

ANNUAL REPORT

2024



FIRST ALLIANCE BANK



"Committed to your Success"

30th ANNIVERSARY IN FOCUS

1994 - 2024



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FIRST ALLIANCE BANK

A NEW
YEAR,
A NEW
FINANCIAL JOURNEY!



**LET YOUR FINANCIAL DREAMS
TAKE FLIGHT IN THE NEW YEAR**

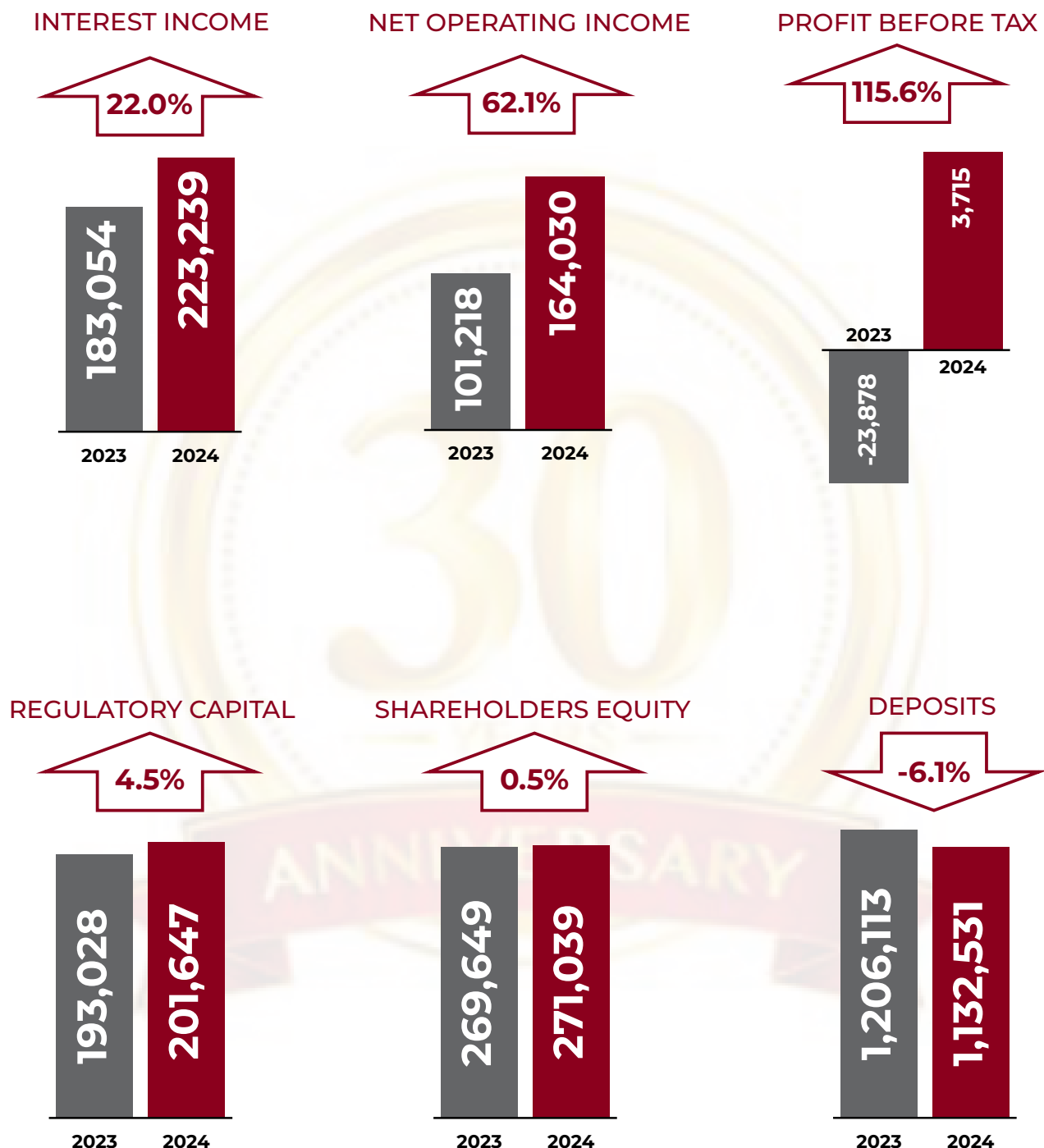
Plan wisely, Invest smartly &
Achieve your goals with

First Alliance Bank

“Committed to your Success”

First Alliance Bank Zambia Limited
Financial Highlights
For the year ended 31st December, 2024

FINANCIAL HIGHLIGHTS (K' 000)



Introduction

Our Bank's Corporate Social Responsibility (CSR) initiative extends to the communities in which we operate. Our CSR focus areas include support towards financial literacy to increase literacy levels among citizens, environmental initiatives, education, preservation of our heritage and culture and health initiatives that promote the well-being of citizens of all ages.

Sustainability

We want to contribute to the sustainable green transition and meet our environmental responsibilities as a responsible company through various CSR initiatives and actions.

Work life

Employees are our most valuable resources, which is why we focus on creating a workplace with a unique culture, where the main emphasis is on professional growth and personal welfare.

Partnerships

In order to enhance the effectiveness of our efforts, we consistently prioritize the development and upkeep of relationships, both in social and professional contexts. We focus on areas where we have the potential to make the most significant contributions to the development of society. We continuously adjust the weighting of the different areas to focus on in light of the changing dynamics in society needs. We wish to contribute to the transition to a more sustainable society and see long-term potential in making sustainability part of a well-managed and sound business model.

Activities

During the year ending 31st December 2024, among the CSR programs the Bank undertook include the following:

- The Bank contributed to the Zambia at sixty (60) celebrations through a donation to the Bankers Association of Zambia.
- The Bank supported the International Day of Yoga hosted by the High Commission of India to Zambia by providing yoga mats to encourage a lifestyle in harmony with nature.
- The Bank made a contribution to the Indo-ZAM Cultural Initiative, fostering cultural exchange and strengthening ties between Zambia and India.
- As part of promoting cultural and religious events, the Bank donated towards the Navaratri Festival, supporting community engagement.
- The Bank also donated towards the Diwali Celebrations, promoting diversity and inclusivity in the communities it serves.

FIRST ALLIANCE BANK ZAMBIA LIMITED

THE BOARD OF DIRECTORS



Chairman

Hon. Justice Mathew M S W Ngulube is the former Chief Justice of the Republic of Zambia and he is a Barrister-at-Law with over 56 years standing, having been called to the Bar in England by the Honourable Society of Grays Inn in 1968 and afterwards called to the Bar in Zambia in 1971. He has practiced at the Bar in Government service and in Private Practice, served on the Bench as a High Court Commissioner, as the Deputy Chief Justice of Zambia, and as the Chief Justice of Zambia.

He studied parts I and II and the bar finals at, among others, Gibson and Weldon School of Law in London and post-final practical course of the council of the legal education in England.



Vice Chairman

Mr. Gilford Malenji is a result oriented and knowledgeable professional skilled in Human Resource Management, Commercial Banking Operations, Airport Operations, Strategic Planning, with over 30 years of professional experience at senior management level.

He holds advanced university education with a master's degree in business administration from University of Glamorgan, UK, a bachelor's degree (Hons) in Public Administration and Business Administration from University of Zambia.



Non-Executive Director

Ms. Munsanda Mudenda is the Managing Partner of Nana Mudenda and Company and has more than 28 years of professional and practical experience in legal matters. She is an advocate of the High Court for Zambia. She has worked in the Ministry of Legal Affairs and subsequently Ministry of Justice (Legislative Drafting Department) in various senior capacities including serving as Deputy Chief Parliamentary Counsel and worked in Zambia Revenue Authority as Commissioner Corporate and Board Secretary. She has extensive experience in Legal Drafting, Agreements, Corporate Governance, Board Secretarial matters, radiation and Genetically Modified Organisms (GMO).

She holds a Master of Laws (LLM-Legislative Drafting) from the University of the West Indies, Cave Hill Campus, St. Michael, Barbados and Bachelor of Laws (LLB) from the University of Zambia (UNZA).



Non-Executive Director

Mr. Fabian Hara is a Chartered Accountant with more than 30 years of professional and practical experience in accounting, banking, auditing and financial management. He possesses vast experience in central banking operations and has served in several senior capacities at the Bank of Zambia including as Chief of Staff in the Executive Office, Director Internal Audit, Director Regional Office, Director Banking, Currency & Payment Systems, Assistant Director Banking and as Assistant Director Foreign Receipts & Payments. In his previous roles, he served as Audit Senior at KPMG and as Financial Accountant at the Lint Company of Zambia (LINTCO).

He holds a Master of Business Administration – Global Banking & Finance from the University of Birmingham. He is a Fellow of both the Association of Chartered Certified Accountants (FCCA) and the Zambia Institute of Certified Accountants (FZICA). In addition, he is a holder of a Diploma in Business Studies.

FIRST ALLIANCE BANK ZAMBIA LIMITED

THE BOARD OF DIRECTORS



Non-Executive Director

Dr. Christabel Chanda Lubinda, has more than 25 years of experience in marketing and academia, specializing in strategic leadership services. As a change management practitioner, she is committed to promoting best practices in governance and risk management within the banking sector.

She holds an LLB from the University of Lusaka and an MBA from the University of Lincoln, United Kingdom among other qualifications and certifications. She has served as an advisor at a University in USA, while pursuing her Doctorate in Strategic Leadership in Tulsa, Oklahoma, USA.



Non-Executive Director

Dr. Clement Mulenga Sinyangwe is the current President and a distinguished fellow of the ICT Association of Zambia (ICTAZ) and serves as Chairperson of Research at the Technology Information Confederation for Africa (TICONA). With over 20 years of experience in the ICT sector, he has held roles from operational to senior management, including 19 years at Zambia Daily Mail as Deputy ICT Manager before becoming Head of ICT at Chalimbana University. His leadership extends to national and international platforms, contributing to Zambia's e-Government Technical Implementation Committee and the ICT and Digitalization Technical Working Group under the Public Private Dialogue Forum (PPDF). His expertise covers Cybersecurity, Project Management, Data Analytics, AI, Computer Ethics, Digital Transformation, and Business Automation.

Business Automation.

He holds a PhD in ICT specializing in Ethics of ICTs, a Master of ICT Science in Computer Science, a Master of Business Administration, a Bachelor of Science in Computing, Diploma in Computer Programming and certifications in Cybersecurity and Network Security. A prolific author, he has written three books and several peer-reviewed journal articles, contributing significantly to ICT knowledge and development.



Non-Executive Director

Ms. Sally Linda Dormeyan has more than 32 years of professional experience in international development spanning across various core skills and operational sectors, such as in development finance and public sector management and policy advisory, economic and corporate governance, capacity development, strategy development and management, business process re-engineering and change-management gained from international organizations such as United Nations Agencies, the African Capacity Building Foundation (ACBF), the World Bank Group (IBRD) and The African Development Bank Group (AFDB Group).

She holds a Master of Banking and Finance for Development, from FINAFRICA Foundation in Italy, an M. A. in Development Studies Specialization in Economic Policy and Planning from the Institute of Social Studies in The Netherlands, and a B.A. Degree in Economic and Business Administration from the University of Zambia (UNZA).



Managing Director &
CEO

Mr. Kuldip Paliwal is a career banker with over 26 years of expertise at International level.

He is an expert in Risk management, Strategy, Corporate Governance & effective board functioning and brings a wealth of experience in key aspects of Banking & Financial services.

He is also a Board member of Bankers Association of Zambia (BAZ), Zambia Institute of Banking & Financial Services (ZIBFS) and Zambia Electronic Clearing house Ltd.(ZECHL).

He holds Three Master's degree specializing in Management, Business Economics, Finance and Statistics. He also holds key charters and certifications for Corporate Governance, Fintech & Risk management.

FIRST ALLIANCE BANK ZAMBIA LIMITED

THE EXECUTIVE TEAM



Managing Director &
CEO

Mr. Kuldip Paliwal joined the Bank in September 2020.

He is a career banker with more than 26 years of expertise in Corporate Banking, SME & Business Banking, Retail Banking at the International level, in Africa and South Asia. An Expert in P&L Management, Business Strategy & Planning, Operations Management, Risk & Credit Management, Digital Banking, Treasury, Trade & International Banking. He is also an expert in Corporate Governance and effective board functioning.

He holds a Master of Business Administration from University of London, U.K., Master of Business Economics (Finance) from D.A. University, India, M.Sc. (Statistics), B.Sc. (Statistics & Mathematics) from University of Allahabad, India, Chartered Banker (MCBI) from Chartered Banker Institute, U.K., CAIB from the Indian Institute of Banking & Finance, India, Executive Programme in FinTech, Banking & Risk Management from IIM-Lucknow India, Qualified Independent Director (Life member) from Indian Institute of Corporate Affairs India, Certified Corporate Director (Fellow-Life Member) from Institute of Directors (IoD) India. He is also a member of Institute of Directors Zambia.



Chief Credit Officer

Mr. Ravindra Kumar joined the Bank in October 2019.

He has more than 42 years of rich banking experience in the entire spectrum of banking with specific focus on Corporate & Investment Banking, Credit Appraisal, Project Finance, Debt Restructuring, International Trade, Risk Management, Compliance, Corporate Governance, Business Development and Branch operations.

He holds M.Sc. (Chemistry), BSc. (Physics and Mathematics)-Agra University India, CAIB from the Indian Institute of Banking & Finance, Mumbai India.



Chief Financial Officer &
Company Secretary

Mr. Peter Mulenga joined the Bank in October 2013.

He has over 22 years of accounting experience covering auditing, accounting, finance, banking, business strategy, planning and operations, and Board functioning.

He holds a Master of Business Administration from Edinburgh Business School of Heriot-Watt University Scotland, Association of Chartered Certified Accountants (ACCA), National Accounting Technician (NATech), ACI-Operations and ACI Dealing Certificates from ACI - Financial Markets Association.

He is Member of the Association of Chartered Certified Accountants (ACCA), Zambia Institute of Chartered Accountants (ZICA) and the Institute of Directors Zambia



Chief Business Officer

Mr. Fred Phiri joined the Bank in September 2023.

He has over 18 years of managerial experience in Branch Management, Retail Sales, Partnership and Alliance Management and Customer Service.

He holds a Masters of Trade, Development and International Relations - Zambia Open University, Bachelor of Financial and Investment Analysis - Amity University, Diploma in Business Management, ZICA Technician and Certificate in Computer Application Packages.

FIRST ALLIANCE BANK ZAMBIA LIMITED

THE EXECUTIVE TEAM



Chief Operations Officer

Mr. Mathius Chikopela joined the Bank in July 2017.

He is a Career Banker with over 35 years of banking experience in Treasury, Corporate Banking, Trade Finance and Banking Operations.

He holds an Masters of Business Administration and Bachelor of Science in Finance (Honours) from Chreso University in Zambia, ACI Dealing Certificate and National Accounting Technician (NATech) Certificate from Zambia Institute of Chartered Accountants.



Chief Technology Officer

Mr. Busiku Majele joined the Bank in March 2024.

He has over 20 years working experience in Information Communication Technology having worked in the agricultural, consultancy, Information technology and banking sectors. He has diverse experience in technology infrastructure, regulatory compliance, and IT Governance with extensive knowledge of how to integrate technology to meet organizational goals.

He holds a BBA in Computer information system and is a certified Prince 2 and ITIL practitioner.



Chief Human Resource & Administration Officer

Ms. Diana Bwalya joined the Bank in May 2024.

She has over 10 years of experience in Human Resource Management. She is a seasoned Human Resource Professional with a proven track record of developing and implementing comprehensive Human resource strategies, leading cross-functional teams, and fostering a culture of inclusivity. She is an expert in Talent management and development, Employee relations and conflict resolution.

In 2024 she received recognition from the Human Resource for Africa as one of Zambia's Best Human Resource professionals, highlighting her as Zambia's leader on the cutting edge of transformation in the Human Resource space.

She holds a Bachelor of Arts Degree in Human Resource Management from the Copperbelt University (CBU) and a Strategic Leadership and workforce planning certification from the Human Capital Institute. She is a full member of the Zambia Institute of Human Resource Management.



Chief Risk Officer

Mr. Joel Bundo joined the Bank in May 2024.

He has more than 12 years working experience in the Banking sector with focus on Risk Management and Retail Banking Management. He is an expert in risk and compliance.

He holds an M.A. in Economic Policy Management, a BSc in Natural Resources and Statistics, both from the University of Zambia, and certifications in Financial Risk Regulation, ACI Dealing Certificate, Financial modelling, Capital markets and Business Intelligence.



Chief Internal Auditor

Mr. Alepha Phiri joined the Bank in June 2012.

He has 35 years working experience in various industries such as Agriculture, Retail & Warehousing, Motor Vehicle Industry and Banking. He is an expert in internal auditing.

He holds the Association of Chartered Certified Accountants (ACCA) certificate. He is a fellow of the Zambia Institute of Chartered Accountants (ZICA) and a member of the institute of Internal Auditors (IIA) Zambian Chapter.

CHAIRMAN'S REPORT



Hon. Justice
Mathew M.S.W. Ngulube

TO OUR ESTEEMED SHAREHOLDERS,

It is my pleasure, to present the Annual Report of First Alliance Bank Zambia Limited for the year ended 31st December 2024 to its shareholders.

30th ANNIVERSARY

2024 was a very special year for First Alliance Bank Zambia Limited and all its stakeholders. As Board Chairman, I'm proud to be associated with the 30th anniversary celebration of the Bank held in November 2024.

On the occasion of the anniversary celebration, I recalled with gratitude the initiative of the pioneers of the Bank who had not only set up this Zambian private Bank of the country but also had a vision to build the Bank as one of the leading commercial banks in the country.

The endeavor of all the stakeholders including the Central Bank, Shareholders, Board, Management and Staff, and the valued clientele earned for the Bank an enviable position.

The Occasion of the celebration was the right moment for all stakeholders to renew their pledge to further strengthen the position of the Bank. To remain in the position of a leading bank in the coming days would demand innovation, dedication, and the best technology-backed customer services but above all abundance of personal contact with our clientele, business partners, regulators and the other stakeholders

FINANCIAL PERFORMANCE

The Bank made a Profit of K1.393 million (2023: Loss of K17.764 million), Shareholders' Equity stood at K271.039 million (2023: K269.649 million). The Bank remained adequately capitalized at K201.647 million and was well above the statutory minimum requirement of K104.000 million and Capital adequacy ratios both for Tier 1 at 31.6% and Tier 2 at 31.7% remained well above the minimum regulatory requirements of 5% and 10% respectively.

RISK MANAGEMENT AND COMPLIANCE

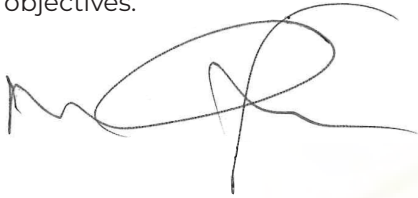
The Bank continued to take risks on a calculated basis well within its approved risk appetite to deliver its strategic and business objectives for the year ended 31st December, 2024. The Bank continued to promote, improve, and drive a strong risk culture by prioritising risk management and compliance, and recognising its criticality in the financial and operational management of the business through strong oversight by the Board and the Board Risk Management and Compliance Committee (BRC).

GOVERNANCE

The Board continued and remained committed to ensuring a robust governance structure existed which fosters a valuable culture of ethical standards, corporate professionalism, teamwork, personal accountability, and respect for others. As best practice and in compliance with the Bank of Zambia Corporate Governance Directives, the Board conducted its annual performance evaluation process for the year ended 31st December 2024.

CONCLUSION

In conclusion, I would like to extend my appreciation to the Managing Director and Chief Executive Officer, Board of Directors and the Central Bank for their continued prompt and valued guidance to the Bank. I would also like to extend my profound gratitude to the Management Team, all Staff and all other stakeholders for their continued commitment and hard work towards delivering the Bank's strategic objectives.



Hon. Justice Mathew M S W Ngulube

BOARD CHAIRMAN



MANAGING DIRECTOR & CEO'S REPORT



Mr. Kuldip Paliwal

Dear Valued Stakeholders

I am pleased to present our 2024 Annual Report, reflecting another year of growth, resilience, and commitment to our customers and communities. Despite the challenges of an evolving financial landscape, we have remained steadfast in our mission to provide personalized banking solutions, enhance operational efficiency, and foster long-term relationships built on trust.

OUTLOOK

The Bank celebrated its 30th Anniversary in November 2024 and this milestone was a testament to the dedication of our Staff, the loyalty of our customers, the support of our Shareholders, the guidance of our Board of Directors, the guidance of our Central Bank and other stakeholders.

As we look ahead, we remain committed to innovation, customer-centric services, and responsible banking. Our focus will be on expanding our digital offerings, strengthening customer relationships, and maintaining a sound financial foundation. The Bank embarked on formulating its five-year strategic plan for the year 2025 to 2029, the next chapter promises to be more ambitious and transformative for the Bank and all key stakeholders.

PERFORMANCE

The year 2024 presented several challenges including dry liquidity spells in the market because of tight monetary policy pursued by the Central Bank in response to global developments that impacted the local economy negatively in terms of high inflation out of the projected single digit range and highly volatile foreign exchange market.

Our growth was driven by strong customer engagement and strategic investments in technology. We expanded our digital banking capabilities in mobile point of sale (mPOS), ensuring a seamless and secure experience for our customers. Enhancements in cybersecurity and payment services strengthened our ability to serve clients efficiently and securely.

Operational excellence remained the cornerstone of our strategy. By streamlining processes and leveraging technology, we improved efficiency and risk management. Additionally, our prudent approach to lending and asset management ensured us for sustained growth in the coming years.

The Bank recorded a Profit of K1.393 million (2023: Loss of K17.764 million). Investment portfolio stood at K664.022 million (2023: K791.736 million), deposits stood at K1.133 billion (2023 K1.206 billion), balance sheet size remained relatively the same K1.621 billion (2023: K1.683 billion).

GRATITUDE

We are grateful for the trust and loyalty of our customers, employees, and shareholders, whose support was instrumental in our success. We are grateful for the key role played by the Board of Directors in ensuring that the Bank navigated the dynamics of the banking industry, and the valued guidance received from the Central Bank during the year.

Thank you all for being part of our journey. We are excited about the future and look forward to more years of shared success.



Mr. Kuldip Paliwal

MANAGING DIRECTOR & CEO

First Alliance Bank Zambia Limited
Directors' Report
For the year ended 31st December, 2024

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

PRINCIPAL ACTIVITIES

The principal activities of the Bank continue to be the provision of commercial banking and related services to the public. In the opinion of the Directors, the principal activities of the Bank continue to be within the financial services sector.

SHARE CAPITAL AND SHAREHOLDERS

The Bank's share capital structure is detailed in note 26.

The Bank's shareholding and beneficial ownership as of 31st December, 2024 is shown below:

Name	Shareholding	No. of Shares
	%	'000
Mr. Sanmukh Ramanlal Patel	25	21,000
Ms. Daxa Sanmukh Patel	25	21,000
Mr. Mahendra Ramanlal Patel	25	21,000
Mr. Vasant Kumar Ramanlal Patel	24	20,160
Mr. Nitesh Gandubhai Patel	1	840
	<u>100</u>	<u>84,000</u>

There was no change in shareholders and beneficial owners during the year.

RESULTS AND DIVIDENDS

The profit for the year of K1.393million (2023: Loss K17.764 million) has been added to the retained earnings. The Directors have not declared dividends for the year ended 31st December, 2024 (2023: Nil). Details relating to dividends are disclosed in note 30.

DIRECTORS

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

Hon. Justice Mathew M S W Ngulube	- Board Chairman
Mr. Gilford Malenji	- Board Vice Chairman
Dr. Christabel Chanda Lubinda	- Non-Executive Director
Ms. Sally Linda Dormeyan	- Non-Executive Director
Dr. Clement Mulenga Sinyangwe	- Non-Executive Director
Ms. Munsanda Mudenda	- Non-Executive Director
Mr. Fabian Hara	- Non-Executive Director
Mr. Kuldip Paliwal	- Managing Director & CEO

SECRETARY

The Company Secretary and registered address are:

Mr. Peter Mulenga
Company Secretary
Alliance House
Plot No. 627, Cairo Road
P O Box 33959
Lusaka

First Alliance Bank Zambia Limited
Directors' Report
For the year ended 31st December, 2024

EXECUTIVE MANAGEMENT TEAM

The Executive Management who held office during the year and up to the date of this report were:

Mr. Kuldip Paliwal	- Managing Director & CEO
Mr. Ravindra Kumar	- Chief Credit Officer
Mr. Peter Mulenga	- Chief Financial Officer & Company Secretary
Mr. Fred Phiri	- Chief Business Officer
Mr. Mathius Chikopela	- Chief Operations Officer
Ms. Diana Bwalya	- Chief Human Resource and Administration Officer
Mr. Busiku Majele	- Chief Technology Officer
Mr. Joel Bundo	- Chief Risk and Compliance Officer
Mr. Alepha Phiri	- Chief Internal Auditor

NUMBER OF EMPLOYEES AND REMUNERATION

The total remuneration of employees during the year amounted to K56.789 million (2023: K45.609 million) and the average number of employees per month was as follows:

Month	Number	Month	Number
January	131	July	130
February	130	August	131
March	131	September	129
April	130	October	129
May	133	November	129
June	131	December	129

HEALTH, SAFETY AND STAFF WELFARE

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

GIFTS AND DONATIONS

During the year, the Bank spent K0.697 million (2023: K0.542 million) in donations to charitable organisations and undertook several activities as part of its Corporate Social Responsibility.

PROPERTY AND EQUIPMENT

The Bank purchased property and equipment amounting to K30.547 million (2023: K12.952 million) during the year. These represent the aggregate amounts disclosed under notes 18,19 & 20. In the opinion of the Directors, the carrying value of property and equipment is not less than their recoverable value.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in note 32 of the financial statements.

DIRECTORS' EMOLUMENTS AND INTERESTS

Directors' emoluments and interests are disclosed in note 32 of the financial statements.

PROHIBITED BORROWINGS OR LENDING

There were no prohibited borrowings or lending as defined under Part VII of the Zambia Banking and Financial Services Act, No. 7 of 2017.

RISK MANAGEMENT AND CONTROL

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

COMPLIANCE FUNCTION

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

KNOW YOUR CUSTOMER AND ANTI-MONEY LAUNDERING POLICIES

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

AUDITOR REMUNERATION

The auditor remuneration for the year was K1.290 million (2023: K1.151 million) all relating to external audit services.

AUDITOR APPOINTMENT

A resolution to consider the appointment of the auditor of the Bank for the year ending 31st December, 2025 and authorise the Directors to set the Auditor's remuneration will be put to the Annual General Meeting (AGM).

By order of the Board



Company Secretary

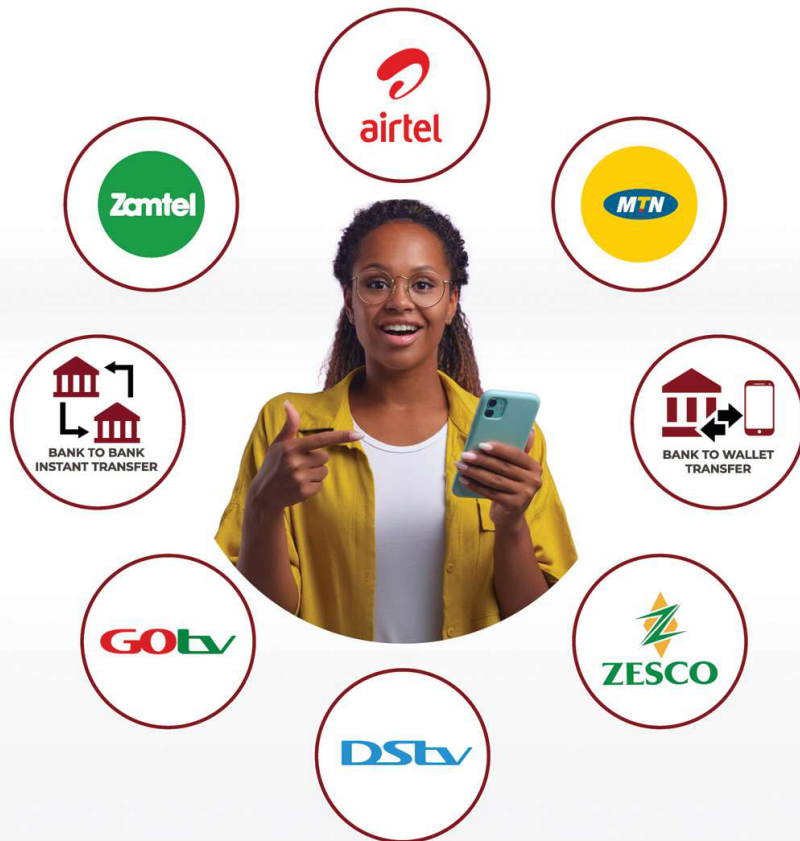
Date: 18 March, 2025





FIRST ALLIANCE BANK

A WORLD OF BANKING IN YOUR HANDS!



Take advantage of FAB Digital Banking

to transact and monitor your accounts



Anytime, Anywhere

#GoCashless

Introduction

Corporate Governance promotes the management of the Bank's affairs in a fair and transparent manner. The Bank continues to be committed to healthy corporate governance practices which strengthen and maintain confidence in the Bank, and thereby contribute to optimal long-term value creation for its shareholders and other stakeholders.

The Board

The Shareholders have vested their powers to oversee the implementation of the Bank's strategic objectives in the Board of Directors, and by virtue of the delegation, the Board has continued to perform its oversight role and provide strategic direction to the Executive Management. The Board, in performing its role, considers corporate governance key in achieving the Bank's objectives.

All Board Members are appointed based on a fit and proper test by the Bank of Zambia, subject to Shareholder approval at subsequent Annual General Meetings. The Chairman endeavours to ensure that the Board is composed of people with the appropriate expertise and requisite industry knowledge, in order to maintain the right balance on the Board for efficient and effective discharge of the Board's legal and regulatory responsibilities.

In line with best practice, the activities of the Board are planned and documented to ensure transparency and efficiency. Although the Board has the ultimate responsibility for the success of the Bank, this is managed on a delegated basis. The Board appoints the Managing Director and CEO and monitors his performance in leading the Bank and delivering the strategy.

The Board agrees on its Annual Plan which includes a Strategy Session, review of the Succession Planning, and Budgeting and Performance Review of the Bank. The Chairman, with assistance of the Managing Director and CEO and Company Secretary, ensures that the Directors are provided with timely information to facilitate interactive dialogue during Board meetings.

The Managing Director and CEO provides a regular report to the Board that includes information on the financial performance of the Bank and the achievement of financial objectives, operational matters, the operating environment, strategic development, corporate social responsibility, human resource and stakeholder relations.

The Board continues to guard against the risk of complacency by encouraging openness and appropriate levels of challenge. While engaging with Management both formally and informally, the Board strives to ensure that it remains sufficiently detached to maintain its independence.

The Board Charter

The Board, in compliance with the Bank of Zambia Directives on Corporate Governance, has put in place a Board Charter which sets out the:

- (i) roles, functions, responsibilities and powers of the Board;
- (ii) roles, functions, responsibilities and powers of individual Directors;
- (iii) Stakeholder engagement;
- (iv) remuneration principles of the Board of Directors;
- (v) annual evaluation process for the Board and Board Committees;
- (vi) powers delegated to the various Board Committees;
- (vii) roles, functions, responsibilities and powers of the Managing Director and Management;
and
- (viii) roles, functions and responsibilities of the Company Secretary.

Board Committee Charters

The Board has put in place charters for each of its Committees, in line with the Bank of Zambia Corporate Governance Directives and other relevant legislation.

Board Training and Continuous Development

The Board identifies the training needs from time to time for the continuous development of the Board of Directors in line with Central Bank Directives. Among other training programs, Board Members were trained in Risk Management and Internal Capital Adequacy Assessment Process (ICAAP) during the year ended 31st December, 2024.

Board Performance Evaluation

The evaluation of the performance of the Board of Directors is a key principle of Corporate Governance. The Board adheres to conducting an annual evaluation of its effectiveness as a Board, the effectiveness of individual Directors, the Committees, and the Chief Executive Officer.

Board Induction

The induction of newly appointed directors enables them to be familiarised with the Bank's strategy, operations, environment, governance structures and frameworks, policies and procedures. The process also provides an overview of the Directors' fiduciary duties, responsibilities, powers, and potential liabilities. The process prepares the newly appointed directors for boardroom dynamics and introduces them to the performance indicators against which their value to the Board shall be measured during the period.

Independent Meetings

The Board, Board Audit Committee (BAC) and Board Risk Management and Compliance Committee (BRC) met the Chief Internal Auditor and Chief Risk and Compliance Officer independently without Management in line with corporate governance requirements.

Board Committees

To help the Board discharge its executive functions, the Board has established four principal standing Committees, each governed by a written Committee charter defining the frequency of Meetings, power, duties, and reporting obligations. A Non-Executive Director chairs each of the Committees. The Committees include Audit, Risk Management and Compliance, Credit and Loan Review, and Nominations, Remuneration and Human Resource. Membership comprises of Non-Executive Directors while Management is invited to attend the Meetings.

(a) Board Audit Committee (BAC)

The purpose of the Board Audit Committee is to evaluate, among other things, accounting practices, the internal control systems, statutory auditing and financial reporting.

The Committee is governed by a charter approved by the Board. Some Members of Management are invited to attend and give feedback at Committee Meetings. The Board Audit Committee also recommends to the Board the remuneration of the external auditors. The Committee also holds separate Meetings with the Chief Internal Auditor and the external auditors when required, in order to ensure that matters are considered without undue influence.

The Committee meets at least quarterly and at such other times as may be required.

(b) Board Risk Management and Compliance Committee (BRC)

The Board Risk Management and Compliance Committee has been vested with the oversight responsibility of the risk management of the Bank on behalf of the Board. The functions of the Committee include to:

- (i) consider and recommend to the Board the Bank's enterprise-wide risk management policy and ensure an effective risk governance framework is in place;
- (ii) oversee the identification, evaluation and mitigation of actual and potential risks as they pertain to the Bank;
- (iii) review Management's recommendations on risk management; and
- (iv) ensure that a robust risk management and compliance culture prevails in the Bank.

In line with its responsibilities, the Committee approves the Risk Appetite Framework and reviews the Risk Appetite Statement to ensure that they remain consistent with the Bank's strategy, business, capital plans and risk capacity. The Committee meets on a quarterly basis and at such other times as may be required.

First Alliance Bank Zambia Limited
Statement of Corporate Governance
For the year ended 31st December, 2024

(c) Board Credit and Loan Review Committee (BCC)

The functions of the Committee include to:

- (i) review and approve lending strategies and policies, including appropriate loan limits;
- (ii) approve asset quality standards with respect to all lending areas and monitor concentrations of credit by product, industry, and geographic areas;
- (iii) approve appropriate general underwriting guidelines with respect to all lending areas and ensure institutional adherence to such guidelines;
- (iv) review the Bank's lending activities and ensure compliance with approved internal policies, and all applicable laws;
- (v) review and where appropriate, approve exceptions to defined credit policies;
- (vi) review exceptions to compliance matters arising from supervisory, internal audit and external audit findings that pertain to the bank's credit portfolio and monitor how they are being addressed; and
- (vii) review the bank's credit quality including but not limited to trends in the quality classification of loans, charge-offs and delinquencies.

(d) Board Nominations, Remuneration and Human Resource Committee (BNC)

The functions of the Committee include to:

- (i) identify and assist with the recruitment of competent and qualified candidates for Board Membership and Chairman of the Board;
- (ii) ensure a review at least annually of incumbent Director's performance and attendance at Board and Committee Meetings;
- (iii) conduct succession planning, rotation of Board Members and recommend the appropriate skill mix;
- (iv) review and approve management strategies for ensuring balance in workforce capabilities;
- (v) ensure effective implementation and execution of robust people management and performance management systems which include key risk indicators; and
- (vi) make recommendations to the Board regarding the use of incentive compensation plans.

Director	Board		BAC		BRC		BCC		BNC	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Hon. Justice Mathew M S W Ngulube	4	4	1	1	1	1			4	4
Dr. Christabel Chanda Lubinda	4	4	4	4	1	1	4	4		
Mr. Gilford Malenji	4	4	1	1	3	3	1	1	4	4
Ms. Sally Linda Dormeyan	4	4			4	4	4	4	1	1
Dr. Clement Mulenga Sinyangwe	3	3	3	3	3	3				
Ms. Munsanda Mudenda	3	3					3	3	3	3
Mr. Fabian Hara	3	3	3	3					3	3
Mr. Kuldip Paliwal	4	4								

First Alliance Bank Zambia Limited
Statement of Corporate Governance
For the year ended 31st December, 2024

Company Secretary

The Board appoints the Company Secretary, and all Board Members have access to the services of the Company Secretary. Where necessary, the Board may seek independent professional advice on any matter.

The Company Secretary:

- Provides the Directors, collectively and individually, with guidance as to their duties, responsibilities and powers.
- Informs the Board of Directors on-
 - (i) all legislation relevant to or affecting the Meetings of Members and the Board.
 - (ii) the reports relating to the operations of the company; and
 - (iii) submission of documents to relevant authorities, as required by statute, as well as the implications of failure to comply with such a requirement.
- Ensures that the minutes of the Members' Meetings and of the Meetings of the Board of Directors are properly recorded and registers are properly maintained.
- Ensuring that the company maintains and updates information on the beneficial ownership of all the shares of the company and their associated voting rights;
- Ensures that the company is in compliance with the Companies Act 2017 in relation to lodging of documents with the Registrar; and
- Brings to the attention of the Board of Directors any failure on the part of the Company or a Director to comply with the Articles or the Companies Act 2017.

External Auditors

The external auditors are responsible for reporting on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards and in the manner required by the Zambian Companies Act and the Banking and Financial Services Act.

Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value to the Bank as well as to improve its operations. It helps the Bank accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving Risk Management, Control and Governance processes.

The Internal Audit Department (IAD) evaluates and makes appropriate recommendations for improving the governance process in promoting appropriate ethical values in the Bank as well as ensuring effective Bank performance management and accountability.

The IAD evaluates the effectiveness and adequacy of the Risk Management Framework of the Bank and contributes to the improvement of Risk Management processes. IAD provides the Board with the objective assurance that the major business risks are being managed appropriately and the Risk Management and Internal Control Framework is operating effectively.

The IAD also evaluates the risk involved in governance, operations, AML/KYC, and information systems that relate to compliance with laws, regulations, policies, procedures and contracts. Internal audit plans are prepared annually using a risk assessment model that ensures audit resources are directed towards high-risk areas that are consistent with the Bank's strategic and operational goals. The plan is developed in consultation with Management and the Audit Committee to ensure their input and expectations are considered in the planning process.

The Internal Audit function is governed by an Internal Audit Charter which defines its purpose, authority and responsibility. The Internal Audit Charter is reviewed and updated to meet best international practices at least once a year. The Head of Internal Audit functionally reports to the Audit Committee and, administratively, to the Managing Director.

Risk and Compliance Function

The Bank has an independent Risk and Compliance Function with the overall responsibility for coordinating the identification and management of compliance risk. The Compliance Function is guided by a Compliance Programme, which defines the fundamental principles, roles and responsibilities of the Compliance Function within the Bank, as well as its relationship with Executive Management, the Board of Directors, other control functions and the business.

First Alliance Bank Zambia Limited
Statement of Corporate Governance
For the year ended 31st December, 2024

The Programme is updated periodically to reflect the legal and regulatory evolution. The Board of Directors is responsible for formally approving the Compliance Programme. In line with the Compliance Programme, the Compliance Function independently reports to the Board Risk Management Committee on material compliance issues in the Bank through a quarterly report to enable the Board to appreciate the level of compliance risk and solicit their timely guidance.

The objectives of the independent Compliance Function are to:

- Identify and evaluate the compliance risks within the Bank;
- Organise, co-ordinate and structure compliance related risks and controls;
- Monitor all measures taken to mitigate compliance risks;
- Report to the Executive Management and the Board of Directors as appropriate; and
- Act as the compliance advisor within the Bank.

To help guide the Risk and Compliance Function, the Risk and Compliance Programme is complemented by the Anti-Money Laundering (AML) Policy and Whistleblowing Policy. The Compliance Function and Compliance Programme are subject to an independent review by both an internal and external audit for the appropriateness of the policies and their implementation.

The Zambia Companies Act 2017 and the Banking and Financial Services Act 2017 require the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Bank as at the end of the financial year and of its profit or loss and its cash flows for the year then ended. In preparing such financial statements, the Directors are responsible for

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error;
- selecting appropriate accounting policies and applying them consistently;
- making judgements and accounting estimates that are reasonable in the circumstances; and
- preparing the financial statements in accordance with International Financial Reporting Standards, and the requirements of the Zambia Companies Act and the Banking and Financial Services Act and on the going concern basis unless it is inappropriate to presume that the bank will continue in business.

It also requires the Directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The internal control systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Directors are further required to ensure the Bank adheres to the corporate governance principles or practices contained in Part VII Section 82 to 112 of the Zambia Companies Act of 2017.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit and loss in accordance with International Financial Reporting Standards and the Zambia Companies Act of 2017 as well as the Banking and Financial Services Act No. 7 of 2017.

At the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when these fall due. Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

The Directors further confirm that they have implemented and adhered to the corporate governance principles or practices contained in the Zambia Companies Act of 2017 and those contained in the Banking and Financial Services Act No. 7 of 2017.

First Alliance Bank Zambia Limited
Statement of Directors' Responsibilities
For the year ended 31st December, 2024

The Zambia Companies Act 2017 and the Banking and Financial Services Act 2017 require the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Bank as at the end of the financial year and of its profit or loss and its cash flows for the year then ended. In preparing such financial statements, the Directors are responsible for

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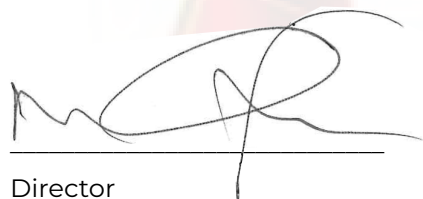
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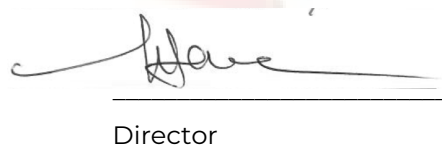
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At the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when these fall due. Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

The Directors further confirm that they have implemented and adhered to the corporate governance principles or practices contained in the Zambia Companies Act of 2017 and those contained in the Banking and Financial Services Act No. 7 of 2017.



Director



Director

Date: 18 March, 2025



FIRST ALLIANCE BANK

Our CLOUD-BASED

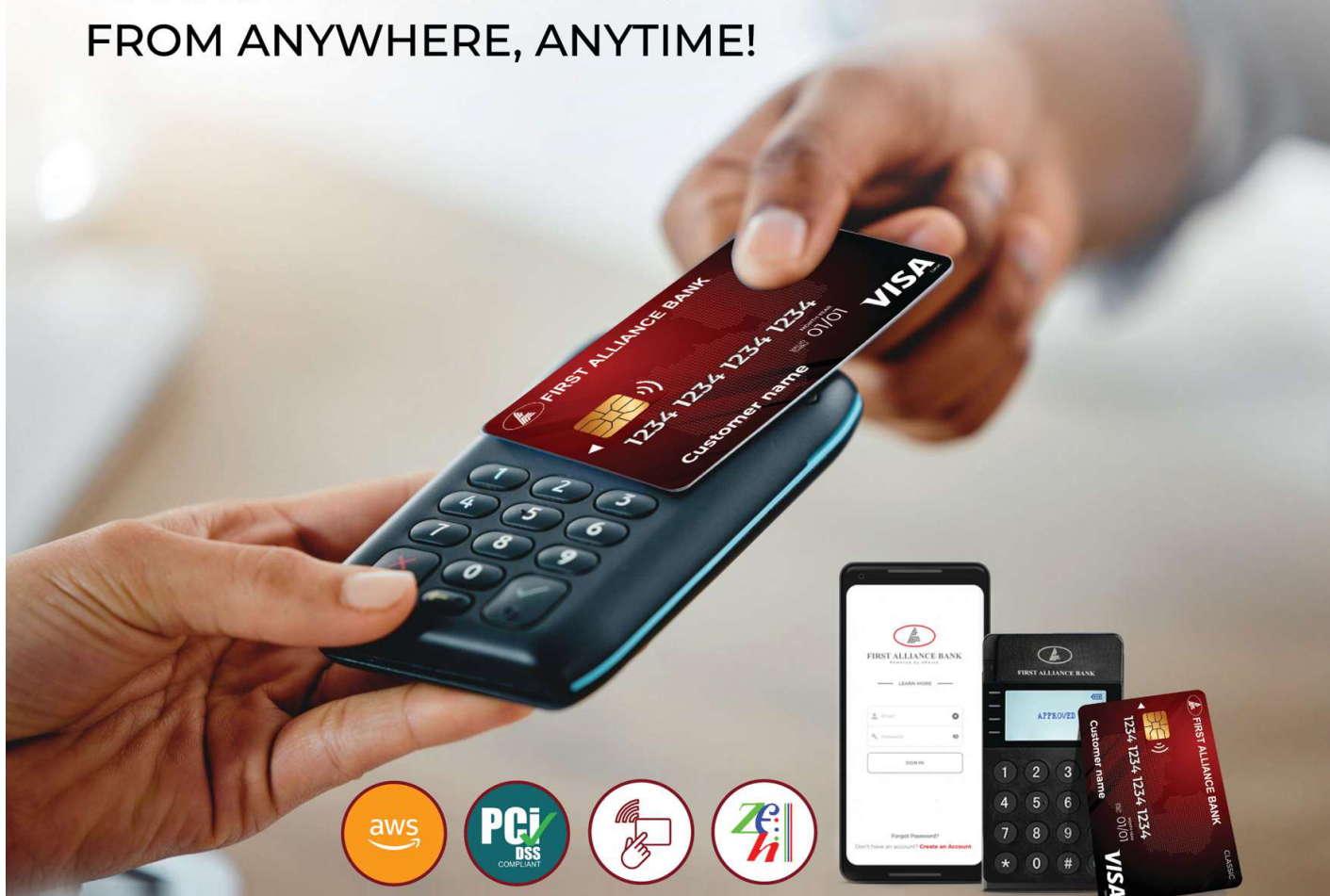
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Payments



The key to hassle-free Payments!



FAB mPOS

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIRST ALLIANCE BANK ZAMBIA LIMITED
For the year ended 31st December, 2024



Grant Thornton

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C+260 974 267988/ 0957 599429
E gtlusaka.mailbox@zm.gt.com

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIRST ALLIANCE BANK ZAMBIA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Alliance Bank Zambia Limited, which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of First Alliance Bank Zambia Limited as of 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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' Code of Ethics for Professional Accountants (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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Partners

Edgar Hamuwele (Managing)
Christopher Mulenga
Wesley Beene
Rodia Milumbe Musonda
Chilala Banda

Audit. Tax. Advisory

Chartered Accountants
Zambian Member of Grant Thornton International
Tax No: 1001696100. Registered in Lusaka. Company number 320020001626
Grant Thornton Zambia and other member firms are not a worldwide partnership. GTI and each member firm is separate Legal entity.
Services are delivered independently by the member firms. GTI and its member firms are not agents and do not obligate on another
and are not liable for one another's act or omissions.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIRST ALLIANCE BANK ZAMBIA LIMITED
For the year ended 31st December, 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FIRST ALLIANCE BANK ZAMBIA LIMITED

Key Audit Matters

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

Description of matter	How matter was addressed
<p>Classification, measurement and impairment of financial assets</p> <p>The Bank classified, measured and assessed impairment of the Bank's assets in accordance with IFRS 9 "financial instruments"</p> <p>The Directors are required to review the classifications of assets and align the classifications to the requirements of the reporting standards.</p> <p>The Directors also reviewed the fair valuations and impairment models.</p> <p>Due to the complex and subjective judgements required in estimating the timing and valuation of impairment and in estimating the fair value of assets, this was considered a key audit matter.</p>	<p>We reviewed the classification of the financial assets to ensure compliance with the reporting standards and Bank of Zambia regulations.</p> <p>We used our internal expert to review and assess the reasonableness of the assumptions used.</p> <p>We reviewed the valuation and verified the calculation of the fair values. We also verified the inputs used in the valuations.</p> <p>In considering the reasonableness of the impairment provision, we reviewed the assumptions used in impairment calculations.</p>

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIRST ALLIANCE BANK ZAMBIA LIMITED
For the year ended 31st December, 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FIRST ALLIANCE BANK ZAMBIA LIMITED

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Banking and Financial Services Act, 2017 and the Companies Act, 2017, and for such internal control as the Directors determine is necessary to enable the preparation of the 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.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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 misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high-level 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 management.
- Conclude on appropriateness of management's 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIRST ALLIANCE BANK ZAMBIA LIMITED
For the year ended 31st December, 2024

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIRST ALLIANCE BANK ZAMBIA LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

The Companies Act, 2017 requires that in carrying out our audit, we consider and report to you on whether:

As required in Section 259 (3) of the Companies Act 2017;

- There is a relationship, interest or debt which we have, as the Bank Auditors, with the Bank; and
- There were serious breaches of corporate governance principles or practices by the directors.
- As regards to loans made to a director, company secretary or executive officer of the company the company does not share the:-
 - particulars of any relevant loan made during the financial year to which the accounts apply including any loan which was repaid during the year; and
 - amount of any relevant loan, whenever made, which remain outstanding at the end of the financial year.

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

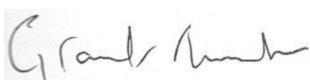
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIRST ALLIANCE BANK ZAMBIA LIMITED
For the year ended 31st December, 2024

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIRST ALLIANCE BANK ZAMBIA LIMITED

In accordance with the requirements of the Banking and Financial Services Act, 2017, we are required to report whether:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- There were any transactions that were not within the powers of the Bank or which were contrary to the Act which came to our attention;
- The Bank has complied with the provisions of this Act and the regulations, guidelines and prescriptions under this Act;
- There are transactions or conditions affecting the wellbeing of the Bank which have come to our attention that in our opinion are not satisfactory and require rectification.

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



Grant Thornton
Chartered Accountants



Christopher Mulenga (AUD/F000178)
Name of Partner signing on behalf of the Firm
Lusaka

Date: 18 March, 2025

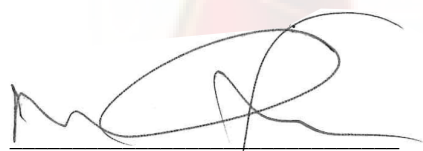
First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024***(All amounts are in thousands of Kwacha unless otherwise stated)***Statement of comprehensive income**

	Notes	2024	2023
Interest income	5	223,239	183,054
Interest expense	6	(94,822)	(80,127)
Net interest income		128,417	102,927
Net fees and commission income	7	11,468	11,171
Other income	8	24,243	28,717
Total Operating income		164,128	142,815
Impairment (charges)/credits on financial instruments	15(a),16	(98)	(41,597)
Net operating income after loan impairment credits/(charges)		164,030	101,218
Fair value gain/(loss) on equity	15 (b)	1,884	(1,000)
Operating expenses	9	(160,331)	(121,882)
Profit/(Loss) on Disposal of Non-current asset		13	(1)
Finance cost	20(b)	(1,881)	(2,213)
Profit/(Loss) before income tax		3,715	(23,878)
Income tax (expense)/credit	11	(2,322)	6,114
Profit/(Loss) for the year		1,393	(17,764)
Other Comprehensive income			
Items that will not be classified to profit or loss			
Tax relating to items that will not be classified to profit or loss	24	(3)	101
Other comprehensive income net of tax		(3)	101
Total Comprehensive income/(loss)		1,390	(17,663)


First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024***(All amounts are in thousands of Kwacha unless otherwise stated)***Statement of financial position**


	Note	2024	2023
ASSETS			
Cash and balances with Bank of Zambia	12	372,340	319,011
Balances with other banks	14	27,706	20,927
Investment in securities	15(a)	658,196	787,794
Investment in equity	15(b)	5,826	3,942
Loans and advances to customers	16	371,676	403,282
Other investments	17	837	837
Property and equipment	18	37,987	48,840
Intangible assets	19	2,750	3,734
Deferred income tax	24	34,434	31,331
Other assets	21	95,037	43,823
Current income tax	11	14,006	19,434
Total assets		<u>1,620,795</u>	<u>1,682,955</u>
LIABILITIES			
Deposits from customers	23	1,132,531	1,206,113
Deposits from other banks	22	110,883	126,231
Lease liability	20(b)	25,556	34,567
Other liabilities	25	80,786	46,395
Total liabilities		<u>1,349,756</u>	<u>1,413,306</u>
EQUITY			
Share capital	26	84,000	84,000
Revaluation reserves	27	526	537
Statutory reserves	28	84,000	84,000
Credit risk reserves	29	69,832	69,669
Retained earnings		32,681	31,443
Total equity		<u>271,039</u>	<u>269,649</u>
Total equity and liabilities		<u>1,620,795</u>	<u>1,682,955</u>

The financial statements on pages 18 to 76 were approved for issue by the Board of Directors on 18 March, 2025 and signed on its behalf by:



Director

Director

Director

Director

First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024***(All amounts are in thousands of Kwacha unless otherwise stated)***Statement of changes in equity**

	Share Capital	Revaluation reserves	Statutory reserves	Credit risk reserves	Retained Earnings	Total equity
Year ended 31 December 2023						
At the start of the year	84,000	548	84,000	6,992	111,772	287,312
Comprehensive income						
Profit for the year	-	-	-	-	(17,764)	(17,764)
Tax on revaluation gain	-	-	-	-	101	101
Total Comprehensive Income	-	-	-	-	(17,663)	(17,663)
Transfer of excess depreciation on revaluation reserve	-	(11)	-	-	11	-
Transfer to credit risk reserves	-	-	-	62,677	(62,677)	-
At the end of the year	84,000	537	84,000	69,669	31,443	269,649
Year ended 31 December 2024						
At the start of the year	84,000	537	84,000	69,669	31,443	269,649
Comprehensive income						
Profit for the year	-	-	-	-	1,393	1,393
Tax on revaluation gain	-	-	-	-	(3)	(3)
Total Comprehensive loss	-	-	-	-	1,390	1,390
Transfer of excess depreciation on revaluation reserve	-	(11)	-	-	11	-
Transfer to credit risk reserves	-	-	-	163	(163)	-
At the end of the year	84,000	526	84,000	69,832	32,681	271,039

First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024*****(All amounts are in thousands of Kwacha unless otherwise stated)******Statement of cash flows***

	Notes	2024	2023
Cash flows from operating activities			
Profit/(Loss) before tax		3,715	(23,878)
Adjust:			
Depreciation charge on property, plant and equipment	18	42,947	35,648
Amortisation of intangible assets	19	1,585	1,371
Lease liability charge	20(b)	1,881	2,213
(Profit)/Loss on disposal of property, plant, and equipment		(13)	1
Fair value (loss)/gain on equity	15(b)	(1,884)	1,000
Impairment charges		98	41,597
Income tax paid	11(c)	-	(15,952)
Impact of Exchange Rate		(15,402)	25,758
		<u>32,927</u>	<u>67,758</u>
Cash flows from operating activities before changes in operating assets and liabilities			
Changes in operating assets and liabilities:			
- (Increase)/decrease - other assets		(51,214)	(5,681)
- Increase/(decrease) - deposits from other banks		(15,348)	72,394
- Increase/(decrease) - customer deposits		(73,582)	45,703
- (Increase)/decrease - loans and advances to customers		31,606	14,546
- Increase/(decrease)-other liabilities		34,391	19,601
Net cash generated from operating activities		<u>(41,220)</u>	<u>214,321</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	18,19,20	(30,547)	(12,952)
Proceeds from disposal of property, plant and equipment		32	13
(Purchase)/redemption of government securities		129,598	(48,797)
Net cash used in investing activities		<u>99,083</u>	<u>(61,736)</u>
Cash flows from financing activities			
Principal lease payment	20(b)	(39,001)	(28,385)
Interest paid on lease	20(b)	(1,881)	(2,213)
Net cash used in financing activities		<u>(40,882)</u>	<u>(30,598)</u>
Net increase/(decrease) in cash and cash equivalents		16,981	121,987
Cash and cash equivalents at the start of the year		<u>525,723</u>	<u>403,736</u>
Cash and cash equivalents at the end of the year	13	<u>542,704</u>	<u>525,723</u>



FIRST ALLIANCE BANK



**YEARS OF TRUST,
YEARS OF EXCELLENCE.**

Your loyalty has been the foundation of
our success since 1994!

Thank you!

to our valued customers for choosing
First Alliance Bank
as your financial partner.

First Alliance Bank Zambia Limited

Financial Statements

For the year ended 31st December, 2024

(All amounts are in thousands of Kwacha unless otherwise stated)

Notes to the financial statements

1. General information

First Alliance Bank Zambia Limited (the Bank) is a registered commercial bank domiciled in Zambia. The Bank is involved in investment, corporate and retail banking.

The address of the registered office is:

Alliance House

Plot No. 627

P.O. Box 33959

Cairo Road

LUSAKA

2. Summary of significant accounting policies

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

(a) Basis of preparation

(i) *Compliance with IFRS*

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The financial statements are presented in Kwacha (K), rounded to the nearest thousand.

(ii) *Going concern*

The Directors of the Bank have assessed the Bank's ability to continue as a going concern and are satisfied that the Bank has resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on a going concern basis.

(iii) *Historical cost convention*

The financial statements have been prepared on a historical cost basis as modified by the revaluation of property, plant and equipment except equity instrument designated at fair value through profit or loss (FVPL) which is measured at fair value.

(iv) *Presentation of financial statements*

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle most assets/liabilities of the corresponding financial statement line item.

(v) *New accounting standards adopted by the Bank*

Some Standards and amendments that are effective for the first time in 2024 and could be applicable to the Bank are:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(vi) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Bank.

- Lack of Exchangeability (Amendments to IAS 21)
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7)
- IFRS 18 'Presentation and Disclosure in Financial Statements'
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Bank's financial statements.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates (the "functional currency"). The financial statements are presented in Kwacha ("K"), which is the Bank's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences in non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income and are accumulated in the fair value reserve in equity.

(c) Recognition of interest income and expenses

(i) The effective interest rate (EIR) method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(c) Recognition of interest income and expenses (continued)

(i) The effective interest rate (EIR) method (continued)

The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset, as well as 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, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

(ii) Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

Other interest income/expense includes interest on derivatives in economic hedge relationships and all financial assets/liabilities measured at FVPL, other than those held for trading, using the contractual interest rate.

Interest income/expense on all trading financial assets/liabilities is recognised as a part of the fair value change in Net trading income.

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial assets cure and are no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(d) Fees and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included using the effective interest rate.

Other fees and commission income is recognized as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

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

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received. IFRS 9 fees are accounted for as part of the EIR. These fees include arrangement and commitment fees that are collected at the start of the facility and amortised over the term of the instruments, while IFRS 15 related fees are collected after performance obligations have been rendered.

The fees collected by the Bank that meet the criteria under IFRS 15 include account maintenance fees, ATM issuer fees, real gross settlement (RTGS) money transfer fees, electronic funds transfer commission, reference commission, drafts, point of sale commission, commission on encashment of salary cheques etc. These fees are all collected at a point in time whenever the service is rendered.

(i) Performance Obligations and Revenue Recognition Policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers i.e., including significant payment terms, and the related revenue recognition policies.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(d) Fees and commission income (continued)

(i) Performance Obligations and Revenue Recognition Policies (continued)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail and corporate Banking service	<p>The Bank provides Banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions and servicing fees.</p> <p>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.</p> <p>Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.</p> <p>Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.</p>	<p>Revenue from account service and servicing fees is recognized over time as the services are provided.</p> <p>Revenue related to transactions is recognized at the point in time when the transaction takes place.</p>

(e) Dividend income

Dividends are recognised in profit or loss when the Bank's right to receive payment is established.

(f) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flow from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

(a) Classification and initial measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Bank has applied the practical expedient, the Bank initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Trade receivables that do not contain a significant financing component or for which the Bank has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(a) Classification and initial measurement of financial assets (continued)

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:

- amortised cost
- fair value through profit or loss (FVTPL), or
- fair value through other comprehensive income (FVOCI).

In the periods presented the Bank does not have any financial assets categorised as FVOCI. The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

(b) Subsequent measurement of financial assets

(i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Bank. The Bank measures financial assets at amortised cost 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; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(b) Subsequent measurement of financial assets (continued)

(ii) Financial assets at fair value through other comprehensive income (FVOCI) (debt instruments)

The Bank accounts for financial assets at FVOCI if the assets meet the following conditions:

they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell, and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, any gains or losses recognised in OCI is recycled to profit or loss.

(iii) Financial assets designated at fair value through other comprehensive income (FVOCI) (equity instruments)

Upon initial recognition, the Bank can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

(iv) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(f) Financial instruments (Continued)

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Bank's statement of financial position) when:

- The rights to receive cash flows from the asset have expired Or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Bank also recognises an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

(d) Impairment of financial assets

(i) Impairment and provisioning policies

The Bank recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at fair value through profit and loss (FVTPL):

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(d) Impairment of financial assets (continued)

(i) Impairment and provisioning policies (continued)

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments for which a lifetime ECL is recognised and which are credit impaired are referred to as 'stage 3 financial instruments'.

(ii) Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cashflows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

(iii) Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the Modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(d) Impairment of financial assets (continued)

(iv) Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Objective evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties;
- default or delinquency by a borrower;
- observable data relating to a group of assets, such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlated with defaults in the group.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

(e) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where financial instruments include both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(f) Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(g) Derivatives and hedge accounting

The Bank uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(h) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other Banks, deposits from Banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to customers or placements with other Banks, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

(i) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(g) Property and equipment

All property and equipment are stated at historical cost or valuation less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to 'operating expenses' during the period in which they are incurred. Increases in the carrying amount arising from a revaluation are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to profit or loss.

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

Building	2%
Motor Vehicles	20%
Fixtures, fittings and equipment	25%
Computer Software	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

The Bank assesses at each reporting period whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are recorded at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in 'other income' in profit or loss.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(h) Intangible assets

Acquired computer software licenses are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (four years).

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding four years).

(i) Income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the statement of financial position date.

(i) Recognition of deferred tax

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 the 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 substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax liability is settled, or the related deferred income tax asset is realised.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(i) Income tax (continued)

(i) Recognition of deferred tax (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with other banks, other short term highly liquid investments with maturities of three months or less and cash and nonrestricted balances with the Bank of Zambia.

(k) Employee benefits

(i) Retirement benefit obligations

The Bank contributes to the statutory scheme in Zambia namely the National Pension Scheme Authority (NAPSA) which is a defined contribution plan where the Bank pays an amount equal to the employees' contributions. Employees' contribution is 5% of their gross earnings up to a maximum of K1,490.80 per month during the year 2024.

Contributions to NAPSA are recognised in the profit or loss in the year in which they fall due. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(ii) Other entitlements

The estimated monetary liability for employees such as accrued annual leave entitlement and gratuity at the statement of financial position date is recognised as an expense accrual.

(l) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(m) Share capital

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(n) Statutory Reserve

The statutory reserve is established in accordance with section 69 of the Banking and Financial Services Act of Zambia.

(o) Revaluation Reserve

The revaluation reserve arises from the periodic revaluation of buildings and represents the excess of the revalued amount over the carrying value of buildings at the date of valuation.

(p) Credit Risk Reserve

The regulatory loan loss reserve represents the excess of impairment provisions determined in accordance with the Bank of Zambia prudential regulations over the impairment provisions recognised in accordance with International Financial Reporting Standards (IFRS).

(q) Retained Earnings

Retained earnings are carried forward, recognised income, net of expenses of the Bank, plus current period profit attributable to shareholders, less distributions to shareholders and non-distributable services. Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders.

(r) Dividends payable

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(s) Leased assets

The Bank makes the use of leasing arrangements principally for the provision of office space. The rental contracts for offices are typically negotiated for terms of between 1 and 5 years and some of these have extension terms. The Bank does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as escalation clauses. The Bank assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities management services at offices. The lease components are split into their lease and non-lease components based on their relative standalone prices.

(i) Measurement and recognition of leases as a lessee

At lease commencement date, the Bank recognises a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(s) Leased assets (continued)

(i) Measurement and recognition of leases as a lessee (continued)

The Bank depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Bank's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Bank would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Bank.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Bank's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero, then any excess is recognised in profit or loss.



Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(s) Leased assets (continued)

(i) Measurement and recognition of leases as a lessee (continued)

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

To respond to business needs particularly in the demand for office space, the Bank will enter into negotiations with landlords to either increase or decrease available office space or to renegotiate amounts payable under the respective leases. In some instances, the Bank is able to increase office capacity by taking additional floors available and therefore agrees with the landlord to pay an amount that is commensurate with the stand-alone pricing adjusted to reflect the particular contract terms. In these situations, the contractual agreement is treated as a new lease and accounted for accordingly.

In other instances, the Bank is able to negotiate a change to a lease such as reducing the amount of office space taken, reducing the lease term or by reducing the total amount payable under the lease. Neither of which were part of the original terms and conditions of the lease. In these situations, the Bank does not account for the changes as though there is a new lease. Instead, the revised contractual payments are discounted using a revised discount rate at the date that the lease is effectively modified. For the reasons explained above, the discount rate used is the Bank's incremental borrowing rate determined at the modification date, as the rate implicit in the lease is not readily determinable.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to items of office equipment such as desks, chairs, and certain IT equipment. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(ii) The Bank as a lessor

As a lessor the Bank classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

Notes to the financial statements (continued)**2. Summary of significant accounting policies (continued)****(t) Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Bank accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(u) Fiduciary activities

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

Assets held on behalf of Clients at cost	2024	2023
Treasury Bills	10,610	10,138
Government Bonds	<u>12,960</u>	<u>11,136</u>
Total	<u>23,570</u>	<u>21,274</u>

(v) Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists. An obligation exists when the Bank has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote then they are not disclosed.

Notes to the financial statements (continued)

3. Critical accounting estimates and judgements in applying accounting policies

The Bank makes a number of judgements, estimates and assumptions concerning the recognition and measurement of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

(j) Estimation uncertainty

The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Extension options for leases

When the entity has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

(b) Impairment losses on loans and advances

Inputs, assumptions and techniques used for estimating impairment.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, 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.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 90 days past due.

Notes to the financial statements (continued)

3. Critical accounting estimates and judgements in applying accounting policies (continued)

(i) Estimation uncertainty (continued)

(b) Impairment losses on loans and advances (continued)

Inputs, assumptions and techniques used for estimating impairment (continued) *Significant increase in credit risk (continued)*

Exposures are subject to ongoing monitoring and the monitoring typically involves use of the following data.

Corporate exposures	Retail exposures	All exposures
<ul style="list-style-type: none"> Information obtained during Periodic review of customer Files - e.g. audited financial statements, management accounts, budgets and projections. Data from credit reference agencies, press articles, changes in external credit Ratings Actual and expected significant Changes in the political, Regulatory and technological environment of the borrower or in its business activities 	<ul style="list-style-type: none"> Internally collected data on customer behaviour - e.g. utilization of credit facilities External data from credit Reference agencies, Including industry - standard 	<ul style="list-style-type: none"> Payment record This includes overdue status as well as a range of variables about payment ratios Utilisation of the granted limit Requests for and granting of forbearance Existing and forecast Changes in business, financial and economic conditions

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. (Overdrafts are considered as being past due once the customer has breached approved limit); or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

(c) Recognition of deferred tax

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 the 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 substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax liability is settled, or the related deferred income tax asset is realised.

Notes to the financial statements (continued)

4. Financial risk management

The Bank's primary business model is to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. The Bank currently is only involved with the Banking book and no trading book. The Bank's activities expose it to a variety of financial risks: market risk (including foreign exchange, interest rate risk and price risk), credit risk and liquidity risk. These activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risks is core to the Bank's business, and the financial risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

Risk management is carried out by the management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close cooperation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments.

Financial instruments by category included at carrying amount

	Loans and Receivables
Financial assets	
At 31 December 2024	
Cash and bank balances with Bank of Zambia	372,340
Balances with other banks-domestic	16,092
Balances with other banks-abroad	11,614
Loans and advances	371,676
Securities	658,196
Other assets	<u>89,718</u>
	<u>1,519,636</u>
At 31 December 2023	
Cash and bank balances with Bank of Zambia	319,011
Balances with other banks-domestic	8,525
Balances with other banks-abroad	12,402
Loans and advances	403,282
Securities	787,794
Other assets	<u>40,342</u>
	<u>1,571,356</u>
Financial liabilities	
At 31 December 2024	
Customer deposits	1,132,531
Deposits from banks	110,883
Lease liability	25,556
Other liabilities	<u>80,786</u>
	<u>1,349,756</u>
At 31 December 2023	
Customer deposits	1,206,113
Deposits from banks	126,231
Lease liability	34,567
Other liabilities	<u>46,395</u>
	<u>1,413,306</u>

Notes to the financial statements (continued)

4. Financial risk management (continued)

(a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit risk is the most important risk for the Bank's business. Management therefore carefully manages the exposure to credit risk. Credit exposure arises principally from lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and guarantees.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of Expected Credit Loss (ECL). The model formulates three economic scenarios depending on the parameters determined by the model to be used in the period: a base case, which is the median probability scenario of occurring, and two less likely scenarios, best case and one worst case, probabilities of occurring respectively.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk for portfolios include but are not limited to: GDP growth, unemployment rates, interest rates, real estate prices, etc.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy of the Bank.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime probability of default at the reporting date based on the modified terms; with
- the remaining lifetime probability of default estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

Notes to the financial statements (continued)

4. Financial risk management (continued)

(a) Credit risk (continued)

Modified financial assets (continued)

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank's Credit and Loan Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that exposure is credit impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Notes to the financial statements (continued)

4. Financial risk management (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

EAD represents the expected exposure in the event of a default. The Bank derives EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Risk limit control and mitigation policies

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers as stipulated by the Central Bank. Industry segments' risk levels are monitored on a revolving basis and subject to annual or more frequent review as deemed necessary by the Board of Directors.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral for advanced funds, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.
- Cash Collateral

Longer-term finance and lending to corporate entities are generally secured, revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances depend on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

Notes to the financial statements (continued)

4. Financial risk management (continued)

(a) Credit risk (continued)

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments if a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Maximum exposure to credit risk before collateral held or other credit enhancements. Financial instruments whose carrying amount represent exposure to credit risk without considering any of collateral held or other credit enhancements are disclosed below:

Credit risk exposure relating to off-balance sheet	2024	2023
Guarantees and Performance bonds	<u>10,799</u>	<u>10,032</u>

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities based on the following:

- the Bank exercises stringent controls over the granting of new loans
- 46% of the loans and advances portfolio are not impaired (2023: 47%)
- 99% of the loans and advances portfolio are backed by collateral (2023: 99%)
- 98% of the investments in debt securities are government securities (2023: 98%)

(i) Credit quality analysis at gross carrying amounts

At 31 December 2024	Loans and Advances	Securities	Total
Stage 1	164,584	659,296	823,880
Stage 2	52,015	-	52,015
Stage 3	257,058	-	257,058
Total gross carrying amounts	<u>473,657</u>	<u>659,296</u>	<u>1,132,953</u>

First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024***(All amounts are in thousands of Kwacha unless otherwise stated)***Notes to the financial statements (continued)****4. Financial risk management (continued)****(a) Credit risk (continued)**

(i) Credit quality analysis at gross carrying amounts (continued)

	Loans and Advances	Securities	Total
At 31 December 2023			
Stage 1	202,365	788,894	991,259
Stage 2	31,896	-	31,896
Stage 3	265,643	-	265,643
Total gross carrying amounts	499,904	788,894	1,288,798

(ii) Asset impairment allowances

(a) Loans and advances impairment

	Stage1	Stage2	Stage3	Total
At 31 December 2024				
At the start of the year	1,017	7	95,598	96,622
Charge for the year	-	-	98	98
Impact of Exchange Rate	649	933	3,679	5,261
At the end of the year	1,666	940	99,375	101,981

	Stage1	Stage2	Stage3	Total
At 31 December 2023				
At the start of the year	474	526	55,125	56,125
Charge for the year	543	-	39,954	40,497
Transfer	-	(519)	519	-
At the end of the year	1,017	7	95,598	96,622

(b) Securities impairment allowances

	Stage1	Stage2	Stage3	Total
At 31 December 2024				
At the start of the year	1,100	-	-	1,100
Charge for the year	-	-	-	-
At the end of the year	1,100	-	-	1,100

	Stage1	Stage2	Stage3	Total
At 31 December 2023				
At the start of the year	-	-	-	-
Charge for the year	1,100	-	-	1,100
At the end of the year	1,100	-	-	1,100

Notes to the financial statements (continued)

4. Financial risk management (continued)

(a) Credit risk (continued)

(iii) All the other financial instruments below were neither past due nor impaired.

	2024	2023
Cash and Balances with Bank of Zambia	372,340	319,011
Balances with other Banks – domestic	16,092	8,525
Balances with other Banks – abroad	11,614	12,402
Total	<u>400,046</u>	<u>339,938</u>



First Alliance Bank Zambia Limited
Financial Statements
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(All amounts are in thousands of Kwacha unless otherwise stated)

Notes to the financial statements (continued)

4. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Concentrations of risk of financial assets with credit risk exposures
Industry Sector risk concentrations were as follows for on and off-balance sheet items:

	Financial institutions	Manufacturing	Transport and communication	Wholesale and Retail Trade	Agricultural	Other	Individual	Total
At 31 December 2024								
Loans and advances to customers	-	72,596	3,298	205,933	36,984	37,181	15,684	371,676
Balances with Bank of Zambia	339,708	-	-	-	-	-	-	339,708
Placements with other Banks- abroad	11,614	-	-	-	-	-	-	11,614
Placements with other Banks- domestic	16,092	-	-	-	-	-	-	16,092
Investment in Securities	643,652	-	-	-	-	20,370	-	664,022
Other assets	-	-	-	-	-	89,718	-	89,718
Total	1,011,066	72,596	3,298	205,933	36,984	147,269	15,684	1,492,830
%	68%	5%	0%	14%	2%	10%	1%	100%

First Alliance Bank Zambia Limited
Financial Statements
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(All amounts are in thousands of Kwacha unless otherwise stated)

Notes to the financial statements (continued)

4. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Concentrations of risk of financial assets with credit risk exposures (continued)
Industry Sector risk concentrations were as follows for on and off -balance sheet items:

At 31 December	Financial institutions	Manufacturing	Transport and communication	Wholesale and Retail Trade	Agricultural	Other	Individual	Total
2023								
Loans and advances to customers	-	73,791	5,337	188,564	47,914	70,676	17,000	403,282
Balances with Bank of Zambia	247,011	-	-	-	-	-	-	247,011
Placements with other Banks- abroad	12,402	-	-	-	-	-	-	12,402
Placements with other Banks- domestic	8,525	-	-	-	-	-	-	8,525
Investment in Securities	774,497	-	-	-	-	17,239	-	791,736
Other assets	-	-	-	-	-	40,342	-	40,342
Total	1,042,435	73,791	5,337	188,564	47,914	128,257	17,000	1,503,298
%	69%	5%	0%	13%	3%	9%	1%	100%

Notes to the financial statements (continued)

4. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Concentrations of risk of financial assets with credit risk exposures (continued)

Investments in Securities

	2024	2023
Securities with Government of the Republic of Zambia	643,652	774,497
Corporate Bonds	14,544	13,297
Equity	<u>5,826</u>	<u>3,942</u>
	<u>664,022</u>	<u>791,736</u>

(b) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Central Bank requires that the Bank maintains a cash reserve ratio. In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-Bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The Treasury department monitors liquidity ratios daily. Sources of liquidity are regularly reviewed by a separate team in Bank Treasury to maintain a wide diversification by provider, product and term.

(i) Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the undiscounted cash flows payable by the Bank under non-derivative financial liabilities and assets categorised by;

- remaining contractual maturities; and
- expected maturity dates.

First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024***(All amounts are in thousands of Kwacha unless otherwise stated)***Notes to the financial statements (continued)****4. Financial risk management (continued)****(b) Liquidity risk (continued)**

(i) Non-derivative financial liabilities and assets held for managing liquidity risk (continued)

At 31 December 2024	Upto1 Month	2-3 Months	4-12 Months	1-5 Years	Over 5 Years	Total
Liabilities						
Customer deposits	733,757	143,839	254,937	-	-	1,132,533
Deposits from other Banks	101,133	-	9,750	-	-	110,883
Lease liability	2,251	238	5,004	18,064	-	25,556
Other financial liabilities	80,786	-	-	-	-	80,786
Total financial Liabilities	917,927	144,077	269,691	18,063	-	1,349,758
Assets						
Cash and balances with Bank of Zambia	372,340	-	-	-	-	372,340
Balances with other Banks	27,706	-	-	-	-	27,706
Loans and advances	42,414	44,868	54,944	229,450	-	371,676
Investment in securities	90,982	88,713	241,682	242,645	-	664,022
Other Financial assets	89,718	-	-	-	-	89,718
Total financial assets	623,160	133,581	296,626	472,095	-	1,525,462
At 31 December 2023						
Liabilities						
Customer deposits	704,380	200,544	301,189	-	-	1,206,113
Deposits from other Banks	81,440	-	30,057	14,734	-	126,231
Lease liability	3,516	152	28,734	2,165	-	34,567
Other financial liabilities	46,395	-	-	-	-	46,395
Total financial Liabilities	835,731	200,696	359,980	16,899	-	1,413,306
Assets						
Cash and balances with Bank of Zambia	319,011	-	-	-	-	319,011
Balances with other Banks	20,927	-	-	-	-	20,927
Loans and advances	115,941	24,226	169,234	93,881	-	403,282
Investment in securities	67,262	107,342	435,834	181,298	-	791,736
Other Financial assets	40,342	-	-	-	-	40,342
Total financial assets	563,483	131,568	605,068	275,179	-	1,575,298

Notes to the financial statements (continued)

4. Financial risk management (continued)

(b) Liquidity risk (continued)

(ii) Assets held for managing liquidity risk

The Bank holds a diverse portfolio of cash and high-quality liquid securities to support payment obligations and contingent funding in a stressful market environment. The Bank's assets for managing liquidity risk comprise:

- Cash and balances with Bank of Zambia
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Banks' portfolios.

(iii) Off balance sheet items Outstanding Guarantees

	2024	2023
Outstanding Guarantees	<u>10,799</u>	<u>10,032</u>

(iv) Capital commitments

There were no capital commitments for the acquisition of property and equipment during the year (2023: Nil).

(c) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of the financial instrument. Market risk arises from an open position in interest rates and for eign currencies, both of which are exposed to general and specific market movements and changes in levels of exchange volatility. The objective of market risk management is to manage and control market risk exposure within acceptable limits, while optimising the returns on the risk. Overall responsibility for managing market risk rests with the Assets and Liabilities Committee (ALCO).

The Treasury Department in consultations with the senior management reviews the foreign exchange buying and selling rates daily and decisions are made as to how to proceed in time within the limits stipulated by the Bank of Zambia.

Similarly, the Assets and Liabilities Committee monitors the interest rates monthly and adjustments are made to interest chargeable on loans and advances, if deemed necessary. The monitoring process pays attention to Treasury bill rates and base rates changes announced by the other Banks.

First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024***(All amounts are in thousands of Kwacha unless otherwise stated)***Notes to the financial statements (continued)****4. Financial risk management (continued)****(c) Market risk (continued)**

(i) Exposure to foreign exchange risk

The Bank takes exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily by management through treasury. The table below summarises the Bank's exposure to foreign currency exchange rate risk on 31 December 2024 and 2023. The figures in the table below are in thousands.

	USD	GBP	ZAR	Euro	INR
At 31 December 2024					
Assets					
Cash and balances with Banks abroad	7,485	42	1,049	154	11
Loans and advances to customers	9,355	-	-	-	-
Other assets	1,969	-	-	-	-
Total assets	18,809	42	1,049	154	11
Liabilities					
Customer deposits	17,037	9	174	94	-
Deposits from other banks	252	-	-	-	-
Other liabilities	1,800	-	41	-	-
Total liabilities	19,089	9	215	94	-
Net on-balance sheet position	(280)	33	834	60	11
Off-balance sheet (Net)	(338)	-	-	-	-
Overall open position	(618)	33	834	60	11
At 31 December 2023					
Assets					
Cash and balances with Banks abroad	6,196	41	1,515	86	10,067
Loans and advances to customers	10,436	-	-	-	-
Other assets	2,427	-	-	-	-
Total assets	19,059	41	1,515	86	10,067
Liabilities					
Customer deposits	16,208	26	1,142	110	-
Deposits from other banks	2,000	-	-	-	-
Other liabilities	1,288	-	-	-	-
Total liabilities	19,496	26	1,142	110	-
Net on-balance sheet position	(437)	15	373	(24)	10,067
Off-balance sheet (Net)	(341)	-	-	-	-
Overall open position	(778)	15	373	(24)	10,067

Notes to the financial statements (continued)

4. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign currency sensitivity

The following shows the currency sensitivity to the Bank's exposure to a 9% appreciation or depreciation of the Kwacha against the relevant foreign currencies, translated at a statement financial position date. 9% represents management's assessment of a reasonably possible change in foreign currency rates considering recent developments in the economy.

Only net open positions have been used in performing the sensitivity analysis. A negative number indicates a decrease in the net asset position thereby increasing the exposure where the Kwacha appreciates, and the opposite is the impact when the Kwacha depreciates.

Change	US\$	GBP	ZAR	EUR	INR
2024-9%	55	(3)	(74)	(5)	(1)
2023-45%	350	(7)	(168)	11	(4,530)

(iii) Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken. This is monitored daily by management.

The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities in terms of carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear any interest rate risk on off balance sheet items.

First Alliance Bank Zambia Limited

Financial Statements

For the year ended 31st December, 2024

(All amounts are in thousands of Kwacha unless otherwise stated)

Notes to the financial statements (continued)

4. Financial risk management (continued)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

	Up to 3 Months	3-6 Months	6-12 Months	Over 1 Year	Non- interest bearing	Total
At 31 December 2024						
Cash and balances with Central bank	-	-	-	-	372,340	372,340
Balances with other banks-	16,092	-	-	-	-	16,092
Balances with other banks -	11,614	-	-	-	-	11,614
Loans and advances to customers	87,282	11,564	43,380	229,450	-	371,676
Investment in Securities	179,695	92,935	148,747	236,819	5,826	664,022
Other assets	-	-	-	-	89,718	89,718
Total financial assets	294,683	104,499	192,127	466,269	467,884	1,525,462
Liabilities						
Customer deposits	222,488	140,343	114,594	-	655,106	1,132,531
Deposits from other banks	69,000	-	11,307	-	30,576	110,883
Lease liabilities	2,489	1,871	3,133	18,063	-	25,556
Other liabilities	-	-	-	-	80,786	80,786
Total financial liabilities	293,977	142,214	129,034	18,064	766,468	1,349,756
Interest re-pricing gap	706	(37,009)	27,641	475,846	175,705	
Impact of 10% increase in rates	71	(3,701)	2,764	47,585	17,571	
Impact of 7.5% decrease in rates	(53)	2,776	(2,073)	(35,688)	(13,178)	
	Up to 3 Months	3-6 Months	6-12 Months	Over 1 Year	Non- interest bearing	Total
At 31 December 2023						
Cash and balances with Central bank	-	-	-	-	319,011	319,011
Balances with other banks- domestic	8,525	-	-	-	-	8,525
Balances with other banks - abroad	12,402	-	-	-	-	12,402
Loans and advances to customers	140,167	44,688	124,546	93,881	-	403,282
Investment in Securities	174,604	163,926	271,908	177,356	3,942	791,736
Other assets	-	-	-	-	40,342	40,342
Total financial assets	335,698	208,614	396,454	271,237	363,295	1,575,298
Liabilities						
Customer deposits	597,350	165,675	135,514	-	307,574	1,206,113
Deposits from other banks	81,440	10,000	20,057	9,750	4,984	126,231
Lease liabilities	3,668	9,727	19,007	2,165	-	34,567
Other liabilities	-	-	-	-	46,395	46,395
Total financial liabilities	682,458	185,402	174,578	11,915	358,953	1,413,306
Interest re-pricing gap	(346,760)	(323,548)	(101,671)	157,651	161,992	
Impact of 10% increase in rates	(34,676)	(32,355)	(10,167)	15,765	16,199	
Impact of 7.5% decrease in rates	26,007	24,266	7,625	(11,824)	(12,149)	

Notes to the financial statements (continued)

4. Financial risk management (continued)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

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 Banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

(d) Fair values of financial instruments

The fair values of the Bank's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual re-pricing or maturity dates asset out above. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the Directors expect would be available to the Bank at the statement of financial position date.

Assets and liabilities measured at fair value

	Carrying Amount 2024	Fair Value 2024	Carrying Amount 2023	Fair Value 2023
Assets				
Cash and balances with Bank Zambia	372,340	372,340	319,011	319,011
Balances with other Banks- domestic	16,092	16,092	8,525	8,525
Balances with other Banks- abroad	11,614	11,614	12,402	12,402
Loans and advances	371,676	371,676	403,282	403,282
Other Assets	747,914	747,914	828,136	828,136
Total	<u>1,519,636</u>	<u>1,519,636</u>	<u>1,571,356</u>	<u>1,571,356</u>
Liabilities				
Deposits from customers	1,132,531	1,132,531	1,206,113	1,206,113
Deposits from other Banks	110,883	110,883	126,231	126,231
Other Liabilities	80,786	80,786	46,395	46,395
Total	<u>1,324,200</u>	<u>1,324,200</u>	<u>1,378,739</u>	<u>1,378,739</u>

Notes to the financial statements (continued)

4. Financial risk management (continued)

(d) Fair values of financial instruments (continued)

Fair value hierarchy

Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Banks' market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument 's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

For assets whose fair value is equal to the carrying amounts, the fair value disclosures above are analysed as follows in the fair value hierarchy.

	Level 1	Level 2	Level 3
At 31 December 2024			
Balances with other banks - domestic	-	16,092	-
Balances with other banks-abroad	-	11,614	-
Loans and advances	-	371,676	-
Investment in securities	5,826	658,196	-
Total Assets	<u>5,826</u>	<u>1,057,578</u>	-
At 31 December 2023			
Balances with other banks - domestic	-	8,525	-
Balances with other banks - abroad	-	12,402	-
Loans and advances	-	403,282	-
Investment in securities	3,942	787,794	-
Total Assets	<u>3,942</u>	<u>1,212,003</u>	-

At 31st December, 2024, the Bank did not have financial liabilities measured at fair value (2023: nil)

Fair Value Estimation of Non-financial assets

When determining the fair value of a non-financial asset, a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use, is considered. This includes the use of the asset that is physically possible, legally permissible, and financially feasible.

Notes to the financial statements (continued)

4. Financial risk management (continued)

(d) Fair values of financial instruments (continued)

Fair Value Estimation of Non-financial assets (continued)

The following table analyses the Bank's Property Plant and Equipment by hierarchy.

	Level 1	Level 2	Level 3
2024			
Property	-	37,987	-
2023			
Property	-	48,840	-

All fair value measurements disclosed are recurring fair value measurements, required for the purposes of measuring the Bank's assets at fair value. During the year no transfers were made amongst the different levels.

(e) Capital management

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

- to comply with the capital requirements set by the Banking and Financial Services Act;
- to safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders;
- to maintain a strong capital base to support the development of its business.

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

The Bank of Zambia requires local owned Banks to: (a) hold the minimum level of regulatory capital of K104 million; (b) maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 10%. (c) maintain primary or tier 1 capital of not less than K104million of which 80% should be share capital and 20% audited retained earnings. The Bank's total regulatory capital is divided into two tiers:

- Tier 1 capital (primary capital): common shareholders' equity, qualifying preferred shares and minority interests in the equity of subsidiaries that are less than wholly owned.
- Tier 2 capital (secondary capital): qualifying preferred shares, 40% of revaluation reserves, subordinated term debt or loan stock with a minimum original term of maturity of over five years (subject to a straight-line amortisation during the last five years leaving no more than 20% of the original amount outstanding in the final year before redemption) and other capital instruments which the Bank of Zambia may allow. The maximum amount of secondary capital is limited to 100% of primary capital.

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



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First Alliance Bank Zambia Limited**Financial Statements**

For the year ended 31st December, 2024

*(All amounts are in thousands of Kwacha unless otherwise stated)***Notes to the financial statements (continued)****4. Financial risk management (continued)****(f) Capital management**

The table below summarises the composition of regulatory capital and the ratios of the Bank at 31st December, 2024:

	2024	2023
Regulatory Capital		
Tier 1 capital	201,432	192,809
Tier 2	215	219
Tier 1 + Tier 2 capital	<u>201,647</u>	<u>193,028</u>
Risk-weighted assets		
On-balance sheet	626,139	618,988
Off-balance sheet	10,799	10,032
Total risk-weighted assets	<u>636,938</u>	<u>629,020</u>
Basel ratio		
Tier 1 (Regulatory minimum - 5%)	<u>31.6%</u>	<u>30.7%</u>
Tier 1 + Tier 2 (Regulatory minimum -10%)	<u>31.7%</u>	<u>30.7%</u>
5. Interest income		
Loans and advances to customers	103,284	55,844
Government and other securities	119,582	125,638
Advances to banks and other financial institutions	373	1,572
	<u>223,239</u>	<u>183,054</u>
6. Interest expense		
Customer deposits	68,726	74,750
Deposits from other banks	26,096	5,377
	<u>94,822</u>	<u>80,127</u>
7. Fees and commission income		
Credit related fees and commission	5,044	13,239
Customer transaction and activity fees	6,424	(2,068)
	<u>11,468</u>	<u>11,171</u>
8. Other income		
Trading gains/(losses)	24,243	28,717
	<u>24,243</u>	<u>28,717</u>

First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024***(All amounts are in thousands of Kwacha unless otherwise stated)***Notes to the financial statements (continued)**

9. Operating expenses	2024	2023
Employee benefits expense (note 10)	56,789	45,609
Depreciation on property and equipment (note 18)	42,947	35,648
Computer expenses	12,803	10,334
ATM expenses	10,615	5,639
Consultancy fees	4,716	3,061
Directors' fees	3,909	2,672
Regulatory supervision fees	2,751	2,946
Swift expenses	2,504	1,873
Reuters expenses	2,283	1,564
Fuel & maintenance	2,074	933
Travel expenses	1,623	1,338
Amortisation of intangible property and equipment (note 19)	1,585	1,371
Security charges	1,454	1,086
NOSTRO Account CHGS	1,408	1,056
Insurance expenses	1,302	836
Audit Expenses	1,290	952
Business Promotion expenses	1,199	436
Regulatory Handling fees - Government Securities	1,088	987
Printing & stationery	921	847
Misc office expenses	864	(2,261)
Donations	697	542
Property and equipment maintenance expenses	638	636
Generator expenses	575	118
Water, lighting and newspapers	574	522
Staff refreshments	559	433
Cleaning materials	538	512
Subscription fees	537	434
Telephone expenses	535	375
Advertisements	509	575
Clearing House expenses	326	270
Equipment Repairs	206	211
Training	178	184
Cash Repatriation Charges	173	-
Cash shortage	96	16
Postages	65	38
Rates and Taxes	-	89
	<u>160,331</u>	<u>121,882</u>
10. Employee benefits expense		
Salaries and wages	55,495	44,555
Other Staff benefit costs	1,294	1,054
	<u>56,789</u>	<u>45,609</u>
11. (a) Income tax expense		
Current tax	5,428	5,197
Deferred tax (credit)/charge (note 24)	(3,106)	(11,311)
	<u>2,322</u>	<u>(6,114)</u>

First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024***(All amounts are in thousands of Kwacha unless otherwise stated)***Notes to the financial statements (continued)****11. Income tax expense (continued)**

(b) The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate which is reconciled as follows:

	2024	2023
Profit before income tax	3,715	(23,878)
Tax calculated at the statutory income tax rate of 30% (2023:30%)	1,115	(7,163)
Tax effect of:		
Net adjusted expenses for tax purposes	4,313	12,360
Net deferred tax asset movement (Note 24)	(3,106)	(11,311)
Income tax expense	2,322	(6,114)

	2024	2023
(c) Current income tax movement		
At the start of the year (asset)/liability	(19,434)	(8,679)
Current income tax charge	5,428	5,197
Payments during the year	-	(15,952)
At the end of the year - (asset)/liability	(14,006)	(19,434)

12. Cash and balances with Bank of Zambia

	2024	2023
Cash in hand	32,632	72,000
Balances with Bank of Zambia	339,708	247,011
-Current account	51,920	13,860
-Statutory reserves	287,788	233,151
Total	372,340	319,011
Current	372,340	319,011

Mandatory statutory reserve deposits are not available for use in the Bank's day-to-day operations, but excess balances in statutory reserves accounts are available. Cash-in-hand and balances with the Central Bank and statutory reserve deposits are non-interest bearing. Banks are required to maintain a prescribed minimum cash balance with the Bank of Zambia as statutory reserves.

Notes to the financial statements (continued)

13. Cash and cash equivalents

The analysis of cash and cash equivalents at year end was as follows;

	2024	2023
Cash and balances with Bank of Zambia	372,340	319,011
Balances with other Banks (Note 14)	27,706	20,927
Securities maturing before 90 days	142,658	185,785
	<u>542,704</u>	<u>525,723</u>

14. Balances with other banks

	2024	2023
Balances with local Banks	16,092	8,525
Balances with Banks abroad	11,614	12,402
	<u>27,706</u>	<u>20,927</u>
Current	26,103	19,864
Non-current	1,603	1,063
	<u>27,706</u>	<u>20,927</u>

15. (a) Investment in securities at amortised cost

	2024	2023
Current	452,612	593,784
Non-current	205,584	194,010
	<u>658,196</u>	<u>787,794</u>

The Bank invested in a Corporate Bond; a US Dollar denominated secured redeemable bond with a total face value of \$544,579 issued by the Real Estates Investments Zambia Plc (REIZ) for 5 years (26th November 2022 to 25th November 2027) bearing interest at 5.5% per annum payable half yearly.

First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024***(All amounts are in thousands of Kwacha unless otherwise stated)***Notes to the financial statements (continued)****15. (a) Investment securities at amortised cost (continued)**

The movement in Investment securities at amortised costs

Analysis of Expected Credit Loss (ECL) of gross carrying amount of investments at amortised cost

Gross Amounts	Stage 1	Stage 2	Stage 3	Total
At the start of the year 2024	788,894	-	-	788,894
Net investment during the year	(130,845)	-	-	(130,845)
Impact of exchange rates	1,247	-	-	1,247
At the end of the year	659,296	-	-	659,296

ECL Analysis	Stage 1	Stage 2	Stage 3	Total
At the start of the year 2024	1,100	-	-	1,100
Additions	-	-	-	-
At the end of the year	1,100	-	-	1,100
Net Investments	658,196	-	-	658,196

Gross Amounts	Stage 1	Stage 2	Stage 3	Total
At the end of the year 2023	738,997	-	-	738,997
Net investment during the year	45,692	-	-	45,692
Impact of exchange rate	4,205	-	-	4,205
	788,894	-	-	788,894

ECL Analysis	Stage 1	Stage 2	Stage 3	Total
At the start of the year 2023	-	-	-	-
Additions	1,100	-	-	1,100
At the end of the year	1,100	-	-	1,100
Net Investments	787,794	-	-	787,794

Directors remain of the considered view that these investment securities are of high quality given that the Government of the Republic of Zambia has no history of defaulting on its local currency denominated sovereign debt.

15. (b) Investment in equity

	2024	2023
At the start of the year	3,942	4,942
Fair value movement	1,884	(1,000)
At the end of the year	5,826	3,942

First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024***(All amounts are in thousands of Kwacha unless otherwise stated)***Notes to the financial statements (continued)****16. Loans and advances to customers**

	2024	2023
Overdrafts	384,514	428,459
Term Loans	89,143	71,445
Gross loans and advances	<u>473,657</u>	<u>499,904</u>
Less:		
- Provision for impairment of loans and advances	<u>(101,981)</u>	<u>(96,622)</u>
Net loans and advances	<u>371,676</u>	<u>403,282</u>
Current	344,149	393,949
Non-current	<u>27,527</u>	<u>9,333</u>
	<u>371,676</u>	<u>403,282</u>
Movements in provisions for the impairment of loans and advances are as follows:		
At the start of the year	96,622	56,125
(Credit)/charge to the income statement	98	40,497
Charge	<u>4,126</u>	<u>40,497</u>
Recovery during the year	<u>(4,028)</u>	<u>-</u>
Impact of exchange rate	5,261	-
At the end of the year	<u>101,981</u>	<u>96,622</u>

All impaired loans have been written down to their estimated recoverable amount.

17. Other Investments

	2024	2023
National Switch	<u>837</u>	<u>837</u>
Non-current	<u>837</u>	<u>837</u>

This is an investment or contribution by the Bank towards the set-up costs of the establishment of the National Switch to enhance Zambia Electronic Clearing House Limited (ZECHL) functionality, more especially to support electronic point of sale transactions. This investment is carried at cost and is reviewed for impairment at each reporting date.

First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024***(All amounts are in thousands of Kwacha unless otherwise stated)***Notes to the financial statements (continued)****18. Property, Plant and Equipment**

	Buildings	Motor vehicles	Furniture, Fittings & Equipment	Total
Year ended 31 December 2024				
Opening net book amount	33,278	5,591	9,971	48,840
Additions	27,322	1,472	1,152	29,946
Disposals	-	(95)	(44)	(139)
Depreciation charge	(36,911)	(1,779)	(4,257)	(42,947)
Depreciation on disposal	-	95	25	120
Impact of exchange rate movement	2,167	-	-	2,167
Closing net book amount	<u>25,856</u>	<u>5,284</u>	<u>6,847</u>	<u>37,987</u>
At 31 December 2024				
Cost Valuation	116,605	13,080	25,750	155,435
Accumulated depreciation	(92,916)	(7,796)	(18,903)	(119,615)
Impact of exchange Rate	2,167	-	-	2,167
Total	<u>25,856</u>	<u>5,284</u>	<u>6,847</u>	<u>37,987</u>
Year ended 31 December 2023				
Opening net book amount	48,232	775	9,482	58,489
Additions	1,253	6,397	4,077	11,727
Disposals	-	(273)	(19)	(292)
Depreciation charge	(30,493)	(1,581)	(3,574)	(35,648)
Depreciation on disposal	-	273	5	278
Impact of exchange rate movement	14,286	-	-	14,286
Closing net book amount	<u>33,278</u>	<u>5,591</u>	<u>9,971</u>	<u>48,840</u>
At 31 December 2023				
Cost/Valuation	89,283	11,703	24,642	125,628
Accumulated depreciation	(70,291)	(6,112)	(14,671)	(91,074)
Impact of exchange rate	14,286	-	-	14,286
Total	<u>33,278</u>	<u>5,591</u>	<u>9,971</u>	<u>48,840</u>

Revaluation

The last valuation of land and building in December 2023 was conducted by LAN DWORTH Property Consult, an independent valuer to determine the fair value of the land and building as at 31st December 2023. The purpose of the valuation was to determine the Current Open Market Value of the property for asset value purposes. The valuation was made on direct comparisons to other similar available-property transactions in the vicinity and considerations were made with reference to location, accessibility, age, condition, etc., and the prevailing market trends. Sales were analyzed and processed to form units of the value per metre square of the floor areas of the buildings which were compared with the subject property on the basis to arrive at an adjusted unit value/per metre and applied the same to the subject property allowing similarities and dissimilarities accordingly. The revaluation surplus was credited to other comprehensive income and is included in shareholders' equity. The revaluation surplus represents solely the surplus on the revaluation of buildings and is non-distributable. The movement in the revaluation surplus on buildings is shown in note 27.

Notes to the financial statements (continued)**18. Property and equipment (continued)**

The carrying amount of the revalued properties if carried under cost model would be as follows:

	2024	2023
Cost	675	675
Accumulated depreciation	<u>(163)</u>	<u>(149)</u>
Net book value	<u>512</u>	<u>526</u>

19. Intangible assets

	Computer software & licenses
At 1 January 2024	
Carrying value at the start of the year	3,734
Additions	601
Amortisation	<u>(1,585)</u>
At the end of the year	<u>2,750</u>
At 31 December 2024	
Accumulated cost	14,511
Accumulated amortization	<u>(11,761)</u>
Carrying value at the end of the year	<u>2,750</u>
At 1 January 2023	
Carrying value at the start of the year	3,880
Additions	1,225
Amortisation	<u>(1,371)</u>
At the end of the year	<u>3,734</u>
At 31 December 2023	
Accumulated cost	13,910
Accumulated amortization	<u>(10,176)</u>
Carrying value at the end of the year	<u>3,734</u>

Notes to the financial statements (continued)

20. Leases

(a) Right-of-use assets		
Building	2024	2023
Gross carrying value at the start of the year	87,903	87,180
Additions	27,322	2,525
Modifications	-	(1,802)
At the end of the year	<u>115,225</u>	<u>87,903</u>
Accumulated depreciation at the start of year	55,785	39,707
Depreciation charge	36,476	29,641
Impact of exchange rate movement	(2,167)	(13,563)
At year end	<u>90,094</u>	<u>55,785</u>
Net carrying amount	<u>25,131</u>	<u>32,118</u>

The right of use assets is included under property and equipment note 18.

(b) Lease liabilities	2024	2023
At 1 January	34,567	49,354
Additions	27,322	2,525
Lease payments	(39,001)	(28,385)
Lease liability charges	1,881	2,213
Lease modifications	-	(1,916)
Impact of exchange rate movements	787	10,776
At the end of the year	<u>25,556</u>	<u>34,567</u>
Current	7,496	32,839
Non-current	<u>18,060</u>	<u>1,728</u>
At the end of the year	<u>25,556</u>	<u>34,567</u>

Lease activities

The Bank leases properties which include Office Space, Data Recovery Site and Information Technology Equipment. Leases are negotiated on an individual basis and contain a range of different terms and conditions. The main lease features for the building include:

- Refundable Security deposits ranging from one month to three months lease payment equivalent.
- Termination and renewal options ranging between one month to six months' notice.
- Advance quarterly lease payments.
- Currency of lease agreements are mostly United States Dollars or Zambian Kwacha
- Annual lease escalation ranging between 3% and 5%
- Fixed contract periods of between three and five years with an option to renew.
- The lease agreements do not impose any covenants, but leased assets are not used as security for borrowing purposes.

First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024***(All amounts are in thousands of Kwacha unless otherwise stated)***Notes to the financial statements (continued)****20. Leases (continued)**

Variable lease payments

The Bank did not have any variable lease agreements in 2024 (2023: Nil)

The undiscounted minimum future lease payments are indicated as below:

	2024	2023
1 year	8,729	38,320
2-5 Years	<u>19,316</u>	<u>2,165</u>
	<u>28,045</u>	<u>40,485</u>
21. Other assets	2024	2023
Prepayments	5,319	3,481
Withholding Tax Receivable	31,350	14,918
Recoverable Deposit	16,749	15,387
Interest Receivable	3,459	3,924
Settlements	28,879	-
Other	<u>9,281</u>	<u>6,113</u>
	<u>95,037</u>	<u>43,823</u>
Current	91,264	43,689
Non-current	<u>3,773</u>	<u>134</u>
	<u>95,037</u>	<u>43,823</u>
22. Deposits from other banks	2024	2023
Inter-Bank Funds	101,133	87,981
Term Relief Funds	<u>9,750</u>	<u>38,250</u>
	<u>110,883</u>	<u>126,231</u>
Current	110,883	116,481
Non-current	<u>-</u>	<u>9,750</u>
	<u>110,883</u>	<u>126,231</u>
23. Deposits from customers	2024	2023
Current and demand deposits	652,845	630,600
Savings accounts	2,262	2,073
Fixed deposit accounts	<u>477,424</u>	<u>573,440</u>
	<u>1,132,531</u>	<u>1,206,113</u>
Current	<u>1,132,531</u>	<u>1,206,113</u>

First Alliance Bank Zambia Limited

Financial Statements

For the year ended 31st December, 2024

(All amounts are in thousands of Kwacha unless otherwise stated)

Notes to the financial statements (continued)

24. Deferred Income Tax

The deferred income tax liability(asset) recognised income statement /statement of financial position are attributable to the following items:

Year ended 31 December 2024	Deferred tax at start of year	Movement in deferred tax	(Credit)/ charge to profit or loss	(Credit)/charge to other comprehensive income	At end of year
<i>Deferred income tax liabilities</i>					
Plant and equipment					
Cost	1,991	(787)	(787)	-	1,204
Valuation	64	3	-	3	67
Lease asset	9,635	(2,096)	(2,096)	-	7,539
Fair Value	59	(565)	(565)	-	(506)
	<u>11,749</u>	<u>(3,445)</u>	<u>(3,448)</u>	<u>3</u>	<u>8,304</u>
<i>Deferred income tax assets</i>					
Provision for impairment	(28,986)	(1,657)	(1,657)	-	(30,643)
Impairment on Financial Instrument	(330)	-	-	-	(330)
Other provisions	(3,394)	(704)	(704)	-	(4,098)
Lease liability	<u>(10,370)</u>	<u>2,703</u>	<u>2,703</u>	<u>-</u>	<u>(7,667)</u>
	<u>(43,080)</u>	<u>342</u>	<u>342</u>	<u>-</u>	<u>(42,738)</u>
Net deferred tax	<u>(31,331)</u>	<u>(3,103)</u>	<u>(3,106)</u>	<u>3</u>	<u>(34,434)</u>
Year ended 31 December 2023					
<i>Deferred income tax liabilities</i>					
Plant and equipment					
Cost	1,491	500	500	-	1,991
Valuation	165	(101)	-	(101)	64
Lease Asset	14,242	(4,607)	(4,607)	-	9,635
Fair Value	-	59	59	-	59
	<u>15,898</u>	<u>(4,149)</u>	<u>(4,048)</u>	<u>(101)</u>	<u>11,749</u>
<i>Deferred income tax assets</i>					
Provision for impairment	(15,820)	(13,166)	(13,166)	-	(28,986)
impairment of Fin Inst	-	(330)	(330)	-	(330)
Other provisions	(5,191)	1,797	1,797	-	(3,394)
Lease Liability	<u>(14,806)</u>	<u>4,436</u>	<u>4,436</u>	<u>-</u>	<u>(10,370)</u>
	<u>(35,817)</u>	<u>(7,263)</u>	<u>(7,263)</u>	<u>-</u>	<u>(43,080)</u>
Net deferred tax	<u>(19,919)</u>	<u>(11,412)</u>	<u>(11,311)</u>	<u>(101)</u>	<u>(31,331)</u>

First Alliance Bank Zambia Limited

Financial Statements

For the year ended 31st December, 2024

(All amounts are in thousands of Kwacha unless otherwise stated)

Notes to the financial statements (continued)

24. Deferred Income Tax(continued)

Deferred Income Tax is calculated using the enacted income tax rate of 30% (2023: 30%). The movement on the deferred income tax is as follows:

Year ended 31 December 2024	At the start of the year	Recognised in terms of prior year	Recognised in current year	Total	Movement to other Comprehensive income	Movement to profit & loss	At the end of the year
<i>Deferred income liabilities</i>							
<i>Plant & equipment</i>							
Cost	1,991	-	(787)	1,204	-	(787)	1,204
Valuation	64	-	3	67	3	-	67
Lease Asset	9,635	-	(2,096)	7,539	-	(2,096)	7,539
Fair Value Gain	59	-	(565)	(506)	-	(565)	(506)
	<u>11,749</u>	-	<u>(3,445)</u>	<u>8,304</u>	<u>3</u>	<u>(3,448)</u>	<u>8,304</u>
<i>Assets</i>							
impairment	(28,986)	-	(1,657)	(30,643)	-	(1,657)	(30,643)
impairment of Fin Inst	(330)	-	-	(330)	-	-	(330)
Other provisions	(3,394)	-	(704)	(4,098)	-	(704)	(4,098)
Lease Liability	(10,370)	-	2,703	(7,667)	-	2,703	(7,667)
	<u>(43,080)</u>	-	<u>342</u>	<u>(42,738)</u>	-	<u>342</u>	<u>(42,738)</u>
Net deferred tax	<u>(31,331)</u>	-	<u>(3,103)</u>	<u>(34,434)</u>	<u>3</u>	<u>(3,106)</u>	<u>(34,434)</u>
Year ended 31 December 2023	At the start of the year	Recognised in terms of prior year	Recognised in current year	Total	Movement to other comprehensive income	Movement to profit & loss	At the end of the year
<i>Deferred income liabilities</i>							
<i>Plant & equipment</i>							
Cost	1,491	157	343	1,991	-	500	1,991
Valuation	165	-	(101)	64	(101)	-	64
Lease Asset	14,242	-	(4,607)	9,635	-	(4,607)	9,635
Fair Value Gain	-	-	59	59	-	59	59
	<u>15,898</u>	<u>157</u>	<u>(4,306)</u>	<u>11,749</u>	<u>(101)</u>	<u>(4,048)</u>	<u>11,749</u>
<i>Assets</i>							
Impairment	(15,820)	(1,017)	(12,149)	(28,986)	(1,017)	(12,149)	(28,986)
impairment of Fin Inst	-	-	(330)	(330)	-	(330)	(330)
Other provisions	(5,191)	-	1,797	(3,394)	-	1,797	(3,394)
Lease Liability	(14,806)	-	4,436	(10,370)	-	4,436	(10,370)
	<u>(35,817)</u>	<u>(1,017)</u>	<u>(6,246)</u>	<u>(43,080)</u>	<u>(1,017)</u>	<u>(6,246)</u>	<u>(43,080)</u>
Net deferred tax	<u>(19,919)</u>	<u>(860)</u>	<u>(10,552)</u>	<u>(31,331)</u>	<u>(1,118)</u>	<u>(10,294)</u>	<u>(31,331)</u>

Notes to the financial statements (continued)

25. Other liabilities	2024	2023
Statutory payments	2,288	497
Terminal benefits provision	11,066	5,673
Margin Money	7,270	-
Settlements	28,906	-
Interest Payable	20,313	28,907
Accrued Expenses	8,518	7,702
Other	2,425	3,616
	<u>80,786</u>	<u>46,395</u>
Current	80,786	46,395
Non-current	-	-
	<u>80,786</u>	<u>46,395</u>
26. Issued and fully paid	2024	2023
84 million ordinary shares of K1 per share	<u>84,000</u>	<u>84,000</u>

The total authorised number of ordinary shares is 104 million with a par value of K1 per share.

First Alliance Bank Zambia Limited**Financial Statements****For the year ended 31st December, 2024***(All amounts are in thousands of Kwacha unless otherwise stated)***Notes to the financial statements (continued)**

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

27. Revaluation reserve	2024	2023
At the start of the year	537	548
Transfer of excess depreciation	(11)	(11)
At the end of the year	<u>526</u>	<u>537</u>

28. Statutory reserve	2024	2023
Statutory Reserve	<u>84.000</u>	<u>84.000</u>

The statutory reserve is established in accordance with the Banking and Financial Services Act (SI 182), which stipulates that a bank or financial institution shall maintain a reserve fund and shall, out of its retained earnings of distributable profits from the current financial year, before any dividend is declared, transfer to that fund a sum equal to not less than fifty per centum of such profits, whenever the amount of the reserve fund does not exceed half of its paid-up equity capital; or twenty per centum of such profits or such sum as shall make the amount of the reserve fund equal to the paid-up equity capital, whenever the amount of the reserve fund exceeds half of its paid-up equity capital, but is less than the paid-up equity capital.

29. Credit risk reserve**(a) General loss reserve**

The general reserve represents the excess of impairment provisions determined in accordance with the Bank of Zambia prudential regulations over the impairment provisions recognised in accordance with International Financial Reporting Standards (IFRS). In 2024, the Bank's discretion balance stood at K Nil (2023: K Nil). This reserve is included in regulatory capital computation.

(b) Regulatory loan loss reserve

	2024	2023	Movement
Bank of Zambia impairment provision	171,813	166,291	5,522
IFRS impairment provision	(101,981)	(96,622)	(5,359)
Balance at year end	<u>69,832</u>	<u>69,669</u>	<u>163</u>

Regulatory Loan Loss reserve relates to the difference between IFRS accounting provision and Bank of Zambia provisioning requirement where IFRS provision requirement is lower compared to Bank of Zambia provision requirement. This reserve is not included in regulatory capital computation.

Notes to the financial statements (continued)

30. Dividends

There were no dividends declared for the financial year ending 31st December 2024. (2023: Nil)

31. Off-balance sheet financial instruments, contingent liabilities and commitments

Guarantees

Guarantees are generally written by a Bank to support performance by a customer to third parties. The bank will only be required to meet these obligations in the event of the customer's default.

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The bank may withdraw from its contractual obligation for the undrawn portion of the agreed overdraft limits by giving reasonable notice to the customer. Guarantees and performance bonds are secured.

	2024	2023
Guarantees and performance bonds	<u>10,799</u>	<u>10,032</u>

32. Related party transactions

(a) Significant shareholding

None of the shareholders have more than 25% controlling shares, neither do any of them have defined control of the Board through appointed Directors.

(b) Dividends paid

No dividend was declared during the year.

(c) Transactions with shareholders and entities controlled by shareholders

- Lease Rentals: The Bank rented three office premises, one from the individual shareholder and two from entities controlled by the shareholders. Lease payments for premises from the shareholder amounted to K29.835 million (2023: K20.932 million) and to entities controlled by shareholders amounted to K5.376million (2023: K4.088 million). Lease rentals are priced on market terms.
- Deposits: The shareholders and entities controlled by the shareholders have a banking relationship with the Bank. Outstanding Shareholders' deposits stood at K0.791 million (2023: K3.392 million) and outstanding deposits from entities controlled by shareholders stood at K3.397 million (2023: K2.712 million)

Notes to the financial statements (continued)

32. Related party transactions (continued)

(c) Transactions with shareholders and entities controlled by shareholders (continued)

- Loans & Advances: There were no loans & advances sanctioned to the shareholders during the year, (2023: K Nil). The entities controlled by the shareholders accessed loans and advance facilities. The amount outstanding at year end was K7.956 million (2023: K2.352 million). Loans and Advances sanctioned to entities controlled by the shareholders were at arm's length of banking relationships like any other customers and were priced at arm's length.
- Interest paid: The Bank paid interest amounting to K0.423 million (2023: K0.334 million) on deposits from the shareholders and K0.084 million (2023: K0.067 million) on deposits relating to entities controlled by the shareholders.
- Interest income and fees: The Bank earned K1.738 million (2023: K8.246 million) on loans and advances to entities controlled by the Shareholders.
- Off Balance Sheet: Guarantee standing at K1.096 million (2023: K1.096 million) was availed to entities controlled by the Shareholders.
- Goods and Services: The Bank acquires goods and services from entities controlled by shareholders during the normal course of doing business. Total business opportunities provided by the Bank amounted to K2.838 million (2023: K8.426 million). Goods and Services from entities controlled by Shareholders are transacted at arm's length.

(d) Transactions with Board of Directors and entities associated/ controlled by Directors

- Deposits: The Directors and entities controlled by the Directors have a banking relationship with the Bank. Outstanding Directors' deposits stood at K0.085 million (2023: K0.078 million) and outstanding deposits from entities controlled by Directors stood at K Nil (2023: K Nil)
- Loans & Advances: Outstanding loans & advances given to Directors during the year stood at K 0.646 million, (2023: K0.753 million). There were no loans & advances availed to entities controlled by Directors (2023: K Nil). Loans and Advances availed to entities controlled by Directors are within normal terms of banking relationships and are priced at arm's length .
- Interest paid: The Bank paid interest amounting to K0.008 million (2023: K0.005 million) on deposits of the Directors and K Nil (2023: K Nil) on deposits relating to entities controlled by the Directors.
- Interest income and fees: Bank earned K0.262 million (2023: K0.256million) income on loans and advances to Directors.
- Off Balance Sheet: There were no guarantees availed to Directors or entities controlled by them during the year (2023: Nil).
- Goods and Services: Entities controlled by Directors did not supply their goods and services to the Bank during the normal course of doing business.
- Emoluments: Directors fees were K3.909 million (2023: K2.672 million)

Notes to the financial statements (continued)

32. Related party transactions (continued)

(e) Transactions with Key Management Personnel and entities associated/ controlled by Key Management Personnel.

- Deposits: Key Management Personnel and entities controlled by key Management personnel have a banking relationship with the Bank. Outstanding key Management Personnel's deposits stood at K4.162 million (2023: K3.266 million) and outstanding deposits from entities controlled by key Management personnel stood at K Nil (2023: K Nil)
- Loans & Advances: Amounts outstanding on loans & advances to key Management Personnel during the year stood at K0.649 million (2023: K0. 225 million). The entities controlled by key Management Personnel were not availed any loans and advance facilities during the year (2023: K Nil). Loans and Advances availed to key Management Personnel are at Staff rate of 15% and entities controlled by the key Management Personnel are given at arm's length transaction.
- Interest paid: The Bank paid interest amounting to K0.366 million (2023: K0.310 million) on deposits of key Management Personnel and K Nil (2023: K Nil) on deposits relating to entities controlled by the key Management Personnel.
- Interest income and fees: Bank earned K0.059 million (2023: K0.070 million) on loans and advances to key Management Personnel.
- Off Balance Sheet: The Bank did not avail any guarantees to key Management Personnel or to entities controlled by the key Management Personnel.
- Compensation: Total emoluments amounted to K16.252 million (2023: K11.294 million)
- Goods and Services: Entities controlled by key Management Personnel did not supply their goods and services to the Bank during the normal course of doing business.

33. Climate -related matters

The effects of climate-related risks on financial statements can be widespread while being entity specific. Risks induced by climate change may have future adverse effects on the Bank's business activities. These risks include:

- Physical risks (even though the risk of physical damage is low due to the nature of the Bank's activities and geographical locations)
- Transition risks (e.g. regulatory changes and reputational risks). How the Bank operates may be affected by new regulatory constraints on the CO₂ emissions it generates.

Assumptions related to climate related risks could change in the future in response to forthcoming environmental regulations, new commitments taken and changing consumer demands. These changes, if not anticipated, could have an impact on the Bank's future cash flows, financial performance and financial position.

The Bank has not identified significant risks induced by climate changes that could negatively and materially affect the Bank's financial statements. Management continuously assesses the impact of climate related matters.



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FIRST ALLIANCE BANK



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