INTEGRATED

ANNUAL REPORT

31st March 2025

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

Contents

ANNUAL REPORT SUMMARY

309 EMPLOYEES
ZNBS Workforce

K186.5 MILLION
Profit After Tax

25% GROWTH
Loan Book Growth

K1.5 BILLION
Customer Deposits

K3.3 BILLION
Balance Sheet Size

2,800 TREES
Trees Planted

DIGITAL GROWTH
Significant Increase In Mobile, Internet & Agency Banking Transactions

MAJOR PROJECTS
Major Projects Launched include: Kwathu Hills, Timange Loan Product, School Pay

AWARDS
Best Mortgage Provider 2024, Most Affordable Lender

SUSTAINABILITY
Sustainability Pillarsinclude: Education, Economic Growth, Cities, Climate Action

1

About Us

Zambia National Building Society (ZNBS) was created in 1970 through an act of Parliament (1968) with the sole responsibilities of mobilizing resources to invest in mortgages to increase the country's housing stock.

ZNBS has three (3) main strategic business units.

- **Housing Finance**
- **Banking and Financial Services**
- **Property and Real Estate**

ZNBS has an extensive network located in all the Provinces across the Country, supported by an expanding digital footprint. This expansion of digital channels has accelerated our reach and increased access to customers in remote areas. ZNBS was recently awarded the Best Mortgage Provider Zambia 2024 by Capital Finance International (cfi.co), an international online research company headquartered in London. This follows the award as Best Mortgage Provider Zambia 2022 and 2023

Our Strategic Business Units

Our Vision

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

Our Mission

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

Our Core Values

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

iCREDIT

Excellence
Provide superior products and services that surpass expectations.

Respect
Treating every individual with dignity.

Drive
Energetic and committed to ZNBS customers and all stakeholders.

Customer Centricity
Putting customers at the centre of all that we do.

Integrity
Trusted, honest, and ethical.

Innovation
Embedding a culture of innovation and creativity.

Teamwork
Working together and collaborating towards a common goal.

Our Strengths

Strong Leadership

ZNBS benefits from a well-established Board of Directors and a capable Executive Management Team. Together, they cultivate a high-performance organizational culture and ensure effective strategy implementation across all levels of the institution.

Competitive Financial Products:

ZNBS offers competitive market interest rates on its investment and loan products, providing value-driven options for both savers and borrowers.

Skilled and Diverse Workforce

ZNBS is supported by a diverse and talented team, unified by shared values. This inclusive and excellence-driven culture promotes collaboration, innovation, and continuous professional growth.

Nationwide Branch Network:

ZNBS has a broad physical presence, with branches in every province, ensuring convenient access to banking services for customers across the country.

Innovation and Strategic Partnerships

ZNBS consistently enhances its product and service offerings by leveraging digital technologies and forming strategic partnerships. These initiatives are aimed at improving customer accessibility, operational efficiency, and security in banking services.

300+
Employees with Diverse Skills

K1.5B
In Customer Deposits

K4.4M
Invested in Training

10 PROVINCES
Branches in all provinces, ensuring accessibility.

Our Differentiators

1

Client-Focused Approach

At the core of our values is a deep commitment to understanding and serving our clients' unique needs. We deliver personalised financial solutions aligned with their goals and aspirations. Through continuous engagement and feedback, we ensure our services evolve in step with our clients' changing requirements.

2

Distinct Value Proposition

Our strong local presence, deep insight into client needs, and ongoing digital innovation enable us to deliver uniquely tailored financial propositions that set us apart in the market.

3

Operational Efficiency & Prudent Cost Management

We are disciplined in our cost management while maintaining a sharp focus on operational efficiency. This balance allows us to optimise resources, enhance service quality, and offer competitive, high-value solutions without compromising on excellence.

4

High-Performing and Engaged Workforce

Our people are our greatest asset. We foster a culture of performance, motivation, and continuous development. By investing in our team's growth and well-being, we ensure exceptional service delivery and ongoing innovation.

5

Robust Risk Management

Risk mitigation is central to our operations. We implement comprehensive risk management frameworks and strategies that protect our clients' interests and support the institution's long-term sustainability.

6

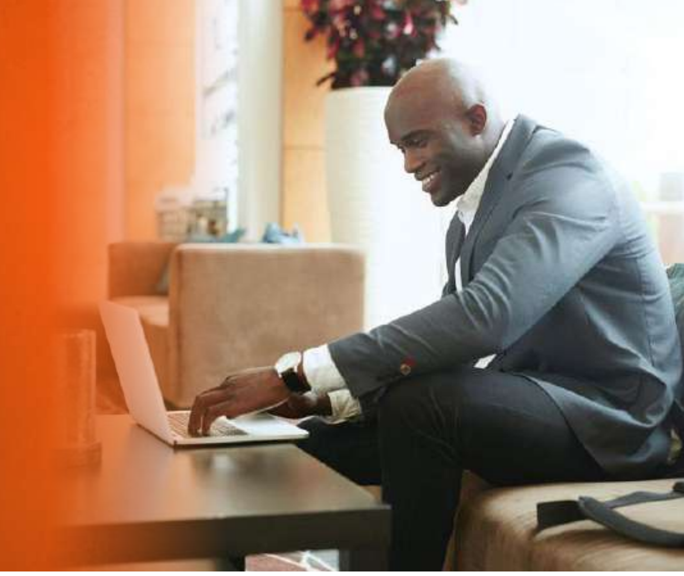
Commitment to Social Responsibility

ZNBS is dedicated to being a force for good in the communities we serve. We champion sustainable practices, support community development initiatives, and pursue ethical investments to create lasting positive impact for all stakeholders.

2

Our Business and Ways of Banking

ZNBS delivers inclusive financial products for individuals, SMEs, and corporates. Our broad portfolio includes savings, loans, fixed deposits, mortgages, bancassurance, and Innovative digital platforms.



Our Ways Of Banking

At ZNBS, our approach to banking is rooted in accessibility, innovation, and customer focus. We offer a diverse range of financial solutions designed to meet the needs of **INDIVIDUALS**, **SMALL AND MEDIUM BUSINESSES**, and **CORPORATES** across Zambia.

PRODUCTS AND SERVICES

Our products range from savings and fixed deposit accounts to loans, mortgages, and insurance solutions, all structured to meet diverse financial needs while promoting financial inclusion and stability.

Savings Accounts

- Village Banking
- Smart Kids Account
- Orange Reward Saver Account
- Salary Account
- Savings Account
- Stop Order (3 – 6 Months)
- Mortgage Servicing Account
- Loan Servicing Account
- Musika Account
- Students Account
- Pensions Account
- Corporate Account
- Church Account
- School Account
- Labor Unions Account
- Community Club
- Revolving Account
- Cooperative Account

Fixed Deposit Accounts

- Term Deposit Account
- Flexi Fixed Deposit Account

Bancassurance

- Life Assurance Account
- Thandizo Funeral Plan
- General Insurance

Loans

- Friendly Loan
- Building Material Loan
- Timange Housing Microloan
- Salary Advance Loan
- Cash Cover Loan

Mortgages

- Construction mortgage
- Home Improvement mortgage
- Outright Purchase mortgage
- Equity Release mortgage
- Balance Transfer
- Diaspora Mortgage
- Commercial Mortgage

BANKING CHANNELS (DIGITAL PLATFORMS)

We make banking more convenient through multiple channels, including mobile and internet banking, agency banking, ATMs, and specialised platforms like SchoolPay and Konse Konse, ensuring customers can access services wherever they are.

- ATM
- Mobile
  *(Mobile App and *686# on USSD)*
- Internet banking
  (ZNBS Website/Link)
- Agency Banking
- E-Workers
- Konse Konse
- SchoolPay
- POS
- Bulk Cash Disbursement Solutions
- CDF Disbursement
- (Repayment)

Smart Kids Savings Account

Invest in your child's future with our
Smart Kids **Savings Account**

GET COMPETITIVE INTEREST RATES AND ZERO MONTHLY MAINTENANCE FEES

Visit your nearest Branch
Email: customerservice@znbs.co.zm

Call us on: 0211 229 191

It's **possible** to **Build | Buy | Renovate**

your dream home, Now!

3

Events of the Year

ZNBS was actively involved in cultural, social, and developmental events including the launch of Kwathu Hills, Diaspora Land Project, and Timange Housing Product. ZNBS also made donations and sponsored some national celebrations.

Awards and Recognition

Our achievements in 2024 reflect the trust of our customers, the dedication of our people, and our commitment to excellence. These awards are a testament to ZNBS's leadership in housing finance, innovation in service delivery, and impact in the communities we serve.

1 **Most Affordable Lender – Africa Union for Housing Finance**

2 **Best Mortgage Provider 2024 – Cfi.co**

3 **2024 Best Banking and Finance Exhibit – CAMINEX**

4 **Runner Up -Real Estate Bank of the Year - Africa Property Investment Awards**

5 **Consistent Sponsor of the Year 2022 -2023 – ZIHR**

6 **Service Transformation – cx specific awards – CICM**

1

2

3

4

5

6

Commemoration of World International Women Day

Sponsorship of National Housing Forum

Donation of Bin to Livingstone City Council

Donation of conference chairs to Zambia Correctional Service in Kabwe

Planting of Fruit trees at Kanyonyo and Mankuyu Secondary School in Western Province

Donation of fruit trees to Kohima Barracks in Kabwe

Sponsorship of Ministry of Education Uniform Day

Sponsorship of Ncwala Traditional Ceremony

Sponsorship of Ncwala Traditional Ceremony

Launch of Kwathu Hills Housing Estate

Launch of Kwathu Hills Housing Estate

Launch of Timange Housing Product

Launch of Timange Housing Product

Donated 1,000 trees to Chipata City Council.

Sponsorship of Kuomboka Traditional Ceremony

4

Stakeholder Engagement and Reporting

The Society engaged meaningfully with shareholders, customers, employees, regulators, and communities, aligning their needs with strategic outcomes - especially in governance, compliance, and financial inclusion.

SHAREHOLDERS

How We Create Value

- Increasing Return on Equity and dividend paid
- Maintaining a strong balance sheet to support growth and protect against downside risk.
- fully compliant with regulations governing its operating environment.
- Deliver affordable housing finance to the public in the quest to increase housing stock in the country
- Strategic capital allocation that balances growth investments with returns to shareholders.
- Driving long-term value through innovation, operational efficiency, and digital transformation.
- Strong risk management practices that preserve capital and build investor confidence.

How We Serve & Engage

Our business model thrives on capital from debt and equity, which is pivotal in executing our strategic vision. We ensure transparency by providing Shareholders with comprehensive progress updates against our strategic and financial frameworks, whether within short - or long - term plan.

Engagement includes

- regular virtual and face-to-face engagements.
- feedback via our AGM

Their Interests

- Safe, strong, and sustainable financial performance.
- Sustainable finance aligned with the National Development Plan
- A strong and experienced management and board.
- Transparency and accountability in corporate governance and strategic decision-making

ZNBS pays a Dividend of K15 Million to its Shareholder

EMPLOYEES

How We Create Value

- Leadership development and mentorship programs to foster future leaders from within.
- Recognition and Rewards of employees for the value they add.
- Encouraging our employees to embrace technological changes, further their careers, and improve our services and products.
- Contributing to the transformation towards a more inclusive society through diversity and inclusion
- We engage employees in social advocacy campaigns, such as those addressing gender-based violence, climate action, and mental wellness—empowering them to drive positive societal change
- We promote physical and mental well-being through sports events, fitness activities, and health awareness sessions.
- Employment opportunities in the towns in which we operate.

How We Serve & Engage

The key metrics we track include, but are not limited to, employee satisfaction levels, attrition rates, remuneration outcomes and training statistics.

Engagement includes employee surveys, face-to-face management discussions and well-being events, as well as employee forums and groups.

Their Interests

- A safe and healthy work environment, supported by flexible work practices.
- Fair remuneration, effective performance management, and recognition.
- Challenging work, with opportunities to make a difference.
- Career development and advancement opportunities.

CUSTOMERS

How We Create Value

- Safeguarding deposits, investments, and wealth while growing returns.
- Providing credit in a responsible manner that enables wealth creation, sustainable development and job creation.
- Enabling financial inclusion by offering unbanked client's access to affordable products.
- Providing financial education and advice; and
- Developing innovative solutions that meet our clients'. specific needs
- Personalized and data-driven financial solutions to better meet individual customer needs and life stages.
- Support for SMEs and entrepreneurs through tailored products, advisory services, and access to markets
- Collaboration with fintech and partners to expand financial access and enhance innovation.

How We Serve & Engage

Our approach revolves around innovative products and seamlessly integrated digital services, which are fundamental to achieving an unparalleled client experience. This involves enhancing our capabilities to safeguard clients against emerging risks such as fraud and cybersecurity, accompanied by robust education initiatives and enhanced communication channels.

Engagement includes digital feedback channels, face-to-face engagements with regular client testing, complaint channels, Customer journey mapping, customer service call Centre, and external independent surveys on topics such as client satisfaction survey and Net Promoter Score.

Their Interests

- Innovative banking and financial solutions and services.
- Safe and convenient access (channel of choice), now primarily through digital channels.
- Excellence in customer service, with rapid issue resolution and complaint handling through efficient and empathetic service channels.
- Value-for-money banking that is competitive and transparent in pricing.
- safeguarding deposits, investments, and wealth while growing returns.
- Access to finance and financial education

SOCIETY

How We Create Value

- Transforming economies, the environment and society
- positively through our lending and investment activities,
- Playing a meaningful role in the broader society as a procurer and consumer of goods and services; and
- Making a difference through our partnerships and corporate social responsibility.
- Promoting green finance and sustainable infrastructure, contributing to environmental resilience.
- social investment activities.

How We Serve & Engage

Engagement forms the cornerstone of our strategy, where we actively collaborate with a diverse spectrum of civil society, Local communities, and NGOs. This collaboration spans a multitude of areas, ranging from environmental and public policy concerns to community-driven initiatives.

Engagement includes numerous digital channels as well as face-to face engagements, either as part of Corporate Social Responsibility engagements or in response to direct requests.

Their Interests

- Partnering in common social and environmental matters.
- Using our resources to promote social and environmental matters and other common agendas to build a thriving society.
- enabling financial inclusion by offering unbanked clients access to affordable product.
- Efforts to mitigate climate change and protect natural resources through business practices.
- Digital and financial inclusion for marginalized and remote communities.

REGULATORS

We operate under the regulatory oversight of key institutions including the Bank of Zambia (BoZ), the Financial Intelligence Center (FIC) and the Securities and Exchange Commission (SEC) of Zambia, among others.

How We Create Value

- We proactively collaborate with regulators to fortify the financial system's effectiveness and promote stability and sustainable growth.
- Driving financial inclusion and innovation in ways that align with regulatory frameworks.

How We Serve & Engage

We maintain proactive and transparent relationships with our regulators through:

- Regular Reporting: Submitting timely financial statements, risk assessments, and compliance reports.
- Consultative Dialogues: Participating in policy consultations and regulatory reviews.
- On-site and Off-site Supervision: Cooperating fully with audits, inspections, and supervisory reviews.
- Strategic Alignment: Ensuring that our initiatives align with national development plans

Their Interests

The regulators expect ZNBS to:

- Maintain financial soundness and stability.
- Comply with prudential and statutory requirements.
- Uphold strong corporate governance and risk management frameworks.
- Support national development goals, particularly in housing finance.
- Demonstrate transparency and accountability in all operations
- Active participation in and contribution to industry and regulatory working groups.
- Responsible innovation and adoption of financial technology within secure and regulated frameworks
- Strengthening anti-money laundering (AML) and counter-terrorist financing (CTF) measures

5

Our Value Creation Model

ZNBS's value creation framework is built on six capitals: financial, human, intellectual, social, natural, and relationship. Strategic investments in people, technology, and sustainability drive long-term resilience.

STAKEOLDERS VALUE CREATION MODEL

Financial Capital

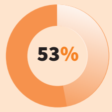
Our capital base, together with diversified sources of deposits and funding from investors and clients, is used to support our clients. This includes extending credit, facilitating payments and transactions, and rewarding shareholders for the capital invested through dividends.

Outcome Value Created

Customer Deposits
K1.5Billion
(2024: K1.3 billion)

Gross banking loans & advances
K2Billion
(2024: K1.7 billion)

Capital Adequacy Ratio



Shareholder Equity
K1.2Billion

Trade-Offs

shareholder value surged through a substantial increase in net profits, driving robust returns for our investors. Our strategic focus remains on striking a delicate equilibrium between maximizing immediate financial gains for shareholders and the imperative investment required for our sustained long-term growth.

Human Capital

Comprising our skilled workforce, ingrained organisational culture, and collective expertise, our human capital is pivotal in innovating solutions tailored to our customers' needs. Our people are the driving force behind realising our Bank's vision.

Outcome Value Created

Workforce of
K309 employees
(2024: 289)

Salary & Benefits Paid
K182 Million
(2024: K158million)

Training & Skills development spend
K4.4 Million
(2024: K1.9million)

Trade-Offs

Investing in our workforce constitutes a significant yet essential cost, vital for attracting, retaining, and nurturing talent. While these investments impact short-term financial capital, they yield substantial long term returns across various other capitals

Intellectual Capital

Our intellectual capital encompasses technological innovations, robust systems and processes, and a heritage-backed strong brand identity

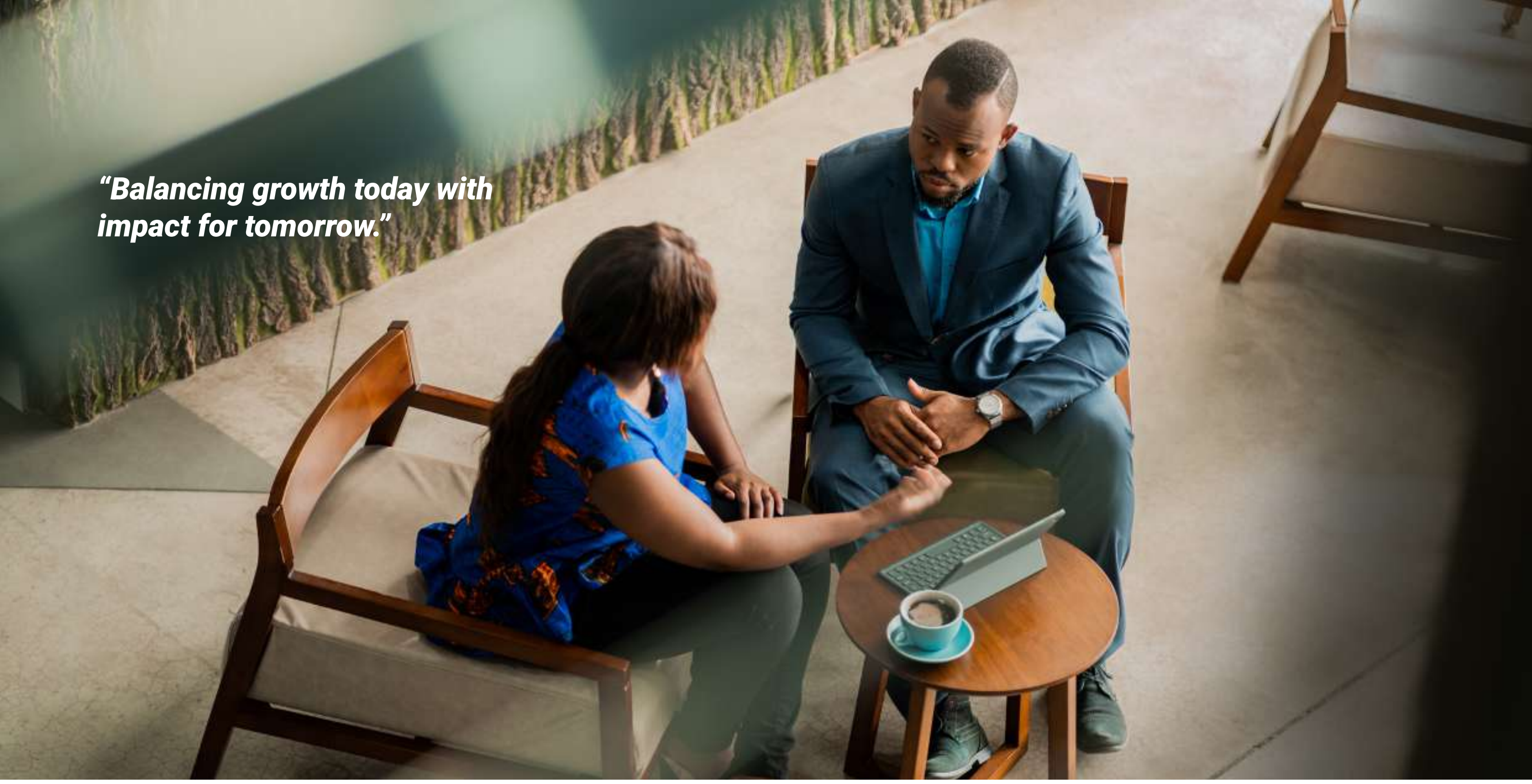
Outcome Value Created

New Mortgage products

Improved Digital Platforms

Trade-Offs

Balancing increased automation of solutions, which impacts both intellectual and manufactured capital, against driving client adoption of digital solutions that elevate client experiences poses a trade-off. This challenge intersects with the need for human interaction, a critical aspect of our human capital



Social and Relationship Capital	Outcome Value Created	Trade-Offs
Stakeholder relationships, including the communities in which we operate, are central to the environment in which we operate, and we recognise the role that we need to play in building a thriving society as well as a strong financial ecosystem	**CSR Expenditure** K1.2Million **Mortgage Value** K689Million **Job creation** through housing projects	Strategically managing diverse stakeholder relationships involves navigating trade-offs to uphold various stakeholders' interests while maintaining quality relationships across all fronts

Natural Capital	Outcome Value Created	Trade-Offs
Referring to the resources we utilise to sustain operations; our natural capital reflects our commitment to responsibly leveraging resources to create lasting value for our stakeholders	**Planted** 2,800 Trees **Donated** Dust Bins	Balancing the utilisation of natural resources, which sometimes negatively impacts human and social capital, remains a critical trade-off. Our commitment lies in minimizing environmental impacts while striving to deliver positive environmental outcomes for society

6

Our Business Model And Guiding Strategy

ZNBS's strategic plan (2022–2025) emphasizes five pillars: employee performance, digital transformation, customer service, affordable housing, and financial strength.

Corporate Strategic Plan

In the 2022-2025 CSP, ZNBS made a deliberate decision to focus on five pillars, namely, Employee Performance, Digital Transformation, Customer Service, Financial Performance, and supporting home ownership through the provision of affordable finance for the development of housing on ZNBS land

ZNBS Financial Highlights 2024

Selected Metrics for FY'24

Record Profit
K186.5Million
Disciplined execution and responsive strategy

Total Asset
K3.3Billion
Corporate Strategic Plan - K3billion

Capital Adequacy Ratio
53%
Well-capitalized to sustain growth & resilience

Balance Sheet Growth
+10%
Driven by housing finance

Non-Performing Loans Ratio (NPLs)
3.7% (below 10%)
Strong loan book quality from prudent risk management.

Cost to Income Ratio
64%
Corporate Strategic Plan - 67%

BUSINESS ACTIVITIES, OUR STRATEGIC FOCUS

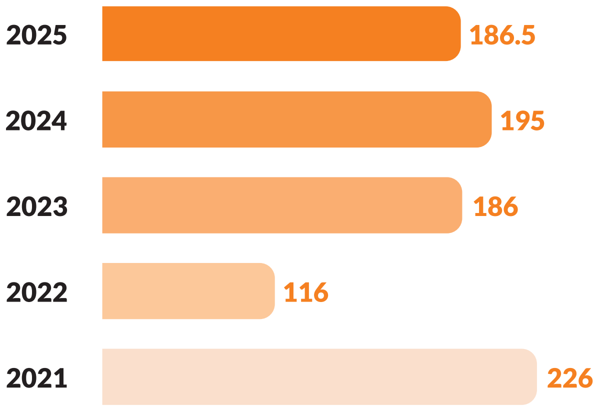
Profitability

Throughout the year, we experienced robust lending activity, a considerable increase in operating income across both net interest income (NII) and a substantial improvement in the quality of our loan portfolio. The Society continued to focus on providing outstanding customer service and investing in technology, while maintaining a healthy cost to income ratio. Consequently, the society's profitability in 2025 was substantial.

K186.5M

2024: K195Million

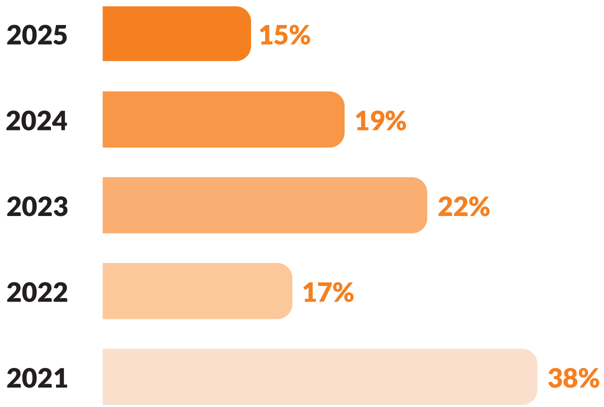
Million in Net Profit



15%

2024: 19%

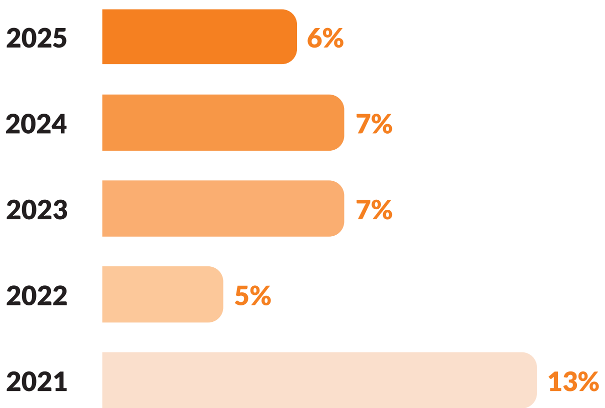
Return on Equity



6%

2024: 7%

Return on Assets



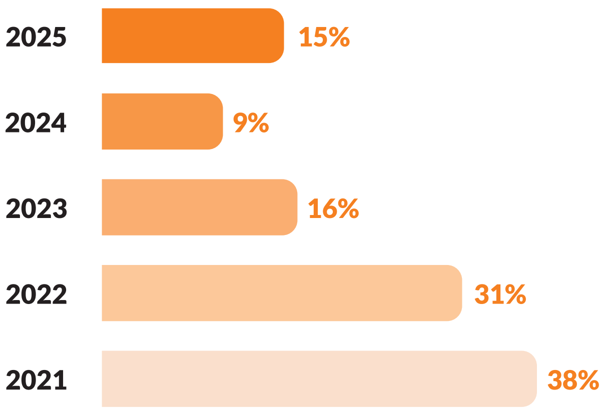
Business Growth

The balance sheet remained robust, as loan originations across our branch network increased substantially. The robust loan book growth of 17% was driven by growth of 15% in the unsecured loan book and growth of 16% in the mortgage loan book. Non-funded income (NFI), which accounted for 9.6% of total income, continues to contribute significantly to the diversification of income sources.

15%

2024: 9%

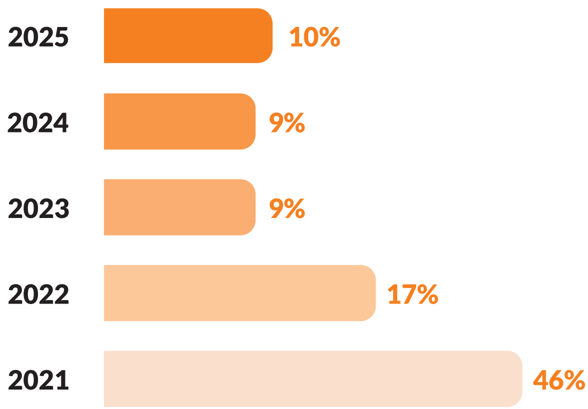
Growth in Assets



10%

2024: 9%

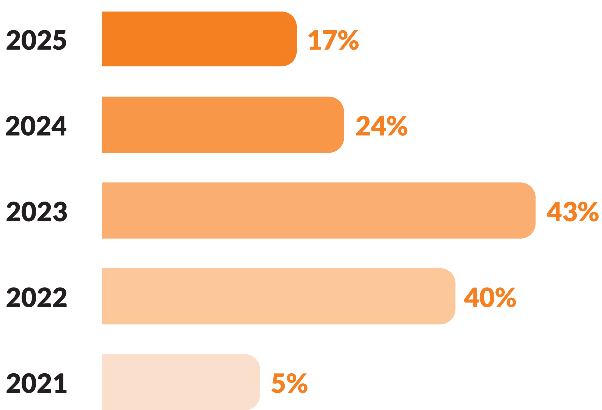
Non Interest/Gross Income



17%

2024: 24%

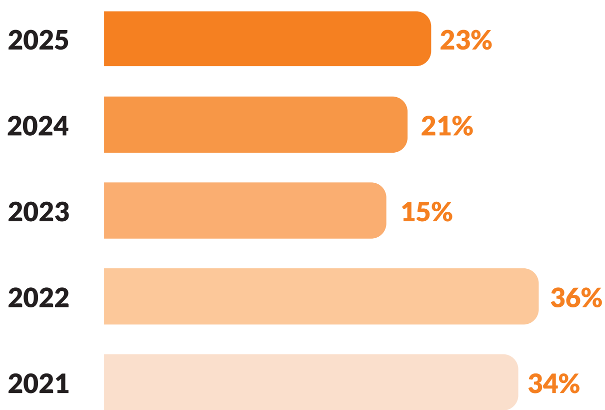
Growth in Loans & Advances



23%

2024: 21%

Growth in Deposits



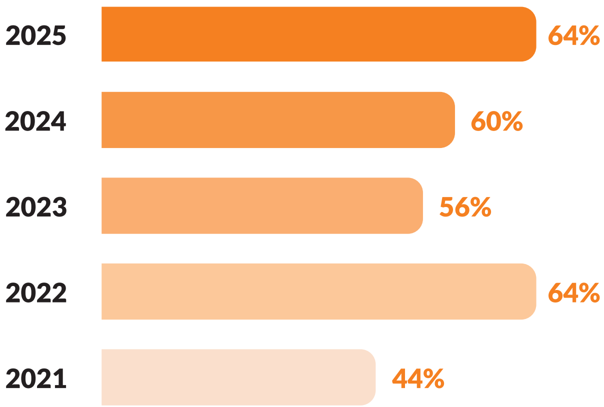
Effeciency

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

64%

2024: 60%

Cost-to-Income Ratio (CIR)



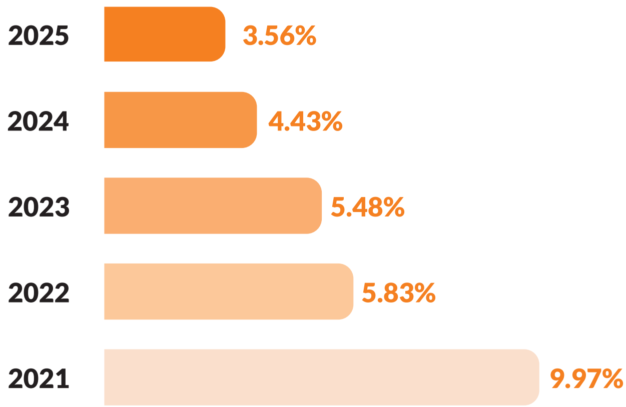
Asset Quality

As a result of prudent risk management, our asset quality has remained resilient despite the economic challenges. The society's Nonperforming Loans (NPL) ratio decreased from 4.43% in 2024 to 3.56% in 2025.

3.56%

2024: 4.43%

Non-Performing Loans (NPL) Ratio



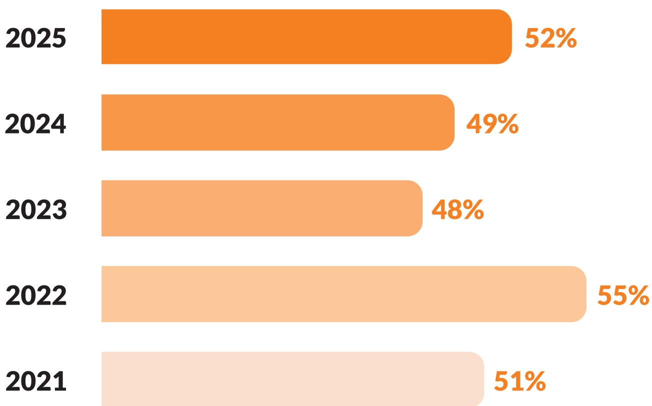
Financial Soundness

Maintaining efficient capital management is still a top priority for society. As of 31st March 2025, the Society's Tier One Capital Ratio 52% comfortably above the minimum regulatory level of 10%. The Society continues to place a high priority on maintaining healthy funding levels consistent with our overall goals for sustainable growth.

52%

2024:49%

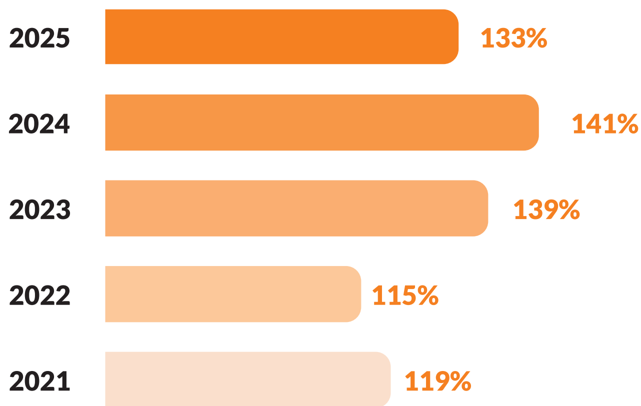
Tier 1 Capital Ratio



133%

2024: 141%

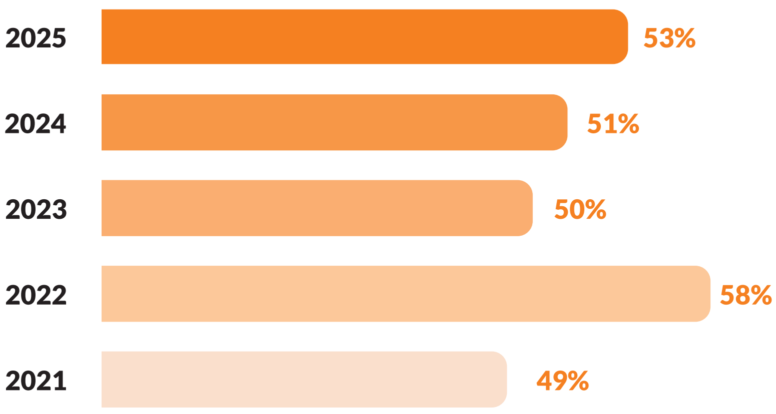
Gross loans to deposits

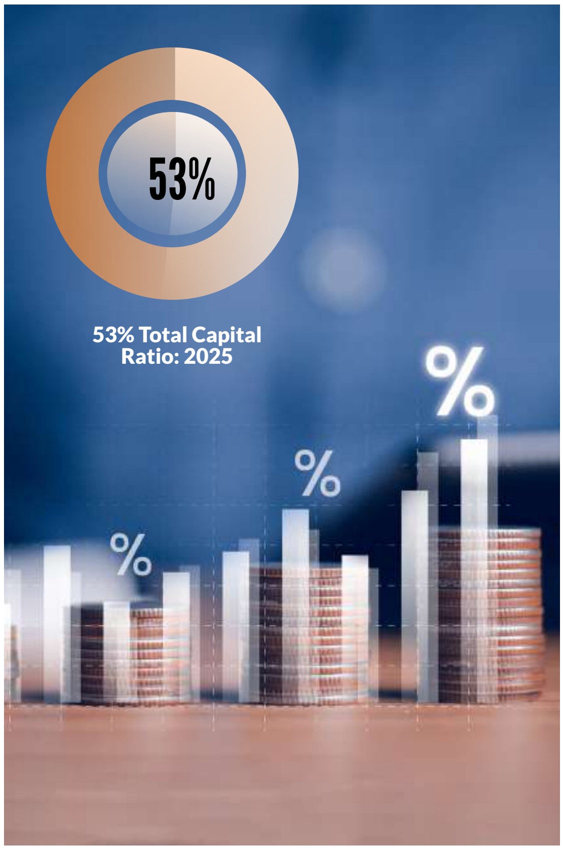


53%

2024:51%

Total Capital Ratio





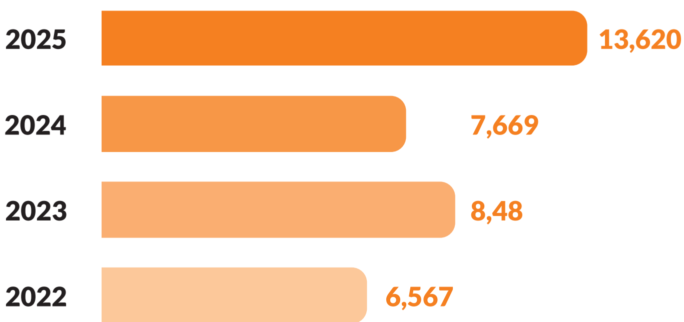
Non-Financial Highlights

Over the past year, we have recorded steady growth in digital transactions across all platforms—mobile banking, internet banking, and agency banking. In addition, the number of new accounts opened has increased, reflecting our expanding customer base and improved service accessibility.

13,620

2024:7,669

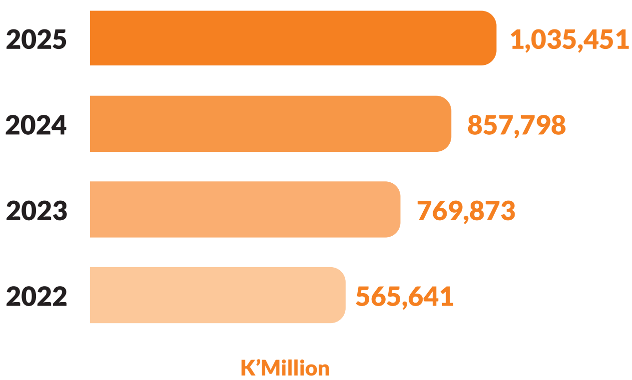
Number of Accounts



K1,035.45M

2024:K857,798M

Mobile Transactions

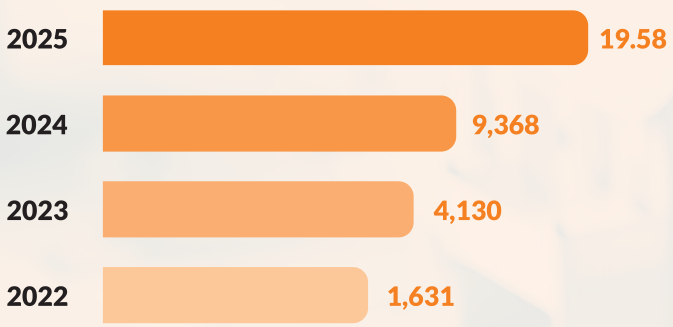


Business Activities, Our Strategic Focus Cont'd

K19.58M

2024:K7,669M

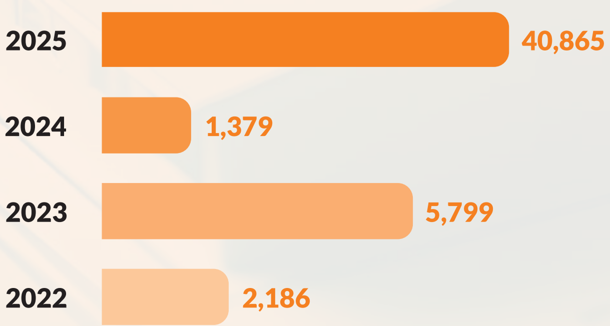
Agency Banking (K'Million)



K40.87M

2024: K857,798M

Internet Banking (K'Million)



“Driving growth through a strategy that is intentional, inclusive, and designed to benefit all Zambians”

Chairman's Statement

HON. GEOFFREY MUSOMBO SAMUKONGA
BOARD CHAIRMAN

On behalf of the Board of Directors, I am pleased to state that ZNBS recorded a solid financial performance in 2025, underpinned by prudent risk management, enhanced revenue diversification, and disciplined cost management strategies. We maintained a strong balance sheet and improved our capital adequacy, ensuring continued regulatory compliance and institutional sustainability. The positive results reflect not only disciplined execution by management but also the trust placed in us by our valued customers and stakeholders.

We continued to make significant strides in delivering on our strategic objectives. Our focus remained on expanding access to affordable housing finance, strengthening the institution's operational efficiency, and reinforcing our role as a catalyst for national development. These pillars guided our decisions and sustained our growth trajectory throughout the year.

> ***A major highlight of the year was the launch of Kwathu Hills housing project in Chilanga District.***

This initiative is a significant milestone in our efforts to bridge the housing gap and empower Zambians through homeownership. Kwathu Hills is not just a real estate project, it is a vision for sustainable, inclusive communities built around dignity, accessibility, and long-term value. This development underscores our expanded role beyond financing homes to actively enabling housing delivery. It is a tangible demonstration of ZNBS's alignment with the Government's national development agenda and our core belief that every Zambian deserves a place to call home.

> ***In line with our mission to provide quality and sustainable mortgage finance and other allied services for the benefit of our stakeholders, we launched the Timange Housing Loan Product, aimed at making homeownership accessible to low-income earners, including those who are non-salaried.***

Additionally, we partnered with various organizations and planted 2,800 trees in support of the Go Green campaign, reinforcing our commitment to environmental sustainability.

We accelerated our digital transformation agenda to enhance service delivery, improve internal efficiencies, and broaden our outreach. New digital platforms were launched and existing systems upgraded to ensure ZNBS remains agile, responsive, and competitive in an increasingly digital financial landscape.

Customer satisfaction and engagement remained central to our operations. Through continuous innovation and service refinement, we sought to provide accessible, convenient, and secure financial solutions to all Zambians, particularly underserved communities.

Our achievements would not have been possible without the dedication and professionalism of our employees. I commend our management team and entire staff for their unwavering commitment to the Society's vision and values. Investing in our people through capacity-building initiatives and fostering a culture of excellence remains a top priority.

Strong governance is the cornerstone of our progress. The Board maintained diligent oversight of ZNBS's strategic direction, financial stewardship, and risk management. We continued to uphold the highest standards of corporate governance and ethics, while embedding sustainability principles into our operations. As a responsible corporate citizen, ZNBS remains committed to contributing to Zambia's socio-economic development through responsible lending, green financing initiatives, and community engagement.

GDP Growth Revised:

3.1% TO 1.8%

in the last quarter of 2024

Inflation Rate

16.5%

(By March 2025)

> ***"In 2024, ZNBS delivered strong financial results driven by prudent risk management, diversified revenues, and disciplined cost control"***

Our Operating Enviroment

In 2024, Zambia National Building Society (ZNBS) operated in a challenging and evolving economic environment, marked by macroeconomic volatility, climatic disruptions, and regulatory shifts. These external factors shaped the strategic and operational decisions of the Society as we remained focused on delivering affordable housing finance and promoting financial inclusion.

Economic Outlook

The economic landscape in 2024 was challenging, the bank of Zambia (BOZ) revised Zambia's real GDP growth downwards in the last quarter of 2024 to 1.8%, from 3.1% projected in the first quarter of 2024.

Inflation rates surged to 16.5% by March 2025, driven by rising food prices and currency depreciation. Despite these challenges, the Government and the Bank of Zambia, continued to implement fiscal reforms and policy measures aimed at stabilizing the economy and promoting sustainable growth. In February 2025 the Bank of Zambia (BoZ) increased the monetary policy rate to 14.5% in response to inflationary pressures, influencing lending rates across the banking and non-bank financial institution (NBFI) sectors.

Environmental Outlook

Zambia faced significant environmental challenges that impacted both the economy and the daily lives of its citizens. The country experienced severe drought conditions, exacerbated by the El Niño weather pattern, leading to critically low water levels in Lake Kariba. This situation severely affected hydroelectric power generation, resulting in widespread electricity shortages and increased hours of loadshedding.

These power deficits disrupted various sectors, including agriculture, manufacturing, and services, highlighting the urgent need for diversified and resilient energy sources. The prolonged drought also led to reduced agricultural output, further straining the economy.

Regulatory Demands

There is a growing set of regulatory demands, including adherence to prudential standards on capital adequacy, liquidity, and credit risk management. Alignment with the Credit Reporting Act, implementing strong Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) controls under the Financial Intelligence Centre, and requirements to uphold consumer protection and financial inclusion obligations. As digital banking expands, regulatory expectations around cybersecurity, data privacy, and digital service delivery are increasing. Additionally, emerging requirements in environmental and social risk management (ESRM) and alignment with global Environmental Social and Governance (ESG) reporting frameworks are anticipated as Zambia moves toward sustainable finance integration.

Increased Competition

ZNBS continues to operate in an increasingly competitive financial services landscape, marked by the growing presence of commercial banks, microfinance institutions, and digital lending platforms offering savings, investment and loan products. The rise of fintech and mobile money solutions has further intensified competition, particularly in urban markets, by delivering faster, more accessible digital financial services. To remain competitive, ZNBS is strengthening its value proposition through affordable mortgage products, expanding its digital footprint, and focusing on underserved segments where the demand for inclusive, low-cost housing finance remains strong by introducing products like the Timange micro housing loan, group mortgage and the village banking savings account.

Looking Ahead

The environmental and economic challenges of 2024 underscored the importance of resilience and adaptability in our operations. At ZNBS, we recognize the interconnectedness of environmental sustainability and economic stability. Moving forward, we are committed to:

- **Integrating Environmental Risk Management:** Incorporating climate and environmental risks into our lending and investment decisions to ensure long-term sustainability.
- **Promoting Green Financing:** Developing and offering financial products that support renewable energy projects, energy-efficient housing, and sustainable agriculture.
- **Enhancing Operational Efficiency:** Implementing energy-saving initiatives and reducing our carbon footprint across all branches and operations.
- **Strengthening Regulatory Compliance Infrastructure:** by implementing robust policies, automated monitoring systems, regular audits, staff training, and continuous updates aligned with evolving legal requirements.
- **Improve Governance and Transparency:** by enforcing accountability, promoting open communication, and ensuring decisions and operations are clearly documented.

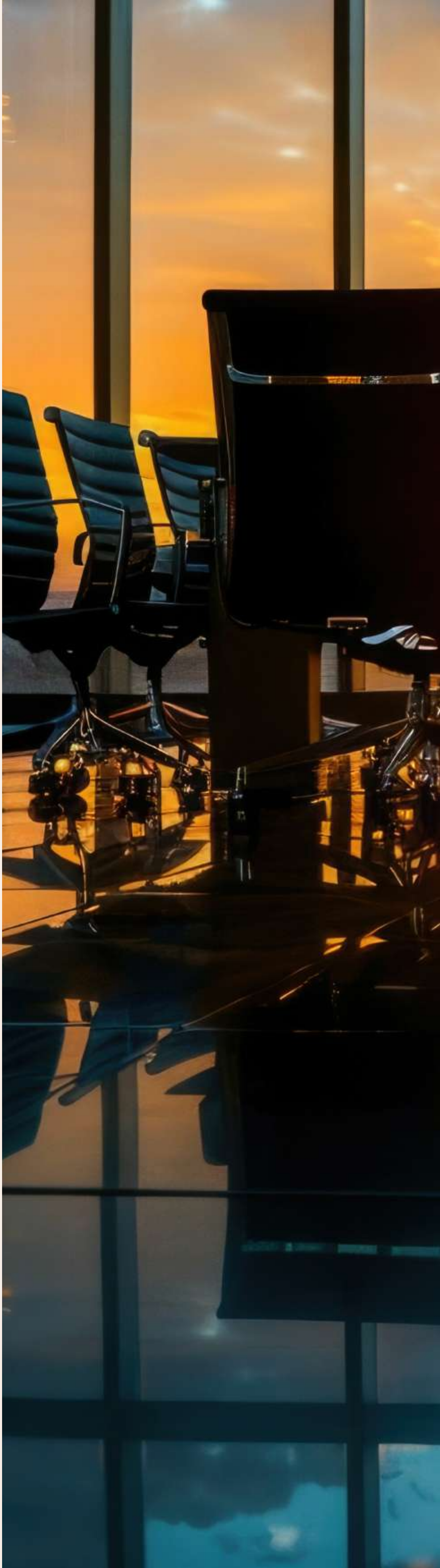
The road ahead presents both challenges and opportunities. Looking ahead, our focus will remain on deepening our impact across Zambia by broadening financial access, supporting national housing development, and leveraging technology to serve our customers better.

With continued support from our stakeholders and a clear strategic direction, I am confident that ZNBS is well-positioned to deliver lasting value for the people of Zambia.

Appreciation

On behalf of the Board of Directors, I extend sincere gratitude to our customers, regulators, partners, and employees for their continued support and trust.

Hon. Geoffrey Musombo Samukonga
Board Chairman



"ZNBS is more than a financial institution — we are a catalyst for affordable housing, sustainable development, and national progress.

Managing Director's Statement

MILDRED MUTESA
MANAGING DIRECTOR

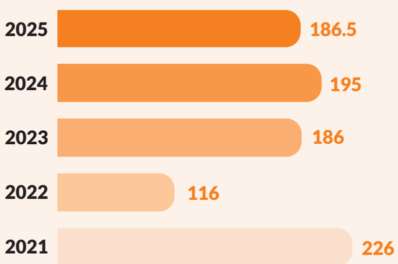
The year 2024 was shaped by a combination of global economic headwinds and emerging domestic opportunities, presenting both challenges and avenues for growth. In this complex operating environment, Zambia National Building Society (ZNBS) demonstrated resilience, agility, and innovation—anchored by our unwavering commitment to financial inclusion, housing development, and national economic empowerment.

It was a year of solid performance and strategic progress, underscoring the critical role we play in promoting homeownership and delivering inclusive financial services to the people of Zambia.

Strong Financial Performance

ZNBS delivered impressive financial results in 2024, a testament to our disciplined execution and responsive strategy in an evolving economic environment. We recorded a profit of K186.5 million. This growth was driven by improved interest income, prudent credit risk management, and effective cost control initiatives.

K186.5m (K195m:2024)



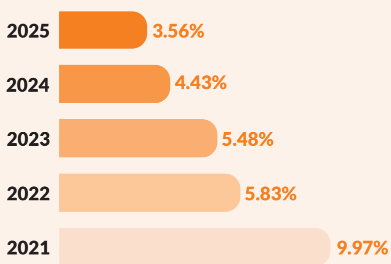
Our return on equity (ROE) remained strong, underlining our commitment to creating value for our shareholder—the Government of the Republic of Zambia. We also maintained a healthy cost-to-income ratio, reflecting improved operational efficiency across the organization.

> ***The balance sheet grew by 10%, reaching K3.3 billion, while our loan and advances portfolio expanded by 25%, crossing the K2 billion mark***

- driven by our focus on affordable housing finance and support for productive sectors. We maintained a prudent approach to credit risk management, ensuring that our NPL ratio remained within acceptable limits, thereby safeguarding the quality of our loan book.

> ***Our NPL is well below the regulatory threshold of 10% (at 3.7 % in 2024).***

Non-Performing Loans (NPL) Ratio



Driving Strategic Initiatives

In line with our 2022–2025 Strategic Plan, we implemented several transformative initiatives aimed at enhancing customer experience, increasing access to housing finance, and modernizing our operations. Among our key milestones:

Launch of Kwathu Hills:
Among the key highlights of 2024 was the launch of the Kwathu Hills housing project in Chilanga District. This initiative reflects our firm commitment to not only providing housing finance, but also enabling direct access to dignified, planned, and sustainable living environments. Kwathu Hills is more than a housing project, it represents our vision for modern, inclusive communities where Zambians can thrive

Timange Housing Loan Product:
The successful launch of the Timange Housing Loan Product, designed specifically to make homeownership accessible to underserved populations, including non-salaried individuals.

Accelerating Digital Transformation:
Our digital transformation efforts gathered significant momentum during the year, with a strong focus on customer convenience, reliability, and innovation.

- We successfully launched School Pay, a digital solution that enables parents and guardians to securely and conveniently pay school fees across supported institutions.

17%
Loan Book Growth

Non-Performing Loans (NPL)
3.56%
Below regulatory threshold of 10%

K186.5
Million in Profits

"Affordable housing is not a dream—it's a plan we are actively delivering for every Zambian."

This initiative enhances financial inclusion and supports education through streamlined payments.

- We worked diligently to improve system stability and reliability, ensuring that customers enjoy faster, safer, and uninterrupted service on our digital platforms.
- As part of our expansion of service channels, we integrated Konse Konse 543, further extending access to our banking services through mobile devices. This inclusion empowers customers, especially in rural and peri-urban areas, to perform transactions without needing to visit a branch.
- These innovations are part of our broader ambition to build a digitally intelligent institution that meets the evolving needs of our customers, regardless of their location or income level.
- Strengthening our internal processes through automation and data-driven decision-making to ensure agility and operational excellence.

Investing in Our People

In recognition of the vital role our employees play in driving our mission, we launched the ZNBS eLearning Hub—a digital platform designed to enhance staff development through on-demand learning and skills-building opportunities.

The eLearning Hub is part of our broader effort to build a high-performance culture and equip our teams with the capabilities needed to deliver excellent service and adapt to an evolving financial services landscape

Commitment to Sustainability and Community Impact

ZNBS recognizes that sustainable growth must include social and environmental responsibility. This year, we proudly partnered with various institutions that saw the planting of 2,800 trees, contributing to Zambia's environmental sustainability goals under the "Go Green" campaign.

We also expanded our financial literacy programmes and community outreach activities, helping more Zambians understand and access the benefits of formal financial services.

Looking Ahead

We remain focused on deepening our impact. We will accelerate housing finance innovations, expand our digital footprint, and strengthen institutional capacity to ensure we remain responsive to the needs of Zambians.

ZNBS stands firmly committed to supporting the Government's development agenda through inclusive finance and infrastructure development. With a clear strategic path, a dedicated team, and the trust of our customers, we are confident in our ability to deliver even greater value in the years ahead.

Appreciation

I extend my sincere gratitude to the Board of Directors for their strategic guidance, our customers for their continued loyalty, our employees for their commitment, and our stakeholders for their unwavering support. Together, we will continue building a better future for all Zambians.

Mildred Mutesa
Managing Director

Sustainability Report

1. Our Sustainability Commitment

At ZNBS we believe sustainability is central to delivering our mandate of providing affordable housing finance while contributing to national development. Our approach integrates environmental stewardship, social responsibility, and strong governance, aligned with Zambia's Vision 2030, the 8th National Development Plan, and the UN Sustainable Development Goals (SDGs).

We focus on delivering inclusive growth, enabling access to housing, and contributing to resilient communities, all while protecting the planet for future generations.

2. Material Issues & Stakeholder Engagement

ZNBS actively engages with key stakeholders—employees, customers, suppliers, regulators, traditional leaders, and the communities we serve. Through town halls meetings, surveys, and collaboration with local authorities, we identify and respond to priority issues such as:

- Access to affordable housing
- Climate change and deforestation
- Youth employment and training
- Gender equity
- Financial inclusion

In alignment with the best global practices, we have identified four key United Nations Sustainable Development Goals (SDGs) as our primary areas of focus:

- **UN SDG 4:** Quality Education
- **UN SDG 8:** Decent Work and Economic Growth
- **UN SDG 11:** Sustainable Cities and Communities
- **UN SDG 13:** Climate Action

For each of these priority goals, we have set ambitious and specific targets, detailed on the following page. These targets serve as clear benchmarks to guide, measure, and transparently report on our comprehensive sustainability efforts.

3. SUSTAINABLE DEVELOPMENT GOALS (SDG)

SDG	WHY WE MAKE A DIFFERENCE	OUR TARGETS AND AMBITION	IN 2024/25, WE DELIVERED
SDG (4)- Quality Education (Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.) 4 QUALITY EDUCATION	1. To support inclusive and equitable quality education. 2. Promote lifelong learning opportunities for all through partnerships with Schools and other education institutions. 3. Provide banking products aimed at promoting financial inclusion at all levels (Smart Kids Savings Accounts and Student Accounts). 4. To collaborate with in situations of education in initiatives and activities aimed at achieving universal access to quality education	1. Implement structured Learning & Development programs for all staff levels, including mentorship and leadership development. 2. Conduct quarterly Staff meetings to foster open communication, share knowledge, and address employee concerns. 3. Enhance internal communication via the Managing Director's Newsletter to promote transparency and learning. 4. Carry out regular Employee Engagement and Satisfaction Surveys to measure progress and identify training needs. 5. Partner with educational institutions to support financial literacy programs and career readiness initiatives for youth.	**1. Launched an E-Learning Platform** to promote continuous professional development, offering flexible, accessible learning for all staff and supporting inclusive education across the organization. **2. Empowered Senior Leaders through a strategic leadership development program** in partnership with Stellenbosch University, benefiting 20 senior managers with advanced training in governance, innovation, and strategic thinking. **3. Advanced Women's Empowerment** by enrolling 20 female employees in the TransformHer Mentorship Program, focusing on leadership, personal growth, and career development to support gender-inclusive learning opportunities. **4. Strengthened Internal Engagement** with regular staff fora engagements to foster a learning-oriented culture. **5. Enhanced Feedback and Growth** through performance reviews and employee engagement surveys to align learning initiatives with real-time needs and aspirations.

SDG	WHY WE MAKE A DIFFERENCE	OUR TARGETS AND AMBITION	IN 2024/25, WE DELIVERED
SDG (8) Decent Work and Economic Growth - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	1. We create meaningful employment across various levels of seniority, contributing to national job creation and skills development. 2. Through our procurement practices, we invest over K13 million annually in our local supply chain, supporting SMEs and driving inclusive economic growth. 3. We support job creation beyond ZNBS — each mortgage disbursed creates approximately 5 jobs in the construction and related sectors. 4. Our housing projects stimulate SME participation in the construction value chain, helping to grow Zambia's local business ecosystem. 5. We have implemented a performance recognition policy to reward and retain top-performing staff, encouraging productivity and professional growth.	1. Offer structured career development programs to help staff achieve their full potential. 2. Expand the Graduate Trainee Program to absorb more young professionals and bridge the youth employment gap. 3. Performance-based bonus scheme to recognise and reward high-performing employees. 4. Provide structured career development opportunities through access to training platforms, mentorship, and leadership programs.	**1. Employee Recognition and Compensation:** We celebrated outstanding performance through the 2024/25 Labour Day Awards, recognizing 25 top-performing staff with trophies, certificates, and shopping vouchers. We also implemented a 10% salary increment for unionised employees and issued performance bonuses for the 2023/24 financial year. **2. Graduate Trainee Program:** Successfully launched the Graduate Trainee Program, providing hands-on experience and professional development for young Zambians entering the financial sector. **3. Workplace Wellness and Fitness:** Promoted health and teamwork through participation in major events, including the 2024 ZUFIAW Sports Festival, Intercompany Relay, and LAZ Marathon, where ZNBS teams secured top positions. We also introduced aerobics sessions across all branches to promote daily physical wellness. **4. Health and Awareness Campaigns:** Hosted virtual sessions on mental health, nutrition, and drug abuse awareness, empowering staff with tools for well-being. ZNBS also observed the 16 Days of Activism Against Gender-Based Violence, including a march and sensitization talks in partnership with law enforcement. **5. Inclusive Culture and Leadership Engagement:** The Managing Director's nationwide staff engagements promoted open dialogue, transparency, and alignment with ZNBS's vision. Quarterly employee sessions also fostered trust and inclusivity across all levels. **6. End-of-Year Celebrations and Team Building:** Sponsored End-of-Year Luncheons for all departments and branches, featuring team-building activities to celebrate 2024 achievements and energize teams for 2025.

SDG	WHY WE MAKE A DIFFERENCE	OUR TARGETS AND AMBITION	IN 2024/25, WE DELIVERED
SDG (11) - Sustainable Cities and Communities - Make cities and human settlements inclusive, safe, resilient and sustainable	1. As a key player in Zambia's housing finance sector, ZNBS contributes to affordable and inclusive housing development, helping to reduce the housing deficit and improve urban living conditions. 2. Our housing projects integrate SMEs and local contractors, creating jobs and supporting sustainable livelihoods in communities. 3. We ensure that our developments adhere to national planning regulations and environmental standards, promoting safety, resilience, and long-term sustainability. 4. ZNBS promotes inclusive access to home ownership through accessible mortgage products for low- and middle-income earners.	1. Develop and finance affordable housing projects that align with national urbanization and sustainability goals. 2. Expand access to low-cost mortgage financing for underserved and first-time homebuyers. 3. Prioritize local supplier and SME participation in construction projects to boost local economies. 4. Ensure environmental and planning compliance for all housing projects by working closely with local authorities and regulatory bodies. 5. Integrate climate resilience and green infrastructure considerations into future housing developments.	1. **Kwathu Hills Housing Project:** Successfully launched this flagship project in Balmoral, Chilanga, addressing the housing needs of over 500 families. 2. **Community-Centered Engagements:** Partnered with local traditional leaders and councils to ensure community ownership and social cohesion in our developments. 3. **Expanded Housing Financing:** Enabled more than 280 AAhomeowners to access affordable mortgage and building material loa products, increasing homeownership opportunities for underserved groups. 4. **Local Economic Empowerment:** Supported SMEs and local contractors through active participation in housing projects, creating jobs and boosting community livelihoods. 5. **Environmental and Planning Compliance:** Ensured all developments comply with national environmental standards and urban planning regulations, promoting safe, resilient, and sustainable neighbourhoods

SDG	WHY WE MAKE A DIFFERENCE	OUR TARGETS AND AMBITION	IN 2024/25, WE DELIVERED
SDG (13) Climate Action - Take urgent action to combat climate change and its impacts. 13 CLIMATE ACTION	1. Championing Urban Greening and Reforestation. 2. Promoting Renewable and Clean Energy Solutions 3. Integrating Environmental Responsibility in Housing Development 4. Supporting Waste Management at Community Level 5. Creating a National Ripple Effect: As a trusted public institution with national reach, ZNBS sets a strong example for climate responsibility in the financial and housing sector, influencing policy, public behaviour, and business practices toward greener outcomes.	1. To promote alternative energy use in our operations. 2. Working with a range of external bodies and suppliers to monitor, manage and reduce our environmental impacts. 3. To preserve our environment by planting trees on all our housing project estates. 4. Planting 10,000 trees by 2025	1. **Tree Planting and Urban Greening Initiatives:** ZNBS donated and planted a total of 2,800 trees nationwide, including 1,000 fruit trees at Chipata Trades Training Institute. Aimed at combating deforestation, mitigating the effects of climate change, and enhancing green public and urban spaces. 2. **Donation of Waste Bins in Livingstone:** This initiative enhanced waste management practices, reducing pollution and fostering a cleaner environment. 3. **Eco-Friendly Housing Advocacy:** We incorporated sustainable practices into the Kwathu Hills Housing Project, setting a precedent for environmentally conscious housing developments. 4. **Environmental Impact Assessment (EIA):** Conducted a public disclosure meeting for the Mongu Housing Development to promote environmental accountability in infrastructure planning. 5. **Promotion of Renewable Energy:** Partnered with Finsol Services Limited and NECOR Zambia to promote affordable smart energy solutions for employees and customers.

Environmental, Social, And Governance Report

As a Society, we place sustainable economic development at the heart of our mission. We recognise the growing importance of Environmental, Social, and Governance (ESG) considerations to our members, investors, and broader stakeholders. Our commitment goes beyond compliance—we aim to unlock long-term, sustainable value by embedding ESG principles across all aspects of our operations. Through a forward-thinking and inclusive approach, we strive to lead with integrity, adopt innovative practices, and create meaningful, measurable impact in the communities we serve.

We believe that integrating ESG into our strategy not only enhances our resilience and performance but also ensures that we contribute positively to society and the planet. By aligning our values with responsible business practices, we aim to be part of the global movement toward a more equitable and sustainable future.

Environmental

We recognise that climate change is one of the most pressing challenges of our time, affecting ecosystems, economies, and communities worldwide. As a responsible organisation, we are committed to doing our part to combat climate change and reduce our environmental footprint. Our environmental strategy focuses on reducing emissions, improving resource efficiency, and promoting sustainable practices throughout our operations.

Over the past year, we have taken tangible steps to support this commitment, including:

- **Energy Efficiency:** Upgrading our facilities with energy-efficient LED lighting to reduce energy consumption.
- **Waste Management:** we supported local environmental efforts through the donation of dustbins to communities, helping to foster cleaner public spaces and encourage responsible waste disposal.
- **Tree Planting and Reforestation:** In support of environmental conservation and climate resilience, ZNBS donated 2,800 plant and fruit trees to promote reforestation and greener communities across Zambia. This included contributions to Mankuyu Secondary School in Nkeyema District, the Zambia Army Military Training Centre in Kabwe, and the Chipata City Council. These efforts are part of our broader strategy to enhance biodiversity, support carbon offsetting, and foster environmental stewardship.
- **Public Environmental Engagement:** We conducted a Public Disclosure Meeting on the Environmental Impact Assessment (EIA) for our Mongu Housing Development. This initiative ensured transparency, regulatory compliance, and meaningful community involvement in assessing and managing the potential environmental impacts of the project.
- **Partnerships for Clean Energy Access:** We signed an agreement with Finsol Services Limited, a subsidiary of NECOR Zambia Limited, to provide ZNBS employees with access to smart, industry-leading energy solutions for both residential and commercial use. This initiative empowers our staff to adopt clean energy alternatives while contributing to broader environmental goals.
- **Green Exhibitions:** During the 96th Agricultural and Commercial Show, we powered our entire exhibition stand using solar energy, demonstrating our practical commitment to sustainability and actively encouraging the adoption of green technologies among stakeholders and the public.
- **Customer-Focused Renewable Solutions:** Through strategic partnerships with Smart Energy and NECOR, we are working to extend access to alternative energy solutions for our customers. These partnerships aim to provide affordable, reliable, and sustainable energy options, reducing reliance on traditional energy sources and lowering carbon footprints in the communities we serve.

Social

ZNBS is committed to creating sustainable social value by addressing the needs of our customers, employees, and communities. We deliver accessible, fair financial services that promote inclusion and economic empowerment. Our workplace fosters diversity, professional growth, and well-being, enabling employees to reach their full potential. Through targeted community investments in education, affordable housing, environmental initiatives, and health, we support vulnerable groups and align our efforts with national development goals and the UN SDGs. These actions reflect our dedication to driving positive social impact and long-term shared prosperity.

ZNBS actively supports community initiatives and promotes employee engagement through strategic partnerships and sponsorships. Key highlights from the year include:

- **Maintaining a safe and healthy work environment** through mental health support programmes and cancer awareness campaigns.
- **Advancing financial inclusion and awareness** by educating communities and customers on accessible financial services and responsible financial practices.
- **Sponsoring multiple golf tournaments,** including those organised by Zambia Sugar, Zambia Air Force (ZAF), the Institute of Directors, the Zambia Institute of Banking and Financial Services (ZIBFS), the Zambia Cancer Society, and the United Church of Zambia (UCZ). These events promote healthy lifestyles, professional networking, health awareness, and community development.
- **Supporting national observances** through sponsorship of the Medical Association of Zambia's National Doctors' Day and the security detail for the Women's Day march past.
- **Contributing to educational initiatives** by sponsoring the Ministry of Education's Uniform Day, helping improve access to school resources.
- **Donating to the Federation of Sign Language** to support training of sign language interpreters, enhancing communication accessibility for the hearing-impaired community.
- **Donating sports attire** to support the Girl Football Team in partnership with Zed Pro Sports, promoting female participation in sports.
- **Sponsoring female employees** to attend the Women in the Boardroom leadership conference, enhancing gender equality and leadership development.
- **Encouraging staff participation in social sports activities,** soccer tournaments, local and international marathons to promote health, wellness, and team spirit.

- **Donating Christmas hampers** to various stakeholders as part of our festive giving and stakeholder appreciation initiatives.
- **Sponsoring end-of-year celebrations** for all ZNBS staff, fostering team spirit and appreciation.
- **Supporting the Ministry of Sports and Youth's** Independence Day Sports Day, promoting national pride and youth engagement.
- **Supporting various traditional ceremonies** across Zambia, including Kuomboka, NC'wala, Umtomboko, Ukusefya Pangwena, Likumbi Lyamize, and Lwiindi Gonde, helping preserve and promote our rich cultural heritage.

7

CORPORATE GOVERNANCE

"High standards of corporate governance remain the cornerstone of ZNBS's long-term success. We are committed to exemplary governance, sustainability, and strategic growth for the benefit of our clients, communities, and the nation."

Dear Shareholders

The Zambia National Building Society ("ZNBS or The Society") Board of Directors is committed to upholding the highest standards of Corporate Governance. The Board achieves this by ensuring that the ZNBS adheres to governance standards embedded in the Banking and Financial Services Act no. 7 of 2017, the Securities Act No. 41 of 2016, the Public Finance Management Act 42 of 2018 and various issued directives

In 2024, the Board continued to take a long-term, strategic, forward-looking approach to refreshing the Board, balancing our need to maintain longevity and stability on the Board whilst ensuring that the Board has requisite skillset and experience to drive long-term success of ZNBS. As part of compliance with Bank of Zambia directive on good corporate governance, we were guided that only members that was vetted by the Bank of Zambia should be allowed to sit in the Board Committees. Arising from this directive the Board committee were reconstituted from the six committees to the four committees as follows: Finance and Audit, Staff & Nominations, Credit and Risk & Investment Committee.

The Board understands that the ZNBS operations may have both positive and negative impacts on the economy, community and the environment. We particularly recognize that the ZNBS potential adverse environmental and socio-economic impacts are both direct and indirect. This clear understanding is critical in our efforts to properly manage our impacts, limiting and mitigating the negative ones, while being a driving force for environmental and socio-economic sustainability.

To ensure strong ESG practices across the organization, in 2024, the Board of Directors underwent training on Sustainability Programme, that seeks to achieve an end-to-end integration of sustainability, and current and emerging ESG risks and opportunities in the decision-making process. The training equipped us with skills in developing sustainability strategies and a robust sustainability governance framework.

In line with our overarching strategic ambition, during the year, the Board developed a three-year Corporate Strategic Plan anchored on five Strategic Pillars as follows:

i. **Digital Transformation & Operation Efficiency** - We seek to amplify the digital experience for our clients and employees by acquiring a Tier 1 Core Banking System, upgrading ICT infrastructure and Digital Suite.

ii. **Client Experience** - We seek to deliver exceptional client experiences with emphasis on end-to-end digital and technological enhancements.

iii. **Sustainability and Financial Performance** - We are committed to responsible banking practices and governance standards. Our area of focus will be managing an optimized balance sheet structure with good Asset Quality, sufficient liquid assets and a stable funding mix.

iv. **Creating affordable Housing** - We continue our journey in providing affordable housing to achieve our mandate through strategic partnerships with housing developers on ZNBS owned land.

v. **Employee Performance, Development and Culture Transformation** - promoting values driven behaviour that creates a high-performing, motivated, and skilled workforce.

The Board remains committed to continue delivering exemplary governance and firmly believes that high standards of corporate governance across the Society are a key contributor to the long-term success of the ZNBS. We will continue to work diligently with the management to ensure that our high standards extend beyond the boardroom and are implemented throughout the business in the successful delivery of the Corporate Strategic Plan.

Hon. Geoffrey Musombo Samukonga
Board Chairman

Our Board of Directors

The ZNBS Board is made up of six (06) Non-Executive Directors (NED) and one (01) Executive Director (ED). The Board was appointed initially by the Minister of Finance on 16th February 2021. The term came to an end on 15th February 2024 and the majority of the Board Members were re-appointed for a second term. A new Board Chairperson was appointed in place of Dr. David Nama, who had served two consecutive terms and was not eligible for re-appointment for a further term.

The Board was composed of the following:

Hon Geoffrey Musombo Samukonga
Board Chairman

Eng Eugene Milambo Hazeele
Board Member

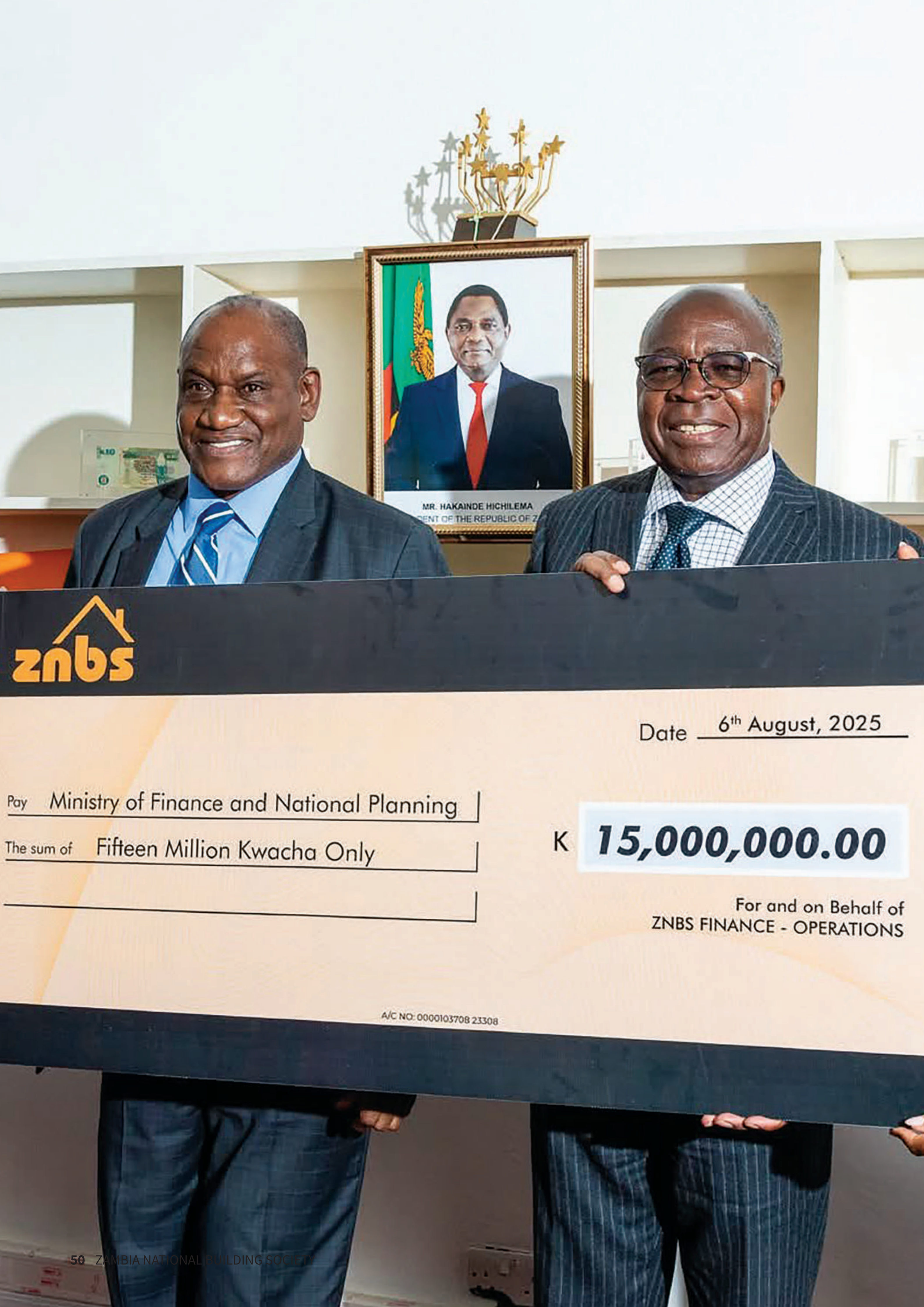
Mrs. Laura Sitali
Board Member

Mrs. Martha Nalubamba
Board Member

Ms. Nakapoko Nalungwe
Board Member

Mrs. Grace Mutembo
Board Member

Mrs. Mildred Mutesa
Board Member


MR. HAKAINDE HICHILEMA
znbs
Date 6th August, 2025
Pay Ministry of Finance and National Planning
The sum of Fifteen Million Kwacha Only
K 15,000,000.00
For and on Behalf of
ZNBS FINANCE - OPERATIONS
A/C NO: 0000103708 23308

Management Executive Committee

Mrs. Mildred Mutesa
Managing Director/ EXCO Chairperson

Mrs. Vivian Milumbe
Chief Operations Officer

Mr. Mwansa Kapeya
Director Banking

Mr. Christopher Kapoma
Director Human Resources

Mr. Elijah Chulu
Director Risk

Mr. Felix Mukonde
Manager Strategy & Corporate Planning/EXCO Secretary

Mr. Victor Mwanza
Director Finance

Mr. Busiku Majele
Chief Information Ofiicer

Mrs. Sarah Kamoto
Director Corporate Banking

Ms. Mutinta Syulikwa
Society Secretary

Mr. Chewe Chisha
Head Internal Audit

Mr. Bwalya Mwanza
Head Credit

McDonald Nonde
Head Procurement & Shared Services

ZNBS Governance Framework

The Shareholder exercises an oversight role and control of the Society through the Board of Directors

The Board appoints the Managing Director, to whom authority is delegated for the day-to-day operational management of the institution

The Managing Director provides a quarterly report to the Board which includes information on the operational matters, the operating environment and performance of the institution against strategic objectives

Board

Managing Director

Supported by Executive Committee

Independent Assurance

External Audit, Internal Audit & Other Professional advice

Board Committees

Finance & Audit Committee	**Credit Committee**
Risk & Investment Committee	**Staff & Nominations Committee**

All Board committees are satisfied that they have fulfilled them responsibilities in accordance with their respective charters for the reporting period

Executive Committee

- **Management Executive Committee**
- **Assets & Liabilities Committee**
- **SteerCo Committee**
- **Procurement Committee**

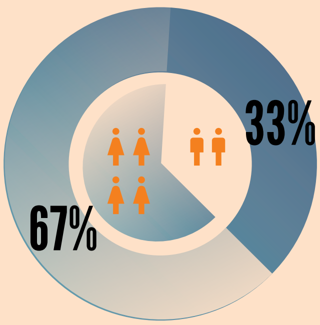
Four specialized Board of Directors Committees

A Board of Directors setting our strategic direction

6 NON-EXECUTIVE DIRECTORS

1 EXECUTIVE DIRECTOR

11 MEETINGS HELD



Board Responsibilities & Roles

- Ensures that corporate responsibility and ethical standards underpin the conduct of ZNBS business
- Provides sound leadership to Managing Director and the management team.
- Sets the strategic vision, direction, and long-term goals,
- Ensures that adequate resources are available to meet these objectives

Bears Ultimate Responsibility for:

- Governance
- Strategy
- Risk management.
- Financial performance.
- Sustainability

The Board of Directors is assisted by four specialized committees. The establishment of the four committees aims at promoting adequate oversight over matters of strategic and regulatory importance.

FINANCE & AUDIT

Oversees the financial risk management strategy, policy and treasury transactional matters of the institution.

It reviews all borrowings of the Society; loans disbursed and assesses the asset and liability margins.

Evaluating the internal control environment and systems, reviewing reports from internal and external Auditors and ensuring the maintenance of a good control framework

CREDIT

Oversees the effective implementation of credit policies

Ensures the enhancement of the Society's credit systems and processes and has oversight on customer products and services.

To approves all loans beyond the mandate of Management and reviews the loans disbursed

RISK & INVESTMENT

Oversees all matters relating to Society properties and real estates

Oversee all housing projects of the institution.

Oversees the risk management and Compliance

Oversee matters relating Information and Technology system.

NOMINATION & STAFF

Provides oversight over remuneration and compensation for all staff, terms and conditions of service, policies and Disciplinary and Grievance Procedure Codes of the Society.

Oversee the corporate governance practices throughout the institution, remuneration and compensation of personnel serving on the Board and its Committees.

Reviewing the performance of the Board and administering the Code of Ethics and Integrity aspects across all levels of the Society.

An experienced management team driving the Society strategy

The Board also delegates authority for the operational management of the Society business to the Managing Director for further delegation by her in respect of matters that are necessary for the effective day-to-day running and management of the business. These delegations aim at creating a desired balance between effective oversight on one hand with appropriate empowerment and accountability of senior executives of ZNBS on the other.

Our Management Committee

The Management Committee executes the strategy and long-term goals of the ZNBS. It drives business performance and organizational synergies. It is also responsible for protecting and enhancing our brand and reputation and maximizing stakeholder value

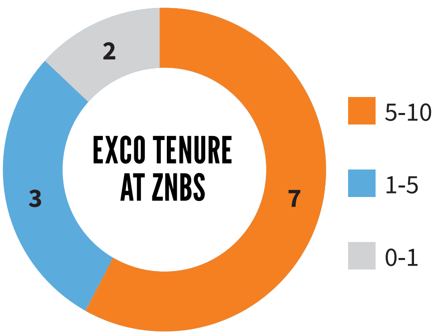
Governance committees to ensure sustainable growth

To adequately undertake responsibilities in the day-to-day management of the business,

in line with the authority delegated by the Board, the management has established several committees. The management committees include the Executive Management Committee (EXCO), the Assets & Liabilities Committee (ALCO), the Steering Committee (SteerCO)

13 EXCO MEMBERS

30% FEMALE MEMBER INCLUDING MANAGING DIRECTOR



Exco changes during the year.

- Mr. Fortune Mukuka (Director Banking & Mortgages) left the Society, and we were joined by Mr. Mwansa Kapeya
- Mr. Douglas Maseka (Head of Procurement & shared services left the society and he was replaced by Mr. Mcdonald Nonde who rejoin the Society,

Changes at Management Structure.

To strength business operation, the banking directorate structure was splint into Corporate and Retail Banking to be headed by two Directors. Further the operation department was splint to hive out the Property & Real Estate from Information and Communication Technology

Chief Information Officer.

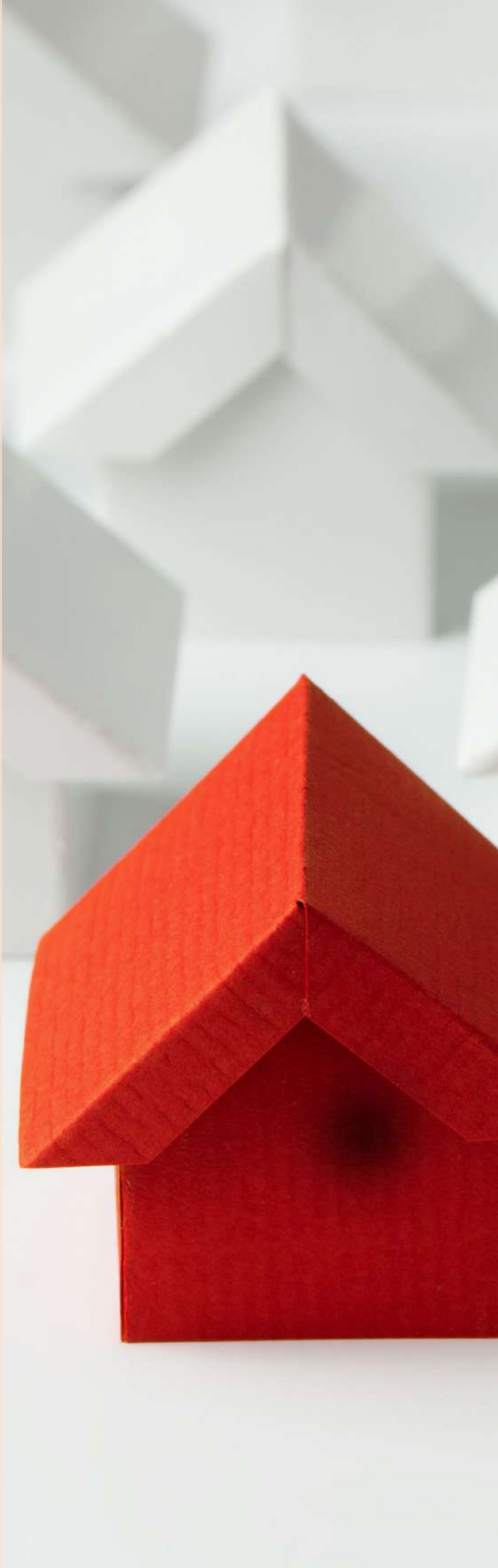
Mr. Busiku Maleje joined ZNBS as Chief Information officer to manage Information and Communication Technology. Overall responsible is to attain 98.5% system uptime, drive digital transformation journey and transition to Tier 1 Core Banking System

Director Corporate Banking.

Mrs. Sarah Bwanali Kamoto joined ZNBS as Director Corporate Banking to coordinate and manage the Corporate and Premium client segments to deliver sustainable business growth and segment profitability

2025 Focus area

- Procure Tier 1 Core Banking System
- Deliver VISA card
- Execution of key strategic initiatives in line with our CSP.
- Driving the sustainability agenda.
- Strengthening our risk and governance profile
- Acquire one land bank for Housing development



Board Engagement

The Board discharges its responsibilities directly and delegates certain other responsibilities to its Board Committees to assist it effectively carry out its functions of ensuring independent oversight and stewardship. Four (4) Ordinary Board meetings and three (3) Extraordinary Board meetings were held during the financial year. Further, the Board held an Annual General Meeting for the Shareholders, performance evaluation and corporate strategic plan review session. The Board agenda and attendance for the meetings was as tabulated below:

Board Agenda in 2024

FINANCIAL AND CORPORATE REPORTING	• Received quarterly financial performance updates. • Declared proposed dividend in respect of the period ended 31 March 2025. • Reviewed and approved the Society Financial Statement • Reviewed and approved the notice of AGM
STRATEGY & BUSINESS PERFORMANCE	• Develop a 3 Year Corporate Strategic Plan. • The Board received progress and monitored the progress made on key strategic initiatives of the previously Corporate Strategic Plan with overall achievement of 87%. • Monitored and assessed the strength of the Society capital and liquidity positions. • Received updates on Society performance, including Directorate level performance updates. • Receive updates on key projects (New Head Office, Housing Project, Digital Projects)
GOVERNANCE & POLICIES	• Considered external legislative and governance developments and received regulatory updates. • The Board continued to oversee the governance, smooth operation, and oversight of the Bank. • The Board monitored its compliance with the Principles of Good Corporate Governance Practices. • Considered Board and Committees' effectiveness • Approved the risk appetite Statement. • The Board passed a proposed dividend payout of K15million
STAFF, CULTURE AND VALUES	• Received an update on Management Team succession planning. • Received an update of implementation of critical training interventions linked to CSP and culture transformation program. • Received and discussed the findings from the Employee Engagement Survey and approved recommendations of implementation actions.

Table 1: Attendance for Board Meetings

	2024	2024	2024	2024	2024	2024	2024	2024	2024	2025	2025
DATE OF MEETING	18/04 Extra Ordinary	25/06 Ordinary	17/06 Extra Ordinary	23/06 Board induction	27/06 Annual General Meeting	20/08 Extra Ordinary	29/08 Ordinary Board	02/12 Ordinary	11/12 Performance Evaluation Workshop	07/02 Strategy Session	17/02 Ordinary Board
Hon. Geoffrey Musombo Samukonga	N/A	N/A	N/A	✓	N/A	✓	✓	✓	✓	✓	✓
Ms. Nakapoko Nalungwe	✓	✓	✓	*	✓	✓	✓	✓	✓	✓	✓
Mr. Eugene Haazele	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mrs. Laura Sitali	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mrs. Martha Nalubamba	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mrs. Grace Mutembo	*	✓	✓	*	✓	✓	*	✓	✓	✓	✓
Mrs. Mildred Mutesa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

**Hon. Geoffrey Musombo Samukonga was appointed as Board Chairperson on 11th May 2024. He only commenced serving on the Board after approval was obtained from the Bank of Zambia.*

Board Oversight Structure

The Board of Directors was supported by six (06) Committees on which it exercised oversight functions. Each Committee is governed by written Terms of Reference defining the duties, powers and frequency of meetings. A Non-Executive Director chairs each Committees and Committee Members are appointed depending on the knowledge and expertise required. The Committee were as follows:

(a) Chairperson Report- Audit Committee (Reporting Period: 2024/2025)

Mrs. Grace Mutembo
Chairperson

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

2024 focus area and material decision made

i. Execute Agile Risk Based Audit.
ii. Continuous monitoring of closure of recommendations and actions from independent reviews and audits.
iii. Reviewed reports of internal audits and monitored action points and follow-up actions arising from audits.
iv. Approved the annual audit plan.
v. Monitored and reviewed the effectiveness of ZNBS Internal Audit function, including overseeing an independent review

2025 Focus area

i. Implement foundational capabilities for data led risk-based auditing.
ii. Develop Combined Assurance Framework
iii. Ensure a smooth transition for Grant Thorton to ensure minimal disruptions to the 2025 year-end audit process.
iv. Continue to focus on ensuring that the Society financial systems, processes and internal financial controls are operating effectively.
v. Reviewing findings and recommendations of the external auditors and confirmed that there were no material unresolved findings.

Table 2: Attendance for Audit Committee

NO. OF MEETINGS	2024	2024	2024	2025	Total
DATE OF MEETING	26/04	26/07	01/11	31/01	4
Mrs. Grace Mutembo	✓	✓	✓	✓	4/4
Mrs. Priscilla Mpundu	✓	✓	✓	✓	4/4
Ms. Nakapoko Nalungwe	✓	✓	✓	✓	4/4

(b) Finance Committee (Reporting Period: 2024/2025)

Eng Eugene Milambo Hazeele
Chairperson

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

2024 focus area and material decision made

i. Financial performance reviews against plan
ii. Budgeting and forecasting
iii. Loans review
iv. Internal Capital Adequacy Assessment Process (ICAAP).
v. Financial risk parameters
vi. Mobilization of Capital
vii. Issuance of Class A shares.
viii. Audited financial statements
ix. Implementation Internal controls and financial reporting framework
x. Management representation letter.

2025 Focus area

i. To increase shareholder value to K1.1billion
ii. Prepare audited financial statements
iii. To reduce CIR to 57%
iv. Develop the Environmental Social and Governance Policy (ESG)
v. Accelerate LED lighting adoption across the Society's premises
vi. Planting of 2,000 trees
vii. Preparatory work for Issuance of Class A Shares for capital raising.
viii. Mobilize K567 Million for housing finance.
ix. Limit administration expenses as a percentage of gross revenue (Excluding Depreciation) to 45%
x. Achieve Net Profit Margin of 30%
xi. Increase interest Margin to 70%

Table 3: Attendance for Finance Committee

NO. OF MEETINGS	2024	2024	2024	2024	2025	TOTAL
DATE OF MEETING	24/04	06 Special	24/07	28/10	27/01	5
Eng. Eugene Haazele	*	✓	✓	✓	✓	5/5
Mr. Dionysious Makunka	✓	✓	✓	✓	✓	5/5
Ms. Nakapoko Nalungwe	✓	✓	✓	✓	✓	2/5
Mr. John Nkonjela	✓	✓	✓	✓	✓	5/5

(d) Credit Committee (Reporting Period: 2024/2025)

Mrs. Martha Nalubamba
Chairperson

The Committee oversees the effective implementation of credit policies, ensures the enhancement of the Society's credit systems and processes and has oversight on customer products and services. Furthermore, it approves all loans beyond the mandate of Management and reviews the loans disbursed. The Committee held four (04) meetings.

2024 focus area and material decision made

i. Banking and Mortgage structure
ii. Approval of the introduction of SME Products.
iii. Approval of deposit mobilization promotions
iv. Request and approval of the Village Banking and Timange Loan products
v. Approval of Simple Forex Sales and purchases
vi. Review the loan book performance

2025 Focus area

i. Implementation of various sales strategies to achieve the K2.7billion deposit target
ii. Migration of 95% of customers to the digital platform
iii. Digital Marketing
iv. Brand Image improvement
v. Branch optimization
vi. Improve Customer experience to achieve 50% NPS score
vii. Implement Credit Score Model
viii. Implement instant loan issuance
ix. Sale of Kwathu and Mansa Garden Estate plots

Table 5: Attendance for Credit Committee

NO. OF MEETINGS	2024	2024	2024	2025	Total
DATE OF MEETING	24/04	24/07	29/10	28/01	4
Mrs. Martha Nalubamba	✓	✓	✓	✓	4/4
Mrs. Grace Mutembo	✓	✓	✓	✓	2/4
Mr. Ngenga Situmbeko	✓	✓	✓	✓	4/4
Mr. Twaambo Hamusute	✓	✓	✓	✓	4/4

(e) Risk and Investments Committee (Reporting Period: 2024/2025)

Mrs. Laura Sitali
Chairperson

The Committee oversees all matters relating to Society properties, makes recommendations to the Board on real property investments or de-investments and oversee all housing projects of the institution. Further, the Committee oversees the risk management systems and processes and Information and Technology system. The Committee held five (05) meetings

2024 focus area and material decision made

i. System and Digital Channel stability
ii. Property maintenance report
iii. Approval the budget of acquisition of Tier1 Core Banking System
iv. Approval structure changes for Operations Directorate
v. Launch of one Housing Project
vi. Approved the Document and Documentation Policy.
vii. The Risk Appetite Statement was presented for review, deliberations, and approved by the Board.
viii. The Internal Capital Adequacy Assessment Process (ICAAP) is presented to the Board for deliberation and was approved.

2025 Focus area

i. Procurement of new Core Banking System
ii. Operational and strategic technology risks, cyber resilience, and emerging cyber- and technology trends.
iii. Relocation of the Head office.
iv. The availability and stability of systems.
v. Branch Maintenance
vi. Acquisition of one land bank
vii. Mongu Housing Project Land preparation.
viii. Roll out of the Governance, Risk and Compliance (GRC) system.
ix. Ensure all Branches acquire ISO 9001 and 22301 certifications.
x. The macroeconomic environment, including economic recovery, headwinds, volatility, risks, and opportunities.

Table 6: Attendance for Risk and Investments

NO. OF MEETINGS	2024	2024	2024	2025	2025	Total
DATE OF MEETING	25/04	30/04 Special	24/07	30/10	29/01	5
Mrs. Laura Sitali	✓	✓	✓	✓	✓	5/5
Mr. Eugene Haazele	✓	✓	✓	✓	✓	5/5
Mr. Ngenda Situmbeko	*	*	✓	✓	✓	3/5
Mr. Nathan De Assis	✓	✓	*	*	*	2/5

**Mr. Nathan De Assis served to serve as a member of the Risk and Investments Committee. Mr. Ngenda Situmbeko was appointed in his place.*

(f) Nominations Committee (Reporting Period: 2024/2025)

Hon Geoffrey Musombo Samukonga
Chairperson

The objective of the Committee is to oversee the corporate governance practices throughout the institution, remuneration and compensation of personnel serving on the Board and its Committees. It is, further, charged with the responsibility of reviewing the performance of the Board and administering the Code of Ethics and Integrity aspects across all levels of the Society. The Committee is chaired by the Board Chairperson. The Committee held six (6) meetings, and the attendance was as follows:

2024 focus area and material decision made

i. Development of Corporate Strategic Plan and presented for Board Approval
ii. Received updates on the Society performance, including business-level performance updates.
iii. The Board continued to oversee the Society's governance, smooth operation, and oversight.
iv. Set the performance target of Board Committee and conduct quarterly reviews
v. Evaluation regarding the effectiveness of the Board and its committees
vi. Review and revised the Board Committee compositions

2025 Focus area

i. Monitoring the performance of Corporate Strategic Plan.
ii. Integrating the ESG strategy within ZNBS.
iii. Board effectiveness actions evaluations.
iv. Arrange Board Training in Corporate Governance and Cybersecurity awareness.
v. Reviewing and approving the Board Charter
vi. Review the remunerations of the Board members and aligned it to the industry

Table 7: Attendance for the Nominations Committee

NO. OF MEETINGS	2024	2024	2024	2025	Total
DATE OF MEETING	25/04	25/07	31/07	30/01	4
Mr. Geoffrey Musombo Samukonga	*	✓	✓	✓	4/4
Mr. Eugene Haazele	✓	✓	✓	✓	4/4
Mrs. Laura Sitali	✓	✓	✓	✓	4/4
Mr. Bursch Nketani	✓	✓	✓	✓	4/4
Mr. Hobby Kaputa	✓	✓	✓	✓	4/4

Separations of Roles and Responsibilities

The role of Board Chairman is separate from that of the Managing Director. There is a clear division of responsibilities between the leadership of the Board by the Board Chairman, and the executive responsibility for day-to-day management of the Society's business, which is undertaken by the Society's Managing Director. Board Chairman is responsible for the strategic leadership of the Board and is pivotal in creating conditions for the overall effectiveness of the Board. The Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management at the Annual General Meeting and other shareholder meetings.

CHAIRMAN	• Responsible for leading the Board, its effectiveness and setting high governance standards. • To ensure effective communication with shareholders and, where appropriate. • Upholding rigorous standards of preparation for meetings and ensuring that decisions by the Board are executed.
NON-EXECUTIVE DIRECTORS	• Responsible for ensuring that the Society has in place proper internal controls as well as a robust system of risk management. • To support the development of proposals on strategy, hold management to account and ensure that they discharge their responsibilities properly, while creating the right culture to encourage constructive challenge.
MANAGING DIRECTOR	• Responsible for the executive responsibilities for day-to-day management of the Society's business. • Recommending ZNBS strategy to the Board and ensuring that the strategic objectives and Board's directives are implemented through the Executive Committee.
SOCIETY SECRETARY	• Provides support and guidance to the Board in matters relating to governance and ethical practices. • Also responsible for induction programs of new directors, keeping board members abreast of relevant changes in legislation and governance principles.

Directors Compensation

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

Board Induction and On-Boarding

The Society has put in place a Board Induction and On-Boarding program which provides a formal induction process for new Board Members. Through this process, a new Board Member is familiarized with the Society's strategy, operations, governance structures, policies and procedures. The process also involves training the Directors on corporate governance, their roles and responsibilities and potential liabilities.

The disclosure of Director's fees and remuneration is made in note 31 of the Financial Statements. The Director's fees and any amendments to the same are approved by the Shareholder at the Annual General Meeting.

Board Performance Evaluation

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

The Nominations Committee provides oversight and conducts the evaluation on an annual basis. The Committee has developed a mechanism of setting performance targets for the Board and its Committees.

The targets are reviewed on a quarterly basis and form the basis for the performance assessment at the end of the financial year. The recommendations from the evaluation performance of the Board of Directors are submitted to the Regulator and implemented.

KPMG conducted the evaluation for the last financial year.

Stakeholder Relationships

The Board adopts a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the Society over time.

Stakeholder Engagement

In keeping with the good governance and in ensuring that the trust and confidence of key stakeholders is maintained, the Society utilizes various platforms and other corporate social initiatives to engage stakeholders and meet their requirements.

Relationship with the Shareholder

The Society understands the important role that is played by the Shareholder in the governance structure. The Board recognizes that it is accountable to the Shareholder and ensures that they are kept fully informed of all key developments in the institution. This is done through quarterly reports including the annual report. Further, an Annual General Meeting is held where the Shareholder is updated on the performance of the institution.

On an annual basis, the Board signs a performance contract with the Shareholder which stipulates the strategic objectives which the Board needs to achieve. The contract is reviewed at the end of each financial year.

External Audit

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

Appropriate accounting policies supported by reasonable and prudent judgement and estimates were used consistently throughout the audit for the last financial year. The audit fees paid for the last financial year were K 1,546,000.00 before VAT and disbursements. Non-audit work was conducted relating to the review of the internal controls over financial reporting.

Statement of Compliance

The Society ensures that the business is managed in a manner underpinned by very strong governance, compliance and financial crimes risk management standards. The Society puts in place measures and processes to ensure compliance with the Bank of Zambia Corporate Governance Directives and all other regulatory requirements. An annual compliance statement is submitted to the Regulator indicating the status of compliance with regulatory requirements.

Going Concern

The Board annually undertakes an assessment of whether the business will continue to be a going concern. This is done during the preparation of the financial statements at the end of the year. During the year under review, the Board evaluated the performance of the institution, relevant factors and assumptions and on this basis concluded that the Society would continue to be a going concern for the foreseeable future.

Mobile
Banking

1. Pay bills
2. Transfer funds
3. SMS Notifications
4. Airtime Purchase
5. Mobile Money
6. Deposit/Withdraw
7. Mini Statement

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your dream home, Now!

Risk Management

Principal Risks

1. Cyber Security Risk

Risk of data breaches, ransomware, phishing, or unauthorized access to ICT systems, potentially leading to financial loss, reputational damage, or legal exposure.

Mitigants:

Risk of data breaches, ransomware, phishing, or unauthorized access to ICT systems, potentially leading to financial loss, reputational damage, or legal exposure.

Current Status: High

Forecast Status: High

2. Business/Strategic Risk

Risk of failing to meet strategic objectives due to market competition, poor planning, or adverse economic conditions.

Mitigants:

Regular review and update of the Corporate Strategic Plan (CSP); Market intelligence and competitor benchmarking.

Current Status: Low

Forecast Status: Low

3. Credit Risk

Risk of financial loss due to borrowers defaulting on loan obligations.

Mitigants:

Rigorous loan vetting by Credit Department; Monthly Portfolio Quality Review meetings; Use of credit scoring and risk-based pricing.

Current Status: Low

Forecast Status: Low

4. Market/Liquidity Risk

Risk of loss due to adverse market movements or inability to meet short-term financial obligations.

Mitigants:

Active Asset and Liability Committee (ALCO); Daily liquidity monitoring; Diversification of funding sources

Current Status: Medium

Forecast Status: Medium

5. Capital Risk

Risk of insufficient capital to support operations or absorb losses.

Mitigants:

Internal Capital Adequacy Assessment Process (ICAAP); Stress testing and capital planning; Regulatory capital compliance monitoring.

Current Status: Low

Forecast Status: Low

6. Fraud Risk

Risk of financial loss due to internal or external fraudulent activities, including identity theft, forged documents, or unauthorized transactions.

Mitigants:

SMS alerts for transactions; Staff training on fraud detection; Monitoring of new accounts and loan applications; Whistleblower mechanisms.

Current Status: High

Forecast Status: High

7. Operational Risk

Risk of loss due to failed internal processes, human error, system failures, or external events.

Mitigants:

Maintenance of Risk Registers; Incident reporting and root cause analysis; Internal and external audits.

Current Status: Medium

Forecast Status: Medium

8. Reputational/Information Risk

Risk of damage to the institution's reputation due to unethical behaviour, data leaks, or poor customer service.

Mitigants:

Ethics and conduct policies; Strong governance and escalation protocols; Know Your Customer (KYC) procedures.

Current Status: Low

Forecast Status: Low

9. Resilience Risk

Risk of inability to recover from disruptive events such as cyberattacks, natural disasters, or system outages.

Mitigants:

Business Continuity Plan (BCP); Regular testing of BCP and Disaster Recovery Site; Crisis communication protocols.

Current Status: Medium

Forecast Status: Medium

10. Pandemic Risk

Risk of operational disruption due to widespread health crises (e.g., COVID-19), affecting staff availability and customer engagement.

Mitigants:

Pandemic monitoring systems; Health and safety protocols; Remote work infrastructure and contingency planning.

Current Status: Low

Forecast Status: Low

Emerging Risks - Zambia National Building Society (ZNBS)

1. Interest Rate Volatility

Inflationary pressures and monetary policy adjustments by the Central Bank can lead to unpredictable interest rate movements, affecting lending and savings products.

Potential Impactc:

- Reduced mortgage affordability
- Lower loan uptake
- Increased cost of funds.

Suggested Mitigants:

- Monitor rate trends
- Introduce flexible pricing models
- Diversify loan products.

2. Digital Fraud & Cybersecurity

As mobile and online banking adoption grows, so does exposure to phishing, identity theft, and system breaches. The risk is amplified by limited digital literacy among some users.

Potential Impactc:

- Financial loss
- Reputational damage
- Customer trust erosion

Suggested Mitigants:

- Enhance cybersecurity protocols
- Conduct regular penetration tests
- Staff and customer awareness training

3. Regulatory & Compliance Risk

The financial sector is seeing tighter regulations, including data protection laws, AML/CFT requirements, and ESG disclosures. Non-compliance can result in sanctions and reputational harm.

Potential Impactc:

- Penalties
- Operational delays
- Reputational harm

Suggested Mitigants:

- Strengthen compliance team
- Automate regulatory reporting
- Conduct board-level compliance reviews

Effective compliance turns risk into resilience and regulation into opportunity

4. Climate & ESG Risk

Climate change and ESG expectations are reshaping lending practices. Institutions are expected to support green financing and demonstrate social responsibility.

Potential Impactc:

- Investor disengagement
- Regulatory scrutiny
- Brand perception risks

Suggested Mitigants:

- Develop ESG strategy
- Implement transparent ESG reporting
- Launch green loan products

5. Technology Disruption Risk

Fintechs and digital-first banks are challenging traditional models with faster, cheaper, and more accessible services.

Potential Impactc:

- Loss of market share
- Pressure on margins
- Customer churn

Suggested Mitigants:

- Invest in digital transformation
- Partner with fintechs
- Accelerate innovation cycles

6. Talent & Skills Risk

The demand for digital, ESG, and compliance skills is rising, but the talent pool remains limited.

Potential Impactc:

- Operational inefficiencies
- Strategic delays
- Increased HR costs

Suggested Mitigants:

- Upskill existing staff
- Strengthen talent acquisition strategies
- Collaborate with universities and training institutions

Emerging Risks Radar

8

Financial Statements For the year ended 31 March 2025

ZNBS's financial strength is the foundation on which we build sustainable growth and shareholder value

The Directors submit their report together with the audited financial statements of Zambia National Building Society ('the Society') for the year ended 31 March 2025, which disclose the state of affairs of the Society.

PRINCIPAL ACTIVITIES

The Society is engaged in the business of mobilising finance, providing housing finance, banking, property management and other related services as stipulated under the Building Societies' Act, Cap 412 and the Banking and Financial Services Act, 2017 (as amended) of Zambia. There have been no material changes in the Society's principal business activities during the year.

SHARE CAPITAL AND BENEFICIAL OWNER

The authorized share capital for the Society remained unchanged at 1,000,000 ordinary shares at K1 each and were 100% held by the Minister of Finance and National Planning on behalf of the Government of the Republic of Zambia.

RESULTS AND DIVIDEND

The profit for the year of K186,500,396 (2024: K195,065,749) has been added to retained earnings.
The Society is proposing a dividend of K15,000,000 (2024: Nil) for the year ended 31 March 2025.

SIGNIFICANT EVENTS DURING THE YEAR

During the year ended 31 March 2025, the Bank of Zambia maintained the Statutory Reserve Ratio of 26% in order to continue easing the inflationary pressure arising from the weakening local currency against major convertible currencies. The Monetary Policy Committee also increased the Monetary Policy Rate from 12.5% to 14.5%. This resulted in liquidity squeeze in the market which impacted the Society's ability to mobilize core deposits. Furthermore, the on-going International Monetary Fund (IMF) program which requires borrowing on concessional terms only without the requirement of Government Guarantee for State-Owned Enterprises impacted negatively the Society's capital raising plan.

DIRECTORS AND REMUNERATION

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

Name	Status
Geoffrey Musombo Samukonga	Chairperson (appointed on 14 May 2024)
Milambo E Haazele	Non-Executive Director (appointed on 19 February 2021)
Martha Nalubamba	Non-Executive Director (appointed on 19 February 2021)
Laura CM Sitali	Non-Executive Director (appointed on 19 February 2021)
Grace Mutembo	Non-Executive Director (appointed on 19 February 2021)
Nakapoko Nalungwe	Non-Executive Director (appointed on 26 September 2022)
Mildred Mutesa	Executive Director (appointed on 17 September 2020)

During the year under review, the Board of Directors' remuneration was K3,886,000 (2024: K3,319,700) for services rendered by the non-executive directors.

AVERAGE NUMBER OF EMPLOYEES AND REMUNERATION

The total remuneration paid to employees during the year amounted to K182,745,567 (2024: K158,655,196). The average number of employees for 2024 was 306 while the actual numbers of employees from 1 April 2024 to 31 March 2025 were as follows:

Month	Number	Month	Number
April	307	October	304
May	301	November	303
June	299	December	306
July	308	January	305
August	310	February	310
September	309	March	309

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

GIFTS AND DONATIONS

During the year, the Society made donations of K1,294,075 (2024: K1,274,300) to charitable organisations and events.

PROPERTY AND EQUIPMENT

The Society purchased property and equipment amounting to K11,906,000 (2024: K129,669,000) during the year.

RESEARCH AND DEVELOPMENT

During the year, the Society did not incur any research and development costs (2024: Nil)

RELATED PARTY TRANSACTION

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

DIRECTORS' EMOLUMENTS AND INTERESTS

Directors' emoluments and interests are disclosed in Note 29 of the annual financial statements.

RISK MANAGEMENT AND CONTROL

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the year, the Board of Directors implemented an internal control framework over financial reporting in accordance with section 147 of the Securities Act of 2016. The Board is responsible for ensuring the effectiveness of the company's internal control systems, including those related to financial reporting and disclosure controls.

Management has provided the Board, through the audit committee, with disclosures regarding the effectiveness of these controls for the reporting period. After reviewing these disclosures, the Board confirms that the internal control over financial reporting and disclosure controls are operating effectively to ensure the reliability and accuracy of the company's financial statements.

AUDITOR AND REMUNERATION

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

The auditor's remuneration for the year under review was K2,734,514.40 (2024: K3,815,010) comprising of audit services K1,518,974 (2024: K1,377,173) and non-audit services K1,215,540 (2024: K2,437,837).

By order of the Board:

SOCIETY SECRETARY **DATE:** 30/06/25

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

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with IFRS Accounting Standards, as issued by the International Accounting Standards Board (IASB) and the requirements of the Building Societies Act Cap 412, of the laws of Zambia and the Banking and Financial Services Act, 2017, (as amended) of Zambia. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Society and of its performance in accordance with IFRS Accounting Standards, as issued by IASB.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Geoffrey Musombo Samukonga (Mr.)
Chairperson

30/06/25
Date

Mildred Mutesa (Mrs.)
Managing Director

30/06/25
Date

MANAGEMENT REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management Responsibility

Management of Zambia National Building Society is responsible for establishing and maintaining adequate internal controls over financial reporting. Our internal controls over financial reporting is the process designed under the supervision of our Managing Director and our Director Finance to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Society's financial statements for external reporting purposes in accordance with International Financial Reporting Standards. Internal controls over financial reporting includes our disclosure controls and procedures designed to prevent misstatements.

Risks in Financial Reporting

The main risks in financial reporting are that it is possible that either financial statements do not present a true and fair view due to inadvertent errors (frauds), or that the publication of financial statements is not done on a timely basis. These risks may reduce investors and stakeholders' confidence or cause reputational damage and may have legal consequences including banking regulatory interventions. A lack of fair presentation arises when one or more financial statements or disclosures contain misstatements or omissions that are material. Misstatements or omissions are deemed material if they could, individually or collectively, influence economic decisions that users make on the basis of the financial statements.

Internal Controls Evaluating Framework

To confine the risks of financial reporting, management of the Society has established internal controls over financial reporting with the aim of providing reasonable, but not absolute, assurance against material misstatements or omissions and has conducted an assessment of the effectiveness of the Society's internal controls over financial reporting based on the framework established in Internal Controls Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. (COSO). COSO recommends the establishment of specific objectives to facilitate the design, and evaluate the adequacy, of a control system. As a result, in establishing internal controls over financial reporting, management has adopted the following objectives financial statement.

- Existence – assets and liabilities exist and transactions and occurred:
- Completeness – all transactions are recorded, and account balances are included, in the financial statements:
- Valuation – assets, liability and transactions are recorded in the financial reports at the appropriate amounts:
- Rights and Obligations of the ownership – rights and obligations are appropriation recorded as assets:
- Presentation and disclosures – classification, disclosure of presentation of financial reporting is appropriate: and
- Safeguarding of assets – unauthorized acquisition, use or disposition of assets is prevented or detected in timely manner.

However, any internal control system, including internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of that control system are met. As such, disclosure controls and procedures of systems for internal controls over financial reporting may not prevent all errors and fraud. Further, the design of a control system must reflect the fact that there are resources constraints, and the benefits of controls must be considered relative to their costs.

Organization of the System of Internal Controls over Financial Reporting

Controls within the system of internal controls over financial reporting are performed by all business functions with an involvement in reviewing the reliability of the books and records that underlie the financial statements. As a result, the operation of internal controls over financial reporting involves staff in the following departments: Banking and Mortgages, Governance, Credit, Operations, Finance Human Resources, Treasury, Information and Communication Technologies, Legal, Property and Estates and Risk and Compliance Departments.

The Finance Department is responsible for the periodic preparation of financial statements and operates independently from the Society's businesses. Within the Finance Department, different functions have control responsibilities which contribute to the overall preparation process.

- Finance Department Accountants are responsible for reviewing the quality of financial data by performing validation and control. They are in close contact with the branch network, departments, Legal, Governance, internal audit and employ their specific knowledge to address financial reporting issues arising on products and transactions, as well as validating, reserving other adjustments based on judgement.
- The Finance Department is also responsible for Society-wide activities which include the preparation of the Society financial and management information, forecasting and planning and risk reporting. Finance sets the reporting timetables, performs the consolidation and the aggregation process, effects the elimination of entries for internal and intra Society activities, controls, the period end and adjustment process, compiles the financial statements and considers and incorporates comments as to content and presentation made by senior and external advisors.
- The Finance department is also responsible for developing the Society's interpretation of the International Financial Reporting Standards and their consistent application within the Society and is responsible for the timely resolution of corporate and transaction-specific accounting issues.

  The operations of internal controls over financial reporting are also importantly supported by the Director Banking and Mortgages, Head Credit, Chief Operations Officer and Head Property and Estates. Although these functions are not directly involved in the financial reporting process, they contribute in the review of the process leading to the production of financial information.
- The Chief Operations Officer (COO) is responsible for responsible for confirming transactions with counterparties and performing reconciliations, both internally and externally, of financial information between systems, branches and departments. The COO also undertakes all transaction settlement activities on behalf of the Society and performs reconciliations of cash and cash equivalents, suspense accounts, investments and other accounts balances.
- The Director Banking and Mortgages is responsible for deposit and loans mobilisation.
- The Head Credit is responsible for developing policies and standards for managing credit risk and is responsible for identifying and assessing credit provisions.
- The Head Property and Estates is responsible for property maintenance and rental income maximization from investment properties.

Controls to Minimize the Risk of Financial Reporting Misstatement

Thes system of internal controls over financial reporting consists of a large number of internal controls and procedures aimed at minimizing the risk of misstatement of the financial statements. Such controls are integrated into the operations process and the include those which:

- Are ongoing or permanent in nature such as supervision within written policies and procedures or segregation of duties:
- Operate on a period basis such as those which are performed as part of the annual financial statement preparation process:
- Are preventative or detective in nature:
- Have a direct or indirect impact on the financial statements themselves. Controls which have an indirect effect on the financial statements include Information Technology general controls such as system access and deployment controls. An example of a control with direct impact would be a reconciliation which directly supports a balance sheet line item:
- Feature automated or manual components. Automated controls are controls functions embedded within system processes such as application enforced segregation of duty controls and interface checks over the completeness and accuracy of inputs. Manual internal controls are those operated by an individual or group of individuals such as authorization of transactions:
- The combination of individual controls encompasses each of the following aspects of the system of internal controls over financial reporting:
- Accounting policy design and implementation. Controls to promote the consistent recording and reporting of the Society's business activities in accordance with authorized accounting and operational policies:

- Reference data. Controls over reference data in relation to the general ledger and on – and – off balance sheet transactions including product reference data.
- New product and transaction approval, capture and confirmation. Controls are intended to ensure the completeness and accuracy of the record transactions as well as appropriate authorization. Such controls include transaction confirmations which are sent to and received from counterparties to help ensure that trade details are corroborated.
- Reconciliation controls, both external and internal. Inter-system reconciliations are performed between relevant systems for all transactions and parameters. External reconciliations include bank accounts, rental tenant accounts and borrowings reconciliations.
- Business aligned valuation specialists focus on valuation approaches and methodologies for land and buildings.
- Taxation controls are designed to ensure that tax calculations are performed properly, and that tax is properly accounted for in the financial statements and declared.
- Reserving and adjustments based on estimation and judgement. Controls are designed to ensure that reserving and other adjustments based on estimation and judgement are authorized and reported in accordance with the approved accounting policies.
- Balance sheet substantiation. Controls relating to the substantiation of balance sheet accounts to promote the integrity of general ledger account balances on supporting evidence.
- Financial statement disclosure and presentation. Controls over compilation of the financial statements themselves include preparation of disclosures checklists and compliance with the requirements thereof, and review and sign-off of the financial statements by the Finance department. The financial statements are also subject to approval by the Management, Finance and Audit Committee of the Board and the Board.

Measuring Effectiveness of Internal Controls

Each year, the management of the Society undertakes a formal evaluation of the adequacy and effectiveness of the system of internal controls over financial reporting. This evaluation incorporates an assessment of the effectiveness of the control environment as well as individual controls which makes up the system on internal controls over financial reporting considering;

- The financial misstatement risk of the financial statement line items, considering such factors as materiality and the susceptibility of the particular financial statement item to misstatement; and
- The susceptibility of identified controls to failure considering such factors as the degree of automation, complexity and risk of management override competence of personnel and the level of judgement required.

These factors, in aggregate determine the nature and extent of evidence that management requires in order to be able to assess whether or not the operation of the system of internal controls over financial reporting is effective. The evidence itself if generated from procedures integrated within the daily responsibility of staff or from procedures implemented specifically for purposes of in. Internal controls over financial reporting. Information from other sources also forms an important component of the evaluation since such evidence may either bring additional control issues to the attention of management or may corroborate findings. Such information sources include.

- Reports on audits carried out by or on behalf of regulatory authorities.
- Reports on audits carried out by the Office of the Auditor General.
- Risk department reports.
- External auditor reports; and
- Reports commissioned to evaluate the effectiveness of outsourced processes to third parties.

In addition, the Society's Audit evaluates the design and operating effectiveness of internal controls over financial reporting by performing periodic and ad hoc risk based audits. Reports are produced summarizing the results from each audit performed which are distributed to the managers responsible for the activities concerned. These reports also provide evidence to support the annual evaluation by management of the overall operating effectiveness of the internal controls over financial reporting.

As a result of the evaluation, management had concluded that internal controls over financial reporting is appropriately designed and operating effectively as of 31 March 2025.

The external auditor that audited the financial statements has issued an external auditor's report on our assessment of the Society's internal controls over financial reporting and it is filed together with this annual report.

______________________	______________________
Mildred Mutesa	**Victor Mwanza**
Managing Director	**Director Finance**

To the Shareholders of Zambia National Building Society

INDEPENDENT REASONABLE ASSURANCE REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have undertaken a reasonable assurance engagement of Zambia National Building Society's internal controls over financial reporting as of 31 March 2025, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

Opinion on Internal Control Over Financial Reporting

In our opinion, Zambia National Building Society maintained, in all material respects, effective internal controls over financial reporting as of 31 March 2025, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

We also have audited, in accordance with International Standards on Auditing (ISAs), the annual financial statements of Zambia National Building Society (the "Society") which comprise of the statement of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows and the notes to the financial statements, and our report dated XX June 2025, expressed an unqualified opinion.

Basis for Opinion

We conducted our audit in accordance with International Standard on Assurance Engagements 3000, (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting section of our report. We are required to be independent of Zambia National Building Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Summary of work performed

The procedures we performed were based on our professional judgement and included inquiries, inspection of documents and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, our work performed included:

- Making inquiries primarily of persons responsible for financial and accounting matters, and regulatory reporting;
- Testing the design and operating effectiveness of key controls over financial reporting. These internal controls over financial reporting include those policies and procedures that:

  a. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Society;

  b. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Society are being made only in accordance with authorizations of management and directors of the Society; and

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c. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Society's assets that could have a material effect on the financial statements.

- Evaluating the sufficiency and appropriateness of evidence in order to make our reasonable assurance conclusion.

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

Management's Responsibilities

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Internal Controls over Financial Reporting report in accordance with Section 146 of the Securities Act, 2016.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management, including policies or procedures and accordingly, maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities for the Audit of Internal Control Over Financial

Our responsibility is to express an opinion, based on the evidence we have obtained, as to whether Zambia National building Society maintained, in all material respects, effective internal controls over financial reporting as at 31 March 2025, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000, (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

A reasonable assurance report in accordance with ISAE 3000 involves performing procedures to obtain evidence about the description and suitability of the design and operating effectiveness of the controls. The procedures selected depend on the practitioner's judgement including the assessment of the risks that the description is not fairly presented, and that the controls are not suitably designed. An assurance engagement of this type also includes evaluating the overall presentation of the description, the suitability of the control objectives stated therein, and the suitability of the criteria specified by Management.

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Inherent limitations

Because of their nature, controls put in place by management may not prevent or detect and correct all errors or omissions in financial reporting. Also, the projection to future periods of any evaluation of the effectiveness of the design or operating effectiveness of the controls to achieve the related control objectives is subject to the risk that such controls may become inadequate or fail.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

Date: 01/07/25

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

Independent auditor's report

To the Shareholders of Zambia National Building Society

Report on the audit of the annual financial statements

Our opinion

In our opinion, the annual financial statements give a true and fair view of the financial position of Zambia National Building Society (the "Society") as at 31 March 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Banking and Financial Services Act, 2017 (As amended) of Zambia and the Building Societies Act, Cap 412.

What we have audited

Zambia National Building society's annual financial statements are set out on 17 to 80 and comprise:

- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of financial position as at 31 March 2025
- 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, comprising material 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 Society in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Co

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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
Estimation of IFRS 9 expected credit losses on financial assets measured at amortised cost As at 31 March 2025, the Society's portfolio of financial assets measured at amortised cost included mortgages, loans and advances and investment in government securities. The Society assesses at each reporting date whether the financial assets carried at amortised cost are credit impaired. The Society's management has applied an Expected Credit Loss ("ECL") model to determine the allowance for impairment of financial assets. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Society's history of collection of financial assets, which include the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). Significant judgments were made in determining the PDs, LGDs and forward-looking information Additional information on impairment of financial assets measured at amortised cost is presented in Note 13: Government securities, Note 14: Loans and advances and Note 4: Financial risk management.	• We carried out the following procedures: • Obtained an understanding of the Society's methodology in arriving at the PDs, EAD and LGDs used in the ECL calculation and assessed this against the requirements of IFRS 9. • Tested the impairment of financial assets carried at amortised including the basis for their judgments and reasonableness of key inputs and assumptions. • Tested the controls around loan origination, credit appraisal, the disbursement process, and delinquent loans management. Our procedures included testing collections and recoveries and on a sample basis, performed a detailed credit review to confirm appropriate classification and measurement of significant facilities. • For mortgages and loans and advances, tested a sample of accounts to understand their performance and appropriateness of staging in line with IFRS 9 by recalculating the number of the days past due. • With the help of specialists, tested the formulae driving the model calculations and re-performed the calculation of certain key model inputs which involves a detailed data check, full recalculation of the model assumptions and an independent re-run of the model. • Tested forward looking information and evaluated it against external sources of information • For investment in government securities, developed an independent point estimate using assumptions on PDs and LGDs that were agreed to information from reputable, independent third parties. • Tested the financial statement disclosures.

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

Other information

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

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

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

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

Responsibilities of the Directors for the annual financial statements

The Directors are responsible for the preparation of annual financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the requirements of the Banking and Financial services Act, 2017 (As amended) of Zambia, the Building Societies Act, Cap 412 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 Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

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

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

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

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society’s internal control.

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

- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the 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 Society to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

The 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, Zambia National Building Society has complied with the provisions of the Act. In accordance with the requirements of the Banking and Financial services Act, 2017 (As amended) of Zambia, we are required to report to you whether:

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

The Building Societies Act, Cap 412

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

Date 01/07/25

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

Statement of profit or loss and other comprehensive income

	Note	2025 K'000	2024 K'000
Interest income	5	644,789	577,722
Interest expenses	6	(201,575)	(146,183)
Net interest income		**443,213**	**431,539**
Loan impairment charges	7	3,024	(1,347)
Net interest income after loan impairment charges		**446,237**	**387,986**
Fees and commission	8	55,674	52,339
Other income	9	13,153	5,705
Total operating income		**515,065**	488,236
Operating expenses	10	(326,598)	(290,936)
Finance costs	10	(1,966)	(2,234)
Profit for the year		**186,500**	**195,066**
Other comprehensive income:			
Revaluation gain on own use buildings	15	-	4,411
Total comprehensive income for the year		**186,500**	**199,477**

The notes on pages 93 to 143 form an integral part of the financial statements.

Statement of financial position

	Note	2025 K'000	2024 K'000
Assets			
Cash in bank & in hand	11	268,702	215,095
Placements with other financial institutions	12	-	7,962
Government securities	13	630,299	579,858
Loans and advances	14	1,947,536	1,663,872
Property and equipment	15	211,186	216,127
Investment properties	16	128,901	122,120
Intangible assets	17	5,120	8,930
Other assets	18	136,523	81,681
Right of use asset	19	3,699	6,010
Total assets		3,331,965	2,901,655
Liabilities			
Lease liabilities	19	5,636	8,535
Customer deposits	20	1,548,471	1,255,982
Provision for staff benefits	21	20,436	18,262
Borrowings	22	417,238	485,388
Other liabilities	23	127,141	106,945
Total liabilities		2,118,922	1,875,112
Equity			
Share capital	24	191,678	191,678
Other reserves	25	65,024	66,666
Accumulated profit		956,341	768,199
Total equity		1,213,043	1,026,543
Total equity and liabilities		3,331,965	2,901,655

The notes on pages 93 to 143 form an integral part of the financial statements.

The financial statements on pages 88 to 143 were approved and authorised for issue by the Board of Directors on ……………………………......... 2025 and signed on its behalf by:

____
Geoffrey Musombo Samukonga (Mr.)
Chairperson

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Mildred Mutesa (Mrs.)
Managing Director

____
Mutinta Syulikwa (Ms.)
Society Secretary

Statement of changes in equity

	Share Capital	General Reserves	Statutory Reserves	Revaluation Reserves	Retained Earnings	Total Equity
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Balance at as 1 April 2024	**191,678**	**-**	**1,000**	**65,666**	**768,199**	**1,026,543**
Profit for the year	-	-	-	-	186,500	186,500
Other comprehensive income						
Transfer of excess depreciation*	-	-		(1,642)	1,642	-
Transfer to general reserves	-	-	-	-		-
Revaluation gain on buildings	-	-	-	-	-	-
Total comprehensive income	**-**		**-**	**(1,642)**	**188,142**	**186,500**
		-	-	-		
Balance as at 31 March 2025	**191,678**		**1,000**	**64,024**	**956,341**	**1,213,043**
Transactions with owners		-				
Dividends paid		-			-	-
Balance as at 31 March 2025	**191,678**		**1,000**	**64,024**	**956,341**	**1,213,043**
Note	25	26	26			

* Transfer of excess depreciation from revaluation reserves to equity represents excess depreciation resulting from valuation of properties. The amount is calculated at 2.5% of the total revaluation reserve as at the time of the most recent revaluation of properties. The last revaluation was done in March 2025.

The notes on pages 93 to 143 form an integral part of the financial statements.

Statement of changes in equity (Continued)

	Share Capital	General Reserves	Statutory Reserves	Revaluation Reserves	Retained Earnings	Total Equity
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Balance at as 1 April 2023	**191,678**	**5,100**	**1,000**	**62,826**	**596,462**	**857,066**
Profit for the year	-	-	-	-	195,066	195,066
Other comprehensive income						
Transfer of excess depreciation*	-	-		(1,571)	1,571	-
Transfer to general reserves	-	24,900	-		(24,900)	-
Revaluation gain on buildings	-	-	-	4,411		4,411
Total comprehensive income	**-**	**24,900**	**-**	**2,840**		**199,477**
			-			
Balance as at 31 March 2024	**191,678**	**30,000**	**1,000**	**65,666**	**768,199**	**1,056,543**
Transactions with owners						
Dividends paid		(30,000)			-	(30,000)
Balance as at 31 March 2024	**191,678**	**-**	**1,000**	**65,666**	**768,199**	**1,026,543**
Note	25	26	26			

The notes on pages 93 to 143 form an integral part of the financial statements.

Statement of cash flows

	Note	2025 ZMW	2024 ZMW
Cash flows from operating activities			
Profit before tax and other comprehensive income		186,500	195,066
Adjusted for			
(Profit)/ loss on disposal of property & equipment	9	-	(1,582)
Impairment of government securities	13	807	(733)
Depreciation of property & equipment	15	16,838	13,828
Fair value gain on investment properties	16	(5,595)	(608)
Amortisation of intangible assets	17	6,180	7,594
Amortisation of Right of Use assets	19	3,308	1,816
Lease liabilities interest expenses	19	1,496	1,764
Provision for rental debtors		-	203
Interest charged on borrowings	22	46,249	58,744
Movements in operating funds			
Net increase in loans and advances		(283,664)	(325,264)
Net decrease in other assets		(54,842)	49,800
Net increase in customer deposits		292,489	215,786
Net decrease in other liabilities		20,196	13,297
Net increase in provisions for staff benefits		2,175	3,547
Net cash (outflow)/inflow from operating activities		**232,137**	**233,258**
Cash flows from investing activities			
Investment in government securities	13	(249,344)	(247,577)
Proceeds from maturities in government securities	13	198,096	315,973
Proceeds from disposal of property & equipment		239	1,623
Purchase of property & equipment	15	(11,906)	(129,669)
Purchase/ improvement of investment property	16	(1,186)	(2,960)
Purchase of intangible assets	17	(2,369)	-
Net cash inflow/(outflow) from investing activities		**(66,470)**	**(62,610)**
Cash flows from financing activities			
Principal lease payments	19	(3,239)	(3,229)
Lease liability interest payments	19	(1,496)	(1,764)
Interest paid on borrowings	22	(52,088)	(63,469)
Repayment of borrowings	22	(124,198)	(147,127)
Proceeds from borrowings	22	61,000	-
Dividend paid	28	-	(30,000)
Net cash (used in)/generated from financing activities		**(120,021)**	**(245,589)**
Net decrease in cash and cash equivalents		**45,646**	**(74,941)**
Cash and cash equivalent at start of year		223,056	297,997
Net decrease in cash and cash equivalents		45,646	(74,941)
Cash and cash equivalents at end of year	26	**268,702**	**223,056**

The notes on pages 93 to 143 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

Century House
Cairo Road
P O Box 30420
Lusaka, Zambia

2. Summary of material accounting policies

2.1 Compliance with IFRS Accounting Standards

The financial statements of Zambia National Building Society have been prepared in accordance with IFRS Accounting Standards and interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) as issued by the International Accounting Standards Board (IASB) applicable to companies reporting under IFRS, the Building Societies Act, Cap 412 of the laws of Zambia and the Banking and Financial Services Act, 2017 (as amended) of Zambia. The financial statements comply with IFRS Accounting Standards as issued by the (IASB).

2.2 Basis of preparation and material accounting policies

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

The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Zambian Kwacha (K) and all values are rounded off to the nearest thousand Kwacha, except when otherwise indicated.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Going concern

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

2.3 Changes in accounting policies and disclosures

IFRS Accounting Standards and amendments effective for the first time for March 2025 year-ends		
Number	Effective date	Executive summary
Amendments to IAS 1, 'Presentation of Financial Statements' - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IFRS 16, 'Leases' - sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
Amendments to Supplier Finance Arrangements (IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosure')	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS Accounting Standards, interpretations and amendments issued but not effective		
Number	Effective date	Executive summary
Amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments	Annual periods beginning on or after 1 January 2026 (Published May 2024)	These amendments: • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion. • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets) and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

IFRS Accounting Standards, interpretations and amendments issued but not effective		
Number	Effective date	Executive summary
IFRS 18, 'Presentation and Disclosure in Financial Statements'	Annual periods beginning on or after 1 January 2027 (Published April 2024)	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. Many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

2.4 Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' respectively in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Society estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

2.5 Fees and commission income and expense

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

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

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

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

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

2.6 Financial assets and liabilities

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

At initial recognition, the Society measures a financial asset or financial liability at its fair value plus or minus, in the case of financial assets or liabilities, not at fair value through profit or loss but at amortised cost. Transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions are carried at fair value through profit or loss and expensed in profit or loss. Financial liabilities are derecognized from the balance sheet when the Society's obligation is extinguished.

2.6.1 Financial assets

Classification and subsequent measurement

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

Amortised cost

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

Business model

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

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

2.6.1.1 Impairment of financial assets

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

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

(i) Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Society's policies for determining if there has been a significant increase in credit risk are set out in Note 4.

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

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

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

Based on the above process, the Society categorises its loans into Stage 1, Stage 2 and Stage 3 as described below:

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

(ii) The calculation of ECLs

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

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

- **PD** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
- **EAD** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments; and
- **LGD** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

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

The mechanics of the ECL method are summarised below:

- **Stage 1:** The 12 months ECL is calculated as the portion of life time ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Society calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD. This calculation is made for each of the three scenarios, as explained above.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Society records an allowance for the life time ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument.

- **Stage 3:** For loans considered credit-impaired, the Society recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%. In addition to the above, the Society applies credit loss ratio of Stage 1 loans to estimate the ECL for off balance sheet commitments. The Society's off-balance sheet commitments are predominantly approved mortgages but not disbursed. The Society does not ordinarily provide long term unutilised commitments and as such, off balance sheet facilities are impaired to determine 12 months ECL and not life time ECL.

(iii) ECL on financial assets

Placements with other financial institutions

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

Investment in government securities

In assessing whether an investment in securities debt is credit impaired, the Society uses the country risk profile and the probability of the instrument being restructured resulting in holders suffering losses by providing voluntary or mandatory debt relief. Based on publicly available information on the intentions by the investee to embark on debt sustenance initiatives through debt restructuring, the Society considers the probability of default on government securities to be material and consistent with the country risk profile. The impairment recognized on securities has been disclosed under Note 13.

Other assets

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

2.6.1.2 Modified financial assets

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

- if a borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to pay.
- significant extension of the loan term when the borrower is not in financial difficulty.
- significant change in interest rate; and
- insertion of collateral, other security or credit enhancements that significantly affect the credit risk profile of the loan.

(i) Modification that does not result in de-recognition

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

(ii) Modification gains or losses of financial assets

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

2.6.1.3 Derecognition of financial assets

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

2.6.2 Financial liabilities

2.6.2.1 Classification and subsequent measurement

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

2.6.2.2 Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled, or expired. The exchange between the Society and its original lenders of debt instruments with substantially different terms, as well as substantial modification of terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

2.7 Property and equipment

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

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

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

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

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

The Society assesses at each balance sheet date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Society estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss. When revalued assets are sold, the amounts included in reserves relating to that asset are transferred to retained earnings.

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

2.8 Intangible assets

Computer software

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

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

2.9 Investment properties

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

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

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

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

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

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

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

2.10 Taxation

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

However, the Society pays withholding tax on interest income on investments in government securities. Further, in the fiscal year 2024, the Government of the Republic of Zambia introduced a tax on rental income for corporate bodies at 12.5% of gross rental income which is a final tax. The Society accounts for the rental income net of the 12.5% rental income tax and as at 31 March 2025, tax payments were current.

2.11 Employee retirement benefits obligation

Defined contribution plan

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

Short-term and other employee benefits

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

2.12 Share capital

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

2.13 Dividends

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

2.14 Provisions

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

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

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

2.15 Borrowings

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Society has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Borrowing costs

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

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

2.17 Leases

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

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

Lease liability

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

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

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

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

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

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

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

Right of use asset

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

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. These are depreciated on straight line basis.

The estimated useful lives are as follows.

ATM	4 years
Premises	5 years
ICT Equipment	3 years

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

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

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

Operating lease

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

2.18 Other assets

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

2.19 Deposits

These are liabilities that are generally short term in nature and are mobilized in the normal course of business of the Society. These liabilities are measured at amortised cost.

3 Critical accounting estimates and judgements in applying accounting policies

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

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

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

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL are further detailed in Note 4, which also sets out key sensitivities of the ECL to changes in these elements.

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

(i) ECL measurement period

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

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

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

(iii) Forward-looking expectations

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

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

(iv) Lifetime LGD work out

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

(v) Default

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

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

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

(vi) Impairment sensitivity analysis

The most significant macro-economic assumptions affecting the ECL allowance are year on year inflation. To test the sensitivity of the impairment to changes in the relevant macro-economic factors, an assumption that an improvement or downturn in these factors would result in a decrease or increase, respectively, in the forecast of the Society's profitability. Set out below under Note 4 are the changes to the ECL as at 31 March 2025 that would result from testing the sensitivity of PDs, LGDs and year on year inflation.

(b) Valuation of investment properties and buildings

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

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

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

c) Leases

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

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

4. Financial risk management

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

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

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

(a) Credit risk

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

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

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

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

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

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

Determining significant increase in credit risk

IFRS 9 requires entities to assess whether there has been a significant increment in credit risk of an entity's credit exposures since initial recognition of their financial instruments. The assessment of significant deterioration is key in establishing the point of switching between the requirements to measure an allowance based on 12-month ECLs and one that is based on lifetime ECLs.

In general, financial assets should be assessed as having increased significantly in credit risk earlier than when they become credit-impaired or default. In order to make the assessment of whether there has been significant credit deterioration, the Society considers reasonable and supportable information that is available without undue cost or effort and compares:

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

Indications of changes in credit risk

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

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

Indications of changes in credit risk

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in unemployment rates, inflation and copper prices.
- an actual or expected significant change in the operating results of the borrower. Examples include actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations.
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.
- significant changes, such as reductions in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancement, that are expected to reduce the borrower's economic incentive to make scheduled contractual payments.
- expected changes in the loan documentation (i.e., changes in contract terms) including an expected breach of contract or other changes to the contractual framework of the instrument; and
- past due information, including the more than 30 days past due rebuttable presumption.

(i) Internal risk rating

The Society's credit risk division operates its internal rating scale. The scale incorporates both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. These ratings are consistent with guidance in the Basel framework. The internal credit grades are then assigned into IFRS 9 stages as appropriate as is shown in the table below:

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

PD estimation process

The Society generates probabilities of default using the score card of variables such as income, payments behaviour, interest rates, arrear count and employment status. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure.

Exposure at Default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Society assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments. EADs determined by individual loan amortisation schedules.

Loss Given Default (LGD)

LGD values are assessed every 12 months by account managers and reviewed and approved by the Society's specialised Credit Risk division. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates consider the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held or derived historically.

Recovery Rate (RR)

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

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

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

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

Otherwise, what would not apply is the following:

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

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

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

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

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

(iv) Modification of financial assets

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

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

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

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

(vi) Analysis of inputs to the ECL model

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

Off balance sheet items - approved mortgages not yet disbursed

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

(vii) Loans Impairment Sensitivity

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

2025 that would result from a decrease or increase of 1 percentage point in PDs.

Positive outlook

Assuming a 1 percent point decrease in forecast probabilities of default with all other variables held constant, net profit for the year would have increased by K3,728,000 (2024: K3,934,000).

Mar-25	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	17,256	87,800	105,056
Adjusted	(16,586)	(84,742)	(101,328)
Movement	670	3,058	3,728

Mar-24	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	17,256	87,800	105,056
Adjusted	(16,586)	(84,742)	(101,328)
Movement	674	3,260	3,934

Negative outlook

Assuming a 1 percentage point increase in forecast PDs with all other variables held constant, net profit for the year would reduce by K10,535,000 (2024: K10,954,000).

Mar-25	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	17,256	87,801	105,056
Adjusted	(18,343)	(97,248)	(115,591)
Movement	(1,087)	(9,447)	(10,534)

Mar-24	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	17,376	92,158	109,534
Adjusted	(18,470)	(102,016)	(120,486)
Movement	(1,094)	(9,858)	(10,952)

Loss Given Default (LGD): To test the sensitivity of the impairment to changes in the value of security held as well as the segment to recovery rates an assumption that an increase or decrease in these factors would result in a 5 percentage points decrease or increase, respectively, in the forecast LGDs has been made. Set out below are the changes to the ECL as at 31 March 2025 that would result from a decrease or increase of 5 percentage points in LGDs.

Positive outlook

Assuming a 5 percentage points decrease in forecast LGD with all other variables held constant, net profit for the year would have increased by K2,837,000 (2024: K3,000,000).

Mar-25	Mortgages	Loans	Total
ECLs	**K'000**	**K'000**	**K'000**
Current	17,256	87,800	105,056
Adjusted	(16,571)	(85,648)	(102,219)
Movement	**685**	**2,152**	**2,837**

Mar-24	Mortgages	Loans	Total
ECLs	**K'000**	**K'000**	**K'000**
Current	17,376	92,158	109,534
Adjusted	(16,686)	(89,848)	(106,534)
Movement	**690**	**2,310**	**3,000**

Negative outlook

Assuming a 5 percentage points increase in forecast LGD with all other variables held constant, net profit for the year would have decreased by K11,018,000 (2024: K11,460,000).

Mar-25	Mortgages	Loans	Total
ECLs	**K'000**	**K'000**	**K'000**
Current	17,256	87,800	105,056
Adjusted	(18,370)	(97,704)	(116,074)
Movement	**(1,114)**	**(9,904)**	**(11,018)**

Mar-24	Mortgages	Loans	Total
ECLs	**K'000**	**K'000**	**K'000**
Current	17,376	92,158	109,534
Adjusted	(18,498)	(102,496)	(120,994)
Movement	**(1,122)**	**(10,338)**	**(11,460)**

Year-on-Year (YoY) Copper Price: To test the sensitivity of the impairment to year-on-year changes in the Copper Price, an assumption that an increase or decrease in the copper price would result in decrease or increase in ECL respectively, in the forecast copper price has been made. Set out below are the changes to the ECL as at 31 March 2025 that would result from a decrease or increase of the copper price by USD2,000.

Positive outlook

Assuming an increase of USD2,000 in the YoY Copper Price with all other variables held constant, net profit for the year would have increased by K1,097,000 (2024: K1,186,000).

Mar-25	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	17,256	87,800	105,056
Adjusted	(16,860)	(87,099)	(103,959)
Movement	396	701	1,097

Mar-24	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	17,376	92,158	109,534
Adjusted	(16,978)	(91,370)	(108,348)
Movement	398	788	1,186

Negative outlook

Assuming a decrease of USD2,000 in the YoY Copper Price with all other variables held constant, net profit would have decreased by K43,661,000 (2024: K45,448,000).

Mar-25	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	17,256	87,800	105,056
Adjusted	(24,427)	(124,290)	(148,717)
Movement	(7,171)	(36,490)	(43,661)

Mar-24	Mortgages	Loans	Total
ECLs	K'000	K'000	K'000
Current	17,376	92,158	109,534
Adjusted	(24,597)	(130,385)	(154,982)
Movement	(7,221)	(38,227)	(45,448)

(viii) Fair value of collateral held

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

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

Financial assets 31 March 2025

	Maximum Exposure to credit Risk K'000	Total collateral K'000	Net exposure K'000	Corres-ponding ECLs K'000
Cash & Bank	243,883		243,883	-
Government securities	635,521	-	635,521	5,222
Other assets	139,009	-	139,009	2,486
Mortgages	689,063	819,060	-	17,255
Banking loans and advances	1,363,528	-	1,363,528	87,800
Total financial assets at amortised cost	**3,071,004**	**819,060**	**2,381,941**	**112,763**
Off balance sheet				
Approved mortgages not disbursed	13,087	17,449	-	59
Total (including off balance sheet facilities)	**3,084,091**	**836,509**	**2,381,941**	**112,822**

Financial assets 31 March 2024

	Maximum Exposure to credit Risk K'000	Total collateral K'000	Net exposure K'000	Corres-ponding ECLs K'000
Cash & Bank	167,441	-	167,441	-
Placements with other financial institutions	7,962	-	7,962	-
Government securities	584,273	-	584,273	4,415
Other assets	83,502	-	83,502	1,820
Mortgages	594,483	792,644	-	17,375
Banking loans and advances	1,179,006	-	1,179,006	92,159
Total financial assets at amortised Cost	**2,616,667**	**792,644**	**2,022,184**	**115,769**
Off balance sheet				
Approved mortgages not disbursed	8,788	11,717	-	83
Total (including off balance sheet facilities)	**2,625,455**	**804,361**	**2,022,184**	**115,852**

Overview of modified loans

31 March 2025 — Modification gains

	Stages 1 & 2 Gross amortised cost before modification K'000	Net modification gain/(loss) K'000	Total gross amortised cost K'000	Net modification gain/(loss) K'000
Mortgages	7,801	657	7,801	657
Loans & advances	3,482	113	3,482	113
Total	**11,283**	**770**	**11,283**	**770**

31 March 2025 — Ratio

	Stages 1 & 2 Gross carrying Amounts	Temporal modification to T & Cs	Permanent modification to T & Cs	Refinancing	Total performing forborne loans	Ratio of forborne loans
	K'000	K'000	K'000	K'000	K'000	
Mortgages	689,063	-	7,801	-	7,801	1.13%
Loans & advances	1.363,528	-	3,482	-	3,482	0.26%
Total	**2,052,592**	**-**	**11,283**	**-**	**11,283**	**0.55%**

31 March 2025

	ECLs Gross amount of restructured loans Stages 1 & 2	Stage 3	Total	ECLs of restructured loans Stages 1 & 2	Stage 3	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Mortgages	7,801	-	7,801	35	-	35
Loans & advances	3,482	-	3,482	56	-	56
Total	**11,283**	**-**	**11,283**	**91**	**-**	**91**

31 March 2024 — Modification gains

	Stages 1 & 2 Gross amortised cost before modification	Net modification gain/(loss)	Total gross amortised cost	Net modification gain/(loss)
	K'000	K'000	K'000	K'000
Mortgages	2,226	(19)	2,226	(19)
Loans & advances	7,734	194	7,734	194
Total	**9,960**	**173**	**9,960**	**173**

31 March 2024 — Ratio

	Stages 1 & 2 Gross carrying Amounts	Temporal modification to T & Cs	Permanent modification to T & Cs	Refinancing	Total performing forborne loans	Ratio of forborne loans
	K'000	K'000	K'000	K'000	K'000	
Mortgages	594,483	-	2,226	-	2,226	0.37%
Loans & advances	1,179,006	-	7,734	-	7,734	0.66%
Total	**1,773,489**	**-**	**9,960**	**-**	**9,960**	**0.56%**

31 March 2024

	ECLs Gross amount of restructured loans Stages 1 & 2	Stage 3	Total	ECLs of restructured loans Stages 1 & 2	Stage 3	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Mortgages	2,226	-	2,226	21	-	21
Loans & advances	7,734	-	7,734	124	-	124
Total	**9,960**	**-**	**9,960**	**145**	**-**	**145**

(b) Concentration risk

	Financial Institutions	Public Sector	Private Corporations	Individual Households	Other Sectors	Total
	K'000	K'000	K'000	K'000	K'000	K'000
As at 31 March 2025						
Cash at bank & in hand	268,702	-	-	-	-	268,702
Placements	-	-	-	-	-	-
Government securities	635,521	-	-	-	-	635,521
Other assets	-	-	-	-	136,523	136,523
Mortgages	1,240	-	14,936	672,887	-	689,063
Loans & advances	-	-	-	1,363,528	-	1,363,528
Gross total	**905,463**	**-**	**14,936**	**2,036,415**	**136,523**	**3,093,337**
Concentration %	29%	0%	0%	66%	4%	

	K'000	K'000	K'000	K'000	K'000	K'000
As at 31 March 2024						
Cash at bank & in hand	215,095	-	-	-	-	215,095
Placements	7,962	-	-	-	-	7,962
Government securities	579,858	-	-	-	-	579,858
Other assets	-	-	-	-	81,681	81,681
Mortgages	15,957	-	11,296	549,854	-	577,108
Loans & advances	-	-	-	1,086,847	-	1,086,847
Gross total	**818,872**	**-**	**11,296**	**1,636,701**	**81,681**	**2,548,550**
Concentration %	32%	0%	0%	64%	3%	

(c) Liquidity risk

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

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

As at 31 March 2025	Up to 1 month K'000	1-3 months K'000	3-12 months K'000	1-5 K'000	Over 5 years K'000	Total K'000
Liabilities						
Customer deposits	658,273	119,929	673,157	174,583	-	1,625,942
Other liabilities	4,124	-	27,389	-	-	31,513
Lease liabilities	278	562	2,732	3,323	-	6,895
Borrowings	-	-	50,136	243,142	477,147	770,424
Off balance sheet - Mogages approved	268	536	2,410	12,855	32,136	48,204
	662,943	**121,027**	**756,284**	**433,902**	**509,283**	**2,483,980**
Assets						
Cash at bank & in hand	268,702	-	-	-	-	268,702
Placements	-	-	-	-	-	-
Government securities	23,000	52,000	379,232	240,239	-	694,471
Loans and advances	69,598	17,428	133,576	1,122,083	1,377,313	2,719,998
Other assets	-	-	7,339	-	-	7,339
	361,300	**69,428**	**520,148**	**1,362,322**	**1,377,313**	**3,690,510**
Liquidity gap	**(301,643)**	**(51,599)**	**(235,677)**	**928,419**	**868,030**	**1,207,530**
As at 31 March 2024						
Liabilities						
Customer deposits	468,982	49,351	785,888	-	-	1,304,221
Other liabilities	6,222	2,151	33,125	61,720	-	103,218
Lease liabilities	420	847	4,047	4,689	-	10,003
Borrowing	4,218	16,763	68,289	303,657	721,221	1,114,148
Off balance sheet - Mortgages approved	179	358	1,610	8,589	21,472	32,208
	480,021	**69,470**	**892,959**	**378,655**	**742,693**	**2,563,798**
Assets - managing liquidity						
Cash at bank & in hand	215,095	-	-	-	-	215,095
Placements	1,209	2,508	5,036	-	-	8,753
Government securities	-	-	152,167	1,057,645	-	1,209,812
Loans and advances	89,297	178,594	803,672	3,059,091	790,404	4,921,058
Other assets	-	5,416	16,621	11,141	48,503	81,681
	305,601	**186,518**	**977,496**	**4,127,877**	**838,907**	**6,436,399**
Liquidity gap	**(174,420)**	**117,048**	**84,537**	**3,749,222**	**96,214**	**3,872,601**

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

Assets held for managing liquidity risk

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

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

(d) Market risk

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

(i) Interest rate risk

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

As at 31 March 2025	Up to 1 month K'000	1-3 months K'000	3-12 months K'000	Over 1 year K'000	Total K'000
Assets					
Placements	-	-	-	-	-
Government securities	22,250	49,327	358,484	205,460	635,521
Loans and advances	67,321	15,828	94,972	1,874,471	2,052,592
Total financial assets	**89,571**	**65,155**	**453,456**	**2,079,931**	**2,688,113**
Liabilities					
Customer deposits	653,250	117,442	608,445	169,334	1,548,471
Borrowings	-	-	50,136	367,102	417,238
Lease liabilities	275	549	2,473	2,339	5,636
Total financial liabilities	**653,525**	**117,991**	**661,054**	**538,775**	**1,971,345**
Interest risk re-pricing gap	(563,954)	(52,836)	(207,598)	1,541,156	716,768

A 2.5 percentage points increase/decrease in interest rates would lead to an increase/decrease in profit for the year of K17,919,000 (2024: K12,519,000). The profit for the year ended 31 March 2025 was K184,851,000 (2024: K195,066,000).

As at 31 March 2024	Up to 1 month K'000	1-3 months K'000	3-12 months K'000	Over 1 year K'000	Total K'000
Assets					
Placements	-	-	7,962	-	7,962
Government securities	25,575	25,575	76,724	451,984	579,858
Loans and advances	44,244	88,487	398,193	1,132,948	1,663,872
Total financial assets	69,819	114,062	482,879	1,584,932	2,251,692
Liabilities					
Customer deposits	465,876	48,702	741,404	-	1,255,982
Borrowings	1,300	10,756	50,000	423,332	485,388
Lease liabilities	416	832	3,744	3,543	8,535
Total financial liabilities	467,592	60,290	795,148	426,875	1,749,905
Interest risk gap	**(397,777)**	**53,772**	**(312,269)**	**1,158,057**	**501,787**

(ii) Currency risk

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

(e) Capital management

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

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

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

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

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

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

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

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

The table below summarises the composition of regulatory capital and the ratios of the Society as at 31 March 2025. This is in line with filed returns with Bank of Zambia.

Primary (Tier 1) capital	2025 K'000	2024 K'000
Paid-up common shares	191,678	191,678
Eligible preferred shares	-	-
Contributed surplus	-	-
Retained earnings	956,341	768,199
General reserves		
Statutory reserves	1,000	1,000
Minority interest	-	-
Sub-total	**1,149,019**	**960,877**
Less:		
Other adjustments	-	-
Goodwill and other intangible assets	5,120	8,931
Sub-total	**5,120**	**8,931**
Total primary capital	**1,143,899**	**951,946**
Secondary (Tier 2) capital		
Revaluation reserves (Maximum is 40% of the reserves)	25,610	26,266
Total secondary capital	**25,610**	**26,266**
Eligible secondary capital	**25,610**	**26,266**
Eligible total capital / regulatory capital	**1,169,509**	**978,212**
Minimum capital requirement	**219,774**	**190,140**
Excess	**949,735**	**788,072**
Total-risk weighted assets	**2,197,740**	**1,901,401**

(f) Fair value estimation

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

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

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

Classification and measurement of financial instruments

	Amortised cost 2025 K'000	Amortised cost 2024 K'000
Financial assets		
Cash at bank and in hand	268,702	215,095
Placements with other financial institutions	-	7,962
Government securities	630,299	579,858
Loans and advances	1,947,536	1,663,872
Off –balance sheet facilities	13,087	8,788
Financial liabilities		
Customer deposits	1,548,471	1,255,982
Provision for staff liabilities	20,436	18,261
Other liabilities	127,141	106,945
Lease liability	5,636	8,535
Borrowings	417,238	485,388

Fair value of non-financial assets

Buildings - An independent valuation of the Society's buildings was performed as at 31 March 2024 by

Messer's Sandridge Associates, independent valuers. The fixed assets policy stipulates that buildings must be revalued every 3 years. The next revaluation will be done as at 31 March 2027.

Investment Properties - All investment properties were revalued as at 31 March 2025 by independent valuers, Messer's Sandridge Associates. The fixed assets policy provides that investment properties must be revalued every year. The next revaluation will be done by 31 March 2026.

The fair value increase on investment properties was K5,595,000. (2024: K608,000).

Fair value measurements at 31 March 2025

Recurring fair value measurements	Level 1 K'000	Level 2 K'000	Level 3 K'000
Buildings			
– Office buildings (Note 15)	-	-	177,956
Investment property			
– Property rented for commercial purposes (Note 16)	-	-	128,693
	-	-	306,649

Fair value measurements at 31 March 2024

Recurring fair value measurements	Level 1 K'000	Level 2 K'000	Level 3 K'000
Buildings			
– Office buildings (Note 15)	-	-	182,676
Investment property			
– Property rented for commercial purposes (Note 16)	-	-	122,120
	-	-	304,796

Valuation techniques used to derive level 3 fair values

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

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

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

5. Interest income

	2025 K'000	2024 K'000
Interest on mortgages	105,712	91,757
Interest on banking loans and advances	361,428	291,585
Interest on Government securities	151,129	168,826
Interest on placements with other financial institutions	1,897	3,771
Banking loan administration fees	17,591	14,787
Mortgage loan administration	7,032	6,996
	644,789	**577,722**

6 Interest expenses

	2025 K'000	2024 K'000
Interest on fixed deposits	140,010	72,595
Interest on saving accounts	15,316	14,844
Interest on borrowings	46,249	58,744
	201,575	**146,183**

7 Impairment (credit)/charge

Loans and advances	(3,831)	2,079
Government securities	807	(732)
	(3,024)	**1,347**

8 Fees and commission income

Account maintenance charges	26,072	25,601
Premature withdrawal charges	7,341	6,731
Other fees and commission	22,261	20,007
	55,674	**52,339**
Recognised at a point in time	55,674	52,339
	55,674	**52,339**

9 Other income

Net rental income (Note 16)	7,558	3,515
Fair value gain on investment property (Note 16)	5,595	608
Profit / (loss) on disposal of fixed assets	-	1,582
	13,153	**5,705**

10 Expenses by nature

Employee benefits expense	182,746	158,655
Depreciation of property & equipment (Note 15)	16,838	13,828
Computer maintenance & network expenses	28,102	16,543
Other operating expenses	8,495	9,886
Gifts & donations	1,294	1,274
Amortisation of intangible assets (Note 17)	6,180	7,594
Professional fees	13,478	8,960
Advertising	8,749	10,021
Security	4,992	4,877

Notes to the financial statements (continued)
10 Expenses by nature (continued)

	2025 K'000	2024 K'000
Insurance expenses	5,743	4,563
Office cleaning expenses	2,866	3,023
Amortisation of right-of-use asset (Note 19)	3,308	1,816
Local travel	3,841	3,846
Electricity and water	3,498	2,321
Directors fees	3,886	3,319
Printing and stationery	3,019	2,264
Training expense	4,446	1,966
General expenses	1,564	11,198
CRB expenses	1,064	1,268
Postage & telephone	899	736
Motor vehicle expenses	1,288	701
Rates	943	830
Fuel and oil	3,389	1,491
Audit fees	1,546	1,377
Legal costs	1,528	1,473
Bank charges	363	440
Withholding tax & handling expenses on government securities	12,533	16,666
	326,598	**290,936**

10(i) Finance costs

AfDB facility arrangement expenses	470	470
Lease liability interest expense (Note 19)	1,496	1,764
	1,966	**2,234**

10(ii) Depreciation and amortization

Amortisation of Right-of-Use Asset (Note 19))	3,308	3,692
Amortisation of intangible assets (Note 17)	6,180	7,594
Depreciation of plant property and equipment (Note 15)	16,838	13,828
	26,326	**25,114**

10(iii) Employee benefits and expenses

Salaries and wages	146,820	128,947
Other employee costs	8,324	7,108
Provision for staff benefits (Note 21)	16,847	13,072
Employer NHIMA contributions	797	656
Employer pension contributions *	5,322	4,613
Employer NAPSA contributions	4,636	4,259
	182,746	**158,655**

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

11 Cash at bank and in hand

Cash in hand	24,819	47,654
Cash at bank	243,883	167,441
	268,702	**215,095**

12 Placements with other financial institutions

Placements with Banks	-	7962
	-	**7,962**
Current	-	7,962
	-	**7,962**

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

13 Government Securities

Treasury Bills	127,699	142,151
Government Bonds	507,822	442,122
	635,521	**584,273**
IFRS 9 Impairment Loss Allowances	(5,222)	(4,415)
	630,299	**579,858**
Current	430,061	142,151
Non-current	205,460	442,122
	635,521	**584,273**

a) Reconciliation of gross government securities

	Stage 1	Stage 2	Stage 3	Total
	K'000	K'000	K'000	K'000
Gross carrying amount as at 1 April 2024	584,273	-	-	584,273
Changes in Gross Carrying Amounts				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	584,273	**-**	**-**	**584,273**
New Financial Assets Originated	249,344	-	-	249,344
Financial Assets that have Matured	(198,096)	-	-	(198,096)
	51,248	**-**	**-**	**51,248**
Gross carrying amount as at 31 March 2025	**635,521**	**-**	**-**	**635,521**

Reconciliation of gross government securities

	Stage 1	Stage 2	Stage 3	Total
	K'000	K'000	K'000	K'000
Gross carrying amount as at 1 April 2023	652,669	-	-	652,669
Changes in Gross Carrying Amounts				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	652,669	**-**	**-**	**652,669**
New Financial Assets Originated	247,577	-	-	247,577
Financial Assets that have Matured	(315,973)	-	-	(315,973)
	(68,396)	-	-	(68,396)
Gross carrying amount as at 31 March 2024	**584,273**	**-**	**-**	**584,273**

b) Reconciliations of ECLs

	Stage 1 12 Mon	Stage 2 LTECL	Stage 3 LTECL	Total
	K'000	K'000	K'000	K'000
Loss allowances as at 1 April 2024	4,415	-	-	4,414
Changes in loss allowances				
Movement without income statement impact		-	-	
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
	4,415			**4,415**
Movement with income statement impact		-	-	
New financial assets originated	1,974	-	-	1,974
Financial assets that have matured	(1,167)	-	-	(1,167)
Charge/credit to income statement	**807**			**807**
		-	-	
Loss allowances as at 31 March 2025	**5,222**			**5,222**

Reconciliations of ECLs

	Stage 1 12 Mon	Stage 2 LTECL	Stage 3 LTECL	Total
	K'000	K'000	K'000	K'000
Loss allowances as at 1 April 2023	5,147	-	-	5,147
Changes in loss allowances				
Movement without income statement impact		-	-	
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
	5,147			5,147
Movement with income statement impact		-	-	
New financial assets originated	658	-	-	658
Financial assets that have matured	(1,390)	-	-	(1,390)
Charge/credit to income statement	(732)			(732)
		-	-	
Loss allowances as at 31 March 2024	**4,415**			**4,415**

c) Summary of movement of securities

Mar-25	Government Bonds	Treasury Bills	Total
1 April 2024	442,122	142,151	584,273
Additions	116,913	132,431	249,344
Redemptions	(51,213)	(146,883)	(198,096)
Expected credit losses	(4,717)	(506)	(5,222)
	503,105	**127,193**	**630,299**
Mar-24			
1 April 2023	588,626	64,043	652,669
Additions	131,018	116,559	247,577
Redemptions	(277,522)	(38,451)	(315,973)
Expected credit losses	(4,044)	(371)	(4,415)
	438,078	**141,780**	**579,858**

* Part of treasury bills relates to a sinking fund arising from a covenant with NAPSA over a K35,981,139.99 loan where the Society is required to make semi-annual contribution of 1.5% of the loan amount. The sinking fund balance as at 31 March 2025 was K11,365,912.70. The Society is permitted to invest the sinking fund in treasury bills.

14 Loans and advances

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

On balance sheet	2025 Gross Carrying Amount K'000	ECL Allowance K'000	Net Carrying Amount K'000	2024 Gross Carrying Amount K'000	ECL Allowance K'000	Net Carrying Amount K'000
Mortgages	689,064	(17,256)	671,808	594,483	(17,375)	577,108
Loans & advances	1,363,528	(87,800)	1,275,728	1,179,006	(92,159)	1,086,847
	2,052,592	**(105,056)**	**1,947,536**	**1,773,489**	**(109,534)**	**1,663,955**
Off balance sheet						
Approved Mortgages not disbursed	13,087	(59)	13,028	8,788	(83)	8,705
Total On & off bs	**2,065,679**	**(105,114)**	**1,960,564**	**1,782,277**	**(109,617)**	**1,672,660**
Reconciliation to statement of financial position						
On bs gross loans			2,052,592			1,773,489
On bs impairments			(105,056)			(109,534)
Off bs impairments			(59)			(83)
Total reported			**1,947,477**			**1,663,872**
Current			178,122			530,923
Non-current			1,874,470			1,132,948
			2,052,592			**1,663,872**

a) Analysis of gross carrying amounts

31 March 2025

Reconciliation of loans and advances	Stage 1 12m-ECL	Stage 2 LTECL	Stage 3 LTECL	Total
	K'000	K'000	K'000	K'000
Gross carrying amount as at 1 April 2024	1,474,944	186,187	112,358	1,773,489
Changes in the gross carrying amount				
_Transfer to stage 1	48,747	(37,451)	(11,296)	-
_Transfer to stage 2	(39,789)	88,231	(48,442)	-
_Transfer to stage 3	(9,456)	(10,531)	19,987	-
New financial assets originated	765,235	108,810	58,022	932,067
Financial assets that have been derecognised	(607,204)	(23,887)	(18,087)	(649,179)
Write offs	-	-	(3,786)	(3,786)
Gross carrying amount as at 31 March 2025	**1,632,477**	**311,358**	**108,757**	**2,052,592**

Reconciliation of off-balance sheet facilities				
Approved Mortgages but not disbursed				
Gross carrying amount as at 1 April 2024	8,788	-	-	8,788
Changes in the gross carrying amount	-	-	-	-
_Transfer to stage 1	-	-	-	-
_Transfer to stage 2	-	-	-	-
_Transfer to stage 3	-	-	-	-
New financial assets originated	13,087	-	-	13,087
Financial assets that have been derecognised	(8,788)	-	-	(8,788)
Gross carrying amount as at 31 March 2025	**13,087**	**-**	**-**	**13,087**

Reconciliation of on and off-balance sheet facilities				
Gross carrying amount as at 1 April 2024	1,483,732	186,187	112,358	1,782,277
Changes in the gross carrying amount				
_Transfer to stage 1	48,747	(37,451)	(11,296)	-
_Transfer to stage 2	(39,789)	88,231	(48,442)	-
_Transfer to stage 3	(9,456)	(10,531)	19,987	-
New financial assets originated	778,322	108,810	58,022	945,154
Financial assets that have been derecognised	(615,992)	(23,887)	(18,087)	(657,967)
Write offs	-	-	(3,786)	(3,786)
Gross carrying amount as at 31 March 2025	**1,645,564**	**311,358**	**108,757**	**2,065,679**

Analysis of gross carrying amounts 31 March 2024

Reconciliation of loans and advances	Stage 1 12m-ECL	Stage 2 LTECL	Stage 3 LTECL	Total
	K'000	K'000	K'000	K'000
Gross carrying amount as at 1 April 2023	1,181,441	163,443	98,088	1,442,972
Changes in the gross carrying amount				
_Transfer to stage 1	58,764	(42,354)	(16,410)	-
_Transfer to stage 2	(45,326)	52,709	(7,383)	-
_Transfer to stage 3	(13,507)	(13,364)	26,871	-
New financial assets originated	845,971	68,034	17,448	931,453
Financial assets that have been derecognised	(552,399)	(42,281)	(6,256)	(600,936)
Write offs	-	-	-	-
Gross carrying amount	**1,474,944**	**186,187**	**112,3578**	**1,773,489**
Reconciliation of off-balance sheet facilities				
Approved Mortgages not disbursed				
Gross carrying amount as at 1 April 2023	4,824	-	-	4,824
Changes in the gross carrying amount	-	-	-	-
_Transfer to stage 1	-	-	-	-
_Transfer to stage 2	-	-	-	-
_Transfer to stage 3	-	-	-	-
New financial assets originated	8,788	-	-	8,788
Financial assets that have been derecognised	(4,824)	-	-	(4,824)
Gross carrying amount	**8,788**	**-**	**-**	**8,788**
Reconciliation of on and off-balance sheet facilities				
Gross carrying amount as at 1 April 2023	1,186,265	163,443	98,088	1,447,796
Changes in the gross carrying amount				
_Transfer to stage 1	58,764	(42,354)	(16,410)	-
_Transfer to stage 2	(45,326)	52,709	(7,383)	-
_Transfer to stage 3	(13,507)	(13,364)	26,871	-
New financial assets originated	854,759	68,034	17,447	940,240
Financial assets that have been derecognised	(557,223)	(42,281)	(6,256)	(605,760)
Write offs	-	-	-	-
Gross carrying amount as at 31 March 2024	**1,483,732**	**186,187**	**112,358**	**1,782,277**

b) Analysis of expected credit loss (ECL) 31 March 2025

On balance sheet facilities

	Stage 1 12m-ECL	Stage 2 LTECL	Stage 3 LTECL	Total
	K'000	K'000	K'000	K'000
Loss allowances as at 1 April 2024	43,529	7,607	58,398	109,534
Movements without income statement impact				
_Transfer to stage 1	4,513	(4,212)	(301)	-
_Transfer to stage 2	(18,828)	12,416	6,412	-
_Transfer to stage 3	(7,877)	(9,364)	17,241	-
Suspended interest	-	-	3,089	3,089
Write offs	-	-	(3,786)	(3,786)
	21,337	6,447	81,054	108,837
Movement with income statement impact				
New financial assets originated	13,723	8,354	6,231	28,309
Financial assets that have been derecognised	(14,525)	(8,597)	(9,027)	(32,149)
Charge/credit to profit and loss	(801)	(242)	(2,796)	(3,840)
Loss allowance as at 31 March 2025	**20,535**	**6,205**	**78,257**	**104,997**

Off balance sheet facilities

	Stage 1 12m-ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Loss allowance as at 1 April 2024	50	-	-	50
Movement with income statement impact				
New financial assets originated	59	-	-	59
Financial assets that have been derecognised	(50)	-	-	(50)
Charge/ (credit) to profit and loss	9	-	-	9
Loss allowance as at 31 March 2025	**59**	**-**	**-**	**59**

Notes to the financial statements (continued)
14 Loans and Advances (continued)

	Stage 1 12m-ECL K'000	Stage 2 LTECL K'000	Stage 3 LTECL K'000	Total K'000
On and off-balance sheet facilities				
Loss Allowance as at 1 April 2024	43,579	7,607	58,398	109,584
Movements without income statement impact				
_Transfer to stage 1	4,513	(4,212)	(301)	-
_Transfer to stage 2	(18,828)	12,416	6,412	-
_Transfer to stage 3	(7,877)	(9,364)	17,241	-
Suspended interest	-	-	3,089	3,089
Write offs	-	-	(3,786)	(3,786)
	21,387	**6,447**	**81,054**	**108,887**
Movement with income statement impact				
New financial assets originated	13,820	8,354	6,231	28,405
Financial assets that have been derecognised	(14,575)	(8,597)	(9,144)	(32,306)
Charge/ (credit) to profit and loss	**(793)**	**(242)**	**(2,796)**	**(3,831)**
Loss allowance as at 31 March 2025	**20,594**	**6,205**	**78,257**	**105,056**

Analysis of expected credit loss (ECL) 31 March 2024

On Balance sheet facilities

	Stage 1 12m-ECL K'000	Stage 2 LTECL K'000	Stage 3 LTECL K'000	Total K'000
Loss allowances as at 1 April 2023	28,587	7,019	68,742	104,348
Movements without income statement impact				
_Transfer to stage 1	26,435	(11,234)	(15,201)	-
_Transfer to stage 2	(7,178)	16,113	(8,935)	-
_Transfer to stage 3	(11,731)	(7,142)	18,873	-
Liability reclassified as ECLs provision	-	-	3,107	3,107
Write offs	-	-	-	-
	36,113	**4,756**	**66,586**	**107,455**
Movement with income statement impact				
New financial assets originated	21,619	7,213	3,746	32,578
Financial assets that have been derecognised	(14,203)	(4,362)	(11,934)	(30,499)
Charge / (credit) to profit and loss	**7,416**	**2,851**	**(8,188)**	**2,079**
Loss allowance as at 31 March 2024	**43,529**	**7,607**	**58,398**	**109,534**

Off balance sheet facilities

	Stage 1 12m-ECL	Stage 2 LTECL	Stage 3 LTECL	Total
	K'000	K'000	K'000	K'000
Loss Allowance as at 1 April 2023	50	-	-	50
Movement with income statement impact				
New financial assets originated	83	-	-	83
Financial assets that have been derecognised	(50)	-	-	(50)
Charge/ (credit) to profit and loss	(33)	-	-	(33)
Loss allowance as at 31 March 2024	**83**	**-**	**-**	**83**

On and off balance sheet facilities

31 March 2024

	Stage 1 12m-ECL	Stage 2 LTECL	Stage 3 LTECL	Total
	K'000	K'000	K'000	K'000
Loss allowance as at 1 April 2023	28,537	7,019	68,742	104,298
Movements without income statement impact				
_Transfer to stage 1	26,435	(11,234)	(15,201)	-
_Transfer to stage 2	(7,178)	16,113	(8,935)	-
_Transfer to stage 3	(11,731)	(7,142)	18,873	-
Suspended interest	-	-	3,107	3,107
Write offs	-	-	-	-
	36,063	**4,756**	**66,586**	**107,405**
Movement with income statement impact				
New financial assets originated	21,702	7,213	3,746	32,661
Financial assets that have been derecognised	(14,153)	(4,362)	(11,934)	(30,449)
Charge/ (credit) to profit and loss	**7,549**	**2,851**	**(8,188)**	**2,212**
Loss allowance as at 31 March 2024	**43,612**	**7,607**	**58,398**	**109,617**

c) Internal credit risk rating

31 March 2025

Rating	Internal risk category	Stage 1 12m-ECL	Stage 2 LTECL	Stage 3 LTECL	Total
		K'000	K'000	K'000	K'000
	Performing				
1&2	Standard & satisfactory risk	1,645,564	-	-	1,645,564
3&4	Watch list & unacceptable risk	-	311,358	-	311,358
	Non-performing				
5,6&7	Substandard, doubtful & loss	-	-	108,757	108,757
		1,645,564	311,358	108,757	2,065,679

31 March 2024

Rating	Internal risk category				
	Performing				
1&2	Standard & satisfactory risk	1,483,732	-	-	1,483,732
3&4	Watch list & unacceptable risk	-	186,187	-	186,187
	Non-performing				
5,6&7	Substandard, doubtful & loss	-	-	112,358	112,358
		1,483,732	186,187	112,358	1,782,277

15 Property and equipment

	Buildings	Motor Vehicles and Equipment	Works in Progress	Total
	K'000	K'000	K'000	K'000
At 1 April 2023				
Cost or valuation	82,150	79,655	30	161,835
Accumulated depreciation	(5,915)	(60,009)	-	(65,924)
Net book amount	**76,235**	**19,646**	**30**	**95,911**
Year ended 31 March 2024				
As at 1 April 2023				
Opening net book amount	76,235	19,646	30	95,911
Additions	106,204	19,654	3,811	129,669
Disposal	-	(4,930)	-	(4,930)
Revaluation gain	4,411	-	-	4,411
Depreciation	(5,978)	(9,654)	-	(15,632)
Depreciation write back on revaluation	1,804	-	-	1,804
Depreciation write back on disposals	-	4,894	-	4,894
Closing net book amount	**182,676**	**29,610**	**3,841**	**216,127**
At 31 March 2024				
Cost or valuation	192,765	94,379	3,841	290,985
Accumulated depreciation	(10,089)	(64,769)	-	(74,858)
Net book amount	**182,676**	**29,610**	**3,841**	**216,127**
Year ended 31 March 2025				
As at 1 April 2024				
Opening net book amount	182,676	29,610	3,841	216,127
Additions	100	11,390	416	11,906
Disposal	-	(24)	-	(24)
Depreciation	(4,820)	(12,018)	-	(16,838)
Depreciation write back on revaluation	-	-	-	-
Depreciation write back on disposals	-	14	-	14
Closing net book amount	**177,956**	**28,973**	**4,257**	**211,186**
At 31 March 2025				
Cost or valuation	192,865	105,745	4,257	302,867
Accumulated depreciation	(14,909)	(76,772)	-	(91,681)
Net book amount	**177,956**	**28,973**	**4,257**	**211,186**

The Society has borrowings secured on buildings and investment property valued at a combined value of K74,360,000. Revaluation of buildings is done at an interval of three years, and the last valuation was done in the year ended 31 March 2024 by independent valuers Messer's Sandridge Associates. At the last valuation, the buildings were valued at K182,676,000. The historical netbook value was K178,265,000. The next valuation date is 31 March 2027.

16 Investment property

Year end 31 March 2025	Commercial K'000
At start of year	122,120
Additions and improvements	1,186
Net gain from fair value adjustment	5,595
	128,901
Year end 31 March 2024	
At start of year	118,760
Additions	2,960
Realignment to work in progress	(208)
Net gain from fair value adjustment	608
	122,120

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

	2025 K'000	2024 K'000
Rental income	15,323	10,530
Provision for rental debtors	(665)	(203)
Direct operating expenses from property that generated rental income	(7,100)	(6,812)
	7,558	3,515
Net gain from fair value adjustment	5,595	608
	13,153	**4,123**

Investment properties were revalued as at 31 March 2025 by independent valuers, Messer's Sandridge Associate. The valuations were made on the basis of the open market value, rental income and discounted cash flows. The book values of the properties were adjusted to the revalued amounts and the resultant fair value gain was recognised in profit or loss.

(b) Measuring investment property at fair value

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

(c) Significant estimate – fair value of investment property

Information about the valuation of investment properties is provided in accounting policy Note 2.9.

(d) Leasing arrangements

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

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

	2025 K'000	2024 K'000
Within one year	16,856	15,741
Later than one year but not later than 5 years	86,054	62,963
	102,910	**78,704**

17 Intangible assets

Year ended 31 March 2024	K'000
Opening net book balance	16,524
Additions	-
Depreciation	(7,594)
Closing net book balance	**8,930**
As at 31 March 2024	
Cost or valuation	37,970
Accumulated depreciation	(29,040)
Closing net book balance	**8,930**
Year ended 31 March 2025	
Opening net book balance	8,930
Additions	2,370
Depreciation	(6,180)
Closing net book balance	**5,120**
As at 31 March 2025	
Cost or valuation	40,339
Accumulated depreciation	(35,219)
Closing net book balance	**5,120**

The intangible asset is the core banking system software. The asset is depreciated on a straight-line basis at 20% and has less than 2 years remaining on its useful life.

18 Other assets

	2025	2024
	K'000	K'000
Financial assets		
Rental debtors	7,339	4,469
Non-financial assets		
AfDB borrowings arrangement fees	4,230	4,700
Staff loans marked to market	58,094	51,301
Other account receivables	69,346	23,032
	139,009	83,502
Less impairment loss provision	(2,485)	(1,821)
	136,523	**81,681**
Current	7,339	22,037
Non-current	129,184	59,644
	136,523	**81,681**
Reconciliation of impairment loss provision		
Opening balance	1,820	1,617
Increase in impairment	665	203
Closing balance	**2,485**	**1,820**

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

19 Leases

i) Right- of-Use Assets

31 March 2025	ATMs	ICT Equipment	Premises	Total
	K'000	K'000	K'000	K'000
Balance as at 1 April 2024	3,049	433	2.528	6,010
Depreciation charge for the year	(1,645)	(342)	(1,321)	(3,308)
Remeasurement adjustment	585	176	236	997
Balance as at 31 March 2025	**1,989**	**247**	**1,443**	**3,699**
31 March 2024				
Balance as at 1 April 2023	3,856	539	3,430	7,826
Depreciation charge for the year	(807)	(106)	(902)	(1,816)
Balance as at 31 March 2024	**3,049**	**433**	**2,528**	**6,010**

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

Notes to the financial statements (continued)
19 Leaces (continued)

ii) Lease liabilities	2025	2024
	K'000	K'000
Opening balance	**8,535**	**11,764**
Lease payments	(4,735)	(4,993)
Interest expense	1,496	1,764
Remeasurement adjustment	272	-
Other adjustment – foreign currency remeasurement	68	-
Closing balance	**5,636**	**8,535**
Current	3,297	4,993
Non-current	2,339	3,543
Closing balance	**5,636**	**8,535**

Amounts recognised in profit or loss

31 March 2025	ATMs	ICT Equipment	Premises	Total
	K'000	K'000	K'000	K'000
Amortisation of right-of-use asset	1,645	342	1,321	3,308
Interest expense on lease liabilities	682	82	731	1,496
	2,327	**424**	**2,052**	**4,804**
31 March 2024				
Amortisation of right-of-use asset	808	106	902	1,816
Interest expense on lease liabilities	723	108	933	1,764
	1,531	**214**	**1,835**	**3,580**

20 Customer deposits

Term deposits	1,039,066	799,905
Saving deposits	509,405	456,077
	1,548,471	**1,255,982**
Current	1,548,471	1,255,982
	1,548,471	**1,255,982**

There are no non-current balances in the year under review (2024: nil).

21 Provision for staff benefits

	2025	2024
	K'000	K'000
At start of the year	18,262	14,715
Charge for the year	16,846	13,071
Staff benefits paid	(14,672)	(9,524)
	20,436	**18,262**
Current	**20,436**	**18,262**

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

22 Borrowings

	2025	2024
African Life Assurance	61,146	-
NAPSA Mortgage Deposit (NAPSA)	57,394	56,955
African Development Bank (AfDB)	198,211	221,877
Bank of Zambia (TMTRF)	100,487	206,556
	417,238	**485,388**

As at 31 March 2025	African Life	NAPSA Deposit	AfDB	BOZ TMTRF	Total
	K'000	K'000	K'000	K'000	K'000
At the start of the year	-	56,955	221,877	206,556	**485,388**
Borrowings during the year	61,000	-	-	-	**61,000**
Interest charged	146	6,844	28,674	11,472	**47,136**
Interest paid	-	(6,405)	(28,158)	(17,525)	**(52,088)**
Repayments	-	-	(24,182)	(100,016)	**(124,198)**
Year-end*	**61,146**	**57,394**	**198,211**	**100,487**	**417,238**

As at 31 March 2024	DBZ	NAPSA Deposit	AfDB	BOZ TMTRF	Total
	K'000	K'000	K'000	K'000	K'000
At the start of the year	3,261	57,582	246,910	329,487	**637,240**
Additions	-	-	-	-	**-**
Interest charged	300	5,393	28,900	24,151	**58,744**
Interest paid	(600)	(6,020)	(29,751)	(27,098)	**(63,469)**
Repayments	(2,961)	-	(24,182)	(119,984)	**(147,127)**
Year-end*	**-**	**56,955**	**221,877**	**206,556**	**485,388**

	2025	2024
	K'000	K'000
Current	50,136	137,562
Non-current	367,102	347,826
	417,238	**485,388**

*Carrying amounts are inclusive of accrued interest payable on each loan facility as at 31 March 2025. No interest was capitalised to the principal amounts.

NAPSA Mortgage Deposit – This is a combination of two (2) mortgage deposits, the first is a 10-year deposit of K18,390,000 secured with collateral in the form of property. The interest rate is variable based on the Bank of Zambia policy rate plus 3 percentage points. The second deposit is a 30-year deposit of K35,981,000 partially secured with collateral in form of property and a sinking fund account agreement. Deposits in the sinking fund account of 1.5% of the loan amount are made every six (6) months and invested in high yielding money markets instruments.

The average interest rate in the year was 9.28%.

Africa Development Bank (AfDB) - This borrowing is a 15-year facility for both the initial amount of K168,000,000 and the second disbursement of K112,000,000 guaranteed by the Government of the Republic of Zambia. The interest rate is variable based on the 182-day Treasury Bill yield rate plus a margin if 1.5 percentage points. Interest payments are due on 1st February and 1st August. The loan facility offers a three (3) year moratorium on principal repayments and therefore repayments will only take effect in 2024 also payable on 1st February and 1st August.

The average interest rate in the year was 11.56%.

Targeted Medium-Term Relief Facility (TMTRF) – This borrowing is a 3-year facility from Bank of Zambia and the balance as at 31 March 2025 was K100,487,000 secured on performing loan book at the monitory policy rate.

The average interest rate in the year was 9.50%.

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

23 Other liabilities

	2025 K'000	2024 K'000
Financial liabilities		
Payroll statutory obligations	4,124	3,727
Sundry creditors	12,033	9,244
Other accounts payables	15,815	9,344
Non-financial liabilities		
Deferred income	37,075	33,329
Staff loans marked to market	58,094	51,301
	127,141	**106,945**
Current	31,973	22,315
Non-Current	95,168	84,630
	127,141	106,945

24 Share capital

Authorised and issued	2025 K'000	2024 K'000
Issued and fully paid up	191,678	191,678

The Society has 191,678,000 issued and fully paid-up class A shares at K1 each. All class A investment shares are held by the Government of the Republic of Zambia.

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

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

25 Other reserves

	2025	2024
	K'000	K'000
Statutory reserve	1,000	1,000
Revaluation reserve	64,024	65,666
	65,024	**66,666**

General reserve

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

Statutory reserve

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

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

(b) insure itself against loss, to an amount that the board considers adequate.

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

Revaluation reserve

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

Banking general reserve

The general reserve represents the excess of impairment provisions determined in accordance with the Bank of Zambia prudential regulations over the impairment provisions recognised in accordance with IFRS accounting standards. As at the end of the financial year, the IFRS 9 provisions exceeded the BoZ SI 142 provisions by K46,889,000 (2024: K49,714,000) as shown below.

	2025	2024
	K'000	K'000
IFRS 9 provisions	105,056	109,534
Less: BoZ impairment provisions	(58,167)	(59,820)
	46,889	**49,714**

26 Analysis of balances shown in the statement of cash flow

Cash at bank & in hand	268,702	215,095
Placements with other financial institutions	-	7,962
	268,702	**223,057**

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

27 Dividends

A dividend of K15,000,000 (2024: Nil) has been proposed for the year ended 31 March 2025. No dividend was paid for the financial year 2025 (2024: K30,000,000).

28 Contingent liabilities and commitments

	2025 K'000	2024 K'000
Mortgages approved but not disbursed	13,087	8,788
	13,087	**8,788**

29 Related party transactions

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

Dividends paid	2025 K'000	2024 K'000
GRZ	-	30,000
	-	**30,000**

Key management remuneration (senior management team)

Salaries and other short-term benefits	20,542	15,405
Gratuity	3,419	3,791
NAPSA contribution	225	116
	24,186	**19,312**

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

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

	2025 K'000	2024 K'000
Directors' fees expenses (Non-Executive Directors)	3,886	3,319
Loans and advances to key management personnel	12,820	12,864
	16,706	**16,183**

Borrowings from related parties

The Society has borrowings from National Pensions Scheme Authority (NAPSA) whose principal balance plus accrued interest payable is as indicated below; Note 26).

	2025 K'000	2024 K'000
NAPSA	57,394	56,955
	57,394	**56,955**

Payable to NAPSA (sinking fund)

Arising from the borrowing from NAPSA (Note 25), the Society has an obligation to establish a sinking fund where the Society is required to make semi-annual reservation of 1.5% of the loan amount. As at 31 March 2025, the loan principal balance was K35,981,139.99 and the sinking fund balance was K11,365,912.70 and this was invested in treasury bills for this purpose (Note 16).

Deposits from related parties

	2025 K'000	2024 K'000
NAPSA	97,827	-
Kwacha Pension Fund	53,904	-
Public Service Pension Fund	88,436	-
Workers Compensation Fund Control Board	59,158	221,598
	299,325	**221,598**

30 Arrangements with related parties

North gate housing project financing

The Society signed an agreement where NAPSA placed a 30-year deposit with the Society for the purpose of financing the north gate housing project owned by NAPSA. The placed amount is reported under borrowings (Note 29).

Guarantee from shareholder

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

31 Subsequent events

There were no significant events after the reporting date that require disclosure in or adjustment to the financial statements for the year ended 31 March 2025.

(i) Annual Certification

Managing Director

I, MILDRED MUTESA, certify that

1. I have reviewed the Annual Report as defined the Securities Exchange Commission (SEC) Guidelines (internal controls over financial reporting) as adopted by the Zambia National Building Society as of (The Society) as of 31 March 2025.
2. Based on my Knowledge, the annual report does not contain any untrue statement of material fact. Nor does it omit to state a material fact which would make the statement misleading in the light of the circumstance under which it was made.
3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly presents, in all material respects, the financial condition and results of operation of the Society as of and for the period presented in this annual report.
4. The other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as prescribed by the Securities (Internal Controls Over Financial Reporting) Guidelines the Society and WE have
   a) Designed or caused to be designed under our supervision such disclosure controls and procedures to ensure that material information relating to the Society is made known to us by other within those entities particularly during the period in which the annual report is being prepared.
   b) Designed or caused to be designed under our supervision such disclosure controls and procedures to ensure that information required to be disclosed under the Securities Exchange Act of 2016 (as amended) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including without limitation that information required to be disclosed in the SEC filings is accumulated and communicated to management, including the Managing Director (MD), and the Director Finance (DF) as appropriate, to allow for timely decisions regarding required disclosure
   c) Designed or caused to be designed under our supervision such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and in accordance with the generally accepted accounting principles.
   d) Evaluate the effectiveness of the Society's disclosure controls and procedures and internal controls over financial reporting within the ninety (90) days prior this annual report (the "Evaluation Date").
   e) Disclosed in this report any change in the Society's internal controls over financial reporting and disclosure controls and procedures that occurred during the Society's most recent fiscal quarter (the Society's fourth quarter), the Society's internal controls over financial reporting.
   f) Presented in this annual report, our conclusions about the effectiveness of the disclosure controls and procedures and internal controls over financial reporting are based on our evaluation as of the evaluation date.
5. The Society's other certifying officers and I have discussed, based on our most recent evaluation, to the Society's auditors and the finance and audit committee of the Society's Board of directors (or persons performing similar functions)
   a) All significant deficiencies in the design or operation of disclosure controls and internal controls over financial reporting which would adversely affect the Society's ability to record, process, summarize and report financial data and have identified for the Society's auditors any material weaknesses in internal controls and
   b) Any fraud, whether or not material, that involves management of other employees who have a significant role in the Society's internal controls; and
6. The Society's other certifying officer(s) and I have evaluated the effectiveness of the Society's disclosure controls and procedures, and Internal Controls over Financial Reporting as required under the Securities (Internal Controls over Financial Reporting) Guidelines. Based on this evaluation we have concluded that as of 31 March 2025 the Society's disclosure controls and procedures and Internal Controls over Financial Reporting are effective.

Mildred Mutesa
Managing Director

30/06/25
____

Date

(ii) Annual Certification

Director Finance

I, VICTOR MWANZA, certify that

1. I have reviewed the Annual Report as defined the Securities Exchange Commission (SEC) Guidelines (internal controls over financial reporting) as adopted by the Zambia National Building Society as of (The Society) as of 31 March 2025.
2. Based on my Knowledge, the annual report does not contain any untrue statement of material fact. Nor does it omit to state a material fact which would make the statement misleading in the light of the circumstance under which it was made.
3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly presents, in all material respects, the financial condition and results of operation of the Society as of and for the period presented in this annual report.
4. The other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as prescribed by the Securities (Internal Controls Over Financial Reporting) Guidelines the Society and WE have
   a) Designed or caused to be designed under our supervision such disclosure controls and procedures to ensure that material information relating to the Society is made known to us by other within those entities particularly during the period in which the annual report is being prepared.
   b) Designed or caused to be designed under our supervision such disclosure controls and procedures to ensure that information required to be disclosed under the Securities Exchange Act of 2016 (as amended) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including without limitation that information required to be disclosed in the SEC filings is accumulated and communicated to management, including the Managing Director (MD), and the Director Finance (DF) as appropriate, to allow for timely decisions regarding required disclosure
   c) Designed or caused to be designed under our supervision such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and in accordance with the generally accepted accounting principles.
   d) Evaluate the effectiveness of the Society's disclosure controls and procedures and internal controls over financial reporting within the ninety (90) days prior this annual report (the "Evaluation Date").
   e) Disclosed in this report any change in the Society's internal controls over financial reporting and disclosure controls and procedures that occurred during the Society's most recent fiscal quarter (the Society's fourth quarter), the Society's internal controls over financial reporting.
   f) Presented in this annual report, our conclusions about the effectiveness of the disclosure controls and procedures and internal controls over financial reporting are based on our evaluation as of the evaluation date.
5. The Society's other certifying officers and I have discussed, based on our most recent evaluation, to the Society's auditors and the finance and audit committee of the Society's Board of directors (or persons performing similar functions) -
   a) All significant deficiencies in the design or operation of disclosure controls and internal controls over financial reporting which would adversely affect the Society's ability to record, process, summarize and report financial data and have identified for the Society's auditors any material weaknesses in internal controls and
   b) Any fraud, whether or not material, that involves management of other employees who have a significant role in the Society's internal controls; and
6. The Society's other certifying officer(s) and I have evaluated the effectiveness of the Society's disclosure controls and procedures, and Internal Controls over Financial Reporting as required under the Securities (Internal Controls over Financial Reporting) Guidelines. Based on this evaluation we have concluded that as of 31 March 2025 the Society's disclosure controls and procedures and Internal Controls over Financial Reporting are effective.

Victor Mwanza
Director Finance

30/06/25
____

Date

(iii) Annual Certification

Disclosure to the Independent Auditors

PricewaterhouseCoopers
PWC Place
Stand No 2374
Thabo Mbeki Road
LUSAKA

Disclosure to the independent Auditors

The other certifying officer (s) and I hereby disclose, based on our most recent evaluation of the Society's disclosure controls and procedures and internal controls over financial reporting, to the Society's auditors that -

- All significant deficiencies in the design or operation of the Society's disclosure controls and procedures and internal control over financial reporting which would adversely affect the company's ability to record, process, summarize and report financial information and thereby identify any material weakness in disclosure controls and procedures and internal control over financial reporting; and

- Any fraud whether or not material, that involves management or other employees who have significant role in the Society's disclosure controls and procedures and internal control over financial reporting.

Further, the other ce1tifying officer (s) and I have not become aware of any significant changes in the disclosure controls and procedures and internal control over financial reporting or other factors that could significantly affect disclosure controls and procedures and internal control over financial repo1ting.

Mildred Mutesa
Managing Director

30/06/25
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Date

(iv) Annual Certification

Disclosure to the Finance and Audit Committee

The Chairperson
Finance and Audit Committee
The Board of Directors
Zambia National Building Society,
Cairo Road
P.O Box 30420
LUSAKA

Disclosure to the Finance and Audit Committee

The other certifying officer (s) and I hereby disclose, based on our most recent evaluation of the Society's disclosure controls and procedures and internal controls over financial reporting, to the Society's auditors that -

- All significant deficiencies in the design or operation of the Society's disclosure controls and procedures and internal control over financial reporting which would adversely affect the company's ability to record, process, summarize and report financial information and thereby identify any material weakness in disclosure controls and procedures and internal control over financial reporting; and

- Any fraud whether or not material, that involves management or other employees who have significant role in the Society's disclosure controls and procedures and internal control over financial reporting.

Further, the other certifying officer (s) and I have not become aware of any significant changes in the disclosure controls and procedures and internal control over financial rep01ting or other factors that could significantly affect disclosure controls and procedures and internal control over financial reporting.

Mildred Mutesa
Managing Director

30/06/25
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Date