First National Bank Zambia Limited

ANNUAL REPORT

2023

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Strategic Report

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Chairperson's Statement

Introduction

FNB Zambia ("the Bank" or "FNB") had a successful financial year for the year ended 30 June 2023. This occurred against the backdrop of the country's protracted debt negotiations, which had a huge impact on sovereign risk. Despite the challenges encountered, we closed the year with over 285,000 active consumers dispersed throughout the country and serviced through our various channels.

Established 14 years ago, FNB Zambia has grown into a highly competitive and trusted brand among our valued customers. In the past year, we have updated our brand identity and logo as part of a brand refresh exercise. We also reinforced our commitment to becoming a bank of 'The Changeables' in order to give an enhanced banking experience through products and services that we offer.

Economic Environment and Prospects

The delayed completion of the sovereign debt restructuring was a significant negative factor that impacted the economy for most of the financial year. It produced an unpredictable environment and put more strain on the market. The Bank of Zambia hiked the Monetary Policy Committee (MPC) rate to 9.25% and 9.5% in February and May, respectively, while inflation closed the year at 9.8% which fell short of the target range of 6-8%.

Now that an agreement has been reached with the Official Creditor Committee, we anticipate investor confidence and lower interest rates going forward.

Corporate Governance

The Board of Directors (the "Board") strives to rebalance and renew its membership on a regular basis. We strive for a suitable gender, age, tenure, and skill diversity and prepare succession plans to maintain this balance while ensuring that we are appropriately capacitated to give strategic direction. The Board also strives to comply with global best practice in corporate governance.

The Board appointed Ms Angela Pillay as an executive director on 24 January 2023. This appointment will be presented to shareholders for approval at the upcoming Annual General Meeting (AGM).

Strategy

The Board of Directors routinely reviews the Bank's strategy to ensure that it remains relevant to the risks and opportunities in our external environment and oversees its implementation to ensure the bank's long-term growth.

The Board is confident that the strategic pillars of people, platform, and customer will continue to drive the Bank's growth and ensure it achieves its mission of creating a better Zambia.

Our Position in Society

The Board understands the role of the Bank as a corporate citizen in Zambia. Our contribution includes paying the right amount of taxes, promoting economic progress, and promoting financial inclusion. We constantly strengthen the Bank's governance to ensure that our actions do not harm stakeholders.

We support a variety of community activities as part of our Environmental, Social and Governance (ESG) focus, including men and women mentorship programs, green loan financing, donations, and other projects. Our primary societal focus areas include education, water and sanitation, climate change, and clean energy, all of which aim to significantly contribute to Zambia's development objectives and, ultimately, the Sustainable Development Goals (SDGs).

Looking forward

As geopolitical concerns impact the global economy, the Board anticipates FNB's operating environment to remain complicated and volatile. The Bank will continue to face risks and opportunities as developments in technology drive digital transformation. Increased competition is likely to continue in the country's financial services sector.

As the banking business evolves in practically every aspect, the regulatory landscape has to remain dynamic. We will continue to work with regulators to build a flexible, agile, and responsible ecosystem.

Acknowledgements

As a Board, we do not take our clients' commitment to FNB for granted. We will continue to provide oversight to ensure that we provide the best customer experience possible, as well as expand the range of products and services we offer whilst ensuring that they remain helpful, simple, and secure.

I would like to thank my fellow directors for their support, as well as their ongoing leadership and effective teamwork. The Board is very appreciative of the shareholders support that boosts our efforts to build a better Zambia while cultivating a great service culture. We commend management and staff for adhering to FNB promises, contributing to the growth of the nation's economy, and offering exceptional service.

Chief Executive Officer's Statement

Introduction

It gives me great pleasure to address you on the strides FNB Zambia has made in the financial year. The Bank has delivered notable financial and non-financial successes whilst living out our vision of creating a better Zambia. We have outlined the performance of the Bank in detail throughout this annual report. My statement summarises a reflection of the execution of our strategy in the past year.

Economic context

Global economy

Whilst the Covid-19 pandemic appears to be at the tail end, the last year saw the impact of geopolitical tensions between Russia and Ukraine coming to the fore. This has led to supply chain dislocations on fuel, grain and other commodities and in turn resulted in slower global growth rates and a high inflationary environment.

In response to inflation, central banks have had to increase interest rates at a time when growth is relatively subdued. It is becoming clear that the global economy's post-covid recovery will take longer than initially expected and interest rates, especially in developed markets, may remain higher for longer. This has led to less capital flows into emerging markets in the last twelve months.

Zambian Economy

Despite the global backdrop, 2023 has been a promising year for the Zambian economy. After years of uncertainty due to the government's fiscal debt burden, an agreement was reached in principle to restructure $6.3bn of the country's external debt with official creditors. The expectations are that a restructure of $6.8bn (as of 31st December 2022) debt with private creditors on similar terms will be reached in the near future. Once finalised, the landmark deal will complement the three-year c.$1.4bn Extended Credit Facility (ECF) with the International Monetary Fund (IMF) concluded in August 2022.

I am hopeful that the resolution of the sovereign debt matters will create fiscal space to enable focus on various development projects aimed at lifting the country's economic prospects. This is expected to ease government financing pressures and reduce domestic borrowing. As a positive impact, we expect to see interest rates, which have averaged c.25% over the last year, reduce considerably. Consequently, this will spur private sector credit extension and drive activity particularly from Small and Medium Scale Enterprises (SMEs) which is a sector we believe will drive economic recovery.

The Kwacha has experienced significant volatility during the year mainly due to uncertainty arising from the protracted debt restructure deal. With the deal closer to being finalized, we expect a more predictable, market driven profile for the currency.

Inflation has reduced significantly from its recent peak in 2021 (24.6%) to end the financial year at 9.8%. This still remains above the central bank's target range of (6-8)%. The key drivers of inflation have been positive base effects, relatively stronger currency and improved food supply. Going forward, we expect the profile to continue to moderate but remain above the target range.

Bydon Longwe
CEO - FNB Zambia

Strategic focus areas

In 2020, we unveiled our five-year strategic plan, inspired by the vision to create a better Zambia. This strategic plan was underpinned by a focus on our people, platform and customer. Our belief is that this focus will result in sustainable financial performance for the Bank.

People

Our people are important to us and form a pivotal part of our strategy. During the year, we focused on the launch of our employee value propositions. This aimed at ensuring our staff feel cared for, liberated, connected and inspired. Being part of FNB is a lived experience for our employees. We value our differences and celebrate being a part of a company determined to position itself as an employer of choice. We invest in our people and continuously encourage our teams to build their skills to grow and evolve to their true potential through study grants and sponsorships, internal and inter subsidiary job rotations, access to training platforms as well as opportunities for coaching and mentorship.

At FNB we promote work-life integration by providing flexi working opportunities to create spaces where staff perform optimally. About 40% of our staff compliment worked off-site in the year under review. Ultimately, we aim to ensure staff thrive in the way they live and work by enabling proactive access to our wellbeing services through our Employee Assistance program.

Chief Executive Officer's Statement

Platform

Platform is one of our key strategic pillars at FNB. We have been deliberate in ensuring that we provide our customers with a world class mobile app that caters for most banking needs. Over the years we have ensured that platforms are helpful, easy and safe.
Our platform build is in twofold:

- seamless customer experience when interacting with our touch points, such as our FNB App and Online Banking where customers enjoy banking services without having to walk into a physical branch; and
- capabilities that increase process efficiencies to enable staff deliver exceptionally in their daily duties.

Our Customers

At FNB Zambia our strategy revolves around customer centricity. We strive to create solutions that cater to customers' needs, not only enhancing their experience but also making a positive impact in the communities we serve.

Our key focus areas for customer focus include:

- More to customers: Under this pillar we have a renewed focus on providing the best customer experience at all touchpoints.

  We deliberately invest in alternate customer service channels. In 2023, we had a mobile branch, 23 physical points of presence, a contact center, social media platforms including chatbots, over 3500 Point of Sale machines, 144 ATMs and ADT machines, and closed the year with close to 2000 cash plus agents. We launched the lounge at the Kenneth Kaunda International Airport to cater for the unique needs of our Premier and Private Clients customers as they travel. In addition, we continued to provide customers with increased value proposotions including cash back rewards, access to insurance and additional products like cash-at-till and e-wallet-at-till.

- More Customers: at FNB we pride ourselves in offering real help in the communities we live in by extending our services to transactional and insurance products to various customer segments . We continue to drive financial inclusion and to welcome new customers into the financial banked sector.

FNB Brand Refresh

The FNB brand has evolved and grown for over 183 years. Steeped in a rich heritage that has built trust and relationships over time, this iconic brand has remained relevant while retaining its equity.

Retaining and evolving this equity remains key to becoming a lifestyle enabler. Last year, we undertook an ambitious brand refresh where we transformed our brand in order to demonstrate our renewed commitment to adaptability and helpfulness.

Our business is built on offering real and intuitive help which is reflected in how we innovatively and continuously re-invent our products and services, as well as the impact to society. Our customers' success is the story of our success.

Our contribution to society

We continue to add our voice to the many societal challenges as we position ourselves as a bank that offers real help. Our recent community initiatives include:

- Driving the Plant A Tree initiative which has now become a national wide movement. This is aligned to other climate initiatives where we have also been offering green loans for alternative power solutions.
- Donation of 1 x 3 classroom block equipped with desks and an a blution block to a community school in Luanshya. Additionally, we have donated stationery and other school amenities in all ` the areas we have branch presence during the financial literacy week.
- We support various women and youth projects including the KUPES Young Women's Network, the Mother of Millions Sandulula Women's Empowerment Program which supports ex-incarcerated women in Kitwe, the partnership with Posterity Solutions which will provide mentorship for boys across the country.

Looking Ahead

Given the optimistic outlook following the sovereign debt restructuring agreement, we expect to play our part in driving growth in the economy. I am confident that our continued focus on our strategic pillars will position us to be part of the country's growth path.

Acknowledgment

I wish to thank all members of staff for their commitment and dedication to delivering exceptional products and serving our customers in the financial year. This strong financial performance is a result of their resilience and hard work.

Special thanks also to our esteemed customers. We appreciate the continued loyalty to the brand . Our commitment is to continuously improve our platforms to ensure we serve you better.

I would specifically like to thank the shareholders and the Board for the faith shown in the local executive team to carry out the mandate of driving the growth of this brand in Zambia. I remain confident that our team will be able to fufil the vision and strategy of the Bank.

Chief Financial Officer's Statement

Introduction

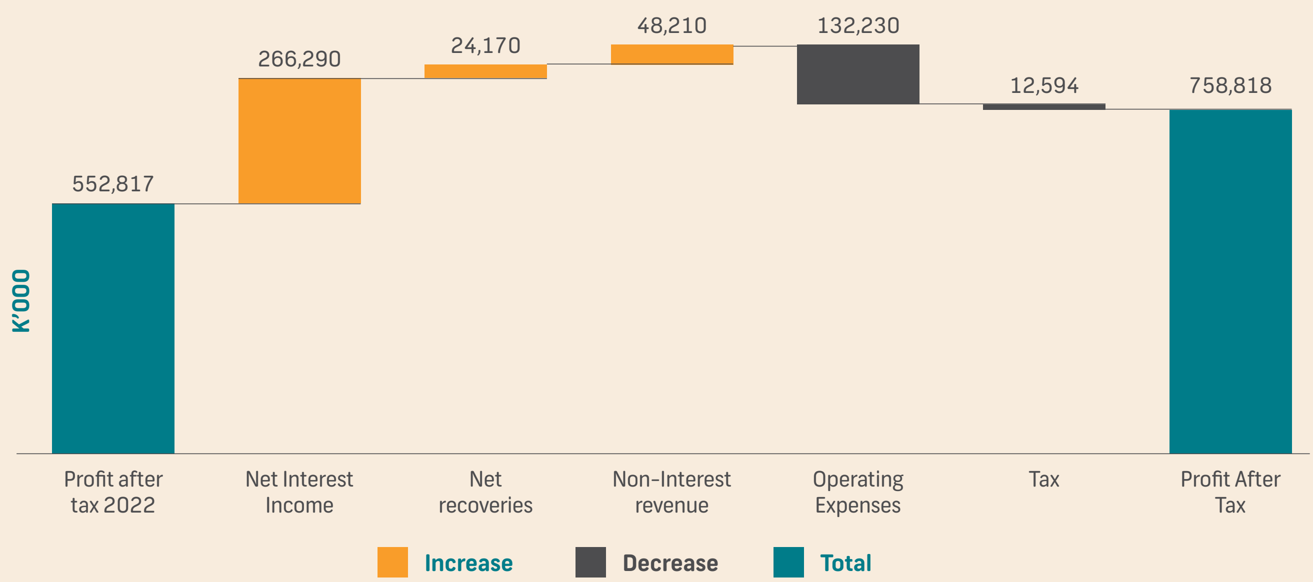
The financial outcomes included in our financial statements are a direct result of the Bank's strategy focused on people, platform and customer.

Overall performance

The graph below unpacks the major income statement components of the Bank's performance which was underpinned by high quality revenue growth, controlled cost growth and an improved credit outlook reflecting in impairment releases

Lending performance

The Bank maintained an appropriate origination strategy with total advances growing by 53 % year-on-year. The Bank continues to focus on growing market share in advances. This is in line with our vision to create a better Zambia by contributing to the recovery of the economy. This growth can be attributed to the Bank's strategic decision to increase lending activities and develop innovative credit products. As a result, a more diverse range of credit options became available to borrowers. Notably, the Bank piloted small medium enterprises (SME) unsecured scored loans, which eliminated the need for clients to submit extensive financial information, streamlining the lending process and enhancing accessibility for SMEs .



Chief Financial Officer's Statement

Additionally, in response to the electricity load shedding challenge faced by customers, the Bank introduced "green loans" specifically designed for the purchase of solar equipment. This initiative aimed to support sustainable energy solutions and alleviate the impact of power shortages on businesses and households.

Interest income increased by 22% linked to the growth in the loan book and the Bank's investment portfolio in both Zambian and United States Government securities. The Bank maintained optimal funding management maintaining interest expense growth to 4 % year on year.

The Bank recorded an impairment write back of K 91 m during the year. This reflects post write off recoveries made during the year and the impact of an improvement of macro-economic factors. The Bank has maintained prudent provisioning on the new loan book.

In terms of credit quality, the Bank's non-performing loan (NPL) percentage closed at 2.9%. This figure stands well below the industry average, indicating the Bank's effective credit risk management practices. The Bank's diligent efforts in evaluating and monitoring credit portfolios have contributed to a healthy asset quality and minimized the risk of default.

This achievement reflects the Bank's commitment to maintaining a sound credit environment while providing support to borrowers.

Transactional performance

The Bank has continued to invest in its platforms to support our customers transacting volumes. This has reflected in the growth in fees and commissions which are largely due to increased transactional volumes, an inflationary increase in the service fees and growth in customer numbers. The Bank's customer base increased by 18 %, closing the year with more than 285 000 customers.

This growth is also represented in the growth in the customer deposit franchise which grew by 29 % overall. This is driven by strong growth across all the customer's segments. The Bank also ensured the treasury function remained active in maintaining relationships with various institutional investors and deploying the funds in various sectors of the economy.

The Bank carefully managed operational expenditure throughout the year, reporting a growth over the year of 13%. The growth in expenses includes inflationary increases on operational costs, operational costs, continued staff investment and specific investments in key platform areas.

Liquidity position

The market remained well supported with Kwacha liquidity throughout the year. The legislation allowing eligible members to allow a 20% partial withdrawal from the National Pension Scheme Authority further added to the prevailing liquidity conditions . FNB Zambia managed its liquidity position throughout the period with excess funds deployed in short term liquid investments .

Capital Position

The Bank has maintained its strong capital position. Capital planning is undertaken on a three-year forward-looking basis, and the level and composition of capital is determined considering the segments' growth plans and the Bank wide stress-testing scenario outcomes. In addition, the Bank considers external issues that could impact capital levels, such as regulatory and accounting changes and the macroeconomic outlook.

The Bank continues to actively manage its capital composition effectively. This ensures sustainable support for ongoing growth initiatives while protecting customer deposits. The Bank is sufficiently capitalised to cater for its strategic growth areas.

Conclusion

The financial outcomes achieved in the year are a testament to the success of our five year strategy. The Bank has delivered a resilient performance across all its business segments. This demonstrates the strength and quality of the Bank's operating model.

We look forward to continued growth of the Bank's market share to ensure we deliver value to all stakeholders.

Board of Directors

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Board of Directors

Richard Mazombwe
Board Chairperson

Richard, a Zambian national, was appointed to the Board on 29th October 2020 and was appointed as Chairperson from the conclusion of the Bank's 2021 AGM. He is also Chairperson of the Remuneration and Nominations Committee.

He brings significant financial, strategy and corporate governance experience to the Board gained in Zambia, Botswana and Malawi.

Richard is a Chartered Accountant and a holder of a Bachelor's degree in Accountancy. He has over 25 years of experience in public practice of which he served 14 years at partner level. At retirement in 2010, he had served 6 years as the Senior Partner of PricewaterhouseCoopers Zambia. Since retiring he has concentrated on leadership training and corporate governance.

Richard has previously served as the Board Chairman of Citibank Zambia Limited and of Prudential Life Assurance Zambia Limited. He currently serves as the Board Chairperson of Zambia National Breweries Plc.

Bydon Longwe
Chief Executive Officer

Bydon is a Zambian national and was, on 1st July 2020 appointed CEO after being CFO for more than two years.

Bydon joined the Bank in February 2018 as CFO designate.

Bydon is a Chartered Accountant and a fellow of both the Association of Chartered Certified Accountants (ACCA) and the Zambia Institute of Chartered Accountants (ZICA).

He has a Master's Degree in Business Administration from Edinburgh Business School at Heriot-Watt University Scotland. He is also a member of the Association of Corporate Treasurers (UK).

Bydon has over 27 years of experience in auditing, accounting, finance and banking.

Yande Mwenye
Non-Executive Director

Yande Mwenye is a Zambian national who was appointed to the board from 24th November 2020.

She is a Chartered Accountant and a Fellow of both the Association of Chartered Certified Accountants (ACCA) and Zambia Institute of Chartered Accountants (ZICA).

Yande has over 21 years professional experience that spans over three continents having worked in Norway, the British Channel Islands, Australia and in Zambia.

Most of her work experience has been spent in one of the top tier audit firms. She is currently the Managing Partner for Crowe Zambia, she serves on various boards and committees, and is also an Insolvency Practitioner.

Board of Directors

Linire Mulima
Non-Executive Director

Linire is a Zambian national who was appointed to the Board on 5th February 2018. She is admitted to the Zambia Bar with over 25 years post qualifying experience.

She holds a Bachelor of Laws degree (LLB) from the University of Zambia and Master of Business Administration (MBA) obtained from Edinburgh Business School, Herriot Watt University, Scotland.

She has diverse and extensive experience as in house counsel having served as Legal Counsel and Company Secretary in the public and private sectors.

She is a versatile, experienced, self-motivated, confident, articulate and assertive individual with a professional approach to work.

An enthusiastic worker in managing, facilitating and leading teams and works effectively in multi – sectoral environments.

Mark A.H.J. Lüring
Non-Executive Director

Mark has German/Zambia dual nationality. He was born in Zambia and was appointed to the Board on 5th February 2018.

He holds an Executive MBA and is an established legal professional having practiced in Germany for over 10 years with extensive experience in law, sales marketing, civil engineering, construction and real estate.

Mark is currently the Managing Director of Drake & Gorham (Z) Limited having previously worked as Regional Sales Manager for General Motors (Germany) and Legal Counsel for Opel (Germany).

He is the President of the European Union Zambia Business Club (EUZBC) and is affiliated with the Association of Building & Civil Engineering Zambia and the Zambia Chamber of Commerce and Industry.

Musonda Mwambazi Kapaya
Non-Executive Director

Musonda is a Zambian national who was appointed to the Board effective 11th September 2020.

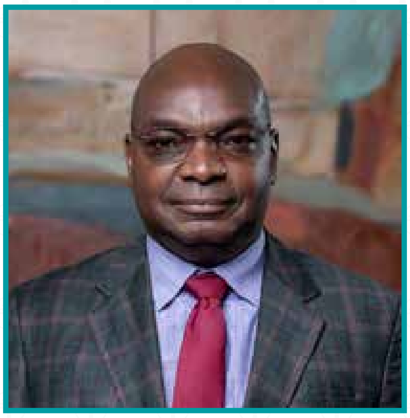
He holds a Post Graduate Information Systems Management, Greenwich University and a BSc Computing, Greenwich University, graduate of the United States Telecoms Training Institute (USTTI) in cybersecurity and Disaster Management.

He is an Information and Communication Technology professional with over 28 years of experience in banking & Technology. He is Trained in various certifications and ISO standards including ISO27001, ISO27002, ISO27005, ISO38500, ISO31000, CEH, CISSP, COBIT, ITIL and Digital Transformation. He is a Fellow of the ICT Association of Zambia and a full Member of the Institute of Directors of Zambia.

Musonda has served in various positions in banking and information technology industry as outlined. He is the Founder and CEO at Digital Safe Limited, worked at SILENSEC as Chief Information Security Architect, worked in various positions at ZANACO including, Senior Manager Card systems and Operations and Chief Information Security Officer (CISO). He has also served as Member for VISA Sub Sahara Risk Committee and Chairperson of the National Cybersecurity and new generation network National technical committee. (ZICTA & ZABS).

He is an accomplished trainer and speaker in cybersecurity and digital transformation.

Board of Directors



Andreas Stephanus Ribbens
Non-Executive Director

Andre is a United States/South African national and was appointed to the Board effective 24th November 2017. He holds a Bachelor of Commerce degree in Accounting, Bachelors Compt. (Hons) Managerial Accounting and an MBA in Finance and International Taxation from Stern School of Business, New York University. Andre is also a Chartered Financial Analyst (CFA) charter holder.

Andre has over 25 years experience in banking, and finance, 23 years of which is within the FirstRand group. Andre has served in various positions in FirstRand which includes:

- Strategic Advisor to Global Markets at Rand Merchant Bank,
- Co-Head Treasury Solutions for Global markets and Corporate Banking-Rand Merchant Bank,
- Head of Commodities-Fixed Income, Currency and Commodities-Rand Merchant Bank,
- Deputy Treasurer & CEO of International Banking-Rand Merchant Bank,
- Head of treasury Operations & Risk management –Rand Merchant Bank,
- Head of FNB Foreign Exchange Product House and
- Head of Treasury Risk management- FNB

Kakenenwa Muyangwa
Non-Executive Director

Kakenenwa is a Zambian national who was appointed to the Board on 29th November 2021.

He holds a Bachelor (Honours) Degree in Mining Engineering from Imperial College of Science and Technology, London. He is also a Chartered Certified Accountant.

He has over 30 years' experience in mining, concentrates and metals trading, audit and business advisory services, treasury management, financial management and financial reporting in the banking and financial services sector. He has worked in diverse markets across the globe, including Zambia, Cote d' Ivoire, Botswana, United Kingdom and Germany.

His director level and senior management experience includes:

- Long-Term Corporate Recovery and Turnaround Consultant at the African Development Bank's Special Operations Unit
- Non-Executive Director at Kariba Minerals, CNMC Luanshya Copper Mines and JUMO Zambia.
- Finance and Treasury Director at Barclays Bank of Zambia
  Interim Finance Director at Scaw Limited, Chibuluma South Mine and Mpelembe Drilling Company.

Angela Pillay
Executive Director

Angela is a South African national who was appointed to the Board effective 24th January 2023. She holds a Master's degree in Commerce.

She is also a Chartered Certified Accountant. Angela has served as a Chief Financial Officer with more than 20 years of banking experience in designing, leading and implementing a broad range of initiatives to support business strategy.

She has served in various positions in banking as outlined:

- Head of Group Reporting at FirstRand Bank
- Group and Financial Director at Sasfin Bank
- Chief Financial Officer at Liberty Financial Solutions (LibFin: Liberty Group South Africa)
- Chief Financial Officer of Corporate Africa (CIB: ABSA Goup limited)
- Chief Financial Officer at FNB
- Commercial Segment and Balance Sheet Management at First National Bank

Executive Team

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Executive Team

Kampamba K. Mulenga
Chief Financial Officer

Kampamba Mulenga has been Chief Financial Officer since July 2020. He previously spent fifteen (15) years in banking roles and in providing assurance and consultancy services in Zambia, United Kingdom and Nigeria. Kampamba holds a Bachelor's degree in Accountancy and Finance from the Copperbelt University, a Master's in Finance from University of London and Master's in Banking and Regulation from the University of Warwick.

He is a Fellow of both the Zambia Institute of Chartered Accountants (ZICA) and the Associated of Certified and Chartered Accountants (ACCA). He also serves on the Technical Committee of ZICA and is an Associate of the Chartered Institute of Arbitrators.

Kampamba has undertaken executive education focusing on strategy and leadership at the University of Pretoria Gordon Institute of Business Studies and holds a Harvard Business School Certificate in Leading in Finance.

Vivian Kondolo
Head of Human Resources

Vivian has been with the Bank since February 2016. She is a holder of a Bachelor of Arts Degree in Public Administration (Industrial Psychology) and Public Administration from the University of Zambia, certified in change management and mini-MBAs in Telecommunication (telecom) strategies and Business management.

She has over 20 years' experience in human resources management which includes years in public practice as a management consultant and business advisor and experience with donor funded organization and telecommunications.

Her experience covers:

- Organisational restructuring
- Salary/Remuneration surveys
- Recruitment
- Training & Development
- Change and Performance managment
- Talent management
- Industrial relations
- Change Management, Telecom
- Strategies, Business Management
- Investors In People Certification
- Strategy formulation

Luyanga Mufungulwa
Head Corporate & Investment Banking

Luyanga joined First National Bank Zambia in June 2014. His previous experience includes: 7 years in Market Risk & Product Control Analyst, Credit Analyst. At FNB, he has held several roles in CIB including Head of Foreign Exchange Product House, Head of Corporate Banking and more recently Head of Markets. He is currently responsible for leading the Bank's Corporate and Investment Banking Division which is the segment responsible for providing financial solutions for large corporates, financial institutions, and key public sector entities.

He is a holder of a Master of Science in Financial Management from Edinburgh Business School, a Postgraduate Diploma in International Financial Reporting Standards from ACCA, the ACI Dealing Certificate from the Financial Markets Association and a Bachelor of Arts Degree in Business Administration from the Copperbelt University.

Executive Team

Erica Chakota Nchito
Company Secretary & Head Legal

Erica joined the Bank as Head of Legal and Company Secretary on 1st May 2020 bringing strategic management skills, transformational leadership and experience in banking skewed toward Governance, Legal & Regulatory Risk Management across all segments a Financial Institution.

She is an agile and seasoned lawyer with over thirteen (13) years of banking experience, the majority of which have been at leadership level. She was admitted to the Bar in 2009 and is an advocate of the Supreme Court of Zambia. Erica is a Certified Investments Advisor and holds a Post Graduate Diploma in Law from the University of Zambia. She has varied experience covering: Banking & Finance, Legal & Regulatory Advisory, Corporate Governance, Contract Law, Company Law, Commercial Law, Commercial Dispute Resolution, Employment Law, Insurance law and Human Rights Law.

Ignatius Kashoka
Treasurer

Ignatius Kashoka is a Zambian and a holder of a Bachelor's degree in Chemical Engineering, the prestigious Bank Treasury Risk Management (BTRM) Certificate and an ACI treasury dealing certificate (ACI Paris).

Ignatius has total banking experience 23 years with over 20 years' experience in treasury and corporate banking at management level in Zambia, Netherlands, Kenya, Tanzania and London. He has trading and executive management experience at Rabobank London and Utrecht in the Netherlands.

His expertise covers the following areas:

- Currency trading
- Assets and Liabilities management
- Structured treasury products
- Relationship management

Hinguuma Handia
Head of Credit

Hinguuma Handia joined FNBZ as Head of Credit, effective 25 March 2022. He has 17 years of experience in banking. He has credit experience of over 14 years covering the entire credit life cycle from origination to recoveries; and dealt all persona of clients from personal to corporate.

He has credit risk experience across African markets having served in regional credit risk review roles.

He is an agriculture credit specialist and has led projects for the digitisation of unsecured lending in the personal and SME segments.

Hinguuma holds a Bachelor's Degree in Economics from the University of Zambia and Post graduate Diploma in Banking & Finance

Executive Team

Kabanda Lilanda
Head of Business and Commercial Banking

Kabanda has over 22 years of banking experience with 17 years at a senior management level. He has held various senior leadership roles at country and group level.

His experience covers corporate, commercial, SME, agriculture and retail banking.

He has had experience in various regional roles in retail and business banking, relationship management, digital channels and SME and affluent banking.

Kabanda is a holder of an MBA in International Management from the Edith Cowan University, Perth Australia.

Lukonde Kasonde
Chief Operating Officer

Lukonde Kasonde joined FNB in March 2015 as Senior Manager in the Project Management Office (PMO) and worked until June 2019 when he was appointed as Chief Operating Officer for FNB Eswatini, a position he held until July 2021. Prior to that, he held various roles an Engineering firm in the United Kingdom from 2007 to 2015.

He holds a Bachelor's degree in Electronic Engineering and a Master's in engineering management both from Aston University, UK. He is also a holder of the PRINCE2 foundation and practitioner licenses, Postgraduate Diploma in Digital Business, Certified High Flow Coach and Functional Medicine Certified Health Coach. Investment in Excellence qualification and Certified High-performance Coach

Mwamba Musambo
Head of Retail Banking

Mwamba possesses over 23 years' experience in the Banking and Financial services Industry. She has solid appreciation of various cross functional roles and responsibilities having risen through the ranks with the Banking Sector at different levels. Her areas of specialization include Retail Banking, which Channels management and Digital. Business Banking which covers Agriculture, Commercial and SME Banking. Customer experience and certified by Disney Institute in service and Culture transformation. Organisational efficiency focused Branch, structures and process efficiency. Also has experience in Business rescue and set up in Retail and Agriculture Banking. With growth experience in the following Markets Namibia, South Africa, Ghana, Botswana, Eswatini and Lesotho.

She holds an MBA with Edinburgh Business School (Herriot Watt University). She also holds an Advanced Diploma in Business Administration from the Association of Business Executives. Mwamba is an associate member of the Association of Business Executives (ABE) U.K and Euro – Finance accreditation in Trade and Cash Management. Culture and Service certification under Disney Institute. Trade Finance and Credit certification under IFC. Leadership certification under Arise school in Kenya. She was Nominated Mentor of the year 2023 under Africa Womens Summit.

Executive Team

Beyani Zulu
Chief Risk Officer

Beyani joined the Bank in September 2018.

He is a Zambian risk practitioner and a Chartered Accountant with over 16 years experience in capital markets, banking and financial services industry. He is a fellow of the ACCA and ZICA and a holder of a Bachelor's degree in accounting from the Copperbelt university.

Beyani started his career in audit and accounting.

His banking career includes different positions Operational Risk, Operational Risk Manager-Corporate and Investment Banking and Internal Audit.

Kasali Mwaba Kaingu
Head Strategic Marketing & Communication

Kasali has over 17 years' experience in product, brand and segment marketing having worked for notable global brands in various sectors such as satellite television, mobile network operator and Fintech before joining the banking sector. She's had a successful marketing career starting out as a graduate Trainee at a leading MNO to taking on senior marketing roles with traceable impact in Zambia, as well as other Southern African countries. She brings value to the business with particular strength in strategic marketing to maximize product/ service value and enhance brand affinity and reputation in markets.

In 2021, Kasali was awarded the prestigious Marketing Personality of the year by the Zambia Institute of Marketing and uses her expertise and knowledge to mentor and coach young professionals in her field.

Kasali holds a Master of Business Administration (MBA) in International Business from Edith Cowan University as well as a Bachelor of Economics Degree from the University of Namibia.

Clotilda Mulenga
Head- Customer Experience

Clotilda joined the Bank in 2013 as Head of Strategic Marketing and Communication. She has a Master's degree from Bond University in Australia and is a member of the Zambia Institute for Marketing.

She has over 25 years of experience at executive level with listed companies in four African countries.

Her international working experience includes South Africa, FNB Botswana and FNB Mozambique.

She was appointed Head, Customer Experience effective July 1, 2022.

Awards

FNB Zambia has a strong commitment to delivering best-in-class Banking solutions that enhance the financial and lifestyle experience of our valuable customers and stakeholders.

This commitment has culminated in local, regional and international recognition through prestigious accolades.

Awards

2022
International Business Magazine
Best SME Bank Zambia

2022
International Business Magazine
Best Innovative Bank - Zambia

2022
Finance Derivative Magazine
Most Innovative Commercial Bank Zambia

2022
World Business Outlook
Retail Bank of the year Zambia

2022
Zambia Chartered Institute of Customer Management
Customer Choice Award (Runner-UP) Zambia

2022
Zambia Chartered Institute of Customer Management
Digital Customer Experience Excellence

2022
Zambia Institute of Banking & Financial
Digital Banking Brand of the year

2022
Zambia Institute of Banking & Financial
eWallet Solution of the year

Awards

2022
Finance Derivative Magazine
Best Banking Application Zambia

2022
World Business Outlook
Most Innovative Bank Zambia

2022
World Business Outlook
Banking CEO of the Year (Mr. Bydon Longwe) Zambia

2022
Zambia Chartered Institute of Customer Management
Strategic Leader of the Year (Mr. Bydon Longwe) Zambia

2022
Zambia Institute of Banking & Financial
Most Innovative Banking App

2023
Gobla Finance Awards
Best Fx Provider Zambia

2022
Zambia Institute of Banking & Financial
Best Customer Service Bank

2022
Zambia Institute of Banking & Financial
Best KYC Solution of the year

Environmental Report

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Environmental Report

FNB Zambia's Environmental, Social, and Governace (ESG) footprint

Over the years of operations in Zambia, First National Bank (FNB) Zambia Limited has continued with the commitment of helping to create a better world in the communities the Bank operates in, aligned to its ethos of offering real and intuitive help. With Environmental, Social and Governance (ESG) impacts becoming increasingly important to businesses, FNB Zambia is making strides through deliberate efforts to be an industry leader that aligns its product and service offering to sustainable practices.

ESG has brought to the fore discussions on how sustainability and the ethical impact of investments or business operations are evaluated. Under consideration are issues relating to the environment, social responsibility, and corporate governance. As an innovative bank that has become known for industry firsts, FNB Zambia has embraced ESG principles which are crucial for the Bank to align to the changing operating environment and global practices.

FNB is committed to the establishment of clear sustainability goals, development of policies to minimize the Bank's ecological footprint, promote diversity and inclusion within the workforce, and ensure that the organisation upholds ethical standards. Regular ESG reporting helps communicate progress and maintains accountability.

Environment

At FNB Zambia, we are placing greater emphasis on the development and implementation of bespoke initiatives that are aimed at driving environmental sustainability across all segments.

Plant A Tree

FNB Zambia rolled out the Plant A Tree initiative which is aligned to the Bank's growth strategy #Twende2Kule which means 'Let's Go – Let's Grow – Let's Build' focusing on growth and premised on the ethos of responsibility and sustainability. When the Plant A Tree initiative was launched, the Bank's commitment was to plant at least 650 trees in all areas where FNB has branch presence, representing each employee in the Bank. This target was exceeded, with more than 1,000 trees planted. The Bank started an initiative which has now become a national movement with corporates and civil society committing to planting 1 million trees in the next few years.

Environmental Report

QR-code Digital Cards and Signatures

In a quest to further reduce our carbon footprint, FNB has stopped printing business cards for employees, opting instead for a QR-code digital card. When scanned, employee details are reflected. This is a demonstration of the Bank's commitment to reduce the number of trees being cutdown to produce paper and champion digitization. Further, the Bank encourages the receipt and circulation of electronic documents that can be signed with Digital Signatures and has further reduced the requirement for paper footprint. Customers are also encouraged to access their statement online, to avoid printing and paper usage.

Green Loans

FNB Zambia's climate-smart initiatives have also been extended to the Bank's product suite. The Bank introduced Green Loans; facilities developed to finance alternative energy solutions with an aim of helping to reduce the carbon footprint. To encourage uptake of the Green Loans, the Bank has partnered with selected suppliers through its Alliance Partnership proposition which accords discounts when one pays with an FNB card. This is another way the Bank is extending consciousness and rewards on sustainable environmental practices.

Social Report

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Social Report

Social

As a responsible corporate citizen, FNB Zambia desires to contribute towards better, safer, and healthier communities by improving the standards, livelihoods and circumstances of fellow citizens in places where the Bank has presence. To us, this is real help.

Banking solutions

Our banking and lifestyle solutions are carefully developed to meet the ever-changing needs of our customers. We invest in innovation and community impact to allow our people access to the best-in-class products and services, some of which include:

- **FNB App** – the award-winning FNB App has been enhanced with cutting-edge features that include biometric access, Geo payments and Pay to Cell functionalities, among others, to offer a superior banking experience that is Helpful, Easy and Safe. We had over 3.8m transactions valued at about ZMW12.7bn on the FNB App in the 2022/2023 financial year.

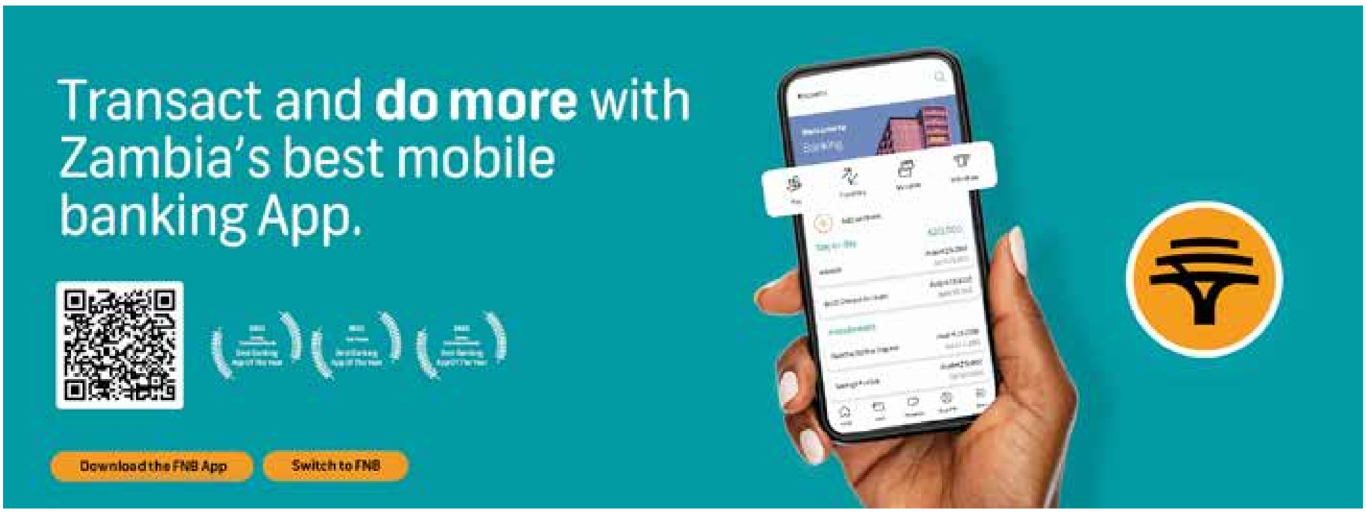
- **CashPlus** – FNB's agency banking model, CashPlus, continues to grow to the current 1,968 agents dotted across all 10 Provinces in Zambia. CashPlus agents offer deposit and withdrawal making it easy for customers to access banking services in the communities without having to travel to visit a branch. More than 3.9m transactions valued at ZMW10.9bn were actualised in the 2022/2023 financial year through the agency banking model that is also helping to drive financial inclusion.

- **Bank on Wheels** – to further drive financial inclusion, we introduced the Bank on Wheels. This is a mobile banking unit that is helping FNB Zambia take banking services to the unbanked areas of the country such as the rural areas, through which we intend to increase access to financial services across the country. The Bank on Wheels unit also serve as an important mechanism for migrating customers to digital banking platforms after they are onboarded through this vehicle, so that they can continue accessing banking services even when the vehicle leaves their area. That is why the value proposition of our Bank on Wheels is: Mobility, Accessibility and eXperience or in short MAX.

- **eWallet** – FNB Zambia was the first financial institution to launch a wallet service. eWallet has become the blueprint a seamless wallet experience allowing customers to send money to any number which can be withdrawn from an ATM or CashPlus agent. Alternatively, customers can make payments from their eWallets for various bills and services. We processed 3.4m eWallet transactions valued at ZMW8.3bn in the 2022/2023 financial year.

- **H.E.R** – Helping Everywoman Rise is FNB Zambia's women's banking proposition that offers unique solution catering to female customer needs at every stage of their lives and lifestyle. The solutions include a combination of banking product and value additions that include preferential credit rates, bespoke insurance offers, networking and business linkages, as well as discounts from selected Alliance Partners. Since launch, the H.E.R proposition has had a 15% year-on-year growth in customer sign-ups.

- **Financial Literacy** – FNB Zambia offers free financial literacy education and continues to champion financial inclusion as part of integrated advise. The Bank is deliberate about positively impacting women, youths and SMEs through engagements with the Government, Non- Governmental Organisations, Global Development Organisations, including small and large corporates. Our CEO, Bydon Longwe has previously been recognized in the Bank of Zambia Governor's Financial Literacy Awards for championing financial literacy.



Social Report

MAX – FNB Zambia's Bank on Wheels unit.

Women's Health and Wellness event participation as part of H.E.R. Banking

Financial Literacy Week activities in schools

Social Report

Launch of Premier and Private Clients Lounge at Kenneth Kaunda International Airport

WOWfest concert with Travis Greene and Minister GUC held in partnership with WOW Woman

FNB Zambia's Brand refresh event which was held in Lusaka

Social Report

FNB Zambia's inaugural wine festival


FNB Zambia Corporate Golf Day hosted to thank customers for their continued support


Launch of the SME Business growth campaign

Social Report

Youth impact

We have partnered with the KUPES Young Women's Network that offers mentorship of adolescents and young women to help them become empowered citizens. FNB Zambia senior female employees also participate in period mentorship sessions and have been featured in the 'What I Know Now Booklet', a publication giving advise to the younger generation.

KUPES Young Women's Network Chats

Similarly, we recently signed a first-of-its-kind partnership with Posterity Solutions to provide mentorship for boys and young men across the country.

Ascend Male Mentorship Sessions

Social Report

Women support

We continue to complement societal efforts aimed at empowering women to allow them access to financial services and funding for their business projects. Some of the projects that we have supported include the Women in Science Technology Engineering and Mathematics (STEM) organisation that works closely with the Ministry of Scient and Technology; the donation of a Peanut Butter-making machine and Sewing Machines to Sandulula Women's Empowerment Initiative that works with formerly incarcerated women in Kitwe; and donation of reusable sanitary material to a Chikankata Secondary School, a rural school in the outskirts of Mazabuka as part of a partnership with Awanachi Magazine, to reduce absenteeism.


FNB CEO Bydon Longwe handing over the Bank's donation to Sandulula Women's Empowerment Initiative

Education

Access to quality education has continued to be a focus in Zambia. To add our voice to increasing access to education, the Bank donated a 1 x 3 classroom block equipped with desks and an ablution block to a community school in Luanshya.

Additionally, we have donated stationery and other school amenities in all the areas where FNB Zambia has branch presence during the Financial Literacy Week as we commit to increasing positive impact aligned to our growth strategy.


Kamuchanga Community School Building in Luanshya

Statement on Corporate Governance

First National Bank Zambia Limited ("FNB") aspires to consistently maintain high standards of corporate governance aligned to international best practice. FNB is committed to displaying excellence in the principles of transparency, integrity and accountability.

The ultimate goal is to help create a better Zambia and ensure the long-term value and success of the Bank for the benefit of all its stakeholders including the community in which it thrives. The Bank aims to protect and enhance the sustainability of the Zambian business which is achieved through continuous interrogation and improvement of strategies, decision making processes and management systems.

The Board of Directors upholds the Bank of Zambia Corporate Governance Directives 2016 and the King IV Code on Corporate Governance and believes that, in all material respects, the Bank complied with the principles of the Directives throughout the financial year ended June 2023. These regulations and code together with the FNB Board approved governance framework play an integral role in supporting our business and helping us deliver our strategy.

The governance framework has a clear structure for decision making and accountability across our business, providing guidance on the standards of behavior we expect of every director, employee and supplier as well as set the tone of interaction among the various players that keep the entity running.

Board of Directors

The Board currently comprises 9 Directors, 7 of whom are Independent non-executive Directors. The Chairman is an Independent Non-Executive Director. The depth of experience and diversity of the Board ensures that robust and forthright debate occurs on all issues of material importance to the Bank. Key skills held by the FNB Board include accounting, legal, business, banking, finance, credit, mining and governance. The Board is responsible to shareholders for strategy and direction, review and oversight of management decisions, monitoring and measuring of performance and risk management.

The FNB Board meets at least four times annually, the Bank's Articles of Association allows for electronic meetings to be held. In accordance with the Companies Act No. 10 of 2017 and the FNB Board Charters, the record of Directors' attendance and meetings held during the year was taken. Four meetings were convened in the financial year ending June 2023 with all save two directors having 100% attendance. None of the Directors fell below the 75% attendance requirement in line with the Bank's Articles of Association.

In furtherance of its commitment to endorse principles of accountability the Board did in the year under review introduce and approve a Directors Infractions policy to set out a clear manner of addressing director misconduct.

Board Committees

The Board regularly reviews and assesses the governance structures to ensure they are consistent, both in form and in substance, with best practice and relevant regulations. In the financial year ended June 2023, the Board restructured its Board Committees by renaming and enhancing the duties and authority of the Enhanced Senior Credit Risk Committee which is now called the Insider and Large Exposure Committee. The Board is now assisted in the discharge of its responsibilities by its 5 subcommittees as described below. The Committees operate under approved Charters which define their functions and responsibilities. These Committees are accountable and report to the Board.

1. Audit Committee

The Audit Committee assists the Board in the discharge of its duties relating to its financial reporting and performance, reviewing external audit reports, internal control systems and compliance.

The committee reviews and evaluates the nature, extent and categories of risks facing the Bank, and ensures relevant risk management strategies, processes and policies are in place. The committee further assesses the going concern status of the Bank

2. Renumeration and Nominations Committee

- It regularly reviews the Board structure size and composition, taking account of skill and experience requirements and a need for appropriate demographics and the balance between non-executive and executive directors and the need for independent non-executive directors.
- It is also responsible for director appointments and discharges all other governance and director affairs related matters in line with the law and international best practice.

3. Risk, Capital Management and Compliance Committee

- It monitors effectiveness of risk management and high priority corrective actions. It also monitors the Bank's risk profile while

Statement on Corporate Governance

overseeing corrective action as required.

- The committee ensures that the Bank takes appropriate action with applicable laws, rules, codes, and standards; and approves thresholds, and ensures that a sound capital management to manage its regulatory and supervisory risks and complies regulatory capital models, risk and capital targets, limits, and process exists.

4. Insider and Large Exposures Committee

This committee approves all large loans and insider loans recommended by the Management Credit Committee. It approves exceptions to defined policies where appropriate and approves credit exposures more than 10% of regulatory capital but less than 25% of Bank's regulatory capital.

5. Loans Review Committee

The Loans Review Committee reviews the quality of the loan book, the collectability of all loans in its loan portfolio, including any accrued and unpaid interest and reassesses the loan review system on a regular basis.

Board Evaluation and Meetings

The Board carries out a self-assessment of its performance during the year and shall continue to implement appropriate actions to enhance its performance. It is of utmost importance that the directors are continually updated and trained on key topics and new developments affecting the performance of the Bank. To this end the Board annually approves a board training calendar to meet these needs and close gaps identified in evaluations. The below training was achieved in the financial year ended June 2023:

- Environmental Social Governance
- Corporate Governance
- Regulatory & Conduct Risk (Anti money laundering (Financial Crime), Business Conduct (ABC &Ethics), Market Conduct)
- King IV, Developments in the banking industry - local and international and board relationship with shareholders and management
- Board Focus on Risk Management: Credit Risk Management, Governance & Concentration risk, Operational Risk Management, IT Risks

Code Of Ethics

The Bank has a Code of Ethics which is annually approved and is a framework of standards and values by which the directors, employees and contractors/suppliers of the Bank are expected to conduct their professional lives. In the year under review all the directors made timely declarations of interest to help aptly manage any conflicts as envisaged in the Bank's Code of Ethics, Companies Act and other legislation and attested and undertook to uphold all the principles and requirements in the code.

Director's Report

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Director's Report

The Directors have pleasure in submitting their report together with the annual financial statements of First National Bank Zambia Limited (the Bank) for the year ended 30 June 2023.

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The Bank is a registered commercial Bank in Zambia. It offers a wide range of Banking and related services through its branch, agency, in-store Banking sites and Advanced and Deposit taking machines (ADTs) and Automated Teller Machines (ATMs) network.

As at 30 June 2023, the Bank's footprint consisted of the following: -

	June 2023	June 2022
Branches	23	23
Mobile Branch	1	-
CashPlus Agent Outlets	1,985	1,746
Total ATMS	147	144
Ordinary	85	83
Mobile ATMs	1	1
ADTs	61	60

Through this footprint, the Bank is represented in all ten provinces in Zambia.

Share capital

Authorised capital

The Bank's authorised share capital consists of 41.6 billion shares of K0.01 (One Ngwee) each and amounts to a total of K416 million.

Issued share capital

The Bank's issued share capital consists of 41.6 billion ordinary shares of K0.01 (One Ngwee) each and amounts to K416 million.

The shareholding consists of FirstRand Investments Holding Proprietary Limited (FRIHL) which holds 1 (2022:1) share and FirstRand EMA Holding Limited (FREMA) which holds 41,599,999,999 (2021: 41,599,999,999) shares.

Director's Report (Continued)

Primary capital

Bank of Zambia (BoZ) capital adequacy framework requires all foreign owned commercial Banks to hold a minimum primary capital of K520 million made up of 80% in nominal paid up common shares (nominal paid up equity capital) and the balance of 20% which could be held only in any one or more of the following (i) Share premium, (ii) Retained income, (iii) General reserves, and (iv) Statutory reserves.

The Bank has complied with the Bank of Zambia (BoZ) minimum capital requirements as at 30 June 2023 as detailed below: -

K'million	2023	2022
Issued Share Capital	**416**	416
Share Premium	**170**	170
Retained Earnings	**1,510**	763
Fair Value Reserves	**12**	-
Balance before IFRS 9 & COVID 19 write back	**2,108**	1,349
Unamortised portion of COVID-19 provisions	**-**	30
Unamortised portion of IFRS 9 Day 1 adjustment	**-**	1
Closing balance	**2,108**	1,380
BoZ Minimum Tier 1 Capital Requirement	**520**	520
Surplus over the minimum	**1,588**	860

Trading results and dividends

The Bank recorded a profit after tax for the year 30 June 2023 of K747 million (2022: K553 million). No dividends were proposed for the year (2022: Nil).

Gifts and donations

The Bank continues to contribute towards the under-privileged in the communities where the Bank operates. During the year, the Bank made donations to various organisations amounting to K0.47 million (2022: K2.4 million).

Exports

The Bank did not make any exports from Zambia during the year (2022: Nil).

Average number of employees and remuneration

The total remuneration of employees during the year was K476 million (2022: K363 million), and the average number of full-time employees were as follows:

July	592	November	605	March	655
August	582	December	614	April	656
September	586	January	634	May	676
October	587	February	645	June	689

The Bank recognises its responsibility regarding the occupational health, safety, and welfare of its employees and has put in place measures to safeguard them.

Director's Report (Continued)

Research and development

During the year the Bank did not conduct any research and development activities (2022: Nil)

Property and equipment

During the year the Bank purchased property and equipment amounting to K86.8 million (2022: K60.4million). In the opinion of the Directors, there was no significant difference between the carrying value and market value of the Bank's property and equipment.

Related party transactions

In accordance with the requirements of the Banking and Financial Services Act, 2017 of Zambia, related party transactions are disclosed in note 19 of the annual financial statements.

Directors' emoluments

In accordance with the Companies Act, 2017 of Zambia and Banking and Financial Services Act, 2017 of Zambia Directors' emoluments and interests are disclosed under note 5.5 of the annual financial statements.

Prohibited borrowing and lending

There were no prohibited borrowings or lending's as defined under Section 89 of the Zambian Banking and Financial Services Act, 2017 of Zambia.

Risk management and control

The Bank, through its normal operations, is exposed to several risks, the most significant of which are credit, market, operational and liquidity risk.

The Bank's risk management objectives and policies are disclosed in note 27 of the annual financial statements. These policies mitigate risks by introducing controls that are designed to safeguard the Bank's assets while allowing sufficient freedom for the normal conduct of business. Internal Audit carries out independent reviews to ensure compliance with financial and operational controls.

Compliance function

The Bank has in place a compliance function whose responsibility is to monitor compliance with the regulatory environment and the various internal control processes and procedures.

Know your customer and anti-money laundering policies

The Bank has adopted the Know Your Customer (KYC) and anti-money laundering policies and adheres to current legislation in these areas.

Director's Report (Continued)

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

Directors	Designation	Residence
R. Mazombwe	Chairman	Zambia
B. Longwe	Chief Executive Officer	Zambia
M. Kapaya	Independent Non- Executive	Zambia
M. Lüring	Independent Non- Executive	Zambia
K. Muyangwa	Independent Non- Executive	Zambia
L. Mulima	Independent Non- Executive	Zambia
Y. Mwenye	Independent Non- Executive	Zambia
A. Pillay	Executive	South Africa – Appointed in January 2023
A. S. Ribbens	Independent Non-Executive	South Africa

During the year, the total Director's remuneration was K11.9 million (2022: K11.1 million), comprised of K7.3 million (2022: K6.4 million) for services rendered by Executive Directors and K4.6 million (2022: K4.7 million) for services rendered by Non-Executive directors.

Interests Register Information

During the year, the Directors made no declarations of interest in Bank's transactions and business. The Directors declared the following number of ownership interests and board memberships in other businesses.

Directors	Outside interest declared
R. Mazombwe	3
B. Longwe	0
M. Kapaya	1
M. Lüring	4
K. Muyangwa	4
L. Mulima	2
Y. Mwenye	3
A.C. Pillay	0
A. S. Ribbens	7

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

Director's Report (Continued)

Auditors

The external auditors, PricewaterhouseCoopers Zambia, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the annual general meeting.

The auditor remuneration for the year was K3.9 million (2022: K3.0 million) comprised of K3.8 million (2022: K2.8 million) audit services and K0.1 million (2022: K0.2 million) for other non-audit services rendered to the Bank.

By order of the Board

24 August 2023

Statement of Directors' Responsibilities

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The Companies Act, 2017 of Zambia, requires the Directors to prepare annual financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank. The Directors are further required to ensure the Bank adheres to the corporate governance principles or practices contained in Sections 82 to 112 of Part VII the Companies Act, 2017 of Zambia. The Bank is pleased to report that it is fully compliant with the directives.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, 2017 of Zambia, and the Banking and Financial Services Act, 2017 of Zambia. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of annual financial statements, and for such internal controls, as they have determined as necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

The Directors are of the opinion that the annual financial statements set out on pages 49 to 157 give a true and fair view of the state of the financial affairs of the Bank and of its financial performance in accordance with IFRS as issued by the IASB and the requirements of the Companies Act, 2017 of Zambia and the Banking and Financial Services Act, 2017 of Zambia. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Sections 82 to 112 of Part VII's of the Companies Act, 2017 of Zambia.

Nothing has come to the attention of the Directors that the Bank will not remain a going concern for at least 12 months from the date of these annual financial statements.

R. Mazombwe
Chairman

B. Longwe
Chief Executive Officer

24 August 2023

Report of the Audit Committee

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To the Shareholders and Other Users of the Annual Financial Statements

The Bank's audit committee consists of four members of the Board. The external and internal auditors attend audit committee meetings by invitation. The committee meets at least four times a year and assists the Board in discharging its responsibility for ensuring that the Bank's financial and accounting systems provide accurate and up-to-date information on its current financial position, and that the Bank's published annual financial statements present a fair reflection of this position.

It also ensures that appropriate accounting policies, control and compliance procedures are in place.

The objectives of the committee are:

- To assist the Board of Directors in its evaluation of the adequacy, effectiveness and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied in the day-to-day management of the business.
- To facilitate communication between the Board of Directors, management and internal and external auditors. Approve external auditors' appointment, compensation and dismissal and provide oversight over the Bank's financial reporting process.
- To strengthen internal controls by i) reviewing and approving audit scope and frequency; ii) reviewing internal audit reports and ensuring senior management is taking appropriate corrective action in a timely manner to address control weaknesses, non-compliance with laws and regulations and other internal problems identified.

The committee has met its objectives and has found no material weakness in controls. The committee is satisfied that the annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Companies Act, 2017 of Zambia and Banking and Financial Services Act, 2017 of Zambia.

Y. Mwenye
Chairperson

24 August 2023
Lusaka

Independent Auditor’s report

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Independent auditor’s report

To the Shareholders of First National Bank Zambia Limited

Report on the audit of the annual financial statements

Our opinion

In our opinion, the annual financial statements give a true and fair view of the financial position of First National Bank Zambia Limited (the “Bank”) as at 30 June 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 Companies Act, 2017 of Zambia the Banking and Financial services Act, 2017 (As amended) of Zambia and the Securities Act, 2016 of Zambia.

What we have audited

First National Bank Zambia Limited’s annual financial statements are set out on pages 49 to 157 and comprise:

- The statement of financial position as at 30 June 2023;
- The statement of profit or loss and other comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended; and
- The notes to the annual 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 annual 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 Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Report on the audit of the annual financial statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual 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
Impairment on loans and advances at amortised cost As at 30 June 2023, the Bank's portfolio of financial assets measured at amortised cost included loans and advances and investment securities. The Bank assesses at each reporting date whether the financial assets carried at amortised cost are credit impaired. The Bank's management has applied an expected credit loss ("ECL") model to determine the allowance for impairment of financial assets. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Bank'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, which makes this an area of focus. Further information on impairment of financial assets at amortised cost is presented in Notes 10, 11 and 27.1 of the financial statements.	**We carried out the following procedures:** • Obtained an understanding of the Bank's methodology in arriving at the PDs 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. • We reviewed the methodology used to develop the loss given default under the various assumptions. Where applicable we agreed cash flow and collateral values to underlying documentation. • Performed an independent recalculation of the Expected Credit Losses and compared this to management's results. • Tested the controls around loan origination, credit appraisal, disbursement process, and delinquent loans including collections and recoveries and selected a sample of financial assets and performed a detailed credit review to confirm appropriate classification and measurement. • For loans and advances, tested a sample of accounts to understand their performance and appropriateness of staging in line with IFRS 9 by recalculating the number of days past due. • Tested loan write-offs for appropriate approval and consistency in application of write-off policy. • Tested forward looking information and evaluated it against external sources of information. • Reviewed disclosures in the financial statements for appropriateness and compliance with the requirements of IFRS 9 and IFRS 7.

Report on the audit of the annual financial statements (continued)

Other Information

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

Our opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the annual financial statements

The Directors are responsible for the preparation of annual financial statements that give a true and fair view in accordance with IFRS as issued by the IASB and the requirements of the Companies Act, 2017 of Zambia and the Banking and Financial services Act, 2017 (As amended) of Zambia, and for such internal control as the Directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual 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 annual financial statements.

Report on the audit of the annual financial statements (continued)

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

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 annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual 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.

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

Report on other legal and regulatory requirements

The Companies Act, 2017 of Zambia

The Companies Act, 2017 of Zambia requires that in carrying out our audit of First National Bank Zambia Limited, we report on whether:

i. as required by section 259 (3)(a), there is a relationship, interest or debt which, ourselves, as the Bank Auditor, have in the Bank;

ii. as required by section 259 (3)(b), there are serious breaches by the Bank's Directors, of corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia; and

iii. in accordance with section 250 (2), as regards loans made to a Bank Officer (a director, company secretary or executive officer of the company), the Bank does not state the:

- particulars of any relevant loan made during the financial year to which the accounts apply, including any loan which was repaid during that year; or
- amount of any relevant loan, whenever made, which remained outstanding at the end of the financial year.

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

The Banking and Financial services Act, 2017 (As amended) of Zambia

The Banking and Financial services Act, 2017 (As amended) of Zambia also requires that our audit report should state whether, among other matters, First National Bank Zambia Limited 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 Bank 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 Bank which was not within the powers of the Bank or which was contrary to this Act or other relevant law came to our attention;
- the Bank had non-performing or restructured loans outstanding, whose individual values exceeded 5% of the Bank's regulatory capital.

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

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

Part III, Rule 18 of the Securities (accounting and financial reporting requirements) Rules of the Securities Act, 2016 of Zambia, require that in carrying out our audit of First National Bank Zambia Limited we report on whether:

i) the annual financial statements of the Bank have been properly prepared in accordance with Securities and Exchange Commission rules;

ii) the Bank has, throughout the financial year, kept proper accounting records in accordance with the requirements of Securities and Exchange Commission rules;

iii) the statement of financial position and statement of comprehensive income are in agreement with the Bank's accounting records; and

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

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

PricewaterhouseCoopers
Chartered Accountants
Lusaka **14 September 2023**

Andrew Chibuye
Practicing Certificate Number: AUD/F002378
Partner signing on behalf of the firm

Financial Statements

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First National Bank Zambia Limited

Annual Financial Statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023

Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
Interest and similar income	2.1	1,527,750	1,251,424
Interest expense and similar charges	2.2	(275,507)	(265,471)
Net interest income before credit related impairment		1,252,243	985,953
Net recoveries on impaired advances	3	91,058	66,888
Net interest income after credit related impairment		1,343,301	1,052,841
Non-Interest revenue (Net):		853,408	805,198
Fee and commission income	4	716,753	630,799
Fee and commission expense	4	(183,661)	(128,681)
Trading income	4	345,996	330,662
Other expenses	4	(25,680)	(27,582)
Income from operations		2,196,709	1,858,039
Operating expenses	5	(1,133,525)	(1,001,295)
Profit before income tax		1,063,184	856,744
Income tax expense	6.1	(316,521)	(303,927)
Profit for the year		746,663	552,817
Other comprehensive income (OCI)			
Items that will be reclassified to profit or loss			
Fair value gain on investments measured at fair value through OCI	22(ii)	17,364	-
Deferred tax on investments measured at fair value through OCI	22(ii)	(5,209)	-
Total comprehensive income for the year		758,818	552,817

The summary of significant accounting policies and the notes on pages 53 to 157 are an integral part of these annual financial statements.

First National Bank Zambia Limited
Annual Financial Statements
Statement of Financial Position for the year ended 30 June 2023

Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
ASSETS			
Cash at bank	8	**2,327,574**	2,592,986
Derivative financial instruments	9	**34,398**	74,737
Investment securities and other investments	10	**7,545,484**	5,255,347
Fair value through profit or loss (FVPL)		**259,701**	10,437
Fair value through other comprehensive income		**562,305**	-
Amortised cost		**6,722,268**	5,243,700
Other investments designated at FVPL		**1,210**	1,210
Loans and advances	11	**3,379,191**	2,207,085
Other assets	13	**249,502**	218,807
Current income tax asset	6.2	**125,144**	127,772
Property and equipment	14	**164,712**	115,270
Right of use asset	15	**56,928**	65,051
Deferred income tax asset	6.3	**122,342**	120,854
Total assets		**14,005,275**	10,777,909
EQUALITY & LIABILITIES			
Liabilities			
Derivative financial instruments	9	**31,048**	26,858
Deposits	16	**11,386,033**	8,843,212
Employee liabilities	17	**77,471**	60,968
Other liabilities	18	**340,296**	311,334
Lease liability	20	**61,881**	71,206
Subordinated long term debt	21	**-**	114, 603
Total liabilities		**11,896,729**	9,428,181
Equity			
Capital and reserves attributable to ordinary equity holders			
Ordinary shares	22(i)	**416,000**	416,000
Share premium	22(i)	**170,374**	170,374
Fair value reserves	22(ii)	**12,155**	-
Retained earnings		**1,510,017**	763,354
Total equity		**2,108,546**	1,349,728
Total equity & liabilities		**14,005,275**	10,777,909

The summary of significant accounting policies and the notes on pages 53 to 157 are an integral part of these annual financial statements.

The annual financial statements on pages 49 to 157 were approved by the Board of Directors on 24 August 2023, and signed on its behalf by:

Director

Director

Director

Secretary

First National Bank Zambia Limited

Annual Financial Statements

Statement of Changes in Equity for the year ended 30 June 2023

30 June 2022

Figures in thousands of Kwacha	Notes	Share Capital	Share Premium	Retained Earnings	General Banking Reserve	Fair Value Reserves	Total
Balance as at 1 July 2021		416,000	170,374	210,537	-	-	796,911
Profit for the Year		-	-	552,817	-	-	552,817
Other comprehensive income		-	-	-	-	-	-
		-	-	-	-	-	-
Total Comprehensive Income		-	-	552,817	-	-	552,817
Balance as at 30 June 2022		416,000	170, 374	763,354	-	-	1,349,728

30 June 2023

Figures in thousands of Kwacha	Notes	Share Capital	Share Premium	Retained Earnings	General Banking Reserve	Fair Value Reserves	Total
Balance as at 1 July 2022		**416,000**	**170,374**	**763,354**	-	**-**	**1,349,728**
Profit for the Year		**-**	**-**	**746,663**	-	**-**	**746,663**
Other comprehensive income							
Fair value gain on investments	22(ii)	**-**	**-**	**-**	-	**17,364**	**17,364**
Deferred tax arising on Fair value gain on investments	22(ii)				-	**(5,209)**	**(5,209)**
Total Comprehensive Income		**-**	**-**	**746,663**	-	**12,155**	**758,818**
Balance as at 30 June 2023		**416,000**	**170,374**	**1,510,017**	-	**12,155**	**2,108,546**

The general banking reserve represents the excess of the Bank of Zambia prescribed impairment charge for the year compared to the IFRS impairment charge.

The summary of significant accounting policies and the notes on pages 53 to 157 are an integral part of these annual financial statements.

First National Bank Zambia Limited

Annual Financial Statements

Statement of Cash Flows for the year ended 30 June 2023

Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
Cash flows from operating activities			
Cash receipts from customers	23.2	**930,387**	1,343,773
Interest recieved	23.2	**1,483,613**	1,184,635
Cash paid to customers, suppliers and employees	23.3	**(1,537,451)**	(747,197)
Interest paid	23.3	**(182,231)**	(276,273)
Cash generated from operating activities		**694,318**	1,504,938
Increase in income earning assets	23.4	**(3,269,345)**	(793,799)
Decrease in other assets	23.5	**(22,957)**	(6,101)
Increase/(Decrease) in deposits and other liabilities	23.6	**2,481,453**	(639,336)
Decrease in operating assets and liabilities		**(810,849)**	(1,439,236)
Taxation paid	23.7	**(320,590)**	(369,169)
Lease liability interest payment	20	**(9,298)**	(10,582)
Net cash generated from operating activities		**(446,419)**	(314,049)
Cash flows from/ (outflows on) investing activities		**-**	-
Purchase of property and equipment	14	**(86,776)**	(60,396)
Proceeds on disposal of property and equipment		**623**	1,303
Net cash outflow on investing activities		**(86,153)**	(59,093)
Cash flows from/ (outflows on) financing activities			
Repayment of other long term liabilities - FMO	21	**(107,933)**	(146,685)
Lease liability - Capital payments	20	**(40,308)**	(40,793)
Cash outflow on financing activities		**(148,241)**	(187,478)
Net decrease in cash and cash equivalents		**(680,813)**	(560,620)
Cash and cash equivalents at the beginning of year		**1,847,966**	2,876,835
Effect of exchange rate changes on cash and cash equivalents		**(76,663)**	(468,249)
Cash and cash equivalents at the end of the year	23.8	**1,090,490**	1,847,966

See note 8 for constitution of cash and cash equivalent at the end of the year.

The summary of significant accounting policies and the notes on pages 53 to 157 are an integral part of these annual financial statements.

Summary of significant accounting policies

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First National Bank Zambia Limited
Annual Financial Statements for the year ended 30 June 2023

Summary of significant accounting policies

1.1 Introduction and Basis Of Preparation

The Bank's annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including interpretations issued by the IFRS Interpretations Committee and the Companies Act, 2017 of Zambia and the Banking and Financial Services Act, 2017 of Zambia.

The Bank adopts the following significant accounting policies in preparing its annual financial statements:

Income, expenses and taxation	Income and expenses (section 1.7.1)	Income tax expenses (section 1.7.2)	
Financial instruments	Classification and Measurement (section 1.8.1)	Impairment (section 1.8.2)	Derivatives (section 1.8.5)
	Transfers, modifications and derecognition (section1.8.3)	Offset and collateral (section 1.8.4)	
Other assets and liabilities	Property and equipment (section1.9.1)	Provisions (Section 1.9.1)	
	Leases (section 1.9.2)		
Capital and reserves	Share capital (section 1.10)	Dividends (section 1.10)	Other reserves (section 1.10)
Transactions with employees	Transactions with employees (section 1.11)	Share option scheme (section 1.12)	
Critical accounting estimates, assumptions and judgements	Introduction (section 1.13)	Taxation (section 1.13.1)	Other assets and liabilities (section 1.13.3)
	Impairment of financial assets (IFRS 9) (section 1.13.2)	Valuation of financial instruments (Note 26.1)	
Standards and interpretations	Issued and effective (section 1.14.1)	Issued but not yet effective (section 1.14.2)	

1.2 General Information

All references to Bank relate to First National Bank Zambia Limited, and all references to group relate to FirstRand Limited, of which First National Bank Zambia Limited is a subsidiary. The Bank is domiciled in Zambia and the address of its registered office is:

Plot 22768, Acacia Business Park
Corner Great East & Thabo Mbeki Roads
P O Box 36187
Lusaka

The annual financial statements for the year ended 30 June 2023 have been approved for issue by the Board of Directors on 24th August 2023. Neither the entity's owners nor others have the power to amend the annual financial statements after issue.

1.3 Summary of Significant Accounting Policies

The Bank adopts the following accounting policies in preparing its annual financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.4 Basis of Presentation

These annual financial statements comprise the statements of financial position (also referred to as the balance sheet) as at 30 June 2023, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended, as well as the notes comprising a summary of significant accounting policies and other explanatory notes.

The Bank prepares annual financial statements which includes the assets, liabilities and results of the operations of First National Bank Zambia Limited. The annual financial statements are compiled after the information about the financial position and results of operations at each year is audited. The information is prepared in terms of IFRS as issued by the IASB.

1.5 Use of Judgments and Estimates

The preparation of the annual financial statements in conformity with IFRS, as issued by the IASB, requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual statements are outlined in section 1.13 of the accounting policies.

1.5.1 Persistent Global and Local Economic Uncertainty

The impact of the COVID-19 epidemic and Russia's invasion of Ukraine required management to apply significant judgements and estimates to quantify the impact on the annual financial statements.

The transition of COVID-19 from a global pandemic to an endemic in the past financial year due to the successful rollout of vaccines globally has resulted in stabilisation of the global economy, with growth being noted early in the financial year due to the gradual resumption of economic activity within various affected sectors. Russia's invasion of Ukraine, however, dampened these positive gains, as evidenced by inflation increasing globally, mostly attributable to high food and energy prices.

As such, interest rates are expected to increase to bring inflation back to target levels across the globe after a prolonged period of support from central Banks during the COVID-19 pandemic. Commodity prices are expected to remain at elevated levels with some associated volatility.

1.5.2 Persistent Global and Local Economic Uncertainty (Continued)

Increasing inflation poses material risk to the global economy's recovery. As such, management judgement has been applied to quantify the impact of inflation and Russia's invasion of Ukraine on the existing and developing stressors on the global and local economy.

1.6 Presentation of Annual Financial Statements, Function and Foreign Currency

Presentation	The Bank presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the Bank offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position, or on the statement of profit or loss and other comprehensive income.
Materiality	IFRS is only applicable to material items. Management applies judgment and considers both qualitative and quantitative factors in determining materiality.
Functional and presentation currency of the Bank	All amounts are presented in Thousands of Kwacha (K'000). The Bank has a policy of rounding up in increments of K1,000. Amounts less than K1,000 will therefore round down to nil and are presented as a dash.
Foreign currency transactions of the Bank	• Translated at the relevant exchange rates, depending on whether they are monetary items (in which case the year – end exchange rate is applied) or non-monetary items. For non-monetary items measured at cost the rate applied is the transaction date rate. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. • Foreign exchange gains and losses are recognised in profit or loss in fair value gains or losses. To the extent that foreign exchange gains or losses relate to financial assets held at fair value through other comprehensive income (FVOCI) the following applies: • Equity instruments are recognised in other comprehensive income as part of the fair value movement. • Debt instruments are allocated between profit or loss(those that relate to changes in amortised cost) and other comprehensive income (those that relate to changes in the fair value).

1.7. Income, Expenses and Taxation

1.7.1 Income and Expenses

Net interest income recognised in profit or loss

Net interest income includes:

» Interest on financial instruments measured at amortised cost and debt instruments measured at FVOCI.
» Interest on financial asset debt instruments measured at fair value through profit or loss (FVTPL) that are held by and managed as part of the bank's funding operations.
» Interest income is calculated using the effective interest rate which includes origination fees. The original effective interest rate is applied to:

- the gross carrying amount of financial assets which are not credit – impaired; and
- the amortised cost of financial assets which represents the net carrying amount, from the month after the assets become credit-impaired (refer to section 1.8.2 of accounting policies).

» Modified advances (derecognition not achieved) - the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. The interest income on the modified financial asset (refer to accounting policy 1.8.3) is calculated by applying the original effective interest rate to the asset's modified gross carrying amount.

Modified advances (derecognition is achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. New fees or costs charged on the new advance which are integral to the new asset recognised are capitalised to the new loan. Interest expense includes: -

» Interest on financial liabilities measured at amortised cost:
» Interest on capitalised leases where the Bank is a lessee.

Non-interest and financial instrument revenue recognised in profit or loss

Non-interest revenue from contracts with customers

Under IFRS 15, where a five-step analysis is required to determine the amount and timing of revenue recognition, the Bank assesses contracts and determines whether the fees identified in the contract relate to revenue as defined in IFRS 15. The revenue is recognised only if the Bank can identify the contract; and the performance obligation (i.e. the different services) and can determine the transaction price which is required to be allocated to the identifiable performance obligations.

Unless specifically stated otherwise, the Bank is the principal in its revenue arrangements as the Bank controls the goods and services before transferring them to the customer.

1.7. Income, Expenses And Taxation (Continued)

1.7.1 Income and Expenses (Continued)

Non -interest revenue from contracts with customers - fee and commission income

Fees and commission that form an integral part of the effective interest rates are excluded from fees and commissions from customers.

Fees and commissions income is earned by the Bank by providing customers with a range of services and products and consists of the following main categories:

- Banking fees and commission income;
- Other non-banking fees and commission income;
- Fees and commission income from service providers; and
- Insurance commission (excluding insurance risk related income)

The bulk of fees and commission income is earned on the execution of a single performance obligation and as such, it is not necessary to make significant judgements when allocating the transaction price to the performance obligation. As such, fees and commission income which typically includes transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions and cash deposit fees and commission income are recognised at a point in time.

Where the distinct performance obligation is satisfied over a period of time, the fees are recognised as follows:

- Fees for services rendered are recognised on an accrual basis as the service is rendered and the Bank's performance obligation is satisfied, e.g. annual card fees and related fees.
- Commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis.

Commitment fees for unutilised funds made available to customers in the past, is recognised as revenue at the end of the contract period. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the bank, is recognised as revenue on a straight-line basis over the period for which the funds are promised to be kept available.

Other non-banking fees and commission income relate to fees and commission earned for rendering services to customers other than those related to Banking operations and insurance. This includes fees and commission income earned from providing services on behalf of third-party service providers in effect acting as an agent. The revenue is recognised at a point in time and includes commission earned from the sale of prepaid airtime, data vouchers, electricity and traffic fines paid through FNB channels as well as insurance commission.

Commissions earned on the sale of insurance products to customers of the Bank on behalf of an insurer and the income arising from third-party insurance cell captives and profit share agreements, are recognised as fees and commission income at the point that the significant obligation has been fulfilled.

1.7. Income, Expenses and Taxation (Continued)

1.7.1 Income and Expenses (Continued)

Non- interest revenue from contracts with customers - fees and commission expense

Fees and commission expense are expenses that are incremental and directly attributable to the generation of fees and commission income and are recognised as part of fees and commission income. These include transaction and service fees which are expensed as the services are received.

Customer loyalty programmes
The Bank operates a customer loyalty programme, in terms of which it undertakes to pay cash back for transacting on point of sale (POS) machines to certain customers, for use of any e-channel and swipe/card purchase activities.
The cash back payable above relates to the reward program which is recognised as fees and commission expense as incurred. The amount outstanding as at 30 June 2023 was K0.26 million (2022: 0.5 million).

Non-interest and financial instrument revenue recognised in profit or loss

Fair value gains or losses
Fair value gains or losses of the Bank recognised in non-interest revenue relates to fair value adjustments and interest on financial instruments measured at fair value through profit or loss including derivative instruments.

Expenses
Expenses of the Bank, apart from certain fees and commission expenses included in net fees and commission income, are recognised and measured in terms of accrual principle and presented as operating expenses in profit or loss.

Indirect tax expense
Indirect tax includes other taxes paid to central and local government including value added tax and property transfer tax. Indirect tax is disclosed as part of operating expenses in profit or loss.

1.7.2 Income Tax Expenses

Income Tax Includes Zambian Corporate Income Tax Payable.

Current income tax

The current income tax expense is calculated by adjusting the net profit/(loss) for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax

Recognition
On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the annual financial statement.

Typical temporary differences in the Bank that deferred tax is provided for
Depreciation of property and equipment;
» Revaluation (including ECL movements) of certain financial assets and liabilities, including derivative contracts;
» Provisions for loan impairment;
» Provisions on staff and other expenses; and
» Tax losses carried forward.

1.7. Income, Expenses and Taxation (Continued)

1.7.2 Income Tax Expenses (Continued)

Deferred income tax (continued)
Measurement Using the liability method under IAS 12 and applying tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or when the deferred income tax liability is settled.
Presentation Deferred income tax is presented in profit or loss unless it relates to items recognised directly in equity or other comprehensive income.
Deferred income tax assets The Bank recognises deferred income tax assets only if it is probable that future taxable income will be available against which the unused tax losses can be utilised, based on management's review of the Bank's budget and forecast information. The Bank reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.
Substantially enacted tax rates Current tax liabilities (assets) for the current and prior years shall be measured at the amount expected to be paid to (recovered from) the Zambia Revenue Authority (ZRA), using the tax rate that has been enacted or substantively enacted in the Income Tax Act by the end of the reporting year. Deferred tax assets and liabilities shall be measured at the tax rate that is expected to apply to the year when the asset is realised or the liability is settled, based on the rate that has been enacted or substantively enacted in the Income Tax Act by the end of the reporting year. Current and deferred tax assets and liabilities are usually measured using the tax rate that has been enacted in the Income Tax Act.

1.8. Financial Instruments

The Bank recognises purchases and sale of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered or received.

1.8.1 Classification and Measurement

1.8.1.1 Initial Measurement

All financial instruments are initially measured at fair value including transaction costs, except for those classified as fair value through profit or loss in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses. Any upfront income earned on financial instruments is recognised as is detailed under policy 1.1.7, depending on the underlying nature of the income. Immediately after initial recognition, an expected credit loss allowance is recognised for newly originated financial assets measured at amortised cost.

1.8. Financial Instruments (Continued)

1.8.1 Classification and Measurement (Continued)

1.8.1.2 Classification and Subsequent Measurement of Financial Assets

Management determines the classification of its financial assets at initial recognition, based on:
» the Bank's business model for managing the financial assets; and
» the contractual cash flow characteristics of the financial asset.

Business model
The Bank distinguishes two main business models for managing financial assets

- holding financial assets to collect contractual cash flows; and
- managing financial assets and liabilities on a fair value basis or selling financial assets.
- a mixed business model of collecting contractual cash flows and selling financial assets

The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how the Bank's group of financial assets are managed together to achieve a business objective.

The main consideration in determining the different business models across the Bank is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets or by managing assets and liabilities on a fair value basis.

In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, amongst other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the Bank only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repurchase transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction as substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective.

If sales of financial assets are not infrequent, the significance of these sales are considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows. In addition, where the issuer initiates a repurchase of the financial assets which was not anticipated in the terms of the financial asset, the repurchase is not seen as a sale for the purposes of assessing the business model of that group of financial assets.

Determining whether sales are significant or frequent requires management to use their judgement. The significance and frequency of sales is assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum is infrequent. If sales take place more than once per annum it does not mean that the business models are not to collect contractual cash flows but rather that the reasons for the sales need to be more carefully considered. Management will consider both the volume and amount of sales relative to the total assets in the business model to determine whether it is significant.

A change in business model only occurs on the rare occasion when the Bank changes the way in which it manages a financial asset. Any changes in business model would result in a reclassification of the relevant financial assets from the start of the next reporting year.

1.8. Financial Instruments (Continued)

1.8.1 Classification And Measurement (Continued)

1.8.1.2 Classification and Subsequent Measurement of Financial Assets (Continued)

Cash flow characteristics
For a debt instrument to be measured at amortised cost, the cash flows on the asset must be solely payments of principal and interest (SPPI), i.e. consistent with those of a basic lending agreement. The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by BoZ. They can therefore be considered reasonable compensation which would not cause these assets to fail the SPPI test. For wholesale advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset.
Amortised cost Financial assets are measured at amortised cost using the effective interest rate method when they are held to collect contractual cash flows which are solely payments of principal and interest, and sales of such assets are not significant or frequent. These include all of the retail, corporate and commercial advances of the Bank as well as certain investment securities utilised for liquidity risk management of the Bank. For purchased or originated credit-impaired financial assets, the Bank applies the credit-adjusted effective interest rate. This interest rate is determined based on the amortised cost and not the gross carrying amount of the financial asset and incorporates the impact of expected credit losses in the estimated future cash flows of the financial asset.
Cash and cash equivalents: Cash and cash equivalents comprise of coins and Bank notes, money at call and short notice and balances with BoZ. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of inception. Money at call and short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents are measured at amortised cost.

Classes of financial assets	Business Model	Cash flow Characteristics
Retail advances	Retail advances are held to collect contractual cash flows. The business models focus on growing these advances within acceptable credit appetite limits and maintaining strong collection practices. The products included under this business model include: » residential mortgages; » vehicle and asset finance; » credit cards; and » personal loans and other retail products such as overdrafts.	The cash flows on retail advances are SPPI. Interest charged to customers compensates the Bank for the time value of money, credit risk and administrative costs (including a profit margin).

1.8. Financial Instruments (Continued)

1.8.1 Classification And Measurement (Continued)

1.8.1.2 Classification And Subsequent Measurement Of Financial Assets (Continued)

Classes of financial assets	Business Model	Cash flow Characteristics
Corporate and commercial advances	The business models of Commercial, Vehicle and Asset Finance (denoted as WesBank) and Corporate are also focused on collecting contractual cash flows on advances and growing these advances within acceptable credit appetite limits. The products included under this business model include: » trade and working capital finance; » specialised finance; » commercial property finance; and » asset-backed finance. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all the instruments are held to maturity as some financial assets are sold through syndication. These sales are however insignificant in value in relation to the value of advances held to collect cash flows or infrequent, and therefore the held to collect business model is still appropriate. Investment Banking Division (IBD) debt for large corporates and institutions are structured. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return.	The cash flows on these corporate and commercial advances are SPPI. Interest charged to customers compensates the Bank for the time value of money, credit risk and administrative costs (including a profit margin).
Investment securities	The Bank (treasury) holds investment securities with lower credit risk (typically government bonds and treasury bills). These investment securities are held in a business model with the objective of collecting contractual cash flows.	The cash flows on these investment securities are SPPI.
Cash and cash equivalents	Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.	The cash flows on these assets are SPPI.
Other assets	Other assets are short-term financial assets that are held to collect contractual cash flows.	
Mandatory at fair value through profit or loss	Financial assets of the Bank are mandatorily measured at fair value through profit or loss when they are held for trading, managed on a fair value basis, held to sell/distribute, or are held to collect contractual cash flows which are not SPPI.	
Investment securities	Global Markets holds portfolios of investment securities (government bonds) to hedge risks or for short term profit realisation. These securities are managed on a fair value basis.	
Derivative assets	Derivatives are either held for trading or to hedge risk. These instruments are managed on a fair value basis.	
Debt instruments at FVOCI		
Investment securities	The Treasury division of the Bank holds certain investment securities for liquidity management purposes. Local regulators require that the bank prove liquidity of its assets by way of periodic outright sales. Therefore, the business model for these investment securities is both collecting contractual cash flows and selling these financial assets.	The cash flows on these investment securities are SPPI.

1.8. Financial Instruments (Continued)

1.8.1 Classification and Measurement (Continued)

1.8.1.3 Classification and Subsequent Measurement of Financial Liabilities and Compound Instruments

Cash flow characteristics
Financial liabilities and compound financial instruments The Bank classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Tier 2 instruments which have write down or conversion features are classified based on the nature of the instrument and the definitions. Tier 2 and other funding liabilities are presented in separate lines on the statement of financial position of the Bank. The Bank classifies all funding received which does not form part of the Bank's long-term funding structure as deposits. The TMTRF received from BoZ has been classified as a deposit in line with this policy.
Financial liabilities measured at amortised cost The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at fair value through profit or loss: • deposits; • creditors; • tier 2 liabilities; and • other funding liabilities.
Financial liabilities measured mandatory at fair value through profit or loss Derivative liabilities are measured at fair value through profit or loss.

1.8.2 Impairment of financial assets and off-balance sheet exposures subject to impairment

This policy applies to:

- financial assets measured at amortised cost including other financial assets and cash;
- loan commitments;
- financial guarantees; and
- finance lease debtors where the Bank is the lessor

Refer to accounting policy section 1.13 where all risk parameters, scenarios and sources of estimation are detailed more extensively.

1.8 Financial Instruments (Continued)

1.8.2 Impairment of Financial Assets and Off-Balance Sheet Exposures Subject to Impairment

Expected credit losses (ECL)			
Loss allowance on financial assets			
Credit has not increased significantly since initial recognition (Stage 1)	**Credit has increased significantly since initial recognition, but asset is not credit- impaired (Stage 2)**	**Asset has become credit – impaired since initial recognition (Stage 3)**	**Purchased or originated credit impaired**
12-month expected credit losses	Lifetime expected credit losses (LECL)	LECL	Movement in LECL since initial recognition
Advances			

Significant increase in credit risk since initial recognition (SICR)

In order to determine whether an advance has experienced a SICR, the probability of default (PD) of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined as the most recent date at which the Bank has re-priced an advance/facility. Where a change in terms is significant and is deemed to be a substantial modification, it results in derecognition of the original advance/facility and recognition of a new advance/facility.

SICR test thresholds are re-assessed and, if necessary, updated, on at least an annual basis.

Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk.

In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of wholesale and commercial SME facilities on a credit watch list.

Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk and will be disclosed in stage 2 at a minimum.

The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk is triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No standard minimum period for transition from Stage 2 back to Stage 1 is applied, except for distressed restructured exposures that are required to remain in Stage 2 for a minimum period of 6 months before re-entering Stage 1.

1.8. Financial Instruments (Continued)

1.8.2 Impairment of Financial Assets and Off-Balance Sheet Exposures Subject to Impairment (Continued)

Credit-impaired financial assets

Advances are considered credit impaired if they meet the definition of default.

The Bank's definition of default applied for calculating provisions under IFRS 9 has been aligned to the definition applied for regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes.

Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, are more than 3 instalments in arrears.

In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the Bank to actions such as the realisation of security. Examples include application for Bankruptcy or obligor insolvency.

Any distressed restructures of accounts which have experienced a significant increase in credit risk since initial recognition are defined as default events.

Retail accounts are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defined rates.

Curing from default within wholesale is determined judgementally through a committee process.

Purchased or originated credit-impaired

Financial assets that meet the above mentioned definition of credit-impaired at initial recognition and remain classified as such for the duration of the agreement.

Write-offs and post-write-off recoveries

Write-off must occur when it is not economical to pursue further recoveries i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised).

- » by implication, in both retail and wholesale, for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account; and
- » within retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries. The result of this is that retail secured loans are written off on perfection of collateral and retail unsecured loans are written off when observation of post-default payment behaviour indicates that further material recoveries are unlikely. Write-off points within retail unsecured portfolios are defined on a per-portfolio basis with reference to cumulative delinquency and/or payment recency; and
- » within Corporate and Commercial portfolios, a judgemental approach to write-off is followed, based on case- by-case assessment by a credit committee. Partial write-offs are not performed within credit portfolios. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.

Subsequent recoveries of amounts previously written off decrease the amount of the impairment of advances in profit or loss.

1.8. Financial Instruments (Continued)

1.8.3 Transfers, Modifications and Derecognition

Financial instruments are derecognised when:

- the contractual rights or obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;
- they are transferred and the derecognition criteria of IFRS 9 are met or;
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

Financial assets are derecognised when the Bank has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. pass through arrangement).

If the contractual cash flows of a financial asset measured at amortised cost are modified (changed or restructured, including distressed restructures), the Bank determines whether this is a substantial modification, which could result in the derecognition of the existing asset, and the recognition of a new asset. If the change is simply a non-substantial modification of the existing terms it would not result in derecognition. A modification of a financial asset is substantial and will thus result in derecognition of the original financial asset, where the modified contractual terms are priced to reflect current conditions on the date of modification and are not merely an attempt to recover outstanding amounts.

Where the modification does not result in an accounting derecognition, the original asset continues to be recognised.

Derecognition of financial liabilities includes a situation of substantial modification to the terms and conditions of an existing financial liability. A substantial modification to the terms occurs where 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 percent different from the discounted present value of the remaining cash flows of the original financial liability.

The following transactions are entered by the Bank in the normal course of business in terms of which it transfers financial assets directly to third parties or structured entities, or modifies the contractual terms of the asset and either achieves derecognition or continues to recognise the asset.

1.8. Financial Instruments (Continued)

1.8.3 Transfers, Modifications and Derecognition (Continued)

Transaction Type	Description	Accounting treatment
Transfers without derecognition		
Reverse repurchase agreements	Investment securities are sold to an external counterparty in exchange for cash and the Bank agrees to repurchase the assets at a specified price at a specified future date. The counterparty's only recourse is to the transferred investment securities that are subject to the repurchase agreement. The Bank remains exposed to all the underlying risks on the assets including counterparty, interest rate, currency, prepayment and other price risks.	The transferred assets continue to be recognised by the Bank in full. Such investment securities are disclosed separately in the relevant notes. The Bank recognises an associated liability for the obligation for the cash received as a separate category of deposits.
Securities lending	Investment securities are lent to external counterparties in exchange for cash collateral as security for the return of the securities. The Bank's only recourse in respect of the return of the securities it has lent is to the cash collateral held and as such, the Bank generally requires cash collateral in excess of the fair value of the securities lent.	
Modifications without derecognition		
Modification of contractual cash flows	Debt restructuring is a process that is applied to accounts where the new terms of the contract (such as a lower interest rate) is mandated by law and do not have the same commercial terms as a new product that the Bank would be willing to offer a customer with a similar risk profile.	Existing asset is not derecognised. The gross carrying amount of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate. Distressed modifications are included in ECL.
Modifications with derecognition (i.e. substantial modifications)		
Retail advances	The process for modifying an advance (which is not part of a debt restructuring) is substantially the same as the process for raising a new advance, including re-assessing the customer's credit risk, repricing the asset and entering into a new legal agreement.	Existing asset is derecognised, and a new asset is recognised at fair value based on the modified contractual terms.

1.8. Financial Instruments (Continued)

1.8.4 Offsetting of Financial Instruments and Collateral

Where the requirements of IFRS are met, the Bank offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and Bankruptcy.

Details of the offsetting and collateral arrangements of the Bank are set out in the following table:

Derivative financial instruments	The Bank's derivative transactions that are not transacted on an exchange are entered under International Swaps and Derivatives Association (ISDA) MNA. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions (close-out netting). Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.
Repurchase and reverse repurchase agreements, and securities lending and borrowing transactions	These transactions by the Bank are covered by master agreements with netting terms similar to those of the ISDA MNA. Where the Bank has entered into a repurchase and reverse repurchase or securities borrowing and lending transaction, with the same counterparty, the advance and liability balances are set-off in the statement of financial position only if they are due on a single day, denominated in the same currency and the Bank has the intention to settle these amounts on a net basis. The Bank receives and accepts collateral for these transactions in the form of cash and other investment securities.
Other loans and advances and deposits	The loans and advances and deposits that are offset relate to transactions where the Bank has a legally enforceable right to offset the amounts and the Bank has the intention to settle the net amount.

It is the Bank's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For wholesale and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models.

However, in the event of default, more detailed reviews and valuations of collateral are performed, which yields a more accurate financial effect. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

1.8. Financial Instruments (Continued)

1.8.5 Derivative Financial Instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value through profit or loss with movements in fair value recognised in fair value gains or losses within non-interest revenue in the statement of profit or loss and other comprehensive income. Derivatives are classified as assets when their fair value is positive and as liabilities when the fair value is negative.

Derivative instruments are classified as held for trading. The Bank does not formally designate derivative instruments as hedging instruments.

1.9 Other Assets and Liabilities

1.9.1 Property and Equipment and Provisions

1.9.1.1 Classification and Measurement

Classification	Measurement
Property and equipment (owned and right of use)	
Property and equipment of the Bank include: » assets utilised by the Bank in the normal course of operations to provide services including freehold property and leasehold premises and leasehold improvements (owner occupied properties) » other assets utilised by the Bank in the normal course of operations including computer and office equipment, motor vehicles and furniture and fittings.	Historical cost less accumulated depreciation and impairment losses, except for land which is not depreciated. » Depreciation is over the useful life of the asset. » Leasehold improvements and premises leasehold property are measured at shorter of estimated life or period of lease. » Refer to 1.13.3 for the useful life estimates of property and equipment.
Provisions	
The Bank will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty the Bank will recognise the amount as an accrual. The Bank usually recognises provisions related to litigation and claims. The Bank recognises a provision when a reliable estimate of the outflow required can be made and the outflow is more probable than not.	

Other assets that are subject to depreciation are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses.

The assets are impaired if the carrying amount is more than the recoverable amount, which is the higher of the assets value in use and fair value less cost to sell. The impairment loss is calculated as the difference between the assets' carrying amount and their recoverable amounts.

Other assets are derecognised when they are disposed off. Gains or losses arising on derecognition are determined as the difference between the carrying amount of the asset and the net proceeds received and are recorded in profit or loss as part of non- interest revenue.

1.9.2 Leases

The Bank leases a variety of properties, equipment and vehicles. Rental agreements typically include fixed periods over which the item is leased, which are individually negotiated and contain a wide range of different terms and conditions. The Bank assesses whether a contract is or contains a lease at inception of contract.

Qualifying leases are recognised as right of use assets (ROUA) and a corresponding liability at the date at which the leased asset is made available for use by the Bank.

1.9 Other Assets and Liabilities

1.9.2 Leases (continued)

Bank is lessee

At Inception
The Bank recognises a ROUA and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Examples of low value assets include photocopying equipment and note counting machines.

Over the life of the lease
Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses.

The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life.

The Bank applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.

Presentation
Both the ROUA and Lease liability are presented as a separate line in the statement of financial position.

Operating leases
For short-term and low value leases, which the Bank has defined as all other leases except for property and vehicle leases, the lease payments are recognised as operating expense, spread on a straight-line basis over the term of the lease.

Bank is the lessor

At inception
Where the Bank is the lessor under a finance lease, the Bank recognises assets sold under a finance lease as loans and advances and impair loans and advances, as required, in line with the impairment of financial assets accounting policy in section 1.8.2. No practical expedients are applied, and fully compliant IFRS 9 models are used for impairment calculation on loans and advances.

Over the life of the lease
Unearned finance income is recognised as interest income over the term of the lease using the effective interest rate method.

1.9 Other Assets and Liabilities (Continued)

1.9.2 Leases (Continued)

Bank is the lessor (continued)
Over the life of the lease (continued) Finance lease receivables are assessed for impairment in terms of IFRS 9, as set out in the impairment assets policy 1.8.2. Interest on finance lease receivables that are credit-impaired (stage 3), is recognised and calculated by applying the original effective interest rate to the net carrying amount. **Presentation** Finance lease receivables are presented as part of loans and advances in the statement of financial position.

1.10 Capital and Reserves

Transaction	
Shares issued and issue cost	The Bank's equity includes ordinary shares. Any incremental costs directly related to the issue of new shares net of any related tax benefit, are deducted from the issue price.
Other reserves/ Non distributable reserves	Other reserves recognised by the Bank include general Banking reserve which represents the excess of Bank of Zambia impairment provisions compared to IFRS impairment provisions.
Dividends paid/ declared	A liability is recognised when dividends have been approved by the Bank's shareholders and distribution is no longer at the discretion of the Bank.

1.11 Transactions With Employees

The Bank contributes to two pension plans for its employees; (i)The National Pension Scheme Authority (NAPSA); and (ii) The First National Bank Zambia Limited Staff Pension Scheme. Both pension plans are defined contribution schemes.

1.11 Transactions With Employees (Continued)

Defined contribution schemes

Recognition:

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

The assets of NAPSA are independently administered by NAPSA itself, whilst the assets of First National Bank Zambia Limited Staff Pension Fund are independently administered by African Life Pension Fund Managers under the Saturnia Regna Umbrella Pension Fund.

The Bank recognises the contributions as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

Termination benefits

The Bank recognises termination benefits as a liability in the statement of financial position and as an expense in the statement of profit or loss and other comprehensive income when it has a present obligation relating to termination. The Bank has a present obligation at the earlier of when the Bank can no longer withdraw the offer of the termination benefit and when the Bank recognises any related restructuring costs.

Liability for short term employee benefits	
Leave pay	The Bank recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the Bank is based on current salary of employees and the contractual terms between the employee and the employer. The expense is included in staff costs.
Bonuses	The Bank recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

1.12 Share Option Scheme

The Bank currently participates in a share option scheme operated by FirstRand. Under the scheme, the assumption of liability fund is managed by Morgan Stanley where share options are allocated to individuals and are accumulated in advance through the fund. The shares vest in three years. When the share options vest and all conditions are met, payments to the beneficiaries are made from the fund.

1.13 Critical Accounting Estimates, Assumptions and Judgements

In preparing the annual financial statements, management of the Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise, the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the Bank except those related to fair value measurement which are included in note 26.

1.13.1 Taxation

The Bank recognises liabilities for uncertain tax positions in accordance with the criteria defined within IAS 12 and IFRIC 23 based on objective estimates of the amount of tax that may be due which is calculated, where relevant, with reference to expert advice received. Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability. The Bank recognises probable liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

1.13.2 Impairment of Financial Assets

Impairment of loans and advances

In determining whether an impairment loss should be recognised, the Bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

The objective of the measurement of an impairment loss, is to produce a quantitative measure of the Bank's credit risk exposure.

The Bank adopted the PD/LGD approach for the calculation of ECL for loans and advances. The ECL is based on a weighted average of three macroeconomic scenarios incorporating a base scenario, upside scenario and downside scenario, weighted by the probability of occurrence.

Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters (PD, LGD, and EAD) based on the predictive characteristic identified through the regression process.

1.13 Critical Accounting Estimates, Assumptions and Judgements (continued)

1.13.2 Impairment of Financial Assets (continued)

Forward-looking information

Forward-looking macroeconomic information has been incorporated into expected loss estimates through the application of quantitative modelling and expert-judgement-based adjustments. Both quantitative models and expert judgment-based adjustments consider a range of forecasted macroeconomic scenarios as inputs.

Macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for various scenarios. Development of these scenarios is overseen by FirstRand macroeconomic forum, which is responsible for oversight and is independent from credit and modelling functions.

To arrive at the range of macroeconomic forecasts, teams of economists, both locally and at group assess the micro and macroeconomic developments to formulate the macroeconomic forecasts. A number of internal and external economists are then requested to assign a probability to each scenario. The rationale for probabilities assigned by each respondent is noted and explained at the FirstRand microeconomic forum.

ECL results are calculated as probability-weighted average results across multiple macroeconomic scenarios. The creation of macroeconomic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on the assumptions applied during the process.

Quantitative techniques applied estimate the impact of forecasted macroeconomic factors on expected credit losses using various techniques dependent on the portfolio within which models will be applied.

Within the Corporate Banking and Investment Banking Division (IBD) portfolios, macroeconomic stress testing models are applied to estimate the impact of forward-looking information on expected credit losses. These stress testing models are industry-specific and make use of regression techniques, observed macro-economic correlations and expert judgement, depending on the extent of data available in each industry. The outputs from these models are used to determine the level of stress that a particular industry is expected to experience, and through-the-cycle (TTC) impairment parameters are scaled accordingly, with scalars based on historic S&P default data.

1.13 Critical Accounting Estimates, Assumptions and Judgements (continued)

1.13.2 Impairment of Financial Assets (continued)

Impairment of loans and advances

Within retail and commercial portfolios, forward-looking ECL is modelled using regression-based techniques that determine the relationship between key macroeconomic factors and credit risk parameters (with industry considerations further applied in the case of commercial portfolios) based on historically observed correlations. Modelled correlations and macro-economic variable weightings are adjusted on the basis of expert judgment to ensure that the relationships between macroeconomic forecasts and risk parameters are intuitive and that ECL is reflective of forward-looking expectations of credit performance.

Where the impact of forward-looking macroeconomic information on ECL is determined based on historical relationships between macroeconomic movements and default rates, and it is not expected for these relationships to hold under current macroeconomic conditions, judgemental post-model adjustments have been applied to ensure that relationships between macroeconomic forecasts and ECL estimates are intuitive, with ECL increasing where macroeconomic conditions are expected to worsen, and reflecting additional relevant information not catered for in models. This approach is followed across all portfolios.

The three scenarios utilised are derived from a governance process which is approved by the Board of Directors at least twice a year based on expert economic forecasts.

The table below sets out the scenarios and probabilities assigned to each scenario as at 30 June 2023:

Scenario	Probability 2023	2022	
Baseline regime	58%	52%	Assumes that global growth and development market (DM) inflation is rising, and global interest rates are rising.
Upside regime	15%	13%	Assume global growth remains above trend and DM inflation trends lower, as supply – side pressures dissipate.
Downside regime	27%	35%	Assumes that global growth falls below trend and DM inflation lifts further due to supply – side pressures.

The key factors considered in the three scenarios include the financial impact of the following factors;

» copper prices and Zambian production output
» the impact of COVID 19 pandemic including country vaccination status and any future strains
» sovereign debt sustainability
» rainfall patterns and their impact on food inflation
» the impact of a potential IMF program on the Zambian economy

Overview of forward-looking information included in the 30 June 2023 provisions

The reopening of major economies continues to lay the foundation for a rebound in global economic activity. As a result, supply chain pressures in some sectors are still adding to short-term inflation pressures in most large economies. Due to concerns about lingering demand weakness after this initial bout of inflation, developing market central Banks have said that they would “look-through” any temporary increase in the CPI and maintain supportive monetary policy. US fiscal stimulus is likely to keep pushing the US economy ahead in the global recovery while creating uncertainty about potential long run inflation overshoots.

1.13 Critical Accounting Estimates, Assumptions and Judgements (continued)

1.13.2 Impairment of Financial Assets (continued)

Forward-looking information (continued)

Overview of forward-looking information included in the 30 June 2023 provisions (continued)

This uncertainty has led some central Banks to begin signalling slightly tighter monetary policy, while being careful to reassure market participants that policy is likely to stay accommodative overall, notwithstanding small recalibrations of interest rates as economies reopen. Despite financial market volatility, this environment should continue to support financial conditions, commodity prices and certain risk assets, while demand for safe-haven assets, such as the US dollar, should gradually drift lower.

The outlook for Africa is largely driven by recovery in commodity prices and overall recovery in economic activity domestically, further supported by recovery in global demand. An important determinant of and risk to the outlook is the ability of commodity exporters to ramp up production to benefit from higher commodity prices to a greater extent. Additionally, the rise in administered prices and increase in the prices of basic foodstuffs and fuel should be noted, with the latter affecting all countries in the region and posing a risk to private consumption growth. Structural weaknesses in the bulk of the countries pre-date COVID-19 and will continue to constrain the recovery in the medium term.

Please see note 27.1 (ii) for quantitative details of significant macroeconomic factors.

Judgement or estimate	Retail	Corporate and Commercial
Measurement of the 12-month and LECL	Parameters are determined on a basis whereby exposures are pooled on a portfolio level at a minimum. Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour as well as behavioural and demographic information related to individual exposures currently on book. PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates. EAD parameters are estimated based on product characteristics and historical draw-down and payment behaviour. LGDs are determined by estimating expected future cash flows and are adjusted for forward- looking information such as the house price index, prime lending rate and GDP. These cash flows include direct costs and proceeds from the sale of collateral. Collateral recovery rates are based on historically observed outcomes. The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within the historical data will continue to be relevant in the future.	Parameters are determined based on the application of statistical models that produce estimates based on counterparty- specific financial information and transaction characteristics. These characteristics include the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate expected credit losses and are required to be signed off by a committee of wholesale credit experts who can motivate adjustments to modelled parameters.

1.13 Critical Accounting Estimates, Assumptions and Judgements (continued)

1.13.2 Impairment of Financial Assets (continued)

Measurement of the 12-month and LECL	Parameters are calibrated for the calculation of 12-month and LECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters. Term structures have been developed over the entire remaining contractual lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, except for instruments with an undrawn commitment such as credit cards where there is no contractual expiry date. In such instances the remaining term is determined with reference to the change to client requirements that would trigger a review of the contractual credit terms, for example, an increase in limit. Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset's original effective interest rate or a reasonable approximation thereof.
Determination of whether the credit risk of financial instruments have increased significantly since initial recognition	**Retail** SICR triggers continue to be based on client behaviour, client-based behaviour scores, judgemental factors, as well as other qualitative data. A client is triggered as SICR when there has been a significant increase in credit risk since initial recognition. These triggers are determined on a client level and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk **Corporate and Commercial** SICR triggers continue to be determined based on client behaviour, client internal FirstRand rating or risk score, as well as judgemental factors, which includes triggers for industries in distress, which may result in the client being added to the watch list through the Bank's ongoing risk management process. These triggers are determined at a deal and client level and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk.
Prior and current year: Sensitivity Staging	The move from 12-month expected credit loss (stage 1) to lifetime expected credit loss (stage 2) can result in a substantial increase in ECL. Please see note 27.1 (ii) for quantitative details of significant macroeconomic factors.

1.13.3 Other Assets and Liabilities

Property and equipment	
The useful life of each asset is assessed individually. The benchmarks used when assessing the useful life of the individual assets are set out below.	
» Leasehold improvements and premises leasehold property » Computer equipment » Furniture and fittings » Motor vehicles » Office equipment	Shorter of estimated life or period of lease 3 – 5 years 3 – 10 years 5 years 3 – 6 years
Provisions	
The Bank has a policy and process in place to determine when to recognise provisions for potential litigation and claims. The recognitions of such provisions are linked to the ranking of legal risk of potential litigation on the Bank's litigation database.	

1.14 Standards and Interpretations

1.14.1 Issued and Effective

The following new and revised standards and interpretations are applicable to the business of the Bank. The Bank will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
IAS 16	**Property, plant and equipment: Proceeds before intended use – amendment to IAS 16** The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment did not have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 37	**Onerous contracts – Cost of fulfilling a contract – amendment to IAS 37** The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendment did not have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
Annual improvements 2018 – 2020	**Improvements to IFRS** **IFRS 9 Financial Instruments.** Fees in the "10 per cent" test for derecognition of financial liabilities » The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. » An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. **Lease incentives** » The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16. » The amendments did not have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022

1.14 Standards and Interpretations

1.14.2 Issued but not yet effective

Standard	Impact assessment	Effective date
IAS 1	**Amendments to classification of liabilities as current or non-current** The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: » The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. » Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. The amendments clarify the situations that are considered settlement of a liability. The Bank presents its assets and liabilities in order of liquidity in the statement of financial position. The impact of this amendment would impact the disclosure of current versus non-current liabilities in the notes to the annual financial statements. The Bank does not expect this amendment to have a significant impact on the annual financial statements.	**Annual periods commencing on or after 1 January 2023**
IAS 1.2	**Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2** The IASB issued amendments to IAS 1 and an update to IFRS Practice Statement 2 Making Materiality Judgements to help preparers provide useful accounting policy disclosures. The key amendments to IAS 1 include: » requiring companies to disclose their material accounting policies rather than their significant accounting policies; » clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's annual financial statements.	**Annual periods commencing on or after 1 January 2023**

1.14 Standards and Interpretations (continued)

1.14.2 Issued but not yet effective (continued)

Standard	Impact assessment	Effective date
IAS 8	**Definition of accounting estimates** The amendments to IAS 8 introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the annual financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	Annual periods commencing on or after 1 January 2023
IAS 12	**Deferred tax related to assets and liabilities arising from a single transaction** The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result a deferred tax asset and a deferred tax liability will need to be recognised for temporary differences arising on initial recognition of a lease and decommissioning provision.	Annual periods commencing on or after 1 January 2023

1.15. Events After the Reporting Period

The Directors are not aware of any material events that have occurred between the date of the statement of financial position and the date of this report.

Notes to annual financial statements

1 Accounting policies

The accounting policies of the Bank are set out on page 53 to page 80.

Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
2 Analysis of interest income and interest expense			
2.1 Interest and similar income			
– Loans and advances		528,191	591,690
– Interest from other Banks		27,781	10,644
– Interest received from Nostro accounts		5,486	2,780
– Interest received from placements with FirstRand Group companies	19.4	5,020	447
Investment securities			
– Investment securities – Government treasury bills		249,834	307,058
– Investment securities – Government bonds		711,438	338,805
Interest and similar income		1,527,750	1,251,424
Loans and advances Income			
Home loans		22,938	23,219
Commercial mortgages		21,464	22,334
Lease instalment debtors		14,998	11,812
Overdrafts		161,628	176,569
Term loans		149,918	263,873
Personal loans		157,245	93,883
Total advances income		528,191	591,690
*Reconciliation of deferred income			
At start of period		10,068	10,069
Facility fee received		11,293	2,312
Revenue recognised to interest income		(4,472)	(2,313)
At end of period		16,889	10,068

The reconciliation represents income earned on facilities, a portion of the income is deferred in the balance sheet and recognised as interest income over a period of 3 years. Fee and commission income are derived from Banking activities. Fair value gains relating to debt securities consist of gains arising from trading in government securities. Fair value gains from derivatives consist of trading gains from foreign exchange trading activities.

Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
2.2 Interest expense and similar charges			
Financial liabilities at amortised cost			
– Current and call accounts		21,871	17,515
– Savings deposits		12,609	8,680
– Fixed and notice deposits		229,758	209,625
– Subordinated debt – FMO		1,971	17,989
– Leases		9,298	11,662
Interest expense and similar charges		275,507	265,471

Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
3 Net recoveries on impaired advances			
Loans and advances	12	**(104,096)**	(125,902)
Investment securities at amortised cost	10	**13,038**	59,014
Net recoveries on impaired advances		**(91,058)**	(66,888)

Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
4 Non interest revenue			
Fee and commission income			
Banking fee and commission income			
- Cash deposit fees		**4,372**	4,433
- Cash handling fees		**47,411**	43,368
- Commitment fees		**22,569**	14,185
- Commissions: bills, drafts and cheques		**36**	25,898
- Card commission		**174,271**	140,274
- Exchange commissions		**84,335**	92,755
- Bank charges		**374,944**	304,535
- Service fees		**336,372**	280,135
- E-Banking		**19,844**	13,777
- Excess availment fee		**2,693**	3,616
- Acceptance, guarantees and Indemnities		**11,642**	3,023
- Reporting fees		**1,632**	1,376
- Other		**2,761**	2,608
- Insurance		**8,815**	5,351
Fee and commission income		**716,753**	630,799
Banking fee and commission expense			
- Transaction processing fees		**127,401**	48,945
- Cash sorting, handling and transporting charges		**20,686**	29,018
- Customer loyalty programmes		**32,101**	24,142
- Re-distributed fees		**732**	24,311
- Unclaimed balances		**2,741**	2,265
Fee and commission expense		**183,661**	128,681
Trading income:			
- Fair value gains on securities trading		**64,440**	22,615
- Foreign exchange gains		**280,442**	306,989
- Derivative instruments - Firstrand Group Companies	19.4	**1,114**	1,058
Total fair value income		**345,996**	330,662
Other income and expenses			
- Foreign exchange losses		**(26,175)**	(27,441)
- Other		**-**	420
- Gain/(loss) on disposal of assets		**495**	(561)
Total other expense		**(25,680)**	(27,582)
Total non-interest revenue		**853,408**	805,198

	Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
5	**Operating expenses**			
	Auditors fees	5.1	**3,954**	3,040
	Depreciation	5.2	**76,723**	76,148
	Operating lease charges	5.3	**6,499**	6,138
	Professional fees	5.4	**265,488**	251,136
	Staff costs	5.5	**475,604**	362,921
	Other operating costs	5.7	**305,257**	301,912
	Operating expenses		**1,133,525**	1,001,295
5.1	**Auditors' remuneration**			
	- Audit Fees		**3,904**	2,861
	- Non Audit Fees		**50**	179
	Auditors' remuneration		**3,954**	3,040
5.2	**Depreciation**			
	Leasehold and equipment	14	**37,206**	33,507
	- Leasehold improvements		**9,194**	9,243
	Equipment		**28,012**	24,264
	- Computer equipment		**18,681**	16,345
	- Furniture and fittings		**3,074**	3,587
	- Motor vehicles		**3,157**	809
	- Office equipment		**3,100**	3,523
	Right of use assets	15	**39,517**	42,641
	- Leased property		**39,517**	40,839
	- Leased vehicles		**-**	1,802
	Depreciation		**76,723**	76,148
5.3	**Operating lease charges**			
	- Short term lease charge		**6,670**	5,855
	- Low value lease charge		**182**	642
	- Modifications of leases		**(353)**	(359)
	Operating lease charges		**6,499**	6,138
5.4	**Professional fees**			
	- Group Service Level Agreements (SLAs)	19.4	**237,528**	217,667
	- Litigation fees		**1,402**	3,092
	- BOZ handling fees		**6,678**	5,213
	- Management fees with local suppliers		**12,680**	8,241
	- Directors fees		**5,219**	4,670
	- Other		**1,981**	12,253
	Professional fees		**265,488**	251,136
5.5	**Staff costs**			
	- Salaries, wages and allowances		**378,565**	285,316
	- Employee benefit scheme		**11,419**	8,562
	- Contributions to employee benefit funds:		**25,854**	21,332
	- National Pension Scheme Authority		**8,701**	7,413
	- FNB Zambia Pension Fund		**17,153**	13,919
	- Medical Aid Fund		**16,925**	17,350
	- Other staff related cost		**42,841**	30,361
	Staff cost		**475,604**	362,921

	Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
5	**Operating expenses (continued)**			
5.5	**Staff cost (continued)**			
	Non-executive Directors			
	Service as Directors of First National Bank Zambia Limited			
	Directors' remuneration		**4,661**	4,700
5.6	**Remunerations schemes**			
	Employee benefit scheme	5.5	**11,419**	8,562
	Number of participants		**31**	35

The share schemes are operated by the Bank's holding company in South Africa, and the Bank's employees are eligible to participate in the schemes. No shares vested in the current financial year.

	Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
5.7	**Other operating costs**			
	- Indirect taxation		**96,372**	68,011
	- Advertising and marketing		**35,712**	27,640
	- Supervisory fees		**24,891**	21,850
	- Telecommunications		**23,796**	21,156
	- Computer expenses		**21,663**	18,375
	- Maintenance		**21,136**	16,166
	- Business travel		**15,723**	10,522
	- Property related costs		**12,800**	12,546
	- Training		**12,305**	8,153
	- Insurance		**7,851**	7,655
	- Entertainment		**7,018**	3,625
	- Stationery		**6,929**	13,655
	- Legal costs		**5,842**	3,497
	- Other operating expenditure		**4,531**	2,710
	- Storage and delivery		**4,425**	4,021
	- Service fees and bank charges		**2,746**	52,478
	- Operational losses		**1,517**	9,852
	Other operating costs		**305,257**	301,912

	Figures in thousands of Kwacha		30 June 2023		30 June 2022
6	**Income tax**				
6.1	**Income tax expense**				
	Current tax				
	- Current year		**316,707**		321,311
	- Prior years (under provision)		**6,511**		-
	Deferred income tax				
	- Deferred tax temporary differences		**(6,697)**		(2,603)
	- Reduction in tax rate		**-**		(14,781)
	Income tax		**316,521**		303,927
	Tax rate reconciliation	**%**		%	
	Profit before tax		**1,063,184**		856,744
	Income tax using domestic tax rate	30.0	**318,955**	35	257,023
	Effective tax charge as per income statement	29.8	**316,521**	35.5	303,927
	Difference	(0.2)	**2,434**	0.5	(46,904)
	tax calculated				
	Difference explained by:				
	- Expenses non deductible for tax purposes	0.2	**2,434**	3.7	(32,123)
	- Change in tax rate	-	**-**	-	(14,781)
	Total	0.2	**2,434**	3.7	(46,904)
6.2	**Current tax asset**				
	Opening balance		**127,772**		79,914
	Amount paid during the year		**320,590**		369,169
	Income tax charge		**(323,218)**		(321,311)
	Closing balance		**125,144**		127,772

6 Tax (continued)

6.3 Deferred income tax

The following are the major deferred income tax assets and liabilities recognised in the Statement of Financial Position at the rate of 30%.

Figures in thousands of Kwacha	30 June 2023	30 June 2022
Deferred income tax assets		
Provision for staff and other expenses	**29,405**	18,305
Provision for impairment	**101,028**	95,663
Property and equipment	**-**	6,886
Total deferred income tax asset	**130,433**	120,854
Deferred income tax liabilities		
Property and equipment	**(2,882)**	-
Fair value gain on investment securities	**(5,209)**	-
Total deferred income tax liability	**(8,091)**	-
Net		
Provision for staff and other expenses	**29,405**	18,305
Provision for impairment	**101,028**	95,663
Property and equipment	**(2,882)**	6,886
Fair value gain on investment securities	**(5,209)**	-
Net deferred income tax asset	**122,342**	120,854

6.4 Movement in temporary differences during the year

Figures in thousands of Kwacha	Balance 30 June 2021	Recognised in the income statement	Balance 30 June 2022	Recognised in the income statement	Charged to equity	Balance 30 June 2023
Provision for staff and other operating expenses	16,756	1,549	18,305	11,100	-	**29,405**
Provision for impairment	95,288	375	95,663	5,365	-	**101,028**
Property and equipment	(8,574)	15,460	6,886	(9,768)	-	**(2,882)**
Fair value through other comprehensive income	-	-	-	-	(5,209)	**(5,209)**
	103,470	17,384	120,854	6,697	(5,209)	**122,342**

7. Analysis of Assets and Liabilities

Assets and financial liabilities are measured either at fair value or at amortised cost. The accounting policies on page 49 to page 76 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the assets and liabilities in the statement of financial position per category to which they are assigned and therefore by measurement basis and according to when the assets are expected to be realised and the liabilities settled:

30 June 2023

Figures in thousands of Kwacha	Notes	Amortised cost	At fair value through profit or loss	Non financial instruments	Fair value through other comprehensive income	Total	Non contractual	Current	Non - current
ASSETS									
Cash and cash equivalents	8	2,327,574	-	-		2,327,574	-	1,090,490	1,237,084
Derivative financial instruments	9	-	34,398	-		34,398	-	34,398	-
Other investments designted at fair value through profit or loss	10	-	1,210	-		1,210	1,210	-	-
Investment securities	10	6,722,268	259,701	-	562,305	7,544,274	-	4,451,307	3,092,967
Loans and advances	11	3,379,191	-	-		3,379,191	-	1,859,389	1,519,802
Other assets	13	110,714	-	138,788		249,502	138,788	110,714	-
Current tax asset	6.2	-	-	125,144		125,144	-	125,144	-
Property and equipment	14	-	-	164,712		164,712	-	-	164,712
Right of use of assets	15.0	-	-	56,928		56,928	-	1,745	55,183
Deferred income tax asset	6.3	-	-	122,342		122,342	-	-	122,342
Total assets		12,539,747	295,309	607,914	562,305	14,005,275	139,998	7,673,187	6,192,091
LIABILITIES									
Derivative financial instruments	9	-	31,048	-		31,048	-	31,048	-
Deposits	16	11,386,033	-	-		11,386,033	-	10,720,850	665,183
Employee liabilities	17	-	-	77,471		77,471	-	77,471	-
Creditors and accruals	18	340,296	-	-		340,296	-	222,228	118,068
Lease Liability	20	61,881	-	-		61,881	-	19,975	41,906
Total liabilities		11,788,210	31,048	77,471	-	11,896,729	-	11,071,572	825,157

7. Analysis of Assets and Liabilities

30 June 2022

Figures in thousands of Kwacha	Notes	Amortised cost	At fair value through profit or loss	Non financial instruments	Total	Non contractual	Current	Non - current
ASSETS								
Cash and cash equivalents	8	2,592,986	-	-	2,592,986	-	1,847,966	745,020
Derivative financial instruments	9	-	74,737	-	74,737	-	74,737	-
Other investments designted at fair value through profit or loss	10	-	1,210	-	1,210	1,210	-	-
Investment securities	10	5,243,700	10,437	-	5,254,137	-	3,790,352	1,463,785
Loans and advances	11	2,207,085	-	-	2,207,085	119,217	1,048,985	1,038,883
Other assets	13	107,173	-	111,634	218,807	111,634	107,173	-
Current tax asset	6.2	-	-	127,772	127,772	-	127,772	-
Property and equipment	14	-	-	115,270	115,270	-	-	115,270
Right of use of assets	15.0	-	-	65,051	65,051	-	-	65,051
Deferred income tax asset	6.3	-	-	120,854	120,854	-	-	120,854
Total assets		10,150,944	86,384	540,581	10,777,909	232,061	6,996,985	3,548,863
LIABILITIES								
Derivative financial instruments	9	-	26,858	-	26,858	-	26,858	-
Deposits	16	8,843,212	-	-	8,843,212	-	8,193,844	649,368
Employee liabilities	17	-	-	60,968	60,968	-	60,968	-
Creditors and accruals	18	311,334	-	-	311,334	-	213,597	97,737
Lease Liability	20	71,206	-	-	71,206	-	38,018	33,188
Subordinated long term debt	21	114,603	-	-	114,603	-	-	114,603
Total liabilities		9,340,355	26,858	60,968	9,428,181	-	8,533,285	894,896

	Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
8.	**Cash at bank**			
	Bank notes		**445,198**	642,821
	Money at call and short notice		**273,461**	900,887
	Balances with central bank		**290,600**	126,402
	Balances with group companies	19.2	**81,231**	177,856
	Cash and cash equivalents per cash flow statement		**1,090,490**	1,847,966
	Statutory reserve balances		**1,237,084**	745,020
	Total cash at bank as per balance sheet		**2,327,574**	2,592,986
	Refer to note 7 for current and non-current analysis for cash and cash equivalents.			
	Total balances with central Bank		**1,527,684**	871,422

Banks are required to maintain a prescribed minimum cash balance with the Bank of Zambia that is not available to finance the Bank's day to day activities which was 11.5% as at June 2023 (2022: 9%) of the average outstanding customer deposits over a cash reserve cycle period of one week. This is not considered cash and cash equivalents.

Expected credit loss for physical cash is zero. ECL for cash equivalents is calculated using the loss rate approach and is immaterial

Money at call and short notice constitutes amounts withdrawable in 30 days or less.

9. Derivative financial instruments

Strategy in using derivative instruments

The Bank transacts in derivatives for two purposes to create risk management solutions for clients and to manage and hedge the Bank's own risk. The Bank's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with offsetting deals being utilised to achieve this where necessary.

Further information pertaining to the risk management strategy of the Bank is set out in note 27.

	Assets		Liabilities	
Figures in thousands of Kwacha	**Notional**	**Fair value**	**Notional**	**Fair value**
30 June 2023				
Currency derivatives:				
Forward foreign exchange contracts	**127,539**	**14,618**	**67018**	**6,132**
Currency swaps	**59,297**	**13,400**	**431,504**	**22,924**
Total	**186,836**	**28,018**	**498,522**	**29,056**
Currency swap spot transactions with related companies (notes 19.2 & 19.3)	**227,284**	**6,380**	**141,568**	**1992**
	414,120	**34,398**	**640,090**	**31,048**

	Assets		Liabilities	
30 June 2022	**Notional**	**Fair value**	**Notional**	**Fair value**
Currency derivatives:				
Forward foreign exchange contracts	317,164	14,869	139,804	10,048
Currency swaps	395,117	15,395	449,895	8,628
Total	712,281	30,264	589,699	18,676
Currency swap spot transactions with related companies (notes 19.2 & 19.3)	522,421	44,473	110,054	8,182
	1,234,702	74,737	699,753	26,858

Information relating to the fair value of derivative financial instruments is set out in note 26. Current and non-current analysis for derivative financial instruments is set out in note 7.

10. Investment Securities and Other Investments

30 June 2023

Figures in thousands of Kwacha	Fair value through profit or loss	Fair value through other comprehensive income	Designated Fair Value through profit or loss	Amortised cost	Total
Treasury bills	420	-	-	3,415,585	3,416,005
Government bonds	259,281	562,305	-	3,413,216	4,234,802
Total investment securities	**259,701**	**562,305**	**-**	**6,828,801**	**7,650,807**
Investment in swift	-	-	1,210	-	1,210
Total gross carrying amount of investment securities	**259,701**	**562,305**	**1,210**	**6,828,801**	**7,652,017**
Loss allowance on investments securities and other investments measured at amortised cost	-	-	-	(106,533)	(106,533)
Net investment securities	**259,701**	**562,305**	**1,210**	**6,722,268**	**7,545,484**

Included in the K 3.4 billion of treasury bills investment is K 2.2 billion (US$ 127 million) relating to investment of excess US Dollar liquidity in 3 months US Treasury bills.

Reconciliation of the gross carrying amount of invested securities measured at amortised cost

Figures in thousands of Kwacha	Note	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June 2022		5,337,195	-	-	5,337,195
Additions		4,824,718	-	-	4,824,718
Maturities		(3,797,147)	-	-	(3,797,147)
Accrued interest		464,035	-	-	464,035
Amount as at 30 June 2023		**6,828,801**	**-**	**-**	**6,828,801**

Reconciliation of the loss allowance – Investment securities measured at amortised cost

Figures in thousands of Kwacha	Note	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June 2022		93,495	-	-	93,495
New business and changes in exposure	3	13,038	-	-	13,038
Amount as at 30 June 2023		**106,533**	**-**	**-**	**106,533**

10 Investment Securities and Other Investments

30 June 2022

Figures in thousands of Kwacha	Fair value through profit or loss	Designated at fair value through profit or loss	Amortised cost	Total
Treasury bills	-	-	3,051,899	3,051,899
Government bonds	10,437	-	2,285,296	2,295,733
Total investment securities	10,437	-	5,337,195	5,347,632
Investment in swift	-	1,210	-	1,210
Total gross carrying amount of investment securities	10,437	1,210	5,337,195	5,348,842
Loss allowance on investments securities and other investments measured at amortised cost	-	-	(93,495)	(93,495)
Net investment securities	10,437	1,210	5,243,700	5,255,347

Included in the K 3.1 billion of treasury bills investment is K 1.3 billion (US$ 80 million) relating to investment of excess US Dollar liquidity in 3 months US Treasury bills.

Reconciliation of investment securities measured at amortised cost

Figures in thousands of Kwacha	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June 2021	3,842,101	-	-	3,842,101
Additions	4,747,817	-	-	4,747,817
Maturities	(3,279,740)	-	-	(3,279,740)
Accrued interest	27,017	-	-	27,017
Amount as at 30 June 2022	5,337,195	-	-	5,337,195

Reconciliation of the loss allowance - Investment securities measured at amortised cost

Figures in thousands of Kwacha	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June 2021	34,481	-	-	34,481
New business and changes in exposure	59,014	-	-	59,014
Amount as at 30 June 2022	93,495	-	-	93,495

11 Loans and Advances

Figures in thousands of Kwacha	30 June 2023	30 June 2022
Sector analysis		
Agriculture	453,060	665,938
Financial services	8,333	6,774
Building and property development	158,806	147,474
Government & Public Authority	-	134,584
Individuals	993,650	554,502
Manufacturing and commerce	1,033,797	421,697
Mining	365,604	40,876
Transport and communication	547,788	513,188
Other services	82,220	55,079
Gross loans and advances	3,643,258	2,540,112
Impairment of loans and advances (note 12)	(264,067)	(333,027)
Net loans and advances	3,379,191	2,207,085

The Government and Public Authority balance in 2022 consisted of a single facility for the ministry of finance which was fully settled by end of 2023 financial year.

Geographic analysis (based on credit risk): All loans and advances are in Zambia		
Gross loans and advances	3,643,258	2,540,112
Impairment of loans and advances (note 12)	(264,067)	(333,027)
Net loans and advances	3,379,191	2,207,085
Category analysis		
Overdrafts	1,678,562	961,756
Term loans	779,681	884,050
Credit card	7,717	2,341
Lease payment receivable	130,093	52,206
Property finance	215,734	241,037
- Home loans	110,008	120,402
- Commercial property finance	105,726	120,635
Personal loans	831,471	398,722
Gross loans and advances	3,643,258	2,540,112
Impairment of loans and advances (note 12)	(264,067)	(333,027)
Net loans and advances	3,379,191	2,207,085

11 Loans and Advances (continued)

Figures in thousands of Kwacha

Classification of loans and advances

30 June 2023

Reconciliation of the gross carrying amount of loans and advances measured at amortised cost

	Stage 1	Stage2	Stage 3	Total
Amount as at 30 June 2022	2,208,187	212,711	119,214	2,540,112
Transfer from stage 1 to stage 2	(28,740)	28,740		-
Transfer from stage 1 to stage 3	(37,165)	-	37,165	-
Transfer from stage 2 to stage 3	-	(31,923)	31,923	-
Transfer from stage 2 to stage 1	27,917	(27,917)	-	-
Transfer from stage 3 to stage 2	-	18	(18)	-
Transfer from stage 3 to stage 1	53	-	(53)	-
Opening balance after transfers	2,170,252	181,629	188,231	2,540,112
Bad debts written off	-	-	(69,716)	(69,716)
Provision created for the current reporting year				
New business and other changes in exposure	1,254,537	(66,639)	(15,036)	1,172,862
Gross loans and advances	3,424,789	114,990	103,479	3,643,258
Impairment of loans and advances	(104,648)	(73,172)	(86,247)	(264,067)
Net loans and advances	3,320,141	41,818	17,232	3,379,191

30 June 2022

Reconciliation of the gross carrying amount of loans and advances measured at amortised cost

	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June 2021	2,441,506	571,645	298,660	3,311,811
Transfer from stage 1 to stage 2	(72,628)	72,628		-
Transfer from stage 1 to stage 3	(3,042)	-	3,042	-
Transfer from stage 2 to stage 3	-	(186)	186	-
Transfer from stage 2 to stage 1	50,269	(50,269)	-	-
Transfer from stage 3 to stage 2	-	1,668	(1,668)	-
Transfer from stage 3 to stage 1	30,026	-	(30,026)	-
Opening balance after transfers	2,446,131	595,486	270,194	3,311,811
Bad debts written off	-	-	(197,601)	(197,601)
Provision created for the current reporting period				
New business and other changes in exposure	(237,944)	(382,775)	46,621	(574,098)
Gross loans and advances	2,208,187	212,711	119,214	2,540,112
Impairment of loans and advances	(107,760)	(117,623)	(107,644)	(333,027)
Net loans and advances	2,100,427	95,088	11,570	2,207,085

	30 June 2023	30 June 2022
Fair value of security - Non performing	47,016	135,363

11 Loans and Advances (continued)

Figures in thousands of Kwacha	Within 1 year	Between 1 and 5 years	Total
30 June 2023			
Analysis of lease payments receivable			
Lease payments receivable	7,498	152,560	160,058
Less: Unearned finance charges	(369)	(29,596)	(29,965)
Total net lease payment receivable	**7,129**	**122,964**	**130,093**
30 June 2022			
Analysis of lease payments receivable			
Lease payments receivable	7,967	58,629	66,596
Less: Unearned finance charges	(305)	(14,084)	(14,389)
Total net lease payment receivable	7,662	44,545	52,207

Under the terms of the lease agreement, no contingent rentals are payable. The agreements relate to motor vehicles and equipment.

Classification of loans and advances - Retail

30 June 2023

Reconciliation of the gross carrying amount of loans and advances measured at amortised cost

	Stage 1	Stage2	Stage 3	Total
Amount as at 30 June 2022	464,331	42,291	29,574	536,196
Transfer from stage 1 to stage 2	(18,669)	18,669	-	-
Transfer from stage 1 to stage 3	(3,133)	-	3,133	-
Transfer from stage 2 to stage 3	-	(2,672)	2,672	-
Transfer from stage 2 to stage 1	17,569	(17,569)	-	-
Transfer from stage 3 to stage 2	-	18	(18)	-
Transfer from stage 3 to stage 1	52	-	(52)	-
Opening balance after transfers	460,150	40,737	35,309	536,196
Bad debts written off	-	-	(26,901)	(26,901)
New business and other changes in exposure	418,854	17,323	21,292	457,469
Gross loans and advances	879,004	58,060	29,700	966,764
Impairment of loans and advances	(36,728)	(34,273)	(28,310)	(99,311)
Net loans and advances	842,276	23,787	1,390	867,453

11 Loans and Advances (continued)

Figures in thousands of Kwacha

Classification of loans and advances - Retail

30 June 2022

Reconciliation of the gross carrying amount of loans and advances measured at amortised cost

	Stage 1	Stage2	Stage 3	Total
Amount as at 30 June 2021	391,417	62,021	40,908	494,346
Transfer from stage 1 to stage 2	(21,264)	21,264		-
Transfer from stage 1 to stage 3	(3,042)		3,042	-
Transfer from stage 2 to stage 3	-	(186)	186	-
Transfer from stage 2 to stage 1	5,980	(5,980)	-	-
Transfer from stage 3 to stage 2	-	1,293	(1,293)	-
Transfer from stage 3 to stage 1	9,977		(9,977)	-
Opening balance after transfers	383,068	78,412	32,866	494,346
Bad debts written off	-	-	(53,336)	(53,336)
New business and other changes in exposure	81,262	(36,123)	50,047	95,186
Gross loans and advances	464,330	42,289	29,577	536,196
Impairment of loans and advances	(20,541)	(36,538)	(24,977)	(82,056)
Net loans and advances	443,789	5,751	4,600	454,140

Classification of loans and advances - VAF

30 June 2023

Reconciliation of the gross carrying amount of loans and advances measured at amortised cost

	Stage 1	Stage2	Stage 3	Total
Amount as at 30 June 2022	34,267	8,508	9,431	52,206
Transfer from stage 1 to stage 2	(2,978)	2,978	-	-
Transfer from stage 1 to stage 3	(4,935)	-	4,935	-
Transfer from stage 2 to stage 3	-	(473)	473	-
Transfer from stage 2 to stage 1	4,566	(4,566)	-	-
Transfer from stage 3 to stage 2	-	-	-	-
Transfer from stage 3 to stage 1	-	-	-	-
Opening balance after transfers	30,920	6,447	14,839	52,206
Bad debts written off	-	-	(2,397)	(2,397)
New business and other changes in exposure	81,061	1,109	(1,888)	80,282
Gross loans and advances	111,981	7,556	10,554	130,091
Impairment of loans and advances	(1,275)	(2,184)	(7,555)	(11,014)
Net loans and advances	110,706	5,372	2,999	119,077

11 Loans and Advances (continued)

Figures in thousands of Kwacha

Classification of loans and advances - VAF

30 June 2022

Reconciliation of the gross carrying amount of loans and advances measured at amortised cost

	Stage 1	Stage2	Stage 3	Total
Amount as at 30 June 2021	27,982	25,180	13,899	67,061
Transfer from stage 1 to stage 2	(2,063)	2,063		-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-		-	-
Transfer from stage 3 to stage 2	2,596	(2,596)		-
Transfer from stage 3 to stage 1		373	(373)	-
Opening balance after transfers	28,515	25,020	13,526	67,061
Bad debts written off	-	-	(3,631)	(3,631)
New business and other changes in exposure	5,752	(16,513)	(463)	(11,224)
Gross loans and advances	34,267	8,507	9,432	52,206
Impairment of loans and advances	(830)	(1,035)	(9,069)	(10,934)
Net loans and advances	33,437	7,472	363	41,272

Classification of loans and advances - Corporate and Commercial

30 June 2023

Reconciliation of the gross carrying amount of loans and advances measured at amortised cost

	Stage 1	Stage2	Stage 3	Total
Amount as at 30 June 2022	1,709,589	161,911	80,210	1,951,710
Transfer from stage 1 to stage 2	(7,093)	7,093	-	-
Transfer from stage 1 to stage 3	(29,097)		29,097	-
Transfer from stage 2 to stage 3	-	(61,819)	61,819	-
Transfer from stage 2 to stage 1	5,781	(5,781)	-	-
Transfer from stage 3 to stage 2	-		-	-
Transfer from stage 3 to stage 1	1		(1)	-
Opening balance after transfers	1,679,181	101,404	171,125	1,951,710
Bad debts written off	-	-	(40,417)	(40,417)
New business and other changes in exposure	851,516	(52,031)	(164,375)	635,110
Gross loans and advances	2,530,697	49,373	(33,667)	2,546,403
Impairment of loans and advances	(66,646)	(30,565)	(56,531)	(153,742)
Net loans and advances	2,464,051	18,808	(90,198)	2,392,661

11 Loans and Advances (continued)

Figures in thousands of Kwacha

Classification of loans and advances - Corporate and Commercial

30 June 2022

Reconciliation of the gross carrying amount of loans and advances measured at amortised cost

	Stage 1	Stage2	Stage 3	Total
Amount as at 30 June 2021	2,022,107	484,444	243,853	2,750,404
Transfer from stage 1 to stage 2	(49,301)	49,301	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	41,692	(41,692)	-	-
Transfer from stage 3 to stage 2	-	-	-	-
Transfer from stage 3 to stage 1	20,048	-	(20,048)	-
Opening balance after transfers	2,034,546	492,053	223,805	2,750,404
Bad debts written off	-	-	(140,633)	(140,633)
New business and other changes in exposure	(325,443)	(330,141)	(2,477)	(658,061)
Gross loans and advances	1,709,103	161,912	80,695	1,951,710
Impairment of loans and advances	(86,389)	(73,900)	(79,748)	(240,037)
Net loans and advances	1,622,714	88,012	947	1,711,673

	30 June 2023	30 June 2022
Maturity analysis		
Within one year	1,859,389	1,168,202
Between one and five years	1,275,431	894,046
More than five years	244,371	144,837
	3,379,191	2,207,085

Refer to note 26 for information relating to the fair value of loans and advances

Refer to note 7 for current and non-current analysis for loans and advances

Included in the above are loans and advances to:

	30 June 2023	30 June 2022
- Directors	173	31
repayable within:		
- One year	173	31
- Over five years	-	-
	173	31

12 Impairment of Loans and Advances

Significant loans and advances are monitored by the credit department and impaired according to the Bank's impairment policy when an indication of impairment is observed.

Figures in thousands of Kwacha					30 June 2023
Total		**Total impairment**	**Stage 1**	**Stage 2**	**Stage 3**
Amount as at 30 June 2022		333,027	107,760	117,623	107,644
Transfer from stage 1 to stage 2		-	(1,685)	1,685	-
Transfer from stage 1 to stage 3		-	(853)	-	853
Transfer from stage 2 to stage 3		-	-	(3,103)	3,103
Transfer from stage 2 to stage 1		-	4951	(4,951)	-
Transfer from stage 3 to stage 2		-	-	14	(14)
Transfer from stage 3 to stage 1		-	34	-	(34)
Opening balance after transfers		333,027	110,207	111,268	111,552
Bad debts written off		(69,716)	-	-	(69,716)
New business and other changes in exposure		756	(5,559)	(38,096)	44,411
Amount as at 30 June 2023	Note 11	264,067	104,648	73,172	86,247
Impairment recognised in income statement					
Impairment created/(released) for the current reporting year including interest in suspense (ISP)		756	(5,559)	(38,096)	44,411
Loans and advances ISP/stage 3 interest		(13,764)	-	-	(13,764)
Impairment created/(released) for the current reporting year excluding ISP		(13,008)	(5,559)	(38,096)	30,647
Post write off recoveries		(91,088)	-	-	(91,088)
Impairment recognised in income statement	Note 3	(104,096)	(5,559)	(38,096)	(60,441)

12 Impairment of Loans and Advances (continued)

Significant loans and advances are monitored by the credit department and impaired according to the Bank's impairment policy when an indication of impairment is observed.

Figures in thousands of Kwacha					30 June 2022
Total		**Total impairment**	**Stage 1**	**Stage 2**	**Stage 3**
Amount as at 30 June 2021		465,066	152,731	137,083	175,252
Transfer from stage 1 to stage 2		-	(8,137)	8,137	-
Transfer from stage 1 to stage 3		-	(207)	-	207
Transfer from stage 2 to stage 3		-	-	(47)	47
Transfer from stage 2 to stage 1		-	8,392	(8,392)	-
Transfer from stage 3 to stage 2		-	-	631	(631)
Transfer from stage 3 to stage 1		-	1,829	-	(1,829)
Opening balance after transfers		465,066	154,608	137,412	173,046
Bad debts written off		(197,598)	-	-	(197,598)
New business and other changes in exposure		65,559	(46,848)	(19,789)	132,196
Amount as at 30 June 2022	Note 11	333,027	107,760	117,623	107,644
Impairment recognised in income statement					
Impairment created/(released) for the current reporting year including interest in suspense (ISP)		65,559	(46,848)	(19,789)	132,196
Loans and advances ISP/stage 3 interest		(22,108)	-	-	(22,108)
Impairment created/(released) for the current reporting year excluding ISP		43,451	(46,848)	(19,789)	110,088
Post write off recoveries		(169,353)	-	-	(169,353)
Impairment recognised in income statement	Note 3	(125,902)	(46,848)	(19,789)	(59,265)

12 Impairment of Loans and Advances (Continued)

Significant loans and advances are monitored by the credit department and impaired according to the Bank's impairment policy when an indication of impairment is observed.

Figures in thousands of Kwacha — 30 June 2023

Retail	Total impairment	Stage 1	Stage 2	Stage 3
Amount as at 30 June 2022	82,056	20,541	36,538	24,977
Transfer from stage 1 to stage 2	-	(1,006)	1,006	-
Transfer from stage 1 to stage 3	-	(166)	-	166
Transfer from stage 2 to stage 3	-	-	(648)	648
Transfer from stage 2 to stage 1	-	3,741	(3,741)	-
Transfer from stage 3 to stage 2	-	-	14	(14)
Transfer from stage 3 to stage 1	-	34	-	(34)
Opening balance after transfers	82,056	23,144	33,169	25,743
Bad debts written off	(26,901)	-	-	(26,901)
New business and other changes in exposure	44,156	13,584	1,104	29,468
Amount as at 30 June 2023	99,311	36,728	34,273	28,310
Impairment recognised in income statement				
Impairment created/(released) for the current reporting year including ISP	44,156	13,584	1,104	29,468
Loans and advances ISP/stage 3 interest	(4,968)	-	-	(4,968)
Impairment created/(released) for the current reporting year excluding ISP	39,188	13,584	1,104	24,500
Post write off recoveries	(5,705)	-	-	(5,705)
Impairment recognised in income statement	33,483	13,584	1,104	18,795

12 Impairment of Loans and Advances (Continued)

Significant loans and advances are monitored by the credit department and impaired according to the Bank's impairment policy when an indication of impairment is observed.

Figures in thousands of Kwacha				30 June 2022
Retail	**Total impairment**	**Stage 1**	**Stage 2**	**Stage 3**
Amount as at 30 June 2021	103,183	26,339	33,701	43,143
Transfer from stage 1 to stage 2	-	(1,716)	1,716	-
Transfer from stage 1 to stage 3	-	(207)	-	207
Transfer from stage 2 to stage 3	-	-	(47)	47
Transfer from stage 2 to stage 1	-	1,507	(1,507)	-
Transfer from stage 3 to stage 2	-		508	(508)
Transfer from stage 3 to stage 1	-	1,048		(1,048)
Opening balance after transfers	103,183	26,971	34,371	41,841
Bad debts written off	(53,334)	-	-	(53,334)
New business and other changes in exposure	32,207	(6,430)	2,167	36,470
Amount as at 30 June 2022	82,056	20,541	36,538	24,977
Impairment recognised in income statement				
Impairment created/(released) for the current reporting year including ISP	32,207	(6,430)	2,167	36,470
Loans and advances ISP/stage 3 interest	(6,941)	-	-	(6,941)
Impairment created/(released) for the current reporting year excluding ISP	25,266	(6,430)	2,167	29,529
Post write off recoveries	(4,943)	-	-	(4,943)
Impairment recognised in income statement	20,323	(6,430)	2,167	24,586

12 Impairment of Loans and Advances (Continued)

Significant loans and advances are monitored by the credit department and impaired according to the Bank's impairment policy when an indication of impairment is observed.

Figures in thousands of Kwacha				30 June 2023
Corporate and Commercial	**Total impairment**	**Stage 1**	**Stage 2**	**Stage 3**
Amount as at 30 June 2022	240,038	86,390	73,900	79,748
Transfer from stage 1 to stage 2	-	(570)	570	-
Transfer from stage 1 to stage 3	-	(565)	-	565
Transfer from stage 2 to stage 3	-	-	(2,317)	2,317
Transfer from stage 3 to stage 2	-	658	(658)	-
Transfer from stage 2 to stage 1	-	-	-	-
Transfer from stage 3 to stage 1	-	-	-	-
Opening balance after transfers	240,038	85,913	71,495	82,630
Bad debts written off	(40,418)	-	-	(40,418)
New business and other changes in exposure	(45,877)	(19,267)	(40,930)	14,320
Closing balance 30 June 2023	153,743	66,646	30,565	56,532
Impairment recognised in income statement				
Impairment created/(released) for the current reporting year including ISP	(45,877)	(19,267)	(40,930)	14,320
Loans and advances ISP/stage 3 interest	3,703	-	-	3,703
Impairment created/(released) for the current reporting year excluding ISP	(42,174)	(19,267)	(40,930)	18,023
Post write off recoveries	(95,080)			(95,080)
Impairment recognised in income statement	(137,254)	(19,267)	(40,930)	(77,057)

12 Impairment of Loans and Advances (Continued)

Significant loans and advances are monitored by the credit department and impaired according to the Bank's impairment policy when an indication of impairment is observed.

Figures in thousands of Kwacha **30 June 2022**

Corporate and Commercial	Total impairment	Stage 1	Stage 2	Stage 3
Amount as at 30 June 2022	345,393	125,265	100,470	119,658
Transfer from stage 1 to stage 2	-	(6,384)	6,384	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 3	-	-	(6,257)	6,257
Transfer from stage 3 to stage 2	-		108	(108)
Transfer from stage 2 to stage 1	-	6,668	(6,668)	-
Transfer from stage 3 to stage 1	-	781		(781)
Opening balance after transfers	345,393	126,330	94,037	125,026
Bad debts written off	(140,633)	-	-	(140,633)
New business and other changes in exposure	35,278	(39,940)	(20,137)	95,355
Closing balance 30 June 2023	240,038	86,390	73,900	79,748
Impairment recognised in income statement				
Impairment created/(released) for the current reporting year including ISP	35,278	(39,940)	(20,137)	95,355
Loans and advances ISP/stage 3 interest	(16,447)	-	-	(16,447)
Impairment created/(released) for the current reporting year excluding ISP	18,831	(39,940)	(20,137)	78,908
Post write off recoveries	(159,839)			(159,839)
Impairment recognised in income statement	(141,008)	(39,940)	(20,137)	(80,931)

12 Impairment of Loans and Advances (Continued)

Significant loans and advances are monitored by the credit department and impaired according to the Bank's impairment policy when an indication of impairment is observed.

Figures in thousands of Kwacha — **30 June 2023**

Vehicle and Asset Finance	Total impairment	Stage 1	Stage 2	Stage 3
Amount as at 30 June 2022	10,934	830	1,035	9,069
Transfer from stage 1 to stage 2	-	(110)	110	-
Transfer from stage 3 to stage 2	-	(122)	-	122
Transfer from stage 2 to stage 3	-	-	(139)	139
Transfer from stage 2 to stage 1	-	552	(552)	-
Opening balance after transfers	10,934	1,150	454	9,330
Bad debts written off	(2,397)	-	-	(2,397)
New business and other changes in exposure	2,477	125	1,730	622
Closing balance 30 June 2023	11,014	1,275	2,184	7,555
Impairment recognised in income statement				
Impairment created/(released) for the current reporting year including ISP	2,477	125	1,730	622
Loans and advances ISP/stage 3 interest	(275)	-	-	(275)
Impairment created/(released) for the current reporting year excluding ISP	2,202	125	1,730	347
Post write off recoveries	(2,528)	-	-	(2,528)
Impairment recognised in income statement	(326)	125	1,730	(2,181)

12 Impairment of Loans and Advances (Continued)

Significant loans and advances are monitored by the credit department and impaired according to the Bank's impairment policy when an indication of impairment is observed.

Figures in thousands of Kwacha				30 June 2022
Vehicle and Asset Finance	**Total impairment**	**Stage 1**	**Stage 2**	**Stage 3**
Amount as at 30 June 2022	16,491	1,127	2,911	12,453
Transfer from stage 1 to stage 2	-	(37)	37	-
Transfer from stage 3 to stage 2	-	-	124	(124)
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	218	(218)	-
Opening balance after transfers	16,491	1,308	2,854	12,329
Bad debts written off	(3,631)	-	-	(3,631)
New business and other changes in exposure	(1,926)	(478)	(1,819)	371
Closing balance 30 June 2023	10,934	830	1,035	9,069
Impairment recognised in income statement				
Impairment created/(released) for the current reporting year including ISP	(1,926)	(478)	(1,819)	371
Loans and advances ISP/stage 3 interest	1,280	-	-	1,280
Impairment created/(released) for the current reporting year excluding ISP	(646)	(478)	(1,819)	1,651
Post write off recoveries	(4,571)	-	-	(4,571)
Impairment recognised in income statement	(5,217)	(478)	(1,819)	(2,920)

12.1 Impairment of loans and advances (continued)

Analysis of NPLs

Figures in thousands of Kwacha					30 June 2023
	Total gross NPL's	Write offs	Total Net NPL's	Impact of Security	Specific provision
Category analysis					
Overdrafts and managed accounts	60,121	38,596	21,525	1,382	20,143
Term loans	42,903	8,065	34,838	9,924	24,914
Lease payments receivable	12,951	2,397	10,554	2,999	7,555
Home loans	11,635	3,978	7,657	2,781	4,876
Commercial property finance	16,423	3,222	13,201	1,923	11,278
Personal loans	29,164	13,458	15,706	(1,774)	17,480
Total	173,197	69,716	103,481	17,235	86,246
Geographic analysis (based on credit risk)					
Zambia	173,197	69,716	103,481	17,235	86,246
					30 June 2022
Overdrafts and managed accounts	157,125	106,431	50,694	654	50,040
Term loans	59,199	34,653	24,546	4,263	20,283
Lease payments receivable	13,063	3,631	9,432	363	9,069
Home loans	18,963	4,123	14,840	4,598	10,242
Commercial property finance	13,982	4,486	9,496	1,695	7,801
Personal loans	54,486	44,277	10,209	-	10,209
Total	316,818	197,601	119,217	11,573	107,644
Geographic analysis (based on credit risk)					
Zambia	316,818	197,601	119,217	11,573	107,644

On-Going Risk Management will continue to pursue written off balances to the extent of K592 million (2022: K708 million).

12.2 Impairment of Loans and Advances (Continued)

Figures in thousands of Kwacha	Total gross credit impaired assets	Write offs	Total net credit impaired assets	Security held & expected recoveries	Impairment
					30 June 2023
Sector analysis					
Agriculture	19,809	16,287	3,522	440	3,082
Financial services	271	257	14	2	12
Building and property development	52,416	4,254	48,162	11,887	36,275
Individuals	64,959	28,861	36,098	2,859	33,239
Manufacturing and commerce	14,271	9,141	5,130	171	4,959
Mining	7,727	3,828	3,899	78	3,821
Transport and communication	11,910	5,262	6,648	1,800	4,848
Other services	1,835	1,826	9	(1)	10
Total	173,198	69,716	103,482	17,236	86,246
Geographic analysis (based on credit risk)					
Zambia	173,198	69,716	103,482	17,236	86,246

					30 June 2022
Agriculture	145,257	75,905	69,352	2,724	66,628
Other financial services	355	355	-	-	-
Building and property development	20,562	19,534	1,028	41	987
Individuals	85,512	54,922	30,590	4,649	25,941
Manufacturing and commerce	945	88	857	270	587
Mining	2,904	2,899	5	-	5
Transport and communication	61,281	43,899	17,382	3,886	13,496
Other services	-	-	-	-	-
Total	316,816	197,602	119,214	11,570	107,644
Geographic analysis (based on credit risk)					
Zambia	316,816	197,602	119,214	11,570	107,644

13 Other assets

Figures in thousands of Kwacha		30 June 2023	30 June 2022
Items in transit		69,460	59,555
Mark to market on loans and advances		97,330	83,736
Suspense and clearing accounts		27,341	20,138
Prepayments*		33,813	26,075
Other accounts receivable		20,496	29,239
Balances with group companies	19.2	1,062	64
Total other assets		**249,502**	218,807

*Included in the prepaid amount of K33.8 million is K21.1 million (June 2022 :K21.4 million) relating to a share option scheme under the assumption of liability fund managed by Morgan Stanley. Share options are allocated to individuals and are accumulated in advance through the fund. The shares vest in three years. When the share options vest and all conditions are met, payments to the beneficiaries are made out of the fund.

14 Property and Equipment

Figures in thousands of Kwacha	Leasehold improvements	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Capital work in progress (CWIP)	30 June 2023 Total
Movement in property and equipment							
Cost At 1 July 2022	83,963	100,366	27,989	16,866	95,488	6,735	331,407
Disposal	-	(190)	-	(1,126)	-	-	(1,316)
Transfers from CWIP	270	1,575	209	-	4,681	(6,735)	-
Additions	9,797	23,309	1,035	9,613	3,353	39,669	86,776
Cost at 30 June 2023	94,030	125,060	29,233	25,353	103,522	39,669	416,867
Accumulated depreciation							
At 1 July 2022	49,352	57,210	17,524	4,694	87,357	-	216,137
Depreciation on disposal	-	(134)	-	(1,054)	-	-	(1,188)
Depreciation charge for the year	9,194	18,681	3,074	3,157	3,100	-	37,206
Accumulated depreciation & impairment at 30 June 2023	58,546	75,757	20,598	6,797	90,457	-	252,155
Movement in property and equipment							
Net book Value at 1 July 2022	34,611	43,156	10,465	12,172	8,131	6,735	115,270
Additions	9,797	23,309	1,035	9,613	3,353	39,669	86,776
Transfers from CWIP	270	1,575	209	-	4,681	(6,735)	-
Disposals	-	(56)	-	(72)	-	-	(128)
Depreciation charge for the year	-	-	-	-	-	-	-
Write offs	(9,194)	(18,681)	(3,074)	(3,157)	(3,100)		(37,206)
Net book value at 30 June 2023	35,484	49,303	8,635	18,556	13,065	39,669	164,712
Cost	94,030	125,060	29,233	25,353	103,522	39,669	416,867
Less: Accumulated depreciation & impairment	(58,546)	(75,756)	(20,598)	(6,797)	(90,458)		(252,155)
Net book value at 30 June 2023	35,484	49,303	8,635	18,556	13,065	39,669	164,712

14 Property and Equipment

Figures in thousands of Kwacha	Leasehold improvements	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	CWIP	30 June 2022 Total
Movement in property and equipment							
Cost At 1 July 2021	75,033	76,573	24,895	4,205	94,378	6,869	281,953
Disposal	(4,534)	(1,374)	(1,979)	-	(3,054)		(10,941)
Transfers from CWIP	1,122	2,620	3,120	-	7	(6,869)	-
Additions	12,342	22,547	1,953	12,661	4,157	6,735	60,395
Cost at 30 June 2022	83,963	100,366	27,989	16,866	95,488	6,735	331,407
Accumulated depreciation							
At 1 July 2021	42,985	42,216	15,746	3,885	86,875	-	191,707
Depreciation on disposal	(2,876)	(1,351)	(1,809)	-	(3,041)	-	(9,077)
Depreciation charge for the year	9,243	16,345	3,587	809	3,523	-	33,507
Accumulated depreciation & impairment at 30 June 2022	49,352	57,210	17,524	4,694	87,357	-	216,137
Movement in property and equipment							
Net book Value at 1 July 2021	36,047	34,357	9,149	320	7,503	6,869	90,245
Additions	12,342	22,547	1,953	12,661	4,157	6,735	60,395
Transfers from CWIP	1,122	2,620	3,120	-	7	(6,869)	-
Disposals	(1,657)	(23)	(170)	-	(13)	-	(1,863)
Depreciation charge for the year	(9,243)	(16,345)	(3,587)	(809)	(3,523)	-	(33,507)
Net book value at 30 June 2022	34,611	43,156	10,465	12,172	8,131	6,735	115,270
Cost	83,963	100,366	27,989	16,866	95,488	6,735	331,407
Less: Accumulated depreciation & impairment	(49,352)	(57,210)	(17,524)	(4,694)	(87,357)	-	(216,137)
Net book value at 30 June 2022	34,611	43,156	10,465	12,172	8,131	6,735	115,270

15 Right of Use Assets

			30 June 2023
Figures in thousands of Kwacha	Right of Use Assets – Property	Right of Use Assets – Vehicles	Total
Movement in Right of Use Asset			
Cost			
At 1 July 2022	121,002	–	121,002
Additions	32,124	–	32,124
Disposals	(23,935)	–	(23,935)
Early termination/modification of leases	265	–	265
Cost at 30 June 2023	129,456	–	129,456
Accumulated depreciation			
At 1 July 2022	55,951	–	55,951
Depreciation charge for year	39,701	–	39,701
Disposal	(23,124)	–	(23,124)
Accumulated depreciation & impairment at 30 June 2023	72,528	–	72,528
Movement in Right of Use Asset			
Net book value			
At 1 July 2022	65,051	–	65,051
Additions	32,124	–	32,124
Disposal	(811)	–	(811)
Depreciation	(39,701)	–	(39,701)
Early termination/modification of leases	265	–	265
Net book Value at 30 June 2023	56,928	–	56,928
Cost	129,456	–	129,456
Less: Accumulated depreciation and impairment	(72,528)	–	(72,528)
Net book value at 30 June 2023	56,928	–	56,928

15 Right of Use Assets

			30 June 2022
Figures in thousands of Kwacha	Right of Use Assets – Property	Right of Use Assets – Vehicles	Total
Movement in Right of Use Asset			
Cost			
At 1 July 2021	100,297	8,240	108,537
Additions	31,404	-	31,404
Disposals	(14,568)	(8,240)	(22,808)
Early termination/modification of leases	3,869	-	3,869
Cost at 30 June 2022	121,002	-	121,002
Accumulated depreciation			
At 1 July 2021	27,523	6,378	33,901
Depreciation charge for year	40,839	1,802	42,641
Disposal	(11,652)	(8,180)	(19,832)
Depreciation on terminated/modified leases	(759)	-	(759)
Accumulated depreciation & impairment at 30 June 2022	55,951	-	55,951
Movement in Right of Use Asset			
Net book value			
At 1 July 2021	72,774	1,862	74,636
Additions	31,404	-	31,404
Disposals	(2,916)	(60)	(2,976)
Depreciation	(40,839)	(1,802)	(42,641)
Early termination/modification of leases	4,628	-	4,628
Net book Value at 30 June 2022	65,051	-	65,051
Cost	121,002	-	121,002
Less: Accumulated depreciation & impairment	(55,951)	-	(55,951)
Net book value at 30 June 2022	65,051	-	65,051

16 Deposits

Figures in thousands of Kwacha	Note	30 June 2023	30 June 2022
Deposit and current accounts			
From group companies			
- In the normal course of business	19.3	**6,206**	5,169
- Call and current accounts		**7,863,264**	6,128,397
- Savings deposits		**448,735**	253,050
- Fixed and notice deposits - customers		**2,504,680**	1,893,301
- BoZ - Targeted medium term refinancing facility		**563,148**	563,295
Total deposits		**11,386,033**	8,843,212
Repayable within one year		**10,720,849**	8,268,209
Repayable after one year		**665,184**	575,003
Total deposits		**11,386,033**	8,843,212
Geographic analysis (based on counterparty risk)			
Zambia		**11,385,426**	8,843,181
UK		**607**	31
Total deposits and current accounts		**11,386,033**	8,843,212
Sector analysis			
Non financial corporate customers		**5,118,960**	3,097,203
Retail customers		**4,269,268**	3,327,066
Public sector entities		**617,488**	292,184
Sovereigns		**690,867**	684,735
Financial corporate customers		**262,407**	910,121
Non profit organisations & other		**420,837**	526,649
Banks		**6,206**	5,254
Total deposits and current accounts		**11,386,033**	8,843,212

FNB Zambia applied and obtained approval for K 550 million funding from Bank of Zambia (BoZ) under the Targeted Medium Term Refinancing Facility (TMTRF) at MPR plus 1%. The Bank had drawn-down K 550 million as at 30 June 2022. This is secured by Government bonds.

Refer to note 7 for current and non current analysis of deposits.

	Figures in thousands of Kwacha		30 June 2023	30 June 2022
17	**Employee Liabilities Staff Related Provision**			
	Provisions for Staff Bonuses		61,782	47,321
	Provisions for Leave pay		15,689	13,647
	Total provisions		77,471	60,968
	Analysis of movement			
	Opening balance		60,968	47,873
	- Charge to the income statement		65,521	50,438
	- Utilised		(49,018)	(37,343)
	Total provisions		77,471	60,968
18	**Other Liabilities**			
	Merchant incoming settlement		27,117	14,312
	Accrued liabilities		141,711	106,279
	Suspense/clearing accounts		59,991	99,183
	Net unclaimed balances		49,192	40,753
	Intercompany balances	19.3	62,285	50,807
	Total creditors and accruals		340,296	311,334

Refer to note 26 for the information relating to the fair value of creditors and accruals. The carrying value of creditors and accruals approximates the fair value.

Refer to note 7 for the current and non current analysis of employee liabilities and other liabilities.

19 Related Parties

The Bank defines related parties as: - the parent company; fellow subsidiaries; associates and joint ventures of the parent company and fellow subsidiaries; post retirement benefit funds (pension funds); key management personnel being the Bank's Board of Directors and key decision makers of the Bank's executive committee including any entities which provide key management personnel services to the Bank; and close family members of key management personnel. Close family members are those family members who may be expected to influence, or be influenced by that individual in dealings with the Bank.

19.1 Holding Company

The Bank's holding company is FirstRand EMA Holdings Limited and the Ultimate parent is FirstRand Limited. Both companies are registered in the Republic of South Africa.

	Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
	Related party transactions			
19.2	**Amount Due from Related Parties**			
	Cash and short term funds	8	81,231	177,856
	Other assets	13	1,062	64
	Currency swap and spot transactions with related companies	9	6,380	44,473
	Due from related parties		88,673	222,393
19.3	**Amounts Due to Related Parties**			
	Deposits	16	6,206	5,169
	Service level agreements	18	62,285	50,807
	Currency swap and spot transactions with related companies	9	1,992	8,182
	Due to related parties		70,483	64,158
19.4	**Income and Expenditure**			
	Interest income	2.1	5,020	447
	Operating expenses	5.4	(237,528)	(217,667)
	Derivative financial instruments	4	-	1,058
	Net expenditure		(232,508)	(216,162)
19.5	**Key Management Personnel**			
	Share based payments		11,419	8,562
	Loans and advances		174	31
	Interest income		24	22
	Salaries and performance payment		7,265	6,059
	Company contribution to pension and medical aid		465	339

Disclosures on key management compensation are included on note 5

20 Lease Liabilities

Figures in thousands of Kwacha	30 June 2023	30 June 2022
Lease liability – property		
At the beginning of the year	71,206	87,566
Cash flow movement		
Capital payments	(40,308)	(40,793)
Interest paid	(9,298)	(10,582)
Non Cash flow movement	21,600	36,191
Additions	32,124	31,404
Early termination of leases & modifications	(1,163)	(3,096)
Exchange movement	22	(4,955)
Interest accrued capitalised	9,298	11,662
At the end of the year	61,881	71,206
Lease liability – vehicles		
At the beginning of the year	-	3,635
Cash flow movement	-	-
Capital payments	-	(2,807)
Non Cash flow movement	-	828
Additions	-	-
Exchange movement	-	(874)
Interest accrued capitalised	-	46
At the end of the year	-	-
Lease liability – total		
At the beginning of the year	71,206	87,566
Cash flow movement		
Capital payments	(40,308)	(40,793)
Interest paid	(9,298)	(10,582)
Non Cash flow movement	21,600	36,191
Additions	32,124	31,404
Early termination of leases & modifications	(1,163)	(3,096)
Exchange movement	22	(4,955)
Interest accrued capitalised	9,298	11,662
At the end of the year	61,881	71,206
Repayable within one year	19,975	38,018
Repayable after one year	41,906	33,188
Net debt	61,881	71,206

Figures in thousands of Kwacha	30 June 2023	30 June 2022
21 Subordinated Long Term Debt		
FMO		
Opening balance	**114,603**	342,720
Accrued Interest	**1,971**	-
Repayment : Principle	**(107,933)**	(146,685)
Repayment : Interest	**(3,005)**	-
Exchange difference	**(5,636)**	(81,432)
Closing balance	**-**	114,603
Repayable within one year	**-**	1,034
Repayable after one year	**-**	113,569
Total	**-**	114,603

Nederlandse Financierrings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) provided a line of credit of USD 15 million Tier 2 subordinated debt in November 2016. The facility was repayable over a 7 year period and bore interest at 3 month libor plus 900 basis points paid quarterly in arrears. The facility was repayable in twenty equal instalments, with the first repayment due on 28 February 2022. The loan was fully paid off in advance as at June 2023.

The above loan has been subordinated to all deposit obligations of the Bank as prescribed under the Banking and Financial Services Act (BFSA) of 2017.

22. (i) Share Capital and Share Premium

30 June 2023

Figures in thousands of Kwacha	No of ordinary shares	Share capital	Share premium	Total
		K'000	K'000	K'000
Authorised				
Shares with a par value of K0.01 per share				
Ordinary shares	**41,600,000,000**	**416,000**	**-**	**416,000**
Issued				
Analysis of total issued share capital closing balance:				
Ordinary issued share capital closing balance as above (Ordinary share of K0.01 each)	**41,600,000,000**	**416,000**	**170,374**	**586,374**
Total issued share capital - closing balance	**41,600,000,000**	**416,000**	**170,374**	**586,374**
Disclosed on the face of the balance sheet				
Ordinary share capital				**416,000**
Ordinary share premium				**170,374**
Total				**586,374**

30 June 2022

Figures in thousands of Kwacha	No of ordinary shares	Share capital K'000	Share premium K'000	Total K'000
Authorised				
Shares with a par value of K0.01 per share				
Ordinary shares	41,600,000,000	416,000	-	416,000
Issued				
Analysis of total issued share capital closing balance:				
Ordinary issued share capital closing balance as above (Ordinary share of K0.01 each)	41,600,000,000	416,000	170,374	586,374
Total issued share capital - closing balance	41,600,000,000	416,000	170,374	586,374
Disclosed on the face of the balance sheet				
Ordinary share capital				416,000
Ordinary share premium				170,374
Total				586,374

22.(Ii) Fair Value Reserve

Figures in thousands of Kwacha	30 June 2023	30 June 2022
Fair value through other comprehensive income		
Opening balance	-	-
Arising during the period	17,364	-
Closing balance	17,364	-
Deferred income tax asset/(Liability)		
Opening balance	-	-
Arising during the period	(5,209)	-
Closing balance	(5,209)	-
Net	12,155	-

To manage excess liquidity, the Treasury division of the bank acquired government bonds in the current year. As the purpose of this portfolio is to collect cashflows pending identification of other suitable assets at which point they would be sold, these are classified as FVOCI in line with the banks accounting policy for similar assets (see section 1.8.1.2)

Comparative balances are nil as these assets were obtained in the current year. However, accounting treatment is consistent with prior years in which similar assets were acquired.

23 Cash Flow Information

23.1 Reconciliation of Operating Profit Before Income Tax to Cash Flows from Operating Activities

Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
Operating profit before income tax		1,063,184	856,744
Adjusted for:			
		76,723	76,148
- Depreciation - Leases		39,517	42,641
- Depreciation - Propety and equipment		37,206	33,507
- Exchange movement		76,663	468,249
- Credit related impairment		(91,058)	(66,888)
- (Profit)/Loss on disposal of property and equipment		(495)	561
- Loss on disposal of leased property		811	2,976
- Movement in provisions		16,503	13,095
- Lease liability finance charges write back		9,298	11,662
- Accrued interest and other income		(51,875)	1,660
- Accrued interest and other expenses		92,242	10,802
- Movement in statutory reserve balance		(492,064)	216,316
- Unrealised exchange loss on:		(5,614)	(86,387)
- Lease liability	20	22	(4,955)
- Subordinated long term debt	21 (i)	(5,636)	(81,432)
		694,318	1,504,938

	Figures in thousands of Kwacha	Notes	30 June 2023	30 June 2022
23.2	**Interest & Cash Received from Customers**			
	Interest recieved		**1,483,613**	1,184,365
	Fee and commission income		**513,282**	1,024,408
	Trading and other income		**417,105**	319,365
	Cash receipts from customers		**930,387**	1,343,773
23.3	**Interest & Cash Paid to Customers, Suppliers and Employees**			
	Interest expense on deposits		**(182,231)**	(276,273)
	Cash paid to customers, suppliers and employees		**(1,537,451)**	(747,197)
23.4	**Increase in Income Earning Assets**			
	Decrease/(increase) in derivative financial instruments		**40,339**	(58,852)
	Decrease in liquid assets and trading securities		**(2,303,175)**	(1,500,509)
	Accrued Interest		**44,137**	(1660)
	Fair value adjustment on investments measured through OCI		**17,364**	-
	(Increase)/ decrease in loans and advances		**(1,068,010)**	767,222
	Increase in income earning assets		**(3,269,345)**	(793,799)

	Figures in thousands of Kwacha	30 June 2023	30 June 2022
23	**Cash Flow Information (Continued)**		
23.5	**Decrease in Other Assets**		
	Items in transit	(9,905)	1,102
	Other assets	(13,052)	(7,203)
	Increase in other assets	(22,957)	(6,101)
23.6	**Increase in Deposits and Other Liabilities**		
	Term deposits	611,379	(139,905)
	Current deposit accounts	1,735,051	(538,850)
	Deposit under repurchase agreement	(147)	86,583
	Accrued expenses	(75,792)	(10,802)
	Savings accounts	195,685	112,344
	Amounts due to related companies - deposits	1,037	(171,096)
	Derivative financial instruments	4,190	23,019
	Amounts due to related companies	11,478	7,095
	Early termination of leases & modifications	(1,428)	(7,724)
	Increase in deposits and other liabilities	2,481,453	(639,336)
23.7	**Income Tax Paid**		
	Amounts receivable at the beginning of the year	127,772	79,914
	Income tax expense	(323,218)	(321,311)
	Amounts payable at the end of the year	(125,144)	(127,772)
	Tax paid	(320,590)	(369,169)

	Figures in thousands of Kwacha	30 June 2023	30 June 2022
23.8	**Cash and Cash Equivalents**		
	Bank notes	445,198	642,821
	Money at call and short notice	273,461	900,887
	Balances with central Bank	290,600	126,402
	Balances from group	81,231	177,856
	Cash and cash equivalents	**1,090,490**	1,847,966
24	**Contingencies and Commitments**		
24.1	**Contingencies**		
	Guarantees and indemnities	379,131	347,096
	Letters of credits	263,538	8,467
	Total	**642,669**	355,563
24.2	**Commitments**		
	Undrawn commitments to customers - Irrevocable	1,034,777	540,499
	Total	**1,034,777**	540,499
24.3	**Capital Commitments**		
	Capital expenditure approved by the Directors		
	- contracted for	84,147	60,922
	- not contracted for	1,749	5,544
	Total	**85,896**	66,466

The growth in contingencies is mainly driven by growth in letters of credit with customers as part of the Bank's continued drive to increase trade transactions.

See note 27.1 (i) for additional disclosures on off balance sheet items.

24.4 Legal Proceedings and Claims

The Bank gets involved in legal proceedings and claims for and against in the normal course of business, the outcome of which cannot be ascertained as at the balance sheet date.

There were no significant contingent liabilities in respect of the above as at the balance sheet date (2022: Nil).

25 Trust Activities

The Bank may act as a trustee and in other fiduciary capacities that result in holding or placing of assets on behalf of customers. At 30 June 2023 and 30 June 2022 the Bank was not acting as a trustee in respect of any assets.

26 Fair Value Measurements

26.1 Valuation Methodology

In terms of IFRS, the Bank is required to or elects to measure certain assets and liabilities at fair value. The Bank has established control frameworks and processes at operating business level to independently validate its valuation techniques and inputs used to determine its fair value measurements. Valuation specialists are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements.

Valuation committees comprising representatives from key management have been established at an overall Bank level and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval by the required valuation specialist, valuation committees, relevant risk committees and external auditors annually or more frequently if considered appropriate.

26.2 Measurement of assets and liabilities at level 2 and level 3

The table below sets out the valuation techniques applied by the Bank for recurring fair value measurements of assets and liabilities categorised as level 2 and level 3.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs Level 2	Unobservable inputs Level 3
Forward rate agreements, forwards and swaps	Discounted cash flows	Future cash flows are projected using a related forecasting curve and then discounted using a market related dicounting curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, credit and currency basis curves and spot prices	
Corporate and Investment Banking book	Discounted cash flows.	Future cash flows are discounted using a market-related interest rate, adjusted for credit inputs. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. Where credit risk has a significant impact on the fair value measurement, these advances are classified as level 3 on the fair value hierarchy	Market interest rates	Credit Inputs

26 Fair Value Measurements (Continued)

26.2 Measurement of Assets and Liabilities at Level 2 and Level 3 (Continued)

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs Level 2	Unobservable inputs Level 3
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate. Where the valuation technique incorporates inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Market interest rates, credit inputs and market quotes for negotiable certificate deposits	
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates	Credit inputs
Treasury bills and other government and government guaranteed stock	Debt market bond pricing model	The debt market bond pricing model uses the debt market mark-to-market bond yield.	Market interest rate curves	Credit inputs

During the current reporting year there were no changes in the valuation techniques used by the Bank (2022:Nil)

26 Fair Value Measurements (continued)

26.2 Measurement of Assets And Liabilities (continued)

26.2 (I) Fair Value Hierarchy

The following table presents the recurring and non-recurring fair value measurements and fair value hierarchy of assets and liabilities of the Bank which are recognised at fair value.

The following table presents the financial instruments recognised at fair value on the balance sheet

				30 June 2023				30 June 2022
Figures in thousands of Kwacha	Level 1	Level 2	Level 3	Total carrying amount	Level 1	Level 2	Level 3	Total carrying amount
Assets								
Derivative financial instrument	-	34,398	-	34,398	-	74,737	-	74,737
Investment in securities and other investments	562,305	260,911	-	823,216	-	11,647	-	11,647
Total assets measured at fair value	562,305	295,309	-	857,614	-	86,384	-	86,384
Liabilities								
Derivative financial instruments	-	31,048	-	31,048	-	26,858	-	26,858
	-		-		-		-	
Total liabilities at fair value	-	31,048	-	31,048	-	26,858	-	26,858

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during the current or prior reporting period.

26 Fair Value Measurements (Continued)

26.2 (Ii) Fair Value Disclosure of Assets at Amortised Cost

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position, but for which fair value is required to be disclosed.

For all other financial instruments, the carrying value is equal to or a reasonable approximation of the fair value.

					30 June 2023
Figures in thousands of Kwacha	Carrying value	Total Fair Value	Level 1	Level 2	Level 3
Assets					
Loans and advances	3,379,191	3,125,610	-	1,686,279	1,439,331
Investment securities and other investments	6,722,268	6,828,801	-	-	6,828,801
Other assets	110,714	110,714	-	110,714	-
Total assets at amortised cost	10,212,173	10,065,125	-	1,7969,93	8,268,132
Liabilities					
Deposits	11,386,033	11,364,549	-	10,709,366	655,183
Subordinated long term debt	-	-	-	-	-
Other liabilities	340,296	340,296	-	340,296	-
Total liabilities at amortised cost	11,726,329	11,704,845	-	11,049,662	655,183

					30 June 2022
	Carrying value	Total Fair Value	Level 1	Level 2	Level 3
Assets					
Loans and advances	2,207,085	2,076,061	-	243,816	1,832,245
Investment securities and other investments	5,243,700	5,437,631	-	-	5,437,631
Other assets	107,173	107,173	-	107,173	-
Total assets at amortised cost	7,557,958	7,620,865	-	350,989	7,269,876
Liabilities					
Deposits	8,843,212	8,801,754	-	8,152,386	649,368
Subordinated long term debt	114,603	114,603	-	-	114,603
Other liabilities	311,334	311,334	-	311,334	-
Total liabilities at amortised cost	9,269,149	9,227,691	-	8,463,720	763,971

27 Risk Management (Continued)

The financial instruments recognised on the Bank's statement of financial position, expose the Bank to various financial risks. The information presented in this note represents the quantitative information required by IFRS 7 and sets out the Bank's exposure to these financial risk including credit risk, market risk, interest rate risk, currency risk, foreign exchange risk, liquidity risk and capital management.

Risk control policies for the key areas of the Bank are approved by Board while operational policies and control procedures are approved by the relevant risk committees. The exposures to these risks as at 30 June 2023 are set out below:

<table>
<tr><th colspan="3">Overvew of financial risk</th></tr>
<tr><td rowspan="3">Credit risk</td><td colspan="2">Credit risk is the risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads.</td></tr>
<tr><td>Credit risk arises primarily from the following instruments:
• Loans and advances;
• Certain investment securities; and
• Off-balance sheet exposures</td><td rowspan="2">The following information is presented for these assets:
• Summary of all credit assets;
• Information about the quality of credit assets;
• Exposure to concentration risk;
• Credit risk mitigation techniques and collateral held</td></tr>
<tr><td>Other sources of credit risk are:
• Cash and cash equivalents;
• Other assets; and
• Derivative balances.</td></tr>
</table>

27 Risk Management (Continued)

<table>
<tr><th colspan="3">Overview of financial risks</th></tr>
<tr><td rowspan="2">Liquidity risk</td><td colspan="2">The risk that the Bank will not be able to effectively meet current and future cash flows and collateral requirements without negatively affecting the normal course of business, financial position or reputation.</td></tr>
<tr><td>All assets and liabilities with differing maturity profiles expose the Bank to liquidity risk.</td><td>The following information is presented for these assets and liabilities:
• Undiscounted cash flow analysis of financial assets and liabilities;
• collateral pledged.</td></tr>
<tr><td rowspan="4">Market risk</td><td colspan="2">The Bank distinguishes between traded market risk and non-traded market risk. For non-traded market risk, the Bank distinguishes between interest rate risk in the Banking book and structural foreign exchange risk.
Traded market risk is the risk of adverse revaluation of any financial instrument as a consequence of changes in the market prices or rates.</td></tr>
<tr><td>Traded martket risk emanates mainly from the provision of hedging solutions for clients, market-making activities and term lending products, and is taken and managed by Treasury. It is managed and contained within the Banks appetite</td><td>The following information is presented for market risk in the trading book:
• 1-day 99% value at risk (VaR) analysis; and
• 10-day 99% VaR analysis.</td></tr>
<tr><td>Interest rate risk in the Banking book is the sensitivity of a Bank's financial position and earnings to unexpected, adverse movements in interest rates. It originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in Banking book products."</td><td>The following information is presented for interest rate risk in the Banking book:
• projected NII sensitivity to interest rate movements</td></tr>
<tr><td>Structural foreign exchange risk is the risk of an adverse impact on the Bank's financial position and earnings or other key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures.</td><td>Information on the Bank's net structural foreign exposure and the sensitivity of the exposure is presented.</td></tr>
</table>

27 Risk Management (Continued)

27.1 Credit Risk

Objective

Credit risk management objectives are two-fold:

Risk control: Appropriate limits are placed on the assumption of credit risk and steps taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task.

Management: Credit risk is taken within the constraints of the Bank's risk/return and credit risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the group credit risk management function in ERM and relevant board committees fulfil this role.

Based on the Bank's credit risk appetite, as measured on a Return On Equity, Net Income After Cost of Capital and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the Bank, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement, as well as collection and recovery of delinquent accounts.

Assessment and management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management across the Bank is split into three distinct portfolios: retail, commercial and corporate, and are aligned to customer profiles.

The assessment of credit risk across the Bank relies on internally developed quantitative models for addressing regulatory and business needs. The models are used for the internal assessment of the three primary credit risk components:

- probability of default (PD);
- exposure at default (EAD); and
- loss given default (LGD).

27 Risk Management (Continued)

27.1 Credit Risk (Continued)

Mapping Of Fr Grades to Rating Agency Scales

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the portfolio and Bank-level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the Bank.

The Bank employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the following table. FirstRand (FR)1 is the lowest PD and FR100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. These mappings are reviewed and updated on a regular basis.

Rating	Midpoint PD	Rating (based on S&P)*
FR 1 - 14	0.08%	AAA, AA+, AA, AA-, A+, A, A-
FR 15 - 25	0.29%	BBB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper)
FR 26 - 32	0.74%	BB+, BB(upper), BB, BB-(upper) .LC SOV
FR 33 - 39	1.45%	BB-, B+(upper)
FR 40 - 53	2.45%	B+
FR 54 - 83	10.75%	B(upper), B, B-(upper)
FR 84 - 90	21.96%	B-
FR 91 - 99	62.87%	Below B-/CCC+, CCC
FR 100	100%	D

Indicative mapping to the international rating scales of S&P Global Ratings (S&P). The Bank currently only uses mapping to S&P's rating scale.

27 Risk Management (Continued)

27.1 Credit Risk (Continued)

Maximum Exposure To Credit Risk

The following assets and off-balance sheet amounts expose the Bank to credit risk. For all on-balance sheet exposures, the gross amount disclosed represents the maximum exposure to credit risk, before taking into account collateral and other credit enhancements.

30 June 2023

Figures in thousands of Kwacha	Total	Retail	Corporate and Commercial	Financial Institution	Other
On balance sheet exposures					
Cash and cash equivalents	1,882,376	-	-	1,882,376	
- Money at call and short notice	273,461	-	-	273,461	-
- Balances with Central Bank	1,527,684	-	-	1,527,684	-
- Balances with group companies	81,231	-	-	81,231	-
Derivative financial instruments	34,398	-	14,363	20,035	-
Loans and advances	3,379,191	993,650	2,377,208	8,333	-
Other assets	110,714	-	-	-	110,714
Investment securities -Unlisted	7,545,484	-	-	7,545,484	-
Not recognised on balance sheet exposures					
Off balance sheet exposure	1,677,446	108,423	1,528,945	40,078	-
Total	14,629,609	1,102,073	3,920,516	9,496,306	110,714

Maximum exposure to credit risk (Continued)

30 June 2022

Figures in thousands of Kwacha	Total	Retail	Corporate and Commercial	Financial Institution	Other
On balance sheet exposures					
Cash and cash equivalents	1,950,165	-	-	1,950,165	
- Money at call and short notice	900,887	-	-	900,887	-
- Balances with Central Bank	871,422	-	-	871,422	-
- Balances with group companies	177,856	-	-	177,856	-
Derivative financial instruments	74,737	-	10,440	64,297	-
Loans and advances	2,207,085	554,502	1,645,809	6,774	-
Other assets	107,173	-	-	-	107,173
Investment securities -Unlisted	5,348,842	-	-	5,348,842	-
Not recognised on balance sheet exposures	-	-			
Off balance sheet exposure	896,062	30,644	860,112	5,306	-
Total	10,584,064	585,146	2,516,361	7,375,384	107,173

27 Risk Management (Continued)

27.1 Credit Risk (Continued)

Quality of Credit Assets

The following table shows the gross carrying amount of loans and advances carried at amortised cost, as well as the exposure to credit risk of loan commitments and financial guarantees per class of loans and advances and per internal credit rating.

The amounts in stage 3 that do not have a rating of FR 91-100 relates to technical cures (performing accounts that have previously defaulted but do not meet the 12-month curing definition remain in stage 3) and paying debt-review customers as the PDs on these customers are lower than operational stage 3 loans and advances and the PD drives the FR rating. In addition, where the Bank holds a guarantee against a stage 3 loan and advance, the FR rating would reflect the same.

								30 June 2023
		FR 1-25		FR 26-90		FR 91-100		Total
Figures in thousands of Kwacha	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Retail								
Stage 1	90,099	20,759	679,735	38,286	109,170	49,378	879,004	108,423
Stage 2	-	-	8,812	-	49,248	-	58,060	-
Stage 3	-	-	-	-	29,700	-	29,700	-
Total Retail	90,099	20,759	688,547	38,286	188,118	49,378	966,764	108,423
Loss allowance	36,729	-	34,272	-	28,309	-	99,310	-
Maximum exposure to credit risk	53,370	20,759	654,275	38,286	159,809	49,378	867,454	108,423
Vehicle asset finance								
Stage 1	14,663	5,262	92,107	96,476	5,212	419	111,982	102,157
Stage 2	-	-	5,262	-	2,294	-	7,556	-
Stage 3	-	-	10,555	-	-	-	10,555	-
Total	14,663	5,262	107,924	96,476	7,506	419	130,093	102,157
Loss allowance	1,274	-	2,184	-	7,555	-	11,013	-
Maximum exposure to credit risk	13,389	5,262	105,740	96,476	(49)	419	119,080	102,157
Corporate and Commercial								
Stage 1	355,357	270,565	2,034,074	1,172,386	44,371	23,915	2,433,802	1,466,866
Stage 2	-	-	48,659	-	713	-	49,372	-
Stage 3	-	-	-	-	63,227		63,227	-
Total	355,357	270,565	2,082,733	1,172,386	108,311	23,915	2,546,401	1,466,866
Loss allowance	66,646	-	36,715	-	50,382	-	153,743	-
Maximum exposure to credit risk	288,711	270,565	2,046,018	1,172,386	57,929	23,915	2,392,658	1,466,866
Total								
Stage 1	460,119	296,586	2,805,916	1,307,148	158,753	73,712	3,424,788	1,677,446
Stage 2	-	-	62,733	-	52,255	-	114,988	-
Stage 3	-	-	10,555	-	92,927	-	103,482	-
	460,119	296,586	2,879,204	1,307,148	303,936	73,712	3,643,258	1,677,446
Loss allowance	104,649	-	73,171	-	86,246	-	264,066	-
Total	355,470	296,586	2,806,033	1,307,148	217,689	73,712	3,379,192	1,677,446

27 Risk Management (Continued)

27.1 Credit Risk (Continued)

								30 June 2022
		FR 1 -25		FR 26-90		FR 91-100		Total
Figures in thousands of Kwacha	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Retail								
Stage 1	47,595	4,885	359,067	22,141	57,669	3,619	464,331	30,645
Stage 2	-	-	6,418	-	35,872	-	42,290	-
Stage 3	-	-	-	-	29,575	-	29,575	-
Total Retail	47,595	4,885	365,485	22,141	123,116	3,619	536,196	30,645
Loss allowance	20,542	-	36,537	-	24,977	-	82,056	-
Maximum exposure to credit risk	27,053	4,885	328,948	22,141	98,139	3,619	454,140	30,645
Vehicle asset finance								
Stage 1	1,964	-	32,303	25,589	-	-	34,267	25,589
Stage 2	-	-	8,507	-	-	-	8,507	-
Stage 3	-	-	4,498	-	4,933	-	9,431	-
Total	1,964	-	45,308	25,589	4,933	-	52,205	25,589
Loss allowance	830	-	5,170	-	4,933	-	10,933	-
Maximum exposure to credit risk	1,134	-	40,138	25,589	-	-	41,272	25,589
Corporate and Commercial								
Stage 1	241,801	8,986	1,204,186	698,843	263,602	132,000	1,709,589	839,829
Stage 2	-	-	43,668	-	118,245	-	161,913	-
Stage 3	-	-	74,519	-	5,691	-	80,210	-
Total	241,801	8,986	1,322,373	698,843	387,538	132,000	1,951,712	839,829
Loss allowance	86,390	-	80,051	-	73,598	-	240,039	-
Maximum exposure to credit risk	155,411	8,986	1,242,322	698,843	313,940	132,000	1,711,673	839,829
Total								
Stage 1	291,360	13,871	1,595,556	746,573	321,271	135,619	2,208,187	896,063
Stage 2	-	-	58,593	-	154,117	-	212,710	-
Stage 3	-	-	79,017	-	40,199	-	119,216	-
	291,360	13,871	1,733,166	746,573	515,587	135,619	2,540,113	896,063
Loss allowance	107,762	-	121,758	-	103,508	-	333,028	-
Total	183,598	13,871	1,611,408	746,573	412,079	135,619	2,207,085	896,063

27 Risk Management (Continued)

27.1 Credit risk (continued)

Quality of Credit Assets

Figures in thousands of Kwacha	AAA to BBB	BB+ to B-	30 June 2023 CCC
Investment securities at amortised cost			
Stage 1	2,251,893		4,576,909
Investment securities at fair value through profit or loss			
Stage 1	-		259,701
Stage 1	-		562,305
Total investment securities	2,251,893		5,398,915
Financial other assets			
Stage 1	-		105,888
Total other assets	-		105,888
Cash and cash equivalents			
Stage 1	220,504	108,575	1,472,066
Derivative assets	-	27,626	391

Figures in thousands of Kwacha	AAA to BBB	BB+ to B-	30 June 2022 CCC
Investment securities at amortised cost			
Stage 1	1,344,015	-	3,993,180
Stage 3			
Investment securities at fair value through profit or loss			
Stage 1	-	-	10,437
Total investment securities	1,344,015	-	4,003,617
Financial other assets			
Stage 1	-	-	103,929
Total other assets	-	-	103,929
Cash and cash equivalents			
Stage 1	481,641	316,347	974,320
Derivative assets	-	-	30,264

Ratings are derived from S&P , for assets that are not directly rated such as cash balances at central bank, the country rating is applied.

27 Risk Management (Continued)

27.1 Credit Risk Management (Continued)

Quality of Credit Assets

Concentration Risk

Credit concentration risk is the risk of loss to the Bank arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration risk is managed based on the nature of the credit concentration within each portfolio. The Bank's credit portfolio is well diversified, which is achieved through setting maximum exposure guidelines to individual counterparties. The Bank constantly reviews its concentration levels and sets maximum exposure guidelines to these.

The Bank seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

Significant geographical and sectorial credit exposures at the end of the period are set out in note 11 to the financial statements.

Credit Risk Mitigation and Collateral Held

Since taking and managing credit risk is core to its business, the Bank aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities only for those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduce the Bank's lending risk, resulting in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product or counterparty type.

Credit Risk Mitigation Instruments

- Mortgage and instalment sale finance portfolios are secured by the underlying assets financed;
- Commercial credit exposures are secured by the assets of the counterparties and commercial property finance deals are secured by the underlying property and associated cash flows.
- Structured facilities are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets.
- Counterparty credit risk is mitigated through the use of netting agreements and financial collateral.
- Personal loans and overdrafts and credit card exposures are generally unsecured or secured by guarantees, insurance and securities;
- Invoice finance is secured by the underlying receivables (trade invoices); and
- Working capital facilities in Corporate Banking and Investment Banking Division are secured by guarantees, mortgages or fixed and floating charges over company assets.

The following provides additional information in relation to collateral held by the Bank

– Vehicle and asset finance: Vehicles and assets subject to the finance agreement normally serve as collateral. In general, vehicles and assets which make up the collateral can be sold when the customer has defaulted under the agreement, a notice of default has been issued and a judgement obtained. For some products, title over the vehicles are held by the Bank. Title only passes to the customer once repayments are fully made.

27 Risk Management (Continued)

27.1 Credit Risk Management (Continued)

Quality of Credit Assets

Property finance: Collateral consists of first and second mortgages over property, employer and personal guarantees and loss insurance purchased by the client. The collateral can only be sold or exercised on default by the customer.

Overdrafts and personal loans: These loans and advances are secured by means of cession of debtors, equity portfolios and deposits, bonds over fixed property and other moveable assets. Credit insurance is sold as an additional component of the loans.

When the Bank takes possession of collateral which is not cash or not readily convertible into cash the Bank determines a minimum sale amount ("pre-set sale amount") and auctions the asset for the pre-set sale amount. Where the Bank is unable to obtain the pre-set sale amount in an auction, the Bank will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained.

The Bank employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently where necessary through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model and physical inspections are performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

Concentrations in credit risk mitigation types, such as property, are monitored and managed at a product and segment level, in-line with the requirements of the Bank's credit risk/return framework.

Collateral is taken into account for capital calculation purposes through the determination of loss given default (LGD). Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.

Collateral Pledged

Generally the Bank pledges assets under the following terms and conditions:

- Mandatory reserve deposits are held with the central Bank in accordance with statutory requirements. These deposits are not available to finance the Bank's day-to-day operations;

- The Bank conducts borrowing from Bank of Zambia and other commercial Banks on the secured lending facility (SLF), or under repurchase agreements (REPOS). These borrowings are normally secured by pledging of the Bank's investment in treasury bills. The Bank has also pledged treasury bills for Zambia Electronic Clearing House Limited for the Bank's clearing activities.

As at 30 June 2023, the Bank had K676 million (2022: K690 million) treasury bills pledged to cover the borrowings and clearing activities.

27 Risk Management (Continued)

27.1 Credit Risk Management (Continued)

Credit Risk Mitigation

The table below sets out the financial effect of collateral per class of loans and advances:

Figures in thousands of Kwacha	30 June 2023	30 June 2022
Retail	**4,756**	10,130
Corporate and Commercial	**620**	1,844
Vehicle and Asset Finance	**2,512**	(356)
Total	**7,888**	11,618

The financial effect of collateral and other credit enhancements has been calculated separately per class of loans and advances for performing book (stage 1 and stage 2) and the non performing book (stage 3). The amounts disclosed above represent the difference between the balance sheet impairment recognised on the statement of financial position using the actual LGD and a proxy for all secured portfolios. The proxy LGD is based on the LGD used to determine the impairment recognised on the statement of financial position for unsecured portfolios.

Where there is no collateral or where collateral is disregarded for provisioning purposes, no financial effect was calculated.

It is the Bank's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For wholesale and commercial portfolios, valuations are re-assessed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However in the event of default more detailed review and valuation of collateral are performed, this therefore yields a more accurate financial effect.

Offsetting of financial assets and financial liabilities

Where appropriate, various instruments are used to mitigate the potential exposure to certain counterparties. These include financial or other collateral in line with common credit risk practices, as well as master netting agreements, guarantees and credit derivatives. In addition, the Bank has set up a function to clear over the counter derivatives centrally as part of the risk mitigation.

The Bank uses International Swaps and Derivatives Association (ISDA) and International Securities Market Association agreements for the purpose of netting derivative transactions and repurchase transactions respectively. These master agreements as well as associated credit support annexes (CSA) set out internationally accepted valuation and default covenants, which are evaluated and applied daily, including daily margin calls based on the approved CSA thresholds.

Amounts in the balance sheet have been presented at gross and no amounts have been offset other than current income tax asset and current income tax liability.

27 Risk Management (Continued)

27.1 Credit Risk Management (Continued)

27.1 (i) Maximum Exposure to Credit Risk – Financial Instruments Subject to Impairment (Continued)

ECL staging	Vehicle and Asset Finance				
	30 June 2023				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
Figures in thousands of Kwacha	12-month ECL	Lifetime ECL	Lifetime ECL		Total
Credit grade					
Investment grade	119,645	-	-	-	119,645
Standard monitoring	4,608	-	-	-	4,608
Special monitoring	-	637	-	-	637
Default	-	-	5,205	-	5,205
Gross carrying amount	124,253	637	5,205	-	130,095
Loss allowance	(1,275)	(2,184)	(7,555)	-	(11,014)
Carrying amount	122,978	(1,547)	(2,350)	-	119,081

ECL staging	Investment Securities				
	30 June 2023				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
Figures in thousands of Kwacha	12-month ECL	Lifetime ECL	Lifetime ECL		Total
Credit grade					
Investment grade	6,828,801	-	-	-	6,828,801
Gross carrying amount	6,828,801	-	-	-	6,828,801
Loss allowance	(106,533)	-	-	-	(106,533)
Carrying amount	6,722,268	-	-	-	6,722,268

27 Risk Management (Continued)

27.1 Credit Risk Management (Continued)

27.1 (i) Maximum Exposure to Credit Risk – Financial Instruments Subject to Impairment (Continued)

For ECL purposes, the Bank's financial assets are segmented into sub-portfolios as listed below

- Retail loan portfolio
- Corporate and commercial portfolio
- Investment securities
- Off balance sheet exposures

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

ECL staging	Retail loan portfolio 30 June 2023				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
Figures in thousands of Kwacha	12-month ECL	Lifetime ECL	Lifetime ECL		Total
Credit grade					
Investment grade	910,934	-	-	-	910,934
Standard monitoring	9,063	-	-	-	9,063
Special monitoring	-	5,188	-	-	5,188
Default	-	-	41,523	-	41,523
Gross carrying amount	919,997	5,188	41,523	-	966,708
Loss allowance	(36,727)	(34,273)	(28,310)	-	(99,310)
Carrying amount	883,270	(29,085)	13,213	-	867,398

ECL staging	Corporate & Commercial loan portfolio 30 June 2023				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
Figures in thousands of Kwacha	12-month ECL	Lifetime ECL	Lifetime ECL		Total
Credit grade					
Investment grade	2,244,734	-	-	-	2,244,734
Standard monitoring	181,211	-	-	-	181,211
Special monitoring	-	65,303	-	-	65,303
Default	-	-	55,207	-	55,207
Gross carrying amount	2,425,945	65,303	55,207	-	2,546,455
Loss allowance	(66,646)	(30,565)	(56,532)	-	(153,743)
Carrying amount	2,359,299	34,738	(1,325)	-	2,392,712

27 Risk Management (Continued)

27.1 Credit Risk Management (Continued)

27.1 (i) Maximum Exposure To Credit Risk – Financial Instruments Subject to Impairment (Continued)

ECL staging	Loan Commitments 30 June 2023				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	
Figures in thousands of Kwacha	12-month ECL	Lifetime ECL	Lifetime ECL		Total
Credit grade					
Investment grade	1,024,676	–	–	–	1,024,676
Standard monitoring	7,792	–	–	–	7,792
Special monitoring	423	–	–	–	423
Default	1,887	–	–	–	1,887
Gross carrying amount	1,034,778	–	–	–	1,034,778
Loss allowance	–	–	–	–	–
Carrying amount	1,034,778	–	–	–	1,034,778

ECL staging	Financial Guarantee Contracts 30 June 2023				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	
Figures in thousands of Kwacha	12-month ECL	Lifetime ECL	Lifetime ECL		Total
Credit grade					
Investment grade	641,731	–	–	–	641,731
Standard monitoring	–	–	–	–	–
Special monitoring	–	–	–	–	–
Default	938	–	–	–	938
Gross carrying amount	642,669	–	–	–	642,669
Loss allowance	(2,595)	–	–	–	(2,595)
Carrying amount	640,074	–	–	–	640,074

27 Risk Management (Continued)

27.1 Credit Risk Management (Continued)

27.1 (i) Maximum Exposure to Credit Risk – Financial Instruments Subject to Impairment (Continued)

	Vehicle and Asset Finance				
	30 June 2022				
ECL staging					
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
Figures in thousands of Kwacha	12-month ECL	Lifetime ECL	Lifetime ECL		Total
Credit grade					
Investment grade	34,267	–	–	–	34,267
Standard monitoring	–	–	–	–	–
Special monitoring	–	8,508	–	–	8,508
Default	–	–	9,431	–	9,431
Gross carrying amount	34,267	8,508	9,431	–	52,206
Loss allowance	(830)	(1,035)	(9,069)	–	(10,934)
Carrying amount	33,437	7,473	362	–	41,272

	Investment Securities				
	30 June 2022				
ECL staging					
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
Figures in thousands of Kwacha	12-month ECL	Lifetime ECL	Lifetime ECL		Total
Credit grade					
Investment grade	5,337,195	–	–	–	5,337,195
Gross carrying amount	5,337,195	–	–	–	5,337,195
Loss allowance	(93,495)	–	–	–	(93,495)
Carrying amount	5,243,700	–	–	–	5,243,700

27 Risk Management (Continued)

27.1 Credit Risk Management (Continued)

27.1 (i) Maximum Exposure to Credit Risk – Financial Instruments Subject to Impairment (Continued)

	Retail Loan Portfolio				
	30 June 2022				
ECL staging					
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit- impaired**	
Figures in thousands of Kwacha	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**		**Total**
Credit grade					
Investment grade	464,331	–	–	–	464,331
Standard monitoring	–	42,291	–	–	42,291
Special monitoring	–	–	–	–	–
Default	–	–	29,575	–	29,575
Gross carrying amount	464,331	42,291	29,575	–	536,197
Loss allowance	(20,715)	(36,538)	(24,977)	–	(82,230)
Carrying amount	443,616	5,753	4,598	–	453,967

	Corporate and Commercial Loan Portfolio				
	30 June 2022				
ECL staging					
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit- impaired**	
Figures in thousands of Kwacha	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**		**Total**
Credit grade					
Investment grade	1,564,887	–	–	–	1,564,887
Standard monitoring	144,700	–	–	–	144,700
Special monitoring	–	161,912	–	–	161,912
Default	–	–	80,210	–	80,210
Gross carrying amount	1,709,587	161,912	80,210	–	1,951,709
Loss allowance	(92,746)	(73,900)	(79,748)	–	(246,394)
Carrying amount	1,616,841	88,012	462	–	1,705,315

27 Risk Management (Continued)

27.1 Credit Risk Management (Continued)

27.1 (i) Maximum Exposure To Credit Risk – Financial Instruments Subject To Impairment (Continued)

	Loan Commitments				
	30 June 2022				
ECL staging					
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	
Figures in thousands of Kwacha	12-month ECL	Lifetime ECL	Lifetime ECL		Total
Credit grade					
Investment grade	530,946	–	–	–	530,946
Standard monitoring	2,289	–	–	–	2,289
Special monitoring	7,264	–	–	–	7,264
Default	–	–	–	–	–
Gross carrying amount	540,499	–	–	–	540,499
Loss allowance	–	–	–	–	–
Carrying amount	540,499	–	–	–	540,499

	Financial Guarantee Contracts				
	30 June 2022				
ECL staging					
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	
Figures in thousands of Kwacha	12-month ECL	Lifetime ECL	Lifetime ECL		Total
Credit grade					
Investment grade	350,704	–	–	–	350,704
Standard monitoring	2,370	–	–	–	2,370
Special monitoring	1,552	–	–	–	1,552
Default	937	–	–	–	937
Gross carrying amount	355,563	–	–	–	355,563
Loss allowance	(6,530)	–	–	–	(6,530)
Carrying amount	349,033	–	–	–	349,033

27 Risk Management (Continued)

27.1 Credit Risk Management (Continued)

27.1 (ii) Forward Looking Information

The most significant period-end assumptions used for the ECL estimates as at 30 June 2023 are set out below. the scenarios "base", "upside" and "downside" were used for all portfolios.

Variable	Description
GDP	Gross Domestic Product (y/y growth)
CBR Lag 2Q	Central Bank Rate (Monetary policy rate (period-end)) lagged for 2 quarters
FX Rate	Forex Rate between the observed country's exchange rate and the U.S. Dollar (12-month average)

Country Reference Level	34									
		Dec-22	Jun-23	Dec-23	Jun-24	Dec-24	Jun-25	Dec-25	Jun-26	Probabilities
GDP	Core	4.7	4.6	3.8	4.2	4.4	4.5	4.8	5.0	58%
	Downside	4.7	4.6	-2.0	-1.5	-0.50	0.20	0.50	0.50	27%
	Upside	4.7	4.6	6.5	6.5	7.0	7.2	7.4	7.5	15%
FX_AVE	Core Credit Index	9.0	9.5	9.75	9.75	9.5	9.0	8.5	8.0	100%
	Downside Credit Index	9.0	9.5	13.5	13.5	13.2	12.7	12.2	11.7	
	Upside Credit Index	9.0	9.5	8.60	8.6	8.4	7.9	7.4	6.9	
CBR_LAG2	Core	18.0	17.9	21.1	20.5	20.7	20.1	20.1	19.5	
	Downside	16.9	17.9	22.1	25.0	23.9	23.6	23.4	23.4	
	Upside	16.9	17.9	15.5	13.6	14.1	13.9	13.6	13.6	

Sensitivity analysis

The most significant assumptions affecting ECL allowance is GDP, Central Bank Rate and average forex rates.

Set out below is the impact on stage 1 and 2 provisions if the above factors are stressed 10% up or down.

Scenario_202306	12m_Lt	Provisions_30 June 2023	Sensitivity as a percentage
Reported in June-23	Stage 1 & Stage 2	144,130,195	7%
Factors Down	Stage 1 & Stage 2	140,219,746	10%
Factors Up	Stage 1 & Stage 2	192,186,041	24%

27 Risk Management (Continued)

27.2 Interest Rate Risk Management

"The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks: Interest margins may:-

- Increase as a result of such changes;
- Reduce or create losses in the event that unexpected movement arise.

Earnings sensitivity

Earnings models are run on a monthly basis to provide a measure of the net interest income sensitivity of the existing Banking book balance sheet to shocks in interest rates. Underlying transactions are modelled on a contractual basis and behavioural adjustments are applied where relevant. The calculation assumes a constant balance sheet size and product mix over the forecast horizon. Behavioural assumption is applied in relation to non- maturing deposits, which reprice at management of the Bank's discretion. The assumption is based on historical product behaviour.

The Asset and Liability Committee sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily.

Interest rate repricing gap

The table below summarises the Bank's exposure to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of re-pricing or maturity dates.

			Term to re-pricing			
Figures in thousands of Kwacha	**Carrying amount**	**Non - rate sensitive**	**Call - 3 months**	**4-12 months**	**1-5 Years**	**Over 5 years**
30 June 2023						
Assets						
Cash and cash equivalents	**2,327,574**	**2,248,018**	**79,556**	**-**	**-**	**-**
Investment securities and other investments	**7,545,484**	**1,210**	**1,923,435**	**2,527,871**	**3,011,193**	**81,775**
Loans and advances	**3,379,191**	**-**	**1,335,480**	**166,011**	**1,633,329**	**244,371**
Total assets	**13,252,249**	**2,249,228**	**3,338,471**	**2,693,882**	**4,644,522**	**326,146**
Liabilities						
Deposits	**11,386,033**	**5,763,480**	**3,776,359**	**1,181,010**	**665,184**	**-**
Lease Liability	**61,881**	**61,881**	**-**	**-**	**-**	**-**
Total liabilities and equity	**11,447,914**	**5,825,361**	**3,776,359**	**1,181,010**	**665,184**	**-**
Net interest sensitivity gap	**1,804,335**	**(3,576,133)**	**(437,888)**	**1,512,872**	**3,979,338**	**326,146**

Figures in thousands of Kwacha	**Carrying amount**	**Non - rate sensitive**	**Call - 3 months**	**4 -12 months**	**1-5 Years**	**Over 5 years**
30 June 2022						
Assets						
Cash and cash equivalents	2,592,986	642,821	1,950,165	-	-	-
Investment securities and other investments	5,255,347	1,210	1,836,214	1,954,137	1,461,790	1,995
Loans and advances	2,207,085	-	1,978,813	54,649	101,300	72,323
Total assets	10,055,418	644,031	5,765,192	2,008,786	1,563,090	74,318
Liabilities						
Deposits	8,843,212	4,530,762	2,874,476	788,606	649,368	-
Subordinated debt	114,603	-	114,603	-	-	-
Lease Liability	71,206	71,206	-	-	-	-
Total liabilities and equity	9,029,021	4,601,968	2,989,079	788,606	649,368	-
Net interest sensitivity gap	1,026,397	(3,957,937)	2,776,113	1,220,180	913,722	74,318

27 Risk Management (Continued)

27.2 Interest Rate Risk Management

Basis Points

Stress tests are performed on the Bank's statement of financial position and reviewed by ALCCO. The table below presents the potential gains or losses that could arise if interest rates rise or fall by 50 basis points and 100 basis points:

Figures in thousands of Kwacha	June 2023	June 2022
50 basis points parallel increase - gains	**583**	3,304
50 basis points parallel decrease - losses	**(2,567)**	(4,018)
100 basis points parallel increase - gains	**1,167**	6,608
100 basis points parallel decrease - losses	**(5,133)**	(8,078)

Market Risk Management

Traded market risk includes interest rate risk in the trading book, traded credit risk, commodity risk, foreign exchange risk and interest rate risk in the Treasury Banking book which is managed as part of the trading book.
The primary risk control mechanism used for risk control purposes are value at risk (VAR) and stress loss test and limits.

a) Value at risk

The Bank applies "value at risk" methodology to its trading and non-trading portfolio's, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The ALCCO sets limits on the value of risk that may be acceptable for the Bank, which are monitored fortnightly for the Banking book and daily for the trading book.

b) Stress loss tests

Stress loss tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Treasury include: risk factors stress testing, where stress movements are applied to each risk category; emerging market stress testing, where emerging market portfolios are subject to stress movements; and ad hoc stress testing, which includes applying possible stress events to specific positions or regions - for example, the stress outcome to a region following a currency peg break.

Market Risk Measurement

At present, the Bank's market risk is primarily measured using a stress simulation approach with Value at Risk (VaR) and Expected Tail Loss (ETL) utilised as supplementary risk measures or management triggers.

27 Risk Management (Continued)

27.3 Market Risk (Continued)

Stress Simulation Approach

A stress loss methodology is used for management, measurement and reporting of market risk in the Bank. The stress loss limits provide an estimate of losses that could be expected on the portfolios during distressed market conditions. Importantly, this methodology is currently only representative of linear instruments, whereas the VaR/ETL methodology caters for both linear and non-linear instruments. It should however be noted that at present, structured products that are subject to non-linear risk are not run on an open basis in the Bank, rather the risk on these is booked on a back to back basis. As such, the stress loss methodology currently in place is still appropriate given that the Bank only attracts market risk on unhedged linear products.

In the Bank, the main traded asset classes are foreign exchange and interest rates. The foreign exchange stress loss is based on a percentage loss of the Bank's absolute value of local currency equivalent of all foreign exchange open positions. A stress of 30% is applied to all long positions while short positions are stressed by 50%. The interest rate stress loss at present is calculated as the loss incurred on bucketed interest rate sensitivity stress measures ranging from 400 – 600 bps (based on risk profile and historical data) in interest rates on the market value of all interest rate assets. In addition, concentration limits for bond positions (i.e. maximum allowable percentage of total issue) have been established and are monitored daily.

ETL, VaR and specific risk approach

ETL

For general market risk, a supplementary measure of risk used to determine utilisation of risk against limits is the ETL metric at the 99% 10 day holding period level under the full revaluation methodology using historical risk factor scenarios (i.e. under the historical simulation method).

In order to accommodate the stress loss imperative, the scenario set used for revaluation of the current portfolio is historical scenarios which incorporate both the past 250 trading days and 250 business days of at least one period of market distress. The stress period encompasses severe market volatility and dislocations. An appropriate multiplication factor is applied to the resulting ETL in order to calibrate it to a 1 in 25 year event as it is recognised that this stress period may still be a conservative representation of other stress periods. This factor is dynamic and may be adjusted as deemed appropriate.

The ETL may be liquidity adjusted to cater for illiquid exposures. Holding periods, ranging between 10 and 90 days or more, can be used in the calculation and are based on an assessment of distressed liquidity of portfolios.

VaR

General VaR is calculated at the 99% 10 day holding period level in order to best reflect the current business ("business as usual") environment. VaR is also calculated at the 99% 1 day holding period level. Further supplementary risk measures such as component VaR/ ETL, are applied in order to decompose the overall VaR/ETL into components attributable to the broad risk factors. This enables the evaluation of the contribution of each risk factor to the diversified overall VaR/ ETL.

Specific Risk

Specific risk measures like idiosyncratic risk for asset classes not captured by the Bank's ETL measure for traded credit specific risk and identifies concentrations in a portfolio. It is an add-on to the VaR and ETL risk measures. Specific risk is calculated according to the regulatory building block method.

27 Risk Management (Continued)

27.3 Market Risk (Continued)

ETL, VaR and specific risk approach (Continued)

Stress Testing

Stress testing provides an indication of potential losses that could occur under extreme market conditions. It may also reveal model limitations or highlight constraints that might only become apparent under stress. A number of market risk stress tests are performed on a frequent basis:

- Distressed ETL estimates the general market risk on existing positions based on a rich set of historic market conditions. These historic market conditions include past periods of market distress, encompassing periods of severe market volatility and dislocation. These results are reported to management and form an important component of the stress testing.

- Hypothetical "what-if" scenarios involve the use of risk factor sensitivity measures that supplement the standard portfolio revaluation technique. These measures help in identifying risk concentrations and directional risk not captured by the standard ETL methodology.

In addition to the above, these Zambia financial stress tests are conducted based on macro scenarios
The Bank distinguishes between traded market risk and non-traded market risk.

The Bank's market risk in the trading book emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by Treasury. The relevant business units in the Treasury (working with RMB) function as the centres of expertise for all market risk-related activities. Market risk is managed and contained within the Bank's risk appetite. Overall diversified levels of market risk have remained fairly low during the last few years, with this trend continuing over the year under review. There are no significant concentrations in the portfolio, which also reflects overall lower levels of risk.

Traded market risk includes interest rate risk in the trading book, traded credit risk, commodity risk, foreign exchange risk and interest rate risk in the Banking book which is managed as part of the trading book.

Non traded market risk

Interest rate risk in the banking book

Interest rate risk in the banking book originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.

The measurement techniques used to monitor interest rate risk in the banking book include NII sensitivity. A repricing gap is also generated to better understand the repricing characteristics of the balance sheet. In calculating the repricing gap, all banking book assets, liabilities and derivative instruments are placed in gap intervals based on repricing characteristics. Management of non traded interest rate risk is performed by in-country management teams with oversight provided by Group Treasury and FCC Risk Management. Earnings sensitivity measures are used to monitor and manage interest rate risk in line with the Bank's appetite. Where applicable, PV01 (PV01 represents the impact of a single basis point shift on the present value of a portfolio) and ETL risk limits are also used for endowment hedges.

Sensitivity analysis

A change in interest rates impacts both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates), as well as the economic value/PV01 of an entity (as a result of a change in the fair value of any open risk portfolios used to manage the earnings risk). The role of management is to protect both the financial performance as a result of a change in earnings and to protect the long-term economic value. To achieve this, both earnings sensitivity and economic sensitivity measures are monitored and managed within appropriate risk limits and appetite levels, considering the macroeconomic environment and factors which could cause a change in rates.

Earnings sensitivity

Earnings models are run on a monthly basis to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. Underlying transactions are modelled on a contractual basis and behavioural adjustments are applied where relevant. The calculation assumes a constant balance sheet size and product mix over the forecast horizon. A pass-through assumption is applied in relation to non-maturing deposits, which reprice at the Bank's discretion. This assumption is based on historical product behaviour.

27 Risk Management (Continued)

27.4 Currency risk management

The Bank is exposed to foreign exchange risk as a result of on-balance sheet transactions in a currency other than the Kwacha.

Foreign exchange risk (also known as exchange rate risk or currency risk) is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the Bank.

The Bank, through Treasury, manages foreign currency risk in accordance with broad market risk guidelines set by the Board. Foreign currency risk arises as a result of fluctuations in exchange rates and the resultant impact on the Bank's position, which is established during normal day to day trading. Even though Treasury may take positions on any major currency, these are consolidated and reported in USD. The Board has authorised intra day limits that are monitored independently and reported periodically to the Board.

In addition, the Bank's foreign currency exposure is also monitored through the prudential foreign exchange returns that are submitted to Bank of Zambia on a weekly and monthly basis.

The Bank takes positions to mitigate the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Consequently the Bank strives to match its foreign currency assets and liabilities. The Bank manages foreign currency exposures in terms of approved limits.

27 Risk Management (Continued)

27.4 Currency Risk Management (Continued)

The table below sets out the currency position as at the year-end.

Figures in thousands of Kwacha						30 June 2023
				Assets and liabilities split by currency		
Assets	USD	ZAR	GBP	Euro	Other	Total
Cash and cash equivalents	180,793	52,938	22,668	130,711	249	387,359
Cash and balances with the Central Bank	470,037	-	-	0	-	470,037
Advances	941,974	8	1	3	-	941,986
Investments in treasury bills	2,251,893	-	-	-	-	2,251,893
Other assets	88,221	15,472	-	-	148	103,841
Total assets	3,932,918	68,418	22,669	130,714	397	4,155,116
Liabilities						
Deposits	3,854,920	50,407	17,227	160,559	-	4,083,113
Long term debt	-	-	-	-	-	-
Other liabilities	78,185	16,819	2,160	1,268	374	98,806
Total liabilities	3,933,105	67,226	19,387	161,827	374	4,181,919
Net on balance sheet position	(188)	1,193	3,282	(31,113)	22	(26,804)
Net derivative contract amounts	(75,520)	34,201	(1,571)	(1,542)	-	(44,432)
Net on balance sheet & Derivative position	(75,708)	35,394	1,711	(32,655)	22	(71,236)

Figures in thousands of Kwacha						30 June 2022
	USD	ZAR	GBP	Euro	Other	Total
Assets						
Cash and cash equivalents	1,190,520	57,058	26,619	81,027	3,123	1,358,347
Cash and balances with the Central Bank	312,377	-	-	5	-	312,382
Advances	373,853	4	-	2	-	373,859
Investments in treasury bills	1,344,015	-	-	-	-	1,344,015
Other assets	26,318	-	-	130	-	26,448
Total assets	3,247,083	57,062	26,619	81,164	3,123	3,415,051
Liabilities						
Deposits	3,106,208	52,254	25,938	78,281	-	3,262,681
Long term debt	114,603	-	-	-	-	114,603
Other liabilities	63,068	951	52	37	300	64,408
Total liabilities	3,283,879	53,205	25,990	78,318	300	3,441,692
Net on balance sheet position	(36,796)	3,857	629	2,846	2,823	(26,641)
Net derivative contract amounts	(106,780)	(4,874)	775	-	615	(110,264)
Net on balance sheet & Derivative Position	(143,576)	(1,017)	1,404	2,846	3,438	(136,905)

The Bank is mainly exposed to foreign currency risk on its USD denominated assets and liabilities. Based on the sensitivity analysis of 10% increase or decrease in the Zambian Kwacha on the Bank's net open position as at 30 June 2023 is K71,234,515 (2022:K136,905,000)

27 Risk Management (Continued)

27.5 Liquidity Risk

Objective

The Bank aims to fund its activities in an efficient and flexible manner, from diverse and sustainable funding pools, whilst operating within prudential limits. The Bank's objective is to maintain and enhance its deposit market share by appropriately pricing and rewarding depositors, thus creating a natural liquidity buffer. As a consequence of the liquidity risk introduced by its business activities across various currencies, the Bank's objective is to optimise its funding profile within structural and regulatory constraints to enable businesses to operate in an efficient and sustainable manner.

Compliance with the Basel III liquidity ratios influences the Bank's funding strategy, particularly as it seeks to price appropriately for liquidity on a risk-adjusted basis. The Bank continues to offer innovative and competitive products to further grow its deposits whilst also optimising its institutional funding profile. These initiatives continue to improve the funding and liquidity profile of the Bank.

Liquidity risk arises from all assets and liabilities with differing maturity profiles.

Assessment and management

The Bank focuses on continuously monitoring and analysing the potential impact of other risks and events on its funding and liquidity position to ensure business activities are preserved and funding stability is improved. This ensures the Bank can operate through periods of stress when access to funding is constrained.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of high quality, highly liquid assets are held, either to be sold into the market or to provide collateral for loans to cover any unforeseen cash shortfall that may arise.

The Bank's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies, and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis as illustrated in the following table.

Structural liquidity risk	Daily liquidity risk	Contingency liquidity risk
Managing the risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost.	Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows.	Maintaining a number of contingency funding sources to draw upon in times of economic stress.

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:

- Quantifying the potential exposure to future liquidity stresses;
- Analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and solvency position; and
- Proactively evaluating the potential secondary and tertiary effects of other risks on the Bank."

27 Risk management (continued)

27.5 Liquidity Risk

Assessment and Management (Continued)

The following table presents the Bank's undiscounted cash flows of and includes all cash outflows related to principal amounts as well as future payments. These balances will not reconcile to the balance sheet for the following reasons:

- Balances are undiscounted amounts whereas the statement of financial position is prepared using discounted amounts;
- Table includes cash flows not recognised on the balance sheet;
- All instruments held for trading purposes are included in the call to three-month bucket and not by maturity as trading instruments are typically held for short periods of time; and
- Cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

30 June 2023

	Total Contract amount	Non Contractual	Call - 3 months	4 - 12 months	1 - 5 years	Over 5 Years
Assets						
Cash and cash equivalents	2,327,574	-	2,327,574	-	-	-
Derivative financial instruments	414,120	-	275,280	138,840	-	-
Loans and advances	6,907,322	103,481	2,007,108	193,197	3,164,292	1,439,244
Investment securities & other investments	12,097,420	1,210	1,921,804	2,985,196	6,327,849	861,361
Other assets	249,502	138,788	110,714	-	-	-
Total assets	21,995,938	243,479	6,642,480	3,317,233	9,492,141	2,300,605
Liabilities						
Deposits	11,439,974	-	9,376,949	1,199,066	863,959	-
Derivative financial instruments	640,090	-	486,407	153,683	-	-
Other liabilities	340,296	-	214,903	7,322	118,071	-
Lease liability	61,881	-	-	19,975	41,906	-
Total liabilities	12,482,241	-	10,078,259	1,380,046	1,023,936	-
Off balance sheet	1,677,446	-	79,832	1,027,526	570,088	-
Guarantees	379,131	-	51,922	41,451	285,758	-
Letters of credit	263,538	-	27,910	235,628	-	-
Undrawn commitments	1,034,777	-	-	750,447	284,330	-

27.5 Liquidity Risk

30 June 2022

	Total Contract amount	Non Contractual	Call - 3 months	4 - 12 months	1 - 5 years	Over 5 Years
Assets						
Cash and cash equivalents	2,592,986	-	2,592,986	-	-	-
Derivative financial instruments	1,234,702	-	497,575	737,127	-	-
Loans and advances	4,097,347	119,217	1,149,908	218,438	2,297,714	312,070
Investment securities & other investments	8,186,808	1,210	1,891,697	2,315,721	3,690,987	287,193
Other assets	218,807	111,634	107,173	-	-	-
Total assets	16,330,650	232,061	6,239,339	3,271,286	5,988,701	599,263
Liabilities						
Deposits	9,062,933	-	7,397,014	813,943	851,976	-
Derivative financial instruments	699,753	-	510,323	189,430	-	-
Other liabilities	311,334	-	193,466	20,131	97,737	-
Subordinated long term debt	172,373	-	6,534	9,801	156,038	-
Lease liability	71,206	-	-	38,018	33,188	-
Total liabilities	10,317,599	-	8,107,337	1,071,323	1,138,939	-
Off balance sheet	2,062,786	-	1,634,996	307,083	120,707	-
Guarantees	347,096	-	11,706	307,083	28,307	-
Letters of credit	8,467	-	8,467	-	-	-
Undrawn commitments	1,707,223	-	1,614,823	-	92,400	-

27 Risk Management (Continued)

27.6 Capital Risk Management

In the Bank's context, capital management risk is the risk that the Bank's capital will not be adequate to absorb the losses across the various risks and hence result in breach of the regulatory requirements consequently leading to sanctions and reputational damage which can lead to loss of business or insolvency.

The Bank's objective when managing capital, which is a broader concept than the ''equity'' on the balance sheet are:

- To comply with the capital requirements set by the Banking and Financial Services Act; and
- To maintain a sound level of economic capital commensurate with the risks assumed in the Bank's operations as well as the prevailing market conditions.

The capital adequacy computation makes use of the ''risk weighted assets'' which are measured by means of a hierarchy of risk weights classified according to the nature of, and reflecting an estimate of the credit risk associated with each asset and counterparty. A similar treatment is adopted for off-balance sheet exposures, with an adjustment to reflect the more contingent nature of the potential losses.

The Bank has carried out stress tests to determine appropriate capitalisation levels for the Bank. Following these tests, a buffer of 12.2% was adopted over the minimum regulatory capital requirement of 10% prescribed by the Bank of Zambia. This will therefore ensure that the Bank manages its capital going forward against an internal minimum capital adequacy ratio of 24.2% under Basel I and 22.2% under Basel II.

The Bank's capital at the balance sheet date consisted of Tier 1 capital made up of the Bank's stated capital, share premium and accumulated profit, and Tier 2 capital consisting of the subordinated loan as per note 21 (i).

The table below sets the Bank's capital adequacy ratio in compliance with the Bank of Zambia's regulatory requirements:

Figures in thousands of Kwacha	30 June 2023	30 June 2022
Primary (Tier1) capital		
Share Capital	416,000	416,000
Share premium	170,374	170,374
	586,374	586,374
Accumulated profit	1,510,017	763,354
Fair value reserve	12,155	
Net primary (Tier1) capital	2,108,546	1,349,728
Regulatory adjustment		
IFRS 9 amortisation day 1 adjustment	-	1,817
Impact of COVID-19*	-	30,037
	2,108,546	1,381,582
Secondary (Tier2) capital		
Subordinated long term debt	-	114,603
Total qualifying capital	2,108,546	1,496,185
Risk weighted assets	7,202,472	4,331,753
Capital adequacy ratios (%)		
Core capital	29.3	31.9
Supplementary capital	-	2.6
Total Capital Adequacy Ratio (%)	29.3	34.5

Bank Of Zambia's Capital Adequacy Framework

Bank of Zambia capital adequacy framework requires foreign owned Banks to comply with the minimum primary capital of K520 million made up of 80% in nominal paid up common shares (nominal paid up equity capital) and the balance of 20% which can be held only in any one or more of the following (i) Share premium, (ii) Accumulated profit, (iii) General reserves, and (iv) Statutory reserves.

The Bank is fully compliant with the above requirement.