



# First National Bank Zambia Limited

**ANNUAL REPORT 2024**





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# Strategic overview and outlook

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# Chairperson's Statement



**Richard Mazombwe**  
Board Chairperson  
FNB Zambia

## Introduction

The past financial year was characterised by economic headwinds arising from the El Nino weather event resulting in the worst drought the country has seen in years and subsequently, its effects being felt through energy deficiency and resultant heightened inflation.

The geopolitical tension in Europe also had a negative impact on the economy with supply chain dislocations. Despite the challenging operating environment, First National Bank Zambia ("the Bank" or "FNBZ") managed to show growth in its strategic metrics in line with our five-year strategic plan. Our active customer base grew to over 290,000 from 267,000 in the previous financial year customers spread across the country and serviced through our various digital and physical channels.

This is a testament to the number of customers who continue to consider FNBZ as their bank of choice. Staying faithful to our vision of 'Helping to Create A Better World', I was proud of the launch of the FNB Zambia Foundation. This is a non-profit entity set up as a Trust organization with FNBZ as the Settlor. It was established to impact livelihoods positively targeting vulnerable Zambian communities through various programs and activities.

## Economic Environment and Prospects

During the latter half of 2023 and early 2024, the Zambian government scored major positives as they reached comparable debt restructuring terms with both the Official Creditor Committee for

an amount of \$6.3 billion and Bondholders for an amount of \$3.89 billion leaving about c\$3.4 billion debt owed to Private Commercial creditors to be restructured.

Despite these positives, the central government tightened regulations as a response to the local currency volatility against the US Dollar, elevated inflation, and cost of living among others. The Statutory Reserve Ratio rose from 11% to 26% while the Monetary Policy Rate rose to 13.5% from 9.5% in the period under review. We are hopeful that the debt restructuring milestone reached will see an improved risk posture, thereby attracting more investment into the country which is critical to addressing challenges in key sectors such as energy, agriculture, and mining.

## Corporate Governance

The FNBZ Board of Directors (the "Board") is committed to upholding corporate governance principles and strives to operate according to global standards and best practices. Importantly, the Board is deliberate about having a suitable balance in terms of gender, age, tenure, and skill diversity. The Board has also put in place a robust succession plan for continuity and stability.

During the Financial year, we announced the retirement of Andreas Stephnaus Ribbens who retired effective 24th November 2023, and the resignation of Angela Pillay effective 26th March 2024. I thank Andreas and Angela for their service to the Board. We were gratified to announce the appointment of Rosemary Liywalii on 15th August

2023 and Faith Mukutu on 4th June 2024 as independent non-executive directors. We warmly welcome Faith and Rosemary and are confident that they will contribute to the bank's success.

With the departure of Bydon Longwe as Executive Director and Chief Executive Officer of the bank on 31st January 2024 following his appointment as Broader Africa Chief Executive Officer at FirstRand, the Board appointed Kapumpe Chola as Executive Director and Chief Executive Officer of the bank effective 1st February 2024. Bydon was instrumental to the success of FNB Zambia in his tenure. The Board is excited to have Kapumpe on board as she steers FNBZ to greater heights.

operationalization of the FNB Zambia Foundation and the adoption of sustainability as a key pillar of the Bank's strategy going forward. We are confident as a Board that the strategic intent and direction the Bank has taken will continue to deliver shared holder value and realise the shareholders' vision for Zambia.

## Strategy

The Board of Directors has continued to regularly review the Bank's strategy to ensure it remains competitive in the market and is executed fully. The Board is satisfied with the execution of the fourth year of the bank's 2020 to 2025 strategy focused on People, Platform, and Customer.

One of the Board's focus areas this year was to oversee adoption of sustainability principles as part of our continued commitment to creating a better world. It was gratifying to see the launch and

# Chief Executive Officer's Statement

## Introduction

I am thrilled to present my first Chief Executive Officer statement. Having assumed the role of Chief Executive Officer in February 2024, I am proud to report that FNB Zambia has continued to make great strides throughout the financial year. The Bank has delivered notable success whilst living out our vision of creating a better world and, therefore, a better Zambia.

## Operational performance summary

In the financial year, our activities were even more focused in attaining our Vision evidenced by the launch of the FNB Foundation. We upheld our market position by continually improving customer experience and driving efficiencies through innovation. The Twende 2 Kule strategy began to show positive outcomes, deepening our customer relationships and better addressing their financial needs. Our enhanced focus on service excellence and innovation enabled us to offer superior customer experience, leading to stronger and more sustainable returns for our shareholders. We achieved notable growth in key areas, including revenue and credit extension.

## Strategic focus areas

We continued with our Twende 2 Kule strategy anchored on the pillars of People, Platform and Customer. We remain committed to our belief that this focus will result in shared prosperity between the bank and all our stakeholders.

## People

Our people are critical to the bank and they play a pivotal role in the execution of our strategic plan.

This year we focused on talent development, retention and attraction. This was effectively achieved through introduction of talent rotations across subsidiaries in other countries within the Firstrand group, and launching our talent value proposition which comprised of a number of benefits for our staff.

We further rolled out our enhanced staff recognition framework during the year which aimed at promoting and cultivating a culture of recognition among our people.

As FNB, we continuously invest in our staff by availing various training platforms that allow them to build their skills to grow to their full potential. This is done through study grants and sponsorships as well as internal and inter subsidiary opportunities for mentorship.

As a business, we take keen interest on the complete well-being of our staff. We ensure that they have access to professional mental health and counselling services as well as sports and recreation to help them navigate physical and mental health.

## Platform

Our platforms are an integral pillar for our strategy. We have deliberately invested in systems that ensure that our customers have a world class experience when transacting with us. We continuously strive to ensure that our systems are helpful, easy and safe.



**Kapumpe Chola**  
CEO - FNB Zambia

We made significant progress in enhancing efficiency by transitioning clients from traditional brick-and-mortar branches to cost-effective online platforms. This shift enables round-the-clock client service, and we have seen notable improvements in both service quality and accessibility while still maintaining cost efficiencies.

The FNB App, mobile and online banking platforms provide customers with a wide range of convenient banking solutions which make it easy to access services without having to physically walk into a branch.

Our platform journey also focuses on improving internal process efficiencies to enable staff deliver excellent results. We continued on our process re-engineering and automation initiatives as we journey towards being a fully digital bank.



# Chief Executive Officer's Statement

We have further modernised our banking systems to ensure efficiencies, compliance with global standards and to safeguard ourselves against any cyber-security threats. We continue to provide staff, customers and suppliers cybersecurity awareness given its significance as an emerging global threat.

## Our Customers

Our strategy is anchored on customer centricity. We acknowledge that sustained business performance would not have been possible without our esteemed Retail, Commercial and Corporate customers.

We continually develop innovative products and solutions aimed at meeting the ever changing and unique needs of our clients. These products are localised which ensures that they are relevant in communities we operate in.

Our customer focus has a two-pronged approach as below:

- **More Customers:** under this focus, we aim to improve financial inclusion in communities we operate in by ensuring that we offer banking solutions to as many customers as possible. We also aim to increase the number of clients who utilise FNB Zambia as their primary source of banking.
- **More to Customers:** under this focus we have a commitment to provide convenience to our customers at every touchpoint. We have 23 physical points of presence, a contact center, social media platforms, chatbots and a mobile branch which takes banking services across Zambia. In the year under review, our footprint expanded to over 4800 Point of Sale machines, 147 Automated Teller Machines and Automated Deposit Taking machines, over to 2200 cash plus agents.

We provide our customers with a wide range of transactional and savings products as well as lending and insurance intermediary services. Our aim is to ensure that our customers use as many of our products as possible for them to truly enjoy the full FNB experience.

Some of our unique propositions include cash back rewards based on customer utilisation of our platforms such as payments on App, mobile or online banking as well as use of the FNB Zambia card to make purchases. In addition, we partnered with Mobile Network Operators (MNOs) where customers can conveniently move funds from wallet to bank or vice versa. We also have a range of alliance partners where our customers can access discounted rates when they use their FNB debit card.

As a business, we believe Small-scale and Medium Enterprises (SMEs) are engine for the economy. We therefore launched our trade finance solutions suite and scored lending services for SMEs to provide the much needed financing and support to the sector.

## FNB Zambia Foundation

On November 8 2023, we proudly launched the FNB Zambia Foundation (The Foundation), another first in the Zambia banking industry. The launch of the Foundation was officiated by the Republican President. This is a not-for-profit special purpose vehicle focused on offering real help to communities in Zambia.

As a bank, we reserve a minimum of 1% of our annual profit to facilitate activities of the Foundation. This is testament of our commitment to helping create a better Zambia. The various activities of the Foundation are outlined in more detail in a dedicated section of this year's annual report.

## Corporate Social Investment

We continued to contribute to various sponsorships and community initiatives during the year. The various initiatives are spearheaded by our Foundation and are highlighted in section 2 of the annual report.

## Acknowledgment

Special thanks go to our esteemed customers for continuing to choose FNB Zambia and promoting our brand.

I would also like to thank our members of staff for remaining resilient and delivering a good performance even through the challenging economic environment that the country has been going through.

I would also like to acknowledge the support and guidance of the FNBZ Board of Directors and our shareholders for the continued belief in the FNB Zambia team and for enabling us to deliver on the bank's vision.

I wish to express my gratitude to my predecessor Bydon Longwe who has since taken on another role within the Firststrand Group. I would also like to thank the FNB Zambia executive management team for their continued support.

# Chief Financial Officer's Statement

## Introduction

I am pleased to share the Bank's financial highlights for the 2024 financial year. These results are the direct consequence of the strategic choices we have made as focusing on the strategic pillars of people, platform, and customer.

## Overall performance

The profit after tax for the financial year shows strong growth across all business segments, driven by a strong transactional franchise performance and our focus on disciplined lending. This was against the backdrop of a challenging macro-economic environment.

## Lending performance

We continued our focus on credit origination as evidenced by the 87% increase in loans and advances this year. We remain committed to growing our lending market share and supporting our customers with financing to aid Zambia's economic recovery. In the current year, the lending growth was driven by the manufacturing, agriculture, mining, and communication sectors.

The bank has continued to widen the range of credit options to meet our customers' unique and evolving needs. We are particularly pleased with the uptake of our scored lending product by small and medium enterprises (SMEs). This unsecured loan product, which we piloted last financial year, uses automated scoring to provide financing to SMEs, making it easier for them to access finance. We plan to continue scaling lending products including those focused on responding to the current climate related challenges of drought and energy deficit.

Our interest income increased by 35% during the year driven by credit extension. Our balance sheet asset mix changed during the year with a 22% decline in our investment portfolio in Zambian and United States Government securities. This was necessitated by the need to support customer asset growth and to meet increased regulatory Statutory Reserve Ratio (SRR) requirements. The increased SRR also led to market liquidity constraints, contributing to a higher cost of funding during the year.

## Credit quality

Despite the growth in advances, the bank continued to take a measured approach to its credit origination. This approach focused on balancing the support for customers with the need for increased diligence in credit evaluation to protect the balance sheet. This balancing act is crucial in the current operating environment, characterised by high inflation, interest rates, and macroeconomic challenges.

We recorded an impairment charge of K86 million in the current financial year compared to a net recovery of K91 million in the prior year. This reflects both asset book growth and the need to account for the projected impact of the macroeconomic environment on our provisioning levels.

Our non-performing loans (NPL) percentage closed at 1.5%, which is below the industry average. Effective credit risk management practices and diligent evaluation of credit portfolios have contributed to healthy asset quality and minimised default risk.



**Kampamba Mulenga**  
CFO – FNB Zambia

## Transactional performance

We remain committed to continue to refresh our integrated financial services platform, allowing customers to fulfill most of their financial requirements digitally. Our platform supports both assisted interfaces (such as points of presence, cash plus agents, and call centers) and unassisted interfaces (mobile banking, online banking, the FNB app, ATMs, and ADTs). We continue to focus on launching and utilising various products to enhance our customers' experience.

During the year, the customer deposit franchise grew by 36% driven by strong growth across all customer segments. Additionally, our treasury function actively maintains relationships with institutional investors and allocates funds across various sectors of the economy.

The bank's total non-interest revenue grew by 20% represented by an increase in both fees and commission and trading revenue. This was despite challenges in some fee lines particularly reducing margins on the card issuing business due to the escalation of foreign related card commission costs.

## Cost efficiency

The Bank's cost to income ratio, which is a measure of our operational efficiency improved from 54% to 51% this year. This was despite the depreciation of the Zambian Kwacha which led to an increase in our foreign currency-denominated platform investments. Additionally, inflationary increases affected other operational costs. The Bank is focused on implementing measures to increase efficiency while continuing to invest in our platforms for future growth.

# Chief Financial Officer's Statement

## Financial Resource Management

Managing the bank's financial resources made up of capital, funding, and liquidity is critical for achieving our growth and return targets. Our Treasury function executes financial resource management initiatives, including handling interest rate and foreign exchange rate risks within prudential and management limits.

## Liquidity

Kwacha liquidity faced constraints during the year due to the monetary policy response to escalating inflation including the increase in SRR to 26% from 11.5% at the start of the financial year and the monetary policy rate increase to 13.5% from 9.5% at the start of the year. The bank continued to grow its customer franchise despite these changes. We closely monitored risk metrics and early warning indicators to ensure prudential liquidity requirements and internal risk targets were met.

## Capital management

The Bank has maintained a 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 segment 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.

## 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 the continued growth of the bank as we work towards our vision of creating a better Zambia.

## Summarised financial statements trend

|                                 | Change % | 30-Jun-24<br>K'million | 30-Jun-23<br>K'million | 30-Jun-22<br>K'million | 30-Jun-21<br>K'million |
|---------------------------------|----------|------------------------|------------------------|------------------------|------------------------|
| <b>Income statement amounts</b> |          |                        |                        |                        |                        |
| Net Interest Income             | 35%      | 1,697                  | 1,252                  | 986                    | 747                    |
| Non Interest Revenue            | 20%      | 1,028                  | 853                    | 805                    | 786                    |
| Total Income                    | 29%      | 2,725                  | 2,105                  | 1,791                  | 1,533                  |
| Operating expenses              | 23%      | (1,390)                | (1,134)                | (1,001)                | (865)                  |
| Impairment Charge               | >100%    | (86)                   | 91                     | 67                     | (340)                  |
| Profit After Tax                | 11%      | 844                    | 759                    | 553                    | 205                    |
| <b>Balance sheet highlights</b> |          |                        |                        |                        |                        |
| Customer loans and advances     | 84%      | 6,714                  | 3,643                  | 2,540                  | 3,312                  |
| Customer deposits               | 36%      | 15,486                 | 11,386                 | 8,843                  | 9,505                  |
| Total Assets                    | 38%      | 19,337                 | 14,005                 | 10,778                 | 11,077                 |
| Total Shareholder Equity        | 39%      | 2,939                  | 2,109                  | 1,350                  | 797                    |
| <b>Key ratios</b>               |          |                        |                        |                        |                        |
| Loan to deposit ratio           |          | 43%                    | 32%                    | 29%                    | 35%                    |
| Cost to income ratio            |          | 51%                    | 54%                    | 56%                    | 56%                    |
| Return on equity                |          | 29%                    | 36%                    | 41%                    | 26%                    |
|                                 |          | 4%                     | 5%                     | 5%                     | 2%                     |



# Board of Directors



# Board of Directors



**Richard Mazombwe**  
Board Chairperson  
Independent

#### Board committee membership:

- Board Chairperson (Independent Non Executive)
- Chairperson of the Remuneration and Nominations Committee (REMNCO)

#### Qualifications

Bachelor's Degree in Accountancy. Fellow of both Zambia Institute of Chartered Accountants (ZICA) and the Association of Certified and Chartered Accountants (ACCA)

#### Key strengths

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 Country 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 Citi Bank Zambia and of Prudential Life Assurance Zambia. He currently serves as the Board Chairperson of National Breweries Plc.

#### Tenure

Appointed as board member on 29th October 2020



**Kapumpe Chola**  
Chief Executive Officer

#### Board committee membership:

- Board Member (Executive Director)

#### Qualifications

Bachelor of Arts Degree, Psychology and Public Administration (University of Zambia), Master of Business Administration, Financial Studies (Nottingham University Business School, United Kingdom), Treasury Dealing Certificate (ACI: The Financial Markets Association (UK)).

#### Key strengths

Kapumpe brings a wealth of over 26 years of experience in banking and finance across local and international markets. She is an avid business and strategy leader with a proven track of leading large groups with diverse cultures gained from her work in Botswana, South Africa, Zambia and other countries in the region. Kapumpe served as an Independent Non Executive Director of Kenya Reinsurance Zambia between 2019 and 2022.

#### Tenure

Appointed as Chief Executive Officer at FNB Zambia on 1st February 2024.

She has been with Firststrand group for 9 years having served as Head - Corporate & Investment Banking, FNB Zambia and Country Director - RMB Botswana.



**Yande Mwenye**  
Non-Executive Director  
Independent

#### Board committee membership:

- Audit Committee Chairperson
- Risk Capital Management and Compliance Committee member
- Remuneration and Nominations Committee member
- Board member

#### Qualifications

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

#### Key strengths

She 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 YSM Chartered Accountants, serves on a number of boards and committees, and is also an Insolvency Practitioner. She is currently serving as president of Zambia Institute of Chartered Accountants (ZICA).

#### Tenure

Appointed as board member on 24th November 2020



# Board of Directors



**Linire Mulima**  
Non-Executive Director  
Independent

#### Board committee membership:

- Chairperson of Insider and Large Exposures Committee
- Remuneration and Nominations Committee Member
- Risk Capital Management and Compliance Committee Member
- Board Member

#### Qualifications

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.

#### Key strengths

Linire is a seasoned corporate lawyer who brings over 26 years of experience providing expert legal and strategic advice to Boards, executives and organizations. Her expertise include corporate governance, developing and implementing effective risk management strategies in combating fraud and corruption in projects, alternative dispute resolution, construction law, building and maintaining strong relations with stakeholders including donors and regulators, impact leadership and providing strategic guidance on starting up and closing out of programs.

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

#### Tenure

Appointed as Board member on 5th July 2018.



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

#### Board committee membership:

- Board Member
- Loans Review Committee Member
- Audit Committee Member
- Remuneration and Nominations Committee Member

#### Qualifications

Executive Masters in Business Administration. He affiliated with the Association of Building & Civil Engineering Zambia and the Zambia Chamber of Commerce and Industry

#### Key strengths

He 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).

#### Tenure

Appointed as board member on 5th July 2018.



**Musonda Mwambazi Kapaya**  
Non-Executive Director  
Independent

#### Board committee membership:

- Loans Review Committee Chairperson
- Risk Capital Management And Compliance Committee Member
- Board Member

#### Qualifications

He holds 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 a Fellow of the ICT Association of Zambia, full Member of the Institute of Directors of Zambia and a Gold member of ISACA.

#### Key strengths

He is an Information and Communication Technology professional with over 28 years of experience in banking & Technology. He has experience and trained in various certifications, frameworks and standards including ISO42001, ISO27001, ISO27002, ISO27005, ISO27032, ISO38500, ISO31000, NIST CSF 2.0, SWIFT, PCI DSS, CEH, CISSP, COBIT, ITIL and Digital Transformation. He has served in various positions in banking and Information Technology industry.

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).

#### Tenure

Appointed as board member on 11th September 2020



# Board of Directors



**Faith Mukutu**  
Non-Executive Director  
Independent

**Board committee membership:**

- Audit Committee Member
- Board Member

**Qualifications**

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

**Key strengths**

She has 20 years post qualification experience in finance and a diversified work experience, comprehensive educational and training foundation and an exemplary career at leading national and international organisations.

**Tenure**

Appointed as board member on 4th June 2024.



**Kakenenwa Muyangwa**  
Non-Executive Director  
Independent

**Board committee membership:**

- Audit Committee Member
- Board Member
- Risk Capital Management and Compliance Committee chairperson

**Qualifications**

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

**Key strengths**

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.
- Executive Director at Messina Copper and Matsitama Minerals in Botswana
- Chief Internal Auditor and later Marketing Manager at Konkola Copper Mines, and Audit Manager at Coopers & Lybrand (predecessor firm of PwC), in their Lusaka and London offices

**Tenure**

Appointed as board member on 29th November 2021.



**Rosemary C. Kusensela Liywalii**  
Non-Executive Director  
Independent

**Board committee membership:**

- Loans Review Committee Member
- Risk Capital Management and Compliance Committee Member
- Board Member

**Qualifications**

Masters of Business Administration (MBA), Heriot-Watt University, Edinburgh Business School, Bachelor of Science degree (BSc) in Financial Services, University of Manchester Institute of Science and Technology (UMIST), Associate of Chartered Institute of Bankers (ACIB) UK

**Key strengths**

She is a seasoned banker with over 30 years of experience in the industry and other jurisdictions such as Botswana and Ivory Coast. Her key competencies include credit appraisal, project monitoring, portfolio management, loan restructuring and debt recovery. She has experience in enterprise risk management, leadership, mentoring and assessment and management of Environmental and Social (E&S) issues.

**Tenure**

Appointed as board member on 15th August 2023.

# Executive Team



# Executive Team



**Kampamba K. Mulenga**  
Chief Financial Officer

#### Qualifications

Masters in Finance and Accountancy (University of London).

Masters in Banking and Regulation (University of Warwick).

Bachelor's Degree in Accountancy and Finance (Copperbelt University).

Fellow of Zambia Institute of Chartered Accountants (ZICA).

Fellow of Associated of Certified Chartered Accountants (ACCA UK).

#### Tenure

Four years of service as Chief Financial Officer at FNB Zambia.



**Vivian Kondolo**  
Head of Human Resources

#### Qualifications

Bachelor of Arts in Public Administration with Psychology (University of Zambia).

Certification in Change Management (Kotter).

Mini-Masters of Business Administration in telecom strategies and business management (Marcus Evans).

Fellow – Zambia Institute of Human Resource Managers

#### Tenure

Eight years of service as Head of Human Capital at FNB Zambia.



**Luyanga Mufungulwa**  
Head Corporate & Investment Banking

#### Qualifications

Bachelor of Business Administration (Copperbelt University).

Master of Science in Financial Management (Edinburgh Business School).

Postgraduate Diploma in International Financial Reporting Standards (ACCA).

Chartered Financial Analyst (CFA Institute)

Association Cambiste International (ACI) Dealing Certificate (Financial Markets Association).

#### Tenure

Ten years of service for FNB Zambia and one year of service as Head of CIB.



# Executive Team



**Erica Chakota Nchito**  
Company Secretary & Head Legal

## Qualifications

Bachelor of Laws degree  
(University of Zambia).

Post Graduate Diploma in Law  
(University of Zambia.)

Certified Investments Advisor.

Zambia Institute of Advanced Legal  
education (ZIALE).

## Tenure

Four years of service as Head of Legal and  
Company Secretary at FNB Zambia.



**Ignatius Kashoka**  
Treasurer

## Qualifications

Bachelor's Degree in Chemical Engineering  
(University of Birmingham UK).

Bank Treasury Risk Management  
(BTRM Certificate).

Association Cambiste International (ACI)  
dealing Certificate.

## Tenure

Seven years of service as Treasurer at  
FNB Zambia.



**Hinguuma Handia**  
Head of Credit

## Qualifications

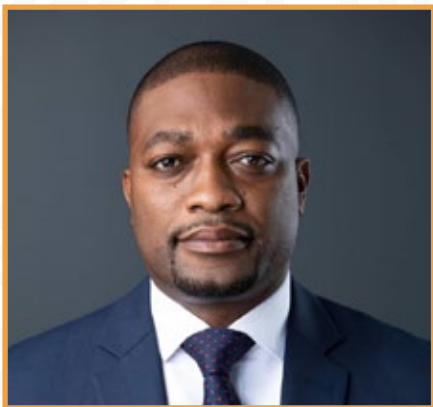
Bachelor's Degree in Economics  
(University of Zambia).

Post Graduate Diploma in Banking & Finance  
(Zambia Insitute of Banking and Finance).

## Tenure

Two years of service as Head of Credit at  
FNB Zambia.

# Executive Team



**Kabanda Lilanda**  
Head of Business and  
Commercial Banking

## Qualifications

Master's in Business Administration in International Management (Edith Cowan University, Perth Australia).

## Tenure

Seven years of service at FNB Zambia with three years as Head of Retail Banking and four years as Head of Business and Commercial Banking.



**Lukonde Kasonde**  
Chief Operating Officer

## Qualifications

Master's in engineering management (Aston University).

Bachelor's Degree in Electronic Engineering (Aston University).

Postgraduate Diploma in Digital Business. (Emeritus, in Collaboration with MIT and Columbia Business School.).

## Tenure

Nine years of service including two years as Chief Operating Officer of FNB Eswatini and two years of service as Chief Transformation Officer at FNB Zambia.



**Mwamba Musambo**  
Head of Retail Banking

## Qualifications

Master's in business administration with Edinburgh Business School (Herriot Watt University).

Advanced Diploma in Business Administration from the Association of Business Executives.

## Tenure

Three years of service as Head of Retail Banking at FNB Zambia.

# Executive Team



**Beyani Zulu**  
Chief Risk Officer

## Qualifications

Bachelor's degree in accounting (Copperbelt University).

Fellow Zambia Institute of Chartered Accountants (ZICA).

Fellow of Association of Chartered Certified Accountants (ACCA).

## Tenure

Five years of service as Chief Risk Officer at FNB Zambia.



**Kasali Mwaba Kaingu**  
Head Strategic Marketing & Communication

## Qualifications

Master of Business Administration (MBA) in International Business (Edith Cowan University).

Bachelor of Economics Degree (University of Namibia).

## Tenure

Three years of service as Head Strategic Marketing and Communications at FNB Zambia.



**Clotilda Mulenga**  
Head - Customer Experience

## Qualifications

Master's Degree (Bond University in Australia).

Member of the Zambia Institute of Marketing.

## Tenure

Eleven years of service as Head of Strategic Marketing and Communication, Two years of service Director, Marketing & Communications FNB Botswana and Two years of service as Head Customer Experience at FNB Zambia.



# Environmental Report

2



# Environmental Report

## Statement on Environmental Sustainability 2024

First National Bank Zambia Limited ("FNB" or the "Bank") in the recent financial years embarked on its journey to environmental sustainability and shared prosperity. This journey commenced with the introduction and implementation of frameworks to achieve immediate and long-term environmental sustainability and shared prosperity. In the financial year under review, the Bank has made significant strides in attaining these goals and is cognizant of the milestones yet to be achieved. It remains committed to conducting its operations in a manner which fosters good environmental practices for itself, its clients, the communities it operates in as well as other key stakeholders.

## Internal Environmental Transition Activities

In demonstrating its commitment to environmental sustainability, the Bank has requisite Environmental, Social and Governance (ESG) frameworks and policies in place that help stakeholders understand how the Bank manages risks and opportunities in guiding corporate strategy towards sustainability. The Bank further ensures that there are sound consistent environmental practices within the institution and in its clients' operations. Some of the strides worth noting in this regard for the financial year that ended 30 June 2024 are highlighted below.

## Environmental and Social Risk Assessments

- As part of its credit approval process, the Bank conducts Environmental and Social Risk Assessments (ESRA) on its clients. ESRA reviews are conducted by in-Country experts and are guided by approved policies, position statements and international best practices. During these assessments, the ESRA reviewers consider the wholistic purpose of the client's business activities and aim at ensuring that the clients are making sustainable use of the environment through best practice in waste management, labour practices and management of natural resources at their disposal.
- The ESRA process uses a two-pronged approach, keeping the Bank accountable in its quest towards ensuring sustainable responsible lending, as well as ensuring its clients implement good environmental practices.
- In furtherance of its commitment to being held accountable, the Bank encourages stakeholders to address all ESRA related queries to it via [environment@fnbzambia.co.zm](mailto:environment@fnbzambia.co.zm).
- This part of the credit approval process is an important component of the Bank's reporting obligations to key stakeholders such as developmental lenders.
- The Bank is committed to ensuring that all its key staff across all departments acquire the ESRA review training and expertise.

## Emissions Management

To manage and eventually reduce its carbon footprint, the Bank surmised it prudent to implement a Climate Risk Management Framework as well as consider environmental emissions in its activities.

The Climate Risk Management Framework is reviewed on a regular basis.

- The environmental emissions have been classified into three main categories set out below.
- Own emissions
  - » These refer to emissions which are released directly into the environment or have an impact on the environment from the Bank's own environmental practices. Some of the initiatives taken to reduce own emissions include reducing on the use of paper and instead making use of digital platforms as much as possible. This is aimed at achieving decreased deforestation, an initiative which is coupled with continuous reforestation in various parts of the Country by all members of staff through the plant a tree program.
  - » The Bank also rolled out and conducts Climate and environmental risk awareness programs to its members of staff and Board of Directors. These are held periodically.



# Environmental Report

## Indirect emissions

- These refer to emissions which are released directly into the environment or have an impact on the environment from the Bank's use of energy purchased from third parties.
- As these are largely dependent on third parties, the Bank plays its role in engagements with the Government and NGOs to support adaptation initiatives.
- Up and downstream emissions
  - » These are emissions of a product or service and emissions across a business' value chain.
  - » The Bank has taken a targeted approach to these emissions which include prioritizing financing projects that are green and increasing funding to such projects.
  - » As part of its shared prosperity journey, the Bank is committed to offering favourable pricing for products that support reduction of carbon emissions.

## Enhancement to premises

Sustainable bins have been introduced across the Bank's branch network to encourage recycling and appropriate and efficient disposal of waste.

The Bank commenced its journey to the use of renewable energy at its newly constructed Kalumbila branch. The branch was constructed to make use of renewable energy in the form of solar panels.





# Environmental Report



## Roll out of Green Loans as part of the climate-smart initiative product offering

The Bank rolled out its Green Loans offering as part of its commitment to helping to create a better world. Clients can access finance to aid in their journey towards transitioning to the use of renewable energy for their operations.

## Sustainable Finance client workshops to build awareness & thought leadership

The Bank recognizes its unique role in shaping its clients' operations. This recognition birthed the necessity for awareness workshops to assist clients apply facilities available by the Bank to environmentally sustainable projects. This has ensured that the Bank's efforts in rolling out green financing are sustainable.

## Working with regulators to provide input for a Green Bond framework

Being cognizant of its role as a regulated entity, the Bank is working with its regulators to formalize a Framework for Green Bonds to streamline its future product offerings to its clients.

## Key sponsor of the Zambia desk at COP 28 in November 2023

The Bank was a key sponsor of the Zambia desk at COP 28 in November 2023, which was held in Dubai as a demonstration of its commitment to participating in the national and global conversations on ESG and overall environmental sustainability. This sponsorship was strategic as it created several future opportunities for collaboration with national and international organisations.national and global conversation on ESG and overall environmental sustainability.

Additionally, the Bank has partnered with renowned organisations such as the WorldWide Fund for Nature Zambia to ensure knowledge and skills transfer and consider opportunities to assist the communities it serves.

# Social Report





# Social Report

## Creating a better world through the FNB Zambia Foundation



The FNB Zambia Foundation (“the Foundation”) was registered on the 25th January 2023 and officially launched by the Republican President Mr. Hakainde Hichilema, on the 8th of November 2023

The Foundation was established as the legal vehicle through which FNB Zambia directs its corporate social investment. The Foundation receives a minimum of 1% of the Bank’s net profit after tax (NPAT) as an annual contribution. The Foundation is governed by a Board of Trustees.

The Foundation validates the vision of creating a better world and building a future of shared prosperity in Zambia.

### FNB Zambia Foundation Focus Areas :

The Foundation has a core focus on early childhood Development. Other key focus areas are chosen periodically by the Trustees out of the the United Nations Sustainable Development Goals (SDGs) . Out of the seventeen SDGs, the Foundation has adopted the following as its focus areas ;

1. Quality education
2. Good health and wellbeing
3. Clean water and Sanitation
4. Climate action

The Foundation has a project selection framework which ensures all activities chosen :

- align with the country’s priority areas creating sustainable benefits for communities; and
- fall within the scope of the annual allocation of respective focus areas .

Each project’s impact is carefully assessed from inception to completion.

### Early childhood development

Investing in Early Childhood Development (ECD) yields long-term benefits, making it a pivotal focus for our initiatives. By prioritizing ECD, we can help communities break cycles of poverty, enhance education outcomes, and promote overall sustainable development. This strategic investment not only supports the growth and development of young children but also lays a strong foundation for healthier, more prosperous communities.





The foundation has chosen ECD as a core focus area due to its transformative potential. Research consistently shows that early interventions in a child’s life significantly impact their cognitive, social, and emotional development. By focusing on ECD, we aim to maximize these benefits, ensuring that children receive the support they need during their most critical developmental years. This approach aligns with our mission to create lasting, positive change in the communities we serve.



# Social Report

## United Nations Sustainable Development Goals

The Foundation is committed to creating positive change and advancing sustainable development on a global scale. Our work is aligned with the United Nations Sustainable Development Goals (SDGs), a comprehensive framework aimed at addressing the world's most pressing challenges by 2030. The following SDGs have been selected as focus areas for the Foundation.

|   |                            |   |
|---|----------------------------|---|
|    | Good Health and Well-being | Our commitment to supporting local economies and sustainable development significantly enhances health and wellbeing for individuals and communities. We achieve this through initiatives like improving access to basic healthcare services, building essential healthcare infrastructure, promoting health education, and providing support during emergencies like natural disasters or pandemics. |
|    | Quality Education          | Our commitment to quality education encompasses financial support, infrastructure enhancement, and the professional development of educators. These initiatives collectively contribute to creating a better learning environment and improving educational outcomes for students, ultimately nurturing future leaders and contributing to the overall development of society                         |
|  | Clean Water and Sanitation | Our role is to provide communities improved access to clean and safe drinking water and sanitation, as well as support the implementation of climate-resilient water supply and sanitation programs. These efforts aim to address critical needs, enhance community resilience, and ensure a healthier and more sustainable future for all.   |
|  | Climate Action             | Our commitment is contributing to the Green Economy through sustainable natural systems, infrastructure, knowledge, and education required for all people to prosper. Additionally, we aim to increase the capacity of communities to harness available resources, participate in local economic activities, and withstand, recover, and adapt from adverse impacts                                   |

By targeting these SDGs, we aim to address root causes, leverage opportunities for meaningful change, and contribute to the overarching goals of sustainable development.

## FNB Zambia Foundation projects

### Health

As the first project under the FNB Foundation, the Bank committed funds to the upgrading of Kalikiliki Health facility through the construction of a maternity annex, improving the out-patient facility, provision of electricity and clean running water whilst ensuring that the facility is securely fenced and its surroundings improved. Kalikiliki Health Post currently serves over 200 patients on a daily basis, and does not have a maternity wing and access to water is limited.

# Social Report

## Water and Sanitation

A cholera outbreak was reported by The Zambia National Public Health in Lusaka in October 2023, with alarming statistics. The severity of the outbreak demanded concerted efforts. The FNBZ Foundation committed to supporting the mitigation of the spread of cholera in Lusaka through immediate, short term and long-term interventions aligned to its focus area on water and sanitation. The interventions carried out include a partnership with Lusaka City Council for a “Keep Zambia Clean” campaign in Mtendere Lusaka and supply of water tanks to Ipusukilo in Kitwe.



## Staff Volunteer Program

Our Staff Volunteer Program (SVP), supported by the Foundation underscores our firm commitment to social responsibility and community engagement. The Foundation spreads the SVP across all SDGs allowing for wide impact coupled with geographic reach. Through this program, we match contributions kwacha for kwacha for every approved request submitted by staff members.

The staff volunteer program signifies more than mere participation but embodies our collective spirit of giving back and amplifying the lasting impact we can create together. Participation in the Staff Volunteer Program promises to be a rewarding experience for all involved.









By engaging in this initiative, staff members not only contribute personally but also contribute to our collective commitment to social investment, offering real help to those in need and furthering our mission of creating positive change in the world. The program's success is evident in the noticeable impact of the programs implements so far. Some of the significant staff volunteer projects for current financial year are listed on the following pages.

# Social Report

| Business Unit               | Business Unit   | Applicable SDG  |
|-----------------------------|---|---|
| Individual staff volunteers | <p>A cross functional team of staff volunteers dedicated their efforts to the fight against cancer by handing over a refurbished bathroom area at the Cancer Diseases Hospital of the University Teaching Hospital, Lusaka. This included a partnership with the Breakthrough Cancer Trust and the Airpower Ladies Club.</p> <p>A member of staff made a donation of food and clothing items for an old aged women and vulnerable girls in Mukwamba village.</p> <p>A member of staff made a donation to Kabwe Central Hospital, Maternity Ward. The Donation included cleaning materials and hospital equipment.</p> <p>A member of staff raised funds through a soccer tournament to participate in the staff volunteer program and buy specialist medication for sickle cell sufferers at the children's sickle cell ward at the University Teaching Hospital.</p> |          |
| Chingola Branch             | Chingola branch made a donation to Lusungu Orphanage. The donation will go towards supporting the orphanage with restarting a chicken run as a sustainable approach to raising income for the orphanage.  |       |
| Risk Department             | <p>The Risk team visited Fountain of Hope in Kamwala, a transitional home catering to street kids and orphans aged 6 to 18, with a mission to support vulnerable children.</p> <p>During the visit, the team contributed essential food stuffs and hygiene products.</p>  |    |
| Finance                     | <p>The Finance team visited Nsansa Village in Avondale – Lusaka, a home that rescues street kids who are there for various reasons.</p> <p>The donation included food items and toiletries.</p>   |     |
| Private and Premier Banking | The Premier and Private banking team made a donation of various basic needs to the Hands of Mercy – Home of the aged.   |     |
| Kabwe Branch                | The bank's Kabwe branch donated to the Children of Promise Home, which regularly accommodates children in need.. The contribution included essential food and hygiene items to support the home's mission   |     |
| Chipata Branch              | The Chipata branch team donated reusable sanitary material at the Hillside Girls Secondary School in Chipata. This donation was aimed at helping fight period poverty in line with women's month.   |     |



# Social Report

| Business Unit                           | Business Unit  | Applicable SDG  |
|---|--|---|
| <b>Corporate And Investment Banking</b> | <p>The CIB team donated to Perseverance Community School in Kanyama - Lusaka, which uses two rooms to educate over 300 pupils from baby class to Grade 7, in addition to 30 disabled children.</p> <p>The donation consisted of essential school materials, food, and hygiene products.</p>  |    |
| <b>Solwezi Branch</b>                   | <p>Solwezi Branch donated foodstuffs, beddings, and toiletries to St. Charles School for the Impaired. This contribution enhanced the well-being and comfort of the students, ensuring they have a healthier and more conducive learning environment.</p>  |    |
| <b>Cairo Branch</b>                     | <p>Cairo Branch donated desks to Twashuka Primary School. This donation provided students with a better learning environment, contributing to their overall academic performance and classroom engagement.</p>   |    |
| <b>Ndola Branch</b>                     | <p>Ndola Branch donated items to Child Life Touch Orphanage to support their basic monthly needs for food and groceries, promoting their health and well-being.</p>  |   |
| <b>Marketing Department</b>             | <p>Marketing Department donated tables, chairs, books, crayons, charts, and other relevant learning materials to support the early childhood learning class at Mwalubemba Community School.</p> <p>This contribution enhanced the quality of education and foster a more engaging and effective learning environment for the young learners.</p> |    |
| <b>Makeni Branch</b>                    | <p>Makeni Branch donated food items, clothing, and educational material to Mukoza Orphanage Centre. This support will improve the daily lives of the children, providing them with essential resources for their growth and education.</p>   |   |

# Social Report



*Donation to Perseverance Community School*



*Donation to Perseverance Community School*



*Donation to Nsansa Village*



*Donation to Mukoza Orphanage Centre*



*Donation to Hands of Mercy – Home for the Aged*



*Donation to Hands of Mercy – Home for the Aged*



# 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

**2023**  
Zambia Medical  
Association  
**Corporate  
Social  
Responsibility  
Award**

**2023**  
Zambia Institute of  
Banking & Finance  
**Digital Banking  
Brand of the year**

**2023**  
Zambia Institute of  
Banking & Finance  
**Most Innovative  
Bank in Product  
Development**

**2023**  
Financial Literacy  
Awards  
**Governor's Award for  
Exceptional Financial  
Literacy Campaign :  
Third Place**

**2023**  
Finance Derivate  
Magazine  
**Best Trade  
Finance Bank**

**2023**  
Global Banking and  
Finance Review  
**Most Innovative  
Retail Banking App  
(FNB app) Zambia**

**2023**  
Global Business  
Magazine  
**Best Banking  
Brand Zambia**

**2023**  
Global Business  
Magazine  
**Best Digital  
Bank Zambia**

**2023**  
Ndola Chamber  
of Commerce  
**Large Enterprise  
Service Excellence  
Award**

# Awards

**2023**

Brands Review  
Magazine

**Best Banking  
Brand Zambia**

**2023**

Brands Review  
Magazine

**Most Innovative  
Bank Zambia**

**2023**

Brands Review  
Magazine

**Banking CEO of  
the Year Zambia  
(Bydon Longwe)**

**2023**

World Business  
Outlook

**Best Retail Bank of  
the Year Zambia**

**2023**

World Business  
Outlook

**Banking CEO of the  
Year (Mr. Bydon  
Longwe) Zambia**

**2023**

Global  
Finance

**Best FX  
Provider**

**2023**

Gazet  
International

**Best SME  
Bank Zambia**

**2023**

Gazet  
International

**Best Banking  
App of the Year  
Zambia**

**2023**

Gazet  
International

**Best Banking CEO of  
the Year (Mr. Bydon  
Longwe) Zambia**



# Sponsorships





# Sponsorships

## Traditional Ceremony Sponsorships

We sponsored three traditional ceremonies in the last financial year which included Ukusefya Pa Ng'wena, Ncwala and Kuomboka ceremonies. Our participation in these ceremonies underscored our dedication to preserving our cultural and reinforcing our role as a responsible corporate citizen.



*Ukusefya Pa Ng'wena traditional ceremony*



*Ukusefya Pa Ng'wena traditional ceremony*



*Kuomboka traditional ceremony*



*Kuomboka traditional ceremony*

## Business Sponsorships

### >Zambia Association of Manufacturers

FNB Zambia committed ZMW500,000 towards the Zambia Association of Manufacturers to create linkages, and build awareness on the financial solutions available for SMEs and other businesses.



*Zambia Association of Manufacturers sponsorship handover*



*Zambia Association of Manufacturers women in manufacturing workshop*

# Sponsorships

## CIB Sponsorships

### > ESG

At COP28, we contributed to global climate policy by advocating for opportunities in green finance and strategies to manage climate-related risks. Our participation reinforces our commitment to environmental sustainability and positions us as a proactive leader in the global fight against climate change.



*COP28 Panel Discussion*



*COP28 Panel Discussion*

FNB Zambia and the World-Wide Fund for Nature (WWF), undertook the Pachipanda project, an innovation challenge for young people aged between 18 to 35 years old. The project was aimed to explore and develop impactful solutions to the climate change challenges.



*Pachipanda group brainstorm session*



*Pachipanda group brainstorm session*



# Events

## Customer Events

We successfully hosted the FNB Kopala10K, now the Copperbelt's largest health and wellness event, with an impressive turnout of 2,500 runners for the inaugural run.

To celebrate 15 years of operation in Zambia, we hosted the first FNB Wine Festival. The two-day event featured an exclusive day to our valued customers and another open to the public.



*Kopala 10K starting line*



*Kopala 10K in effect*



*5K walk during the Kopala10K*



*FNB clients pose for a photo at the esteemed Wine Fest*



*Wine on display at Wine Fest*



*A light moment shared at Wine Fest*



# Statement on Corporate Governance

First National Bank Zambia Limited ("FNB" or the "Bank") remains committed to maintaining the highest standards of corporate governance. As such FNB continues to review and enhance its governance practices to meet evolving stakeholder expectations and regulations. In the financial year, FNB upheld and complied with the Bank of Zambia Corporate Governance Directives 2016 and the King IV Code on Corporate Governance in all material respects. 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 in a sustainable way.

## Board of Directors

The Directors have profound experience and varied skills, empowering the Board to deliver direction and rigorous oversight on the Bank's operations. Non-executive directors offer independent and impartial decision-making insight. They positively challenge and monitor Executive Management's execution of strategy ensuring the furtherance of shareholder value and contribution to our communities and nation's development.

As a testament to our commitment to valuing diversity and inclusivity, the Board Composition as of June 2024 comprised of 9 members, 5 of whom are female. With an aim to steer the Bank to success while managing various stakeholder needs, the Board and the FirstRand Group make deliberate strides to ensure that diversity in gender, culture, age and competence form part of the criteria in the nomination and selection process of directors. The current skills composition of the directors includes accounting, legal, business, risk management, information technology and cyber risk management, banking, finance, credit, mining and governance.

In the financial year, the below are the directors that retired and/resigned from the Board and the newly appointed Directors.

## Exits

- Andre Stephanus Ribbens (Resigned November 2023)
- Angela Pillay (Resigned February 2024)

## Appointments

- Rosemary Liywalii (Appointed August 2023)
- Faith Mukutu (Appointed June 2024)

The Board of Directors met four times in the financial year in accordance with the Bank's Articles of Association with all directors having 100% attendance.

## Governance Structures

All Bank policies, frameworks, charters and other governance documents were reviewed by the Board or its authorised sub-committee and approved for use for the upcoming financial year. In keeping with FNB's robust conflict management policies, all directors made timely, ad hoc and annual declarations of their interests as well as attested and committed to upholding the Bank's Code of Ethics. The Code of Ethics stipulates the acceptable professional behavior expected from all directors, staff and suppliers of the bank.

In line with the Corporate Governance Directives 2016, FNB conducted its annual evaluations of key offices, its Board and subcommittees namely: Audit Committee, Risk Capital Management



**Erica Chakota Nchito**  
Company Secretary & Head-Legal  
- FNB Zambia

and Compliance Committee, Loans Review Committee and Remuneration and Nominations Committee. All recommendations and areas of improvement noted by the members were noted and are continually monitored in the spirit of continuous improvement. Below are summaries of the various Board committees:

## 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. Remuneration and Nominations Committee

The Remuneration and Nominations Committee assists and advises the Board on matters relating to the remuneration of the senior management and employees in general, in order to motivate and retain employees and ensure that the Bank is able to attract the best talents in the market in order to maximize shareholder value.

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

# Statement on Corporate Governance

Affairs related matters in line with the law and international best practice.

## 3. Risk, Capital Management and Compliance Committee

The Committee approves risk management policies, standards, and processes. Monitors the bank's risk assessments. Monitors effectiveness of risk management and high priority corrective actions. Monitors the bank's risk profile and initiates and monitors corrective action, where appropriate.

Ensures that the bank takes appropriate action to manage its regulatory and supervisory risks and complies with applicable laws, rules, codes, and standards; and approves regulatory capital models, risk and capital targets, limits, and thresholds, and ensures that a sound capital management 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 governance surrounding the quality of the loan book, the collectability of all loans in its loan portfolio, including any accrued and unpaid interest. Reassesses the loan review system on a regular basis. It further reviews and follows-up credit specific external and internal audit findings.

## Board Evaluation and Meetings

The Bank held its Annual General Meeting in line with the legal requirement under the Companies Act No 10 of 2017 on 27th September 2023, all actions and matters as by law required to be dealt with by members were appropriately concluded.

In further keeping with ideal standards of corporate governance, the Bank conducted a Management Effectiveness survey to self-assess the efficiency and appropriateness of its governance structures. This is in execution of its strategy to conduct regular governance health checks ensuring that all governance structures are fit for purpose and future fit.

The governance framework of the Bank is robust and aligned with regulatory requirements. Our Board diligently oversees the business of the Bank including its risk profiles, decision-making processes and reporting mechanisms. We remain committed to maintaining transparency, accountability and ethical conduct as we continue providing #RealHelp in Zambia.





# First National Bank Zambia Limited

Annual Report for the year ended 30 June 2024

## Directors' 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 2024.

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 2024, the Bank's footprint consisted of the following: -

|                        | June 2024 | June 2023 |
|------------------------|-----------|-----------|
| Branches               | 23        | 23        |
| Mobile Branch          | 1         | 1         |
| CashPlus Agent Outlets | 2,274     | 1,985     |
| Total ATMS             | 148       | 147       |
| Ordinary               | 84        | 85        |
| Mobile ATMs            | 1         | 1         |
| ADTs                   | 63        | 61        |

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.

| Shareholding  | 2024           | 2023           |
|---|----------------|----------------|
| FirstRand Investments Holding Proprietary Limited (FRIHL) | 1              | 1              |
| FirstRand EMA Holding Limited (FREMA)                     | 41,599,999,999 | 41,599,999,999 |

## First National Bank Zambia Limited

Annual Report for the year ended 30 June 2024

### Directors' 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 2024 as detailed below: -

| K'million                              | 2024         | 2023         |
|--|--------------|--------------|
| Issued Share Capital                   | 416          | 416          |
| Share Premium                          | 170          | 170          |
| Retained Earnings                      | 2,354        | 1,510        |
| Fair Value Reserves                    | (1)          | 12           |
| Closing balance                        | 2,939        | 2,108        |
| BoZ Minimum Tier 1 Capital Requirement | 520          | 520          |
| <b>Surplus over the minimum</b>        | <b>2,419</b> | <b>1,588</b> |

#### Trading results and dividends

The Bank recorded a profit after tax for the year 30 June 2024 of K844 million (2023: K747 million). No dividends were proposed for the year (2023: 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 K7.4 million (2023: K0.47 million).

#### Exports

The Bank did not make any exports from Zambia during the year (2023: Nil).

#### Average number of employees and remuneration

The total remuneration of employees during the year was K547 million (2023: K476 million), and the average number of full-time employees were as follows:

|           |     |          |     |       |     |
|-----------|-----|----------|-----|-------|-----|
| July      | 646 | November | 689 | March | 708 |
| August    | 660 | December | 692 | April | 708 |
| September | 675 | January  | 696 | May   | 713 |
| October   | 689 | February | 699 | June  | 711 |

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

# First National Bank Zambia Limited

## Annual Report for the year ended 30 June 2024

### Directors' Report (Continued)

#### Research and development

During the year the Bank did not conduct any research and development activities (2023: Nil)

#### Property and equipment

During the year the Bank purchased property and equipment amounting to K72.8 million (2023: K86.8million). 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 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.



# First National Bank Zambia Limited

## Annual Report for the year ended 30 June 2024

### Directors' Report (Continued)

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

| Directors     | Designation                          | Residence                             |
|---------------|--------------------------------------|---------------------------------------|
| R. Mazombwe   | Independent Non - Executive Chairman | Zambia                                |
| B. Longwe     | Chief Executive Officer              | Zambia - Resigned February 2024       |
| K. Chola      | Chief Executive Officer              | Zambia - Appointed February 2024      |
| 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 - Resigned February 2024 |
| A. S. Ribbens | Independent Non - Executive          | South Africa - Resigned November 2023 |
| R. Liywalii   | Independent Non - Executive          | Zambia - Appointed August 2023        |
| F. Mukutu     | Independent Non - Executive          | Zambia - Appointed June 2024          |

During the year, the total Director remuneration was K14.3 million (2023: K11.9 million), comprised of K8.5 million (2023: K7.3 million) for services rendered by Executive Directors and K5.8 million (2023: K4.6 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                         |
| K. Chola    | 0                         |
| M. Kapaya   | 1                         |
| M. Lüring   | 5                         |
| K. Muyangwa | 3                         |
| L. Mulima   | 1                         |
| Y. Mwenye   | 3                         |
| A.C. Pillay | 0                         |
| R. Liywalii | 2                         |
| F. Mukutu   | 0                         |

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.

# First National Bank Zambia Limited

Annual Report for the year ended 30 June 2024

## Directors' 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 K4.48 million (2023: K3.9 million) comprised of K4.44 million (2023: K3.8 million) audit services and K0.04 million (2023: K0.1 million) for other non-audit services rendered to the Bank.

By order of the Board



22 August 2024

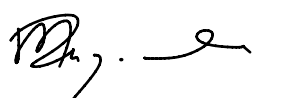
# Statement of Directors' Responsibilities

The Companies Act, 2017 of Zambia, requires the Directors to prepare annual financial statements for each financial year that give a true and fair view of the state of affairs of the 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 of 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® Accounting Standards) 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 55 to 162 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 Accounting Standards 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



**K. Chola**  
Chief Executive Officer

22 August 2024



# Report of the Audit Committee

## 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

22 August 2024  
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

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#### 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 2024, 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 55 to 162 and comprise:

- The statement of financial position as at 30 June 2024;
- 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  |
|--|---|
| <p><b>1. Impairment of financial assets at amortised cost</b></p> <p>As at 30 June 2024, the Bank's portfolio of financial assets measured at amortised cost included loans and advances and investment securities.</p> <p>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.</p> <p>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.</p> <p>Further information on impairment of financial assets at amortised cost is presented in Notes 10, 11 and 27.1 of the financial statements.</p> | <ul style="list-style-type: none"> <li>• 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.</li> <li>• Tested the impairment of financial assets carried at amortised including the basis for their judgments and reasonableness of key inputs and assumptions.</li> <li>• 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.</li> <li>• Performed an independent recalculation of the Expected Credit Losses and compared this to management's results.</li> <li>• 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.</li> <li>• 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.</li> <li>• Tested loan write-offs for appropriate approval and consistency in application of write-off policy.</li> <li>• Tested forward looking information and evaluated it against external sources of information.</li> <li>• Reviewed disclosures in the financial statements for appropriateness and compliance with the requirements of IFRS 9 and IFRS 7.</li> </ul> |



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

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### 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.

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### 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 Accounting Standards 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

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### 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)

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### 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

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### 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*

**PricewaterhouseCoopers**  
**Chartered Accountants**  
**Lusaka**

**10 September 2024**

*Andrew Chibuye*

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**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 Year Ended 30 June 2024

### Statement of Profit or Loss and Other Comprehensive Income

| Figures in thousands of Kwacha  | Notes  | Year ended<br>30 June 2024 | Year ended<br>30 June 2023 |
|---|--------|----------------------------|----------------------------|
| Interest and similar income   | 2.1    | 2,068,386                  | 1,527,750                  |
| Interest expense and similar charges                                  | 2.2    | (371,804)                  | (275,507)                  |
| <b>Net interest income before credit related impairment</b>           |        | <b>1,696,582</b>           | <b>1,252,243</b>           |
| Net (charge)/recoveries on impaired advances                          | 3      | (86,471)                   | 91,058                     |
| <b>Net interest income after credit related impairment</b>            |        | <b>1,610,111</b>           | <b>1,343,301</b>           |
| <b>Non-Interest revenue (Net):</b>                                    |        | <b>1,027,516</b>           | <b>853,408</b>             |
| Fee and commission income   | 4      | 902,391                    | 716,753                    |
| Fee and commission expense  | 4      | (315,339)                  | (183,661)                  |
| Trading income  | 4      | 493,271                    | 345,996                    |
| Other revenue/expenses (net)  | 4      | (52,807)                   | (25,680)                   |
| <b>Income from operations</b>   |        | <b>2,637,627</b>           | <b>2,196,709</b>           |
| Operating expenses  | 5      | (1,390,366)                | (1,133,525)                |
| <b>Profit before income tax</b>                                       |        | <b>1,247,261</b>           | <b>1,063,184</b>           |
| Income tax expense  | 6.1    | (402,940)                  | (316,521)                  |
| <b>Profit for the year</b>  |        | <b>844,321</b>             | <b>746,663</b>             |
| <b>Other comprehensive income (OCI)</b>                               |        |                            |                            |
| <b>Items that will be reclassified to profit or loss</b>              |        |                            |                            |
| Fair value movement on investments measured at fair value through OCI | 22(ii) | (19,232)                   | 17,364                     |
| Deferred tax on investments measured at fair value through OCI        | 22(ii) | 5,769                      | (5,209)                    |
| <b>Total comprehensive income for the year</b>                        |        | <b>830,858</b>             | <b>758,818</b>             |

The summary of significant accounting policies and the notes on pages 59 to 162 are an integral part of these annual financial statements.



# First National Bank Zambia Limited

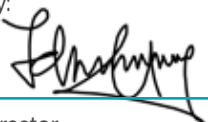
Annual Financial Statements Year Ended 30 June 2024

## Statement of Financial Position

| Figures in thousands of Kwacha                                      | Notes  | Year ended<br>30 June 2024 | Year ended<br>30 June 2023 |
|---|--------|----------------------------|----------------------------|
| <b>ASSETS</b>   |        |                            |                            |
| Cash at bank  | 8      | 6,012,214                  | 2,327,574                  |
| Derivative financial instruments                                    | 9      | 75,487                     | 34,398                     |
| Investment securities and other investments                         | 10     | 5,917,309                  | 7,545,484                  |
| Fair value through profit or loss (FVPL)                            |        | 131,033                    | 259,701                    |
| Fair value through other comprehensive income                       |        | 669,113                    | 562,305                    |
| Amortised cost  |        | 5,115,953                  | 6,722,268                  |
| Other investments designated at FVPL                                |        | 1,210                      | 1,210                      |
| Loans and advances  | 11     | 6,309,602                  | 3,379,191                  |
| Other assets  | 13     | 475,255                    | 249,502                    |
| Current income tax asset  | 6.2    | 50,040                     | 125,144                    |
| Property and equipment  | 14     | 192,612                    | 164,712                    |
| Right of use asset  | 15     | 148,251                    | 56,928                     |
| Deferred income tax asset   | 6.3    | 156,203                    | 122,342                    |
| <b>Total assets</b>   |        | <b>19,336,973</b>          | <b>14,005,275</b>          |
| <b>EQUITY &amp; LIABILITIES</b>                                     |        |                            |                            |
| <b>Liabilities</b>  |        |                            |                            |
| Derivative financial instruments                                    | 9      | 68,732                     | 31,048                     |
| Deposits  | 16     | 15,485,697                 | 11,386,033                 |
| Employee liabilities  | 17     | 95,175                     | 77,471                     |
| Other liabilities   | 18     | 619,573                    | 340,296                    |
| Lease liability   | 20     | 128,392                    | 61,881                     |
| <b>Total liabilities</b>  |        | <b>16,397,569</b>          | <b>11,896,729</b>          |
| <b>Equity</b>   |        |                            |                            |
| <b>Capital and reserves attributable to ordinary equity holders</b> |        |                            |                            |
| Ordinary shares   | 22(i)  | 416,000                    | 416,000                    |
| Share premium   | 22(i)  | 170,374                    | 170,374                    |
| Fair value reserves   | 22(ii) | (1,308)                    | 12,155                     |
| Retained earnings   |        | 2,354,338                  | 1,510,017                  |
| <b>Total equity</b>   |        | <b>2,939,404</b>           | <b>2,108,546</b>           |
| <b>Total equity &amp; liabilities</b>                               |        | <b>19,336,973</b>          | <b>14,005,275</b>          |

The summary of significant accounting policies and the notes on pages 59 to 162 are an integral part of these annual financial statements.

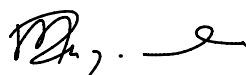
The annual financial statements on pages 55 to 162 were approved by the Board of Directors on 22nd August 2024, and signed on its behalf by:



Director



Director



Director



Secretary

# First National Bank Zambia Limited

Annual Financial Statements Year Ended 30 June 2024

## Statement of Changes in Equity

### Year ended 30 June 2023

| Figures in thousands of Kwacha                         | Notes  | Share Capital | Share Premium | Retained Earnings | 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   |
| <b>Other comprehensive income</b>                      |        |               |               |                   |                     |           |
| 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 |

### Year ended 30 June 2024

| Figures in thousands of Kwacha                   | Notes  | Share Capital | Share Premium | Retained Earnings | Fair Value Reserves | Total     |
|--|--------|---------------|---------------|-------------------|---------------------|-----------|
| Balance as at 1 July 2023                        |        | 416,000       | 170,374       | 1,510,017         | 12,155              | 2,108,546 |
| Profit for the year                              |        | -             | -             | 844,321           | -                   | 844,321   |
| <b>Other comprehensive income</b>                |        |               |               |                   |                     |           |
| Net fair value movement in investment securities | 22(ii) | -             | -             | -                 | (19,232)            | (19,232)  |
| Deferred tax arising on fair value movement      | 22(ii) | -             | -             | -                 | 5,769               | 5,769     |
| Total comprehensive income                       |        | -             | -             | 844,321           | (13,463)            | 830,858   |
| Balance as at 30 June 2024                       |        | 416,000       | 170,374       | 2,354,338         | (1,308)             | 2,939,404 |

The summary of significant accounting policies and the notes on pages 59 to 162 are an integral part of these annual financial statements.

# First National Bank Zambia Limited

Annual Financial Statements Year Ended 30 June 2024

## Statement of Cash Flows

| Figures in thousands of Kwacha                                | Notes  | Year ended<br>30 June 2024 | Year ended<br>30 June 2023 |
|---|--------|----------------------------|----------------------------|
| <b>Cash flows from operating activities</b>                   |        |                            |                            |
| Cash receipts from customers                                  | 23.2   | 1,238,947                  | 930,387                    |
| Interest received   | 23.2   | 2,042,204                  | 1,483,613                  |
| Cash paid to customers, suppliers and employees               | 23.3   | (3,004,207)                | (1,537,451)                |
| Interest paid   | 23.3   | (296,348)                  | (182,231)                  |
| <b>Cash (used in)/generated from operating activities</b>     |        | <b>(19,404)</b>            | <b>694,318</b>             |
| Increase in income earning assets                             | 23.4   | (1,405,482)                | (3,269,345)                |
| Increase in other assets                                      | 23.5   | (228,324)                  | (22,957)                   |
| Increase in deposits and other liabilities                    | 23.6   | 4,305,318                  | 2,481,453                  |
| <b>Decrease in operating assets and liabilities</b>           |        | <b>2,671,512</b>           | <b>(810,849)</b>           |
| Taxation paid   | 23.7   | (337,176)                  | (320,590)                  |
| Lease liability interest payment                              | 20     | (19,691)                   | (9,298)                    |
| <b>Net cash generated from/(used in) operating activities</b> |        | <b>2,295,241</b>           | <b>(446,419)</b>           |
| <b>Cash flows from investing activities</b>                   |        |                            | <b>-</b>                   |
| Purchase of property and equipment                            | 14     | (72,818)                   | (86,776)                   |
| Proceeds on disposal of property and equipment                |        | 46                         | 623                        |
| <b>Net cash outflow from investing activities</b>             |        | <b>(72,772)</b>            | <b>(86,153)</b>            |
| <b>Cash outflows from financing activities</b>                |        |                            |                            |
| Increase in leased land                                       | 15     | (40,581)                   | -                          |
| Repayment of other long term liabilities - FMO                | 21 (i) | -                          | (107,933)                  |
| Lease liability - Capital payments                            | 20     | (29,212)                   | (40,308)                   |
| <b>Cash outflow on financing activities</b>                   |        | <b>(69,793)</b>            | <b>(148,241)</b>           |
| Net decrease in cash and cash equivalents                     |        | 2,152,676                  | (680,813)                  |
| Cash and cash equivalents at the beginning of year            |        | 1,090,490                  | 1,847,966                  |
| Effect of exchange rate changes on cash and cash equivalents  |        | (210,473)                  | (76,663)                   |
| <b>Cash and cash equivalents at the end of the year</b>       | 23.8   | <b>3,032,693</b>           | <b>1,090,490</b>           |

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 59 to 162 are an integral part of these annual financial statements.



# Summary of significant accounting policies

## First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

### 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:

|  |  |  |  |
|--|--|--|--|
| <b>Income, expenses and taxation</b>                             | Income and expenses (section 1.7.1)                      | Income tax expenses (section 1.7.2)            |  |
| <b>Financial instruments</b>                                     | Classification and Measurement (section 1.8.1)           | Impairment (section 1.8.2)                     | Transfers, modifications and derecognition (section 1.8.3) |
|  | Offset and collateral (section 1.8.4)                    | Derivatives (section 1.8.5)                    |  |
| <b>Other assets and liabilities</b>                              | Property and equipment (section 1.9.1)                   | Provisions (Section 1.9.1)                     |  |
|  | Leases (section 1.9.2)                                   |  |  |
| <b>Capital and reserves</b>                                      | Share capital (section 1.10)                             | Dividends (section 1.10)                       | Other reserves (section 1.10)                              |
| <b>Transactions with employees</b>                               | Transactions with employees (section 1.11)               | Share option scheme (section 1.12)             |  |
| <b>Critical accounting estimates, assumptions and judgements</b> | Introduction (section 1.13)                              | Taxation (section 1.13.1)                      |  |
|  | Impairment of financial assets (IFRS 9) (section 1.13.2) | Valuation of financial instruments (Note 26.1) |  |
| <b>Standards and interpretations</b>                             | Issued and effective (section 1.14.1)                    | Issued but not yet effective (section 1.14.2)  |  |

## First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

### Summary of significant accounting policies (continued)

#### 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 2024 have been approved for issue by the Board of Directors on 22nd August 2024. 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 2024, 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 of each year is audited. The information is prepared in terms of IFRS Accounting Standards as issued by the IASB.

#### 1.5 Use of Judgments and Estimates

The preparation of the annual financial statements in conformity with IFRS accounting standards, 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.

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 1.6 Presentation of Annual Financial Statements, Function and Foreign Currency

|   |   |
|---|---|
| <b>Presentation</b>                                     | The Bank presents its statement of financial position in order of liquidity. Where permitted or required under IFRS accounting standards, 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.  |
| <b>Materiality</b>                                      | Applying the concept of materiality requires judgement, in particular, in relation to matters of presentation and disclosure. Management assesses the relevance of the information to users of the financial statement and considers both qualitative and quantitative factors in determining the materiality threshold for disclosure and presentation purposes  |
| <b>Functional and presentation currency of the Bank</b> | All amounts are presented in Thousands of Kwacha (K'000).<br>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.   |
| <b>Foreign currency transactions of the Bank</b>        | <ul style="list-style-type: none"> <li>• 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.</li> <li>• Foreign exchange gains and losses are recognised in profit or loss in fair value gains or losses.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>• Equity instruments are recognised in other comprehensive income as part of the fair value movement.</li> <li>• 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).</li> </ul> |



# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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 accounting standards, 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 IFRS accounting standards. 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.

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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.

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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 paid out during the year was K52.7 million (2023: 32.1 million).

In line with IFRS 15, the rewards are treated as reduction of the transaction price and therefore of revenue. They are included in these financial statements as a deduction to non interest revenue (non interest expense).

#### 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.



# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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 1.7.1, 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.

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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 three 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.

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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  |
|--|
| <p>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.</p> <p>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.</p> <p>For wholesale advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset.</p>   |
| <p><b>Amortised cost</b></p> <p>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.</p> <p>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.</p> |
| <p><b>Cash and cash equivalents:</b></p> <p>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.</p>  |

| Classes of financial assets | Business Model   | Cash flow Characteristics  |
|-----------------------------|--|--|
| <b>Retail advances</b>      | <p>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.</p> <p>The products included under this business model include:</p> <ul style="list-style-type: none"> <li>» residential mortgages;</li> <li>» vehicle and asset finance;</li> <li>» credit cards; and</li> <li>» personal loans and other retail products such as overdrafts.</li> </ul> | <p>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).</p> |

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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              | <p>The business models of Commercial, Vehicle and Asset Finance 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:</p> <ul style="list-style-type: none"><li>» trade and working capital finance;</li><li>» specialised finance;</li><li>» commercial property finance; and</li><li>» asset-backed finance.</li></ul> <p>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.</p> <p>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.</p> | 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.   |



# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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  |
|--|
| <b>Financial liabilities and compound financial instruments</b> <p>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.</p> <p>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.</p> |
| <b>Financial liabilities measured at amortised cost</b> <p>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:</p> <ul style="list-style-type: none"><li>• deposits;</li><li>• creditors;</li><li>• tier 2 liabilities; and</li><li>• other funding liabilities.</li></ul>   |
| <b>Financial liabilities measured mandatory at fair value through profit or loss</b> <p>Derivative liabilities are measured at fair value through profit or loss.</p>  |

### 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.

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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)   |  |  |  |
| <p>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.</p> <p>SICR test thresholds are re-assessed and, if necessary, updated, on at least an annual basis.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> |  |  |  |

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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 accounting standards 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 accounting standards 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.

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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 accounting standards are met or;
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 accounting standards 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.



# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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.<br>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.<br>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.   |

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 1.8. Financial Instruments (Continued)

### 1.8.4 Offsetting of Financial Instruments and Collateral

Where the requirements of IFRS accounting standards 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:

|  |   |
|--|---|
| <b>Derivative financial instruments</b>  | <p>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).</p> <p>Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.</p> |
| <b>Repurchase and reverse repurchase agreements, and securities lending and borrowing transactions</b> | <p>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.</p> <p>The Bank receives and accepts collateral for these transactions in the form of cash and other investment securities.</p>  |
| <b>Other loans and advances and deposits</b>   | <p>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.</p>   |

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.

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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, 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:<br>» 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)<br>» 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.<br>» Depreciation is over the useful life of the asset.<br>» Leasehold improvements and premises leasehold property are measured at shorter of estimated life or period of lease. |

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.

#### 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.

### 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.

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 1.9 Other Assets and Liabilities

### 1.9.2 Leases (continued)

#### Bank is lessee

##### At Inception

The Bank recognises a Right of Use Assets 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 accounting standards 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.



## Summary of significant accounting policies (continued)

### 1.9.2 Leases (Continued)

Finance lease receivables are presented as part of loans and advances in the statement of financial position.

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.

## Summary of significant accounting policies (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  |   |
|---|---|
| <p>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.</p> |   |
| Liability for short term employee benefits  |   |
| Leave pay   | <p>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.</p> |
| Bonuses   | <p>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.</p>   |

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.

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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.

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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 macroeconomic 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.



# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 1.13 Critical Accounting Estimates, Assumptions and Judgements (continued)

### 1.13.2 Impairment of Financial Assets (continued)

#### Forward looking information

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 2024:

| Scenario               | Probability |      |   |
|------------------------|-------------|------|---|
|                        | 2024        | 2023 |   |
| <b>Baseline regime</b> | 60.6%       | 58%  | Assumes that global growth and development market (DM) inflation is rising, and global interest rates are rising. |
| <b>Upside regime</b>   | 13.7%       | 15%  | Assumes global growth remains above trend and DM inflation trends lower, as supply – side pressures dissipate.    |
| <b>Downside regime</b> | 25.7%       | 27%  | 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
- » 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 2024 provisions

The forward-looking model used for June 2024 reporting relies on the interest rate, which is the only macroeconomic variable strongly correlated with default rates. As of June 2024, Zambia's central bank interest rate was 13.5%. This represents a significant increase from the interest rate in June 2023, which was 9.5%. The Bank of Zambia raised the rate in response to rising inflation and currency depreciation, aiming to stabilize the economy amid challenging economic conditions (Lusaka Times). Also, the Expected Credit Loss (ECL) for the June 2024 reporting period took into account the forecasted changes in interest rates, which included the expected 150 bps increase in interest rates by December 2024.

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 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 2024 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.

The most significant period-end assumptions used for the ECL estimates as at 30 June 2024 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 | Dec-26 | Jun-27 | Probabilities |
| CBR_LAG2                | Core     | 9.0    | 9.5    | 11.0   | 14.0   | 15.5   | 15.5   | 12.5   | 12.0   | 11.0   | 11.0   | 60.6%         |
|                         | Downside | 9.0    | 10.0   | 11     | 14.3   | 17.5   | 16.5   | 15.5   | 14.3   | 13.0   | 13.0   | 25.7%         |
|                         | Upside   | 9.0    | 10.0   | 11     | 10.5   | 10     | 9.3    | 8.5    | 8      | 7.5    | 7.5    | 13.7%         |

#### 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_202406     | 12m_Lt      | Provisions_30 June 2024 | Sensitivity as a percentage |
|---------------------|-------------|-------------------------|-----------------------------|
| Reported in June-23 | Stage 1 & 2 | 338,806,813             | 19.0%                       |
| Factors Downside    | Stage 1 & 2 | 189,984,554             | -33.0%                      |
| Factors Upside      | Stage 1 & 2 | 384,571,283             | 35.0%                       |

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 1.13 Critical Accounting Estimates, Assumptions and Judgements (continued)

### 1.13.2 Impairment of Financial Assets (continued)

| Judgement or estimate                | Retail   | Corporate and Commercial  |
|--------------------------------------|--|---|
| Measurement of the 12-month and LECL | <p>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.</p> <p>PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates.</p> <p>EAD parameters are estimated based on product characteristics and historical draw-down and payment behaviour.</p> <p>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.</p> <p>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.</p> | <p>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.</p> |

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 1.13 Critical Accounting Estimates, Assumptions and Judgements (continued)

### 1.13.2 Impairment of Financial Assets (continued)

|  |  |
|--|--|
| <p><b>Measurement of the 12-month and LECL</b></p>   | <p>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.</p> <p>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.</p> <p>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.</p>   |
| <p><b>Determination of whether the credit risk of financial instruments have increased significantly since initial recognition</b></p> | <p><b>Retail</b></p> <p>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</p> <p><b>Corporate and Commercial</b></p> <p>SICR triggers continue to be determined based on client behaviour, client internal FirstRand rating or risk score, as well as judgemental factors, which include 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.</p> |
| <p><b>Prior and current year: Sensitivity Staging</b></p>  | <p>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.</p>  |



# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 1.14 Standards and Interpretations

### 1.14.1 Issued but not yet 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. None of the standards effective during the year had a material impact on the group results.

| Standard | Impact assessment  | Effective date                                       |
|----------|--|--|
| IAS 1    | <p><b>Amendments to classification of liabilities as current or non-current</b></p> <p>The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically:</p> <p>» 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.</p> <p>» 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.</p> <p>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.</p> | Annual periods commencing on or after 1 January 2024 |
| IAS 1.2  | <p><b>Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2</b></p> <p>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:</p> <p>» requiring companies to disclose their material accounting policies rather than their significant accounting policies;</p> <p>» 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.</p>  | Annual periods commencing on or after 1 January 2024 |
| IAS 8    | <p><b>Deferred tax related to assets and liabilities arising from a single transaction</b></p> <p>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.</p>  | Annual periods commencing on or after 1 January 2024 |

# First National Bank Zambia Limited

Annual Financial Statements for the year ended 30 June 2024

Summary of significant accounting policies (continued)

## 1.14 Standards and Interpretations

### 1.14.1 Issued but not yet effective (Continued)

| Standard       | Impact assessment   | Effective date  |
|----------------|---|---|
| <b>IAS 12</b>  | <p><b>Deferred tax related to assets and liabilities arising from a single transaction</b></p> <p>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.</p>  | <b>Annual periods commencing on or after 1 January 2024</b> |
| <b>IAS 21</b>  | <p><b>Lack of exchangeability – Amendments to IAS 21</b></p> <p>The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.</p> <p>The group does not expect this amendment to have a significant impact on the annual financial statements</p>  | <b>Annual periods commencing on or after 1 January 2025</b> |
| <b>IFRS 18</b> | <p><b>Presentation and Disclosure in Financial Statements</b></p> <p>IFRS 18 accounting standards aim to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows.</p> <p>IFRS 18 accounting standards aim to improve financial reporting by:</p> <ul style="list-style-type: none"> <li>• requiring additional defined subtotals in the statement of profit or loss;</li> <li>• requiring disclosures about management-defined performance measures; and</li> <li>• adding new principles for grouping (aggregation and disaggregation) of information</li> </ul> <p>The new standard is expected to impact group presentation of its statement of profit or loss.</p> | <b>Annual periods commencing on or after 1 January 2027</b> |

## 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.

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

## Notes to annual financial statements

### 1 Accounting policies

The accounting policies of the Bank are set out on page 55 to page 85.

| Figures in thousands of Kwacha                                     | Notes | 30 June 2024     | 30 June 2023     |
|--|-------|------------------|------------------|
| <b>2 Analysis of interest income and interest expense</b>          |       |                  |                  |
| <b>2.1 Interest and similar income</b>                             |       |                  |                  |
| - Loans and advances   |       | 861,122          | 528,191          |
| - Interest from other Banks  |       | 23,891           | 27,781           |
| - Interest received from Nostro accounts                           |       | 10,732           | 5,486            |
| - Interest received from placements with FirstRand Group companies | 19.4  | 7,025            | 5,020            |
| <b>Investment securities</b>                                       |       |                  |                  |
| - Investment securities - Government treasury bills                |       | 289,255          | 249,834          |
| - Investment securities - Government bonds                         |       | 876,361          | 711,438          |
| <b>Interest and similar income</b>                                 |       | <b>2,068,386</b> | <b>1,527,750</b> |
| <b>Loans and advances income</b>                                   |       |                  |                  |
| Home loans   |       | 26,375           | 22,938           |
| Commercial mortgages   |       | 15,565           | 21,464           |
| Lease instalment debtors   |       | 24,560           | 14,998           |
| Overdrafts   |       | 383,525          | 161,628          |
| Term loans   |       | 135,550          | 149,918          |
| Personal loans   |       | 275,547          | 157,245          |
| <b>Total advances income</b>                                       |       | <b>861,122</b>   | <b>528,191</b>   |
| <b>*Reconciliation of deferred income</b>                          |       |                  |                  |
| At start of period   |       | 16,889           | 10,068           |
| Facility fee received  |       | 11,767           | 11,293           |
| Revenue recognised to interest income                              |       | (4,684)          | (4,472)          |
| <b>At end of period</b>  |       | <b>23,972</b>    | <b>16,889</b>    |
| <b>2.2 Interest expense and similar charges</b>                    |       |                  |                  |
| <b>Financial liabilities at amortised cost</b>                     |       |                  |                  |
| - Current and call accounts  |       | 50,841           | 21,871           |
| - Savings deposits   |       | 25,598           | 12,609           |
| - Fixed and notice deposits  |       | 275,674          | 229,758          |
| - Subordinated debt - FMO  |       | -                | 1,971            |
| - Leases   |       | 19,691           | 9,298            |
| <b>Interest expense and similar charges</b>                        |       | <b>371,804</b>   | <b>275,507</b>   |

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 the lifespan of the facility.

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

| Figures in thousands of Kwacha                          | Notes | 30 June 2024     | 30 June 2023     |
|---|-------|------------------|------------------|
| <b>3 Net charge / (recoveries) on impaired advances</b> |       |                  |                  |
| Loans and advances                                      | 12    | 94,945           | (104,096)        |
| Investment securities at amortised cost                 | 10    | (8,474)          | 13,038           |
| <b>Net charge / (recoveries) on impaired advances</b>   |       | <b>86,471</b>    | <b>(91,058)</b>  |
| <b>4 Non interest revenue</b>                           |       |                  |                  |
| <b>Fee and commission income</b>                        |       |                  |                  |
| Banking fee and commission income                       |       |                  |                  |
| - Cash deposit fees                                     |       | 6,637            | 4,372            |
| - Cash handling fees                                    |       | 53,198           | 47,411           |
| - Commitment fees                                       |       | 27,013           | 22,569           |
| - Commissions: bills, drafts and cheques                |       | 1,164            | 36               |
| - Card commission                                       |       | 240,973          | 174,271          |
| - Exchange commissions                                  |       | 125,078          | 84,335           |
| - Bank charges  |       | 438,078          | 374,944          |
| - Service fees  |       | 396,474          | 336,372          |
| - E-Banking   |       | 21,832           | 19,844           |
| - Excess avilment fee                                   |       | 1,304            | 2,693            |
| - Acceptance, guarantees and Indemnities                |       | 13,166           | 11,642           |
| - Reporting fees  |       | 2,171            | 1,632            |
| - Other   |       | 3,131            | 2,761            |
| - Insurance   |       | 10,250           | 8,815            |
| <b>Fee and commission income</b>                        |       | <b>902,391</b>   | <b>716,753</b>   |
| Banking fee and commission expense                      |       |                  |                  |
| - Transaction processing fees                           |       | (219,449)        | (127,401)        |
| - Cash sorting, handling and transporting charges       |       | (40,014)         | (20,686)         |
| - Customer loyalty programmes                           |       | (52,655)         | (32,101)         |
| - Re-distributed fees                                   |       | -                | (732)            |
| - Unclaimed balances                                    |       | (3,221)          | (2,741)          |
| <b>Fee and commission expense</b>                       |       | <b>(315,339)</b> | <b>(183,661)</b> |
| Trading income:   |       |                  |                  |
| - Fair value gains on securities trading                |       | 64,061           | 64,440           |
| - Foreign exchange gains                                |       | 389,642          | 280,442          |
| - Derivative instruments - Firststrand Group Companies  | 19.4  | -                | 1,114            |
| Profit on disposal of fair value through OCI            |       | 39,568           | -                |
| <b>Total fair value income</b>                          |       | <b>493,271</b>   | <b>345,996</b>   |
| <b>Other income and expenses</b>                        |       |                  |                  |
| - Foreign exchange losses                               |       | (52,317)         | (26,175)         |
| - (Loss)/gain on disposal of assets                     |       | (490)            | 495              |
| <b>Total other expense</b>                              |       | <b>(52,807)</b>  | <b>(25,680)</b>  |
| <b>Total non-interest revenue</b>                       |       | <b>1,027,516</b> | <b>853,408</b>   |

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.



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

| Figures in thousands of kwacha             | Notes | 30 June 2024     | 30 June 2023     |
|--|-------|------------------|------------------|
| <b>5 Operating expenses</b>                |       |                  |                  |
| Auditors fees                              | 5.1   | 4,486            | 3,954            |
| Depreciation                               | 5.2   | 82,848           | 76,723           |
| Operating lease charges                    | 5.3   | 8,382            | 6,499            |
| Professional fees                          | 5.4   | 402,121          | 265,488          |
| Staff costs                                | 5.5   | 546,969          | 475,604          |
| Other operating costs                      | 5.7   | 345,560          | 305,257          |
| <b>Operating expenses</b>                  |       | <b>1,390,366</b> | <b>1,133,525</b> |
| <b>5.1 Auditors' remuneration</b>          |       |                  |                  |
| - Audit fees                               |       | 4,443            | 3,904            |
| - Non audit fees                           |       | 43               | 50               |
| <b>Auditors' remuneration</b>              |       | <b>4,486</b>     | <b>3,954</b>     |
| <b>5.2 Depreciation</b>                    |       |                  |                  |
| Leasehold and equipment                    | 14    | 44,417           | 37,206           |
| - Leasehold improvements                   |       | 10,470           | 9,194            |
| <b>Equipment</b>                           |       | <b>33,947</b>    | <b>28,012</b>    |
| - Computer equipment                       |       | 21,241           | 18,681           |
| - Furniture and fittings                   |       | 3,178            | 3,074            |
| - Motor vehicles                           |       | 6,486            | 3,157            |
| - Office equipment                         |       | 3,042            | 3,100            |
| Right of use assets                        | 15    | 38,431           | 39,517           |
| <b>Depreciation</b>                        |       | <b>82,848</b>    | <b>76,723</b>    |
| <b>5.3 Operating lease charges</b>         |       |                  |                  |
| - Short term lease charge                  |       | 8,366            | 6,670            |
| - Low value lease charge                   |       | 16               | 182              |
| - Modifications of leases                  |       | -                | (353)            |
| <b>Operating lease charges</b>             |       | <b>8,382</b>     | <b>6,499</b>     |
| <b>5.4 Professional fees</b>               |       |                  |                  |
| - Group service level agreements (SLAs)    | 19.4  | 367,575          | 237,528          |
| - Litigation fees                          |       | 2,975            | 1,402            |
| - Boz handling fees                        |       | 7,062            | 6,678            |
| - Management fees with local suppliers     |       | 17,168           | 12,680           |
| - Directors fees                           |       | 5,887            | 5,219            |
| - Other                                    |       | 1,454            | 1,981            |
| <b>Professional fees</b>                   |       | <b>402,121</b>   | <b>265,488</b>   |
| <b>5.5 Staff costs</b>                     |       |                  |                  |
| - Salaries, wages and allowances           |       | 428,195          | 378,565          |
| - Employee benefit scheme                  |       | 14,319           | 11,419           |
| - Contributions to employee benefit funds: |       | 33,630           | 25,854           |
| - National pension scheme authority        |       | 10,070           | 8,701            |
| - FNB zambia pension fund                  |       | 23,560           | 17,153           |
| - Medical aid fund                         |       | 19,321           | 16,925           |
| - Other staff related cost                 |       | 51,504           | 42,841           |
| <b>Staff cost</b>                          |       | <b>546,969</b>   | <b>475,604</b>   |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

| Figures in thousands of Kwacha   |  | Notes | 30 June 2024 | 30 June 2023 |
|--|--|-------|--------------|--------------|
| <b>5</b>   | <b>Operating expenses (continued)</b>                      |       |              |              |
| <b>5.5</b>   | <b>Staff cost (continued)</b>                              |       |              |              |
|  | <b>Non-executive Directors</b>                             |       |              |              |
|  | Service as Directors of First National Bank Zambia Limited |       | 5,887        | 4,661        |
|  | <b>Directors' remuneration</b>                             |       | 5,887        | 4,661        |
| <b>5.6</b>   | <b>Remunerations schemes</b>                               |       |              |              |
|  | Employee benefit scheme                                    | 5.5   | 14,319       | 11,419       |
|  | <b>Number of participants</b>                              |       | 32           | 31           |
| 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. |  |       |              |              |
| <b>5.7</b>   | <b>Other operating costs</b>                               |       |              |              |
|  | - Insurance  |       | 10,101       | 7,851        |
|  | - Training   |       | 14,017       | 12,305       |
|  | - Advertising and marketing                                |       | 32,341       | 35,712       |
|  | - Entertainment  |       | 5,902        | 7,018        |
|  | - Operational losses                                       |       | 5,426        | 1,517        |
|  | - Legal costs  |       | 5,258        | 5,842        |
|  | - Maintenance  |       | 25,068       | 21,136       |
|  | - Property related costs                                   |       | 12,455       | 12,800       |
|  | - Computer expenses  |       | 19,677       | 21,663       |
|  | - Stationery   |       | 8,997        | 6,929        |
|  | - Telecommunications                                       |       | 24,073       | 23,796       |
|  | - Storage and delivery                                     |       | 4,437        | 4,425        |
|  | - Service fees and bank charges                            |       | 23,708       | 2,746        |
|  | - Business travel  |       | 20,117       | 15,723       |
|  | - Supervisory fees   |       | 30,728       | 24,891       |
|  | - Indirect taxation  |       | 95,390       | 96,372       |
|  | - Other operating expenditure                              |       | 7,865        | 4,531        |
|  | <b>Other operating costs</b>                               |       | 345,560      | 305,257      |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

| Figures in thousands of Kwacha |  | 30 June 2024   |              | 30 June 2023   |
|--------------------------------|--|----------------|--------------|----------------|
| <b>6</b>                       | <b>Income tax</b>  |                |              |                |
| <b>6.1</b>                     | <b>Income tax expense</b>                                    |                |              |                |
|                                | Current tax  |                |              |                |
|                                | - Current year   | 432,971        |              | 316,707        |
|                                | - Prior years under provision                                | 3,271          |              | 6,511          |
|                                | Deferred income tax  |                |              |                |
|                                | - Deferred tax temporary differences                         | (33,302)       |              | (6,697)        |
|                                | <b>Income tax</b>  | <b>402,940</b> |              | <b>316,521</b> |
|                                | <b>Tax rate reconciliation</b>                               |                |              |                |
|                                | %  |                | %            |                |
|                                | Profit before tax  | 1,247,261      |              | 1,063,184      |
|                                | Income tax using domestic tax rate                           | 30             | 30           | 318,955        |
|                                | Effective tax charge as per income statement                 | 32.3           | 29.8         | 316,521        |
|                                | <b>Difference</b>  | <b>2.3</b>     | <b>(0.2)</b> | <b>2,434</b>   |
|                                | <b>Difference explained by:</b>                              |                |              |                |
|                                | - Expenses (not allowable) / non deductible for tax purposes | 2.3            | (0.2)        | 2,434          |
|                                | <b>Total</b>   | <b>2.3</b>     | <b>(0.2)</b> | <b>2,434</b>   |
| <b>6.2</b>                     | <b>Current tax asset</b>                                     |                |              |                |
|                                | Opening balance  | 125,144        |              | 127,772        |
|                                | Amount paid during the year                                  | 337,176        |              | 320,590        |
|                                | Income tax charge  | (412,280)      |              | (323,218)      |
|                                | <b>Closing balance</b>                                       | <b>50,040</b>  |              | <b>125,144</b> |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 2024    | 30 June 2023   |
|--|-----------------|----------------|
| <b>Deferred income tax assets</b>                            |                 |                |
| Provision for staff and other expenses                       | 37,411          | 29,405         |
| Provision for impairment                                     | 128,971         | 101,028        |
| <b>Total deferred income tax asset</b>                       | <b>166,382</b>  | <b>130,433</b> |
| <b>Deferred income tax liabilities</b>                       |                 |                |
| Property and equipment                                       | (10,739)        | (2,882)        |
| Deferred tax on fair value movement on investment securities | 560             | (5,209)        |
| <b>Total deferred income tax liability</b>                   | <b>(10,179)</b> | <b>(8,091)</b> |
| <b>Net deferred income tax asset</b>                         | <b>156,203</b>  | <b>122,342</b> |

### 6.4 Movement in temporary differences during the year

| Figures in thousands of Kwacha                   | Balance<br>30 June<br>2022 | Recognised<br>in the<br>income<br>statement | Balance<br>30 June<br>2023 | Recognised<br>in the<br>income<br>statement | Charged to<br>equity | Balance<br>30 June<br>2024 |
|--|----------------------------|---|----------------------------|---|----------------------|----------------------------|
| Provision for staff and other operating expenses | 18,305                     | 11,100                                      | 29,405                     | 8,006                                       | -                    | 37,411                     |
| Provision for impairment                         | 95,663                     | 5,365                                       | 101,028                    | 27,943                                      | -                    | 128,971                    |
| Property and equipment                           | 6,886                      | (9,768)                                     | (2,882)                    | (7,857)                                     | -                    | (10,739)                   |
| Fair value through other comprehensive income    | -                          | -   | ( 5,209)                   | -   | 5,769                | 560                        |
|  | 120,854                    | 6,697                                       | 122,342                    | 28,092                                      | 5,769                | 156,203                    |



## First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

### 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 59 to page 85 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 2024

| 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      |
|---|-------|-------------------|--------------------------------------|---------------------------|---|-------------------|-----------------|-------------------|------------------|
| <b>ASSETS</b>   |       |                   |                                      |                           |   |                   |                 |                   |                  |
| Cash at bank  | 8     | 6,012,214         | -                                    | -                         | -   | 6,012,214         | -               | 3,032,693         | 2,979,521        |
| Derivative financial instruments                                  | 9     | -                 | 75,487                               | -                         | -   | 75,487            | -               | 75,487            | -                |
| Other investments designated at fair value through profit or loss | 10    | -                 | 1,210                                | -                         | -   | 1,210             | 1,210           | -                 | -                |
| Investment securities   | 10    | 5,115,953         | 131,033                              | -                         | 669,113                                       | 5,916,099         | -               | 3,245,358         | 2,670,741        |
| Loans and advances  | 11    | 6,309,602         | -                                    | -                         | -   | 6,309,602         | -               | 4,331,227         | 1,978,375        |
| Other assets  | 13    | 301,317           | -                                    | 173,938                   | -   | 475,255           | 173,938         | 301,317           | -                |
| Current tax asset   | 6.2   | -                 | -                                    | 50,040                    | -   | 50,040            | -               | 50,040            | -                |
| Property and equipment  | 14    | -                 | -                                    | 192,612                   | -   | 192,612           | -               | -                 | 192,612          |
| Right of use of assets  | 15    | -                 | -                                    | 148,251                   | -   | 148,251           | -               | -                 | 148,251          |
| Deferred income tax asset   | 6.3   | -                 | -                                    | 156,203                   | -   | 156,203           | -               | -                 | 156,203          |
| <b>Total assets</b>   |       | <b>17,739,086</b> | <b>207,730</b>                       | <b>721,044</b>            | <b>669,113</b>                                | <b>19,336,973</b> | <b>175,148</b>  | <b>11,036,122</b> | <b>8,125,703</b> |
| <b>LIABILITIES</b>  |       |                   |                                      |                           |   |                   |                 |                   |                  |
| Derivative financial instruments                                  | 9     | -                 | 68,732                               | -                         | -   | 68,732            | -               | 68,732            | -                |
| Deposits  | 16    | 15,485,697        | -                                    | -                         | -   | 15,485,697        | -               | 13,190,122        | 2,295,575        |
| Employee liabilities  | 17    | -                 | -                                    | 95,175                    | -   | 95,175            | -               | 95,175            | -                |
| Creditors and accruals  | 18    | 619,573           | -                                    | -                         | -   | 619,574           | -               | 333,387           | 286,186          |
| Lease Liability   | 20    | 128,392           | -                                    | -                         | -   | 128,392           | -               | 41,085            | 87,307           |
| <b>Total liabilities</b>  |       | <b>16,233,662</b> | <b>68,732</b>                        | <b>95,175</b>             | <b>-</b>                                      | <b>16,397,569</b> | <b>-</b>        | <b>13,728,501</b> | <b>2,669,068</b> |

## First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

### 7. Analysis of Assets and Liabilities

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      |
|---|-------|-------------------|--------------------------------------|---------------------------|---|-------------------|-----------------|-------------------|------------------|
| <b>ASSETS</b>   |       |                   |                                      |                           |   |                   |                 |                   |                  |
| Cash at bank  | 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 designated 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    | -                 | -                                    | 56,928                    | -   | 56,928            | -               | 1,745             | 55,183           |
| Deferred income tax asset   | 6.3   | -                 | -                                    | 122,342                   | -   | 122,342           | -               | -                 | 122,342          |
| <b>Total assets</b>   |       | <b>12,539,747</b> | <b>295,309</b>                       | <b>607,914</b>            | <b>562,305</b>                                | <b>14,005,275</b> | <b>139,998</b>  | <b>7,673,187</b>  | <b>6,192,090</b> |
| <b>LIABILITIES</b>  |       |                   |                                      |                           |   |                   |                 |                   |                  |
| 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           |
| <b>Total liabilities</b>  |       | <b>11,788,210</b> | <b>31,048</b>                        | <b>77,471</b>             | <b>-</b>                                      | <b>11,896,729</b> | <b>-</b>        | <b>11,071,572</b> | <b>825,157</b>   |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

| Figures in thousands of Kwacha  | Notes | 30 June 2024     | 30 June 2023 |
|---|-------|------------------|--------------|
| <b>8. Cash at bank</b>  |       |                  |              |
| Bank notes  |       | 522,571          | 445,198      |
| Money at call and short notice  |       | 880,409          | 273,461      |
| Balances with central bank  |       | 1,375,104        | 290,600      |
| Balances with group companies   | 19.2  | 254,609          | 81,231       |
| Cash and cash equivalents per cash flow statement                                   |       | 3,032,693        | 1,090,490    |
| Statutory reserve balances  |       | 2,979,521        | 1,237,084    |
| Total cash at bank as per balance sheet   |       | 6,012,214        | 2,327,574    |
| Refer to note 7 for current and non-current analysis for cash and cash equivalents. |       |                  |              |
| <b>Total balances with central bank</b>   |       | <b>4,354,625</b> | 1,527,684    |

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 26% as at June 2024 (2023: 11.5%) of outstanding customer deposits over a cash reserve cycle period of one week.

Effective June 2024, the Bank of Zambia issued a new directive which allows commercial banks to comply with the statutory reserve ratio by holding a combination of cash on deposit and eligible government securities. The face value of the eligible government securities in this combination shall not exceed 40% of the minimum local currency reserve requirement. As a result, banks can now split the statutory reserve ratio amount into 60% cash deposits and 40% eligible government securities. This is not considered as 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.

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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.

| Figures in thousands of Kwacha  | Assets   |            | Liabilities |            |
|---|----------|------------|-------------|------------|
|   | Notional | Fair value | Notional    | Fair value |
| <b>30 June 2024</b>   |          |            |             |            |
| Currency derivatives  | 319,309  | 20,932     | 133,566     | 14,977     |
| Forward foreign exchange contracts  | 26,318   | 38,698     | 337,416     | 41,292     |
| Total   | 345,627  | 59,630     | 470,982     | 56,269     |
| Currency swap spot transactions with related companies ( notes 19.2 & 19.3) | 177,112  | 15,857     | 163,332     | 12,463     |
|   | 522,739  | 75,487     | 634,314     | 68,732     |
| <b>30 June 2023</b>   |          |            |             |            |
| Currency derivatives  |          |            |             |            |
| Forward foreign exchange contracts  | 127,539  | 14,618     | 67,018      | 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     | 1,992      |
|   | 414,120  | 34,398     | 640,090     | 31,048     |

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.



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 10. Investment Securities and other Investments

30 June 2024

| Figures in thousands of Kwacha  | Fair value through profit or loss | Fair value through other comprehensive income | Other investments designated at Fair Value through profit or loss | Amortised cost   | Total            |
|---|-----------------------------------|---|---|------------------|------------------|
| Government Bonds  | 131,033                           | 686,060                                       |   | 3,299,303        | 4,116,396        |
| Treasury Bills  | -                                 | -   | -   | 1,897,762        | 1,897,762        |
| <b>Total investment securities</b>  | <b>131,033</b>                    | <b>686,060</b>                                | <b>-</b>  | <b>5,197,065</b> | <b>6,014,158</b> |
| Investment in swift   | -                                 | -   | 1,210   | -                | 1,210            |
| <b>Total gross carrying amount of investment securities</b>                               | <b>131,033</b>                    | <b>686,060</b>                                | <b>1,210</b>  | <b>5,197,065</b> | <b>6,015,368</b> |
| Loss allowance on investments securities and other investments measured at amortised cost | -                                 | (16,947)                                      | -   | (81,112)         | (98,059)         |
| <b>Net investment securities</b>  | <b>131,033</b>                    | <b>669,113</b>                                | <b>1,210</b>  | <b>5,115,953</b> | <b>5,917,309</b> |

Included in the K 1.9 billion of treasury bills investment is K 952 million (US\$ 40 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 2023   |      | 6,828,801        | -        | -        | 6,828,801        |
| Additions   |      | 2,345,052        | -        | -        | 2,345,052        |
| Maturities  |      | (4,344,114)      | -        | -        | (4,344,114)      |
| Accrued interest  |      | 367,324          | -        | -        | 367,324          |
| Amount as at 30 June 2024   |      | <b>5,197,065</b> | <b>-</b> | <b>-</b> | <b>5,197,065</b> |
| Reconciliation of the loss allowance - Investment securities measured at amortised cost |      |                  |          |          |                  |
| <b>Figures in thousands of Kwacha</b>   |      |                  |          |          |                  |
| Amount as at 30 June 2023   |      | 106,533          | -        | -        | 106,533          |
| Changes in exposure   | 3    | (8,474)          | -        | -        | (8,474)          |
| Amount as at 30 June 2024   |      | <b>98,059</b>    | <b>-</b> | <b>-</b> | <b>98,059</b>    |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 10 Investment Securities and other Investments (continued)

30 June 2023

| Figures in thousands of Kwacha  | Fair value through profit or loss | Fair value through other comprehensive income | Other investments designated at 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        |
| <b>Total investment securities</b>  | <b>259,701</b>                    | <b>562,305</b>                                | <b>-</b>  | <b>6,828,801</b> | <b>7,650,807</b> |
| Investment in swift   | -                                 | -   | 1,210   | -                | 1,210            |
| <b>Total gross carrying amount of investment securities</b>                               | <b>259,701</b>                    | <b>562,305</b>                                | <b>1,210</b>  | <b>6,828,801</b> | <b>7,652,017</b> |
| Loss allowance on investments securities and other investments measured at amortised cost | -                                 | -   | -   | (106,533)        | (106,533)        |
| <b>Net investment securities</b>  | <b>259,701</b>                    | <b>562,305</b>                                | <b>1,210</b>  | <b>6,722,268</b> | <b>7,545,484</b> |

### 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   |      | <b>6,828,801</b> | <b>-</b> | <b>-</b> | <b>6,828,801</b> |
| Reconciliation of the loss allowance - Investment securities measured at amortised cost |      |                  |          |          |                  |
| Amount as at 30 June 2023   |      | 93,495           | -        | -        | 93,495           |
| Changes in exposure   | 3    | 13,038           | -        | -        | 13,038           |
| Amount as at 30 June 2023   |      | <b>106,533</b>   | <b>-</b> | <b>-</b> | <b>106,533</b>   |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 11 Loans and Advances

| Figures in thousands of Kwacha             | 30 June<br>2024  | 30 June<br>2023  |
|--|------------------|------------------|
| <b>Sector analysis</b>                     |                  |                  |
| Agriculture                                | 1,138,467        | 453,060          |
| Financial services                         | 13,359           | 8,333            |
| Building and property development          | 152,236          | 158,806          |
| Individuals                                | 1,481,478        | 993,650          |
| Manufacturing and commerce                 | 1,746,759        | 1,033,797        |
| Mining                                     | 1,152,580        | 365,604          |
| Transport and communication                | 944,770          | 547,788          |
| Other services                             | 84,417           | 82,220           |
| <b>Gross loans and advances</b>            | <b>6,714,066</b> | <b>3,643,258</b> |
| Impairment of loans and advances (note 12) | (404,464)        | (264,067)        |
| <b>Net loans and advances</b>              | <b>6,309,602</b> | <b>3,379,191</b> |

All loans and advances are in Zambia

|  |                  |                  |
|--|------------------|------------------|
| <b>Category analysis</b>                   |                  |                  |
| Overdrafts                                 | 4,130,570        | 1,678,562        |
| Term loans                                 | 904,166          | 779,681          |
| Credit card                                | 26,303           | 7,717            |
| Lease payment receivable                   | 174,990          | 130,093          |
| Property finance                           | 185,366          | 215,734          |
| - Home loans                               | 109,978          | 110,008          |
| - Commercial property finance              | 75,388           | 105,726          |
| Personal loans                             | 1,292,671        | 831,471          |
| <b>Gross loans and advances</b>            | <b>6,714,066</b> | <b>3,643,258</b> |
| Impairment of loans and advances (note 12) | (404,464)        | (264,067)        |
| <b>Net loans and advances</b>              | <b>6,309,602</b> | <b>3,379,191</b> |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 11 Loans and Advances (continued)

Figures in thousands of Kwacha

Classification of loans and advances

**30 June 2024**

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 2023        | 3,424,789 | 114,990  | 103,479  | 3,643,258 |
| Transfer from stage 1 to stage 2 | (124,793) | 124,793  | -        | -         |
| Transfer from stage 1 to stage 3 | (7,077)   | -        | 7,077    | -         |
| Transfer from stage 2 to stage 3 | -         | (21,018) | 21,018   | -         |
| Transfer from stage 2 to stage 1 | 25,588    | (25,588) | -        | -         |
| Transfer from stage 3 to stage 2 | -         | 308      | (308)    | -         |
| Transfer from stage 3 to stage 1 | 53,217    | -        | (53,217) | -         |
| Opening balance after transfers  | 3,371,724 | 193,485  | 78,049   | 3,643,258 |
| Bad debts written off            | -         | -        | (39,796) | (39,796)  |
| Changes in exposure              | 2,986,367 | 62,724   | 61,513   | 3,110,604 |
| Gross loans and advances         | 6,358,091 | 256,209  | 99,766   | 6,714,066 |
| Impairment of loans and advances | (238,153) | (91,510) | (74,801) | (404,464) |
| Net loans and advances           | 6,119,938 | 164,699  | 24,965   | 6,309,602 |

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 | -         | -        | -        | -         |
| 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 |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 11 Loans and Advances (continued)

Classification of loans and advances – Retail

30 June 2024

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 2023        | 879,004   | 58,060   | 29,700   | 966,764   |
| Transfer from stage 1 to stage 2 | (56,876)  | 56,876   | -        | -         |
| Transfer from stage 1 to stage 3 | (3,623)   | -        | 3,623    | -         |
| Transfer from stage 2 to stage 3 | -         | (1,815)  | 1,815    | -         |
| Transfer from stage 2 to stage 1 | 21,366    | (21,366) | -        | -         |
| Transfer from stage 3 to stage 2 | -         | 308      | (308)    | -         |
| Transfer from stage 3 to stage 1 | 3,035     | -        | (3,035)  | -         |
| Opening balance after transfers  | 842,906   | 92,063   | 31,795   | 966,764   |
| Bad debts written off            | -         | -        | (32,384) | (32,384)  |
| Changes in exposure              | 431,643   | 39,952   | 46,970   | 518,565   |
| Gross loans and advances         | 1,274,549 | 132,015  | 46,381   | 1,452,945 |
| Impairment of loans and advances | (76,157)  | (37,736) | (39,181) | (153,074) |
| Net loans and advances           | 1,198,392 | 94,279   | 7,200    | 1,299,871 |

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) |
| 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  |



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 11 Loans and Advances (continued)

Classification of loans and advances – Vehicle and Asset Finance

**30 June 2024**

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 2023        | 111,982 | 7,556   | 10,555  | 130,093 |
| Transfer from stage 1 to stage 2 | (853)   | 853     | -       | -       |
| Transfer from stage 1 to stage 3 | -       | -       | -       | -       |
| Transfer from stage 2 to stage 3 | -       | -       | -       | -       |
| Transfer from stage 2 to stage 1 | 4,002   | (4,002) | -       | -       |
| Transfer from stage 3 to stage 2 | -       | -       | -       | -       |
| Transfer from stage 3 to stage 1 | 494     | -       | (494)   | -       |
| Opening balance after transfers  | 115,625 | 4,407   | 10,061  | 130,093 |
| Bad debts written off            | -       | -       | (6,046) | (6,046) |
| Changes in exposure              | 51,482  | 422     | (961)   | 50,943  |
| Gross loans and advances         | 167,107 | 4,829   | 3,054   | 174,990 |
| Impairment of loans and advances | (2,578) | (1,347) | (1,436) | (5,361) |
| Net loans and advances           | 164,529 | 3,482   | 1,618   | 169,629 |

Classification of loans and advances – Vehicle and Asset Finance

**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)  |
| 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  |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 11 Loans and Advances (continued)

Classification of loans and advances – Corporate and Commercial

### 30 June 2024

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 2023                  | 2,433,802 | 49,372   | 63,227   | 2,546,401 |
| Transfer from stage 1 to stage 2           | (67,065)  | 67,065   |          | -         |
| Transfer from stage 1 to stage 3           | (3,454)   |          | 3,454    | -         |
| Transfer from stage 2 to stage 3           |           | (19,203) | 19,203   | -         |
| Transfer from stage 2 to stage 1           | 220       | (220)    |          | -         |
| Transfer from stage 3 to stage 2           |           |          |          | -         |
| Transfer from stage 3 to stage 1           | 49,688    |          | (49,688) | -         |
| Opening balance after transfers            | 2,413,191 | 97,014   | 36,196   | 2,546,401 |
| Bad debts written off                      | -         | -        | (1,366)  | (1,366)   |
| New business and other changes in exposure | 2,503,244 | 22,349   | 15,503   | 2,541,096 |
| Gross loans and advances                   | 4,916,435 | 119,363  | 50,333   | 5,086,131 |
| Impairment of loans and advances           | (159,415) | (52,429) | (34,185) | (246,029) |
| Net loans and advances                     | 4,757,020 | 66,934   | 16,148   | 4,840,102 |

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 2023        | 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)  |
| 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 |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 11 Loans and Advances (continued)

| Figures in thousands of Kwacha            | Within 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Between 4 and 5 years | Total          |
|---|---------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------|
| <b>30 June 2024</b>                       |               |                       |                       |                       |                       |                |
| Analysis of lease payments receivable     |               |                       |                       |                       |                       |                |
| Lease payments receivable                 | 6,158         | 47,987                | 86,772                | 62,354                | 15,337                | 218,608        |
| Less: Unearned finance charges            | (460)         | (6968)                | (19,811)              | (11,155)              | (5,224)               | (43,618)       |
| <b>Total net lease payment receivable</b> | <b>5,698</b>  | <b>41,019</b>         | <b>66,961</b>         | <b>51,199</b>         | <b>10,113</b>         | <b>174,990</b> |
| <b>30 June 2023</b>                       |               |                       |                       |                       |                       |                |
| Analysis of lease payments receivable     |               |                       |                       |                       |                       |                |
| Lease payments receivable                 | 7,498         | 12,316                | 68,627                | 21,349                | 50,268                | 160,058        |
| Less: Unearned finance charges            | (369)         | (1,755)               | (13,653)              | (5,406)               | (8,782)               | (29,965)       |
| <b>Total net lease payment receivable</b> | <b>7,129</b>  | <b>10,561</b>         | <b>54,974</b>         | <b>15,943</b>         | <b>41,486</b>         | <b>130,093</b> |

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

|   | 30 June 2024     | 30 June 2023     |
|---|------------------|------------------|
| <b>Maturity analysis</b>  |                  |                  |
| Within one year   | 4,331,227        | 1,859,389        |
| Between one and five years  | 1,726,484        | 1,275,431        |
| More than five years  | 251,891          | 244,371          |
|   | <b>6,309,602</b> | <b>3,379,191</b> |
| 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:                                  |                  |                  |
| - Directors   | 533              | 174              |
| repayable within:   |                  |                  |
| - Within one year   | 42               | 174              |
| - Over one year   | 491              | -                |
|   | <b>533</b>       | <b>174</b>       |



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 2024

| Total   | Total impairment | Stage 1 | Stage 2 | Stage 3  |
|---|------------------|---------|---------|----------|
| Amount as at 30 June 2023   | 264,067          | 104,648 | 73,172  | 86,247   |
| Transfer from stage 1 to stage 2  | -                | (6,176) | 6,176   | -        |
| Transfer from stage 1 to stage 3  | -                | (335)   | -       | 335      |
| Transfer from stage 2 to stage 3  | -                | -       | (1,013) | 1,013    |
| Transfer from stage 2 to stage 1  | -                | 3,318   | (3,318) | -        |
| Transfer from stage 3 to stage 2  | -                | -       | 62      | (62)     |
| Transfer from stage 3 to stage 1  | -                | 2,695   | -       | (2,695)  |
| Opening balance after transfers   | 264,067          | 104,150 | 75,079  | 84,838   |
| Bad debts written off   | (39,797)         | -       | -       | (39,797) |
| Changes in exposure   | 180,194          | 134,002 | 16,432  | 29,760   |
| Amount as at 30 June 2024   | 404,464          | 238,152 | 91,511  | 74,801   |
| <b>Impairment recognised in income statement</b>  |                  |         |         |          |
| Impairment created/(released) for the current reporting year including interest in suspense (ISP) | 180,194          | 134,002 | 16,432  | 29,760   |
| Loans and advances ISP/stage 3 interest   | (24,089)         | -       | -       | (24,089) |
| Impairment created/(released) for the current reporting year excluding ISP                        | 156,105          | 134,002 | 16,432  | 5,671    |
| Post write off recoveries   | (61,160)         | -       | -       | (61,160) |
| Impairment recognised in income statement   | 94,945           | 134,002 | 16,432  | (55,489) |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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     |         |          |          |
|---|---------|------------------|---------|----------|----------|
| 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  |         | -                | 4,951   | (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) |
| 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   |
| <b>Impairment recognised in income statement</b>  |         |                  |         |          |          |
| 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) |



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 2024 |         |          |
|--|------------------|--------------|---------|----------|
| Retail   | Total impairment | Stage 1      | Stage 2 | Stage 3  |
| Amount as at 30 June 2023  | 99,311           | 36,728       | 34,273  | 28,310   |
| Transfer from stage 1 to stage 2   | -                | (3,237)      | 3,237   | -        |
| Transfer from stage 1 to stage 3   | -                | (148)        | -       | 148      |
| Transfer from stage 2 to stage 3   | -                | -            | (353)   | 353      |
| Transfer from stage 2 to stage 1   | -                | 3,193        | (3,193) | -        |
| Transfer from stage 3 to stage 2   | -                | -            | 62      | (62)     |
| Transfer from stage 3 to stage 1   | -                | 65           | -       | (65)     |
| Opening balance after transfers  | 99,311           | 36,601       | 34,026  | 28,684   |
| Bad debts written off  | (32,384)         | -            | -       | (32,384) |
| Changes in exposure  | 86,147           | 39,556       | 3,710   | 42,881   |
| Amount as at 30 June 2024  | 153,074          | 76,157       | 37,736  | 39,181   |
| <b>Impairment recognised in income statement</b>                           |                  |              |         |          |
| Impairment created/(released) for the current reporting year excluding ISP | 78,065           | 39,556       | 3,710   | 34,799   |
| Post write off recoveries  | (8,087)          | -            | -       | (8,087)  |
| Impairment recognised in income statement                                  | 69,978           | 39,556       | 3,710   | 26,712   |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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) |
| 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   |
| <b>Impairment recognised in income statement</b>                           |                  |              |         |          |
| 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   |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 2024 |         |          |
|--|------------------|--------------|---------|----------|
| Corporate and Commercial   | Total impairment | Stage 1      | Stage 2 | Stage 3  |
| Amount as at 30 June 2023  | 153,743          | 66,646       | 36,715  | 50,382   |
| Transfer from stage 1 to stage 2   | -                | (2,929)      | 2,929   | -        |
| Transfer from stage 1 to stage 3   | -                | (187)        | -       | 187      |
| Transfer from stage 2 to stage 3   | -                | -            | (660)   | 660      |
| Transfer from stage 3 to stage 2   | -                | 27           | (27)    | -        |
| Transfer from stage 2 to stage 1   | -                | -            | -       | -        |
| Transfer from stage 3 to stage 1   | -                | 2,334        | -       | (2,334)  |
| Opening balance after transfers  | 153,743          | 65,891       | 38,957  | 48,895   |
| Bad debts written off  | (1,366)          | -            | -       | (1,366)  |
| Changes in exposure  | 93,652           | 93,524       | 13,472  | (13,344) |
| Closing balance 30 June 2024   | 246,029          | 159,415      | 52,429  | 34,185   |
| <b>Impairment recognised in income statement</b>                           |                  |              |         |          |
| Impairment created/(released) for the current reporting year excluding ISP | 78,393           | 93,524       | 13,472  | (28,603) |
| Post write off recoveries  | (50,902)         | -            | -       | (50,902) |
| Impairment recognised in income statement                                  | 27,491           | 93,524       | 13,472  | (79,505) |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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) |
| Changes in exposure  | (45,877)         | (19,267)     | (40,930) | 14,320   |
| Closing balance 30 June 2023   | 153,743          | 66,646       | 30,565   | 56,532   |
| <b>Impairment recognised in income statement</b>                           |                  |              |          |          |
| 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) |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 2024

| Vehicle and Asset Finance  | Total impairment | Stage 1 | Stage 2 | Stage 3 |
|--|------------------|---------|---------|---------|
| Amount as at 30 June 2023  | 11,013           | 1,274   | 2,184   | 7,555   |
| Transfer from stage 1 to stage 2   | -                | (11)    | 11      | -       |
| Transfer from stage 3 to stage 2   | -                | -       | -       | -       |
| Transfer from stage 2 to stage 3   | -                | 99      | (99)    | -       |
| Transfer from stage 2 to stage 1   | -                | 296     | -       | (296)   |
| Opening balance after transfers  | 11,013           | 1,658   | 2,096   | 7,259   |
| Bad debts written off  | (6,046)          | -       | -       | (6,046) |
| Changes in exposure  | 394              | 920     | (749)   | 223     |
| Closing balance 30 June 2024   | 5,361            | 2,578   | 1,347   | 1,436   |
| <b>Impairment recognised in income statement</b>                           |                  |         |         |         |
| Impairment created/(released) for the current reporting year excluding ISP | (353)            | 920     | (749)   | (524)   |
| Post write off recoveries  | (2,171)          | -       | -       | (2,171) |
| Impairment recognised in income statement                                  | (2,524)          | 920     | (749)   | (2,695) |



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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) |
| Changes in exposure  | 2,477            | 125     | 1,730   | 622     |
| Closing balance 30 June 2023   | 11,014           | 1,275   | 2,184   | 7,555   |
| <b>Impairment recognised in income statement</b>                           |                  |         |         |         |
| 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) |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 12.1 Impairment of loans and advances (continued)

### Analysis of NPLs

Figures in thousands of Kwacha

30 June 2024

|   | Total gross<br>NPL's | Write offs    | Total Net<br>NPL's | Impact of<br>Security | Specific<br>provision |
|---|----------------------|---------------|--------------------|-----------------------|-----------------------|
| <b>Category analysis</b>                          |                      |               |                    |                       |                       |
| Overdrafts and managed accounts                   | 39,159               | 15,483        | 23,676             | 11,085                | 12,590                |
| Term loans  | 72,613               | 5,093         | 67,520             | 11,951                | 55,569                |
| Lease payments receivable                         | 9,101                | 6,046         | 3,055              | 1,619                 | 1,436                 |
| Home loans  | 18,692               | 13,174        | 5,518              | 313                   | 5,206                 |
| Commercial property finance                       | -                    | -             | -                  | -                     | -                     |
| Personal loans                                    | -                    | -             | -                  | -                     | -                     |
| <b>Total</b>                                      | <b>139,565</b>       | <b>39,796</b> | <b>99,769</b>      | <b>24,968</b>         | <b>74,801</b>         |
| <b>Geographic analysis (based on credit risk)</b> |                      |               |                    |                       |                       |
| Zambia  | 139,565              | 39,796        | 99,769             | 24,968                | 74,801                |
|   |                      |               |                    |                       |                       |
|   |                      |               |                    |                       | 30 June<br>2023       |
| 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                         | 12,952               | 2,397         | 10,555             | 3,000                 | 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                |
| <b>Total</b>                                      | <b>173,198</b>       | <b>69,716</b> | <b>103,482</b>     | <b>17,236</b>         | <b>86,246</b>         |
| <b>Geographic analysis (based on credit risk)</b> |                      |               |                    |                       |                       |
| Zambia  | 173,198              | 69,716        | 103,482            | 17,236                | 86,246                |

On-Going Risk Management will continue to pursue written off balances to the extent of K568 million (2023: K592 million).

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 12.2 Impairment of Loans and Advances (Continued)

|   |                                    |               |                                  |                                     | 30 June 2024  |
|---|------------------------------------|---------------|----------------------------------|-------------------------------------|---------------|
| Figures in thousands of Kwacha                    | Total gross credit impaired assets | Write offs    | Total net credit impaired assets | Security held & expected recoveries | Impairment    |
| <b>Sector analysis</b>                            |                                    |               |                                  |                                     |               |
| Agriculture                                       | 11,136                             | 744           | 10,392                           | 2,300                               | 8,092         |
| Financial services                                | 563                                | 8             | 555                              | 113                                 | 442           |
| Building and property development                 | 22,660                             | 87            | 22,573                           | 8,721                               | 13,851        |
| Individuals                                       | 87,866                             | 38,430        | 49,436                           | 8,821                               | 40,616        |
| Manufacturing and commerce                        | 8,069                              | 157           | 7,912                            | 2,288                               | 5,625         |
| Mining  | 3,213                              | 243           | 2,970                            | 803                                 | 2,166         |
| Transport and communication                       | 5,591                              | 85            | 5,506                            | 1,913                               | 3,592         |
| Other services                                    | 467                                | 42            | 425                              | 9                                   | 417           |
| <b>Total</b>                                      | <b>139,565</b>                     | <b>39,796</b> | <b>99,769</b>                    | <b>24,968</b>                       | <b>74,801</b> |
| <b>Geographic analysis (based on credit risk)</b> |                                    |               |                                  |                                     |               |
| Zambia  | 139,565                            | 39,796        | 99,769                           | 24,968                              | 74,801        |
|   |                                    |               |                                  |                                     |               |
|   |                                    |               |                                  |                                     | 30 June 2023  |
| Agriculture                                       | 19,809                             | 16,287        | 3,522                            | 440                                 | 3,082         |
| Other 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            |
| <b>Total</b>                                      | <b>173,198</b>                     | <b>69,716</b> | <b>103,482</b>                   | <b>17,236</b>                       | <b>86,246</b> |
| <b>Geographic analysis (based on credit risk)</b> |                                    |               |                                  |                                     |               |
|   | -                                  | -             | -                                | -                                   | -             |
| Zambia  | 173,198                            | 69,716        | 103,482                          | 17,236                              | 86,246        |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 13 Other assets

| Figures in thousands of Kwacha       | 30 June<br>2024 | 30 June<br>2023 |
|--------------------------------------|-----------------|-----------------|
| Items in transit                     | 170,579         | 69,460          |
| Mark to market on loans and advances | 135,164         | 97,330          |
| Suspense and clearing accounts       | 102,875         | 27,341          |
| Prepayments*                         | 31,242          | 33,813          |
| Other accounts receivable            | 34,683          | 20,496          |
| Balances with group companies        | 19.2            | 1,062           |
| <b>Total other assets</b>            | <b>475,255</b>  | <b>249,502</b>  |

\*Included in the prepaid amount of K31.2 million is K25.5 million (June 2023 :K21.1 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.

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 14 Property and Equipment

|   |                        |                    |                        |                |                  |                                 | 30 June 2024 |
|---|------------------------|--------------------|------------------------|----------------|------------------|---------------------------------|--------------|
| Figures in thousands of Kwacha                        | Leasehold improvements | Computer equipment | Furniture and fittings | Motor vehicles | Office equipment | Capital work in progress (CWIP) | Total        |
| Movement in property and equipment                    |                        |                    |                        |                |                  |                                 |              |
| Cost At 1 July 2023                                   | 94,030                 | 125,060            | 29,233                 | 25,353         | 103,522          | 39,669                          | 416,867      |
| Disposal  | (4,951)                | (1)                | (1,458)                | -              | (988)            | -                               | (7,398)      |
| Additions   | 7,777                  | 690                | 5,031                  | -              | (3,243)          | 62,563                          | 72,818       |
| Transfer from CWIP                                    | 7,216                  | 22,234             | 53                     | 10,158         | 8                | (39,669)                        | -            |
| Cost at 30 June 2024                                  | 104,072                | 147,983            | 32,859                 | 35,511         | 99,299           | 62,563                          | 482,287      |
| Accumulated depreciation                              |                        |                    |                        |                |                  |                                 |              |
| At 1 July 2023  | 58,546                 | 75,757             | 20,598                 | 6,797          | 90,457           | -                               | 252,155      |
| Depreciation on disposal                              | (4,951)                | (1)                | (958)                  | 1              | (988)            | -                               | (6,897)      |
| Depreciation charge for the year                      | 10,470                 | 21,241             | 3,178                  | 6,486          | 3,042            | -                               | 44,417       |
| Accumulated depreciation & impairment at 30 June 2024 | 64,065                 | 96,997             | 22,818                 | 13,284         | 92,511           | -                               | 289,675      |
|   |                        |                    |                        |                |                  |                                 |              |
| Cost  | 104,072                | 147,983            | 32,859                 | 35,511         | 99,299           | 62,563                          | 482,287      |
| Less: Accumulated depreciation & impairment           | (64,065)               | (96,997)           | (22,818)               | (13,284)       | (92,511)         | -                               | (289,675)    |
| Net book value at 30 June 2024                        | 40,007                 | 50,986             | 10,041                 | 22,227         | 6,788            | 62,563                          | 192,612      |

The capital work in progress relates to property and equipment that has been purchased but not yet allocated to designated business units. Once allocated, and asset number and category has been determined, the asset is capitalised and allocated to the correct asset class. Depreciation commences on this date.



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 14 Property and Equipment (continued)

| Figures in thousands of Kwacha                                   |                        |                    |                        |                |                  |                                 | 30 June 2023   |
|--|------------------------|--------------------|------------------------|----------------|------------------|---------------------------------|----------------|
|  | Leasehold improvements | Computer equipment | Furniture and fittings | Motor vehicles | Office equipment | Capital work in progress (CWIP) | Total          |
| <b>Movement in property and equipment</b>                        |                        |                    |                        |                |                  |                                 |                |
| <b>Cost At 1 July 2022</b>                                       | <b>83,963</b>          | <b>100,366</b>     | <b>27,989</b>          | <b>16,866</b>  | <b>95,488</b>    | <b>6,735</b>                    | <b>331,407</b> |
| Disposal   | -                      | (190)              | -                      | (1,126)        | -                | -                               | (1,316)        |
| Transfers from CWIP  | 270                    | 1,575              | 209                    | -              | 4681             | (6,735)                         | -              |
| Additions  | 9,797                  | 23,309             | 1,035                  | 9,613          | 3,353            | 39,669                          | 86,776         |
| <b>Cost at 30 June 2023</b>                                      | <b>94,030</b>          | <b>125,060</b>     | <b>29,233</b>          | <b>25,353</b>  | <b>103,522</b>   | <b>39,669</b>                   | <b>416,867</b> |
| <b>Accumulated depreciation</b>                                  |                        |                    |                        |                |                  |                                 |                |
| At 1 July 2023   | 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         |
| <b>Accumulated depreciation &amp; impairment at 30 June 2023</b> | <b>58,546</b>          | <b>75,757</b>      | <b>20,598</b>          | <b>6,797</b>   | <b>90,457</b>    | <b>-</b>                        | <b>252,155</b> |
| <b>Cost</b>  | <b>94,030</b>          | <b>125,060</b>     | <b>29,233</b>          | <b>25,353</b>  | <b>103,522</b>   | <b>39,669</b>                   | <b>416,867</b> |
| Less: Accumulated depreciation & impairment                      | (58,546)               | (75,757)           | (20,598)               | (6,797)        | (90,457)         | -                               | (252,155)      |
| <b>Net book value at 30 June 2023</b>                            | <b>35,484</b>          | <b>49,303</b>      | <b>8,635</b>           | <b>18,556</b>  | <b>13,065</b>    | <b>39,669</b>                   | <b>164,712</b> |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 15 Right of Use Assets

| Figures in thousands of kwacha                                   | 30 June 2024                   |                                       |                 |
|--|--------------------------------|---------------------------------------|-----------------|
|  | Right of use assets – Property | Right of Use assets – lease hold land | Total           |
| <b>Movement in right of use asset</b>                            |                                |                                       |                 |
| <b>Cost</b>  |                                |                                       |                 |
| <b>At 1 July 2023</b>  | <b>129,456</b>                 | <b>-</b>                              | <b>129,456</b>  |
| Additions  | 87,102                         | 40,581                                | 127,683         |
| Disposals  | (40,751)                       | -                                     | (40,751)        |
| Early termination/modification of leases                         | 2,539                          | -                                     | 2,539           |
| <b>Cost at 30 June 2024</b>                                      | <b>178,346</b>                 | <b>40,581</b>                         | <b>218,927</b>  |
| <b>Accumulated depreciation</b>                                  |                                |                                       |                 |
| <b>At 1 July 2023</b>  | <b>72,528</b>                  | <b>-</b>                              | <b>72,528</b>   |
| Depreciation charge for year                                     | 38,431                         | -                                     | 38,431          |
| Disposal   | (40,283)                       | -                                     | (40,283)        |
| <b>Accumulated depreciation &amp; impairment at 30 June 2024</b> | <b>70,676</b>                  | <b>-</b>                              | <b>70,676</b>   |
| <b>Movement in right of use asset</b>                            |                                |                                       |                 |
| <b>Net book value</b>  |                                |                                       |                 |
| <b>At 1 July 2023</b>  | <b>56,928</b>                  | <b>-</b>                              | <b>56,928</b>   |
| Additions  | 87,102                         | 40,581                                | 127,683         |
| Disposal   | (468)                          | -                                     | (468)           |
| Depreciation   | (38,431)                       | -                                     | (38,431)        |
| Early termination/modification of leases                         | 2,539                          | -                                     | 2,539           |
| <b>Net book value at 30 June 2024</b>                            | <b>107,670</b>                 | <b>40,581</b>                         | <b>148,251</b>  |
| Cost   | 178,346                        | 40,581                                | 218,927         |
| <b>Less: accumulated depreciation and impairment</b>             | <b>(70,676)</b>                | <b>-</b>                              | <b>(70,676)</b> |
| <b>Net book value at 30 June 2024</b>                            | <b>107,670</b>                 | <b>40,581</b>                         | <b>148,251</b>  |

During the period the Bank entered into a lease agreement for land in Rhodespark, Lusaka, Zambia for a consideration of USD 1.3 million (ZMW 41 million equivalent). The site will be used for construction of the Bank's head office. The land is held on lease from the Zambian government. As required by international and local accounting standards, the acquisition has been classified as a right of use asset, to be depreciated over 76 years which is the remaining term of the lease.

There are no extension options embedded within the lease arrangement. At the end of the lease term, the Bank may request for an extension to the lease from the Government of Zambia. The decision to grant an extension resides solely with Government of Zambia.

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 15 Right of Use Assets (continued)

| Figures in thousands of Kwacha                                   | 30 June 2023                   |                            |                 |
|--|--------------------------------|----------------------------|-----------------|
|  | Right of Use Assets – Property | Right of Use Assets – Land | Total           |
| <b>Movement in Right of Use Asset</b>                            |                                |                            |                 |
| <b>Cost</b>  |                                |                            |                 |
| <b>At 1 July 2022</b>  | 121,002                        | -                          | 121,002         |
| Additions  | 32,124                         | -                          | 32,124          |
| Disposals  | (23,935)                       | -                          | (23,935)        |
| Early termination/modification of leases                         | 265                            | -                          | 265             |
| <b>Cost at 30 June 2023</b>                                      | <b>129,456</b>                 | <b>-</b>                   | <b>129,456</b>  |
| <b>Accumulated depreciation</b>                                  |                                |                            |                 |
| <b>At 1 July 2022</b>  | 55,951                         | -                          | 55,951          |
| Depreciation charge for year                                     | 39,517                         | -                          | 39,517          |
| Disposal   | (23,124)                       | -                          | (23,124)        |
| Depreciation on terminated/modified leases                       | 184                            | -                          | 184             |
| <b>Accumulated depreciation &amp; impairment at 30 June 2023</b> | <b>72,528</b>                  | <b>-</b>                   | <b>72,528</b>   |
| <b>Movement in Right of Use Asset</b>                            |                                |                            |                 |
| <b>Net book value</b>  |                                |                            |                 |
| <b>At 1 July 2022</b>  | 65,051                         | -                          | 65,051          |
| Additions  | 32,124                         | -                          | 32,124          |
| Disposal   | (811)                          | -                          | (811)           |
| Depreciation   | (39,701)                       | -                          | (39,701)        |
| Early termination/modification of leases                         | 265                            | -                          | 265             |
| <b>Net book Value at 30 June 2023</b>                            | <b>56,928</b>                  | <b>-</b>                   | <b>56,928</b>   |
| Cost   | 129,456                        | -                          | 129,456         |
| <b>Less: Accumulated depreciation and impairment</b>             | <b>(72,528)</b>                | <b>-</b>                   | <b>(72,528)</b> |
| <b>Net book value at 30 June 2023</b>                            | <b>56,928</b>                  | <b>-</b>                   | <b>56,928</b>   |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 16 Deposits

| Figures in thousands of Kwacha                    | Note | 30 June 2024      | 30 June 2023      |
|---|------|-------------------|-------------------|
| Deposit and current accounts                      |      |                   |                   |
| From group companies                              |      |                   |                   |
| - In the normal course of business                | 19.3 | 57,810            | 6,206             |
| - Call and current accounts                       |      | 11,156,551        | 7,863,264         |
| - Savings deposits                                |      | 647,414           | 448,735           |
| - Fixed and notice deposits - customers           |      | 3,169,015         | 2,504,680         |
| - BoZ - Targeted medium term refinancing facility |      | 454,907           | 563,148           |
| <b>Total deposits</b>                             |      | <b>15,485,697</b> | <b>11,386,033</b> |
| Repayable within one year                         |      | 13,190,122        | 10,720,849        |
| Repayable after one year                          |      | 2,295,575         | 665,184           |
| <b>Total deposits</b>                             |      | <b>15,485,697</b> | <b>11,386,033</b> |
| Geographic analysis (based on counterparty risk)  |      |                   |                   |
| Zambia  |      | 15,485,093        | 11,385,426        |
| UK  |      | 604               | 607               |
| <b>Total deposits and current accounts</b>        |      | <b>15,485,697</b> | <b>11,386,033</b> |
| <b>Sector analysis</b>                            |      |                   |                   |
| Non financial corporate customers                 |      | 7,482,040         | 5,118,960         |
| Retail customers                                  |      | 5,234,204         | 4,269,268         |
| Public sector entities                            |      | 840,783           | 617,488           |
| Sovereigns  |      | 564,312           | 690,867           |
| Financial corporate customers                     |      | 658,334           | 262,407           |
| Non profit organisations                          |      | 648,214           | 420,837           |
| Banks   |      | 57,810            | 6,206             |
| <b>Total deposits and current accounts</b>        |      | <b>15,485,697</b> | <b>11,386,033</b> |

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 K455 million as at 30 June 2024. This is secured by Government bonds.

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

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

| Figures in thousands of Kwacha |  | 30 June 2024   | 30 June 2023   |
|--------------------------------|--|----------------|----------------|
| <b>17</b>                      | <b>Employee liabilities – staff related accruals</b> |                |                |
|                                | <b>Analysis of movement</b>                          |                |                |
|                                | Opening balance                                      | 77,471         | 60,968         |
|                                | – Charge to the income statement                     | 78,772         | 65,521         |
|                                | – Utilised   | (61,068)       | (49,018)       |
|                                | <b>Total provisions</b>                              | <b>95,175</b>  | <b>77,471</b>  |
| <b>18</b>                      | <b>Other liabilities</b>                             |                |                |
|                                | Merchant incoming settlement                         | 53,060         | 27,117         |
|                                | Accrued liabilities                                  | 177,205        | 141,711        |
|                                | Suspense/clearing accounts                           | 184,701        | 59,991         |
|                                | Net unclaimed balances                               | 62,670         | 49,192         |
|                                | Intercompany balances                                | 141,937        | 62,285         |
|                                | <b>Total creditors and accruals</b>                  | <b>619,573</b> | <b>340,296</b> |

The staff related accruals relate to provisions for leave pay and staff bonuses. The accruals are based outstanding leave days for the case of leave pay and bank performance in the case of staff bonuses.

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.



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 2024     | 30 June 2023     |
|--|-------|------------------|------------------|
| <b>Related party transactions</b>                          |       |                  |                  |
| <b>19.2 Amount due from related parties</b>                |       |                  |                  |
| Cash and short term funds                                  | 8     | 254,609          | 81,231           |
| Other assets   | 13    | 712              | 1,062            |
| Currency swap and spot transactions with related companies | 9     | 15,857           | 6,380            |
| <b>Due from related parties</b>                            |       | <b>271,178</b>   | <b>88,673</b>    |
| <b>19.3 Amounts due to related parties</b>                 |       |                  |                  |
| Deposits   | 16    | 57,810           | 6,206            |
| Service level agreements                                   | 18    | 141,937          | 62,285           |
| Currency swap and spot transactions with related companies | 9     | 12,463           | 1,992            |
| <b>Due to related parties</b>                              |       | <b>212,210</b>   | <b>70,483</b>    |
| <b>19.4 Income and expenditure</b>                         |       |                  |                  |
| Interest income  | 2.1   | 7,025            | 5,020            |
| Operating expenses   | 5.4   | (367,575)        | (237,528)        |
| Derivative Financial Instruments                           | 4     | -                | 1,114            |
| <b>Net expenditure</b>                                     |       | <b>(360,550)</b> | <b>(231,394)</b> |
| <b>19.5 Key management personnel</b>                       |       |                  |                  |
| Loans and advances   |       | 533              | 174              |
| Salaries and performance payment                           |       | 10,765           | 7,265            |
| Company contribution to pension and medical aid            |       | 787              | 465              |

Disclosures on key management compensation are included on note 5

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

| Figures in thousands of Kwacha              | 30 June 2024   | 30 June 2023  |
|---|----------------|---------------|
| <b>20 Lease Liabilities</b>                 |                |               |
| <b>Lease liability – property</b>           |                |               |
| At the beginning of the year                | 61,881         | 71,206        |
| <b>Cash flow movement</b>                   |                |               |
| Capital payments                            | (29,212)       | (40,308)      |
| Interest paid                               | (19,691)       | (9,298)       |
| <b>Non Cash flow movement</b>               | 12,978         | 21,600        |
| Additions                                   | 87,102         | 32,124        |
| Early termination of leases & modifications | 2,539          | (1,163)       |
| Exchange movement                           | 6,082          | 22            |
| Interest accrued capitalised                | 19,691         | 9,298         |
| <b>At the end of the year</b>               | <b>128,392</b> | <b>61,881</b> |
| <b>Lease liability – total</b>              |                |               |
| At the beginning of the year                | 61,881         | 71,206        |
| <b>Cash flow movement</b>                   |                |               |
| Capital payments                            | (29,212)       | (40,308)      |
| Interest paid                               | (19,691)       | (9,298)       |
| <b>Non cash flow movement</b>               | 12,978         | 21,600        |
| Additions                                   | 87,102         | 32,124        |
| Early termination of leases & modifications | 2,539          | (1,163)       |
| Exchange movement                           | 6,082          | 22            |
| Interest accrued capitalised                | 19,691         | 9,298         |
| <b>At the end of the year</b>               | <b>128,392</b> | <b>61,881</b> |
| Repayable within one year                   | 41,085         | 19,975        |
| Repayable after one year                    | 87,307         | 41,906        |
| <b>Net liability</b>                        | <b>128,392</b> | <b>61,881</b> |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

| Figures in thousands of Kwacha |                                    | 30 June 2024 | 30 June 2023 |
|--------------------------------|------------------------------------|--------------|--------------|
| <b>21</b>                      | <b>Subordinated Long Term Debt</b> |              |              |
|                                | FMO                                | -            |              |
|                                | Opening balance                    | -            | 114,603      |
|                                | Accrued Interest                   | -            | 1,971        |
|                                | Repayment : Principle              | -            | (107,933)    |
|                                | Repayment : Interest               | -            | (3,005)      |
|                                | Exchange difference                | -            | (5,636)      |
|                                | Closing balance                    | -            | -            |
|                                | Repayable within one year          | -            | -            |
|                                | Repayable after one year           | -            | -            |
|                                | Total                              | -            | -            |

Nederlandse Financierings-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 2023. The loan was fully paid off in advance as at June 2023.

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

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 22. (i) Share Capital and Share Premium

|  |                       |                        |                        | 30 June 2024   |
|--|-----------------------|------------------------|------------------------|----------------|
| Figures in thousands of Kwacha   | No of ordinary shares | Share capital<br>K'000 | Share premium<br>K'000 | Total<br>K'000 |
| <b>Authorised</b>  |                       |                        |                        |                |
| Shares with a par value of K0.01 per share   |                       |                        |                        |                |
| <b>Ordinary shares</b>   | <b>41,600,000,000</b> | <b>416,000</b>         | <b>-</b>               | <b>416,000</b> |
| <b>Issued</b>  |                       |                        |                        |                |
| <b>Analysis of total issued share capital closing balance:</b>                           |                       |                        |                        |                |
| Ordinary issued share capital closing balance as above<br>(Ordinary share of K0.01 each) | <b>41,600,000,000</b> | <b>416,000</b>         | <b>170,374</b>         | <b>586,374</b> |
| <b>Total issued share capital – closing balance</b>                                      | <b>41,600,000,000</b> | <b>416,000</b>         | <b>170,374</b>         | <b>586,374</b> |
| Disclosed on the face of the balance sheet   |                       |                        |                        |                |
| Ordinary share capital   |                       |                        |                        | <b>416,000</b> |
| Ordinary share premium   |                       |                        |                        | <b>170,374</b> |
| <b>Total</b>   |                       |                        |                        | <b>586,374</b> |

|  |                       |                        |                        | 30 June 2023   |
|--|-----------------------|------------------------|------------------------|----------------|
| Figures in thousands of Kwacha   | No of ordinary shares | Share capital<br>K'000 | Share premium<br>K'000 | Total<br>K'000 |
| <b>Authorised</b>  |                       |                        |                        |                |
| Shares with a par value of K0.01 per share   |                       |                        |                        |                |
| <b>Ordinary shares</b>   | <b>41,600,000,000</b> | <b>416,000</b>         | <b>-</b>               | <b>416,000</b> |
| <b>Issued</b>  |                       |                        |                        |                |
| <b>Analysis of total issued share capital closing balance:</b>                           |                       |                        |                        |                |
| Ordinary issued share capital closing balance as above<br>(Ordinary share of K0.01 each) | <b>41,600,000,000</b> | <b>416,000</b>         | <b>170,374</b>         | <b>586,374</b> |
| <b>Total issued share capital – closing balance</b>                                      | <b>41,600,000,000</b> | <b>416,000</b>         | <b>170,374</b>         | <b>586,374</b> |
| Disclosed on the face of the balance sheet   |                       |                        |                        |                |
| Ordinary share capital   |                       |                        |                        | <b>416,000</b> |
| Ordinary share premium   |                       |                        |                        | <b>170,374</b> |
| <b>Total</b>   |                       |                        |                        | <b>586,374</b> |

## First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

### 22.(ii) Fair value reserve

| Figures in thousands of Kwacha                   | 30 June 2024   | 30 June 2023  |
|--|----------------|---------------|
| Fair value through other comprehensive income    |                |               |
| Opening balance                                  | 17,364         | -             |
| Net fair value movement on investment securities | (19,232)       | 17,364        |
| Closing balance                                  | (1,868)        | 17,364        |
| <b>Deferred income tax asset/(Liability)</b>     |                |               |
| Opening balance                                  | (5,209)        | -             |
| Deferred tax arising on fair value movements     | 5,769          | (5,209)       |
| Closing balance                                  | 560            | (5,209)       |
| <b>Net fair value reserve</b>                    | <b>(1,308)</b> | <b>12,155</b> |

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).



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

Figures in thousands of Kwacha

Notes 30 June 2024 30 June 2023

## 23 Cash Flow Information

### 23.1 Reconciliation of operating profit before income tax to cash flows from operating activities

|   |        |             |           |
|---|--------|-------------|-----------|
| Operating profit before income tax                    |        | 1,247,261   | 1,063,184 |
| Adjusted for:   |        | 82,848      | 76,723    |
| - Depreciation - Leases                               |        | 38,431      | 39,517    |
| - Depreciation - Property and equipment               |        | 44,417      | 37,206    |
| - Exchange movement                                   |        | 210,473     | 76,663    |
| - Credit related impairment                           |        | 86,471      | (91,058)  |
| - (Profit)/Loss on disposal of property and equipment |        | 490         | (495)     |
| - Loss on disposal of leased property                 |        | 468         | 811       |
| - Movement in provisions                              |        | 17,704      | 16,503    |
| - Lease liability finance charges write back          |        | 19,691      | 9,298     |
| - Accrued interest and other income                   |        | (23,911)    | (51,875)  |
| - Accrued interest and other expenses                 |        | 75,456      | 92,242    |
| - Movement in statutory reserve balance               |        | (1,742,437) | (492,064) |
| - Unrealised exchange (profit /loss) on:              |        | 6,082       | (5,614)   |
| - Lease liability                                     | 20     | 6,082       | 22        |
| - Subordinated long term debt                         | 21 (i) | -           | (5,636)   |
|   |        | (19,404)    | 694,318   |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 23 Cash Flow Information (continued)

| Figures in thousands of Kwacha |   | 30 June 2024       | 30 June 2023 |
|--------------------------------|---|--------------------|--------------|
| <b>23.2</b>                    | <b>Interest &amp; cash received from customers</b>                    |                    |              |
|                                | <b>Interest recieved</b>  | <b>2,042,204</b>   | 1,483,613    |
|                                | Fee and commission income   | <b>656,746</b>     | 513,282      |
|                                | Trading and other income  | <b>582,201</b>     | 417,105      |
|                                | <b>Cash receipts from customers</b>                                   | <b>1,238,947</b>   | 930,387      |
| <b>23.3</b>                    | <b>Interest &amp; cash paid to customers, suppliers and employees</b> |                    |              |
|                                | <b>Interest expense on deposits</b>                                   | <b>(296,348)</b>   | (182,231)    |
|                                | <b>Other operating expenses</b>                                       | <b>(3,004,207)</b> | (1,537,451)  |
|                                | <b>Cash paid to customers, suppliers and employees</b>                | <b>(3,300,555)</b> | (1,719,682)  |
| <b>23.4</b>                    | <b>Increase in income earning assets</b>                              |                    |              |
|                                | (Increase)/ decrease in derivative financial instruments              | <b>(41,089)</b>    | 40,339       |
|                                | Decrease/(increase) in liquid assets and trading securities           | <b>1,636,649</b>   | (2,303,175)  |
|                                | Accrued Interest  | <b>26,182</b>      | 44,137       |
|                                | Fair value adjustment on investments measured through OCI             | <b>(1,868)</b>     | 17,364       |
|                                | (Increase) in loans and advances                                      | <b>(3,025,356)</b> | (1,068,010)  |
|                                | <b>Increase in income earning assets</b>                              | <b>(1,405,482)</b> | (3,269,345)  |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

| Figures in thousands of Kwacha |   | 30 June 2024     | 30 June 2023     |
|--------------------------------|---|------------------|------------------|
| <b>23</b>                      | <b>Cash flow information (continued)</b>          |                  |                  |
| <b>23.5</b>                    | <b>Decrease in other assets</b>                   |                  |                  |
|                                | Items in transit                                  | (101,119)        | (9,905)          |
|                                | Other assets                                      | (127,205)        | (13,052)         |
|                                | <b>Increase in other assets</b>                   | <b>(228,324)</b> | <b>(22,957)</b>  |
| <b>23.6</b>                    | <b>Increase in deposits and other liabilities</b> |                  |                  |
|                                | Term deposits                                     | 664,335          | 611,379          |
|                                | Current deposit accounts                          | 3,281,399        | 1,735,051        |
|                                | Deposit under repurchase agreement                | (108,241)        | (147)            |
|                                | Accrued expenses                                  | 100,206          | (75,792)         |
|                                | Savings accounts                                  | 198,679          | 195,685          |
|                                | Amounts due to related companies - deposits       | 51,604           | 1,037            |
|                                | Derivative financial instruments                  | 37,684           | 4,190            |
|                                | Amounts due to related companies                  | 79,652           | 11,478           |
|                                | Early termination of leases & modifications       | -                | (1,428)          |
|                                | <b>Increase in deposits and other liabilities</b> | <b>4,305,318</b> | <b>2,481,453</b> |
| <b>23.7</b>                    | <b>Income tax paid</b>                            |                  |                  |
|                                | Amounts receivable at the beginning of the year   | 125,144          | 127,772          |
|                                | Income tax expense                                | (412,280)        | (323,218)        |
|                                | Current tax asset at end of year                  | (50,040)         | (125,144)        |
|                                | <b>Tax paid</b>                                   | <b>(337,176)</b> | <b>(320,590)</b> |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

| Figures in thousands of Kwacha |  | 30 June 2024     | 30 June 2023     |
|--------------------------------|--|------------------|------------------|
| <b>23.8</b>                    | <b>Cash and cash equivalents</b>               |                  |                  |
|                                | Bank notes                                     | 522,571          | 445,198          |
|                                | Money at call and short notice                 | 880,409          | 273,461          |
|                                | Balances with central bank                     | 1,375,104        | 290,600          |
|                                | Balances from group banks                      | 254,609          | 81,231           |
|                                | <b>Cash and cash equivalents</b>               | <b>3,032,693</b> | <b>1,090,490</b> |
| <b>24</b>                      | <b>Contingencies and commitments</b>           |                  |                  |
| <b>24.1</b>                    | <b>Contingencies</b>                           |                  |                  |
|                                | Guarantees and indemnities                     | 621,804          | 379,131          |
|                                | Letters of credits                             | 151,858          | 263,538          |
|                                | <b>Total</b>                                   | <b>773,662</b>   | <b>642,669</b>   |
| <b>24.2</b>                    | <b>Commitments</b>                             |                  |                  |
|                                | Undrawn commitments to customers - irrevocable | 1,093,360        | 1,034,777        |
|                                | <b>Total</b>                                   | <b>1,093,360</b> | <b>1,034,777</b> |
| <b>24.3</b>                    | <b>Capital commitments</b>                     |                  |                  |
|                                | Capital expenditure approved by the directors  |                  |                  |
|                                | - Contracted for                               | 80,653           | 84,147           |
|                                | - Not contracted for                           | 398              | 1,749            |
|                                | <b>Total</b>                                   | <b>81,051</b>    | <b>85,896</b>    |

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.

Contingent liabilities in respect of the above as at the balance sheet date ZMW 5,639 (2023: 116).

## 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 2024 and 30 June 2023 the Bank was not acting as a trustee in respect of any assets.

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 26 Fair value measurements

### 26.1 Valuation methodology

In terms of IFRS accounting standards, 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 discounting 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               |



## First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

### 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 and prior reporting year there were no changes in the valuation techniques used by the Bank. There were no financial instruments that are classified as level 3

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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

| Figures in thousands of Kwacha                 | 30 June 2024   |                |          |                       | 30 June 2023   |                |          |                       |
|--|----------------|----------------|----------|-----------------------|----------------|----------------|----------|-----------------------|
|  | Level 1        | Level 2        | Level 3  | Total carrying amount | Level 1        | Level 2        | Level 3  | Total carrying amount |
| <b>Assets</b>                                  |                |                |          |                       |                |                |          |                       |
| Derivative financial instrument                | -              | 75,487         | -        | 75,487                | -              | 34,398         | -        | 34,398                |
| Investment in securities and other investments | 669,113        | 132,243        | -        | 801,356               | 562,305        | 260,911        | -        | 823,216               |
| <b>Total assets measured at fair value</b>     | <b>669,113</b> | <b>207,730</b> | <b>-</b> | <b>876,843</b>        | <b>562,305</b> | <b>295,309</b> | <b>-</b> | <b>857,614</b>        |
| <b>Liabilities</b>                             |                |                |          |                       |                |                |          |                       |
| Derivative financial instruments               | -              | 68,732         | -        | 68,732                | -              | 31,048         | -        | 31,048                |
| <b>Total liabilities at fair value</b>         | <b>-</b>       | <b>68,732</b>  | <b>-</b> | <b>68,732</b>         | <b>-</b>       | <b>31,048</b>  | <b>-</b> | <b>31,048</b>         |

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

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 2024 |
|---|-------------------|-------------------|----------|-------------------|------------------|--------------|
|   | Carrying value    | Total Fair Value  | Level 1  | Level 2           | Level 3          |              |
| <b>Figures in thousands of Kwacha</b>       |                   |                   |          |                   |                  |              |
| <b>Assets</b>                               |                   |                   |          |                   |                  |              |
| Loans and advances                          | 6,309,602         | 6,234,785         | -        | 4,156,873         | 2,077,912        |              |
| Investment securities and other investments | 5,099,006         | 5,272,228         | -        | -                 | 5,272,228        |              |
| Other assets                                | 301,317           | 301,317           | -        | 301,317           | -                |              |
| <b>Total assets at amortised cost</b>       | <b>11,709,925</b> | <b>11,808,330</b> | <b>-</b> | <b>4,458,190</b>  | <b>7,350,140</b> |              |
| <b>Liabilities</b>                          |                   |                   |          |                   |                  |              |
| Deposits                                    | 15,485,697        | 15,366,645        | -        | 13,073,304        | 2,293,341        |              |
| Other liabilities                           | 619,573           | 619,573           | -        | 619,573           | -                |              |
| <b>Total liabilities at amortised cost</b>  | <b>16,105,270</b> | <b>15,986,218</b> | <b>-</b> | <b>13,692,877</b> | <b>2,293,341</b> |              |

|   |                   |                   |          |                   |                  | 30 June 2023 |
|---|-------------------|-------------------|----------|-------------------|------------------|--------------|
|   | Carrying value    | Total Fair Value  | Level 1  | Level 2           | Level 3          |              |
| <b>Assets</b>                               |                   |                   |          |                   |                  |              |
| 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           | -                |              |
| <b>Total assets at amortised cost</b>       | <b>10,212,173</b> | <b>10,065,125</b> | <b>-</b> | <b>1,796,993</b>  | <b>8,268,132</b> |              |
| <b>Liabilities</b>                          |                   |                   |          |                   |                  |              |
| Deposits                                    | 11,386,033        | 11,364,549        | -        | 10,709,366        | 655,183          |              |
| Other liabilities                           | 340,296           | 340,296           | -        | 340,296           | -                |              |
| <b>Total liabilities at amortised cost</b>  | <b>11,726,329</b> | <b>11,704,845</b> | <b>-</b> | <b>11,049,662</b> | <b>655,183</b>   |              |

27 Risk management

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 accounting standards 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 2024 are set out below:

| Overview of financial risk |   |  |
|----------------------------|---|--|
| Credit risk                | 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. |  |
|                            | Credit risk arises primarily from the following instruments: <ul style="list-style-type: none"><li>Loans and advances;</li><li>Certain investment securities; and</li><li>Off-balance sheet exposures</li></ul>   | The following information is presented for these assets: <ul style="list-style-type: none"><li>Summary of all credit assets;</li><li>Information about the quality of credit assets;</li><li>Exposure to concentration risk;</li><li>Credit risk mitigation techniques and collateral held</li></ul> |
|                            | Other sources of credit risk are: <ul style="list-style-type: none"><li>Cash and cash equivalents;</li><li>Other assets; and</li><li>Derivative balances.</li></ul>   |  |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 27 Risk management (Continued)

| Overview of financial risks |  |   |
|-----------------------------|--|---|
| Liquidity risk              | 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.  |   |
|                             | All assets and liabilities with differing maturity profiles expose the bank to liquidity risk.   | <p>The following information is presented for these assets and liabilities:</p> <ul style="list-style-type: none"> <li>• Undiscounted cash flow analysis of financial Assets and liabilities;</li> <li>• Collateral pledged.</li> </ul> |
| Market risk                 | 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. |   |
|                             | <b>Traded market risk</b> 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.  | <p>The following information is presented for market risk in the trading book:</p> <ul style="list-style-type: none"> <li>• 1-Day 99% value at risk (var) analysis; and</li> <li>• 10-Day 99% var analysis.</li> </ul>                  |
|                             | <b>Interest rate risk in the banking book</b> 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.         | <p>The following information is presented for interest rate risk in the banking book:</p> <ul style="list-style-type: none"> <li>• Projected nii sensitivity to interest rate movements</li> </ul>                                      |
|                             | <b>Structural foreign exchange risk</b> 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.   | Information on the bank's net structural foreign exposure and the sensitivity of the exposure is presented.   |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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).



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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  | 0.06%       | AAA, AA+, AA, AA-, A+, A, A-                         |
| FR 15 - 25 | 0.29%       | BBB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper) |
| FR 26 - 32 | 0.77%       | BB+, BB(upper), BB, BB-(upper) .LC SOV               |
| FR 33 - 39 | 1.44%       | BB-, B+(upper)                                       |
| FR 40 - 53 | 2.52%       | B+   |
| FR 54 - 83 | 6.16%       | B(upper), B, B-(upper)                               |
| FR 84 - 90 | 13.68%      | B-   |
| FR 91 - 99 | 59.11%      | 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.

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 2024     |
|--|-------------------|------------------|--------------------------|-----------------------|------------------|
| Figures in thousands of Kwacha                   | Total             | Retail           | Corporate and Commercial | Financial Institution | Other            |
| <b>On balance sheet exposures</b>                |                   |                  |                          |                       |                  |
| Cash and cash equivalents                        | 5,489,643         | -                | -                        | 5,489,643             |                  |
| - Money at call and short notice                 | 880,409           | -                | -                        | 880,409               | -                |
| - Balances with Central Bank                     | 4,354,625         | -                | -                        | 4,354,625             | -                |
| - Balances with group companies                  | 254,609           | -                | -                        | 254,609               | -                |
| Derivative financial instruments                 | 75,487            | -                | 36,197                   | 39,290                | -                |
| Loans and advances                               | 6,309,602         | 1,481,478        | 4,814,765                | 13,359                | -                |
| Other assets                                     | 301,317           | -                | -                        | -                     | 301,317          |
| Investment securities with sovereigns - Unlisted | 5,917,309         | -                | -                        | -                     | 5,917,309        |
| <b>Not recognised on balance sheet exposures</b> | -                 | -                | -                        | -                     | -                |
| Off balance sheet exposure                       | 1,867,022         | 169,811          | 1,669,325                | 27,886                | -                |
| <b>Total</b>                                     | <b>19,960,380</b> | <b>1,651,289</b> | <b>6,520,287</b>         | <b>5,570,178</b>      | <b>6,218,626</b> |

#### Maximum exposure to credit risk (Continued)

|  |                   |                  |                          |                       | 30 June 2023     |
|--|-------------------|------------------|--------------------------|-----------------------|------------------|
| Figures in thousands of Kwacha                   | Total             | Retail           | Corporate and Commercial | Financial Institution | Other            |
| <b>On balance sheet exposures</b>                |                   |                  |                          |                       |                  |
| 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 with sovereigns - Unlisted | 7,545,484         | -                | -                        | -                     | 7,545,484        |
| <b>Not recognised on balance sheet exposures</b> | -                 | -                | -                        | -                     | -                |
| Off balance sheet exposure                       | 1,677,446         | 108,423          | 1,528,945                | 40,078                | -                |
| <b>Total</b>                                     | <b>14,629,609</b> | <b>1,102,073</b> | <b>3,920,516</b>         | <b>1,950,822</b>      | <b>7,656,198</b> |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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.

| Figures in thousands of Kwacha  | FR 1–25          |                   | FR 26–90         |                   | FR 91–100        |                   | 30 June 2024<br>Total |                   |
|---------------------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|-----------------------|-------------------|
|                                 | On balance sheet | Off balance sheet | On balance sheet | Off balance sheet | On balance sheet | Off balance sheet | On balance sheet      | Off balance sheet |
| <b>Retail</b>                   |                  |                   |                  |                   |                  |                   |                       |                   |
| Stage 1                         | 9,170            | 22,570            | 1,046,390        | 55,388            | 218,990          | 91,854            | 1,274,550             | 169,812           |
| Stage 2                         | -                | -                 | 9,560            | -                 | 122,455          | -                 | 132,015               | -                 |
| Stage 3                         | -                | -                 | 534              | -                 | 45,846           | -                 | 46,380                | -                 |
| <b>Total</b>                    | <b>9,170</b>     | <b>22,570</b>     | <b>1,056,484</b> | <b>55,388</b>     | <b>387,291</b>   | <b>91,854</b>     | <b>1,452,945</b>      | <b>169,812</b>    |
| Loss allowance                  | 76,157           | -                 | 37,736           | -                 | 39,181           | -                 | 153,074               | -                 |
| Maximum exposure to credit risk | (66,987)         | 22,570            | 1,018,748        | 55,388            | 348,110          | 91,854            | 1,299,871             | 169,812           |
| <b>Vehicle asset finance</b>    |                  |                   |                  |                   |                  |                   |                       |                   |
| Stage 1                         | 7,011            | 14,864            | 151,469          | 60,869            | 8,627            | -                 | 167,107               | 75,733            |
| Stage 2                         | -                | -                 | -                | -                 | 4,829            | -                 | 4,829                 | -                 |
| Stage 3                         | -                | -                 | -                | -                 | 3,054            | -                 | 3,054                 | -                 |
| <b>Total</b>                    | <b>7,011</b>     | <b>14,864</b>     | <b>151,469</b>   | <b>60,869</b>     | <b>16,510</b>    | <b>-</b>          | <b>174,990</b>        | <b>75,733</b>     |
| Loss allowance                  | 2,578            | -                 | 1,347            | -                 | 1,436            | -                 | 5,361                 | -                 |
| Maximum exposure to credit risk | 4,433            | 14,864            | 150,122          | 60,869            | 15,074           | -                 | 169,629               | 75,733            |
| <b>Corporate and Commercial</b> |                  |                   |                  |                   |                  |                   |                       |                   |
| Stage 1                         | 558,494          | 143,117           | 4,325,855        | 1,425,977         | 32,086           | 52,383            | 4,916,435             | 1,621,477         |
| Stage 2                         | -                | -                 | 58,748           | -                 | 60,616           | -                 | 119,364               | -                 |
| Stage 3                         | -                | -                 | 285              | -                 | 50,047           | -                 | 50,332                | -                 |
| <b>Total</b>                    | <b>558,494</b>   | <b>143,117</b>    | <b>4,384,888</b> | <b>1,425,977</b>  | <b>142,749</b>   | <b>52,383</b>     | <b>5,086,131</b>      | <b>1,621,477</b>  |
| Loss allowance                  | 159,415          | -                 | 52,429           | -                 | 34,185           | -                 | 246,029               | -                 |
| Maximum exposure to credit risk | 399,079          | 143,117           | 4,332,459        | 1,425,977         | 108,564          | 52,383            | 4,840,102             | 1,621,477         |
| <b>Total</b>                    |                  |                   |                  |                   |                  |                   |                       |                   |
| Stage 1                         | 574,675          | 180,551           | 5,523,714        | 1,542,234         | 259,703          | 144,237           | 6,358,092             | 1,867,022         |
| Stage 2                         | -                | -                 | 68,308           | -                 | 187,900          | -                 | 256,208               | -                 |
| Stage 3                         | -                | -                 | 819              | -                 | 98,947           | -                 | 99,766                | -                 |
|                                 | <b>574,675</b>   | <b>180,551</b>    | <b>5,592,841</b> | <b>1,542,234</b>  | <b>546,550</b>   | <b>144,237</b>    | <b>6,714,066</b>      | <b>1,867,022</b>  |
| Loss allowance                  | 238,150          | -                 | 91,512           | -                 | 74,802           | -                 | 404,464               | -                 |
| <b>Total</b>                    | <b>336,525</b>   | <b>180,551</b>    | <b>5,501,329</b> | <b>1,542,234</b>  | <b>471,748</b>   | <b>144,237</b>    | <b>6,309,602</b>      | <b>1,867,022</b>  |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 27 Risk Management (Continued)

### 27.1 Credit Risk (Continued)

| Figures in thousands of Kwacha  | FR 1-25          |                   | FR 26-90         |                   | FR 91-100        |                   | 30 June 2023<br>Total |                   |
|---------------------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|-----------------------|-------------------|
|                                 | On balance sheet | Off balance sheet | On balance sheet | Off balance sheet | On balance sheet | Off balance sheet | On balance sheet      | Off balance sheet |
| <b>Retail</b>                   |                  |                   |                  |                   |                  |                   |                       |                   |
| 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                | -                 |
| <b>Total</b>                    | <b>90,099</b>    | <b>20,759</b>     | <b>688,547</b>   | <b>38,286</b>     | <b>188,118</b>   | <b>49,378</b>     | <b>966,764</b>        | <b>108,423</b>    |
| 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           |
| <b>Vehicle asset finance</b>    |                  |                   |                  |                   |                  |                   |                       |                   |
| 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                | -                 |
| <b>Total</b>                    | <b>14,663</b>    | <b>5,262</b>      | <b>107,924</b>   | <b>96,476</b>     | <b>7,506</b>     | <b>419</b>        | <b>130,093</b>        | <b>102,157</b>    |
| 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           |
| <b>Corporate and Commercial</b> |                  |                   |                  |                   |                  |                   |                       |                   |
| 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                | -                 |
| <b>Total</b>                    | <b>355,357</b>   | <b>270,565</b>    | <b>2,082,733</b> | <b>1,172,386</b>  | <b>108,311</b>   | <b>23,915</b>     | <b>2,546,401</b>      | <b>1,466,866</b>  |
| 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         |
| <b>Total</b>                    |                  |                   |                  |                   |                  |                   |                       |                   |
| 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         | 303,935          | 73,712            | 3,643,258             | 1,677,446         |
| Loss allowance                  | 104,648          | -                 | 73,172           | -                 | 86,247           | -                 | 264,067               | -                 |
| <b>Total</b>                    | <b>355,471</b>   | <b>296,586</b>    | <b>2,806,032</b> | <b>1,307,148</b>  | <b>217,688</b>   | <b>73,712</b>     | <b>3,379,191</b>      | <b>1,677,446</b>  |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 27 Risk Management (Continued)

### 27.1 Credit risk (continued)

#### Quality of Credit Assets

| Figures in thousands of Kwacha                                    | 30 June 2024     |              |                  |
|---|------------------|--------------|------------------|
|   | AAA to BBB       | BB+ to B-    | CCC              |
| <b>Investment securities at amortised cost</b>                    |                  |              |                  |
| Stage 1   | 1,168,832        | -            | 4,028,233        |
| <b>Investment securities at fair value through profit or loss</b> |                  |              |                  |
| Stage 1   | -                | -            | 131,033          |
| Stage 1   | -                | -            | 669,113          |
| <b>Total investment securities</b>                                | <b>1,168,832</b> | <b>-</b>     | <b>4,828,379</b> |
| <b>Financial other assets</b>                                     |                  |              |                  |
| Stage 1   | -                | -            | 261,666          |
| <b>Total other assets</b>   | <b>-</b>         | <b>-</b>     | <b>261,666</b>   |
| <b>Cash and cash equivalents</b>                                  |                  |              |                  |
| Stage 1   | 520,631          | 526,616      | 4,187,787        |
| <b>Derivative assets</b>  | <b>-</b>         | <b>9,351</b> | <b>50,280</b>    |

| Figures in thousands of Kwacha                                    | 30 June 2023     |               |                  |
|---|------------------|---------------|------------------|
|   | AAA to BBB       | BB+ to B-     | CCC              |
| <b>Investment securities at amortised cost</b>                    |                  |               |                  |
| Stage 1   | 2,251,893        | -             | 4,576,909        |
| Stage 3   | -                | -             | 259,701          |
| <b>Investment securities at fair value through profit or loss</b> |                  |               |                  |
| Stage 1   | -                | -             | 562,305          |
| <b>Total investment securities</b>                                | <b>2,251,893</b> | <b>-</b>      | <b>5,398,915</b> |
| <b>Financial other assets</b>                                     |                  |               |                  |
| Stage 1   | -                | -             | 105,888          |
| <b>Total other assets</b>   | <b>-</b>         | <b>-</b>      | <b>105,888</b>   |
| <b>Cash and cash equivalents</b>                                  |                  |               |                  |
| Stage 1   | 220,504          | 108,575       | 1,472,066        |
| <b>Derivative assets</b>  | <b>-</b>         | <b>27,626</b> | <b>391</b>       |

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.

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 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.



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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, 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 2024, the bank had K776 million (2023: K676 million) treasury bills and government bonds pledged to cover the borrowings and clearing activities.

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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:

#### 30 June 2024

| Figures in thousands of Kwacha   | Retail    | Corporate and Commercial | Vehicle and Asset Finance | Total     |
|----------------------------------|-----------|--------------------------|---------------------------|-----------|
| Gross carrying amount            | 1,452,945 | 5,086,131                | 174,990                   | 6,714,066 |
| Loss allowance                   | (153,074) | (246,029)                | (5,361)                   | (404,464) |
| Maximum exposure to credit risk  | 1,299,871 | 4,840,102                | 169,629                   | 6,309,602 |
| Financial collateral and netting | 11,937    | 12,584                   |                           | 24,521    |
| Net exposure to credit risk      | 1,287,934 | 4,827,518                | 169,629                   | 6,285,081 |

#### 30 June 2023\*

| Figures in thousands of Kwacha   | Retail   | Corporate and Commercial | Vehicle and Asset Finance | Total     |
|----------------------------------|----------|--------------------------|---------------------------|-----------|
| Gross carrying amount            | 966,764  | 2,546,403                | 130,091                   | 3,643,258 |
| Loss allowance                   | (99,311) | (153,742)                | (11,014)                  | (264,067) |
| Maximum exposure to credit risk  | 867,453  | 2,392,661                | 119,077                   | 3,379,191 |
| Financial collateral and netting | 7,149    | 11,795                   | -                         | 18,944    |
| Net exposure to credit risk      | 860,304  | 2,380,866                | 119,077                   | 3,360,247 |

\* The disclosure relating to the financial effect of collateral and other credit enhancements has been expanded in the current year resulting in a restatement to the comparative period disclosure.

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.

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 2024                   |                |              |              |                           |                |
| ECL staging                    |                |              |              |                           |                |
|                                | Stage 1        | Stage 2      | Stage 3      | Purchased credit-impaired |                |
| Figures in thousands of Kwacha | 12-month ECL   | Lifetime ECL | Lifetime ECL |                           | Total          |
| <b>Credit grade</b>            |                |              |              |                           |                |
| Investment grade               | 164,675        | -            | -            | -                         | 164,675        |
| Standard monitoring            | 6,437          | -            | -            | -                         | 6,437          |
| Special monitoring             | -              | 872          | -            | -                         | 872            |
| Default                        | -              | -            | 3,006        | -                         | 3,006          |
| <b>Gross carrying amount</b>   | <b>171,112</b> | <b>872</b>   | <b>3,006</b> | <b>-</b>                  | <b>174,990</b> |
| Loss allowance                 | (2,578)        | (1,347)      | (1,436)      | -                         | (5,361)        |
| <b>Carrying amount</b>         | <b>168,534</b> | <b>(475)</b> | <b>1,570</b> | <b>-</b>                  | <b>169,629</b> |

| Investment Securities          |                  |              |              |                           |                  |
|--------------------------------|------------------|--------------|--------------|---------------------------|------------------|
| 30 June 2024                   |                  |              |              |                           |                  |
| ECL staging                    |                  |              |              |                           |                  |
|                                | Stage 1          | Stage 2      | Stage 3      | Purchased credit-impaired |                  |
| Figures in thousands of Kwacha | 12-month ECL     | Lifetime ECL | Lifetime ECL |                           | Total            |
| <b>Credit grade</b>            |                  |              |              |                           |                  |
| Investment grade               | 5,197,065        | -            | -            | -                         | 5,197,065        |
| <b>Gross carrying amount</b>   | <b>5,197,065</b> | <b>-</b>     | <b>-</b>     | <b>-</b>                  | <b>5,197,065</b> |
| Loss allowance                 | (81,112)         | -            | -            | -                         | (81,112)         |
| <b>Carrying amount</b>         | <b>5,115,953</b> | <b>-</b>     | <b>-</b>     | <b>-</b>                  | <b>5,115,953</b> |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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.

| Retail loan portfolio          |                  |                 |               |                           |                  |
|--------------------------------|------------------|-----------------|---------------|---------------------------|------------------|
| 30 June 2024                   |                  |                 |               |                           |                  |
| ECL staging                    |                  |                 |               |                           |                  |
|                                | Stage 1          | Stage 2         | Stage 3       | Purchased credit-impaired |                  |
| Figures in thousands of Kwacha | 12-month ECL     | Lifetime ECL    | Lifetime ECL  |                           | Total            |
| <b>Credit grade</b>            |                  |                 |               |                           |                  |
| Investment grade               | 1,373,164        | -               | -             | -                         | 1,373,164        |
| Standard monitoring            | 24,299           | -               | -             | -                         | 24,299           |
| Special monitoring             | -                | 6,912           | -             | -                         | 6,912            |
| Default                        | -                | -               | 48,570        | -                         | 48,570           |
| <b>Gross carrying amount</b>   | <b>1,397,463</b> | <b>6,912</b>    | <b>48,570</b> | <b>-</b>                  | <b>1,452,945</b> |
| Loss allowance                 | (76,157)         | (37,736)        | (39,181)      | -                         | (153,074)        |
| <b>Carrying amount</b>         | <b>1,321,306</b> | <b>(30,824)</b> | <b>9,389</b>  | <b>-</b>                  | <b>1,299,871</b> |

| Corporate & Commercial loan portfolio |                  |                |               |                           |                  |
|---------------------------------------|------------------|----------------|---------------|---------------------------|------------------|
| 30 June 2024                          |                  |                |               |                           |                  |
| ECL staging                           |                  |                |               |                           |                  |
|                                       | Stage 1          | Stage 2        | Stage 3       | Purchased credit-impaired |                  |
| Figures in thousands of Kwacha        | 12-month ECL     | Lifetime ECL   | Lifetime ECL  |                           | Total            |
| <b>Credit grade</b>                   |                  |                |               |                           |                  |
| Investment grade                      | 4,708,300        | -              | -             | -                         | 4,708,300        |
| Standard monitoring                   | 222,386          | -              | -             | -                         | 222,386          |
| Special monitoring                    | -                | 100,994        | -             | -                         | 100,994          |
| Default                               | -                | -              | 54,451        | -                         | 54,451           |
| <b>Gross carrying amount</b>          | <b>4,930,686</b> | <b>100,994</b> | <b>54,451</b> | <b>-</b>                  | <b>5,086,131</b> |
| Loss allowance                        | (159,415)        | (52,429)       | (34,185)      | -                         | (246,029)        |
| <b>Carrying amount</b>                | <b>4,771,271</b> | <b>48,565</b>  | <b>20,266</b> | <b>-</b>                  | <b>4,840,102</b> |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 2024     |              |              |                           |                  |
|                                | Stage 1          | Stage 2      | Stage 3      | Purchased credit-impaired |                  |
| Figures in thousands of Kwacha | 12-month ECL     | Lifetime ECL | Lifetime ECL |                           | Total            |
| <b>Credit grade</b>            |                  |              |              |                           |                  |
| Investment grade               | 1,022,070        | -            | -            | -                         | 1,022,070        |
| Standard monitoring            | 53,527           | -            | -            | -                         | 53,527           |
| Special monitoring             | 14,135           | -            | -            | -                         | 14,135           |
| Default                        | 3,628            | -            | -            | -                         | 3,628            |
| <b>Gross carrying amount</b>   | <b>1,093,360</b> | -            | -            | -                         | <b>1,093,360</b> |
| Loss allowance                 | -                | -            | -            | -                         | -                |
| <b>Carrying amount</b>         | <b>1,093,360</b> | -            | -            | -                         | <b>1,093,360</b> |

| ECL staging                    | Financial Guarantee Contracts |              |              |                           |                |
|--------------------------------|-------------------------------|--------------|--------------|---------------------------|----------------|
|                                | 30 June 2024                  |              |              |                           |                |
|                                | Stage 1                       | Stage 2      | Stage 3      | Purchased credit-impaired |                |
| Figures in thousands of Kwacha | 12-month ECL                  | Lifetime ECL | Lifetime ECL |                           | Total          |
| <b>Credit grade</b>            |                               |              |              |                           |                |
| Investment grade               | 710,429                       | -            | -            | -                         | 710,429        |
| Standard monitoring            | 59,976                        | -            | -            | -                         | 59,976         |
| Special monitoring             | 100                           | -            | -            | -                         | 100            |
| Default                        | 3,157                         | -            | -            | -                         | 3,157          |
| <b>Gross carrying amount</b>   | <b>773,662</b>                | -            | -            | -                         | <b>773,662</b> |
| Loss allowance                 | -                             | -            | -            | -                         | -              |
| <b>Carrying amount</b>         | <b>773,662</b>                | -            | -            | -                         | <b>773,662</b> |



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

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

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



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

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

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

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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            |
| <b>Credit grade</b>            |                  |              |              |                           |                  |
| Investment grade               | 1,024,676        | -            | -            | -                         | 1,024,676        |
| Standard monitoring            | 7,792            | -            | -            | -                         | 7,792            |
| Special monitoring             | 423              | -            | -            | -                         | 423              |
| Default                        | 1,887            | -            | -            | -                         | 1,887            |
| <b>Gross carrying amount</b>   | <b>1,034,778</b> | <b>-</b>     | <b>-</b>     | <b>-</b>                  | <b>1,034,778</b> |
| Loss allowance                 | -                | -            | -            | -                         | -                |
| <b>Carrying amount</b>         | <b>1,034,778</b> | <b>-</b>     | <b>-</b>     | <b>-</b>                  | <b>1,034,778</b> |

| 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          |
| <b>Credit grade</b>            |                               |              |              |                           |                |
| Investment grade               | 641,731                       | -            | -            | -                         | 641,731        |
| Standard monitoring            | -                             | -            | -            | -                         | -              |
| Special monitoring             | -                             | -            | -            | -                         | -              |
| Default                        | 938                           | -            | -            | -                         | 938            |
| <b>Gross carrying amount</b>   | <b>642,669</b>                | <b>-</b>     | <b>-</b>     | <b>-</b>                  | <b>642,669</b> |
| Loss allowance                 | (2,595)                       | -            | -            | -                         | (2,595)        |
| <b>Carrying amount</b>         | <b>640,074</b>                | <b>-</b>     | <b>-</b>     | <b>-</b>                  | <b>640,074</b> |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 2024                                |                 |                      |                 |             |                    |              |
| Assets                                      |                 |                      |                 |             |                    |              |
| Cash and cash equivalents                   | 6,012,214       | 5,768,121            | 244,093         | -           | -                  |              |
| Investment securities and other investments | 5,917,309       | 1,210                | 1,865,111       | 1,380,247   | 2,599,393          | 71,348       |
| Loans and advances                          | 6,309,602       | -                    | 3,779,720       | 147,044     | 2,130,947          | 251,891      |
| Total assets                                | 18,239,125      | 5,769,331            | 5,888,924       | 1,527,291   | 4,730,340          | 323,239      |
| Liabilities                                 |                 |                      |                 |             |                    |              |
| Deposits                                    | 15,485,697      | 7,849,043            | 4,103,336       | 1,239,977   | 2,293,341          | -            |
| Lease Liability                             | 128,392         | 128,392              | -               | -           | -                  | -            |
| Total liabilities and equity                | 15,614,089      | 7,977,435            | 4,103,336       | 1,239,977   | 2,293,341          | -            |
| Net interest sensitivity gap                | 2,625,036       | (2,208,104)          | 1,785,588       | 287,314     | 2,436,999          | 323,239      |
|   |                 |                      |                 |             |                    |              |
| 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      |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 2024 | June 2023 |
|---|-----------|-----------|
| 50 basis points parallel increase – gains   | 2,579     | 583       |
| 50 basis points parallel decrease – losses  | (3,075)   | (2,567)   |
| 100 basis points parallel increase – gains  | 5,159     | 1,167     |
| 100 basis points parallel decrease – losses | (6,150)   | (5,133)   |

#### 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.

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 27 Risk management (continued)

### 27.3 Market risk

#### 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.

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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.



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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.

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 27 Risk Management (Continued)

### 27.4 Currency Risk Management (Continued)

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

30 June 2024

Figures in thousands of Kwacha

| Assets                                     | Assets and liabilities split by currency |                |               |                |            |                  |
|--|--|----------------|---------------|----------------|------------|------------------|
|  | USD                                      | ZAR            | GBP           | Euro           | Other      | Total            |
| Cash and cash equivalents                  | 1,120,306                                | 188,958        | 29,904        | 165,383        | 897        | 1,505,448        |
| Cash and balances with the Central Bank    | 1,597,718                                | -              | -             | -              | -          | 1,597,718        |
| Advances                                   | 2,381,147                                | 4              | 1             | 4              | -          | 2,381,156        |
| Investments in treasury bills              | 951,630                                  | -              | -             | -              | -          | 951,630          |
| Other assets                               | 28,499                                   | (4,261)        | -             | (507)          | -          | 23,731           |
| <b>Total assets</b>                        | <b>6,079,300</b>                         | <b>184,701</b> | <b>29,905</b> | <b>164,880</b> | <b>897</b> | <b>6,459,683</b> |
| <b>Liabilities</b>                         |  |                |               |                |            |                  |
| Deposits                                   | 5,890,930                                | 86,785         | 34,853        | 147,112        | -          | 6,159,680        |
| Long term debt                             | -  | -              | -             | -              | -          | -                |
| Other liabilities                          | 194,989                                  | 97,916         | (4,948)       | 17,768         | 897        | 306,622          |
| <b>Total liabilities</b>                   | <b>6,085,919</b>                         | <b>184,701</b> | <b>29,905</b> | <b>164,880</b> | <b>897</b> | <b>6,466,302</b> |
| Net on balance sheet position              | (6,619)                                  | -              | -             | -              | -          | (6,619)          |
| Net derivative contract amounts            | (207,165)                                | 5,615          | 6,052         | (15,641)       | -          | (211,139)        |
| Net on balance sheet & Derivative position | (213,784)                                | 5,615          | 6,052         | (15,641)       | -          | (217,758)        |

30 June 2023

Figures in thousands of Kwacha

| Assets                                     | Assets and liabilities split by currency |               |               |                |            |                  |
|--|--|---------------|---------------|----------------|------------|------------------|
|  | 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                                  | -             | -             | -              | -          | 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          |
| <b>Total assets</b>                        | <b>3,932,918</b>                         | <b>68,418</b> | <b>22,669</b> | <b>130,714</b> | <b>397</b> | <b>4,155,116</b> |
| <b>Liabilities</b>                         |  |               |               |                |            |                  |
| 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           |
| <b>Total liabilities</b>                   | <b>3,933,105</b>                         | <b>67,226</b> | <b>19,387</b> | <b>161,827</b> | <b>374</b> | <b>4,181,919</b> |
| Net on balance sheet position              | (187)                                    | 1,192         | 3,282         | (31,113)       | 23         | (26,803)         |
| Net derivative contract amounts            | (75,520)                                 | 34,201        | (1,571)       | (1,542)        | -          | (44,432)         |
| Net on balance sheet & Derivative Position | (75,707)                                 | 35,393        | 1,711         | (32,655)       | 23         | (71,235)         |

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 2024 is K217,758 (2023:K71,235)

**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.



# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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 2024

|   | Total<br>Contract<br>amount | Non<br>Contractual | Call - 3<br>months | 4 - 12<br>months | 1 - 5 years      | Over 5 Years   |
|---|-----------------------------|--------------------|--------------------|------------------|------------------|----------------|
| <b>Assets</b>                             |                             |                    |                    |                  |                  |                |
| Cash and cash equivalents                 | 6,012,214                   | -                  | 6,012,214          | -                | -                | -              |
| Derivative financial instruments          | 522,739                     | -                  | 215,273            | 228,069          | 64,413           | 14,984         |
| Loans and advances                        | 9,432,968                   | 99,769             | 5,319,198          | 171,796          | 3,426,738        | 415,467        |
| Investment securities & other investments | 7,601,016                   | 1,210              | 1,531,516          | 1,612,505        | 4,094,781        | 361,004        |
| Other assets                              | 475,255                     | 173,938            | 301,317            | -                | -                | -              |
| <b>Total assets</b>                       | <b>24,044,192</b>           | <b>274,917</b>     | <b>13,379,518</b>  | <b>2,012,370</b> | <b>7,585,932</b> | <b>791,455</b> |
| <b>Liabilities</b>                        |                             |                    |                    |                  |                  |                |
| Deposits                                  | 15,601,810                  | -                  | 11,860,004         | 1,253,300        | 2,488,506        | -              |
| Derivative financial instruments          | 634,314                     | -                  | 378,212            | 256,102          | -                | -              |
| Other liabilities                         | 619,573                     | -                  | 331,691            | 1,696            | 286,186          | -              |
| Lease liability                           | 128,392                     | -                  | -                  | 41,085           | 87,307           | -              |
| <b>Total liabilities</b>                  | <b>16,984,089</b>           | <b>-</b>           | <b>12,569,907</b>  | <b>1,552,183</b> | <b>2,861,999</b> | <b>-</b>       |
| Off balance sheet                         | 1,867,022                   | -                  | 215,506            | 1,101,262        | 541,252          | 9,002          |
| Guarantees                                | 621,804                     | -                  | 66,966             | 333,111          | 221,727          | -              |
| Letters of credit                         | 151,858                     | -                  | 148,540            | 920              | 2,398            | -              |
| Undrawn commitments                       | 1,093,360                   | -                  | -                  | 767,231          | 317,127          | 9,002          |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 27.5 Liquidity Risk

30 June 2023

|   | Total<br>Contract<br>amount | Non<br>Contractual | Call - 3<br>months | 4 - 12<br>months | 1 - 5 years      | Over 5 Years     |
|---|-----------------------------|--------------------|--------------------|------------------|------------------|------------------|
| <b>Assets</b>                             |                             |                    |                    |                  |                  |                  |
| 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            | -                | -                | -                |
| <b>Total assets</b>                       | <b>21,995,938</b>           | <b>243,479</b>     | <b>6,642,480</b>   | <b>3,317,233</b> | <b>9,492,141</b> | <b>2,300,605</b> |
| <b>Liabilities</b>                        |                             |                    |                    |                  |                  |                  |
| 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           | -                |
| <b>Total liabilities</b>                  | <b>12,482,241</b>           |                    | <b>10,078,259</b>  | <b>1,380,046</b> | <b>1,023,936</b> | <b>-</b>         |
| Off balance sheet                         | 1,677,446                   | -                  | 79,832             | 1,271,833        | 318,196          | 7,585            |
| Guarantees                                | 379,131                     | -                  | 51,922             | 285,758          | 41,451           | -                |
| Letters of credit                         | 263,538                     | -                  | 27,910             | 235,628          | -                | -                |
| Undrawn commitments                       | 1,034,777                   | -                  | -                  | 750,447          | 276,745          | 7,585            |

# First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

## 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.

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 2024 | 30 June 2023 |
|----------------------------------|--------------|--------------|
| Primary (Tier1) capital          |              |              |
| Share Capital                    | 416,000      | 416,000      |
| Share premium                    | 170,374      | 170,374      |
|                                  | 586,374      | 586,374      |
| Accumulated profit               | 2,354,338    | 1,510,017    |
| Fair value reserve               | (1,308)      | 12,155       |
| Net primary (Tier1) capital      | 2,939,404    | 2,108,546    |
| Secondary (Tier2) capital        |              |              |
| Subordinated long term debt      | -            | -            |
| Total qualifying capital         | 2,939,404    | 2,108,546    |
| Risk weighted assets             | 10,905,354   | 7,202,472    |
| Capital adequacy ratios (%)      |              |              |
| Core capital                     | 27.0         | 29.3         |
| Supplementary capital            | -            | -            |
| Total Capital Adequacy Ratio (%) | 27.0         | 29.3         |



## First National Bank Zambia Limited

Notes to the Annual Financial Statements for the year ended 30 June 2024

Notes to the annual financial statements (continued)

### 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.



