

AB BANK ZAMBIA **ANNUAL REPORT**

For the year ended December 31,

2024

AB Bank

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Opening Statements

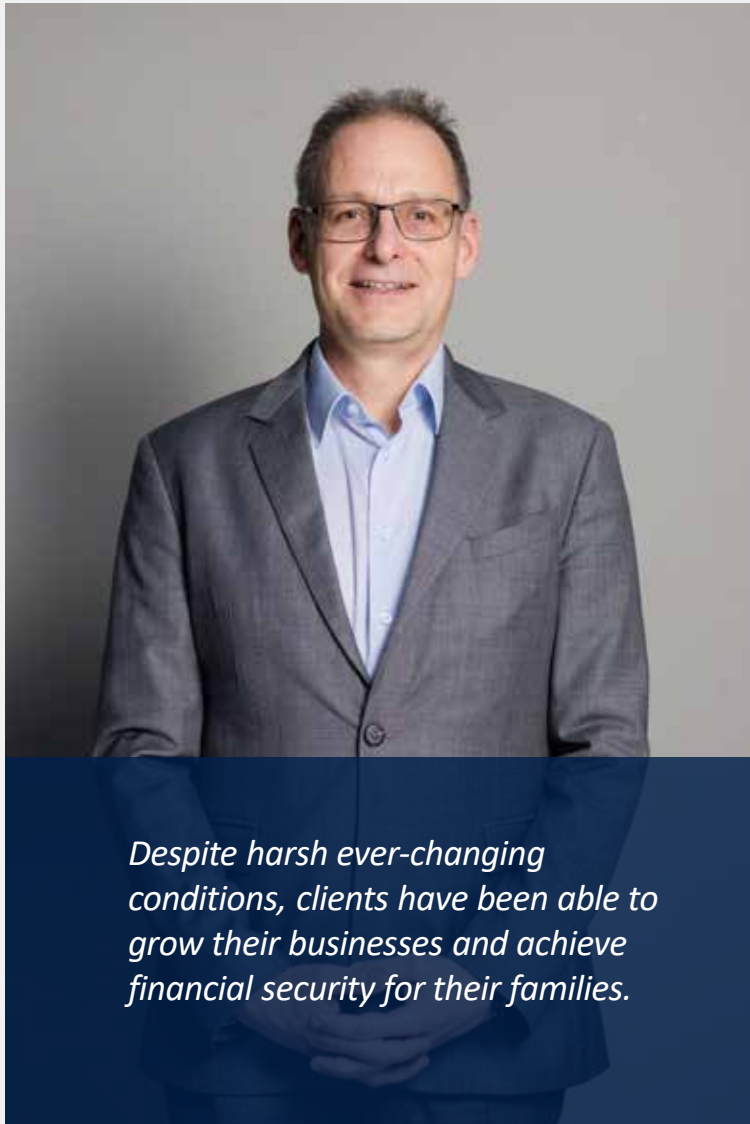
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Message from the Board Chairman



Despite harsh ever-changing conditions, clients have been able to grow their businesses and achieve financial security for their families.

AB Bank Zambia celebrated its 13th anniversary on October 18, 2024. In these thirteen years, the entity has become the No. 1 Bank for MSMEs in Zambia by proudly enabling countless doers and makers to overcome intimidating environments through simplified bank procedures. True to its Mission statement and despite harsh ever-changing conditions, clients have been able to grow their businesses and achieve financial security for their families. I believe the years to come will go down as the most unique years in our history.

Despite facing a year marked by rising inflation, currency fluctuations, prolonged load shedding, and tight liquidity conditions, the AB Bank team remained true to its Values of being Simple, Reliable and

and Responsive. While businesses across the country struggled with high production costs and repayment difficulties, we stayed committed to supporting our clients with adaptive solutions and financial guidance.

As this year's Chairman, I am honored to be surrounded by a hardworking and optimistic Board of Directors and Management Team that share the commitment for our Vision 2023: "We offer everyone in Zambia simple and affordable financial services, accessible anytime and everywhere. To do this, we commit to be responsive to customer needs, respectful and tech savvy. By doing this, we will increase our loan customer base to 30,000 clients, achieve Return on Equity above 20%, 1 billion ZMW gross loan portfolio and 17 locations by 2026."

Finally, on behalf of the Board of Directors, we would like to express our deepest gratitude to our shareholders and stakeholders for the continued trust and support. Striving to achieve our Mission, Vision 2023 and staying true to our Values would not be possible without the dedication and hard work of all Directors, Executives and Employees.

AB Bank will remain unwavering in our adherence to be the Number One Bank for MSME's.

A handwritten signature in dark ink, appearing to read 'T. Engelhardt', written in a cursive style.

Thomas Engelhardt
Chairman of the Board,
AB Bank Zambia

Message from the Chief Executive Officer



As we move forward, our commitment remains clear: to build a stronger, more inclusive financial system in Zambia, one that empowers every viable business to thrive.

It is with great honour that I present AB Bank Zambia Annual Report for the financial year ended 31 December 2024. This year tested the resilience of Zambia's economy and, more importantly, the perseverance of the Micro, Small and Medium Enterprises (MSMEs) that form the backbone of our country's development.

Macroeconomic Environment

In 2024, Zambia experienced a combination of economic and environmental challenges. The depreciation of the Kwacha, high inflation, tight fiscal conditions, and an ongoing power crisis placed pressure on many households and enterprises. Compounding these challenges were the effects of

drought in the country, which negatively affected electricity generation, agricultural production and the livelihoods of rural entrepreneurs. In response to these economic challenges, the Central Bank increased the Statutory Reserve Ratio to 26% from 17% in February 2024 thereby impacting the liquidity position in the market.

These dynamics impacted the MSME sector directly, disrupting cash flows, limiting access to inputs, and dampening demand in key sectors. In response, our AB Bank adapted its operations and strategy to continue delivering essential financial support to our clients when they needed it most.

Our Response and Performance

Despite the tough environment, we maintained our focus on financial inclusion, sustainability, and innovation. The highlights below reflect our collective efforts:

- **Empowering MSMEs:** We disbursed over **ZMW 692 million** in loans during the year, supporting more than **20,000** MSMEs across Zambia. This includes entrepreneurs in agriculture, trade, manufacturing, and service sectors.
- **Client Growth and Inclusion:** Our total active client base grew by **7%**. Through tailored lending and financial literacy, we continued to strengthen the economic participation of women.
- **Managing Risk Prudently:** With macroeconomic volatility coupled with energy deficit that impacted our customers negatively, we prioritized sound risk management. Our portfolio-at-risk (over 30 days) stood at **5%** as at end of the year, managed through proactive monitoring, restructured repayment plans, and client engagement.
- **Outreach:** We opened our ninth fully fledged Branch in Solwezi. The opening of the branch in Solwezi demonstrates our confidence in the country's economic future prospect.

Message from the Chief Executive Officer *(continued)*

Performance: With resilience and dedication, the Bank posted profit after tax of **ZMW 33 million** representing an increase of 133%. The profit after tax amount includes one-off non-interest income of ZMW 6 million after tax.

Strategic Priorities for 2025

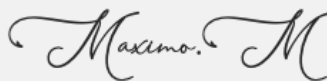
Looking ahead, we are optimistic about Zambia's long-term prospects, particularly with ongoing fiscal reforms, public debt restructuring efforts, and improving investor sentiment. Our strategic focus in 2025 will include:

1. Expanding access to credit;
2. Deepening digital and mobile-based lending solutions;
3. Enhancing credit scoring and data analytics for better lending decisions;
4. Strengthening partnerships with development finance institutions to expand our impact.

Appreciation

We extend our deepest gratitude to our clients, whose entrepreneurial spirit inspires us every day. To our dedicated staff, thank you for your resilience and commitment to our mission. To our Board, regulators, and partners, we appreciate your continued support and guidance.

As we move forward, our commitment remains clear: to build a stronger, more inclusive financial system in Zambia, one that empowers every viable business to thrive.



Maximo Mulenga
Chief Executive Officer,
AB Bank Zambia



Bank Overview

Who We Are

Mission, Vision, Corporate Values

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AB Bank Zambia (ABZ) is a licensed commercial bank established in October 2011, operating under the regulatory oversight of the Bank of Zambia (BOZ). The bank focuses on empowering Micro, Small, and Medium Enterprises (MSMEs) by providing accessible and affordable financial services tailored to their needs.

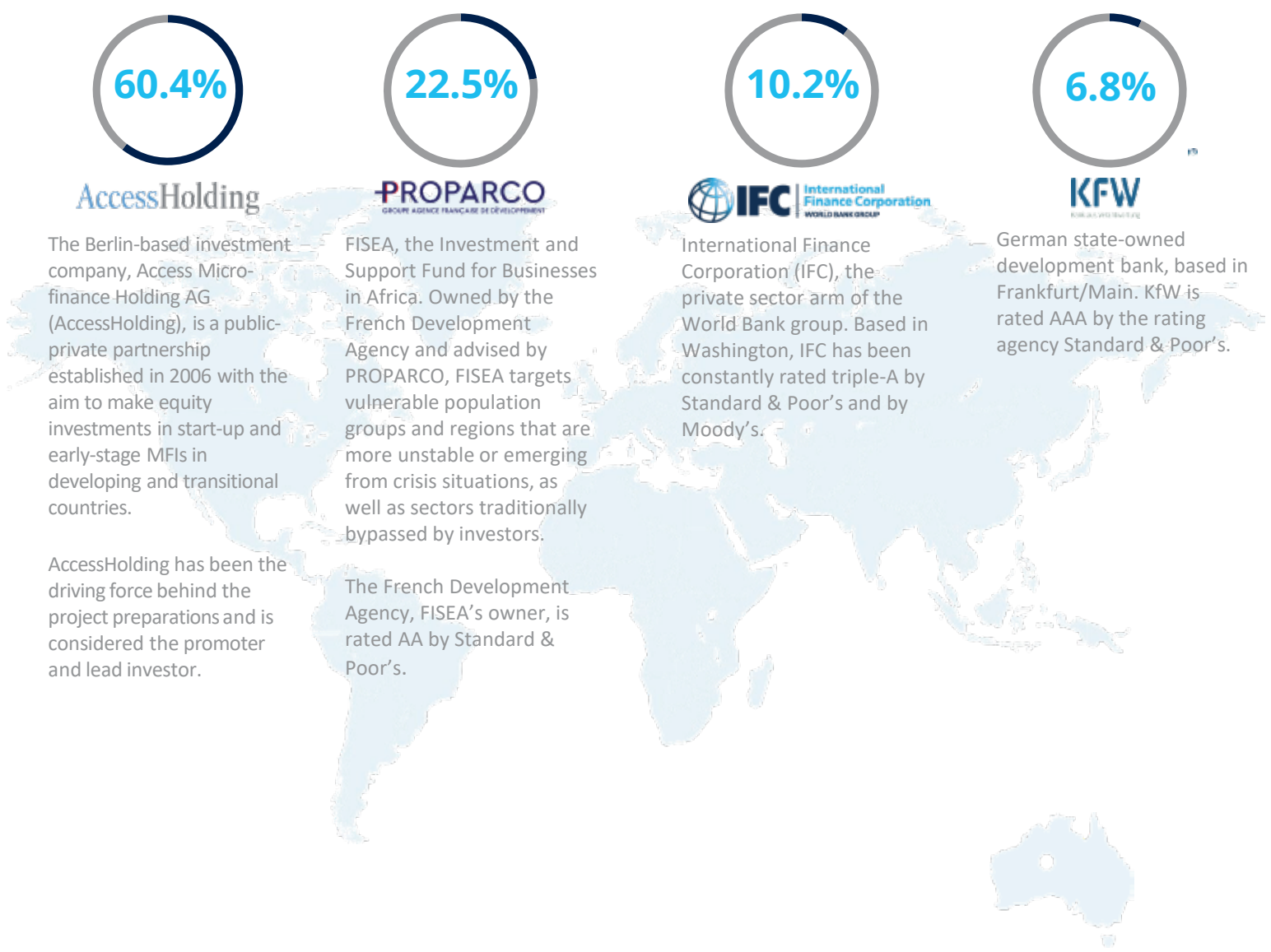
Our Mission & Corporate Values

ABZ's mission is to “empower doers and makers to overcome intimidating environments and complicated bank procedures so they can focus on growing their businesses and achieving financial security for their families.” The bank operates with core values of being **simple, reliable, and responsive**, which guide daily interactions with clients and shape internal operations.

Our Vision

In 2024, the bank commenced its “Vision 2026” strategy, aiming to become “the number one bank of choice for Micro and Small Enterprises, offering a seamless customer experience through cutting-edge digital technology while staying adaptable to changing market conditions.”

Shareholders Structure



Our Partners



Board of Directors



Thomas Engelhardt
Board Chairman

Thomas Engelhardt is Access Holding's Chief Executive Officer. He joined LFS Advisory GmbH in 1996 and became a partner in 2004. He has served on the Access Holding management board since its foundation in 2006. He was also the first General Manager of Access Bank Azerbaijan and held other managerial positions in Berlin and abroad. Mr. Engelhardt holds an M.Sc. degree in Economics, and speaks German, English, Russian and Serbo-Croatian. He was appointed to the Board of AB Bank Zambia in 2019.



Maximo Mulenga
Chief Executive Director

Maximo Mulenga is a seasoned banking and finance executive with over 20 years of experience in financial management, auditing, and corporate governance. He joined AB Bank Zambia as Chief Financial Officer in 2016 and was appointed Chief Executive Officer in 2022. He previously held senior roles at Citibank Zambia, including CFO & Company Secretary, and served as CFO and Regulatory Reporting Head for Citibank's Sub-Saharan Africa cluster. Maximo is a Fellow of ACCA, an Honorary Fellow of ZIBFS, and holds an MBA from Heriot-Watt University.



Chishimba Patricia Kachasa
Board Chairman

Chishimba Kachasa is a legal professional with over 10 years of experience in corporate law, HR, and M&A. She rose to Partner at Chibesakunda and Company and later served as HR and Legal Manager at Vivo Energy Zambia. She holds a Bachelor and Master of Law (University of Leeds) and is a Zambia Institute of Advanced Legal Education (LPQE) graduate. She joined the AB Bank Zambia Board in February 2021.



Dr. Leonard Kalinde
Board Member

Dr. Kalinde is a legal expert in banking, finance, and international economic law with over 20 years of experience. He served as Director of Legal Services & General Counsel at the Bank of Zambia and is Managing Partner at Leonard Kalinde Legal Practitioners. He holds a PhD in International Economic Law (University of Kent), an LLM (American University), and an LLB (University of Zambia). He is a Chartered Arbitrator and was appointed to the AB Bank Zambia Board in July 2024.



Rambert Bertrand Namy
Board Member

Rambert Namy is a fintech and digital payments expert with 20+ years of experience across Africa, the Middle East, and Asia. He led the launch of Orange Money and now advises and invests in fintechs focused on SME digital credit. He represents AFD in strategic investments, including AB Bank Zambia and Proximity Finance Myanmar. He holds a Master's in Business Administration from ESLSA Paris.



Marcus Hannappel
Board Member

Marcus Hannappel is a financial services and digital transformation expert with deep experience in credit risk, fintech, and investment. He is currently Senior Digital Finance Expert & Fintech Manager at Access Holding, supporting group-wide digital initiatives. His past roles include Deputy CEO & Chief Credit Officer at AB Microfinance Bank Nigeria, Branch Network Manager at Access Banque Madagascar, and Investment Officer at Access Holding. He has served on the boards of AB Microfinance Bank Nigeria, Access Bank Liberia, and was appointed to the AB Bank Zambia Board in 2024. He holds a Master's in Economics (Goethe University) and a Digital Transformation Certificate from MIT.

Management Team



Maximo Mulenga
Chief Executive Officer



Kayinja Mfuni
Chief Operations Officer



Muze Syachaba
Chief Business Officer



Christopher Aongola
Chief Financial Officer



Parker Tembo
Chief Information Officer



Linda Banda
Head of Internal Audit



Moses Moyo
Head of Administration



George Mhango
Head of Head of SME & Corporate



Kabeleka Kabeleka
Head of Operations, Digital Finance



Chabala Lwando
Head of Risk



Mary Kayofi
Manager Legal & Company Secretary

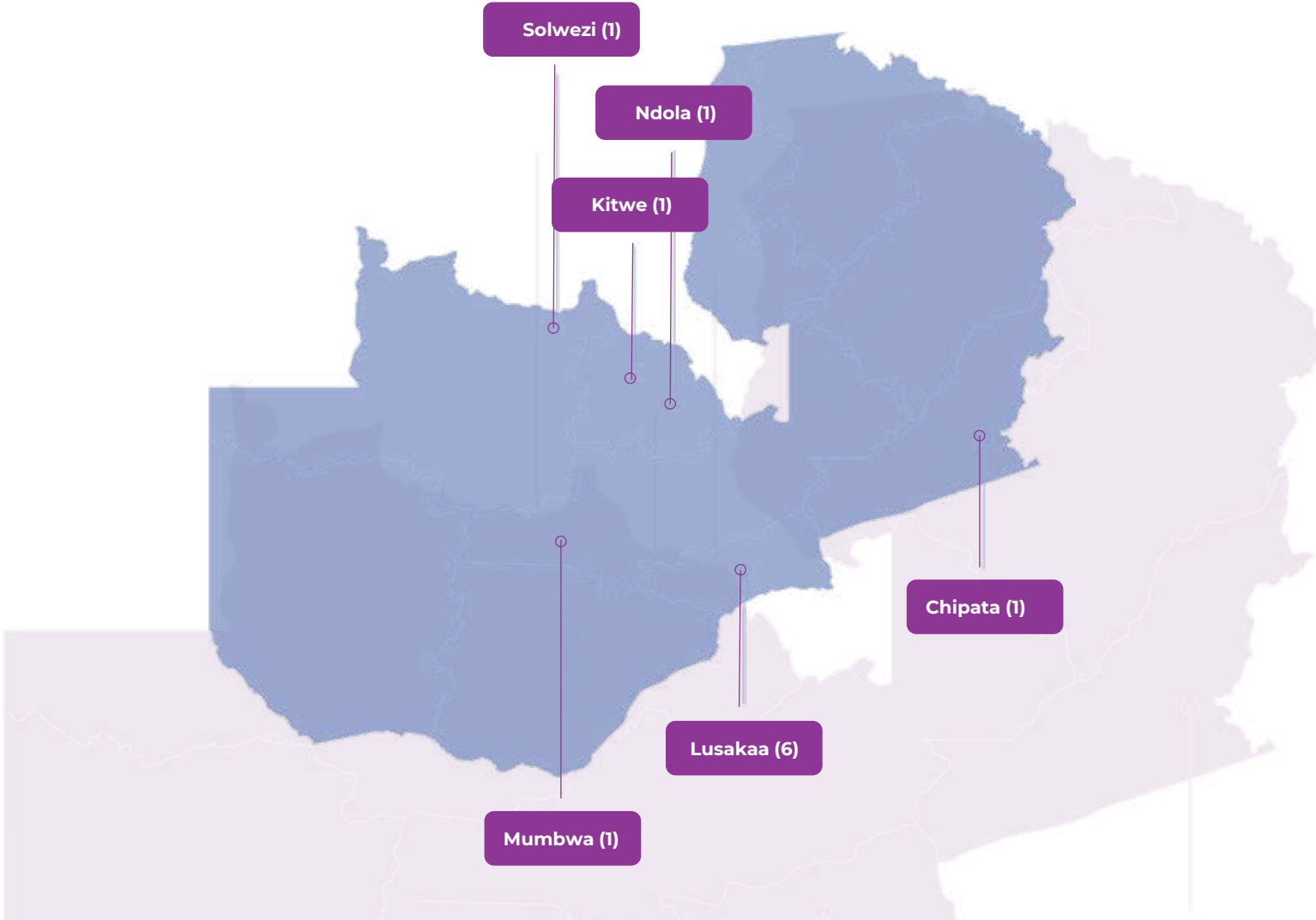


Tausi Nasamu
Human Resources Manager



Tsephe Shilangwa
Operations Manager

Branch Locations



At the start of 2024 AB Bank’s network consists of ten branches and two satellites across the country. The branches include locations in Chipata, Kitwe, Ndola, and Lusaka, with one in the CBD and the remaining five in low to middle-income areas such as Chilenje, Matero, Kalingalinga, Chelston and Garden. The two satellites are in Mumbwa, and Chongwe.

Key developments during the year included:

- The merger of Lusaka’s Garden and Matero branches into a larger,

upgraded Matero Branch.

- Opening of a new branch in Solwezi District, expanding the bank’s reach to the North-Western Province.
- Ceasing operations at the Chongwe Satellite in December 2024 in preparation for its decommissioning.

These developments reflect ABZ’s strategy to optimize operations while expanding outreach, bringing the total network to 10 branches and one satellite.



Business and Customer Engagement

Products and Services

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Customer Engagement

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Products and Services

AB Bank Zambia remained committed to delivering accessible, affordable, and simple financial services to individuals and small businesses across the country. The bank continued to offer a comprehensive suite of products tailored to meet the needs of its diverse client base. Key updates and performance highlights for 2024 are outlined below.

Loans and Credit Services

Business and Salary-Backed Loans

The bank provided both Business and Salary-Backed Loans to support clients across various economic sectors. These loans were designed with flexible requirements and short turnaround times to help individuals and enterprises improve their financial standing and scale operations.

Scored Loans

In 2024, the scored loans initiative continued to expand access to credit through automated credit scoring models. Out of over 10,000 clients contacted, more than 7,600 scored loans were successfully disbursed, contributing to enhanced financial inclusion through data-driven decision-making.

Overdraft Facilities

Overdrafts were offered to active loan clients with businesses operating for over six months. Clients could access overdraft limits of over 30% of their average monthly turnover, providing additional liquidity when needed.

FieldApp Lending

The FieldApp (Juakali) remained a vital tool for Business Officers conducting on-site assessments and loan processing. Through this platform, over 10,900 loans were disbursed in 2024, streamlining service delivery in underserved and remote areas.

Products and Services

Account Services

Accounts

AB Bank offered individual and business current accounts to support everyday banking needs with minimal fees and flexible features. Savings and Term Deposit Accounts continued to attract clients seeking competitive interest earnings and structured financial growth.

Digital Wallet – eTumba

The eTumba mobile wallet, accessible through USSD and a dedicated app, combines the convenience of a mobile wallet with the security and reliability of a bank account. It offers real-time banking, providing users with a seamless and user-friendly way to manage their finances.

Internet Banking

The bank's online banking platform enable clients to access their accounts remotely, make transfers, check loan statuses, and apply for loans. This channel remained a key component in promoting branchless banking and 24/7 service availability

MNO Collaboration

The bank has integrated with mobile network operators Airtel and MTN Money to provide alternative payment channels, allowing customers to send funds directly to their AB Bank accounts through these platforms. This integration aligns with the growing client preference for convenient, on-the-go financial interactions.

Customer Engagement

Client Support in the Contact Centre

The Contact Centre played a central role in client support, handling over 27,000 inquiries via phone, email, and social media in 2024.

The Contact Centre remained integral to:

- **Loan Recovery:** Over 3,300 follow-up calls were made to support repayment efforts.
- **Client Retention and Feedback:** Nearly 4,700 calls were conducted to gather insights and encourage continued client engagement.

Gender-Smart Digital Finance Initiative

AB Bank Zambia implemented a training program targeting over 2,200 women-led MSMEs across five provinces. The initiative aimed to enhance digital and financial literacy, particularly for underserved groups like market traders and small-scale farmers. With 2,225 participants completing the training, the initiative exceeded its original goal. Field teams were instrumental in ensuring successful outreach and delivery.

Financial Literacy

AB Bank, alongside other financial institutions and stakeholders in the Micro, Small, and Medium Enterprises (MSME) sector, took part in the **Bank of Zambia's (BOZ) Finance Report dissemination workshop**, with the theme, *"Protect Your Money, Secure Your Future,"* emphasizing the importance of financial security. As part of its broader commitment to financial empowerment, AB Bank was also privileged to witness the introduction of financial education materials specifically designed for students in grades 1-12.

Agricultural Finance & Climate Resilience

AB Bank Zambia proudly participated in the **2024 Agricultural Finance Conference**, organized by the Ministry of Finance and National Planning – Rural Finance Unit and the Ministry of Agriculture, in collaboration with GIZ's AgFin project and the World Food Programme (WFP). The conference focused on *"Strengthening Agricultural Resilience: Tailored Financial Products and Insurance Services for Smallholder Farmers to Adapt to Climate-Induced Shocks."*

Agricultural & Commercial Show

AB Bank Zambia proudly participated in the **96th Agricultural and Commercial Show** under the theme *"Creating a Competitive Future."* The event was an exciting and rewarding experience for the team, providing an opportunity to actively engage with attendees, showcase the bank's diverse range of products and services, and create memorable moments through fun giveaways.

The show served as an excellent platform to connect with the community, increase awareness of AB Bank's financial solutions, and strengthen relationships with both existing and potential customers.

Business & Investment Expo – North-Western Province

AB Bank also participated in the 2024 Business and Investment Expo themed *"Sustainable Growth through Regional Integration and Value Addition."* The event provided a platform for networking, and the bank contributed to discussions on financing solutions for alternative energy—aligning with its broader sustainability goals.



Risk Management and Compliance

Risk and Compliance Overview

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Risk and Compliance Overview

In 2024, the Risk and Compliance Department maintained a strong focus on safeguarding the Bank's operations across market, operational, credit, information security, and compliance domains. Throughout the year, the Bank proactively managed emerging risks in a challenging operating environment.

Key Areas of Focus

Risk Profile Management

The Bank continuously monitored its risk profile, with particular attention to liquidity, credit, and cyber security risks. Market liquidity remained constrained during the year, while credit risk was impacted by macroeconomic factors such as energy costs, drought conditions, and load-shedding. Cyber security remained a persistent concern, prompting further strengthening of systems and incident response measures.

Compliance

The Bank maintained overall compliance with regulatory requirements. Minor non-compliance events, including delayed processing obligations, were promptly addressed and remedied. During the year, examinations by the Central Bank and updates to national regulations were successfully navigated without significant impact on operations.

Market Risk

Despite a challenging economic climate, the Bank managed to maintain an adequate liquidity position to meet short-term

obligations. Enhancements in the deposit portfolio, particularly in Term Deposit Accounts, contributed positively to stability. The local currency remained volatile within a manageable range, and open currency positions were kept within regulatory limits.

Operational Risk

Operational risk events were identified and mitigated through the strengthening of internal controls and system reviews. Focus areas included payment processes, data center resilience, system authentication stability, and security enhancements across key platforms.

Credit Risk

While general portfolio performance remained stable, challenges persisted in specific sectors, notably the agricultural loan portfolio. The Bank continued to closely monitor portfolio quality and adjust strategies to mitigate sector-specific risks.

Information Security and Cyber Risk

Recognizing the heightened cyber threat landscape, the Bank intensified its investment in information security. Key initiatives included the rollout of a Cyber Security Operations Center (SOC), penetration testing of critical systems, enhancement of network security, and user rights reviews. A focus on fraud prevention and cybersecurity awareness training was maintained throughout the year.



Human Capital Development

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Overview of HR strategy

AB Bank is committed to cultivating a workplace where employees feel respected, supported, and engaged.

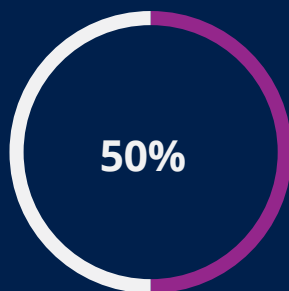
The Bank upholds fair labour practices and promotes transparency in handling staff matters. The Bank continues to uphold a zero-tolerance policy towards unethical behaviour and provides quality healthcare coverage for all employees across its branches.

Ensuring the safety of all employees remains a top priority for AB Bank.

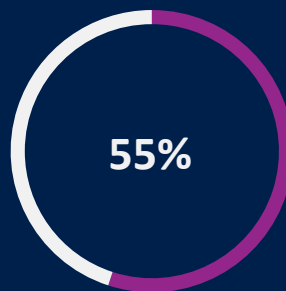
Our Staff



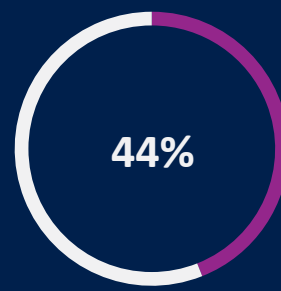
481
Employees



Women in Human
Resources



Women in Middle
Management



Women Staff

Learning & Development

AB Bank is committed to building a high-performance culture by supporting employee growth through continuous learning, structured performance tracking, and clear career progression.

To improve oversight of Performance Development Plans (PDPs), the Bank uses key performance indicators (KPIs), and quality assurance checks aligned with business goals. Biannual feedback sessions offer employees performance insights and targeted support.

Each year, scholarships are awarded to staff pursuing Postgraduate,

Professional, International, or Online studies. In 2024, five employees benefited from this initiative, reflecting the Bank's commitment to its core values.

Through AccessMind, our Learning Management System, staff accessed over 32,000 eLearning courses. In 2024, employees completed 1,135 training hours and 4,923 course completions across 32 modules. Internal training focused on technical and behavioral skills, while external training addressed regulatory topics like Occupational Health and Safety (OHS).



Staff Engagement Highlights

Beyond professional development, the Bank actively promotes employee well-being and a sense of community through a range of engagement activities:

- **Mental Health Awareness**
Awareness initiatives were conducted across the Bank to promote mental wellness and create a supportive work environment.
- **Team Building Activities**
Various departments and branches participated in team-building events, including outdoor sessions such as the Branch Supervisors Team Building program.
- **Bankers' Sports Day**
Employees participated in the

national interbank sports event hosted by ZIBFS and BAZ, encouraging physical wellness and collaboration across the sector.

- **Africa Day Cultural Celebration**
Staff proudly wore traditional attire in celebration of African heritage, fostering unity and cultural pride.
- **Bank of Zambia 60th Anniversary**
AB Bank joined other financial institutions at the Olympic Youth Development Centre for a day of friendly games and teamwork-focused activities.

These initiatives reflect the Bank's commitment to cultivating a positive, inclusive, and dynamic workplace culture.



Employee Spotlight

Caroline Wakumelo is the Operations Supervisor at AB Bank's Cairo Main Branch in Lusaka's CBD. She joined AB Bank in 2017 as a Trainee Cashier, looking for an opportunity to apply her Banking and Finance studies.

Over the years, she has progressed within the bank. In 2021, she was promoted to Senior Cashier, and later that year, to Operations Supervisor. She also serves as a Branch Manager Relief when needed.

Her role has provided valuable experience in customer service, sales, and financial reporting. However, one of the challenges she faces is client retention, as the financial sector has become more competitive. "We address this by conducting direct promotions to attract and retain customers," she explains.

One of the highlights of her time at AB Bank was a branch game night, which allowed staff to interact outside of work. "It was a good experience to see colleagues relax and engage in friendly competition."

Caroline has also participated in community outreach programs. In 2022, she was involved in a Female Hygiene Empowerment Project, where she and her colleagues donated sanitary products to a rural school and educated students on savings and banking. Additionally, her branch has made Christmas donations to an orphanage.

Her long-term goal is to take on a managerial role. "I have learned a lot from the different leaders I have worked with, and I hope to apply this knowledge as I continue growing with the bank."

For those considering a career in banking, Caroline believes AB Bank provides great opportunities. "If you work hard and stay committed, you can build a strong career here."



Caroline Wakumelo
Operations Supervisor



Environmental, Social, and Governance (ESG)

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Overview

In 2024, AB Bank Zambia strengthened its commitment to ESG principles by aligning business growth with sustainability, social impact, and strong governance. The bank prioritized renewable energy, financial literacy, and community welfare while ensuring transparent and responsible operations.

Over 5,900 clients were trained in enterprise and financial literacy, and approximately 2,200 in digital literacy. There were no major ESG-related penalties or incidents in 2024, highlighting a stable operational and compliance environment. The bank's corporate social responsibility (CSR) expenses for the year totaled USD 8,622.70.

Governance Practices

Client Protection Commitment

A key milestone in 2024 was AB Bank's inclusion in the Cerise+SPTF Client Protection Pathway as a Committed Institution, recognizing its dedication to client-centered and ethical banking. This journey began in 2023 with an internal Client Protection performance assessment, followed by a second review in 2024 that led to formal recognition.

This achievement reflects the bank's adherence to global standards for transparency, fair treatment, data protection, and responsible financial practices.



Environmental Impact

Green Energy Partnerships

To reduce reliance on hydroelectric power, AB Bank partnered with two local SMEs, Smart Energy and Techmasters Limited, to implement solar energy solutions. This initiative supports both environmental sustainability and local job creation.

Solar Installation Projects

Significant upgrades to power backup systems were completed at the Cairo and Solwezi branches. These improvements resulted in:

Up to 50%

Savings in diesel and maintenance costs

A 70% Reduction in

generator reliance during load shedding

Improved compliance with
regulatory power requirements

These solar projects contribute to the bank's broader ESG strategy, delivering both cost savings and positive environmental outcomes.



Social Initiatives

ABZ remains committed to sustainable energy solutions and community welfare, demonstrated through several impactful CSR initiatives in 2024.

28/10/2024
To the Kasisi family,
It has been an honour and
privilege to be welcomed here
at Kasisi and witness the
grace of God in helping those
that are in a vulnerable position
in our communities. Kasisi Ailisi,
here is doing a remarkable
service to help the underprivileged.
On behalf of AB Bank, I wish to
appreciate the selfless service my
the sisters and support staff they
are doing. God is the only one
who will reward you.
Remain blessed.
Maximo Mungu
CEO - AB Bank.

Social Initiatives

Corporate Social Responsibility (CSR)

1. Kasisi Children's Home

AB Bank installed solar power for two male hostels at Kasisi Children's Home, which cares for 230 orphaned children. These children, referred by the Social Welfare Society, police victim support units, refugee centers, hospitals, and nearby communities, now benefit from a stable power supply, enhancing their living conditions.



2. Chinyunyu Schools Solar Project (with BAZ)

In collaboration with the Bankers Association of Zambia (BAZ) and as part of Zambia's 60th anniversary celebrations, the bank contributed to powering Chinyunyu Primary and Secondary Schools in Rufunsa District. Over 1,495 students now benefit from solar-powered classrooms, labs, and dormitories.

3. Festive Season Donation Drive

During the 2024 festive season, AB Bank fostered a spirit of giving among staff through a donation drive, collecting gently used items to support vulnerable children. The Bank also contributed essential items to SOS Children's Village and Home of Happiness, two remarkable facilities caring for orphaned and vulnerable children. This initiative underscores our commitment to making a meaningful impact on our community.

Social Initiatives

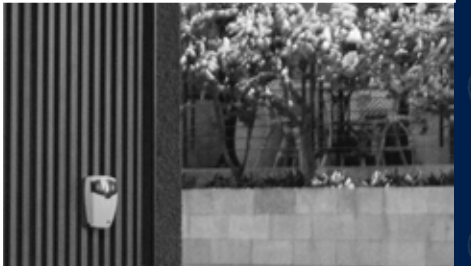
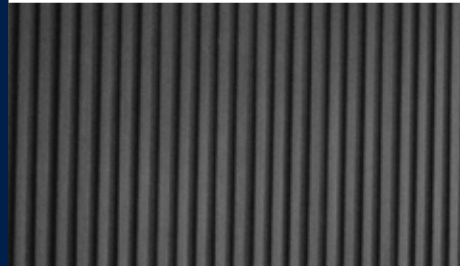
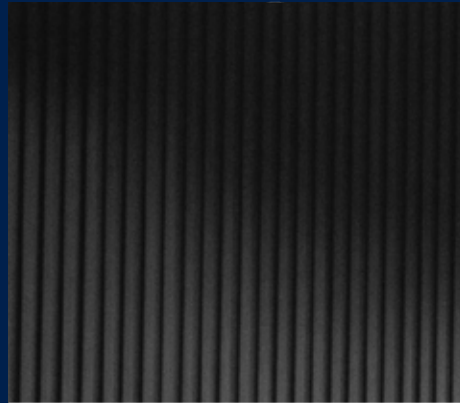
4. Nc'wala Traditional Ceremony Walk

The bank sponsored the ceremony with a donation of USD 897.86 (ZMW 25,000), affirming its commitment to cultural preservation and local engagement.



5. Empowering Youth in Agribusiness Program

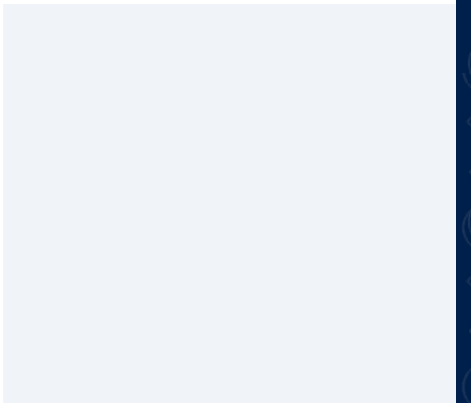
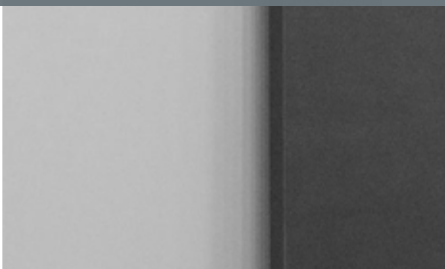
AB Bank proudly sponsored the final pitch and graduation ceremony of this FAO and UNIDO-led initiative, supporting youth in rural development.



Client Story

Christine Bwalya

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Christine Bwalya

Christine Bwalya is a full-time businesswoman in Lusaka province. She sells second-hand items such as shoes and handbags. She began her business in 1989 at Soweto Market, but after it was demolished, she moved to City Market and later secured a shop in town after City Market burnt down in 2017.

Christine first heard about AB Bank in 2011 when the bank was advertising its loan products at City Market. She took her first loan of ZMW 25,000.00 in 2012, which helped her expand her business. Over the years, she has taken 12 loans since her first loan, with her latest being ZMW 700,000.00. This financial support has allowed her to open four shops and employ 21 people.

Through the growth of her business, Christine has also improved her personal life. “When I started taking loans, I lived in Helen Kaunda (middle density area). Later, I moved to Kabulonga (low density area), where

I built a house. Now I live in Makeni Bonaventure (low density area) and have also built flats with the help of AB Bank loans,” she shares.

However, running a business has its challenges. “Theft has been a major issue. Last year, thieves broke in through the roof and stole some goods. To address this, I have installed CCTV cameras.”

Christine advises other entrepreneurs to be disciplined with loan repayments. “Some people take small, quick loans from lenders who collect daily repayments, which can be difficult to manage. It’s better to take a loan from AB Bank, use it wisely, and plan repayments in advance.”

Looking ahead, Christine is expanding into farming and hopes to build a commercial complex on the land she has acquired. “AB Bank has been a reliable partner in my journey, and I plan to continue growing my business with their support.”





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Company Information

for the year ended 31 December 2024

Country of incorporation	Republic of Zambia
Company registration number	87654
Bank of Zambia license number	38/2011
Investment license	ZDA1221/12/2011
Registered office	Stand No. 227682 Acacia Park PO Box 38173 Lusaka
Business address	Stand No. 227682 Acacia Park Corner of Great East and Thabo Mbeki Road Lusaka
Postal address	P O Box 38173 Lusaka
Bankers	Bank of Zambia Ecobank Zambia Limited First Capital Bank Zanaco Bank Plc United Bank for Africa (UBA) Unicredit Bank AG, Muenchen, Germany I& M Bank, Nairobi, Kenya
Auditors	KPMG Zambia 6 th Floor Sunshare Towers Corner Lubasenshi/Katima Mulilo Road Olympia Park Lusaka, Zambia
Company Secretary	Mary Kayofi
Advocates	Nsapato & Company Advocates Justine Legal Practitioners August Hill & Associates John Kayuni & Partners Melody Mwansa Legal Practitioners Mike Benwa Legal Practitioners

Directors' Report

for the year ended 31 December 2024

The Directors submit their report together with the audited financial statements for the year ended 31 December 2024, which disclose the state of affairs and performance of AB Bank Zambia Limited (the "Bank").

Principal Activities

The principal activity of the Bank is the provision of banking and related financial services. There has been no significant change in the Company's business during the year. The Bank has six (6) branches in Lusaka, one (1) branch in Kitwe, one (1) branch in Ndola, one (1) branch in Chipata and one (1) branch in Solwezi.

Shareholding

The Bank is a 60.4% (2023 – 60.4%) subsidiary of Access Microfinance Holdings AG (AccessHolding). The ultimate beneficial owner is AFG Holding SA.

The other shareholders are:

- Kreditanstalt fuer Wiederaufbau (KfW) 6.8% (2023 – 6.8%). The beneficial owner is the Federal Republic of Germany.
- International Finance Corporation (IFC) 10.2% (2023 – 10.2%). The beneficial owner is the World Bank Group.
- Fonds d'Investissement et de Soutien aux Entreprises en Afrique (FISEA) 22.5% (2023 – 22.5%). The beneficial owner is Agence Francaise De Development (AFD).

During the year, the ultimate beneficial ownership transitioned from LFS Advisory GmbH to AFG Holding SA. The share capital is disclosed at note 28 of the financial statements.

Significant events during the year

There were no significant events during the year impacting the operations of the Bank.

Results and dividend

The net profit for the year of ZMW 33,344,738 (2023: ZMW 14,291,841) has been credited to accumulated losses. The directors have not declared any dividends for the year ended 31 December 2024 (2023: Nil)

Related party transactions

As required by the Zambian Banking and Financial Services Act no. 7 of 2017, related party transactions are disclosed at note 35 of the financial statements.

Directors

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

Thomas Engelhardt, Chairman (Non-Executive; Non-Resident)

Maximo Mulenga, (Executive; Resident)

Chishimba Kachasa, (Non-Executive; Resident)

Rambert Namy, (Non-Executive; Non-Resident)

Leonard Kalinde, (Non-Executive; Resident)

Marcus Hannappel, (Non-Executive; Non-Resident; appointed 21 August 2024)

See note 36 of the financial statements for more information.

Directors’ Report

for the year ended 31 December 2024

Directors' emoluments and interests

Directors' emoluments and interests are disclosed in the financial statements in accordance with the *Zambian Companies Act no. 10 of 2017* and *Zambian Banking and Financial Services Act no. 7 of 2017* under note 35 of the financial statements.

Directors’ fees

During the year, the total Directors remuneration paid was ZMW 2,939,944 (2023: ZMW 2,154,640).

Interests and interests register

During the year, the interests declared, if any, by the Bank officers (a Director, Company Secretary or executive officer of the Bank) were recorded in the minutes of Board and Committee meetings. The Declaration of Interests Register, as required by the *Companies Act No. 10 of 2017*, containing particulars of the above stated interests declared, is available for inspection at the Company’s registered office.

Loans to directors

There were no loans and advances disbursed to the Directors or related entities during the year (2023: Nil).

Prohibited borrowings or lending

There were no prohibited borrowings or lending as defined under section 89(1)(a)(iv) of the *Zambian Banking and Financial Services Act no.7 of 2017*.

Research and development

During the year the Bank did not conduct any

research and development activities (2023: Nil).

Exports

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

Health and safety

The Bank is committed to ensuring the health, safety and welfare at work of its employees and for protecting other persons against risks to health or safety arising out of, or in connection with, the activities at work of the employees.

Employees

The number of employees of the Bank at the end of the year stood at 518 (2023: 471) and their total remuneration was ZMW 89,690,718 (2023: ZMW 88,336,772) as disclosed at note 9 of the financial statements.

Number of employees per month

	Month												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg.
2024	488	483	479	494	488	487	505	495	486	477	517	518	493
2023	478	480	482	473	470	460	494	493	486	481	477	471	479

Gifts and donations

The Bank made donations of ZMW 125,000 during the year (2023: ZMW 40,400).

Directors' Report

for the year ended 31 December 2024

Property, equipment and intangible assets

The Bank purchased property and equipment amounting to ZMW 19,430,215 (2023: ZMW 27,917,039) as disclosed at note 17 of the financial statements. There were no purchases of intangible assets (2023: ZMW 15,108) during the year as disclosed at note 16 of the financial statements.

Risk management and control

The Bank, through its normal operations, is exposed to a number of risks, the most significant of which are credit, market, operational and liquidity risk. The Bank's risk management objectives and policies are disclosed in note 33 to the financial statements.

The Directors have approved policies to mitigate the above risks by introducing controls that are designed to safeguard the Bank's assets while allowing sufficient freedom for the normal conduct of business.

Compliance function

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

Corporate governance

The Board of Directors hereby confirms that the Bank has complied with all the internal control aspects of the principles of good governance. Audit, Risk Management, Loans Review and Remunerations Committees were in place and functioned effectively.

The financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS Standards') as issued by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC'). Additionally, the financial statements comply with the requirements of the Companies Act and the Banking and Financial Services Act of Zambia.

Know your customer and anti money laundering policies

The Bank has adopted the Know Your Customer (KYC) and Anti-Money Laundering (AML) policies and adheres to current legislation in these areas.

Bank auditors and remuneration

KPMG Zambia were appointed as auditors during the year. The auditors have indicated their willingness to continue in office and a resolution for their appointment will be proposed at the next annual general meeting.

The Auditor remuneration for the year was ZMW 983,881 (2023: ZMW 1,098,998) and all the fees relate to the audit services rendered to the Bank.

By order of the Board

Director: **Thomas Engelhardt**

Date: **31st March, 2025**

Director: **Maximo Mulenga**

Statement of Directors' Responsibilities

for the year ended 31 December 2024

The Companies Act, 2017 of Zambia requires the Directors to prepare annual financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank. The Directors are further required to ensure the Bank adhere to the corporate governance principles or practices contained in Sections 82 to 122 Part VII of the Companies Act, 2017 of Zambia.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2017 of Zambia.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, and for such internal controls as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the

annual financial statements set out on pages **11 to 72** give a true and fair view of the state of the financial affairs of the Bank and of its financial performance in accordance with International Financial Reporting Standards and the Companies Act, 2017 of Zambia. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Sections 82 to 122 Part VII of the Companies Act, 2017 of Zambia.

Signed on behalf of the Board of Directors

Director: **Thomas Engelhardt**

Date: **31st March, 2025**

Director: **Maximo Mulenga**

Independent Auditors Report To The Shareholders of AB Bank Zambia Limited Report on The Audit of The Financial Statements

Opinion

We have audited the financial statements of AB Bank Zambia Limited ("the Bank") set out on pages 11 to 72, which comprise the statement of financial position as at 31 December 2024, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AB Bank Zambia Limited as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the Companies Act and the Banking and Financial Services Act of Zambia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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

Impairment of loans and advances to customers

Refer to note 2.2, significant accounting judgement, estimates and assumptions, note 15 loans and advances to customers, note 33 Risk management under credit risk section and note 2.3.1 Material accounting policies in accordance with IFRS 9 Financial instruments.

Key audit matter

Loans and advances to customers comprise a significant portion of the Bank's assets. This was an area of focus due to management exercising significant judgment and using subjective assumptions, when determining both the timing and the amounts of the expected credit loss ("ECL") for loans and advances to customers.

Key areas of significant judgement included:

- The Bank's internal credit grading model, which assigns PDs to the individual grades on the loans and advances.
- The measurement of modelled provisions, which is dependent upon key assumptions relating to probability of default ("PD"), loss given default ("LGD"), exposures at default (EAD), significant increase in credit risk (SICR) and expected future recoveries discounted to present value.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as staff turnover and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the ECL models.

Due to the significant judgement applied by management, the impairment of loans and advances to customers was considered to be a key audit matter.

How the matter was addressed in our audit

Our audit procedures included the following:

- We tested the design, implementation and operating effectiveness of relevant controls over;
 - management approval of origination of loans and advances to customers; and
 - review and approval of the expected credit loss model.
- We tested the completeness and accuracy of the data used in the ECL model such as loan exposures, days arrears, asset classification and other customer specific data by comparing the inputs to customer statements.
- We assessed the appropriateness of transfers between stages by testing, on a sample basis, whether financial assets transferred to stage 2, met the Group and Bank's definition of significant increase in credit risk.
- For credit impaired assets classified as stage 3, we assessed the reasonableness and timing of expected cash flows by taking into account the type of collateral held and comparing with historical recovery period and valuations performed by independent valuers.
- With the involvement of specialists, we evaluated compliance of the expected credit loss models with IFRS 9, Financial instruments (IFRS 9) and the appropriateness of modelling principles applied, including the re-performance of PD, EAD, LGD, SICR and ECL calculations. In addition, we considered whether management had incorporated sufficient forward looking stress tests in the PDs and LGDs.
- We assessed the adequacy of the disclosures in the financial statements in accordance with the requirements of IFRS 7, Financial Instruments: Disclosures.

Other matter

The financial statements of the Bank as at and for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on 4 April 2024.

Other information

The directors are responsible for the other information. The other information comprises the Director's Report as required by the Companies Act of Zambia, the Company information and the Statement of directors' responsibilities and Company information. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the Companies Act and the Banking and Financial Services Act of Zambia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- 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 directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Companies Act of Zambia

In accordance with Section 259 (3) (a) of the Companies Act of Zambia (the Act), we consider and report that:

- there is no relationship, interest or debt we have with the Bank; and
- there were no serious breaches of corporate governance principles or practices by the directors as defined by the guidelines on serious breaches of corporate governance issued by the Zambia

Banking and Financial Services Act of Zambia

In accordance with section 97(2) of the Banking and Financial Services Act of Zambia, we consider and report that:

- The Bank made available all necessary information to enable us to comply with the requirements of this Act;
- The Bank has complied with the provisions, regulations, rules and regulatory statements specified in or under this Act; and
- There were no transactions or events that came to our attention that affect the well-being of the Bank that are not satisfactory and require rectification including:
 - a) transactions that are not within the powers of the Bank or which is contrary to this Act; or
 - b) a non-performing loan that is outstanding, has been restructured or the terms of the repayment have been extended, whose principal amount exceeds five percent or more of the regulatory capital of the Bank.

KPMG Chartered Accountants

1st April, 2025

Annual financial statements

for the year ended 31 December 2024

Statement of profit or loss and other comprehensive income in ZMW

	Note	2024	2023 Restated
Interest income calculated using the effective interest rate method	3	328,164,399	269,791,787
Interest expense*	4	(77,626,528)	(62,367,143)
Net interest income		250,537,871	207,424,644
Impairment charge for loan losses	5	(30,983,637)	(11,611,962)
Net interest income after impairment charge for loan losses		219,554,234	195,812,682
Fee and commission income	6	17,366,078	17,936,051
Fee and commission expense	6	(3,187,505)	(2,940,090)
Net fee and commission income		14,178,573	14,995,961
Net foreign exchange income/(losses)	7	705,462	(5,044,824)
Net other operating income	8	17,810,421	4,495,262
		18,515,883	(549,562)
Net non-interest income		32,694,456	14,446,399
Net operating income		252,248,690	210,259,081
Personnel expenses	9	(89,690,718)	(88,336,772)
Depreciation and amortization expense	10	(25,945,509)	(20,894,830)
Other administrative expenses	10	(94,235,448)	(84,704,248)
Total operating expenses*		(209,871,675)	(193,935,850)
Profit before tax		42,377,015	16,323,231
Income tax charge	11	(9,032,277)	(2,031,390)
Profit for the year		33,344,738	14,291,841
Total comprehensive income		33,344,738	14,291,841

There were no items of other comprehensive income during the year (2023: Nil).

The notes on pages 15 to 72 are an integral part of these annual financial statements.

*Refer to note 38 for more details on the restatement.

Annual financial statements

for the year ended 31 December 2024

Statement of financial position as at 31 December 2024

in ZMW	Note	2024	2023
ASSETS			
Balances at Central Bank	12	126,268,796	125,005,206
Cash and balances with other banks	13	132,734,366	116,575,309
Investment securities	14	51,359,060	26,805,205
Loans and advances to customers	15	493,736,268	450,206,279
Other financial assets	20	12,123,840	18,121,946
Other non-financial assets	21	9,270,952	6,478,115
Current income tax asset	11	-	372,994
Intangible assets	16	4,981,369	7,836,594
Property and equipment	17	52,800,676	48,624,680
Right of use - assets	18	47,893,253	50,074,668
Deferred income tax asset	19	13,988,333	9,278,783
Total assets		945,156,913	859,379,779
LIABILITIES			
Loans from banks and other financial institutions	22	65,802,974	64,513,484
Customer deposits	23	605,784,043	555,046,828
Provisions	24	2,535,927	3,654,421
Other financial liabilities	26	15,546,923	19,388,954
Other non-financial liabilities	27	3,882,671	6,236,351
Current income tax payable	11	1,461,466	-
Lease liability	25	74,336,378	68,077,948
Total liabilities		769,350,382	716,917,986
EQUITY			
Share capital	28	192,484,384	192,484,384
Capital reserves		(1,861,897)	(1,861,897)
Accumulated losses		(14,815,956)	(48,160,694)
Total equity		175,806,531	142,461,793
Total liabilities and equity		945,156,913	859,379,779

The annual financial statements on pages 11 to 72 were approved for issue by the board of directors on _____ 2025 and signed on its behalf by:

Director: **Thomas Engelhardt**

Director: **Maximo Mulenga**

Secretary: **Mary Kayofi**

The notes on pages 15 to 72 are an integral part of these annual financial statements.

Annual financial statements

for the year ended 31 December 2024

Statement of cash flows

	Note	2024 ZMW	2023 Restated ZMW
Profit			
Profit before tax		42,377,015	16,323,231
Adjustments for non cash items:			
Interest income on investment securities	14	(5,949,805)	(2,483,254)
Impairment charge for loan losses	5	30,983,637	11,611,962
Net interest income*		(250,537,871)	(207,424,644)
Unrealised exchange differences		(3,014,233)	(8,570,747)
Depreciation expense on property and equipment	17	14,348,959	11,639,713
Amortisation of intangible assets	16	2,855,225	3,082,550
Amortisation of right-of-use asset	18	8,741,325	6,172,567
Gains from sale of property and equipment		(44,706)	(476,988)
Fixed assets adjustments	17	327,883	379,737
Interest expense on lease	25	9,344,401	5,550,216
Exchange loss on lease liability	25	3,673,351	14,939,902
Gain arising on lease termination		(308,605)	(593,848)
Loss arising from lease modifications		-	539,604
Cash outflows from operating activities before changes in operating assets and liabilities		(147,203,424)	(149,309,999)
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Restricted statutory reserve		(10,307,066)	(59,944,267)
Loans and advances to customers		(77,045,809)	(107,535,674)
Other financial assets		5,998,106	4,859,523
Other non-financial assets		(2,792,837)	4,452,354
Increase/(decrease) in operating liabilities			
Customer accounts		45,085,980	133,144,227
Provisions		(1,118,494)	2,453,896
Other financial liabilities		(6,581,244)	5,926,979
Other non-financial liabilities		(2,353,680)	(4,213,402)
		(196,318,468)	(170,166,363)
Interest received*		330,696,582	268,840,517
Interest paid*		(69,257,229)	(53,681,799)
Payment of interest on lease liabilities*	25	(9,344,401)	(5,550,216)
Income tax paid	11	(11,907,367)	(10,957,307)
Net cash inflows from operating activities		43,869,117	28,484,832
Cash flow from investment activities			
Purchase of property and equipment and intangible assets	16,17	(19,430,215)	(27,932,147)
Proceeds from sale of property and equipment		622,083	569,218
Purchase of investment securities	14	(52,955,150)	(43,697,751)
Proceeds from maturities of investment securities		34,351,100	40,000,000
Net cash outflows from investing activities		(37,412,182)	(31,060,680)
Cash flow from financing activities			
Proceeds from loans from banks and other financial institutions		55,000,000	45,000,000
Repayment of loans from banks and other financial institutions		(56,428,574)	(31,428,572)
Payment of principal on lease liabilities*	25	(3,666,226)	(5,385,357)
Net cash (outflows)/inflows from financing activities		(5,094,800)	8,186,071
Effect of changes in foreign exchange rate on cash and cash equivalents		5,753,446	5,786,234
Total cash flows		7,115,581	11,396,457
Cash and cash equivalents, beginning of the year		142,879,654	131,483,197
Cash and cash equivalents, end of the year	12	149,995,235	142,879,654
Represented by:			
Cash and balances with Bank of Zambia		126,268,796	125,005,206
Less: Statutory deposits requirements		(109,007,927)	(98,700,861)
		17,260,869	26,304,345
Balances with other banks		78,037,293	59,937,926
Cash in hand		54,697,073	56,637,383
Cash and cash equivalents	12	149,995,235	142,879,654

The notes on pages 15 to 72 are an integral part of these annual financial statements.

*Refer to note 38 for more details on the restatement.

Annual financial statements

for the year ended 31 December 2024

Statement of changes in equity

in ZMW	Share capital	Capital reserve	Accumulated losses	Total equity
	ZMW	ZMW	ZMW	ZMW
Brought forward 1 January 2023	192,484,384	(1,861,897)	(62,452,535)	128,169,952
Profit for the year	-	-	14,291,841	14,291,841
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	14,291,841	4,291,841
Balance 31 December 2023	192,484,384	(1,861,897)	(48,160,694)	142,461,793
	ZMW	ZMW	ZMW	ZMW
Brought forward 1 January 2024	192,484,384	(1,861,897)	(48,160,694)	142,461,793
Profit for the year	-	-	33,344,738	33,344,738
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	33,344,738	33,344,738
Balance 31 December 2024	192,484,384	(1,861,897)	(14,815,956)	175,806,531

Capital reserve

Capital reserve consists of costs incurred for the issuance and registration of additional share capital.

Accumulated losses

Accumulated losses comprise brought forward recognized income, net of expenses, plus current year profit or loss attributable to shareholders.

The notes on pages 15 to 72 are an integral part of these annual financial statements.

Notes to the financial statements

for the year ended 31 December 2024

1) Reporting entity

AB Bank Zambia Limited (the “Bank”), is a limited liability company incorporated and domiciled in Lusaka, Zambia. Its registered office is at stand number 227682, Acacia Park, Corner of Thabo Mbeki and Great East Roads, Lusaka, Zambia. Its parent and ultimate holding company is Access Microfinance Holding AG. The principal activities of the Bank, as a commercial bank, is providing financial services to micro, small and medium sized enterprises as well as to the general public.

2) Material accounting policies

2.1 Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Standards) and in accordance with the requirements of the Companies Act and the Banking & Financial Services Act no.7 of 2017 of Zambia. The financial statements comply with IFRS Standards as issued by the International Accounting Standards Board (IASB).

The financial statements for the year ended 31 December 2024 were authorised for issue by the Bank’s Board of Directors on **31st March 2025**.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Zambian Kwacha (ZMW), which is the presentation currency of the Bank and all values are rounded to the nearest Kwacha, except when otherwise indicated. All values below 50 Ngwee are presented as zero and all “-” represent no value. Details of the Bank’s accounting policies, including changes during the year, are included in note 2.3.

Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in notes 33 and 38.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Going concern

The Bank’s financial statements have been prepared on the going concern basis, which assumes that the Bank will continue to be able to meet its liabilities as and when they fall due for the foreseeable future. During the year, the Bank made a profit of **ZMW 33.3 million** (2023: ZMW 14.3 million), accumulated losses have reduced to **ZMW 14.8 million** (2023: ZMW 48.2 million) and is in compliance with the minimum capital requirement of ZMW 104 million. The Bank has adopted a comprehensive business strategy focused on responsible growth in assets and customer liabilities, realising cost efficiencies and effective risk management. Liabilities continue to be settled in the normal course of business. The Directors are confident that this business strategy will improve the profitability of the Bank. On the basis of these actions, the Directors are of the opinion that the Bank will remain a going concern for at least 12 months from the date of these annual financial statements.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.2 Significant accounting judgements, estimates and assumptions

Statement of compliance

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Critical estimates and assumptions

In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as staff turnover and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the ECL models

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.2 Significant accounting judgements, estimates and assumptions *(continued)*

Income taxes

The Bank recognizes deferred income tax assets only to the extent that it is probable that taxable profits will be available against which the tax-reducing effects can be utilized. Judgement is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits. The profit projection is based on the latest business plan as of December 2024 and therefore reflects management's best estimate of future taxable profits.

2.3 Summary of material accounting policies

2.3.1 Accounting policies in accordance with IFRS 9 Financial Instruments

Financial instruments – initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in notes "Business model criterion" and "The SPPI criterion". Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, transaction costs are added to, or subtracted from, the initial fair value of financial assets and liabilities measured at amortised cost. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost (AC), or
- Fair value through profit or loss (FVPL), or

As a rule, non-derivative financial liabilities must be measured at amortised cost. In addition, the possibility exists of applying the fair value option where there is an accounting mismatch or where the portfolios are measured on a fair value basis. The remeasurement effect for financial liabilities designated in the fair value option resulting from own credit spread is recognised in other comprehensive income without effect on income.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.1 Accounting policies in accordance with IFRS 9 Financial Instruments *(continued)*

Financial assets and liabilities

Loans and advances to banks, Loans and advances to customers and Debt securities at amortised cost

The Bank only measures Loans and advances to banks, Loans and advances to customers and Debt securities at amortised cost as financial assets if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Business model criterion

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

- The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- Business Model “hold to collect” – receipt of contractual cash flows with only rare or immaterial sales activities
- Business Model “hold to collect and sell” – receipt of cash flows through holding and also through sales
- Residual Business Model – all portfolios that are not allocated to the “hold to collect” or “hold to collect and sell” business model. These include primarily trading portfolios and portfolios managed on a fair value basis. The receipt of contractually agreed cash flows is of minor importance; the main objective is instead to maximize cash flows through purchases and sales.

The business model assessment is based on reasonably expected scenarios (taking into account the amount, frequency and the date of sales) without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI criterion

As a second step of its classification process, the Bank assesses the contractual terms of debt instruments to identify whether they meet the SPPI test.

For this purpose, the characteristics of cash flows of the financial instrument are examined on an instrument by instrument basis. In the assessment, it must be decided whether the cash flows essentially represent interest and principal payments on the outstanding capital. In principle, a financial instrument is SPPI-compliant only if its contractual cash flows are equivalent to those of a basic lending arrangement.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.1 Accounting policies in accordance with IFRS 9 Financial Instruments *(continued)*

Equity instruments

An equity instrument is a financial instrument which includes no contractual obligation to deliver cash or another financial asset to another entity and there is no contractual obligation to exchange financial assets or financial liabilities with another equity under conditions that are potentially unfavourable to the issuer. Equity instruments where the FVOCI option was elected at the date of the initial recognition is measured through FVOCI without subsequent recycling through profit or loss. The FVOCI option was not elected in 2024. The equity instrument is measured at fair value through profit or loss (FVPL).

Impairment of financial assets

Overview of the ECL (Expected-Credit-Loss) principles

The Bank records the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL and financial contracts, in this section all referred to as “financial instruments”.

With regard to cash and cash equivalents, loans and advances to banks, Investment securities at amortised cost and other financial assets, the Bank assumes low credit risk and applies the low credit risk practicality according to IFRS 9.5.5.10. The investment securities measured at amortised cost are short-term treasury bills (interbank transactions). No defaults have been incurred. With these considerations in mind, the Bank considers for the above-mentioned instruments that the probability of default is low and therefore provisioning (12mECL) is insignificant.

Equity instruments are not subject to impairment under IFRS 9.

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) as outlined in note The calculation of ECLs.

The 12mECL 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 portfolio level (collective basis). Only for those cases, where certain notional thresholds are breached, there is an additional analysis on individual asset level. In any case, collective provisioning rates are applied at least.

The Bank 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 Bank groups its loans into Stage 1, Stage 2, and Stage 3, as described below:

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.1 Accounting policies in accordance with IFRS 9 Financial Instruments *(continued)*

- Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in this stage have their ECL measured at an amount equal to the portion of expected credit losses that result from default events possible within the next 12 months. Stage 1 includes all financial instruments, which did not exhibit a "significant increase in credit risk" and for which no signs of impairment have been observed. The reference date is the date of initial recognition. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2. Significant increase in credit risk is defined whether the credit risk of default on a financial instrument has increased significantly since initial recognition (significant increase in credit risk is defined as stage 2 (30 day PD) per the group credit risk policy), the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.
- Stage 2: Consists of all loans that appear to show a significant increase in credit risk, but is not yet deemed to be credit-impaired. As a general rule, loans between 30-90 days of arrears are classified under Stage 2, unless other signs of impairment are observed. Generally, loans more than 30 days overdue are not moved back to Stage 1 except for individually assessed loans where a discounted cash flow analysis reveals lower risk than the days-past-due information would indicate. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Consists of all loans, for which there is evidence of credit-impairment. As a general rule, loans above 90 days of arrears are classified under Stage 3, unless individual assessment indicates lower likely losses, as evaluated based on analysis of discounted cash flows.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Bank calculates ECLs to measure the expected cash shortfalls, discounted at 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.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.1 Accounting policies in accordance with IFRS 9 Financial Instruments *(continued)*

The calculation of ECLs (continued)

- **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.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

- **Stage 1** The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied actual EAD at the end of the reporting period and multiplied by the expected LGD, which is calculated by discounting expected recoveries using an estimation of the EIR.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For loans considered credit-impaired, the Bank 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%.

- **Individually insignificant (collective):**

All on-balance sheet credit exposures (non-restructured and restructured) that at the reporting date have an outstanding balance (principal only) of more than a defined threshold or less are treated as individually insignificant, unless the bank explicitly assesses the credit exposure as individually significant upon approval by Access Microfinance Holding. Off-balance sheet exposures of a defined threshold or less are also treated as individually insignificant.

- **Individually significant:**

All on-balance sheet credit exposures (non-restructured and restructured), that at the reporting date have an outstanding balance (principal only) of equal than a defined threshold, are treated as individually significant. Additionally, banks have the possibility to consider credit exposures below this threshold as individually significant in rare circumstances and only upon the written approval of Access Microfinance Holding. Off-balance sheet exposures of more than the defined threshold are also treated as individually significant.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.1 Accounting policies in accordance with IFRS 9 Financial Instruments *(continued)*

Grouping of instruments for losses measured on a collective basis

Future cash flows in a group of financial assets are collectively evaluated for impairment to be estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The Bank collects default matrices to capture, in the calculation, the loans disbursed between the periods of analysis. The outstanding principal amount at the beginning of the current period/end of previous period is distributed per product category (Micro, SME, Staff, Overdraft, Other), and within each product category distributed per each arrears category (i.e., 0, 1-30, 31-90, 91-180, > 180 days).

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Foreign exchange rates
- Staff turnover
- Commodity prices (e.g., oil, copper)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments are occasionally made as management judgement to adjustments when such differences are significantly material. The Bank applies a set of three internally developed scenarios within the scope of applied ECL model and their respective probabilities, a base scenario, an adverse scenario (downside scenario) and a favorable scenario (upside scenario).

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are included in net other operating income.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.1 Accounting policies in accordance with IFRS 9 Financial Instruments *(continued)*

Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department (e.g. fraudulent activities). Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 6-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- Principal and interest repayments on the loan have been repaid without any overdues over the six-month period. In case of forbearance, where the client is allowed to service only interest for some months before paying principal instalments, the six-month period will begin from the date the first principal payment is due. If the loan is changed into a bullet repayment loan with the entire outstanding principal amount repayable at the end, then the loan cannot be reclassified out of the forborne category.
- At the end of the six-month period, the bank Recovery Committee must conduct a further assessment of the client's repayment capacity to determine that no quantitative or qualitative impairment remains.

If modifications are substantial, the loan is derecognised, as explained in section Derecognition due to substantial modification of terms and conditions.

In the 2024 financial year, there were no circumstances indicating modified loans and forborne loans.

Derecognition of financial assets and liabilities

Derecognition other than for substantial modification

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.1 Accounting policies in accordance with IFRS 9 Financial Instruments *(continued)*

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid and the fair value of the newly recognised liability is recognised in profit or loss.

Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, the Bank considers the following qualitative factors:

- Change in currency of the loan
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different (Present value change by <10%), the modification does not result in derecognition.

Recognition of interest income

The effective interest rate method

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.2 Foreign currency translation

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges). Loan disbursement fees for loans are deferred (together with related direct costs) and recognised as part of the effective interest rate of the loan.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest income in the income statement.

Interest income accounted for using the effective interest method

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired (as set out in note Overview of the ECL principles) and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest income accounted for not using the effective interest method

Interest income on all financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate.

The financial statements are presented in Zambian Kwacha (ZMW). Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency").

Transactions in foreign currencies are initially recorded at the spot rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are recognised in 'net foreign exchange income/(loss)' in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.2 Foreign currency translation *(continued)*

The following exchange rates were applied in these financial statements.

ZMW per	Abbreviation	31.12.2024	31.12.2023
United States Dollar	USD	27.8438	25.7225
Euro	EUR	29.2892	28.5926

Please refer to note 33 for currency exchange risk.

2.3.3 Loan related fees

Fees and commissions are recognised on an accrual basis when the service has been provided. Loan disbursement fees for loans are deferred (together with related direct costs) and recognised as part of the effective interest rate of the loan. If the financial instrument is carried at fair value through profit or loss, any associated fees are recognized in profit or loss when the instrument is initially recognized, provided there are no significant unobservable inputs used in determining its fair value. Fees earned from services that are provided over a specified service period are recognized over that service period. Fees earned for the completion of a specific service are recognized when the service has been completed.

2.3.4 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, central bank accounts and loans and advances to banks on demand or with an original maturity of three months or less.

2.3.5 Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

- Motor vehicles – 5 years
- Office fixtures & furniture and equipment – 6 years
- Computer equipment - 3 years
- Leasehold improvements – the lower of 10 years and term of lease
- Building – 40 years
- Asset under construction – no depreciation is charged

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Net other operating income' in the income statement in the year the asset is derecognised.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.6 Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial yearend. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented together with depreciation expense in the income statement.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Core banking software 5 years
- Computer software 3 - 10 years

2.3.7 Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.8 Leases

contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
 - The Bank has the right to operate the asset; or
 - The Bank designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

As a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate. Lease payments included in the measurement of lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the Bank is reasonably certain to exercise
- Lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option
- Penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.8 Leases *(continued)*

As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value asset (less than USD 5,000). The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.3.9 Defined contribution plans

The Bank operates a defined contribution plan with its payments to the social security fund. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

2.3.10 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

2.3.11 Grants

The Bank applies the income approach under which a grant is recognised in profit or loss over one or more periods. In most cases the periods over which the Bank recognises the costs or expenses related to the grants are readily ascertainable. Thus, grants in recognition of specific expenses are recognised in profit or loss in the same period as the relevant expenses. In line with IAS 20.39 information regarding grants is disclosed in these notes.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.12 Current and deferred income tax

The Bank is subject to income tax in Zambia. Significant judgement is required in determining the provisions for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets including carry-forward tax-losses are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences, tax credits or unused tax losses can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

2.3.13 Equity reserves

The reserves recorded in equity (Other comprehensive income) on the Bank's statement of financial position include:

- Other reserve issued shall include capital and reserves attributable to owners of the parent.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.14 New and amended standards and interpretations

The following new or amended standards and interpretations have become effective for financial years beginning on or after 1 January 2024:

Number	Effective date	Impact
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)	Annual periods beginning on or after 1 January 2024.	No significant impact noted.
Amendments to IAS 1 Presentation of Financial Statements: <ul style="list-style-type: none">• Classification of Liabilities as Current or Non-current• Classification of Liabilities as Current or Non-current – Deferral of Effective Date	Annual periods beginning on or after 1 January 2024.	No significant impact noted.
Amendments to IFRS 16 <i>Leases</i> : Lease Liability in a Sale and Leaseback	Annual periods beginning on or after 1 January 2024.	No significant impact noted.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.14 New and amended standards and interpretations *(continued)*

Standards issued but not yet effective:

Number	Effective date	Effective summary
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)	Annual periods beginning on or after 1 January 2025	The Bank will assess the impact on the Bank's financial statements in 2025. No significant impact expected.
IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024)	Annual periods beginning on or after 1 January 2027	No significant impact expected.
IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024)	Annual periods beginning on or after 1 January 2027	Presentation impact is expected.
Annual Improvements Volume 11 (issued on 18 July 2024)	Annual periods beginning on or after 1 January 2026	No significant impact expected.
Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	Annual periods beginning on or after 1 January 2026	No significant impact expected.
Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024)	Annual periods beginning on or after 1 January 2026	No significant impact expected.

Amendments to existing standards and improvements that are not yet effective have not been the subject of early adoption at the bank. Entity shall apply the new standards, amendments to existing standards and interpretations for annual periods beginning on or after the effective date.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

2) Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

2.3.14 New and amended standards and interpretations *(continued)*

In principle, the financial statements have been prepared under the historical cost convention, unless IFRS Accounting Standards require recognition and measurement at fair value. Reporting and valuation are undertaken on the assumption that the bank will continue to operate. All estimates and assumptions required for reporting and valuation in conformity with IFRS Accounting Standards are best estimates undertaken in accordance with the applicable standards.

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in notes 33 and 38.

3) Interest income calculated using the effective interest rate method

Interest income is broken down as follows:

in ZMW	2024	2023
Interest income from loans and advances to customers	321,552,354	265,087,596
Interest income from balances with banks	662,240	2,220,938
Interest income from debt instruments at amortized cost	5,949,805	2,483,253
Total	328,164,399	269,791,787

Interest income from loans and advances to customers includes accrued interest income from impaired financial assets in the amount of ZMW 8,326,585 (2023: ZMW 5,324,232) and disbursement fees of ZMW 31,750,267 (2023: ZMW 29,329,504).

4) Interest expense

Interest expense is broken down as follows:

in ZMW	2024	2023 Restated
Interest expense on loans from banks and other financial institutions	12,733,172	11,381,684
Interest expense on term deposits	46,622,745	37,131,678
Interest expense on savings accounts	8,926,210	8,303,565
Interest expense on lease liabilities*	9,344,401	5,550,216
Total	77,626,528	62,367,143

*Refer to note 38 for more details on the restatement.

5) Impairment charges for loan losses

The table below shows the ECL charges on financial instruments for the year recorded in the statement of profit or loss and other comprehensive income:

in ZMW	2024	2023
Net impairment charge stage 1	3,436,724	3,909,301
Net impairment charge stage 2	3,014,717	1,058,690
Net impairment charge stage 3	24,532,196	6,643,971
Total	30,983,637	11,611,962

See note 15 for the development of the allowance for impairment losses.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

6) Net fee and commission income

Net fee and commission income is broken down as follows:

in ZMW	2024	2023
Fee and commission income from national money transfers	22,815	13,649
Fee and commission income from cash transactions	479,098	447,463
Fee and commission income on cheques	51,737	68,812
Fee and commission income from international money transfers	600,979	650,018
Fee and commission income from account maintenance	12,183,678	12,587,403
Other account service fees	17,692	78,748
Fee from trade finance and national guarantees	44,499	45,016
Fee and commission income from mobile wallets	-	250,318
Fee and commission income from insurance brokerage	3,647,298	3,238,365
Other fee and commission income from customers	318,782	556,259
Total fee and commission income	17,366,078	17,936,051
Fee and commission expense for international money transfers	(1,501,205)	(1,115,882)
Other fee and commission expense	(1,061,897)	(1,255,295)
Other fee and commission expense to banks	(624,403)	(568,913)
Total fee and commission expense	(3,187,505)	(2,940,090)
Total fee and commission expense	14,178,573	14,995,961

Other fee and commission expenses mainly relate to handling charges in the amount of ZMW 998,376 (2023: ZMW 539,183).

The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank. Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

7) Net foreign exchange income/(loss)

Net result from foreign exchange operations is broken down as follows:

in ZMW	2024	2023
Gains from foreign exchange operations with customers	1,172,571	1,292,376
Losses from currency revaluations	(659,118)	(6,369,155)
Gains from foreign exchange operations with banks	192,009	31,955
Total	705,462	(5,044,824)

The Bank does not engage in any foreign currency trading on its own account.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

7) Net foreign exchange income *(continues)*

Net exchange losses from currency revaluations is broken down as follows:

in ZMW	2024	2023
Net exchange loss on lease liabilities	(3,673,351)	(14,939,902)
Net exchange (loss)/ gain on other financial liabilities	(2,739,213)	2,784,513
Net exchange gain on bank balances	5,753,446	5,786,234
Total	(659,118)	(6,369,155)

8) Net other operating income

Net other operating income is broken down as follows:

in ZMW	2024	2023
Grant income	5,507,690	3,986,044
Other operating income	11,046,124	176,488
Income from recovery of written-off loans	1,428,812	1,487,416
Income from the disposal of property and equipment	353,311	1,070,210
	18,335,937	6,720,158
IT audit hub expenses	-	(136,569)
Expenses relating to previous years	(12,579)	(292,327)
Penalties and surcharges	(1,101,428)	(32,000)
Expenses from litigations	588,491	(1,764,000)
	(525,516)	(2,224,896)
Net result	17,810,421	4,495,262

8) Personnel expenses

The breakdown of personnel expenses is as follows:

in ZMW	2024	2023
Salary expenses	76,909,789	77,246,513
Social security expenses	3,405,446	3,232,141
Other personnel expenses	9,375,483	7,858,118
Total	89,690,718	88,336,772

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

10) Other operating expenses

The breakdown of other operating expenses is as follows:

Depreciation and amortisation expenses:

In ZMW	2024	2023
Depreciation expenses of property, plant and equipment (note 17)	14,348,959	11,639,713
Depreciation expenses of right of use assets (note 18)	8,741,325	6,172,567
Amortization expenses of intangible assets (note 16)	2,855,225	3,082,550
Total	25,945,509	20,894,830

Other administrative expenses:

In ZMW	2024	2023
Management service expenses (AccessHolding)	9,325,715	11,311,891
WHT/VAT expenses on foreign services	3,186,650	2,682,739
Royalties and maintenance fees AH software	10,731,747	6,038,224
Communication expenses	7,382,106	7,097,186
Transport expenses	6,259,907	3,712,927
Training expenses	1,051,231	1,128,379
Repair and maintenance	4,857,076	3,091,944
Printing and office supplies	1,150,430	911,527
Other consumables	3,772,655	2,692,189
Security service expenses	2,294,981	1,664,081
Software expenses	13,099,155	8,404,461
Insurance expenses	2,260,553	1,564,920
IT expenses	542,462	284,876
Travel expenses	1,881,958	1,558,812
Marketing, advertising and entertainment	3,676,811	2,512,109
Audit fees	1,475,246	1,098,999
Utilities and electricity expenses	3,189,093	1,221,852
Legal and advisory expenses	4,229,189	2,346,882
Board expenses	763,550	307,765
Fraud losses	300,000	18,403,660
Others	12,804,933	6,668,825
Total	94,235,448	84,704,248

In the prior year, fraud losses related to amounts lost following a cyber-attack on the eTumba mobile money platform. Other expenses mainly include subscription expenses (mainly relating to credit reference bureau) of ZMW 1,677,341 (2023: ZMW 1,555,757), projects operational expenses ZMW 3,613,875 (2023: ZMW 1,254,268) and BOZ supervisor and licence fees of ZMW 863,744 (2023: ZMW 760,448).

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

11) Income tax expenses

The breakdown of income tax expenses is as follows:

in ZMW	2024	2023
Current income tax expense	13,741,827	7,562,200
Deferred income tax credit (note 19)	(4,709,550)	(5,530,810)
Total	9,032,277	2,031,390

The movement in the income tax payable balance is as follows:

in ZMW	2024	2023
Opening tax payable	(372,994)	3,022,113
Charge for the year	13,741,827	7,562,200
Payments in the year	(11,907,367)	(10,957,307)
At end of year	1,461,466	(372,994)

The following table shows the reconciliation between accounting profit and income tax expense:

Tax reconciliation in ZMW	2024	2023
Profit before tax	42,377,015	16,323,231
Income tax rate of	30%	30%
Expected income tax expense	12,713,105	4,896,969
Tax effects		
+ Effect of non-tax allowable expenses	(3,680,828)	(2,770,173)
+ Other tax effects	-	(95,406)
Income tax expense	9,032,277	2,031,390

The various tax effects explain the differences between the expected income tax expense of ZMW 12,713,105 (2023: ZMW 4,896,969) on the basis of the enacted income tax rate and the actual income tax expense of ZMW 9,032,277 (2023: ZMW 2,031,390).

The tax charge is determined in accordance with the provisions of the Income Tax Act, 1966 (as amended) and is based on the adjusted profit/ loss for the year. Tax on the profit or loss for the year comprises current taxation and the change in deferred tax asset/liability. The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability. A deferred tax asset is recognised only where it is probable that the tax benefits will be realised.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

12) Cash and bank balances

Cash and cash equivalents were comprised as follows:

in ZMW	2024	2023
Restricted central bank accounts (mandatory reserve)	109,007,927	98,700,861
Central bank accounts	17,260,869	26,304,345
Total balances at Central Bank	126,268,796	125,005,206
Cash and balances with other banks	104,598,763	116,575,309
Short-term interest bearing balances	28,135,603	-
Cash and balances with other banks	132,734,366	116,575,309
Total	259,003,162	241,580,515
Less: restricted central bank accounts (mandatory reserve)	(109,007,927)	(98,700,861)
Cash and cash equivalents in the statement of cashflows	149,995,235	142,879,654

Restricted central bank accounts represent mandatory reserve deposits and are not available for use in the Bank's day-to-day operations.

13) Cash and balances with other banks

Cash and balances with other banks are broken down as follows:

in ZMW	2024	2023
Cash and balances with other banks	104,598,763	116,575,309
Short-term interest bearing balances	28,000,000	-
Accrued interest	135,603	-
Total	132,734,366	116,575,309

14) Investment securities

in ZMW	2024	2023
Government bonds	47,663,819	-
Government treasury bills	2,939,054	26,086,042
Non-marketable equity investments	756,187	719,163
Total	51,359,060	26,805,205

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

14) Investment securities *(continued)*

The movement in investment securities is presented below:

2024

in ZMW	Government bonds	Government treasury bills	Non-marketable equity investments	Total
Opening balance at 1 January	-	26,086,042	719,163	26,805,205
Additions in the year	47,069,407	5,848,719	37,024	52,955,150
Maturities in the year	-	(27,393,145)	-	(27,393,145)
Interest earned in the year	4,945,511	1,004,294	-	5,949,805
Interest received	(4,351,099)	(2,606,856)	-	(6,957,955)
At 31 December	47,663,819	2,939,054	756,187	51,359,060

Maturing within 90 days	-	2,939,054	-	2,939,054
Maturing after 90 days	47,663,819	-	756,187	48,420,006
	47,663,819	2,939,054	756,187	51,359,060

2023

in ZMW	Government bonds	Government treasury bills	Non-marketable equity investments	Total
Opening balance at 1 January	-	19,905,037	719,163	20,624,200
Additions in the year	-	43,697,751	-	43,697,751
Maturities in the year	-	(38,146,100)	-	(38,146,100)
Interest earned in year	-	2,483,254	-	2,483,254
Interest received	-	(1,853,900)	-	(1,853,900)
At 31 December	-	26,086,042	719,163	26,805,205

Maturing within 90 days	-	20,140,856	-	20,140,856
Maturing after 90 days	-	5,945,186	719,163	6,664,349
	-	26,086,042	719,163	26,805,205

The investment in the Zambia Electronic Clearing House Limited ("ZECHL") of ZMW 756,187 represents the Bank's contribution to the set up costs for the establishment of the National Financial Switch ("NFS") to enhance ZECHL functionality, more specifically to support electronic point of sale transactions to help minimise cash based transactions and their attendant costs and risks. The principal activity of ZECHL is the electronic clearing of cheques and direct debits and credits in Zambia for its member banks. The ZECHL is funded by contributions from member banks. The investment is measured at fair value applying the replacement cost technique. There have been no material fair value gains or losses associated with the investment.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

15) Loans and advances to customers

Loans and advances to customers are broken down as follows:

in ZMW	2024	2023
Loans and advances to customers (outstanding principal)	526,744,899	466,057,677
Accrued interest on loans and advances to customers	18,701,277	18,231,232
Deferred disbursement fees	(16,160,995)	(13,158,767)
Total amount outstanding	529,285,181	471,130,142
Allowance for impairment losses	(35,548,913)	(20,923,863)
Total net book value	493,736,268	450,206,279

The increase in the allowance for impairment losses was because of the increase in the portfolio at risk during the year (PAR). At 31 December 2024 PAR stood at 5.36% (2023: 3.94%).

The total outstanding principal amount can be split into the following industries:

in ZMW	2024	2023
Trade	254,196,744	306,583,653
Services	173,128,790	30,727,615
Agriculture	37,595,802	108,151,247
Transportation	27,190,013	80,866
Manufacturing	13,699,277	11,607,639
Individuals & households	20,934,273	8,906,657
Total	526,744,899	466,057,677

The balance excludes accrued interest of ZMW 18,701,277 (2023: ZMW 18,231,233) and deferred disbursement fees of ZMW 16,160,995 (2023: ZMW 13,158,767).

The gross loan portfolio (excluding deferred disbursement fees) is shown below:

	Stage 1 12m - ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Gross carrying amount as at 1 January 2024	464,193,589	5,964,261	14,131,059	484,288,909
New financial assets originated	457,789,839	-	-	457,789,839
Financial assets that have been derecognised	(372,997,602)	(2,560,479)	(4,715,904)	(380,273,985)
Changes in the gross carrying amount:	-	-	-	-
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	(10,476,835)	10,484,525	(7,690)	-
– Transfer to stage 3	(26,326,662)	(1,650,772)	27,977,434	-
Write-offs	-	-	(16,358,587)	(16,358,587)
Gross carrying amount as at 31 December 2024	512,182,329	12,237,535	21,026,312	545,446,176

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

15) Loans and advances to customers *(continued)*

	Stage 1 12m - ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Gross carrying amount as at 1 January 2023	360,932,986	7,655,653	11,910,458	380,499,097
New financial assets originated	413,210,051	-	-	413,210,051
Financial assets that have been derecognised	(297,463,799)	(3,676,169)	(1,055,933)	(302,195,901)
Changes in the gross carrying amount:	-	-	-	-
– Transfer to stage 1	919,775	(771,033)	148,742)	-
– Transfer to stage 2	(3,988,764)	3,988,764	-	-
– Transfer to stage 3	(9,416,660)	(1,232,954)	10,649,614	-
Write-offs	-	-	(7,224,338)	(7,224,338)
Gross carrying amount as at 31 December 2023	464,193,589	5,964,261	14,131,059	484,288,909

The gross loan portfolio as per products is shown below:

in ZMW	2024		
	Gross carrying amount	ECL allowance	Carrying amount
Micro loans	386,664,515	(25,193,280)	361,471,235
SME loans	148,416,003	(10,008,165)	138,407,838
Staff loans	10,365,658	(347,468)	10,018,190
Deferred disbursement fees	(16,160,995)	-	(16,160,995)
	529,285,181	(35,548,913)	493,736,268

in ZMW	2023		
	Gross carrying amount	ECL allowance	Carrying amount
Micro loans	352,526,354	(13,543,158)	338,983,196
SME loans	122,830,567	(7,065,531)	115,765,036
Staff loans	8,931,988	(315,174)	8,616,814
Deferred disbursement fees	(13,158,767)	-	(13,158,767)
	471,130,142	(20,923,863)	450,206,279

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

15) Loans and advances to customers *(continued)*

The **allowance for impairment losses** was comprised as follows:

in ZMW	2024	2023
Stage 1 (12-month ECL)	11,731,316	8,294,592
Stage 2 (lifetime ECL not credit impaired)	5,017,997	2,003,280
Stage 3 (lifetime ECL credit impaired)	18,799,600	10,625,991
Total	35,548,913	20,923,863

The **allowance for impairment losses** was comprised as follows:

in ZMW	2024	2023
Beginning of the reporting period	20,923,863	16,536,239
Charge for the year	30,983,637	11,611,962
Write-offs	(16,358,587)	(7,224,338)
End of reporting period	35,548,913	20,923,863

	Stage 1 12m - ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Analysis of Expected Credit Loss (ECL)				
Loss allowance as at 1 January 2024	8,294,592	2,003,280	10,625,991	20,923,863
New financial assets originated or purchased	8,179,950	-	-	8,179,950
Assets derecognised or repaid (excluding write offs)	(6,659,305)	(860,016)	(3,546,025)	(11,065,346)
Changes in the loss allowance:				
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	(187,204)	192,987	(5,783)	-
– Transfer to stage 3	(286,760)	(554,462)	841,222	-
Impact on year end ECL of exposures transferred between stages during the year	-	3,331,763	20,013,463	23,345,226
Changes to assumptions and inputs used for ECL calculations	2,390,043	904,445	7,229,319	10,523,807
Write-offs	-	-	(16,358,587)	(16,358,587)
Loss allowance as at 31 December 2024	11,731,316	5,017,997	18,799,600	35,548,913

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

15) Loans and advances to customers *(continued)*

	Stage 1 12m - ECL	Stage 2 LTECL	Stage 3 LTECL	Total
Analysis of Expected Credit Loss (ECL)				
Loss allowance as at 1 January 2023	6,078,603	2,651,886	7,805,750	16,536,239
New financial assets originated or purchased	6,959,004	-	-	6,959,004
Assets derecognised or repaid (excluding write offs)	(5,009,684)	(1,273,410)	(692,268)	(6,975,362)
Changes in the loss allowance:				
– Transfer to stage 1	364,564	(267,083)	(97,481)	-
– Transfer to stage 2	(67,176)	67,176	-	-
– Transfer to stage 3	(158,757)	(427,089)	585,846	-
Impact on year end ECL of exposures transferred between stages during the year	(349,074)	1,314,516	6,393,768	7,359,210
Changes to assumptions and inputs used for ECL calculations	477,112	(62,716)	3,854,714	4,269,110
Write-offs	-	-	(7,224,338)	(7,224,338)
Loss allowance as at 31 December 2023	8,294,592	2,003,280	10,625,991	20,923,863

16) Intangible assets *(continued)*

The following table show the development of intangible assets:

in ZMW	2024	2023
Other software	935,310	1,235,129
Intangible assets sold within the Group	4,046,059	6,601,465
Total	4,981,369	7,836,594

Intangible assets sold within the Group represents Open Banking API software. The total cost of the software was ZMW 12,777,028. The carrying amount of the software is cost less amortization and any impairment cost. The intangible asset is amortized over five (5) years. The remaining amortization period is one (1) year and seven (7) months.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

16) Intangible assets *(continued)*

Intangible assets in ZMW	myMBS banking software	Other software	Intangible assets sold within the Group	Total
Acquisition cost				
Balance 1 January 2024	8,667,440	6,405,441	12,777,028	27,849,909
Additions	-	-	-	-
Balance 31 December 2024	8,667,440	6,405,441	12,777,028	27,849,909
Accumulated depreciation				
Balance 1 January 2024	8,667,440	5,170,311	6,175,564	20,013,315
Charge for the year	-	299,819	2,555,406	2,855,225
Balance 31 December 2024	8,667,440	5,470,130	8,730,970	22,868,540
Net book value 31 December 2024	-	935,311	4,046,058	4,981,369

Intangible assets in ZMW	myMBS banking software	Other software	Intangible assets sold within the Group	Total
Acquisition cost				
Balance 1 January 2023	8,667,440	6,390,333	12,777,028	27,834,801
Additions	-	15,108	-	15,108
Balance 31 December 2023	8,667,440	6,405,441	12,777,028	27,849,909
Accumulated depreciation				
Balance 1 January 2023	8,667,440	4,643,167	3,620,158	16,930,765
Charge for the year	-	527,144	2,555,406	3,082,550
Balance 31 December 2023	8,667,440	5,170,311	6,175,564	20,013,315
Net book value 31 December 2023	-	1,235,130	6,601,464	7,836,594

17) Property and equipment

The following tables show the composition of property and equipment:

in ZMW	2024	2023
Land and buildings (incl. leasehold improvements)	18,958,823	12,792,236
Furniture, fixtures and equipment	20,236,471	14,393,991
Assets under construction	263,800	5,233,894
Motor vehicles	4,832,040	4,693,261
IT and computer equipment	8,509,542	11,511,298
Total	52,800,676	48,624,680

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

17) Property and equipment *(continued)*

in ZMW 2024	Land and buildings	Furniture, fixtures, equipment	Assets under construction	Motor vehicles	Computer equipment	Total
Acquisition costs						
1 st January	19,407,158	20,783,000	5,233,894	7,570,644	27,702,327	80,697,023
Additions	7,511,369	7,638,408	722,305	1,287,559	2,270,574	19,430,215
Disposals	(98,604)	(1,411,512)	-	(311,112)	(524,452)	(2,345,680)
Transfers	1,123,216	2,834,230	(5,692,399)	290,000	1,444,953	-
Adjustments	-	(87,929)	-	-	(239,954)	(327,883)
31st December	27,943,139	29,756,197	263,800	8,837,091	30,653,448	97,453,675
Accumulated depreciation						
1 st January	6,614,922	6,389,009	-	2,877,383	16,191,029	32,072,343
Charge for the year	2,466,410	4,059,814	-	1,395,780	6,426,955	14,348,959
Disposals	(97,016)	(929,097)	-	(268,112)	(474,078)	(1,768,303)
31st December	8,984,316	9,519,726	-	4,005,051	22,143,906	44,652,999
Net book value, 31st December	18,958,823	20,236,471	263,800	4,832,040	8,509,542	52,800,676

in ZMW 2023	Land and buildings	Furniture, fixtures, equipment	Assets under construction	Motor vehicles	Computer equipment	Total
Acquisition costs						
1 st January	12,955,325	9,251,971	9,294,185	4,986,060	19,627,156	56,114,697
Additions	-	-	26,669,372	861,339	386,328	27,917,039
Disposals	(312,520)	(525,393)	-	(629,223)	(621,966)	(2,089,102)
Transfers	7,786,769	12,090,421	(30,729,663)	2,352,468	8,500,005	-
Adjustments	-	(33,999)	-	-	(189,196)	(223,195)
Transferred to receivables	(1,022,416)	-	-	-	-	(1,022,416)
31st December	19,407,158	20,783,000	5,233,894	7,570,644	27,702,327	80,697,023
Accumulated depreciation						
1 st January	5,240,031	5,235,897	-	2,349,226	10,470,222	23,295,376
Charge for the year	1,862,081	2,190,171	-	1,099,005	6,488,456	11,639,713
Disposals	(312,214)	(437,164)	-	(629,223)	(618,271)	(1,996,872)
Adjustments	(174,976)	(599,895)	-	58,375	(149,378)	(865,874)
31st December	6,614,922	6,389,009	-	2,877,383	16,191,029	32,072,343
Net book value, 31st December	12,792,236	14,393,991	5,233,894	4,693,261	11,511,298	48,624,680

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

17) Property and equipment *(continued)*

In accordance with section 247 of the Companies Act (2017), a list of the Bank's properties is available for inspection at the registered office.

No assets had been pledged as collateral or security during the year (2023: Nil).

18) Right-of-use assets

The Bank leases a number of office premises. The leases of office spaces typically run for a period of 2 - 3 years, with an option to renew the lease after that date. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility.

Information about leases for which the Bank is a lessee is presented below.

Land and buildings in ZMW	2024	2023
Cost		
Balance 1 January	70,534,381	32,780,781
Additions	6,994,405	41,795,308
Lease termination	(1,042,787)	(4,228,682)
Lease modifications	-	186,974
Balance 31 December	76,485,999	70,534,381
Accumulated depreciation		
Balance 1 January	20,459,713	15,485,272
Charge for the year	8,741,325	6,172,567
Lease termination	(608,292)	(1,198,126)
Balance 31 December	28,592,746	20,459,713
Net book value 31 December	47,893,253	50,074,668
Current	8,480,027	8,705,103
Non-current	39,413,226	41,369,565

19) Deferred income tax assets

The deferred tax assets are allocated as follows:

in ZMW	2024	2023
Allowance for loan impairment	10,664,674	6,277,159
Other provisions	760,778	1,284,593
Accelerated tax depreciation	(5,370,057)	(3,683,953)
Right of use assets	7,932,938	5,400,984
Total	13,988,333	9,278,783

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

19) Deferred income tax assets *(continued)*

The movement in temporary differences during the year is presented as follows:

in ZMW	Balance at 1 January 2023	Recognised in profit and loss	Balance at 31 December 2023	Recognised in profit and loss	Balance at 31 December 2024
Accelerated tax depreciation	(2,272,181)	(1,411,772)	(3,683,953)	(1,686,104)	(5,370,057)
Right of use assets	699,124	4,701,860	5,400,984	2,531,954	7,932,938
Allowance for loan impairment	4,960,873	1,316,286	6,277,159	4,387,515	10,664,674
Other provisions	360,157	924,436	1,284,593	(523,815)	760,778
Total	3,747,973	5,530,810	9,278,783	4,709,550	13,988,333

20) Other financial assets

Other financial assets are distributed as follows:

in ZMW	2024	2023
Clearing and miscellaneous accounts	4,762,067	15,946,303
Sundry receivables	5,199,456	882,208
Receivables against employees	417,879	479,829
Receivables against group companies	1,744,438	813,606
Total	12,123,840	18,121,946

21) Other non-financial assets

Other non-financial assets are distributed as follows:

in ZMW	2024	2023
Prepayments/advance payments	6,545,516	6,117,460
Claims on tax authorities (e.g. VAT, WHT, other non-income taxes)	652,665	-
Other deferred items	2,072,771	360,655
Total	9,270,952	6,478,115

22) Loans from banks and other financial institutions

in ZMW	2024	2023
Loans from banks and other financial institutions	59,999,997	61,428,571
Accrued interest on loans from banks and other financial institutions	6,260,968	3,084,913
	66,260,965	64,513,484
Deferred fees on loans from banks and other financial institutions	(457,991)	-
Total	65,802,974	64,513,484

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

22) Loans from banks and other financial institutions *(continued)*

The maturity profile of loans from banks and other financial institutions is presented below:

2024

In ZMW	Principal	Maturity	Currency	Interest rate	Carrying value
Oikocredit	25,000,000	1-Dec-25	ZMW	18.00%	4,999,997
Oikocredit	25,000,000	5-Sep-27	ZMW	24.64%	25,000,000
Natsave	10,000,000	31-Oct-25	ZMW	19.00%	10,000,000
Natsave	20,000,000	22-Mar-25	ZMW	25.00%	20,000,000
					59,999,997

2023

In ZMW	Principal	Maturity	Currency	Interest rate	Carrying value
Oikocredit	25,000,000	1-Dec-25	ZMW	18.00%	13,571,428
Oikocredit	15,000,000	14-Mar-23	ZMW	18.00%	2,857,143
Natsave	20,000,000	9-Oct-24	ZMW	16.00%	25,000,000
Natsave	20,000,000	29-Feb-24	ZMW	13.50%	20,000,000
					61,428,571

The loans were unsecured.

The movement in loans from banks and other financial institutions is presented below:

2024

	Oikocredit-1	Oikocredit-2	Oikocredit-3	Natsave-2	Natsave-3	Natsave-4	Natsave-5	Total
At 1 January	2,142,858	14,285,713	-	25,000,000	20,000,000	-	-	61,428,571
Drawdowns	-	-	25,000,000	-	-	10,000,000	20,000,000	55,000,000
Payments	(2,142,858)	(9,285,716)	-	(25,000,000)	(20,000,000)	-	-	(56,428,574)
Total	-	4,999,997	25,000,000	-	-	10,000,000	20,000,000	59,999,997
Accrued interest	-	376,859	1,676,164	-	-	317,534	3,890,411	6,260,968
At 31 December	-	5,376,856	51,676,164	-	-	10,317,534	23,890,411	66,260,965

2023

	Oikocredit-1	Oikocredit-2	Natsave-1	Natsave-2	Natsave-3	Total
At 1 January	6,428,572	21,428,571	20,000,000	-	-	47,857,143
Drawdowns	-	-	-	25,000,000	20,000,000	45,000,000
Payments	(4,285,714)	(7,142,858)	(20,000,000)	-	-	(31,428,572)
Total	2,142,858	14,285,713	-	25,000,000	20,000,000	61,428,571
Accrued interest	117,534	1,244,639	-	820,275	902,465	3,084,913
At 31 December	2,260,392	15,530,352	-	25,820,275	20,902,465	64,513,484

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

22) Loans from banks and other financial institutions *(continued)*

As at 31 December 2024, as a consequence of drought conditions and a severe energy crisis in the Country, the Bank was in breach of one of the covenants with a lender in the amount of ZMW 5,444,454 (including accrued interest). The breach was as follows:

- Portfolio at Risk (PAR 30 including rescheduled $\leq 10\%$)

The Bank has obtained a waiver for this breach. Based on the feedback from its lenders, Management of the Bank believe repayment of the loan will not be accelerated. At 31 December 2023, the Bank had no breaches of covenants with lenders.

23) Customer deposits

Total customer deposits are distributed as follows:

In ZMW	2024	2023
Savings accounts	150,005,323	153,898,786
Term deposit accounts	345,573,724	260,790,764
Current accounts	89,750,810	126,942,720
Accrued interest on customer accounts	18,961,743	13,310,508
Pending client transfers	1,492,443	104,050
Total	605,784,043	555,046,828

24) Provisions

Total customer deposits are distributed as follows:

in ZMW	2024	2023
Leave provision	917,427	1,302,421
Provision for legal or constructive obligations	1,618,500	2,352,000
Total	2,535,927	3,654,421

All provisions for leave are expected to be settled in 2025.

in ZMW 2024	Provision for untaken vacation	Provision for legal or constructive obligations
Opening balance	1,302,421	2,352,000
Amounts used	(271,668)	(205,059)
Reversal of provision	(353,326)	(790,000)
Additions	240,000	261,559
Closing balance	917,427	1,618,500

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

24) Provisions *(continued)*

in ZMW 2023	Provision for untaken vacation	Provision for legal or constructive obligations
Opening balance	651,418	549,107
Amounts used	(68,997)	(157,106)
Additions	720,000	1,959,999
Closing balance	1,302,421	2,352,000

25) Lease Liabilities

in ZMW	2024	2023
Balance 1st January	68,077,948	19,625,921
Additions	6,994,405	41,795,308
Interest expense	9,344,401	5,550,216
Lease termination	(743,100)	(3,624,404)
Foreign exchange losses	3,673,351	14,939,902
Lease modifications	-	726,578
Lease interest payment	(9,344,401)	(5,550,216)
Lease principal payments	(3,666,226)	(5,385,357)
Balance 31st December	74,336,378	68,077,948

Maturity analysis	2024	2023
Current	26,778,668	9,360,300
Non-current	47,557,710	58,717,648
	74,336,378	68,077,948

Amounts recognised in profit or loss

	2024	2023
Interest on lease liabilities	9,344,401	5,550,216
Expenses relating to short-term leases	975,443	748,450
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	1,795,466	1,721,620

Amounts recognised in the statement of cash flows

	2024	2023
Total cash outflow for leases	13,010,627	10,935,573

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

26) Other financial liabilities

Other financial liabilities are distributed as follows:

in ZMW	2024	2023
Other liabilities to employees	5,349,504	4,864,545
Liabilities for goods and services	2,952,405	3,245,753
Social security contributions payables	602,248	579,431
Payables against group companies	5,301,345	9,665,233
Clearing and miscellaneous accounts	33,505	(19,191)
Others	1,307,916	1,053,183
Total	15,546,923	19,388,954

All liabilities are due within 12 months and equal their carrying balances as the impact of discounting is not significant.

27) Other non-financial liabilities

Other non-financial liabilities are distributed as follows:

in ZMW	2024	2023
Grant liability	698,145	3,906,419
Non-income tax liabilities	3,184,526	2,329,932
Total	3,882,671	6,236,351

The movement in grant liabilities is presented below:

in ZMW	2024	2023
Balance at 1 January	3,906,419	3,670,474
Additions in the year	2,299,416	4,221,989
Utilised in the year	(5,507,690)	(3,986,044)
At 31 December	698,145	3,906,419

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

28) Share capital

As at 31 December 2024 the subscribed share capital is ZMW 192 million (2023: ZMW 192 million) which has been fully paid in by the shareholders of the Bank with the following shareholder structure:

Shareholder	Number of Shares		% of Total	
	2024	2023	2024	2023
Access Microfinance Holding AG	338,299,363	338,299,363	60.4%	60.4%
KfW	38,233,658	38,233,658	6.8%	6.8%
IFC	57,230,569	57,230,569	10.2%	10.2%
FISEA	125,953,466	125,953,466	22.6%	22.6%
Total	559,717,056	559,717,056	100%	100%

There are four (4) classes of shares as follows: Ordinary shares of ZMW 1.00 each, “A” shares of ZMW 0.50 each, “B” shares of ZMW 0.316 each and “C” shares of ZMW 0.084 each. The shares in the table above are not grouped into classes, and there are no different rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital.

The total number of authorized and issued shares are 559,717,056.

Shareholder	Paid in Capital (ZMW)	
	2024	2023
Access Microfinance Holding AG	116,618,034	116,618,034
KfW	22,301,829	22,301,829
IFC	24,630,000	24,630,000
FISEA	28,934,521	28,934,521
Total	192,484,384	192,484,384

General banking reserve

The Bank accounts for the impairment loss on loans and advances to customers in accordance with International Financial Reporting Standards number 9 (IFRS 9): Financial Instruments: Further the Bank computes, for regulatory purposes, the expected impairment charge on the Bank of Zambia Statutory Instrument number 142 of 1996 of the Banking and Financial Services (Classifications and provisioning of loans) Regulations.

The balance in the general banking 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.

As at year end the difference between IFRS 9 and Bank of Zambia provision was as follows:

	2024	2023
IFRS 9 Impairment	35,548,913	20,923,863
Bank of Zambia impairment	35,369,677	19,851,916
Excess of IFRS 9 impairment over Bank of Zambia	179,236	1,071,947

No amount has been moved to the general banking reserve as the IFRS 9 provision is higher than the Bank of Zambia Reserve.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

29) Net result according to financial categories

As at 31 December 2024 the subscribed share capital is ZMW 192 million (2023: ZMW 192 million) which has been fully paid in by the shareholders of the Bank with the following shareholder structure:

2024 in ZMW	Interest	Subsequent measurement		Total
		Fair value	Impairment	
Loans and receivables	322,214,594	-	(30,983,637)	291,230,957
Investment securities	5,949,805	-	-	5,949,805
Financial liabilities measured at amortised cost	(77,626,528)	-	-	(77,626,528)
	250,537,871	-	(30,983,637)	219,554,234

2023 in ZMW	Interest	Subsequent measurement		Total
		Fair value	Impairment	
Loans and receivables	267,308,534	-	(11,611,962)	255,696,572
Investment securities	2,483,253	-	-	2,483,253
Financial liabilities measured at amortised cost	(62,367,143)	-	-	(62,367,143)
	207,424,644	-	(11,611,962)	195,812,682

The following table sets out the carrying amount and fair value of financial assets and liabilities and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

2024

Assets in ZMW	Note	Fair value measurements			Total	Total carrying amount
		Level 1	Level 2	Level 3	Fair values	
Balances at Central Bank	12	-	126,268,796	-	126,268,796	126,268,796
Cash and balances with other banks	13	-	132,734,366	-	132,734,366	132,734,366
Investment securities	14	-	51,359,060	-	51,359,060	51,359,060
Loans and advances to customers	15	-	493,716,868	-	493,716,868	493,736,268
Other financial assets	20	-	12,123,840	-	12,123,840	12,123,840
Other non-financial assets	21	-	9,270,952	-	9,270,952	9,270,952
Total		-	825,473,882	-	825,473,882	825,493,282

Liabilities in ZMW	Note	Fair value measurements			Total	Total carrying amount
		Level 1	Level 2	Level 3	Fair values	
Loans from banks and other financial institutions	22	-	65,802,974	-	65,802,974	65,802,974
Customer deposits	23	-	605,784,043	-	605,784,043	605,784,043
Other financial assets	26	-	15,546,923	-	15,546,923	15,546,923
Other non-financial assets	27	-	3,882,671	-	3,882,671	3,882,671
Total		-	691,016,611	-	691,016,611	691,016,611

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

29) Net result according to financial categories *(continued)*

2023

Assets in ZMW	Note	Fair value measurements			Total Fair values	Total carrying amount
		Level 1	Level 2	Level 3		
Balances at Central Bank	12	-	125,005,206	-	125,005,206	125,005,206
Cash and balances with other banks	13	-	116,575,309	-	116,575,309	116,575,309
Investment securities	14	-	26,805,205	-	26,805,205	26,805,205
Loans and advances to customers	15	-	450,206,279	-	450,206,279	450,206,279
Other financial assets	20	-	18,121, 946	-	18,121, 946	18,121, 946
Other non-financial assets	21	-	6,478,115	-	6,478,115	6,478,115
Total		-	743,192,060	-	743,192,060	743,192,060

Liabilities in ZMW	Note	Fair value measurements			Total Fair values	Total carrying amount
		Level 1	Level 2	Level 3		
Treasury bills	14	-	26,086,042	-	26,086,042	26,086,042
Loans from banks and other financial institutions	22	-	64,513,848	-	64,513,848	64,513,848
Customer deposits	23	-	555,046,828	-	555,046,828	555,046,828
Other financial assets	26	-	19,388,954	-	19,388,954	19,388,954
Other non-financial assets	27	-	6,236,351	-	6,236,351	6,236,351
Total		-	671,271,659	-	671,271,659	671,271,659

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

30) Financial instruments: Offsetting

As at year-end there were no transactions with netting arrangements outstanding, which had not been offset in the statement of financial position (2023: Nil).

31) Contingent liabilities and commitments

Contingent liabilities exist for unused overdrafts in the amount of ZMW 827,453 (2023: ZMW 2,875,372) and ZMW 940,460 (2023: ZMW 2,890,960) for not provisioned legal cases.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

32) Capital Management

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

- To comply with the capital requirements set by the regulators of the banking markets where the Bank operates; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy ratio is monitored on a minimum monthly basis. As a recommendation the Bank aims at a capital adequacy ratio of minimum 15% relating to the ratio of risk-weighted assets to tier 1 capital. Tier 1 capital comprises of share capital, general bank reserve, statutory reserve, retained earnings and reserves created by appropriations of retained earnings. The book value of intangible assets is generally deducted in arriving at tier 1 capital. The capital adequacy requirements for the Bank were met in 2024.

Computation of regulatory capital position at 31 December

	2024	2023
Primary (Tier 1) capital		
Paid-up common shares	192,484,384	192,484,384
Capital reserve	(1,861,897)	(1,861,897)
Accumulated loss	(14,815,956)	(48,160,694)
Total primary capital	175,806,531	142,461,793
Minimum total capital requirement		
10% of total on and off statement of financial position risk-weighted assets or ZMW 104,000,000 whichever is higher	104,000,000	104,000,000
Total risk weighted assets	71,806,531	38,461,793

The prescribed minimum nominal capital amount is ZMW 104 million (local banks) and ZMW 520 million (foreign banks) as per Bank of Zambia circular no. 02/2012. The capital is above the minimum requirement by ZMW 71.8 million as at end of 2024 (2023: ZMW 38.5 million).

Based on the bilateral investment treaty between Zambia and Germany, which requires both governments to recognise firms or investments originating from the respective other country as qualifying as a local firm and subject to the benefits attributed to such kind of recognition, AB Bank Zambia complies with the minimum capital requirements as a local bank. This was confirmed by a letter from the Ministry of Finance, dated 29 May 2014.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

32) Capital Management *(continued)*

The table below summarises composition of regulatory capital and the ratios of the bank as at 31 December:

	2024	2023
Tier 1 Capital	175,806,531	142,461,793
Tier 2 capital	-	-
Tier 1 and Tier 2 capital	175,806,531	142,461,793
Risk weighted assets		
Credit risk	617,978,759	589,952,978
Market risk	5,366,918	13,925,591
Operational risk	260,828,744	198,412,500
Total risk weighted assets	884,174,421	802,291,069
Capital adequacy ratios		
Tier 1 (Regulatory minimum- 5%)	20%	18%
Tier 1+ Tier 2 (Regulatory minimum-10%)	20%	18%

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

- To comply with the capital requirements set by the regulators of the banking markets where the Bank operates; and
- To maintain a strong capital base to support the development of its business.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

33) Risk Management

Management of individual risks

Credit Risk

Credit risk is the risk that the party to a credit transaction will be unable to meet its contractually agreed obligations towards the Bank. In our case, credit risk arises mainly from customer credit exposures and to a lesser extent from interbank or other short-term placements. As more than 90% of our lending is to micro, small and medium-sized businesses this section concentrates on business lending.

The economy where the Bank operates in is characterised by a relatively high degree of informal transactions. Moreover, our typical borrowers (especially in the micro loan segment) often do not possess significant assets that could be pledged as collateral. Having operated for more than ten years in Zambia the Bank has developed an approach to lending under these conditions that has allowed us to preserve a good portfolio quality over many years.

The core principle of this process is that credit decisions are primarily based on a thorough analysis of the borrowers' credit worthiness, i.e., the capacity and willingness of the credit applicant to pay. The debt capacity is reflected in a cash flow projection, forming the basis for the decision on the loan conditions and the payment plan, which in almost all cases is an instalment loan with monthly payments of interest and principal. By conducting an in-depth analysis of the borrower's financial status, we avoid overburdening our customers and thus control the danger of over indebtedness. In addition to the financial analysis other indicators for his/her willingness to pay are assessed, including credit history, credit reference checks, statements of guarantors, suppliers, neighbours or employers.

One common feature in Zambia is that official information concerning the economic situation of the micro and small borrowers is incomplete and often not reliable. In order to mitigate this risk, our loan officers' collect and cross-check relevant primary data, in particular through visits in the applicant's enterprise(s) and household. The economic situation of the applicants' household and other related parties is included in the credit analysis.

As loans are primarily backed by information instead of collateral, credit risk (as well as operational cost) crucially depends on the efficiency of gathering and processing information. To prevent any loss of information, a high degree of responsibility is assigned to the loan officer as opposed to the delegating of work commonly seen in the traditional bank business. In microfinance this includes all aspects from screening to contract enforcement. Loan officers receive a performance based salary that includes rewards for productivity and portfolio quality.

All loans have to be approved by a committee comprised of at least two responsible managers (four-eye principle). Various competency levels are established depending on the loan size and the individual experience of the manager.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

33) Risk Management *(continued)*

Credit Risk *(continued)*

The Bank and the loan officer builds up a long-term client relationship with the borrower, which is based on mutual respect and trust, and implies the promise of access to follow-up loans and other financial services, if the client repays the loan without delay. The long-run client relationship creates incentives for repayment and full disclosure of relevant information. At the same time, the Bank continuously increases its knowledge on the borrower, which reduces the Bank's operational costs over time. In consequence loan conditions and access to loans is differentiated according to the clients' records which reflect their individual risk profile (graduation principle). The Bank is increasingly using scoring models as part of the credit assessment for existing customers. These are based on the previous repayment behaviour of borrowers and support the decision for future lending.

The use of the loan and its repayment are closely monitored by regular visits to the client and immediate action if the client falls into arrears. This is supported by a strong MIS system and a culture of strict adherence to procedures and rules.

While the principles outlined above are relevant to all of our business lending, we apply them in a differentiated way for the segments of micro and SME business lending. While in micro lending we put a strong focus on standardisation and efficiency, in the SME segment loan analysis goes deeper and contains more elements of prospective analysis. Furthermore, traditional collateral plays a much larger role in our SME lending.

Loan officers, middle managers and head offices have access to online information about any loans in arrears, and are prepared to take immediate action. If a loan officer or individual branch is not able to cope with specific cases, or a general deterioration of the loan portfolio, they are supported by specialised recovery units, credit management and the Bank's legal department.

Based on our experience, we measure the level of credit risk mainly in the Portfolio at Risk (meaning the total outstanding exposure to parties that are in arrears with any part of their obligations) 1 and 30 days. Overall PAR 30 for the Bank was 5.36% as of 31 December 2024 (3.94% in 2023). Write-offs during the year totalled ZMW 16, 358,588 or 3.11% of the total portfolio (ZMW 7,224,338 / 1.6% in 2023). When a borrower is not able to repay an exposure in accordance with the original payment schedule but is willing and in principle able to return the loan, the Bank may renegotiate the repayment terms. In most cases this is done in the event of force majeure (e.g. fire, natural disaster, etc.). The overall volume of outstanding renegotiated exposures amounted to ZMW 23,809,064 / 4.52% at the end of 2024 (ZMW 8,214,660/ 1.76% in 2023).

The following table shows the quality of the loan portfolio as at **31 December 2024**. The risk coverage ratio puts loan loss provisions in relation to the PAR 30 portfolio.

Outstanding Portfolio	PAR>30		PAR>90		Risk Coverage Ratio
ZMW	ZMW	%	ZMW	%	%
526,744,899	28,215,360	5.36	20,994,346	3.99	195

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

33) Risk Management *(continued)*

Credit Risk *(continued)*

As of 31 December 2023, the quality of the loan portfolio was as follows:

Outstanding Portfolio	PAR>30		PAR>90		Risk Coverage Ratio
ZMW	ZMW	%	ZMW	%	%
466,057,677	18,348,536	3.94	13,799,536	2.96	114

The Bank sets up allowance accounts for all loans, including loans which are not past due.

Credit quality by class of financial assets

2024 In ZMW	Stage 1	Stage 2	Stage 3	Total	Collateral	Net exposure	Expected credit loss
Balances with central bank	126,268,796	-	-	126,268,796	-	126,268,796	-
Cash and balances with other banks	132,734,366	-	-	132,734,366	-	132,734,366	-
Loans and advances to customers	500,451,013	7,219,538	2,226,712	509,897,263	(653,823,252)	(143,925,989)	35,548,913
Other financial assets	12,123,840	-	-	12,123,840	-	12,123,840	-
Total	771,578,015	7,219,538	2,226,712	781,024,265	(653,823,252)	127,201,013	35,548,913

2023 In ZMW	Stage 1	Stage 2	Stage 3	Total	Collateral	Net exposure	Expected credit loss
Balances with central bank	125,005,206	-	-	125,005,206	-	125,005,206	-
Cash and balances with other banks	116,575,309	-	-	116,575,309	-	116,575,309	-
Loans and advances to customers	455,898,997	3,960,981	3,505,068	463,365,046	(497,196,459)	(33,831,413)	20,923,863
Other financial assets	18,121,946	-	-	18,121,946	-	18,212,946	-
Total	715,601,458	3,960,981	3,505,068	723,067,507	(497,196,459)	225,871,048	20,923,863

The Bank considers the risk of default on balances with the central bank and other commercial banks as immaterial and consequently no ECL has been assessed.

Portfolio concentration

Portfolio concentration arises when the Bank has significant credit exposures focused in limited number of counterparties. The Bank manages and controls credit risk by setting a limit on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limit. The Bank has set a limit of not more than 5% of total equity per counterparty or associated party.

The maximum exposure to credit risk for loans and advances to customers at the end of the reporting period equal the total amount outstanding in note 15.

The carrying amounts of all other classes of financial instruments represent the maximum credit exposure. Please refer to note 29 for information on the respective carrying amounts.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

33) Risk Management *(continued)*

Credit Risk *(continued)*

The total value of collateral held as security for loans and advances to customers was split as follows:

in ZMW	2024	2023
Real estate	334,744,968	254,555,053
Vehicles	98,401,849	44,312,451
Inventories	220,676,435	198,328,955
Total	653,823,252	497,196,459

For real estate, the Bank registers its interest on collateral through mortgage deed which is enforceable after getting court judgement in its favour, following client default.

Non-business loans consist of staff loans that make up less than 3% of the total portfolio. In staff lending, the Bank applies very conservative standards to avoid over indebtedness and resulting high risk levels.

Credit quality based on default rates:

The following table shows the maximum credit risk and the impairment of Gross Loan Portfolio (excluding deferred disbursement fees):

Note 2.3.1 provides an explanation of the ECL model applied by the Bank.

The following table shows key forward-looking economic variables/assumptions used for the ECL calculations.

31 December 2024	
Staff turnover in %	29.0
FX-rate in %	8.25
GDP Growth (annual %)	1.2
Commodity (% change in price)	9.5
Copper price	

31 December 2023	
Staff turnover in %	22.3
FX-rate in %	3.1
GDP Growth (annual %)	3.4
Commodity (% change in price)	6.1
Copper price	

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

33) Risk Management *(continued)*

Credit Risk *(continued)*

Credit risk sensitivity analysis

The calculation of expected credit losses is based on historical information on repayment of loans and macro-economic variables are not considered, as no significant correlation has been observed between changes in macro-economic variables and historical observed repayment and default rates. However, the ECL model allows for adjustment of ECL (capped at +/- 10%) based on significant changes in certain macro-economic variables (as determined by management judgement).

As such, a 2% increase or decrease in probability of default or loss given default would result in a 2% increase or decrease (respectively) in the expected credit losses, which is a plus or minus ZMW 716,631 (2023: ZMW 418,477).

Currency risk

Currency risk in the narrow sense arises when assets and liabilities of the Bank are denominated in more than one currency and the assets and liabilities in one currency do not match in amount and maturity (open foreign currency positions, OCP). In Zambia foreign currencies (mainly USD and to a lesser extent EUR) play an important role in the economy. A significant share of customer deposits is held in ZMW, and international medium-long term refinancing is often available only in USD or EUR. Therefore, foreign currencies play an important role for the business of the Bank. However, on 31 December 2024 all long-term refinancing loans were held in ZMW.

The Bank manages its OCP on a daily basis and does not allow any violation of externally and internally set limits, which are in the range of 5 -10% of the equity per currency. No OCP are being held for speculative purposes. Any liabilities of the Bank in foreign currency are naturally hedged.

The Bank uses currency swaps or currency forwards to hedge foreign currency risk where it is material.

The following table shows the currency distribution in the Bank in ZMW equivalent. Financial assets/liabilities and non-financial assets / liabilities are split according to their currencies.

2024 in ZMW	USD	EUR	Total
Financial assets			
Cash and cash equivalents	70,055,530	3,242,227	73,297,757
Other financial assets	1,178,572	1,726,305	2,904,877
Total financial assets	71,234,102	4,968,532	76,202,634
Financial liabilities	USD	EUR	Total
Customer accounts	17,169,016	705,489	17,874,505
Lease liabilities	48,546,696	-	48,546,696
Other financial liabilities	127,190	5,301,667	5,428,857
Total financial liabilities	65,842,902	6,007,156	71,850,058
Open currency position	5,391,200	(1,038,624)	4,352,576

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

33) Risk Management *(continued)*

Currency Risk *(continued)*

2023 in ZMW	USD	EUR	Total
Financial assets			
Cash and cash equivalents	63,906,528	16,095,148	80,001,676
Other financial assets	854,469	3,093	857,562
Total financial assets	64,760,997	16,098,241	80,859,238
Financial liabilities	USD	EUR	Total
Customer accounts	29,830,198	3,510,470	33,340,668
Lease liabilities	47,279,413	-	47,279,413
Other financial liabilities	11,339,778	1,318	11,341,096
Total financial liabilities	88,449,389	3,511,788	91,961,177
Open currency position	(23,688,392)	12,586,453	(11,101,939)

A USD depreciation of 2% would result in an after-tax net loss/gain from currency revaluations of ZMW 75,477 (2023: ZMW 331,637) and result in a similar impact on equity, while a 5% depreciation would result in an after-tax loss/gain from currency of ZMW 188,692 (2023: ZMW 829,094) and result in a similar impact on equity. A EUR depreciation of 2% would result in an after-tax net loss/gain from currency revaluations of ZMW 14,541 (2023: ZMW 176,210) and result in a similar impact on equity, while a 5% depreciation would result in an after-tax loss/gain from currency revaluations of ZMW 36,352 (2023: ZMW 440,526) and result in a similar impact on equity.

Liquidity risk

Liquidity risk in the strict sense of the word is the danger that a bank will no longer be able to meet its payment obligations in full, or in a timely manner. In a wider sense, it is the danger that additional funding can no longer be obtained or can only be obtained at significantly increased costs.

The Bank concentrates on lending to micro, small and medium sized enterprises as well as individuals – the portfolio of such loans makes up approximately 52% (2023: 53%) of total assets. The portfolio is highly diversified to a large number of customers, and almost exclusively consists of instalment loans with monthly annuity repayments of interest and principal. As described above, portfolio quality has been very good historically, warranting a very strong cash flow to the Bank.

The main sources of refinancing are customer deposits (64% of total assets; in 2023: 65%), borrowings from financial institutions (7% of total assets; in 2023: 8%), and equity (19% of total assets; in 2023: 17%). Borrowings are predominantly medium-long term and from either Development Finance Institutions or specialised microfinance investment vehicles.

As a result, the Bank has a structurally positive liquidity mismatch and a strong liquidity position. In the event of a liquidity shortage, the Bank could react by reducing the speed of growth of the loan portfolio, which would lead to opportunity costs but not immediately increase funding cost. In view of these factors, the Bank uses a relatively simple liquidity management system that is based on a rolling forecast of cash flows as well as regular maturity mismatch analysis. The Bank applies a number of externally and internally set liquidity indicators and is usually well within the established limits.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

33) Risk Management *(continued)*

Liquidity Risk *(continued)*

Liquidity management is under the responsibility of an Asset and Liability Committee (ALCO) that is composed of members of the management board and other key managers. Additional oversight and control is provided by the Bank's supervisory board as well as the AccessHolding Head Office in Berlin. Throughout the reporting period, the Bank had adequate liquidity available at all times to meet all financial obligations in a timely manner.

The Bank maintains a high level of cash and cash equivalents that can be easily liquidated in the event of an unforeseen interruption in cash flow. The Bank also holds lines of credit that can be accessed to meet liquidity needs. The liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. Liquid assets consist of balances with central banks and loans and advances to banks with maturity below than 90 days. The Bank believes it is important to use current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the liquid assets to deposit ratio. The liquidity ratios as at year-end were, as follows:

Liquid Assets / Total Assets		Liquid Assets / Deposits < 90 days	
2024	2023	2024	2023
28%	28%	44%	45%

Additionally, the Bank monitors deposit concentration on single counterparties. The following table shows the amount of the deposit portfolio concentrated in the 10 largest client exposures

2024			2023		
Total Deposits	Amount	%	Total Deposits	Amount	%
605,784,043	133,175,498	22%	555,046,828	111,022,715	20%

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

33) Risk Management *(continued)*

Liquidity Risk *(continued)*

As of 31 December 2024, the maturity schedule is as follows:

Maturity schedule in ZMW	Carrying Amount	< 1 month	1 - 3 months	3 - 12 months	12 months - 2 years	2 - 5 years	Total
Assets							
Balances with the Central Bank	126,268,796	126,268,796	-	-	-	-	126,268,796
Cash and balances with other banks	132,734,366	132,734,366	-	-	-	-	132,734,366
Loans and advances to customers	493,736,268	36,853,324	73,297,340	294,785,350	153,944,207	34,836,647	593,716,868
Investments securities	51,359,060	-	2,297,025	5,540,338	30,205,943	25,257,506	63,930,812
Other financial assets	12,123,840	6,506,505	417,879	5,199,456	-	-	12,123,840
Total financial assets	816,222,330	302,362,991	76,642,244	305,525,144	184,150,150	60,094,153	928,774,682
Liabilities							
Loans from banks and other financial institutions	65,802,974	-	34,916,350	11,900,000	2,857,139	20,833,333	70,506,822
Customer deposits	605,784,043	275,913,591	107,413,011	230,018,815	28,000	-	613,373,417
Lease liabilities	74,336,378	3,072,845	4,784,245	18,921,578	29,526,314	101,427,560	157,732,542
Other financial liabilities	15,546,923	4,266,736	6,657,420	4,622,767.00	-	-	15,546,923
Total financial liabilities	761,470,318	283,253,172	153,771,026	265,463,160	32,411,453	122,260,893	857,159,704
Net liquid gap	54,752,012	19,109,819	(77,128,782)	40,061,984	151,738,697	(62,166,740)	71,614,978
Cumulated liquid gap		19,109,819	(58,018,963)	(17,956,979)	133,781,718	71,614,978	-

The cash flows are undiscounted

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

33) Risk Management *(continued)*

Liquidity Risk *(continued)*

As of 31 December 2023, the maturity schedule is as follows:

Maturity schedule in ZMW	Carrying Amount	< 1 month	1 - 3 months	3 - 12 months	12 months - 2 years	2 - 5 years	Total
Assets							
Balances with the Central Bank	125,005,206	125,005,206	-	-	-	-	125,005,206
Cash and balances with other banks	116,575,309	116,575,309	-	-	-	-	116,575,309
Loans and advances to customers	450,206,279	39,976,038	18,290,611	515,961,752	111,030,580	29,275,233	714,534,214
Investments securities	26,805,205	-	21,551,315	5,448,685	-	719,163	27,719,163
Other financial assets	18,121,946	16,759,909	479,829	882,208	-	-	18,121,946
Total financial assets	736,713,945	298,316,462	40,321,755	522,292,645	111,030,580	29,994,396	1,001,955,838
Liabilities							
Loans from banks and other financial institutions	64,513,848	-	24,662,032	34,654,990	10,714,289	-	70,031,311
Customer deposits	555,046,828	309,152,313	74,489,123	192,361,425	-	-	576,002,861
Lease liabilities	68,007,948	1,763,339	2,108,620	8,944,422	23,316,101	57,081,726	93,214,208
Other financial liabilities	19,388,954	13,417,226	5,917,728.00	-	-	-	19,388,954
Total financial liabilities	707,027,214	324,386,878	107,177,503	235,960,837	34,030,390	57,081,726	758,637,334
Net liquid gap	29,686,731	(26,070,416)	(66,855,748)	286,331,808	77,000,190	(27,087,330)	243,318,504
Cumulated liquid gap		(26,070,416)	(92,926,164)	193,405,644	270,405,834	243,318,504	-

The tables above analyses assets and liabilities of the Bank into relevant maturity brackets based on the remaining contractual maturity at balance sheet date. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for the Bank ever to be completely matched since business transacted is often of uncertain term. The maturity 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 Bank and its exposure to changes in interest rates and exchange rates.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

33) Risk Management *(continued)*

Interest rate risk

Interest rate risk is the danger that our interest margin will be (negatively) influenced by a change in market interest rates because of a mismatch in the maturity (period of fixed interest rates) between assets and liabilities.

The Bank extends loans with fixed interest rates and their maturities are usually different from that of customer deposits (shorter maturities) and borrowings (longer maturities). Therefore the Bank does incur an interest rate risk. However, given the imperfect nature of the financial markets in the country, it is uncertain to which extent changes in international or domestic interest rate levels will impact the interest rate level of our customer loans.

The Bank's ALCO monitors interest rate risk at least on a quarterly basis.

As of **31 December 2024**, the maturity schedule is as follows:

in ZMW	Carrying Amount	No-interest bearing	< 1 month	1 - 3 months	3 - 12 months	12 months - 2 years	2 - 5 years	Total interest-bearing
Assets								
Balances with the Central Bank	126,268,796	126,268,796	-	-	-	-	-	-
Cash and balances with other banks	132,734,366	132,734,366	-	-	-	-	-	-
Investments securities	51,359,060	756,187	-	3,533,466	-	24,515,316	22,554,091	50,602,873
Loans and advances to customers	493,736,268	-	21,497,264	24,221,712	294,785,350	153,944,207	34,836,648	529,285,181
Other financial assets	12,123,840	12,123,840	-	-	-	-	-	-
Total financial assets	816,222,330	271,883,189	21,497,264	27,755,178	294,785,350	178,459,523	57,390,739	579,888,054
Liabilities								
Loans from banks and other financial institutions	65,802,974	-	-	32,112,502	10,000,000	2,857,139	20,833,333	65,802,974
Customer deposits	605,784,043	110,045,631	184,402,029	100,239,197	211,097,186	-	-	495,738,412
Lease liabilities	74,336,378	-	3,072,845	4,784,245	18,921,578	29,526,314	18,031,396	74,336,378
Other financial liabilities	15,546,932	15,546,932	-	-	-	-	-	-
Total financial liabilities	761,470,318	125,592,554	187,474,874	137,135,944	240,018,764	32,383,453	38,864,729	635,877,764
Net repricing gap		146,290,635	(165,977,610)	(109,380,766)	54,766,586	146,076,070	18,526,010	(55,989,710)

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

33) Risk Management *(continued)*

Interest rate risk *(continued)*

The Bank considers the difference in modified duration as immaterial due to the short-term nature of its assets and a similar average duration on its liability side. Additionally, the Bank considers the correlation of interest rate levels of interest-bearing assets and interest-bearing liabilities as low. Additionally, the Bank's business model of providing micro and SME loans with relatively high interest margins provides additional buffer for adverse interest rate movements. An interest rate shock of +2% (Basel shock) across all interest-bearing assets and liabilities would result in an after-tax loss of ZMW 2,323,687 (2023: ZMW 2,114,022) and result in a similar impact on equity.

As of 31 December 2023, the maturity schedule is as follows:

in ZMW	Carrying Amount	No-interest bearing	< 1 month	1 - 3 months	3 - 12 months	12 months - 2 years	2 - 5 years	Total interest-bearing
Assets								
Balances with the Central Bank	125,005,206	125,005,206	-	-	-	-	-	-
Cash and balances with other banks	116,575,309	116,575,309	-	-	-	-	-	-
Investments securities	26,805,205	719,163	-	21,551,315	4,534,727	-	-	26,086,024
Loans and advances to customers	450,206,279	-	30,813,945	17,697,713	282,312,671	111,030,580	29,275,233	471,130,142
Other financial assets	18,121,946	18,121,946	-	-	-	-	-	-
Total financial assets	736,713,945	260,421,624	30,813,945	39,249,028	286,847,398	111,030,580	29,275,233	497,216,184
Liabilities								
Loans from banks and other financial institutions	64,513,484	3,084,913	-	22,142,853	34,089,256	10,714,289	-	66,946,398
Customer deposits	555,046,828	140,341,565	180,527,696	71,479,670	183,653,930	-	-	435,661,296
Lease liabilities	68,077,948	-	1,287,835	1,540,007	6,532,458	17,028,652	41,688,996	68,077,948
Other financial liabilities	19,388,954	19,388,954	-	-	-	-	-	-
Total financial liabilities	707,027,214	162,815,432	181,815,531	95,162,530	224,275,644	27,742,941	41,688,996	570,685,642
Net repricing gap	29,686,731	97,606,192	(151,001,586)	(55,913,502)	62,571,754	83,287,639	(12,413,763)	(73,469,458)

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

33) Risk Management *(continued)*

Compliance risk

Compliance risks in the Bank arise from national standards as well as international conventions.

Anti-money laundering and anti-terrorist financing procedures are an important focus area. The Bank has adopted detailed procedures for managing both issues, which are centred on a strict KYC (Know Your Client) policy and which serve to protect the customers and the laws of our countries of operation. The procedures have been prepared in accordance with FATF (Financial Action Task Force) and other international recommendations.

These and other compliance risks are managed by the relevant departments of the Bank, including the finance, treasury, operations and legal department. Specialised compliance officers have been installed.

Organisation of the risk management function

Overall responsibility for risk management lies with the executive management of the Bank, which reports to the supervisory board and audit committee. Specific risks are monitored by special committees on management level (and in some cases supervisory board) – this includes ALCO, risk committee, credit committee and IT committee. These committees meet on a regular basis and record their findings and decisions.

On an operational level, the Bank has established risk management units or departments that monitor and manage risks and make recommendations regarding policies, procedures and risk limits.

Regular meetings and training events support the exchange of best practices and the development and enhancement of the risk management function.

Internal Audit

Having an independent Internal Audit Function (IAF) is a vital part of the corporate governance framework of the Bank. In order to provide for its independence, the IAF reports functionally to the Audit Committee as a Sub-Committee of the Supervisory Board and administratively to the Chief Executive Officer (CEO) of the Bank.

The IAF operates independently in carrying out its duties and is free to initiate any investigation at any time as and when deemed appropriate. The activities of the IAF are governed by a charter that clearly outlines its role, responsibilities and scope of work and guarantees the standing and authority of the Internal Audit Function within the Bank.

In order to maintain its objectivity, the IAF is not involved in any day-to-day banking operations and control procedures. Instead, each business unit is responsible for its own internal control activities and for monitoring effectiveness and efficiency of its operations.

The IAF uses a risk-based approach both in determining its annual audit plan as well as in identifying audit priorities for individual audit assignments. In carrying out its duties, the IAF is guided by the International Standards for the Professional Practice of Internal Auditing, which are issued by the Institute of Internal Auditors – the global standard setter for internal audit.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

33) Risk Management *(continued)*

Compliance risk *(continued)*

The scope of work of the IAF is to determine whether the system of risk management, internal control and governance processes, as designed and implemented by the management, is adequate and functioning properly in the Bank. This mainly covers:

- Reviewing the functionality, effectiveness and adequacy of the risk management activities of the Bank,
- Reviewing the major systems of internal control in all areas of the Bank and assessing its adequacy, effectiveness and efficiency,
- Reviewing the procedures established by the management to determine and ensure compliance with all plans, policies, procedures, laws and regulations that could have a significant impact on objectives, operations and reports/financial information.

Therefore, the IAF has full authorization to access all the necessary functions, records, property, and personnel to fulfil its responsibilities.

The Bank's Internal Audit Function has made significant improvements to its Agile Audit methodologies by integrating both risk-based and process-based approaches in the execution of the 2024 Annual Audit Plan.

During the year, the team completed fifteen (15) audit assignments, utilizing 1,435 audit man-days. Additionally, support was provided by the AccessHolding IT audit hub for Information Technology (IT) and Information Security (IS) audits.

As of December 2024, the Internal Audit Department consisted of five (5) staff members.

34) Events after the reporting period

At the date of finalisation of the financial statements, there were no material events that occurred subsequent to the statement of financial position date that require adjustment of, or disclosure in, these financial statements.

35) Related-party transact

Access Microfinance Holding AG

Access Microfinance Holding AG, Berlin, Germany, is a shareholder of AB Bank Zambia Limited and is a related party under the terms of IAS 24. A management service contract was executed between the Bank and Access Microfinance Holding AG whereby the latter shall second two Management Board Members and other executive and administrative staff as required to fulfil its management mandate.

Purchase of goods and services from Access Microfinance Holding AG relate to the interest and fees on the loans, management service fees and software licence fees.

No loans haven been disbursed to members of the management or supervisory board.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

35) Related-party transact *(continued)*

Access Microfinance Holding AG *(continued)*

The following table provides the total amount of transactions and balances that have been entered into with related parties for the relevant financial year:

In ZMW	2024		
Name of related party	Purchases of goods and services	Amounts owed by related parties	Amounts owed to related parties
Access Microfinance Holding AG	20,057,462	1,744,438	5,301,345
	20,057,462	1,744,438	5,301,345

In ZMW	2023		
Name of related party	Purchases of goods and services	Amounts owed by related parties	Amounts owed to related parties
Access Microfinance Holding AG	17,350,115	813,606	9,665,233
Access Bank Nigeria	136,569	-	-
	17,486,684	813,606	9,665,233

Access Bank Nigeria Limited

Access Bank Nigeria Limited is a subsidiary of Access Microfinance Holding AG, which is a Shareholder of AB Bank Zambia Limited. Access Bank Nigeria Limited provides specialized Information Technology (IT) audit services to AB Bank Zambia Limited. The purchase of goods and services relate to IT internal audit services.

Compensation of key management personnel of the Bank and Directors

	2024	2023
Short-term employee benefits	7,835,423	6,058,779
Directors' fees	368,768	200,799
Total	8,204,191	6,259,578

As at 31 December 2024 the outstanding loans with key management personnel was ZMW 725,275 (2023: 627,006). The loans to key management personnel are given at the same terms and conditions as any other employee. Total interest received is ZMW 125,457. Provision recognized on these loans is ZMW 10,879. No bad debt has been recorded.

Key management personnel include management board members as disclosed in note 37.

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

36) Board of Directors

As of 31 December 2024, the Board of Directors was comprised of the following members:

Name	Executive Status	Position	Organization
Thomas Engelhardt	Non-Executive Director	Executive Director	AccessHoldings
Rambert Namy	Non-Executive Director	Consultant	Sofrecom
Chishimba Kachasa	Non-Executive Director	Commercial Lawyer	Chibesakunda & Company
Leonard Kalinde	Non-Executive Director	Solicitor, Barrister, Arbitrator	Equitas Legal Practioners
Marcus Hannappel	Non-Executive Director	Senior Digital Finance Expert	AccessHoldings
Maximo Mulenga	Executive Director	Chief Executive Officer	AB Bank Zambia

Compensation paid to Directors include board sitting fees.

37) Management Board

The management board comprises of the following members at the end of 2024:

Name	Position
Maximo Mulenga	Chief Executive Officer
Christopher Aongola	Chief Financial Officer
Kayinja Mfuni	Chief Operations Officer
Muze Syachaba	Chief Business Officer
Parker Tembo	Chief Information Officer

Notes to the financial statements *(continued)*

for the year ended 31 December 2024

38) Prior year error restatement

Statement of profit or loss and other comprehensive income

In the prior year, finance costs relating to lease liabilities were disclosed separately from other interest expense. The comparative year has been restated to present finance costs on lease liabilities together with other interest expense. The restatement resulted in an increase in the prior year interest expense by ZMW 5,550,216 with a corresponding decrease in total operating expenses. The restatement has no impact on the profit for the year.

Statement of cashflows

The cash flow statement for the prior year did not separately disclose total interest received and total interest paid under net cash generated from operating activities. As a result of the restatement, interest received of ZMW 268,840,517 and interest paid of ZMW 53,681,799 have now been presented separately under net cash flows from operating activities.

Additionally, net interest income of ZMW 207,424,644 was previously omitted from the adjustments for non-cash items in cash flows from operating activities before changes in operating assets and liabilities. This amount has now been disclosed.

Furthermore, in the prior year, lease payments under net cash flows from financing activities included interest repayments. The restatement disaggregates these payments, separately presenting interest paid of ZMW 5,550,216 under net cash flows from operating activities and capital repayments of ZMW 5,385,357 under net cash outflows from financing activities.

These restatements have no impact on the total cash and cash equivalents reported in the prior year.

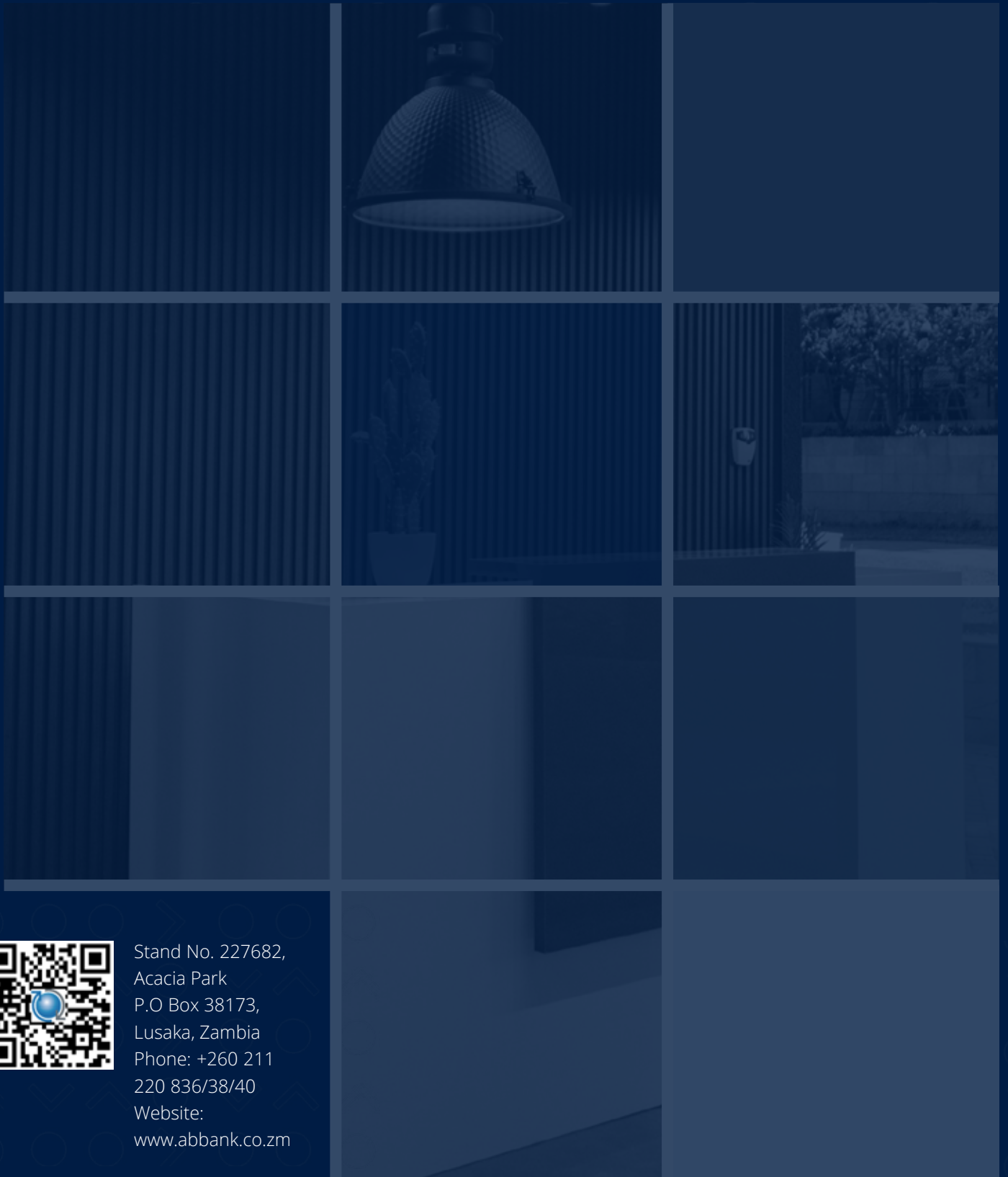
Annual financial statements

for the year ended 31 December 2024

Statement of financial position

in ZMW	Note	2024		
		Current	Non- current	Total
ASSETS				
Balances at Central Bank	12	17,260,869	109,007,927	126,268,796
Cash and balances with other banks	13	132,734,366	-	132,734,366
Investment securities	14	2,939,054	48,420,006	51,359,060
Loans and advances to customers	15	340,504,326	153,231,942	493,736,268
Other financial assets	20	12,123,840	-	12,123,840
Other non-financial assets	21	9,270,952	-	9,270,952
Intangible assets	16	-	4,981,369	4,981,369
Property and equipment	17	-	52,800,676	52,800,676
Right of use - assets	18	-	47,893,253	47,893,253
Deferred income tax asset	19	-	13,988,333	13,988,333
Total assets		514,833,407	430,323,506	945,156,913
LIABILITIES				
Loans from banks and other financial institutions	22	42,112,502	23,690,472	65,802,974
Customer accounts	23	605,784,043	-	605,784,043
Provisions	24	2,535,927	-	2,535,927
Other financial liabilities	26	15,546,923	-	15,546,923
Other non-financial liabilities	27	3,882,671	-	3,882,671
Current income tax payable	11	1,461,466	-	1,461,466
Lease liability	25	26,778,668	47,557,710	74,336,378
Total liabilities		698,102,200	71,248,182	769,350,382

in ZMW	Note	2023		
		Current	Non- current	Total
ASSETS				
Balances at Central Bank	12	26,304,345	98,700,861	125,005,206
Cash and balances with other banks	13	116,575,309	-	116,575,309
Investment securities	14	26,086,042	719,163	26,805,205
Loans and advances to customers	15	309,900,466	140,305,813	450,206,279
Other financial assets	20	18,121,946	-	18,121,946
Other non-financial assets	21	6,478,115	-	6,478,115
Intangible assets	16	-	7,836,594	7,836,594
Property and equipment	17	-	48,624,680	48,624,680
Right of use - assets	18	-	50,074,668	50,074,668
Current income tax asset	11	372,994	-	372,994
Deferred income tax asset	19	-	9,278,783	9,278,783
Total assets		503,839,217	355,540,562	859,379,779
LIABILITIES				
Loans from banks and other financial institutions	22	53,799,195	10,714,289	64,513,484
Customer accounts	23	555,046,828	-	555,046,828
Provisions	24	3,654,421	-	3,654,421
Other financial liabilities	26	19,388,954	-	19,388,954
Other non-financial liabilities	27	6,236,351	-	6,236,351
Lease liability	25	9,360,300	58,717,648	68,077,948
Total liabilities		647,486,049	69,431,937	716,917,986



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