortgage and savings operations aimed at improving the customer experience.

This combination of digital and personal interactions is clearly what our customers want, with the ease and efficiency of digital services being complemented by the warmth and professionalism of services provided by front-line staff.

Customers who experience our services through branches place a high importance on the personal touch, and the completion of the makeover of four branch networks was a significant milestone completed this year.

Climate Change

The Board of the Society approved the Environment Social and Governance (ESG) framework to guide the Society on Sustainability Reporting in February 2023.

The growing demand for more and better ESG information and disclosures has, in the absence of regulations, given rise to the proliferation of voluntary

ESG disclosure standards and frameworks to help address this market need. Investors, customers and other stakeholders and capital providers are increasingly recognizing institutions' approach to ESG matters.

As such, they're increasingly looking to understand, via data and narrative disclosures, how an institution is performing on various sustainability and ESG issues.

The Government of the Republic of Zambia has prioritized matters of the green environment through the creation of the Ministry of Green Economy. The Society needs to be well positioned in this area by enhancing its ESG reporting. By measuring and

managing its ESG matters, the Society believes that its growth prospects shall increase as potential customers are more likely to do business with an organization that is conscious of its environment.

Whilst it is understandable that the current priorities of our customers are focusing the Board's attention on providing the best value and service possible, the long-term challenges of climate change remains an important driver of the Society's Corporate Strategic Plan. There are greater expectations for businesses to play an active role in addressing national issues, whether in reducing the impact of climate change, addressing the country's housing crisis or

creating inclusive opportunities for the more marginalised in society.

Zambia National Building Society is well placed to meet this expectation with its mutual status and track record of supporting people and communities, helping to build trust over a long period.

Our Housing Project has been planned in a manner that is sustainable and environmentally friendly. This means that the project will be delivered with the aim of promoting climate stability, protecting natural resources, reducing contamination of land and employing innovations in wastewater management systems.

Changes to the Board

The Society works to the highest standards of corporate governance, and we are committed to maintaining this approach. The Board's task is to ensure the Society is run with an appropriate blend of experience and fresh perspectives. During the year Mrs Olive Darris a representative of the shareholder

was withdrawn from the Board of Directors and was replaced by Ms Nakapoko Nalungwe.

I would like to take this opportunity to thank Mrs Darris on behalf of the Board and staff for the effort and support rendered during her tenure as a Board Member. I would also like

to welcome Ms. Nakapoko who joined the Board of Directors. Ms. Nakapoko brings great financial services experience in Investment appraisal, Value for Money, Business Analysis and transformational roles and I look forward to working with her in delivering the mandate of the Society.

Board Priority for the year ahead.

We are committed to maintaining the long-term value we offer customers in a market that we expect to remain volatile and subject to change.

We are also committed to continually providing the exceptional service that clients expect and deserve. With this in mind, the board's top priority will be:

- Employee Performance and Development - Achievement of a high-performance culture among employees by implementing human resource best practices, including an effective performance management

process.

- Digital Transformation - Improve operational efficiency through technology.
- Customer Service- Enhance customer experience by becoming more customer-centric in our products, processes, and services.
- Affordable Housing Developments - Support homeownership through the provision of affordable land for the development of housing.
- Financial Performance: Sustainable profitability and enhanced shareholder value.

Finally, my thanks goes to the Board, the ZNBS team and all our customers for enabling us to achieve another remarkably successful year as we continue to play a leading role in building the Society. I look forward to being an actively engaged member of the Society in the future.



David Nama

Board Chairman

A hand holding a set of keys in front of a blurred house. The keys are in sharp focus, while the house in the background is out of focus. The scene is set against a light, neutral background.

MANAGING DIRECTOR'S STATEMENT

MANAGING DIRECTOR'S STATEMENT

“

Last year, we launched our new Corporate Strategic Plan 2022-25. We are making good progress on our strategy, despite the macroeconomic challenges and market pressures.

”



Dear Colleagues,

Last year, we launched our new Corporate Strategic Plan 2022-25. We are making good progress on our strategy, despite the macroeconomic challenges and market pressures that impacted our costs and the cost of living for our customers. Our focus throughout the year was five-fold: We focussed on employee performance; Digital transformation; Customer services by ensuring that our customers receive excellent services; supporting homeownership through the provision of affordable housing finance and; maintaining the financial performance of the Society.

Employees Performance

Our approach to staff learning was adapted in recent years, beginning to utilise a blend of in-person and online delivery methods. Most of our training in 2022 remained true to this approach as online learning and virtual workshops provide benefits in convenience and in reaching a greater number of colleagues.

We started to deliver improved learning solutions to our most critical areas including Customer Services, Credit

underwriting, Compliance and ICT. We have also made a clear link between our performance development framework and our wider strategy, embedding our performance development process which focuses on ensuring that everyone has clear set of objectives.

Investing in our teams is one of our foremost priorities. The great work we do in providing essential services to our customers and members would not be possible without the continued efforts of our people. They are our greatest asset.

Digital Transformation

On the digital front, leveraging our strong digital capabilities, we aim to bring about a significant shift in the way we do banking and further deepen our commitment towards financial inclusion.

Innovation is therefore critical to our goal of bringing the power of banking to millions of people across Zambia. Quality of service which includes availability, reliability, and security remains our top priority. We continue to maintain our focus on optimal network performance and service availability to ensure continuous uptime of business-critical services.

During the year, the board of directors approved the new department, digital transformation with the main objectives being; to offer our clients and customers new and better solutions; to optimize costs and reinforce risk management; to embrace technology-driven innovation to cater for the needs of and empower our customers.

In line with our commitment towards widening accessibility to financial services, we enhanced our agency banking mode; we piloted our point of sales (POS) that allow our customers to pay for their goods using our orange ATM card and; A total number 304 customers signed up for the Internet Banking that allows the customer to do their banking services within their comfort zone.

We continued to invest heavily in upskilling our staff on various aspects of Data Management, Data Governance, and Data Securities to enhance overall skillsets which will be crucial to enabling the business of the future.

We also continued to boost the depth of our teams through enhanced attraction and retention strategies to ensure a strong pool of data scientists and engineers who will remain critical to our ability to serve the future needs of our stakeholders.

We recorded a growth in mobile transactions by 833% with 922,678 transactions in 2023 compared to 98,844 transactions in 2022.

Customer Services

Zambia National Building Society exists to help people buy homes of their own, save for their future and manage their finances well. These are the foundations of financial security and well-being.

Our overall mortgage lending to homebuyers and landlords grew substantially. Our market share of lending also remained stable, reflecting the good value we were able to offer.

We continued our brand visibility journey to redesign our branches to meet the expectations of our customers. We want to show our customers that we value them by improving customer convenience in accessing the Society's products and services.

During the year we upgraded the feel and outlook of Mongu branch in the Western province and Choma branch in Southern province.

Our record - breaking mortgage performance

was just one reason why 2023 was a landmark year for Society, with continued strong support for customers less well-served by the wider market.

We helped 1,868 families with Building Material Loans valued at K198 million and we also empowered 356 families with a value of K256 million to get into the housing ladder, approximately one in three of all our mortgages now goes to helping first-time owners.

We recognized that with almost 90% of home ownership in Zambia being derived through self-build, we enhanced our Mortgage Solution to include the financing of bare land.

In demonstrating continuous improvements on product offerings, the Society introduces special rates for the newly recruited civil servants which makes Mortgage and Building Materials pricing more affordable for the new career entrants.

Housing project

Our journey to deliver the first-ever housing Project continued in 2022. Am here to report that the Zambia Environmental Management Agency issued a decision letter for our Kwathu hills housing Project to commence.

To make the project more environmentally friendly by reducing water ground contamination, we took a feasibility study to implement the first-ever biodegradable waste water management system.

During the same year, we signed three strategic partnerships with housing developers that have demonstrated the ability to deliver affordable housing to the lower and middle-income earners.

Financial Results

In 2022, results were record-setting financial results. The Society recorded sustainable growth across all our businesses, and deepened stakeholder value creation, in line with our Corporate Strategic Plan. With record profitability of K185 million (up 59% Year-on-Year), the Society achieved the best financial performance in its 50-year history.

Revenue rose sharply at 30% compared to 2022, building on robust growth in all business lines.

Complementing our strong revenue momentum, we were also able to contain costs and risks under control. As a result, we recorded strong efficiency gains, with a Cost-to-Income Ratio (CIR) of 43% trending below both the 2023 CIR of 48% and the Regulatory threshold of 50%.

At the end of the year, the Society had a solid balance sheet, with a strong funding base, a very high quality loan portfolio and high capital ratios.

Our total Assets closed the year with K2.6 billion. Our customer deposits grew 15% YoY to K1.04 billion with strong growth across all businesses.

We remain well capitalized with a Tier I Capital Ratio of 48% and a Total Capital Ratio of 50%. Our asset quality improved significantly with a NonPerforming Loans (NPL) ratio of 4.73%, down from 5.87% in 2022, and well below the regulatory limit of 10%.

Looking ahead to the future

We have an exciting journey ahead. We will execute our refreshed strategy for our customers today as well as for those of the future.

We will develop new products and services, invest more in rewarding relationships, make

it easier for staff to do their jobs well and demonstrate the real difference that make in our society.

Thank you to our customers, who are at the centre of everything we do.

I look forward to another exciting year and to delivering value for our stakeholders.



Mrs Mildred Mutesa
Managing Director





ENVIRONMENTAL SOCIAL AND GOVERNANCE

ENVIRONMENTAL SOCIAL AND GOVERNANCE

ENVIRONMENT

We believe that climate change is a critical issue for the country and the wider world. We are committed to making a positive contribution to the challenge of climate change by reducing the environmental impact of our business activities. In this section, we outline the actions we’re taking to reduce our impact on the natural environment as the cause of climate change. We’re applying a consistent methodology which reflects current best practices and is committed to transparent governance and reporting as well as compliance with regulatory requirements. The Society’s waste-related impacts arise from the activities of our employees and the facilities, paper documentation and correspondence we send to third parties and our customers. We’ve put in place a variety of strategies across the Society to reduce waste to the environment below are some of specific strategies.

Strategies	Activities
<p>Climate Change</p> 	<ul style="list-style-type: none"> Engaged with our suppliers and regulators on climate matters. Supporting our customers towards greening their homes and educating them to become more energy efficient. Partnerships with a number of specialist organisations to increase our expertise and propositions around the areas where we can make the greatest impact in reducing our carbon footprint. Planting a tree for every new starter and retiree at the Society. Planting of trees to all our housing developments. Encouraging our development partners to adopt the green housing model. Celebrated environmental awareness days, such as World Environment Day and Earth Hour.
<p>Management</p> 	<ul style="list-style-type: none"> Investment in digital technology to reduce paper for customer communications. Commenced a campaign with colleagues to reduce printing. Installing recycling bins in all our business premises Installation of water-saving taps in all our business premises. Discourage the use of disposable items in our offices. Organised community litter picks around our operating environment. Reduced the amount of paper and branch literature. Reduce landfill contamination by using innovative wastewater management that guarantee the reuse of water for our housing developments

SOCIAL

As a Building Society, we aim to meet the needs of multiple stakeholders. For Customers, this means offering long-term fair value, good customer outcomes and superior customer service. For colleagues, it means providing

work that supports, engages, and enables them to unlock their full potential. And we support local communities and national causes, creating opportunities and better outcomes for the most disadvantaged in society.

Caring for Staff

We want the Society to be a place to grow and internal mobility plays an important part in this. For some, this is a promotion; for others, it is the opportunity to move to a new part of this business and retrain.

Place to develop

Our approach to performance centres on having brilliant conversations and we work hard to make sure everyone understood their contribution to the overall Society performance. The process for capturing information about performance discussions is simple and consistent across the Society.

Our Human Resource Directorate includes a dedicated Talent and Development team which has responsibility for supporting colleagues' development needs.

All members of staff are required to undertake certain training modules throughout the year to ensure they have the skills necessary to undertake their roles and we support colleagues to gain the professional qualifications required.

Wellbeing

These are challenging and demanding times, and we believe that our members of

staff will do their best for an organisation that understands and supports them throughout their lives.

Our wellbeing programme is very important to us. It's tailored to the key themes of mental and physical health, and financial wellbeing. We're here to support our colleagues in all aspects of their professional and personal lives. Activities that we did to support wellbeing of our colleagues includes.

- Mental awareness- stress and its management in June 2022
- Supporting Staff who were impacted with the Covid 19
- Improved financial education programme.
- Occupational health services.
- Enhanced maternity and paternity provision.
- Sponsoring of our colleagues to participate in different sports activities.

- Pension Provisions.
- Life assurance

Diversity and inclusion.

We've got a simple goal of recruiting and developing more managers and senior managers internally, but progress has been slower than we hoped. We believe in treating people fairly and recognise that different individuals bring different skills to our Society. We have set ourselves challenging targets and we are working hard to achieve them.

- Launched training programme for hiring managers on inclusive recruitment and mitigating bias
- Launched talent programme for staff across different grades.

Reward

Our purpose is 'making people better off through life'. Delivering this involves all aspects of employment, whether financial or non-financial - for example,



ZNBS athletics team at the Inter-company relay on 27th May 2022



ZNBS Golf Team - Employees Wellness

career development, wellbeing support, inclusion and belonging. We want each and every colleague to feel properly valued and fairly rewarded for the contributions they make to the effective running of the Society. To this end, we recognise 25 outstanding employees from various directorates.

Caring for our communities

We want to make significant, lasting improvements to the lives of the most vulnerable and disadvantaged in the communities in which we're based. Our key area of focus are

Better Futures - supporting young people to build better careers.

In 2022, we delivered literacy and numeracy support for

primary schools and our Employability programme for secondary schools. This entailed assessing the needs of learners and providing the necessary resources for the learners to have a conducive learning environment for their education. The initiative undertaken to promote literacy were the rehabilitation of a 1 x 2 and 1x 3 classroom blocks and donation of 75 desks at Ilute Primary School in Mongu of Western Province.

Better Foundations - helping people stay in their homes.

Building financial resilience and helping the most disadvantaged and vulnerable to keep a roof over their head and food on the table. We work with a number of partners providing funding

and other support to increase their capacity to support more people and work towards sustainable improvements to their lives.

We continue to improve our products, borrower support and mortgage processes to help as many people, as we can, to realise their dream of homeownership and moving up the property ladder.

Our investment in our digital capabilities has allowed us to improve our customer engagement and support, meeting expectations of self-service.



Better Heritage- Supporting Our Culture

We believe that Traditional ceremonies define our heritage culture and the way of life of every person. ZNBS continued preserving the heritage of Zambia and Africa by sponsoring and participating in major traditional ceremonies such as the Kuomboka, Mutomboko, NC'wala, Ukusefya Pa Ng'wena and Kulamba Kubwalo ceremony of the Chewa people of Malawi, Mozambique and Zambia and other traditional ceremonies.



The Kuomboka Ceremony (April 2022)



Nc'wala Traditional Ceremony (February 2023)



Ukusefya Pa Ng'wena Traditional Ceremony (August 2023)

GOVERNANCE

Maintaining the highest standards of governance is integral to the successful delivery of the Society's strategy, in a highly regulated industry. Our governance framework ensures that the Board is effective in making decisions and maintaining oversight, whilst keeping to our well-established purpose, mutual belief and values.

Corporate Governance

The Society has implemented a robust governance framework which enables it to achieve the good governance principles of ethical culture, good performance, effective control and legitimacy. The Society has continued develop and improve on the governance framework in order to improve the overall corporate governance culture.

Compliance Status

The Board of Directors is overall responsible for ensuring adherence to governance practices and setting strategic direction for the institution. The Board confirms that during the financial year ended 31st March 2023, the Society materially complied with the Bank of Zambia Governance Directives, LUSE Corporate Governance Code and other relevant governance regulations. A clear governance framework has been developed which includes policies which help to increase the level of governance in the institution and best practice is adhered to at all times.

Separation of Powers and Responsibilities

The governance structure of the Society ensures that there is a separation of power and responsibilities for the Shareholder, Board of Directors and Management. The Shareholder exercises oversight role and control of the Society through the Board of Directors.

The Board sets the "tone at the top" by promoting a sound corporate culture and demonstrating clear values and high ethical standards. The Board recognizes that each director has a duty to act in good faith and promote the success of the Society.

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 is provided with timely information to facilitate for interactive discussions during board sessions.

To ensure transparency, the activities of the Board are documented and planned.

Although the Board is ultimately responsible for the performance of the institution, this is managed on a delegated basis. The Board appoints the Managing Director and delegates authority for day-to-day operational management of the institution. The Board monitors 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 performance of the institution against strategic objectives. Professional advice is provided to the Board as and when needed.

Ethics and Integrity

The activities of the Society are governed by a set of rules for ethical conduct and integrity. The Society has in place an institution wide Code of Ethics that sets out the expected conduct of the employees and all stakeholders. The Society has put in place an Integrity Committee which aims to foster a culture of integrity throughout the institution. The Committee is mandated to enforce the provisions of the Code of Ethics and curb any corruption or maladministration within the institution. All staff are required to report any illegal conduct that violates the underlying principles of the Code of Ethics and the Integrity Policy.

Monitoring and Reporting of Ethical Violations

The Board of Directors has put in place the following mechanisms for the monitoring, reporting and redress of ethical violations:

i. Code of Ethics

The Board has adopted a Code of Ethics whose purpose is to regulate the required corporate behavior by which the Society is judged in all its dealings and operations to promote and safeguard the integrity of the institution. The Code gives guidelines in terms of the ethical conduct expected at all levels and relationships with stakeholders.

GOVERNANCE (Cont'd)

This Code has been communicated to all Directors and employees who are expected to observe high standards of integrity and fair dealings in relation to customers, stakeholders and regulators. Further, the Code of Ethics is communicated to all new employees, who are expected to report all unethical conduct.

ii. Whistle-Blowing Policy



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

iii. Integrity Committee Manual

The Integrity 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 incidents of malpractices. The Committee has put in place a mechanism for reporting of unethical conduct and maladministration matters directly to the Committee.

iv. Harassment Policy

The Society is committed to providing a safe environment for all its employees which is free from discrimination on any ground and from harassment at work including sexual harassment. The Society operates a zero-tolerance policy for any form of harassment in the workplace, treat all incidents seriously

and promptly investigates all allegations of harassment. The Harassment policy applies to all employees at all levels of the Society and covers harassment occurring in the workplace or other settings in which employees may find themselves in connection with their employment. It aims to create and maintain a conducive environment free from fear and threats of harassment and provides appropriate mechanisms for the prevention and redress of harassment incidences.

v. Anti-Money Laundering Policy



The Society had established a robust framework for the fight against Money Laundering (ML) and Financing of Terrorism (FT). The Society has put reasonable measures in place to control and to limit ML/FT risk, including dedicating the appropriate means and systems which would help reduce or eliminate the anti-money laundering risks for the institution. It is the policy of Society to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities.

The Board and all employees are required to annually undertake mandatory AML/CFT training. Through the Compliance function, the Society undertakes ongoing compliance monitoring activities to ensure adherence to applicable laws, regulations and other mandatory obligations. This includes KYC reviews and Customer Due Diligence (CDD) checks as required.

Other Governance Policies

The Board has out in place the policies within the institution to promote and enhance the Corporate Governance culture of the institution:

GOVERNANCE (Cont'd)

i. Conflict of Interest Disclosure Policy

A Conflict of Interest Disclosure Policy has been developed for the management of conflicts of interest within the institution. The purpose of the policy 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.

All Board members have a duty to avoid conflicts of interest. They are obligated to disclose any real or potential conflict of interest. This is done during and before meetings and at any point when such an actual or potential conflict arises. Further, the Society monitors the other directorships which Board Members may hold with other institutions to ensure compliance with the requirements of the Bank of Zambia Corporate Governance Directives which require full disclosure of all business relationships held by Directors and any transactions which may pose a conflict of interest.

During the financial year under review, the Directors and members of various Committees did observe the statutory duty to avoid conflicts of interest. Directors who had conflicts, were excluded from discussing and voting on matters in which they had declared an interest. Conflicts on related party transactions were reported by the Directors in the year under review.

Members of staff are also required to comply with the conflicts of interest guidelines and report all actual or potential conflicts of interest that arise. A reporting process is in place.

ii. Environmental, Social and Governance (ESG) Framework

The Society has developed an ESG framework which enables to be more transparent about the risks and opportunities it faces as well as act as a communication tool that plays an important role in convincing stakeholder on the Society's sincerity on matters of the environment it operates in. This framework provides guidance to the Society on ESG reporting as well as defines the roles and responsibilities at various levels in ensuring that the Society develops sound ESG practices throughout the institution.



The Board provides oversight of the ESG Reporting Framework. The monitoring and reporting is divided into three (3) segments:

- a. The Society reports on activities impacting the environment covering various factors such as climate change strategy, biodiversity, water efficiency, energy efficiency, carbon intensity, reduction of carbon dioxide emissions in undertaking housing developments;
- b. The Society business impacts several social matters and key in the reporting framework includes factors such as providing equal employment opportunities, freedom of association for employees, health and safety within the institution, avoiding child labor and adhering to human rights principles.
- c. The Society reports on how an institution is answerable to the Shareholders and other stakeholders. This includes factors such as business ethics, compliance, Board independence, executive compensation and Shareholder democracy.

Board Governance

In order for the Society to achieve its strategic objectives, it has in place a Board of Directors that has a diverse range of skills, competencies and experiences. The Board is appointed by the Shareholder, the Minister of Finance and National Planning in accordance with the provisions of the Building Societies Act. The Minister of Finance has the responsibility of ensuring that the Board of Directors is properly constituted and comprised of persons with appropriate industry knowledge and expertise. All Board appointments are subject to a fit-and-proper test by the Bank of Zambia for efficient and effective discharge of the Board's collective responsibility.



Board Independence

The ZNBS Board is made up of Seven (07) Non-Executive Directors (NED) and One (01) Executive Director (ED), was appointed by the Minister of Finance on 19th February 2021. The majority of the Board of Directors are independent and this complies with the Bank of Zambia Corporate Governance Directives, King IV and global best practice governance.

The Board was composed of the following;

Dr. David Nama	<i>Chairperson</i>
Mr. Eugene Haazele	<i>Member</i>
Mrs. Laura Sitali	<i>Member</i>
Ms. Nakapoko Nalungwe	<i>Member</i>
Mrs. Martha Nalubamba	<i>Member</i>
Mrs. Grace Mutembo	<i>Member</i>
Mrs. Mildred Mutesa	<i>Member</i>

Board Induction and On-Boarding

The Society has put in place a Board Induction and On Boarding program which provides a formal induction process for new Board Members. Through this process, a new Board Member is familiarized with the Society's strategy, operations, governance structures, policies and procedures. The process also involves training the Directors on corporate governance, their roles and responsibilities and potential liabilities. The on-boarding process prepares the newly appointed directors for boardroom dynamics and introduces them to the performance indicators against which their contributions to the Board shall be measured.

Board Calendar

The Board develops a yearly calendar to guide on the activities to be undertaken. The annual calendar sets out the scheduled Board and Committee meetings which include strategy and budget sessions, performance reviews for the Board and for Senior Management and Board training. The plan allows for transparency and predictability in activities for the Board and ensures that the Directors are provided with timely information to assist them in planning for the year ahead.

Board Training and Continuous Development

In order to improve performance, the Board of Directors is required to undertake training to ensure continuous development of their knowledge and skills. Board development and training conveys the knowledge and understanding needed by the Board members to effectively carry out their roles and responsibilities. The training programs are tailored to suit the needs assessed and the knowledge gaps identified throughout the year and during the performance evaluation process.

Board Charter

The Board has developed a Board Charter in line with the Bank of Zambia Corporate Governance Directives. The Charter is reviewed every after two years at a minimum to ensure that it is aligned with the Directives and best practice. The Charter sets out the following:

- a) The roles, responsibilities and strategic functions of the Board.
- b) The roles, functions and responsibilities of Board members.
- c) Remuneration of Board and Committee members.
- d) Evaluation of Board Performance.
- e) Roles and responsibilities of the Board Committees.
- f) Delegated authority to the Managing Director and Management.
- g) Relationship with Shareholders and Stakeholders.
- h) Personal conduct of Board members.

GOVERNANCE (Cont'd)

Board Engagement

The Board discharges some of its responsibilities directly and delegates certain other responsibilities to its Board Committees to assist it effectively carry out its functions of ensuring independent oversight and stewardship. Four (04) Ordinary Board meetings and one (01) Extraordinary Board meetings were held during the financial year. The attendance rate of for the meetings was as tabulated below:

Table 1: Attendance for Board Meetings

	2022	2022	2022	2022	2022	2022	2022	2023	2023
DATE OF MEETING	20/05 Ordinary	17/06 Extra Ordinary	28/06 Board Training and Evaluation	20/07/2022 BoZ AML & Governance training	22/08 Ordinary	26/08/22 Board Performance Workshop	22/11 Ordinary	17/02 Ordinary	16 & 17/03 Strategy Session
Dr. David Nama	√	√	√	√	√	√	√	√	√
Mrs. Olive Darris	√	√	√	√	√	√	N/A	N/A	N/A
Mr. Eugene Haazele	√	√	√	√	√	√	√	√	√
Mrs. Laura Sitali	√	√	√	√	√	√	√	√	√
Mrs. Martha Nalubamba	√	√	√	√	√	√	√	√	√
Mrs. Grace Mutembo	√	*	√	√	√	√	√	√	√
Mrs. Mildred Mutesa	√	√	√	√	√	√	√	√	√

*Mrs. Olive Darris ceased to be a member of the Board following her appointment on the Board of Directors of another financial institution.

Board Oversight Structure

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 Committees and Committee Members are appointed depending on the knowledge and expertise required. The Committee are as follows:

(a) Audit 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 control framework. The Audit Committee held four (4) ordinary meetings the last financial year and the attendance was as follows:

Table 2: Attendance for Audit Committee

NO. OF MEETINGS	2022	2022	2022	2023	Total
DATE OF MEETING	27/04	29/07	28/10	27/01	4
Mrs. Olive Darris	√	√	N/A	N/A	4/4
Mrs. Priscilla Mpundu	√	√	√	√	4/4
Mrs. Grace Mutembo	N/A	N/A	√	√	2/4
Mr. Crispin Daka	√	√	√	√	4.4

Note: Mrs. Olive Darris ceased to be a member of the Audit Committee and was replaced by Mrs. Grace Mutembo.

(b) Finance Committee

The Committee oversees the financial risk management strategy, policy and treasury transactional matters of the institution. It reviews all borrowings of the Society, loans disbursed and assesses the asset and liability margins. The Committee carries out the asset and loan review functions. The Committee held five (05) scheduled meetings, which were attended as follows:

Table 3: Attendance for Finance

NO. OF MEETINGS	2022	2022	2022	2023	2023	TOTAL
DATE OF MEETING	25/04	25/07	25/10	19/01	23/01	5
				Special		
Eng. Eugene Haazele	√	√	√	√	√	5/5
Mr. Dionysious Makunka	√	√	√	√	√	5/5
Mrs. Olive Darris	√	√	N/A	N/A	N/A	2/5
Mr. John Nkonjela	√	√	√	√	√	5/5

* Note: Mrs. Olive Darris ceased to be a member of the Finance Committee, following her resignation from the Board.

(c) Staff and Remuneration Committee

The Committee is responsible for overseeing the management of human resources of the institution. 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 six (6) meetings in the last financial year whose attendance was as follows:

Table 4: Attendance for Staff and Remuneration

NO. OF MEETINGS	2022	2022	2022	2022	2022	2023	TOTAL
DATE OF MEETING	29/04	11/07	28/07	18/08	25/10	26/01	6
		Special		Special			
Mrs. Martha Nalubamba	√	√	√	√	√	√	6/6
Mr. Chingati Msiska	√	√	√	√	√	√	6/6
Mr. David Kaunda	√	√	√	√	√-	√	6/6

(d) Credit Committee

The Committee oversees 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 the mandate of Management 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	2022	2022	2022	2023	TOTAL
DATE OF MEETING	26/04	26/07	25/10	24/01	4
Mrs. Martha Nalubamba	√	√	√	√	4/4
Mrs. Grace Mutembo	√	√	*	*	2/4
Mr. Ngenga 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 oversee all housing projects of the institution. Further, the Committee oversees the risk management systems and processes and 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	2022	2022	2022	2022	2023	TOTAL
DATE OF MEETING	27/04	18/08	27/07	26/10	25/01	5
Mrs. Laura Sitali	√	√	√	√	√	5/5
Mr. Eugene Haazele	√	√	√	√	√	5/5
Mr. Nathan De Assis	√	√	√	√	√	5/5

(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, further, charged with the responsibility of reviewing the performance of the Board and administering the Code of Ethics and Integrity aspects across all levels of the Society. The Committee is chaired by the Board Chairperson. The Committee held six (6) meetings and the attendance was as follows:

Table 7: Attendance for the Nominations Committee

NO. OF MEETINGS	2022	2022	2022	2022	2023	TOTAL
DATE OF MEETING	26/04	10/06	28/07	27/10	26/01	5
		Special				
Dr. David Nama	√	√	√	√	√	5/5
Mrs. Laura Sitali	√	√	√	√	√	5/5
Mr. Bursch Nketani	√	√	√	√	√	5/5
Mr. Hobby Kaputa	√	√	√	√	√	5/5

Directors Compensation

The Board has established a formal and transparent procedure for the determination of compensation for the Board. A remuneration policy sets out the criteria to ensure that the compensation is sufficient to attract and retain the caliber of Directors required for the institution to perform positively. The remuneration should be in line with the prevailing market practice.

The disclosure of Director's fees and remuneration is made in note 3 of the Financial Statements. The Director's fees and any amendments to the same are approved by the Shareholder at the Annual General Meeting.

Board Performance Evaluation

The Board recognizes the need to conduct a performance evaluation is an essential principle of Corporate Governance. The Board evaluates its effectiveness to ensure a high level of performance for the success of the institution and the attainment of its strategic objectives. The Board regularly assesses its performance against its objectives, roles, responsibilities and performance objectives to continuously improve its effectiveness and efficiency.

The Nominations Committee provides oversight and conducts the evaluation on an annual basis. The Committee has developed a mechanism of setting performance targets for the Board and its Committees. The targets are reviewed on a quarterly basis and form the basis for the performance assessment at the end of the financial year. The recommendations from the evaluation performance of the Board of Directors are submitted to the Regulator and implemented.

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 function is in place. The function reviews and develops relevant policies and manuals. Further, Compliance assessments are undertaken on an annual basis and the Society ensures that all staff are sensitized and trained on a periodic basis 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 compliance quarterly report is presented to the Risk and Investment Committee and ultimately the Board, to enable the Board and Committee appreciate the level of management of the compliance risk. The Compliance function and monitoring program are subject to independent review by both the Internal and External Auditors.

Risk Management



The Society is committed to a Culture of Risk Management within all its operations and processes to ensure that opportunities are maximized, and risks are effectively identified and managed to minimize any financial or organization disruption. The Society’s risk management approach is based on the Enterprise Risk Management Framework (ERMF). The ERMF governs the way in which the Society identifies and manages

its risks. It further outlines the key responsibilities of different Directorates and its staff (the line of Defence), 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 out clear risk management practices and requirements. The Society recognizes the presence of risks, both within the organization and externally that continually affect the organization’s strategy implementation. In this

regard, the Society prepares and evaluates the Society Risk Profile every quarter (3 months) to evaluate the need to continue implementing activities or a need to redirect strategy.

The Society has also profiled the risks inherent to the Society on Environmental, Social, and Governance (ESG) practices and has committed to ensure that there is adherence.

ZNBS TOP 10 CORPORATE RISKS

Key Risk Category	Inherent Risk	Residual Risk
Cyber Security Risk	Red	Orange
Business/ Strategic Risk	Red	Green
Reputational Risk	Red	Green
Credit Risk	Red	Green
Operational Risk	Red	Green

Key Risk Category	Inherent Risk	Residual Risk
Market Risk/Liquidity Risk	Red	Green
Resilience Risk	Red	Green
Fraud Risk	Red	Orange
Pandemic Risk	Red	Green
Capital Risk	Red	Green

1. Cyber Security	
<p>Current Status Cybersecurity risk remains high, the Society has in its Corporate Strategic Plan Identified Digital Transformation as key to improving operational efficiency through technology and hence will lead to growing its business.</p>	<p>Mitigation The Society through its ICT Department has put in measures such as firewalls and a dedicated information security personnel to monitor breaches and similar incidents. The Society ensures that delivery channels that it utilises such as internet, agency and mobile banking carry a higher risk are assessed fully, as they may have a challenge of verifying identities and activities of customers.</p>
2. Reputational Risk	
<p>Current Status The Society understands the need to ensure that it has an adequate governance structure to minimise actions, transaction or event will reduce trust in the Society’s integrity and competency by clients, counterparties, investors, regulators, employees or the public.</p>	<p>Mitigation The Society understands the risks associated with its customers, either individually or as a category, through the Compliance Department, a criterion for identifying high risk customers is established to ensure that all risks are captured. Management has established appropriate policies that address such issues i.e. code of ethics, proper internal controls, and corporate governance and know your customer principles. It regularly reviews these policies and incorporates industry innovations as well as reputation risk management into the Society’s systems and processes and escalates to the Board for review and approval.</p>

3. Business/Strategic Risk

Current Status

The probability of loss inherent in an organisation's operations and environment (such as competition and adverse economic conditions) that may impair its ability to provide returns on investment.

Mitigation

The Society has built its Corporate Strategy Plan and remains alert as it regularly reviews its CSP to ensure it remains relevant.

4. Credit Risk

Current Status

Lending is core to the Society's line of business, Know Your Customer is key to reduce the risk of loss to the firm from the failure of clients, customers, and counterparties, to fully honor their obligations to the Society, including the whole and timely payment of principal, interest, collateral and other receivables.

Mitigation

A fully functioning Credit Department is in place to ensure all loans are thoroughly vetted before they are processed. Models are in place to minimise adverse consequences from financial assessments and incorrect decisions.

5. Operational Risk

Current Status

The Society recognises loss that can be incurred to the Society through inadequate or failed processes or systems, human factors and due to external events.

Mitigation

It is the objective of the Society's management to minimize 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.

The Society continues to monitor its tolerance to both financial and operational risks through its Risk Appetite Statement (RAS), which is approved the Board. All breaches are escalated, and a remediation plan is formulated to manage or indeed accept the risk identified through the appetite breach.

6. Market Risk

Current Status

Mitigation

The Society has a fully functioning Asset and Liabilities Committee (ALCO) which regularly meets to discuss, and changes and the Risk Appetite Statement is updated to ensure continuous monitoring.

7. Resilience Risk

Current Status

Society recognizes that to effectively discharge its mandate and realize its goals, it needs to ensure that its systems and processes are properly secured and continuously available. To this effect, the Society is committed to ensuring the continuity of its operations in the event of an incident which causes major disruption.

Mitigation

To achieve this, the Society has embarked on a certification journey of integrated Management Systems (IMS) comprising ISO9001, ISO22301 and ISO27001. It aims to meet the expectations of customers and other key stakeholders of the business in a timely manner and Business Continuity Management (ISO22301) being the holistic management process that identifies potential threats to an organization and the impact those threats can have on an organization if realized. Further, it provides a framework for building organizational resilience with the capability of an effective response that safeguards the interests of key interested parties, reputation, brand and value creating activities. Disaster Recovery Plans and testing are undertaken quarterly, to ensure that the Society is equipped to manage a major disruption in its operations. The Society recognizes the Impact of resilience risk and constantly reviews its operations to identify emerging risks that may cause disruptions to its main operations.

8. Fraud Risk

Current Status

The Society is committed to protecting its funds and all its assets. The Society has a zero tolerance to fraudulent activities whether internal or external to the Society, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

Mitigation

The Society is currently enhancing its fraud strategy through investing in an automated fraud management system that will improve its capability of identifying frauds perpetuated by employees or external persons. The Society continues to provide various touch points to report frauds such as the toll-free line for those that wish to report and remain anonymous.

9. Pandemic Risk

Current Status

The Society recognises that staff are its most valued asset and monitors closely the environment to minimise risk where a pandemic is likely to arise and likely to diffuse broadly through human population.

Mitigation

The Society continues to closely monitor the COVID 19 situation in the country and has put in measures to protect staff and members of the public.

10. Capital Risk/ Liquidity Risk

Current Status

The ability of an enterprise to access cash at any given time and its capacity to balance this with its efficient use.

Mitigation

- The Society has a fully functioning Asset and Liabilities Committee (ALCO) which regularly meets. Zambia National Building Society has documented the ICAAP, a risk-based assessment of ZNBS's capital adequacy position, both on an actual (31 March 2022) and a forward-looking basis over the 3-year planning period (2023 to 2025), which is the responsibility of senior management and is approved by the Board on an annual basis. The ICAAP reflects the level of capital required to be held against identified material risks the Society is or may become exposed to, to meet current and future needs, based on 3-year financial projections, the capital plan, the material risks to which ZNBS is exposed to and the strategies employed for managing its risk profile.
- 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. The 2022 ICAAP report was prepared using the format prescribed by the Bank of Zambia.
- As of March 31, 2023, the Society demonstrated sufficient capitalization, boasting a Basel II Capital Adequacy Ratio of 46.54% in comparison to the ICAAP forecast of 31.31%. This positive variance of 15.23% indicates that the Society is progressing satisfactorily in relation to the ICAAP projection.



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MANAGEMENT AND BOARD OF DIRECTORS



BOARD OF DIRECTORS



Dr. David Nama
Board Chairperson



Eng. Eugene Milambo Hazele
Member



Mrs. Laura Moseni Sitali
Member



Ms. Nakapoko Nalungwe
Member



Mrs. Grace Mutembo
Member



Mrs. Martha Nalubamba
Member



Mrs. Mildred Mutesa
Managing Director

MANAGEMENT



Mrs. Mildred Mutesa
Managing Director



Mr. Fortune Mukuka
Director Banking & Mortgages



Mr. Christopher Kapoma
Director Human Resources



Mr. Elijah Chulu
Director Risk



Mrs. Vivian Milumbe
Chief Operations Officer



Mr. Chewe Chisha
Head Internal Audit



Mr. Victor Mwanza
Director Finance



Ms. Mutinta Syulikwa
Society Secretary



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Annual Report and Financial Statements

For the year ended 31st March 2023



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ZNBS - Annual Report and Financial Statements

For the year ended 31 March 2023

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements of Zambia National Building Society ('the Society') for the year ended 31 March 2023, 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 (as amended) of Zambia.

RESULTS AND DIVIDEND

The profit for the year of K185,869,293 (2022: K116,312,871) has been added to retained earnings.

The Society has proposed a dividend of K30,000,000 for the year ended 31 March 2023 (2022: K25,800,000).

DIRECTORS AND REMUNERATION

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

Name	Status
David Nama (Dr)	Chairperson (appointed on 19 February 2021)
Martha Nalubamba	Non-Executive Director (appointed on 19 February 2021)
Olive Chisola Darris	Non-Executive Director (retired on 15 August 2022)
Laura CM Sitali	Non-Executive Director (appointed on 19 February 2021)
Grace Mutembo	Non-Executive Director (appointed on 19 February 2021)
Milambo E. Hazele	Non-Executive Director (appointed on 19 February 2021)
Mildred Mutesa	Executive Director (appointed on 17 September 2020) 2021)

During the year under review, the Board of Directors' remuneration was K1,811,700 (2022: K2,387,012).

AVERAGE NUMBER OF EMPLOYEES AND REMUNERATION

The total remuneration paid to employees during the year amounted to K137,754,616 (2022: K121,601,522). The average number of employees for 2022 was 354 while the actual numbers of employees from 1 April 2022 to 31 March 2023 were as follows:

Month	Number
April	286
May	288
June	286
July	285
August	285
September	283

Month	Number
October	280
November	277
December	276
January	277
February	277
March	277

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

ZNBS - Annual Report and Financial Statements

For the year ended 31 March 2023

GIFTS AND DONATIONS

During the year, the Society made donations of K953,935 (2022: K139,467) to charitable organisations and events.

PROPERTY AND EQUIPMENT

The Society purchased property and equipment amounting to K10,144,000 (2022: K14,044,000) during the year.

RESEARCH AND DEVELOPMENT

During the year, the Society did not incur any research and development costs (2022: 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 annual 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 annual financial statements.

AUDITOR AND REMUNERATION

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

The auditor's remuneration for the year under review was K1,086,939 (2022: K961,939) comprising of audit services. No non-audit services were provided.

By order of the Board:



SOCIETY SECRETARY

DATE: 28-JUNE-2023



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Statement of Directors' Responsibilities

The Building Societies Act Cap 412, of the laws of Zambia and the Banking and Financial Services Act, 2017 (as amended) 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 (IFRS), as issued by the International Accounting Standards Board (IASB) and the requirements of the Building Societies Act Cap 412, of the laws of Zambia and the Banking and Financial Services Act, 2017, (as amended) 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 IFRS, as issued by IASB.

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

28-JUNE-2023

Date



Mildred Mutesa (Mrs.)

Managing Director

28-JUNE-2023

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 2023, 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(As amended) 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 75 and comprise:

- the statement of financial position as at 31 March 2023;
- the statement of profit or loss the year then ended;
- the statement of 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.

PricewaterhouseCoopers, PwC Place, Stand No. 2374, Thabo Mbeki Road, P.O. Box 30942, Lusaka, Zambia
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Report on the audit of the financial statements (continued)

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Estimation of IFRS 9 expected credit losses on financial assets measured at amortised cost</p> <p>As at 31 March 2023, the Society's portfolio of financial assets measured at amortised cost included mortgages, loans and advances and investment in government securities.</p> <p>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.</p> <p>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</p> <p>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.</p>	<p>We carried out the following procedures:</p> <ul style="list-style-type: none"> • 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, the disbursement process, and delinquent loans management. Our procedures included testing collections and recoveries and on a sample basis, performed a detailed credit review to confirm appropriate classification and measurement of significant facilities. • For mortgages and 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. • With the help of specialists, 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 forward looking information and evaluated it against external sources of information.



Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> For investment in government securities, developed an independent point estimate using assumptions on PDs and LGDs that were agreed to information from reputable, independent third parties. Tested the financial statement disclosures.

Other information

The other information comprises Directors report, Statement of Directors Responsibilities which we obtained prior to the date of this auditor’s report, and the rest of the information in the Annual Report, which but are expected to be made available to us after that date, but does not include the financial statements and our auditor’s report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not and will 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 on the other information we have received prior to the date of the auditor’s report 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.

When we read the rest of the information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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(As amended) 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

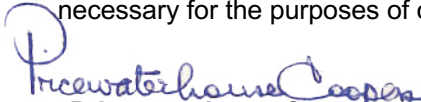
The Banking and Financial Services Act, 2017 of Zambia also requires that our audit report should state whether, among other matters, Zambia National Building Society has complied with the provisions of the Act. In accordance with the requirements of the Banking and Financial Services Act, 2017(As amended)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

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- there are transactions or conditions affecting the ability of the 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
Chartered Accountants
Lusaka

Date: 30 June 2023


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

ZNBS - Annual Report and Financial Statements

For the year ended 31 March 2023

Statement of profit or loss

	Notes	2023	2022
		K'000	K'000
Interest income	5	512,947	401,234
Interest expense	6	(138,313)	(136,341)
Net interest income		374,634	264,894
Impairment write back	7	13,352	26,899
Net interest income		387,986	291,793
Fees and commission	8	43,005	39,041
Other income	10	8,199	6,656
Total operating income		439,190	337,489
Operating expenses	11		(216,823)
	2	(250,478)	
Finance costs	12	(2,843)	(4,353)
Profit for the year		185,869	116,313

Statement of other comprehensive income

	Notes	2023	2022
		K'000	K'000
Profit for the year		185,869	116,313
Other comprehensive income		-	-
Total comprehensive income for the year		185,869	116,313

The notes on page 84 to 137 form an integral part of the financial statements.

ZNBS - Annual Report and Financial Statements

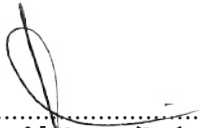
For the year ended 31 March 2023

Statement of financial position

	Notes	2023	2022
		K'000	K'000
Assets			
Cash in bank & in hand	15	237,502	239,780
Placements with other financial institutions	16	60,495	105,721
Government securities	17	647,521	679,353
Loans and advances	18	1,338,574	935,679
Other assets	22	131,482	72,167
Investment properties	20	118,760	117,718
Property and equipment	19	95,911	97,409
Intangible assets	21	16,525	23,942
Right of use asset	23	7,826	11,331
Total assets		2,654,596	2,283,100
Liabilities			
Customer deposits	24	1,040,196	901,488
Other liabilities	28	93,615	85,159
Provision for staff benefits	25	14,715	10,554
Borrowings	26	637,240	574,387
Lease liabilities	23	11,764	14,515
Total liabilities		1,797,530	1,586,103
Equity			
Share capital	29	191,678	191,678
Other reserves	30	68,926	66,687
Accumulated profit		596,462	438,632
Total equity		857,066	696,997
Total equity and liabilities		2,654,596	2,283,100

The notes on page 84 to 137 form an integral part of the financial statements.

The financial statements on pages 69 to 137 were approved and authorised for issue by the Board of Directors on 29-JUNE-2023. and signed on its behalf by:


David Nama (Dr.)
 Chairman


Mildred Mutesa (Mrs.)
 Managing Director


Mutinta Syulikwa (Ms.)
 Society Secretary

ZNBS - Annual Report and Financial Statements

For the year ended 31 March 2023

Statement of changes in equity

	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 2022	191,678	900	1,000	64,787	438,632	696,997
Profit for the year	-	-	-	-	185,869	185,869
Other comprehensive income						
Transfer of excess depreciation*	-	-	-	(1,961)	1,961	-
Transfer from banking reserves	-	4,200	-	-	(4,200)	-
Total comprehensive income	-	4,200	-	(1,961)	183,630	185,869
Balance as at 31 March 2023	191,678	5,100	1,000	62,826	622,262	882,866
Transactions with owners						
Dividends paid					(25,800)	(25,800)
Balance as at 31 March 2023	191,678	5,100	1,000	62,826	596,462	857,066
Note	29	30	30			

ZNBS - Annual Report and Financial Statements

For the year ended 31 March 2023

Statement of changes in equity (cont'd)

* 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 the total revaluation reserve as at the time of the most recent revaluation of properties. The last revaluation was done in March 2021.

	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 as at 1 April 2021	191,678	900	1,000	66,748	328,358	588,6844
Profit for the year	-	-	-	-	116,313	116,313
Other comprehensive income						
Transfer excess depreciation	-	-	-	(1,961)	1,961	-
Total comprehensive income	-	-	-	(1,961)	118,274	116,313
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			

The notes on page 84 to 137 form an integral part of the financial statements.

ZNBS - Annual Report and Financial Statements

For the year ended 31 March 2023

Statement of cash flows

	2023		2022
	K'000		K'000
Cash flows from operating activities			
Profit before tax and other comprehensive income	185,869		116,313
Adjusted for			
Depreciation of property & equipment (Note 19)	10,780		11,159
Amortisation of intangible assets (Note 21)	7,573		7,263
Amortisation of Right of Use assets (Note 23)	3,506		3,193
Fair value gain on investment properties (Note 20)	(1,042)		(539)
Impairment of Government securities (Note 17)	(406)		(1,090)
(Profit)/ loss on disposal of property & equipment (Note 10)	(292)		183
Lease liabilities interest expenses (Note 23)	2,205		2,505
Interest charged on borrowings (Note 26)	66,773		53,913
Movements in operating funds			
Net increase in loans and advances	(402,895)		(266,914)
Net decrease in other assets	(59,315)		110,327
Net increase in customer deposits	138,708		238,568
Net decrease in other liabilities	8,456		24,225
Net increase in provisions for staff benefits	4,161		4,002
Net cash (outflow)/inflow from operating activities	(35,919)		303,107
Cash flows from investing activities			
Purchase of property & equipment (Note 19)	(10,144)		(14,044)
Purchase of investment property (Note 20)	-		(1,465)
Purchase of intangible assets (Note 21)	(156)		(7,564)
Investment in government securities (Note 17)	(317,405)		(583,816)
Proceeds from investment in government securities (Note 17)	349,642		147,123
Proceeds from disposal of property & equipment (Note 19)	1,153		444
Net cash inflow/(outflow) from investing activities	23,090		(459,322)
Cash flows from financing activities			
Dividend paid (Note 32)	(25,800)		(8,000)
Interest paid on borrowings (Note 26)	(65,361)		(49,612)
Principal lease payments (Note 23)	(2,751)		(2,392)
Repayment of borrowings (Note 26)	(50,559)		(42,120)
Lease liability interest payments (Note 23)	(2,205)		(2,505)
Proceeds from borrowings (Note 26)	112,000		200,494
Net cash (used in)/generated from financing activities	(34,676)8		95,865
Net decrease in cash and cash equivalents	(47,504)		(60,350)
Cash and cash equivalent at start of year	345,501		405,851
Net decrease in cash and cash equivalents	(47,504)		(60,350)
Cash and cash equivalents at end of year (Note 31)	297,997		345,501

The notes on page 84 to 137 form an integral part of the financial statements.

ZNBS - Annual Report and Financial Statements

For the year ended 31 March 2023

Notes to the financial statements

1 General information

The Society was incorporated in Zambia under the Building Societies Act Cap 412, of the 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 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International

Financial Reporting Standards Interpretations Committee (IFRS IC) as issued by the International

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

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.

as issued by the (IASB).

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:

ZNBS - Annual Report and Financial Statements

For the year ended 31 March 2023

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (continued)

International Financial Reporting Standards and amendments effective for the first time for March 2023 year-ends		
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: <ul style="list-style-type: none"> 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.
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 fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
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.

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

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
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.

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.

ZNBS - Annual Report and Financial Statements

For the year ended 31 March 2023

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (continued)

2.5 Fees and commission income and expense (continued)

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 fees 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.

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 flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance.

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 of selling these assets at any point in the future.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (continued)

2.6 Financial assets and liabilities (continued)

- 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 government securities satisfy the SPPI test as they are held solely 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 solely 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 amortised cost.
- Other assets are short-term in nature unless specifically stated. These instruments are measured at amortised cost.

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.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

2.6 Financial assets and liabilities (continued)

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.
- **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

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

2.6 Financial assets and liabilities (continued)

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 counterparties 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 government 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.

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.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

2.6 Financial assets and liabilities (continued)

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 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.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled, or expired). The exchange between the Society and its original lenders

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

2.6 Financial assets and liabilities (continued)

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.

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.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

2.8 Intangible assets

Computer software

Costs associated with maintaining computer software programmes 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's 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.

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 of.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (continued)

2.9 Investment properties (continued)

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 income on investments in government securities. Further, in the fiscal year 2022, the Government of the Republic of Zambia introduced a tax on rental income for corporate bodies at 12.5% of gross rental income which is a final tax. The Society accounts for the rental income net of the 12.5% rental income tax and as at 31 March 2023, 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 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 the income statement 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 the income statement 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.

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.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (continued)

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 the passage of time is recognised as an 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 is 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.

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

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (continued)

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 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.

Lease liability

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.

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

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (continued)

2.18 Leases (continued)

- 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.

Right of use asset

The right-of-use asset comprises of 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 underlying 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.

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.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (continued)

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.

(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.

Notes to the financial statements (cont'd)

3 Critical accounting estimates and judgements in applying accounting policies (cont'd)

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

The 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 2023 that would result from testing the sensitivity of PDs, LGDs and year on year inflation.

(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.

Notes to the financial statements (cont'd)

3 *Critical accounting estimates and judgements in applying accounting policies (cont'd)*

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 risks 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.

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

(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 counterparties fail to fulfil 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.

Credit exposure arises 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 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:

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

- 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.
- 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

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Notes to the financial statements (cont'd)

4 Financial risk management (continued)

in the Basel framework. The internal credit grades are then assigned into IFRS 9 stages as appropriate as is shown in the table:

	Internal risk category	Internal rating description	Stage 1	Stage 2	Stage 3
	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			√

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 historically.

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

Recovery Rate (RR)

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each set 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 fulfil its contractual cash flow obligations.

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 results in de-recognition.

(iv) Modification of financial assets

As previously mentioned, modifications of financial assets do 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 a significant increase in credit risk with a new loan stage allocation.

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Notes to the financial statements (cont'd)

4 Financial risk management (continued)

(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.

(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 Critical accounting estimates and judgements in applying accounting policies. 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 downturn. 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 %	2023 %	2024 %	2025 %	2026 %	2027 %	Subsequent years %
31 March 2023	Best case	47.06	9.5	9.89	10.19	10.15	10.61	10.03
	Base case	35.29	10.52	10.90	11.76	10.95	10.55	10.55
	Worst case	17.65	11.81	12.16	13.26	11.16	11.16	11.58
	ECL scenario	Assigned probability %	2022 %	2023 %	2024 %	2025 %	2026 %	Subsequent years %
31 March 2022	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
	Worst case	17.65	12.84	13.28	14.01	13.54	13.14	13.14

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Notes to the financial statements (cont'd)

4 Financial risk management (continued)

Banking loans (unsecured)

	ECL scenario	Assigned probability %	2023 %	2024 %	2025 %	2026 %	2027 %	Subsequent years %
31 March 2023	Best case	47.06	13.64	12.63	12.91	10.30	9.39	9.78
	Base case	35.29	12.77	11.02	9.74	8.67	8.54	8.41
	Worst case	17.65	14.01	11.08	8.70	8.13	7.96	7.66
	ECL scenario	Assigned probability %	2022 %	2023 %	2024 %	2025 %	2026 %	Subsequent years %
31 March 2022	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
	Worst case	17.65	14.48	13.01	12.25	11.51	10.89	10.89

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	2023 %	2024 %	2025 %	2026 %	2027 %	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 2023 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 with all other variables held constant, net profit for the year would have increased by K7,430,000 (2022: K5,368,000).

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

Mar-23	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	21,213	83,135	104,348
Adjusted	(19,087)	(77,830)	(96,917)
Movement	2,126	5,305	7,430

Negative outlook

Assuming a 1 percentage point increase in forecast PDs with all other variables held constant, net profit for the year would reduce by K7,374,000 (2022: K16,121,000).

Mar-23	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	21,213	83,135	104,348
Adjusted	(23,301)	(88,421)	(111,722)
Movement	(2,088)	(5,286)	(7,374)

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 2023 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 with all other variables held constant, net profit for the year would have increased by K8,967,000 (2022: K3,814,000).

Mar-23	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	21,213	83,135	104,348
Adjusted	(19,051)	(76,330)	(95,381)
Movement	2,162	6,805	8,967

Negative outlook

Assuming a 5 percentage points increase in forecast LGD with all other variables held constant, net profit for the year would have decreased by K8,202,000 (2022: K6,912,000).

Mar-23	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	21,213	83,135	104,348
Adjusted	(23,367)	(89,183)	(112,550)
Movement	(2,154)	(6,048)	(8,202)

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

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 decrease or increase in ECL respectively, in the forecast copper price has been made. Set out below are the changes to the ECL as at 31 March 2023 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 with all other variables held constant, net profit for the year would have increased by K10,680,000 (2022: K2,541,000).

Mar-23	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	21,213	83,135	104,348
Adjusted	(19,744)	(73,924)	(93,668)
Movement	1,469	9,211	10,680

Negative outlook

Assuming a decrease of USD2,000 in the YoY Copper Price with all other variables held constant, net profit would have decreased by K55,938,000 (2022: K4,412,000).

Mar-23	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	21,213	83,135	104,348
Adjusted	(27,042)	(133,244)	(160,286)
Movement	(5,829)	(50,109)	(55,938)

(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.

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

Financial assets 31 March 2023

	Maximum Exposure to credit Risk	Total collateral	Net exposure	Corresponding ECLs
	K'000	K'000	K'000	K'000
Cash & Bank	237,502	-	237,502	-
Placements with other financial institutions	60,495	-	60,495	-
Government securities	652,669	-	647,521	5,148
Other assets	133,099	-	131,482	1,617
Mortgages	483,150	621,500	-	21,213
Banking loans and advances	959,822	-	876,687	83,135
Total financial assets at amortised cost	2,526,737	621,500	1,953,689	111,113
Off balance sheet				
Approved mortgages not disbursed	4,824	6,432	-	50
Total (including off balance sheet facilities)	2,531,561	627,932	1,953,689	111,163

Financial assets 31 March 2022

	Maximum-Exposure to credit Risk	Total collateral	Net exposure	Corresponding ECLs
	K'000	K'000	K'000	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

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

Overview of modified loans

31 March 2023	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	3,805	78	3,883	78
Loans & advances	6,544	72	6,616	72
Total	10,349	150	10,499	150

	Stages 1,2 & 3					
	Gross carrying amount	Temporary modification to terms	Permanent modification to terms	Total performing forborne loans	Total forborne	Ratio of forborne loans
	K'000	K'000	K'000	K'000	K'000	
Mortgages	483,150	-	3,883	3,883	3,883	0.80%
Loans & advances	959,822	-	6,616	6,616	6,616	0.69%
Total	1,442,972	-	10,499	10,499	10,499	0.73%

	Gross amount of restructured loans			ECLs of restructured 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	3,883	-	3,883	41	-	41
Loans & advances	6,616	-	6,616	206	-	206
Total	10,499	-	10,499	247	-	247

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Notes to the financial statements (cont'd)

4 Financial risk management (continued)

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	5,655	(95)		5,560	(95)
Total	5,655	(95)		5,560	(95)

Stages 1 & 2						
	Gross carrying amount	Temporary modification to terms	Permanent modification to terms	Total performing forborne loans	Total forborne	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	-	2,301	37	-	37
Loans & advances	3,259	-	3,259	304	-	304
Total	5,560	-	5,560	341	-	341

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Notes to the financial statements (cont'd)

4 Financial risk management (continued)

(b) Concentration risk

	Financial	Public	Private	Individual	Other	Total
	Institutions	Sector	Corporations	Households	Sectors	
As at 31 March 2023	K'000	K'000	K'000	K'000	K'000	K'000
Cash at bank & in hand	237,502	-	-	-	-	237,502
Placements	60,495	-	-	-	-	60,495
Government securities	647,521	-	-	-	-	647,521
Other assets	-	-	-	-	131,482	131,482
Mortgages	15,901	-	11,284	434,752	-	461,937
Loans & advances	-	-	-	876,688	-	876,688
Gross total	961,419	-	11,284	1,311,440	131,482	2,415,625
Concentration %	40%	0%	0%	54%	5%	
As at 31 March 2022	K'000	K'000	K'000	K'000	K'000	K'000
Cash at bank & in hand	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	-	-	-	610,204	-	610,204
Gross total	1,024,854	-	1,293	934,386	72,167	2,032,700
Concentration %	50%	0%	0%	46%	4%	

(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.

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (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.

	Up to 1 month	1-3 months	3-12 months	1-5 Years	Over 5 years	Total
As at 31 March 2023	K'000	K'000	K'000	K'000	K'000	K'000
Liabilities						
Customer deposits	407,520	49,351	622,895	-	-	1,079,766
Other liabilities	4,848	1,861	9,893	73,253	-	89,855
Lease liabilities	418	846	4,117	9,734	-	15,115
Mortgages approved	98	196	883	4,710	11,775	17,662
New head office	-	-	44,500	-	-	44,500
Borrowings	11,341	23,209	97,975	279,248	871,803	1,283,576
	424,224	75,458	798,921	347,380	883,577	2,529,561
Assets - managing liquidity						
Cash at bank & in hand	237,502	-	-	-	-	237,502
Placements	9,188	19,056	38,263	-	-	66,507
Government securities	-	-	74,031	1,369,624	-	1,443,655
Loans and advances	71,909	143,817	647,178	2,459,393	635,933	3,958,230
Other assets	-	3,816	52,760	23,397	51,509	131,482
	318,599	166,689	813,232	3,852,414	687,442	5,837,376
Liquidity gap	(105,625)	91,231	15,028	3,501,657	(196,134)	3,306,155
As at 31 March 2022						
Liabilities						
Customer deposits	416,259	49,376	476,224	-	-	941,859
Other liabilities	7,606	1,644	8,923	66,986	-	85,159
Lease liabilities	330	669	3,255	15,152	-	19,406
Mortgages approved	151	302	1,361	7,259	18,148	27,221
Borrowing	12,385	25,342	45,168	386,525	846,059	1,315,479
	436,731	77,333	551,331	459,522	864,207	2,389,124
Assets - managing liquidity						
Cash at bank & in hand	239,780	-	-	-	-	239,780
Placements	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	(130,712)	99,589	387,992	2,055,748	(416,102)	1,996,515

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

The Society's 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.

Interest rate risk	Up to 1 month	1-3 months	3-12 months	Over 1 year	Total
As at 31 March 2023	K'000	K'000	K'000	K'000	K'000
Assets					
Placements	9,074	18,149	33,272	-	60,495
Government securities	12,283	12,283	36,849	583,866	645,281
Loans and advances	35,639	71,277	320,748	910,909	1,338,573
Total financial assets	56,996	101,709	390,869	1,494,775	2,044,350
Liabilities					
Customer deposits	404,821	48,702	587,637	-	1,041,160
Borrowings	6,550	13,506	2,250	614,934	637,240
Lease liabilities	413	826	3,717	6,808	11,764
Total financial liabilities	411,784	63,034	593,604	621,742	1,690,164
Interest risk re-pricing gap	(354,788)	38,675	(202,734)	873,034	354,187

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Notes to the financial statements (cont'd)

4 Financial risk management (continued)

(i) Interest rate risk (continued)

A 2.5 percentage points increase/decrease in interest rates would lead to an increase/decrease in profit for the year of K8,855,000 (2022: K5,648,000). The profit for the year ended 31 March 2023 was K185,869,000 (2022: K116,313,000).

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Total
As at 31 March 2022					
Assets	K'000	K'000	K'000	K'000	K'000
Placements	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	934,679
Total financial assets	110,646	151,362	490,669	972,628	1,726,305
Liabilities					
Customer deposits	413,502	48,702	449,268	-	911,472
Borrowing	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 gap	(309,733)	88,501	37,212	409,951	225,931

(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 the maintenance of the core banking system 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 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.

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

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

The table below summarises the composition of regulatory capital and the ratios of the Society as at 31 March 2023. These represent positions determined in accordance with filed returns with Bank of Zambia.

Primary (Tier 1) capital	2023 K'000	2022 K'000
Paid-up common shares	191,678	191,678
Eligible preferred shares	-	-
Contributed surplus	-	-
Retained earnings	596,462	438,632
General reserves	5,100	1,900
Statutory reserves	1,000	-
Minority interest	-	-
Sub-total	794,240	632,210
Less:		
Other adjustments	-	-
Goodwill and other intangible assets	16,525	23,942
Sub-total	16,525	23,942
Total primary capital	777,715	656,152
Secondary (Tier 2) capital		
Revaluation reserves (Maximum is 40% of the reserves)	25,130	25,915
Total secondary capital	25,130	25,915
Eligible secondary capital	25,130	25,915
Eligible total capital / regulatory capital	802,845	682,067
Minimum capital requirement	160,698	118,298
Excess	642,147	563,769
Total-risk weighted assets	1,606,981	1,182,982

(f) Fair value estimation

IFRS 7 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

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

(f) Fair value estimation (continued)

- 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	2023 K'000		2022 K'000
Cash at bank and in hand	237,502		239,780
Placements with other financial institutions	60,495		105,721
Government securities	647,521		679,353
Loans and advances	1,338,574		935,679
Off –Balance sheet facilities	4,824		7,610
Financial liabilities			
Customer deposits	1,040,196		901,488
Provision for liabilities and charges	14,715		10,554
Other liabilities	93,615		85,159
Lease liability	11,764		14,515
Borrowings	637,240		574,387

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 stipulates that buildings must be revalued every 3 years. The next revaluation will be done as at 31 March 2024.

Investment Properties - All investment properties were revalued as at 31 March 2023 by an independent valuers, Messer's Five Star Properties Limited. The fixed assets policy provides that Investment properties should be revalued every year. The next revaluation will be due by 31 March 2024.

The fair value increase on investment properties was K1,042,000. (2022: K539,000).

Fair value measurements at 31 March 2023			
	Level 1	Level 2	Level 3
Recurring fair value measurements	K'000	K'000	K'000
Buildings			
– Office buildings (Note 19)	-	-	76,235
Investment property			
– Property rented for commercial purposes (Note 20)	-	-	118,760
	-	-	194,995

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

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

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.

5	Interest income	2023	2022
		K'000	K'000
	Interest on mortgages	75,090	54,490
	Interest on banking loans and advances	253,497	195,398
	Interest on Government securities	155,329	123,775
	Interest on placements with other financial institutions	7,298	13,782
	Banking loan administration fees	15,911	11,278
	Mortgage loan administration	5,822	2,511
		512,947	401,234

Excluded in the interest income stated above is K17,823,000 as interest charged on non-performing loans. (2022: K10,897,000). This interest has been suspended in line with the Bank of Zambia guidance.

6	Interest expenses		
	Interest on fixed deposits	59,443	71,814
	Interest on saving accounts	12,097	10,615
	Interest on borrowings	66,773	53,912
		138,313	136,341

7	Impairment charges/credit		
	Loans and advances	(12,946)	(25,809)
	Government securities	(406)	(1,090)
		(13,352)	(26,899)

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

8	Fees and commission income		
	Account maintenance charges	24,531	22,906
	Premature withdrawal charges	6,932	5,882
	Other fees and commission	11,542	10,253
		43,005	39,041
	Recognised at a point in time	43,005	39,041
		43,005	39,041
9	Foreign exchange loss	-	(1,139)
		-	(1,139)
10	Other income		
	Net rental income (Note 20)	6,865	6,300
	Fair value gain on investment property (Note 20)	1,042	539
	Profit / (loss) on disposal of fixed assets	292	(183)
		8,199	6,656
11	Expenses by nature	2023	2022
		K'000	K'000
	Employee benefits expense (Note 14)	137,755	121,602
	Depreciation of property & equipment (Note 19)	10,780	11,159
	Computer maintenance & network expenses	15,373	10,073
	Other operating expenses	13,519	2,897
	Amortisation of intangible assets (Note 21)	7,573	7,263
	Professional fees	4,326	5,790
	Advertising	9,218	5,144
	Security	4,466	4,712
	ATM expenses	-	4,570
	Insurance expenses	3,009	4,208
	Office cleaning expenses	2,413	3,296
	Amortisation of right-of-use asset (Note 23)	3,506	3,193
	Local travel	4,193	3,097
	Electricity and water	2,301	2,525
	Directors fees	1,812	2,387
	Printing and stationery	1,748	2,122
	Training expense	1,734	1,567
	General expenses	1,471	1,268
	CRB expenses	1,064	895
	Postage & telephone	629	889
	Motor vehicle expenses	810	875
	Rates	687	813
	Fuel and oil	1,357	810
	Audit fees	1,212	720
	Legal costs	1,713	707
	Bank charges	434	396
	Withholding tax & handling expenses on government securities	17,375	13,845
		250,478	216,823

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Notes to the financial statements (cont'd)

4 Financial risk management (continued)

12	Finance costs		
	Loan arrangement expenses	638	709
	Exchange loss (Note 9)	-	1,139
	Lease liability interest expense (Note 23)	2,205	2,505
		2,843	4,353

13	Depreciation and amortization		
	Amortisation of Right-of-Use Asset (Note 23)	3,506	3,193
	Amortisation of intangible assets (Note 21)	7,573	7,263
	Depreciation of plant property and equipment (Note 19)	10,780	11,159
		21,859	21,615

14	Employee benefits and expenses	2023	2022
		K'000	K'000
	Salaries and wages	111,099	96,250
	Other employee costs	5,989	3,986
	Provision for staff benefits (Note 25)	12,706	13,678
	Employer NHIMA contributions	561	516
	Employer pension contributions *	4,041	3,706
	Employer NAPSA contributions	3,359	3,466
		137,755	121,602

*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 at bank and in hand		
	Cash in hand	19,254	19,612
	Cash at bank	218,248	220,168
		237,502	239,780

16	Placements with other financial institutions		
	Placements with Banks	60,495	105,721
		60,495	105,721
	Current	60,495	105,721
	Non-Current	-	-
		60,495	105,721

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.

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Notes to the financial statements (cont'd)

4 Financial risk management (continued)

17 Government Securities			
Treasury Bills		64,043	349,642
Government Bonds		588,626	335,264
		652,669	684,906
IFRS 9 Impairment Loss Allowances		(5,148)	(5,553)
		647,521	679,353
Current		58,896	371,659
Non-current		588,626	307,694
		647,521	679,353

Reconciliation of gross government securities	Stage 1	Stage 2	Stage 3	Total
	K'000	K'000	K'000	K'000
Gross carrying amount as at 1 April 2022	684,906	-	-	684,906
Changes in Gross Carrying Amounts				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	684,906	-	-	684,906
New Financial Assets Originated	311,348	-	-	311,348
Financial Assets that have Matured	(343,585)	-	-	(343,585)
	(32,237)	-	-	(32,237)
Gross carrying amount as at 31 March 2023	652,669	-	-	652,669

Reconciliation of gross government securities	Stage 1	Stage 2	Stage 3	Total
	K'000	K'000	K'000	K'000
Gross carrying amount as at 1 April 2021	248,213	-	-	248,213
Changes in Gross Carrying Amounts				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	248,213	-	-	248,213
New Financial Assets Originated	583,816	-	-	583,816
Financial Assets that have Matured	(147,123)	-	-	(147,123)
	436,693	-	-	436,693
Gross carrying amount as at 31 March 2022	684,906	-	-	684,906

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

Reconciliations of ECLs	Stage 1	Stage 2	Stage 3	Total
	12 Mon	LTECL	LTECL	
	K'000	K'000	K'000	K'000
Loss allowances as at 1 April 2022	5,553	-	-	5,553
Changes in loss allowances				
Movement without income statement impact				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
	5,553	-	-	5,553
Movement with income statement impact				
New financial assets originated	799	-	-	799
Financial assets that have matured	(1,205)	-	-	(1,205)
Charge/credit to income statement	(406)	-	-	(406)
Loss allowances as at 31 March 2023	5,147	-	-	5,147

Reconciliations of ECLs	Stage 1	Stage 2	Stage 3	Total
	12 Mon	LTECL	LTECL	
	K'000	K'000	K'000	K'000
Loss allowances as at 1 April 2021	6,643	-	-	6,643
Changes in loss allowances				
Movement without income statement impact				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
	6,643	-	-	6,643
Movement with income statement impact				
New financial assets originated	935	-	-	935
Financial assets that have matured	(2,025)	-	-	(2,025)
Charge/credit to income statement	(1,090)	-	-	(1,090)
Loss allowances as at 31 March 2022	5,553	-	-	5,553

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Notes to the financial statements (cont'd)

4 Financial risk management (continued)

* Part of treasury bills relates to a sinking fund arising from a covenant with NAPSA over a K59million 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 2023 was K10,175,355. The Society is permitted to invest the sinking fund in treasury bills.

18 Loans and advances

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

On balance sheet	2023			2022		
	Gross amount	Impairment	Net amount	Gross amount	Impairment	Net amount
	K'000	K'000	K'000	K'000	K'000	K'000
Mortgages	483,150	(21,213)	461,937	341,636	(16,109)	325,527
Loans & advances	959,822	(83,135)	876,687	693,566	(83,362)	610,204
	1,442,972	(104,348)	1,338,625	1,035,202	(99,471)	935,731

Off- balance sheet

Approved mortgages not disbursed	4,824	(50)	4,773	7,610	(52)	7,558
Total	1,447,796	(104,398)	1,343,398	1,042,812	(99,523)	943,289

Reconciliation to balance sheet

On balance sheet gross loans				1,442,972		1,035,202
On balance sheet impairment				(104,348)		(99,471)
Off balance sheet impairment				(50)		(52)
Total reported				1,338,574		935,679
Current				427,665		298,315
Non-current				910,909		637,364
				1,338,574		935,679

Analysis of gross carrying amounts 31 March 2023

Reconciliation of loans and advances	Stage 1	Stage 2	Stage 3	Total
	12m-ECL	LTECL	LTECL	
	K'000	K'000	K'000	K'000
Gross carrying amount as at 1 April 2022	818,792	131,027	85,383	1,035,202
Changes in the gross carrying amount				
_ Transfer to stage 1	50,947	(37,038)	(13,909)	-
_ Transfer to stage 2	(41,132)	46,124	(4,992)	-
_ Transfer to stage 3	(11,939)	(12,629)	24,568	-
New financial assets originated	659,705	68,034	17,447	745,186
Financial assets that have been derecognised	(294,932)	(32,074)	(10,410)	(337,417)
Write offs	-	-	-	-
Gross carrying amount	1,181,441	163,444	98,087	1,442,972

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

Reconciliation of off-balance sheet facilities				
Approved Mortgages but not disbursed				
Gross carrying amount as at 1 April 2022	7,610	-	-	7,610
Changes in the gross carrying amount	-	-	-	-
_ Transfer to stage 1	-	-	-	-
_ Transfer to stage 2	-	-	-	-
_ Transfer to stage 3	-	-	-	-
New financial assets originated	4,824	-	-	4,824
Financial assets that have been derecognised	(7,610)	-	-	(7,610)
Gross carrying amount	4,824	-	-	4,824

Reconciliation of on and off-balance sheet facilities				
Gross carrying amount as at 1 April 2022	826,402	131,027	85,383	1,042,812
Changes in the gross carrying amount				
_ Transfer to stage 1	50,947	(37,038)	(13,909)	-
_ Transfer to stage 2	(41,132)	46,124	(4,992)	-
_ Transfer to stage 3	(11,939)	(12,629)	24,568	-
New financial assets originated	664,529	68,034	17,447	750,010
Financial assets that have been derecognised	(302,542)	(32,074)	(10,410)	(344,974)
Write offs	-	-	-	-
Gross carrying amount as at 31 March 2023	1,186,265	163,444	98,087	1,447,796

Reconciliation of off-balance sheet facilities				
Approved Mortgages not disbursed				
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

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

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

Analysis of expected credit loss (ECL) 31 March 2023

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 2022	17,307	4,328	77,836	99,471
Movements without income statement impact				
_ Transfer to stage 1	19,524	(8,451)	(11,073)	-
_ Transfer to stage 2	(6,218)	13,683	(7,465)	-
_ Transfer to stage 3	(7,431)	(2,844)	10,275	-
Suspended interest	-	-	17,823	17,823
Write offs	-	-	-	-
	23,182	6,717	87,395	117,294
Movement with income statement impact				
New financial assets originated	17,526	7,234	4,220	28,980
Financial assets that have been derecognised	(12,121)	(6,931)	(22,874)	(41,926)
Charge/credit to profit and loss	5,405	303	(18,654)	(12,946)
Loss allowance as at 31 March 2023	28,587	7,019	68,742	104,348

Off balance sheet facilities				
Loss allowance as at 1 April 2022	52	-	-	52
Movement with income statement impact				
New financial assets originated	50	-	-	50
Financial assets that have been derecognised	(52)	-	-	(52)
Charge/ (credit) to profit and loss	(2)	-	-	(2)
Loss allowance as at 31 March 2023	50	-	-	50

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (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 2022	17,359	4,329	77,835	99,523
Movements without income statement impact				
_ Transfer to stage 1	19,524	(8,451)	(11,073)	-
_ Transfer to stage 2	(6,218)	13,683	(7,465)	-
_ Transfer to stage 3	(7,431)	(2,844)	10,275	-
Suspended interest	-	-	17,823	17,823
Write offs	-	-	-	-
Gross carrying amount as at 31 March 2023	23,234	6,716	87,397	117,346
Movement with income statement impact				
New financial assets originated	17,577	7,234	4,220	29,030
Financial assets that have been derecognised	(12,173)	(6,931)	(22,874)	(41,978)
Charge/ (credit) to profit and loss	5,403	303	(18,654)	(12,948)
Loss allowance as at 31 March 2023	28,637	7,019	68,742	104,398
Analysis of expected credit loss (ECL) 31 March 2022				
On Balance sheet facilities				
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	-
Liability reclassified as ECLs provision	-	-	10,897	10,897
Write offs	-	-	(5,549)	(5,549)
Gross carrying amount as at 31 March 2021	38,279	4,992	81,808	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)
Changes to ECL due to modification			-	-
Charge / (credit) to profit and loss	(20,972)	(663)	(3,973)	(25,608)
Loss allowance as at 31 March 2022	17,307	4,329	77,835	99,471

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

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	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
On and off balance sheet facilities 31 March 2022				
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)	(54,040)
Changes to ECL due to modification			-	-
Charge/ (credit) to profit and loss	(21,173)	(663)	(3,973)	(25,809)
Loss allowance as at 31 March 2022	17,359	4,329	77,835	99,523

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

Internal credit risk rating

31 March 2022

Rating	Internal risk category				
	Performing				
1&2	Standard & satisfactory risk	826,402	-	-	826,402
3&4	Watch list & unacceptable risk	-	131,027	-	131,027
	Non-performing				
5,6&7	Substandard, doubtful & loss	-	-	85,383	85,383
		826,402	131,027	85,383	1,042,812

19 Property and equipment

	Buildings	Motor Vehicles and Equipment	Works in Progress	Total
Year ended 31 March 2022	K'000	K'000	K'000	K'000
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)
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
Year ended 31 March 2023				
As at 1 April 2022				
Opening net book amount	77,069	18,810	1,530	97,409
Additions	94	8,876	1,174	10,144
Disposal	(960)	(322)	(44)	(1,326)
Capitalisation of work in progress	1,892	738	(2,630)	-
Depreciation	(2002)	(8,778)	-	(10,780)
Depreciation write back on disposals	142	322	-	464
Closing net book amount	76,235	19,646	30	95,911
At 31 March 2023				
Cost or valuation	82,150	79,655	30	161,835
Accumulated depreciation	(5,915)	(60,009)	-	(65,924)
Net book amount	76,235	19,646	30	95,911

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

The Society has borrowings secured on buildings and investment property valued at a combined value of K241,818,000. 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:

	2023		2022
	K'000		K'000
Cost	17,038		15,194
Accumulated depreciation	(1,908)		(1,482)
Net book amount	15,130		13,712

20 Investment property

Year end 31 March 2023	Commercial
	K'000
At start of year	117,718
Net gain from fair value adjustment	1,042
	118,760
Year end 31 March 2022	
At start of year	115,714
Additions	1,465
Net gain from fair value adjustment	539
	117,718

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

	2023		2022
	K'000		K'000
Rental income	10,705		8,827
Direct operating expenses from property that generated rental income	(3,840)		(2,527)
	6,865		6,300
Net gain from fair value adjustment	1,042		539
	7,907		6,839

Investment buildings were revalued as at 31 March 2023 by an independent valuers, Messer's Five Star 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.

(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.

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

(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.

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

	2023		2022
	K'000		K'000
Within one year	13,260		8,827
Later than one year but not later than 5 years	53,040		35,308
	66,300		44,135

21 Intangible assets

Year ended 31 March 2022	K'000
Opening net book balance	23,641
Additions	7,564
Depreciation	(7,263)
Closing net book balance	23,942
As at 31 March 2022	
Cost or valuation	37,814
Accumulated depreciation	(13,872)
Closing net book balance	23,942
Year ended 31 March 2023	
Opening net book balance	23,942
Additions	156
Depreciation	(7,573)
Closing net book balance	16,525
As at 31 March 2023	
Cost or valuation	37,970
Accumulated depreciation	(21,445)
Closing net book balance	16,525

The intangible asset is the core banking system software. A further K156,000 was capitalised under the core banking system software. The asset is depreciated on a straight-line basis at 20% and has 2 years remaining on its useful life.

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

22 Other assets

	2023	2022
	K'000	K'000
Rental debtors	3,283	5,462
Staff loans discount asset	48,189	51,657
Loan arrangement fees	5,170	5,734
Other debtors	76,457	13,196
	133,099	76,049
Less impairment loss provision	(1,617)	(3,882)
	131,482	72,167
Current	56,575	11,348
Non-current	74,907	60,819
	131,482	72,167

Reconciliation of impairment loss provision

Opening balance	3,882	5,241
Rent debtors write down against provision	(2,265)	(1,359)
Closing balance	1,617	3,882

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				
	ATMs	ICT Equipment	Premises	Total
	K'000	K'000	K'000	K'000
31 March 2023				
Balance as at 1 April 2022	5,373	739	5,219	11,331
Additions during the year	-	-	-	-
Depreciation charge for the year	(1,517)	(200)	(1,789)	(3,506)
Balance as at 31 March 2023	3,856	539	3,430	7,826
31 March 2022				
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

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 additional lease term.

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

ii) Lease liabilities	2023	2022
	K'000	K'000
Opening balance	14,515	16,220
Additions during the year	-	687
Lease payments	(4,956)	(4,897)
Interest expense	2,205	2,505
Closing balance	11,764	14,515
Current	4,956	3,919
Non-current	6,808	10,596
Closing balance	11,764	14,515

Amounts recognised in profit or loss

31 March 2023

	ATMs	ICT Equipment	Premises	Total
	K'000	K'000	K'000	K'000
Amortisation of right-of-use asset	1,517	200	1,789	3,506
Interest expense on lease liabilities	997	144	1,065	2,205
	2,514	344	2,854	5,711

31 March 2022

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

24	Customer deposits		
	Term deposits	649,301	541,341
	Saving deposits	390,896	360,147
		1,040,196	901,488
	Current	1,040,196	901,488
		1,040,196	901,488

There are no non-current balances in the year under review (2022: nil).

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

25	Provision for staff benefits	2023	2022
		K'000	K'000
	At start of the year	10,554	6,552
	Charge for the year	12,706	13,678
	Staff benefits paid	(8,545)	(9,676)
		14,715	10,554
	Current	14,715	10,554

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

	Development Bank of Zambia (DBZ)	3,261	6,322
	NAPSA Mortgage Deposit (NAPSA)	57,582	81,397
	African Development Bank (AfDB)	246,910	157,181
	Bank of Zambia (TMTRF)	329,487	329,487
		637,240	574,387

As at 31 March 2023	DBZ	NAPSA Deposit	AfDB	BOZ TMTRF	Total
	K'000	K'000	K'000	K'000	K'000
At the start of the year	6,322	81,397	157,181	329,487	574,387
Additions	-	-	112,000	-	112,000
Interest charged	566	7,020	32,087	27,100	66,773
Interest paid	(877)	(7,208)	(30,176)	(27,100)	(65,361)
Repayments	(2,750)	(23,627)	(24,182)	-	(50,559)
Year-end*	3,261	57,582	246,910	329,487	637,240

As at 31 March 2022	DBZ	NAPSA Deposit	Prudential	MTNP	AfDB	BOZ TMTRF	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
At the start of the year	9,879	79,823	4,570	23,898	170,370	123,172	411,713
Additions	-	-	-	-	-	200,494	200,494
Interest charged	503	7,174	-	2,795	27,325	16,117	53,913
Interest paid	(560)	(5,599)	-	(6,643)	(26,514)	(10,296)	(49,612)
Repayments	(3,500)	-	(4,570)	(20,050)	(14,000)	-	(42,725)
Year-end*	6,322	81,398	-	-	157,181	329,487	574,387

	2023	2022
	K'000	K'000
Current	132,526	31,120
Non-current	504,714	543,267
	637,240	574,387

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

*Carrying amounts are inclusive of accrued interest payable on each loan facility as at 31 March 2023. 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.

The average interest rate in the year was 11.75%.

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.

The average interest rate in the year was 9.38%.

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 of 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.

The average interest rate in the year was 13.16%.

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 monetary policy rate.

The average interest rate in the year was 8.47%.

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.

28 Other liabilities

	2023	2022
	K'000	K'000
Staff expenses	3,760	4,329
Sundry creditors	5,378	5,401
Deferred income	25,064	15,328
Staff loan mark to market	48,189	51,657
Other liabilities & payables	11,224	8,444
	93,615	85,159
Current	20,362	18,175
Non-Current	73,253	66,984
	93,615	85,159

29 Share capital

Authorised and issued	2023	2022
	K'000	K'000
Issued and fully paid up	191,678	191,678

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Notes to the financial statements (cont'd)

4 Financial risk management (continued)

The Society has 191,678,000 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	2023	2022
	K'000	K'000
General reserves	5,100	900
Statutory reserve	1,000	1,000
Banking reserves	-	-
Revaluation reserve	62,826	64,787
	68,926	66,687

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.

Statutory reserve

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

- 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
- 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 year, the IFRS 9 provisions exceeded the BoZ SI 142 provisions by K42,954,410 (2022: K46,592,133) as shown below.

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

	2023	2022
	K'000	K'000
IFRS 9 provisions	104,398	99,523
BoZ 2020 directives on provisions	61,444	52,931
	42,954	46,592

31 Analysis of balances shown in the statement of cash flow

Cash at bank & in hand	237,502	239,780
Placements with other financial institutions	60,495	105,721
	297,997	345,501

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 K30,000,000 has been proposed for the year ended 31 March 2023 (2022: K25,800,000). K25,800,000 was paid in 2023 for the financial year 2022 (2022: K8,000,000).

33 Contingent liabilities and commitments

	2023	2022
	K'000	K'000
Mortgage approved but not disbursed	4,824	7,610
New Head Office final payment	44,500	-
	49,324	7,610

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 paid	2023	2022
	K'000	K'000
GRZ	25,800	8,000
	25,800	8,000

Key management remuneration (senior management team)

Salaries and other short-term benefits	14,062	11,046
Gratuity	3,658	2,781
NAPSA contribution	113	95
	17,833	13,922

*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 include 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.

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For the year ended 31 March 2023

Notes to the financial statements (cont'd)

4 Financial risk management (continued)

Directors – fees, loans, and advances to senior management team

	2023	2022
	K'000	K'000
Directors' fees expenses (Non-Executive Directors)	1,812	2,387
Loans and advances to key management personnel	9,320	7,460
	11,132	9,847

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; Note 26).

	2023	2022
	K'000	K'000
DBZ	3,576	6,322
NAPSA	57,582	81,397
	61,158	87,719

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 2023, the loan principal balance was K35,981,000 and the sinking fund balance was K10,175,355 and this was invested in treasury bills for this purpose (Note 17).

Deposits from related parties

	2023	2022
	K'000	K'000
Workers Compensation Fund Control Board	231,021	135,433
	231,021	135,433

35 Arrangements with related parties

North gate housing project financing

The Society signed an agreement where NAPSA placed 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 Subsequent events

The Society is in the process of acquiring a new Head Office building at the Addis Ababa roundabout in Rhodes Park for K89 million. A 50% down payment of K44.5 million was paid in the year under review and the balance will be paid in the 2023/2024 financial year.



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