Investrust Bank Plc

ANNUAL REPORT 2014

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CORPORATE INFORMATION

1. **Registered office:**
   Head Office

   Ody's Building, Great East Road
   Plot No. 19028/19029
   P.O. Box 32344, Lusaka, Zambia
   Tel: +260 211 294682/294685/294864
   Fax: +260 211 294659

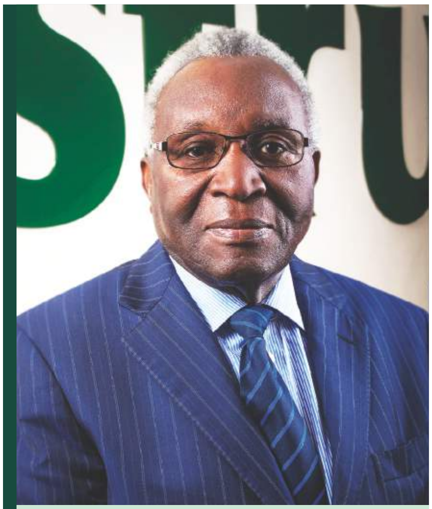
2. **Principal Bankers**
   Investrust Bank PLC

3. **External Auditors**
   Deloitte & Touche Chartered Accountants

4. **Major Shareholders as at 31 December, 2014**
   Investrust Bank PLC

	Shareholder	Holding	Percentage
	MEANWOOD VENTURE CAPITAL LIMITED	935,184	20.04%
	DAKA TIMOTHY	498,405	10.68%
	JACOB LAMECK SHUMA	497,495	10.66%
	ZCCM INVESTMENT HOLDINGS PLC	494,000	10.59%
	CHIVIMBA FAMILY TRUST LIMITED	493,250	10.57%
	WORKERS' COMPENSATION FUND CONTROL BOARD	312,500	6.70%
	STANBIC BANK ZAMBIA NOMINEES	252,567	5.41%
	JUSTIN BEVIN ZULU	239,350	5.13%
	SATURNIA REGNA PENSION TRUST FUND	172,753	3.70%
	MADISON PENSION TRUST	152,938	3.28%
	INDIVIDUAL AND INSTITUTIONAL INVESTORS	617,090	13.23%
	TOTAL	**4,665,532**	**100%**

Board of DIRECTORS

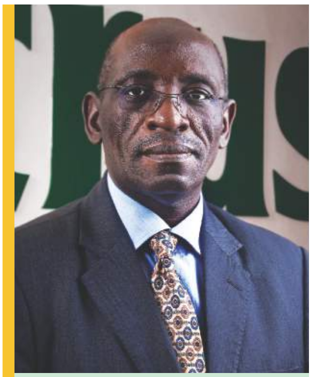


Dr. J.M. Mwanza
Chairman

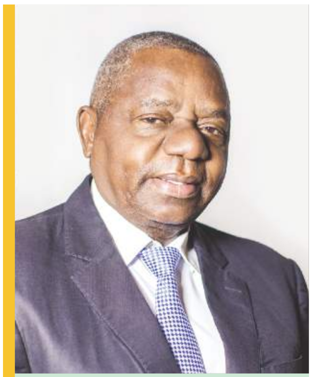
Mr. F.C. Ndhlovu
Managing Director & C.E.O

Mrs. E. Jhala
Non-Executive Director

Mr. E. Samakai
Non-Executive Director



Mr. H. Hachongo
Non-Executive Director



Mr. N. Lungu
Non-Executive Director

MANAGEMENT TEAM

Friday C. Ndhlovu
Managing Director

Richard Phiri
Deputy
Managing Director

Ackim Sinkala
Financial Controller

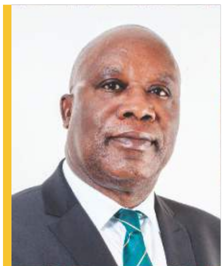
Cuthbert Tembo
Company Secretary &
Legal Counsel

Polombwe Ndhlovu
Head
Operations

Harry Mafuta
Head - Corporate &
Investment Banking

Esau Mtonga
Head
Credit Control & Admin

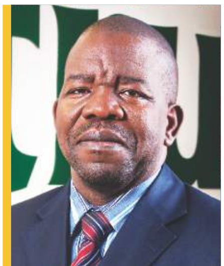
Shadrick Banda
Head
Internal Audit



Zefnat D. Sakala
Head - Public Sector &
Non Profit Institutions

Peter Mwale
Head Treasury

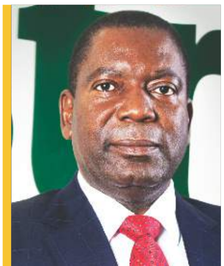
Suresh Khambete
Head - Risk Management
& Compliance



George Siziya
Head - Credit
Risk Management

Martin Chasha
Head -
Human Resources

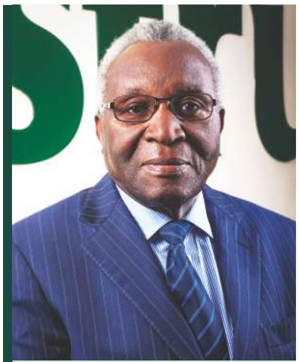
Vincent Malekani
Head -
Agency Banking



Emmanuel Tembo
Head -
Retail Banking

CHAIRMAN'S STATEMENT – 2014

1.1 INTRODUCTION



Dr. J.M. Mwanza
Chairman

I am greatly honoured to present the annual report and financial statements of Investrust Bank Plc for the year 2014 for the first time since my election as Chairman of the Board of Directors of the Bank on 31 March 2014. I wish to thank my predecessor Dr. Justin B. Zulu for the tremendous achievements he recorded during his tenure with the Bank and for handing over the mantle to me. I also wish to thank director Mr. Reuben L. Bvulani who also retired from the Board at the end of March 2014 after serving diligently for several years.

The Group posted a loss after tax of K6.36 million in 2014. The Bank's operation suffered from the impact of tight market liquidity, soaring money market interest rates and capped lending rates. The restricted flows on GRZ deposits and the inclusion of GRZ deposits in computation of statutory reserve balances resulted in constrained market liquidity leading to increased borrowing on the interbank and contraction of expensive wholesale deposits. These factors led to escalation in the cost of funds to way above the 2013 levels and thereby suppressing an otherwise potentially profitable operation into a loss making position.

The Bank however made several strides in 2014 that enhanced its capacity to deliver banking services to its customers in a more efficient manner using its electronic banking platforms. During 2014, the Bank launched its own switching software that facilitated introduction of many innovative services and implemented Agency Banking, a delivery channel that uses a network of agents to offer typical banking services across the full breadth of Zambia.

1.2 GLOBAL ECONOMY

The global economy is widely acknowledged to have strengthened further into 2014 driven by increased economic activity with much of the impetus coming from advanced economies. However downside risks still remained in place, denoted by lower-than-projected inflation in advanced economies, pointing to large production output gaps and commodity price declines. There was also fear of increasing geopolitical risks emerging in view of political instability witnessed in West Africa, Middle East and Eastern Europe.

The key drivers of growth in the global economy were the reduction in fiscal tightening and highly accommodative monetary conditions.

In the Euro-zone, economic activity generally recorded a positive trend, with stronger growth in the core economies but weaker growth in countries with high debt and financial fragmentation that weighed down domestic demand. It is in the Euro-zone where risks to activity associated with large output gaps have contributed to low inflation that may perpetuate longer term weaker demand and output.

Economic activity in emerging markets and developing economies recorded disappointing outturn in a less favourable external financial environment, with renewed market concerns about emerging market fundamentals. However, their output growth was still expected to be boosted by stronger exports to advanced economies, and they continued to contribute more than two-thirds of global growth. Overall, financial conditions have tightened further in some emerging market economies thereby increasing the cost of capital that may dampen investment and weigh down on growth prospects.

According to the World Economic Outlook Projections by the IMF, the world GDP grew by 3.6% in 2014 from 3% recorded in 2013, and is projected to grow by 3.9% in 2015. Growth in advanced economies is projected at 2.25% in 2015 from 2% recorded in 2014. Emerging markets and developing economies combined are projected to grow from 5% in 2014 to 5.25% in 2015.

1.3 AFRICA AND SUB-SAHARAN ECONOMY

Africa's macroeconomic prospects remained favourable in 2014, maintaining an average growth rate of 4.8% in 2014 and projected to reach 5%-6% in 2015, surpassing the rate of growth in the global economy. This outstanding growth rate underscores the continent's continued resilience to global and regional headwinds, and its capacity to achieve healthy economic growth rates. Africa's economic growth is more broad-based and driven by domestic demand, infrastructure development and increased trade in manufactured goods.

Africa's economic growth prospects have suffered from low industrial technology resulting in export of low value primary commodities, low human technical skills, high unemployment levels, poor market information and systems, high disease burden, decline in demand for commodities from emerging markets, etc. However, according to The African Economic Outlook, Africa has of late recorded remarkable progress in human development, with reducing poverty levels, rising incomes and improving school enrolment and health coverage.

Sub-Sahara Africa's growth picked up moderately to 4.5% in 2014 compared to 4.2% in 2013, and is projected to pick up to 4.6% in 2015 and 5.1% by 2017 on account of strong infrastructure investment, increased agriculture production and buoyant services (telecommunication, transport, tourism, financial services, etc). This was despite declining foreign direct investment (FDI) and portfolio investment flows during 2014, arising from lower growth in emerging markets and soft commodity prices. This outlook on the current growth trajectory is however subject to downside risks arising from lower commodity prices (oil, metals, agriculture, etc), volatile global financial conditions, violent insurgencies, threat of the Ebola epidemic, huge current account deficits and extreme poverty levels.

1.4 ZAMBIAN ECONOMY

Zambia's economy remained strong in 2014 with an estimated GDP growth of 6% making it one of the fastest growing economies in Sub Saharan Africa. The positive performance was driven by increased economic activity in agriculture, manufacturing, construction, energy, transport, communication and financial sectors, and strong growth in FDI inflows.

The economy however faced challenges in other areas such as reduced output in the mining sector, a rapidly depreciating currency, high money market interest rates, a wide fiscal deficit, etc. The economy also suffered a huge setback on account of the uncertainty that followed the demise of the former Republican President, His Excellency Mr. Michael C. Sata, in October 2014.

The macroeconomic fundamentals weakened somehow during 2014 as confirmed by the outturn on annual inflation at 7.9% in December 2014 (target 6.5%), significant depreciation in the exchange rate, sharp rise in interest rates and current account deficit. The economy however still managed to record a trade surplus for the whole year 2014.

The economy suffered from weaker export earnings due to reduced copper production and lower copper prices, coupled with reduced non-traditional exports.

1.5 FINANCIAL SECTOR

The financial sector remained stable throughout 2014 with nineteen (19) registered commercial banks operating on the market. The banking sector in particular was reported by the Central Bank as being adequately capitalised and having satisfactory aggregate liquidity throughout the year.

During 2014 industry total assets increased by 16% to K48 255 million on 31 Dec 2014 (2013: K41 432 million) and total deposits increased by 13% in 2014 to K34 653 million on 31 Dec 2014 (2013:K30 536 million). Industry total net loans and advances amounted to K20 532 million on 31 Dec 2014, representing 16% increase over K17 682 million recorded on 31 Dec 2013. Net industry-wide profit after tax increased by 29% to K1 130 million in 2014 (2013: K874 million).

Though the number of commercial banks remained the same in 2014, the market witnessed increased competition particularly for deposits through a number of initiatives such as promotional campaigns and advertising of low cost deposit products. The market witnessed the launch of several innovative products based on internet and mobile banking platforms in response to client expectations in the age of electronic banking.

The following regulatory and/or statutory developments took place during 2014.

(I) BoZ Policy Rate –Bank of Zambia increased the Policy Rate to 12.5% by end of December 2014 from 9.75% as at December 2013, denoting a 28% year-on-year increase. The Bank of Zambia also set a limit on the margin that could be applied on all lending business, at 12%, thereby capping the maximum chargeable rate at 24.5%.

(ii) Revocation of Statutory Instruments - SI33 (Prohibition of Use of Foreign Currency as Legal Tender) and SI55 (Monitoring of BOP) – Government revoked the two statutory instruments on 20 March 2014 with the view to arresting the rapid depreciation of the Kwacha that was causing economic instability. The two statutory instruments displeased investors in the mining sector and other industries and resulted in constrained foreign currency supply to the market and accordingly negatively affected the exchange rate.

(iii) Increase in Statutory Reserve Ratios – CB Circular 05/2014, on 24 February 2014, the Bank of Zambia increased the minimum statutory reserve ratio on both Kwacha and foreign currency deposit liabilities to the public from 8% to 14%. Further, through Circular 13/2014 on 30 May 2014, the Bank of Zambia extended maintenance of statutory reserves on both Kwacha and foreign currency to include Government deposits and those on vostro accounts. This policy decision resulted in tightening of market liquidity and increasing the cost of funds.

1.6 FINANCIAL PERFORMANCE – 2014 HIGHLIGHTS

The Bank's financial results were consolidated with those of its subsidiary, Zambian Home Loans (ZHL) for the first time in 2014. The Group recorded a loss after tax of K6.36 million during 2014 (2013: loss after tax K2.77 million). Group net interest income dropped by 19.5% to K49.30 million (2013: K61.24 million) due to a substantial increase in funding costs following increased money market borrowing and steep rise in interest rates during 2014. Interest expense surged by 56% to K96.75 million in 2014 (2013: K61.89 million). Group net fees and commission income reduced by 8% to K63.04 million (2013: K68.42 million) owing to limited activity on loan disbursements in response to reduced lending margins and tight liquidity position. Profit on foreign exchange trading and revaluation increased significantly by 76% to K30.85 million (2013: K17.56 million) owing to increased trading activity and good margins realised on innovative treasury products. Gross impairment charges dropped substantially in 2014 to K6.45 million (2013: K24.98 million).

Group total operating income reduced by 3% to K143.19Mn in 2014 (2013: K147.22Mn) whereas total operating costs increased by 10% thereby adversely affecting overall operating results for the year. The increase in operating costs was attributed to the continued increase in the scope of Bank operations following the opening of three more branches and one agency and the launch of new delivery channels. The staff complement also increased by 10% during the year to support growth in operations. Total actual operating costs were however contained within budget.

The Group statement of financial position recorded considerable growth during 2014, with total assets increasing by 19% to K1 560Mn as at 31 December 2014 (2013: K1 314Mn). The growth in total assets was largely attributed to increase in cash balances and government securities, facilitated by significant growth in customer deposits.

1.7 OPERATIONAL HIGHLIGHTS

1.7.1 Operations and Customer Service

The Bank increased its branch network to twenty seven (27) branches in 2014 after launching three (3) new branches on the Copperbelt at Kitwe Freedom Avenue, Kitwe CBU and Chingola branches. The ATM portfolio closed at fifty-nine (59) units at 31 December 2014 (2013: 51 units).

The Bank launched its own switching software in April 2014 in order to have control over this critical system resource used to process transactions across other banks' platforms. This resource is also cardinal in implementation of most innovations on the electronic banking platform such as Agency Banking and processing of merchant payments.

The Bank also launched the Agency banking platform in June 2014 and immediately commenced recruitment of agents across the country. Agency banking refers to a concept of network banking that uses agents to open retail client accounts and conduct typical banking services such as deposits, withdrawals, transfers, merchant payments, etc. The Bank recruited more than four hundred (400) agents as at end of 2014.

The Bank further successfully rolled out InvestMobile through the App (smart phones) and ussd to enable clients have full access to their accounts using their phones. This innovation has granted clients convenience to transact on their accounts from anywhere and at anytime. The menu on InvestMobile also includes bill payments – airtime, Dstv, Go TV, etc.

The Bank also embarked on a project to migrate from the current third party processor on VISA transactions to another much cheaper and more flexible processor and managed to migrate post year-end at the beginning of March 2015. The Bank expects to realise massive savings following implementation of this strategic initiative.

Customer service remained mission-critical to the success of the business and as such training in this area was prioritised. The Bank used the branch network and business bankers to address needs of retail clients whilst corporate and institutional clients were taken care of by relationship managers and senior management.

1.7.2 Corporate and Retail Banking

The Bank scaled down on lending activities in 2014 essentially owing to uneconomic lending rates and constrained liquidity. The focus of the commercial units was therefore more on deposit mobilisation to help bridge the short liquidity position encountered for most part of 2014. The Bank placed most of the funds that were available for investment in GRZ securities to take advantage of the relatively higher yields that were obtaining on these instruments. These commercial units also actively got involved in marketing various new innovative Bank products such as ZRA E-payment and Paynet bulk payments solutions to existing and potential clients.

1.7.3 Information and Communication Technology

The ICT department had a busy schedule in 2014 implementing a number of critically important projects most of which closed but a few remained awaiting closure by end of 2014. The major projects involved implementation of the switch software, change of third party processor and the Mastercard acquiring and issuance project.

1.8 CAPITAL POSITION

The Group maintained adequate capital during the period under review. The Bank embarked on a capital raise exercise through a rights offer to further strengthen its capital base and support its growth aspirations. It is hoped that this exercise would be completed during the course of 2015.

1.9 DIVIDENDS

The Directors recommend that no dividend be proposed for the full year ended 31 December 2014.

1.10 FUTURE OUTLOOK

To address the operational challenges highlighted above and ensure the operation turns around and returns to profitability, the Bank shall employ the following strategic initiatives.

(i) Deposit mobilisation – to boost liquidity the Bank has planned to increase its deposit base and amounts through a deliberate deposit mobilisation programme aimed at bringing in additional corporate and retail clients through a wider branch network and relationship management model.

(ii) Funding costs - to reduce the overall cost of funds the Bank will diversify its deposit portfolio and aim to bring in more of the cheaper deposit products and reduce on high dependence on term deposits and highly fluid GRZ deposits.

(iii) Retail banking – to increase the Bank's retail base in order to accelerate the rate of growth in sustainable deposits. In this respect, the Bank launched Agency Banking targeting the large unbanked population across the country.

(iv) Non Performing Loans - the Bank set up a dedicated Recoveries unit under Legal department for the purpose of cleaning up the entire bad debts portfolio. Sale of repossessed assets is also underway to reduce on exposure to non performing loans.

(v) Product innovation - the Bank has introduced a number of alternative delivery channels and new products aimed at enhancing customer convenience and experience (eg. Mobile banking, Internet banking, card-less transactions on ATMs, etc).

The Group is confident about its future prospects going by the various strategic initiatives implemented by the Bank in the last three years and the operationalisation of Zambian Home Loans (ZHL). The Bank will focus on growth in key operational areas whilst containing operating costs within budget. ZHL will continue to market and roll-out its mortgage financing product to the market and enlist more institutions.

The Board is confident about the potential to turn-around the operation already created by the Bank through strategic investments made in infrastructure, systems and human capital in the last couple of years. The focus is now narrowing down to value realisation using existing resource capabilities.

1.11 CONCLUSION

As I conclude I wish to recognise and appreciate the immense work put into the business by directors of the Board in 2014 when the Group encountered a difficulty operating period for reasons alluded to above. I also wish to acknowledge the great effort invested into the business operation by the management team and other members of staff who worked relentlessly to better the fortunes of the Bank against a difficult economic setting. I equally wish to express my gratitude to all shareholders and our all-weather business partners for their unwavering support and understanding extended to the Bank during 2014.

DR. Jacob M. Mwanza.

BOARD CHAIRMAN

MANAGING DIRECTOR'S REPORT - 2014

1.1 INTRODUCTION

Mr. F.C. Ndhlovu
Managing Director & C.E.O

The global economy continued on an uneven recovery trajectory, but grew by only 3.3% in 2014, little changed from the previous two years, 2013 (3.3%) and 2012 (3.4%). Many countries were still struggling to deal with the legacy of the global financial crisis. Unemployment was at record high in Europe, debt was still rising in advanced economies and the turmoil in eastern Europe and Middle East was adding to economic uncertainty thereby affecting confidence, demand and growth prospects particularly in the Eurozone and emerging markets. Substantial cash was pumped into the world economy in the form of cheap central bank cash to boost stocks and bonds and real estate prices.

There were however exceptions, such as the United States of America and United Kingdom that recorded moderate growth.

Downside risks persisted on account of worsening geopolitical tensions, stagnation and low potential growth in advanced economies and a decline in potential growth in emerging markets. There remained therefore need for continued support from monetary policy and fiscal adjustment to boost both recovery and long term growth.

1.2 ZAMBIAN ECONOMIC OUTLOOK

The Zambian economy remained strong in 2014 despite a decline in GDP growth to 5.7% from 6.7% in 2013, due mainly to decreased copper production in the mining sector as well as slower growth in manufacturing and public services. Agriculture, on the other hand, performed well and grew by over 6% due to a bumper maize harvest. Economic performance is expected to remain strong in the medium term driven by large investments in infrastructure and green-field mining projects, and fiscal consolidation aimed at reducing the fiscal deficit. The economy is expected to grow by about 6.5% in 2015/16.

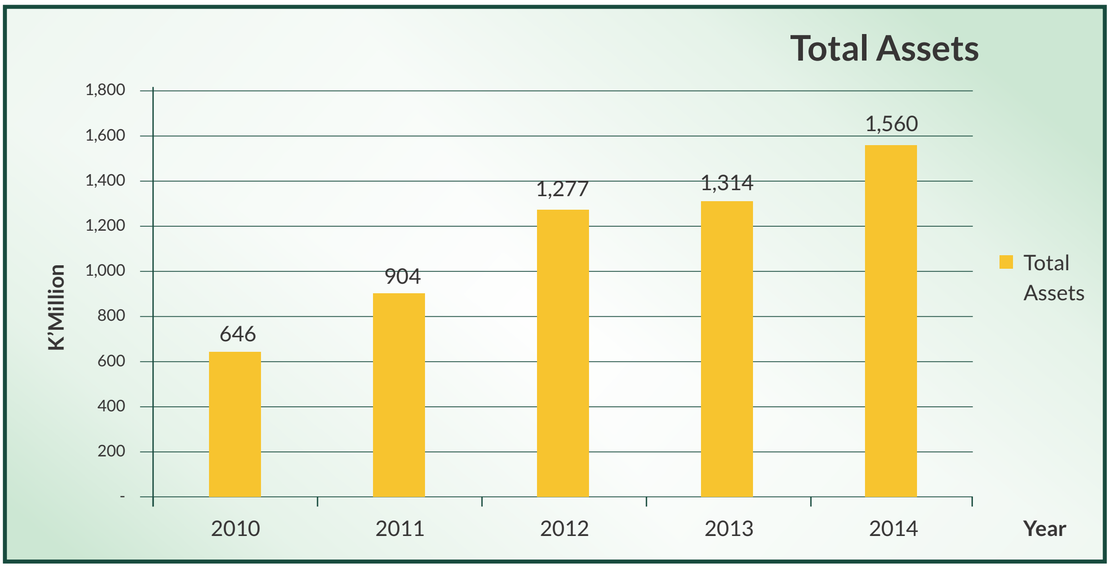
The Kwacha was volatile in 2014 and depreciated significantly over the year, from K5.52:1US$ on 31 December 2013 to K6.40:1US$ on 31 December 2014. The exchange rate deteriorated on account of reduced copper prices on the world market, higher demand for US Dollar against limited supply and general strength of the US Dollar against other world currencies. The Government reacted by revoking Statutory Instruments - SI33 (Prohibition of Use of Foreign Currency as Legal Tender) and SI55 (Monitoring of BOP) in March 2014 with the view to arresting the rapid depreciation of the Kwacha.

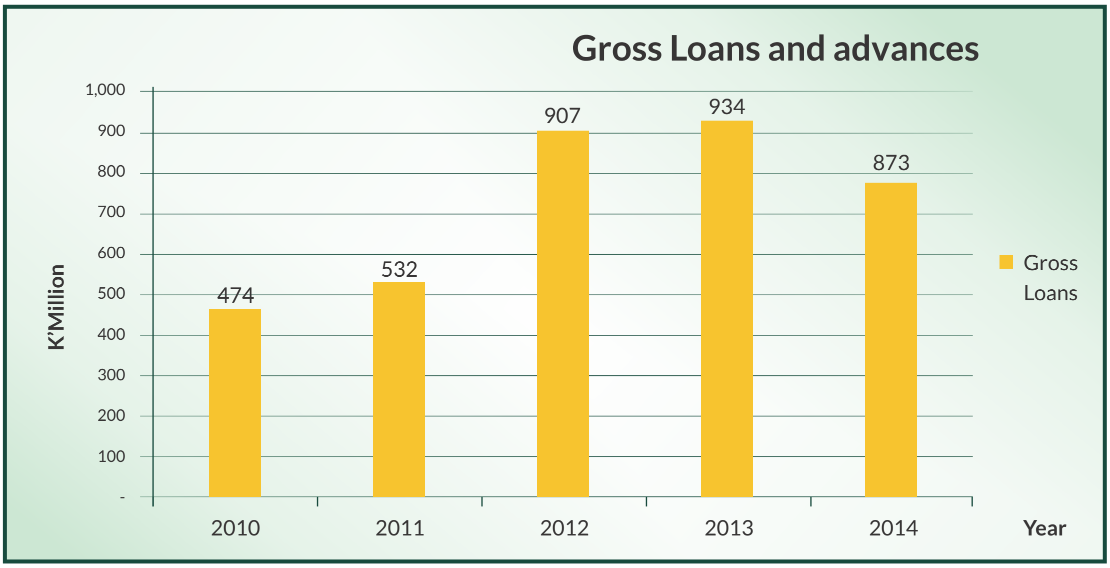
Inflation rate was contained within single digits but deteriorated to 7.9% as at 31 December 2014 compared to a rate of 7.1% recorded as at 31 December 2013.

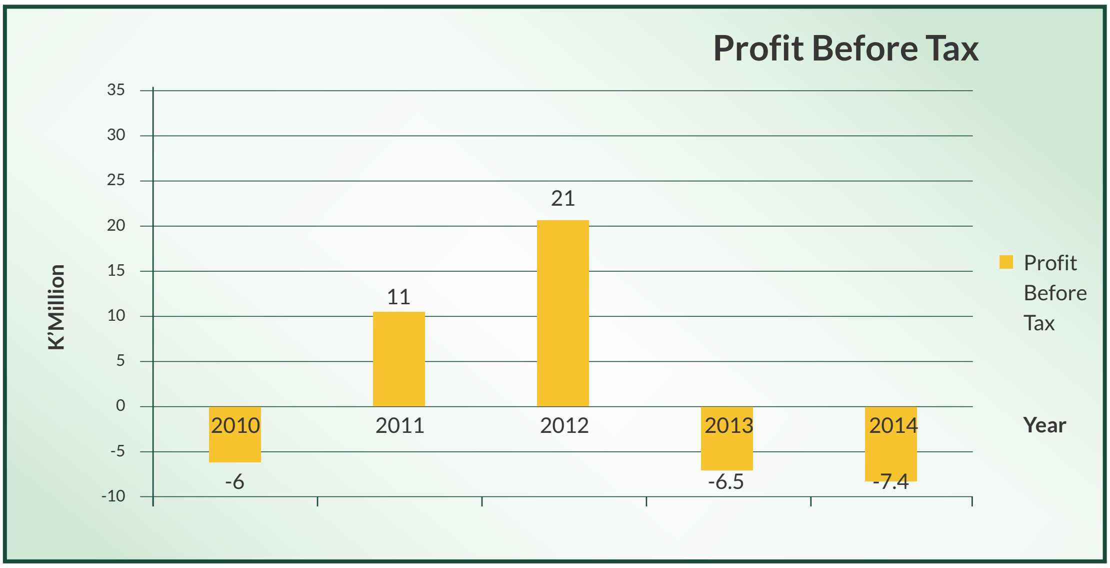
The following statutory and regulatory changes were made in 2014: (i) revocation of SI33 (Prohibition of Use of Foreign Currency as Legal Tender) and SI55 (Monitoring of Balance of Payments), upward revisions to the BoZ Policy Rate to 12.5%, increase in statutory reserve ratios (8% to 14%), inclusion of GRZ deposits and vostro accounts in calculation of statutory reserves, etc. The increase in scope and rate on statutory reserves had a huge adverse impact on market liquidity and immediately increased the cost of funds.

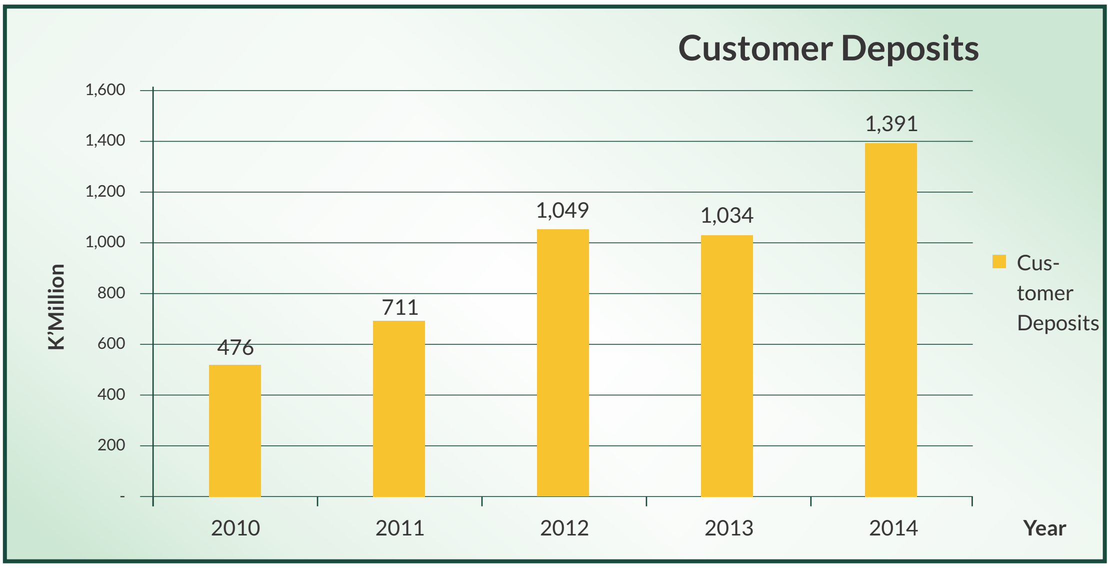
The overall financial condition of the banking sector in 2014 was reported satisfactory by the Central Bank. The industry total assets increased by 16% to K48 255Mn(2014) from K41 432Mn (2013). Industry total deposits increased by 13% to K34 653Mn (2014) from K30 536Mn (2013), while total net loans and advances increased by 16% to K20 532Mn (2014) from K17 682Mn (2013).

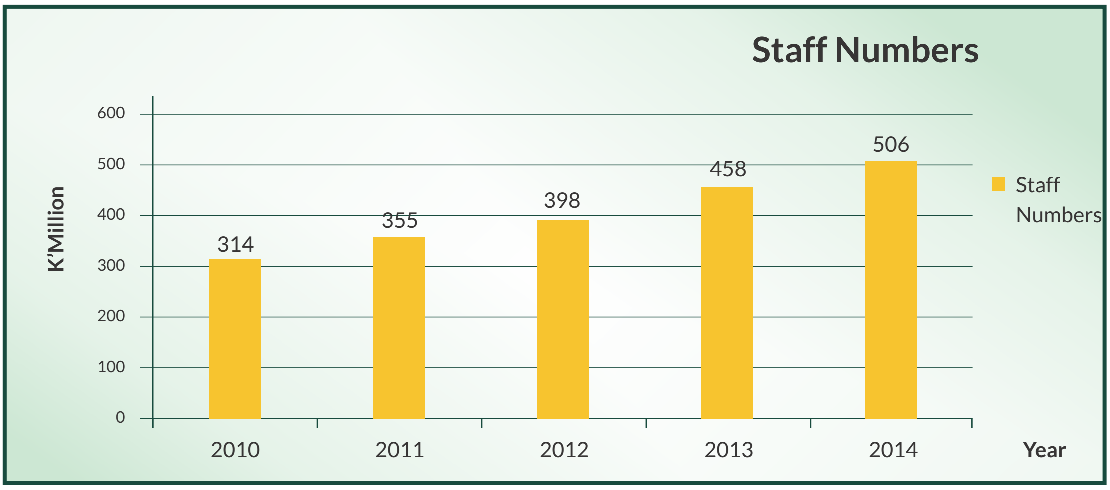
2014 FINANCIAL HIGHLIGHTS











1.3 FINANCIAL REVIEW

Under 2014, the Bank reported consolidated results incorporating results for its subsidiary Zambian Home Loans (ZHL). The group recorded an operating loss after tax of K6.36Mn during 2014 from an operating loss of K2.77Mn (total comprehensive income of K814Th) for the year 2013. The group operating results for the year 2014 were adversely affected by the substantially higher funding costs, reduction in fee and commission income and increase in operating expenses attributable to the Bank, and an operating loss recorded by ZHL. On the other hand, under banking operations, foreign currency and other income increased considerably.

Net Interest Income

Net interest income for 2014 dropped by 19.5% to K49.30Mn (2013: K61.24Mn). This was due to significant increase (56%) in interest and similar expenses to K96.75Mn in 2014 (2013: K61.89Mn) on account of increased funding costs. This was explained by the increase in the term deposits portfolio and inter-bank borrowing and indeed the rise in money market rates.

Interest and similar income increased by only 19% to K146.05Mn in 2014 (2013:K123.13Mn) due to limited growth in the loan book on account of limited liquidity and interest rate capping that made lending uneconomic. The observed increase was actually attributed to interest on government securities and leasing income.

Non-Interest Income

Non-interest income, comprising fees and commissions and foreign exchange trading income, amounted to K93.89Mn in 2014 (2013:K85.98Mn), representing 9.20% year-on-year increase that was attributed largely to the increase of 76% in foreign exchange income to K30.85Mn (2013:K17.56Mn) due to increased foreign exchange trading volumes and financial derivatives in form of currency swaps.

Operating Expenses

Total operating expenses for 2014 amounted to K144.12Mn (2013: K128.75Mn), denoting 12% year-on-year increase, explained by the increase in scope of operations largely on account of establishment of the Agency Banking unit and rollout of new electronic delivery channels. The Bank's staff establishment also increased by 10% to 506 to support the growth in operations.

Total Assets

Total assets amounted to K1 560Mn at 31 December 2014 (2013: K1 314Mn), denoting an increase of 19% attributed mainly to the increase in deposits to K1 391Mn at 31 December 2014 (2013: K1 034Mn).

Total Liabilities

Total liabilities at the end of 2014 amounted to K1 478Mn (2013: K1 233Mn). Customer deposit liabilities increased by 35% at end of December 2014 to K1 391Mn, and outstanding balances on borrowed funds (credit lines) reduced by 36% to K18.27Mn owing to scheduled loan repayments made during 2014.

1.4 BUSINESS PERFORMANCE

1.4.1 Credit Origination and Underwriting

The Bank recorded a reduction of 10% in its gross loans and advances portfolio to K801Mn during 2014 but the lease portfolio increased by 63% to K71Mn. The Bank slowed down on lending activity in response to reduced liquidity in the market, continued capping of interest rates at uneconomic levels and increased cost of funds following increase in money market rates. Management deployed available funds into government securities particularly treasury bills where the yield rates were attractive.

1.4.2 Branch Operations and Customer Service

The Bank opened an additional three (3) branches on the Copperbelt to bring the total branch network to twenty seven (27). The new locations were Kitwe Freedom Avenue, CBU and Chingola.

The Bank launched the Agency Banking platform in April 2014 and immediately embarked on recruitment of Agents country-wide and netted a total of 400 Agents by end of 2014. This network is intended to enable the Bank grow its retail customer base by targeting unbanked clients mostly in currently un-serviced locations.

Further, the Bank launched mobile banking to complement already existing alternative delivery channels such as ATMs and internet banking (InvestNet).

Management also put emphasis on customer service across the branch network and other service areas to ensure customer retention and ability to attract potential clients.

1.4.3 Information Technology

The Bank continued to invest considerable resources in improving the ICT infrastructure to ensure availability of up-to-date and relevant information systems and technological platforms. To this effect, during 2014, the Bank implemented and launched its own switch software that has a number of modules including card management.

Other projected carried out in 2014 included Agency Banking, InvestMobile, Mastercard acquisition/issuance and change of processor on international transactions.

1.4.4 Marketing and Publicity

The Bank invested massive resources in its marketing and advertising activities as a way of supporting business strategies in the area of deposit mobilization and assets creation. There were deliberate marketing campaigns conducted to promote InvestMobile, Agency Banking and asset financing (leasing) through various media platforms including printed press, radio and television.

The Bank partnered with Zesco United Football Club and sponsored the kit (jerseys) for the period 2014/15 and gained massive publicity through jersey and touchline brand propagation. The club also supported the Bank through maintenance of operational accounts.

1.4.5 Human Resources and Training

The Bank's establishment increased to 506 staff at 31 December 2014 (2013: 458) in response to the increase in scope of operations in terms of branch network and additional business and operational units. Staff development programmes at various levels and through various training interventions were conducted to induct new staff, offer refresher courses to existing staff and to impart specialised skills to selected groups.

1.4.6 Capital Position

The Bank maintained adequate regulatory capital during the year 2014 and secured Bank of Zambia approval to extend the capital raise exercise into the year 2015. The Bank would execute the rights issue to raise additional capital required to meet the revised minimum primary capital of K104 million within the course of 2015.

1.4.7 Corporate Social Responsibility

The Bank places great importance on its corporate social responsibility programme and as such invests massive resources every year to support a number of worthy causes that have the potential to contribute to the social and economic welfare of the communities in which we operate.

During 2014, the Bank increased its investment in corporate social responsibility programmes to K507,000 (2013: K411,000) and sponsored various activities in the categories of arts and cultural heritage, sports development, churches, education projects, community health and welfare, environmental and agricultural activities, professional associations and other such causes.

1.5 FUTURE OUTLOOK

Though the key economic fundamentals in the Zambian economy still remained strong, they admittedly lost some ground in 2014 – reduced growth rate on GDP, huge budget deficit, continued trade deficit, higher interest rates, volatile and depreciating exchange rate, deteriorating inflation rate, etc. thereby casting doubt on the prospects for the medium term. This outcome was explained by a combination of reasons, internal as well as external to our Zambian economy.

The Bank has however put in place various interventions to improve operating results and return to profitability. Key amongst these are deposit mobilisation to improve liquidity and cut down on current expensive sources of funding, grow the retail banking portfolio through conventional means and electronic banking platforms, market and popularise latest innovative products, reduce incidence of new non-performing loans and enforce recovery actions to realise locked-up liquidity, etc. The Bank shall also increase its minimum capital by at least K40 million through a rights issue to boost its capital base and increase capacity to do business. However, market conditions will also have a big bearing on how quickly and to what extent our strategies translate into intended objectives.

Management and the Board are confident that operational results shall improve as the strategies put in place start yielding results.

1.6 CONCLUSION

I am most grateful to the Board of Directors for their able guidance and support rendered to the Bank during 2014 when we faced up to yet another very difficult year in terms of market conditions and operating results. I also recognise the forbearance and understanding of the shareholders and other stakeholders during this operationally difficult period. I further wish to thank and commend staff for the earnest effort invested in the Bank during the year.

Friday C. NDHLOVU

CHIEF EXECUTIVE OFFICER
AND MANAGING DIRECTOR

REPORT AND CONSOLIDATED FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

REPORT OF THE DIRECTORS

The Directors present their report together with the consolidated financial statements of Investrust Bank Plc (the "Bank") and its subsidiary company Zambian Home Loans Limited (together the "Group") for the year ended 31 December 2014.

GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

Investrust Bank Plc (the "Bank") is a public limited liability company and is incorporated under the Companies Act, 1994 (as amended) as a public limited company and domiciled in the Republic of Zambia. The Bank is also licensed under the Banking and Financial Services Act, 1994 (as amended) to conduct commercial banking services. The address of its registered office and principal place of business is as follows:

Ody's Park
Plot No. 19028/9
Great East Road
P.O. Box 32344
Lusaka

Other activities carried out through the Bank's subsidiary are as follows:

Mortgage financing for construction purposes to employees of qualifying institutions.

The activities of the Bank and its subsidiary companies fall within the financial services sector.

The Bank is listed on the Lusaka Stock Exchange (LuSE).

RESULTS, DIVIDENDS AND PERFORMANCE

The Consolidated results for the year were as follows:

	2014 K	2013 K	2014 K	2013 K
Net intrest income	49 302 667	61 238 540	49 302 667	61 238 540
Loss before tax	(7 381 373)	(6 508 839)	5 408 056)	(6 516 647)
Loss for the year	(6 362 751)	(2 772 255)	(5 073 133)	(2 780 063)

The Directors do not recommend the payment of a dividend for the year.

SHARE CAPITAL

The authorised and issued share capital of the Bank remained unchanged during the year at 120,000,000 authorised ordinary shares at par value of K 1 each and 4,665,231 issued ordinary shares at par value of K1 each.

DIRECTORS

The Directors who held office during the year were:

Dr. J. B. Zulu	-	Chairman (Retired 31 March 2014)
Dr. J. M. Mwanza	-	Chairman (Appointed 31 March 2014)
Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer
Mr. R. L. Bvulani	-	Non-executive (Retired 31 March 2014)
Mrs. E. Jhala	-	Non-executive
Mr. N. A. Lungu	-	Non-executive
Mr. H. Hachongo	-	Non-executive
Mr. E. Samakai	-	Non-executive (Appointed 31 March 2014)

DIRECTOR'S INTERESTS AND EMOLUMENTS

Except for the Managing Director, no other Director had a service contract with the Bank. No Director had an interest in any significant contract entered into, by the Bank, during the year.

The interests of the Directors of the Bank in the issued share capital of Investrust Bank Plc according to the register at 31 December 2014 were as follows:

	No. Of Shares		% Shareholding	
	2014	2013	2014	2013
Mr. R. L. Bvulani	-	152 447	-	3.27
Dr. J. B. Zulu	-	239 530	-	5.13

The Directors' emoluments are disclosed in notes 12 and 32 to the financial statements.

PROPERTY AND EQUIPMENT

The Group purchased property and equipment amounting to K19,149,882 (2013: K31,522,447) during the year. In the opinion of the directors, the recoverable amount of property and equipment is not less than its carrying value.

EMPLOYEES

The average number of employees for each month of the year were as follows:

January	**461**	February	**468**
March	**475**	April	**472**
May	**461**	June	**468**
July	**467**	August	**467**
September	**486**	October	**486**
November	**485**	December	**506**

The total remuneration paid to the Group's employees during the year amounted to K71,656,314 (2013: K 69,586,396).

TheGrouprecognisesitsresponsibilityregardingtheoccupationalhealth,safety,andwelfareofits employees and has put in place measures to meet these responsibilities.

RELATED PARTY TRANSACTIONS

As required by the Banking and Financial Services Act, 1994 (asamended) and International Accounting Standard Number 24, related party transactions are disclosed under note 32 to the financial statements.

RESEARCH AND DEVELOPMENT

The Bank did not conduct any research and development activities during the year.

RISK MANAGEMENT AND CONTROL

In its normal operations, the Bank is exposed to a number of risks. The most significant of which are credit, market, operational and liquidity risks. The Bank's risk management objectives, policies and strategies are disclosed in Note 5 to the financial statements.

The Directors have approved policies to mitigate the above risks by introducing controls that are designed to safeguard the Group's assets while allowing sufficient freedom for the normal conduct of business. The Audit, Loan Review and Risk Management Committee scarry out independent reviews to ensure compliance with financial and operational controls.

GIFTS AND DONATIONS

The Group made donations during the year amounting to K506,688 (2013: K410,700) in order to support various socially responsible causes.

PROHIBITED BORROWINGS OR LENDING

There were no prohibited borrowings or lending as defined under Section 72 and 73 of the Banking and Financial Services Act, 1994 (as amended).

DEVELOPMENTS DURING THE YEAR 2014

During 2014 the Bank constructed and opened three new branches namely Kitwe Freedom avenue, Copperbelt University and Chingola.

The Bank successfully implemented and launched it sown Switch Software and Agency Banking platform.

During 2015 the Bank will target aggressive growth in the customer base and market its various products and services to ensure optimal clients' utilization and return on investment on new distribution channels.

AUDITORS

Messrs Deloitte & Touche retire at the next Annual General Meeting. A resolution to appoint external auditors for the fourth coming year and authorizing the Directors to determine their remuneration will be put to the Annual General Meeting.

By order of the Board.

Cuthbert K. Tembo
Company Secretary

Lusaka.
DATE: 17 March 2015

STATEMENT ON CORPORATE GOVERNANCE

BANK'S PHILOSOPHY ON CORPORATE GOVERNANCE

Investrust Bank Plc's vision is – to be the most preferred and leading financial institution in our chosen markets'' and a mission statement - ''delivering customer driven financial solutions; contributing to the growth of the Zambian economy and creating wealth for all stakeholders''. Corporate Governance stands at the core of the Bank's endeavor to realize its vision. To that end, we have adopted the industry's Corporate Governance guidelines and made them policy. In addition to voluntary practices, we monitor current issues in Corporate Governance and seek to pursue international best practice.

The Shareholders

The Bank's shareholders approve the Bank's critical and strategic matters. They have no direct powers to manage the Bank which responsibility is delegated to the Board of Directors. There is regular dialogue with individual and institutional shareholders, financial analysts and brokers, which provides opportunities for Directors to hear the views of shareholders directly.

All shareholders are invited to attend the Annual General Meeting and to participate in proceedings. Notice is sent to shareholders at least twenty-one working days in advance of the meeting. At the Annual General Meeting, separate resolutions are proposed on each substantive issue.

The Board of Directors

The Board is responsible to the shareholders for formulating policies and strategic direction, monitoring management and operational performance, risk management processes, compliance and setting of authority levels as well as the selection of new Directors. The Board is also responsible for the integrity and quality of communication with stakeholders, including employees, regulators and shareholders. The Board delegates the management and day-to-day running of the Bank to the Managing Director who is also the Chief Executive Officer.

The Board is composed of six (6) individuals of unquestionable integrity and good character. The Chief Executive Officer is the only executive director. The directors have broad skills, experience and expertise all of which are combined in order for the Board to fulfill the Bank's goals and in order that the Board discharges its responsibilities to shareholders and stakeholders effectively.

The Bank has insurance for Directors and Officers covering legal actions brought against them in the course of executing their duties.

Roles of Chairman and the Chief Executive Officer

The roles of Chairman and Chief Executive Officer are separate and neither individual has unfettered control over decision-making. The Chairman is a Non-Executive Director appointed by the Board. The Chairman's main responsibility is to lead and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities.

The performance of the Chief Executive Officer is appraised on an ongoing basis by the Board, which receives reports on:

- the financial performance of the Bank and the achievement of financial objectives;
- the achievements of strategic objectives;
- the succession plans, including leadership, organizational climate, organizational goals, culture, job structure and communication; and
- the outcome of contacts with strategics takeholders in the market in an effort to mobilise and grow the business of the Bank.

The Directors who held office during the year were:

The Directors who held office during the year were:

Dr. J. B. Zulu	-	Chairperson (Retired 31 March 2014)
Dr. J. M. Mwanza	-	Chairperson (Appointed 31 March 2014)
Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer
Mr. R. L. Bvulani	-	Non-executive (Retired 31 March 2014)
Mrs. E. Jhala	-	Non-executive
Mr. N. A. Lungu	-	Non-executive
Mr. H. Hachongo	-	Non-executive
Mr. E. Samakai	-	Non-executive (Appointed 31 March 2014)

Board Meetings

The Board has scheduled quarterly meetings. It also has Special Meetings and Tele-Conferences depending on the exigencies of the business. The Board also passes resolutions by circulation. Resolutions passed by circulation are reconfirmed at the next scheduled Board meeting. All Board members receive regular reports from Management and members seek briefings from management on specific matters. Board members also have access to Management through the Chairman, the Chief Executive Officer or the Company Secretary at any time. In addition, there are guidelines in the Board Charter which entitle each director to seek independent professional advice at the Bank's expense, prior to the Chairman's approval.

Record of attendance of Board/Board committees meetings held in 2014

BOARD OF DIRECTORS' MEETINGS:

No. of Board Meeting 2014							TOTAL
Date of Meeting	19.02.2014	06.03.2014 (Special Meeting)	19.05.2014	14.07.2014 (Special Meeting)	06.08.2014	13.11.2014	
Dr. J. B. Zulu	✓	✗	✗	✗	✗	✗	
Dr. Jacob Mwanza	✗	✗	✓	✓	✓	✓	
Mr. Newton Lungu	✓	✗	✓	✓	✓	✓	
Mrs. Eva Jhala	✓	✓	✓	✓	✓	✓	
Mr. Eddie Samakai	✗	✗	✓	✓	✓	✓	
Mr. Friday C. Ndhlovu	✓	✓	✓	✓	✓	✓	
Mr. Reuben Bvulani	✓	✗	✗	✗	✗	✗	
Mr. Hampande Hachongo	✓	✓	✓	✓	✓	✓	

N/B: At the Bank's Special Meeting held on 6th March 2014, the Board of Directors of Investrust Bank PLC resolved to nominate **Mr. Eddie Samakai** as Board Member and at the Bank's Meeting held on 19th February 2014, the Board of Directors of Investrust Bank PLC resolved to nominate **Dr. Jacob Mumbi Mwanza** as Board Member and Chairman of the Bank. Mr. Reuben Bvulani retired from the Board in 2014.

BOARD AUDIT COMMITTEE MEETINGS

No. of Board Meeting 2014						TOTAL
Date of Meeting	18.02.2014	06.03.2014 (Special Audit Committee)	13.05.2014	05.08.2014	12.11.2014	
Dr. J. B. Zulu	✗	✓	✗	✗	✗	
Dr. Jacob Mwanza	✗	✗	✗	✗	✗	
Mr. Newton Lungu	✓	✓	✗	✗	✗	
Mrs. Eva Jhala	✓	✓	✓	✓	✓	
Mr. Eddie Samakai	✓	✓	✗	✗	✗	
Mr. Friday C. Ndhlovu	✓	✓	✓	✓	✓	
Mr. Reuben Bvulani	✓	✓	✓	✓	✓	
Mr. Hampande Hachongo	✗	✗	✓	✓	✓	

BOARD RISK COMMITTEE MEETINGS

No. of Board Meeting 2014					TOTAL
Date of Meeting	11.02.2014	13.05.2014	05.08.2014	12.11.2014	
Dr. J. B. Zulu	×	×	×	×	
Dr. Jacob Mwanza	×	✓	✓	✓	
Mr. Newton Lungu	✓	✓	✓	✓	
Mrs. Eva Jhala	✓	✓	✓	✓	
Mr. Eddie Samakai	✓	×	×	×	
Mr. Friday C. Ndhlovu	✓	✓	✓	✓	
Mr. Reuben Bvulani	✓	×	×	×	
Mr. Hampande Hachongo	×	×	×	×	

BOARD LOANS COMMITTEE MEETINGS

No. of Board Meeting 2014					TOTAL
Date of Meeting	12.02.2014	12.05.2014	05.08.2014	12.11.2014	
Dr. J. B. Zulu	✓	×	×	×	
Dr. Jacob Mwanza	×	✓	✓	✓	
Mr. Newton Lungu	✓	×	✓	✓	
Mrs. Eva Jhala	✓	✓	✓	✓	
Mr. Reuben Bvulani	✓	×	×	×	
Mr. Friday C. Ndhlovu	✓	✓	✓	✓	
Mr. Eddie Samakai	×	×	×	×	
Mr. Hampande Hachongo	✓	×	×	×	

BOARD HR COMMITTEE MEETINGS

No. of Board Meeting 2014					TOTAL
Date of Meeting	11.02.2014	12.05.2014	05.08.2014	12.11.2014	
Dr. J. B. Zulu	×	×	×	×	
Dr. Jacob Mwanza	×	✓	✓	✓	
Mr. Newton Lungu	×	×	×	×	
Mrs. Eva Jhala	✓	×	×	×	
Mr. Reuben Bvulani	✓	×	×	×	
Mr. Friday C. Ndhlovu	✓	✓	✓	✓	
Mr. Hampande Hachongo	×	✓	✓	✓	
Mr. Eddie Samakai	×	✓	✓	✓	

BOARD ALCO COMMITTEE MEETINGS

No. of Board Meeting 2014					TOTAL
Date of Meeting	11.02.2014	12.05.2014	05.08.2014	12.11.2014	
Dr. J. B. Zulu	×	×	×	×	
Mr. Newton Lungu	✓	✓	✓	✓	
Mrs. Eva Jhala	✓	✓	×	×	
Mr. Reuben Bvulani	×	×	×	×	
Mr. Friday C. Ndhlovu	✓	✓	✓	✓	
Mr. Hampande Hachongo	✓	✓	✓	✓	
Mr. Eddie Samakai	×	✓	✓	✓	

Independence of Directors

Directors are expected to bring independent views and judgment to Board deliberations. The Board considers that all Non-Executive Directors are independent. That is, in the year 2013, no non-executive director had any relationships that could materially interfere, or be perceived to materially interfere, with the Director's unfettered and independent judgment.

Conflict of Interest

Directors are also expected to avoid any action, position or interest that conflicts or appears to conflict with an interest of the Bank. Any Director who has a material personal interest in a matter relating to the Bank's affairs must notify the other directors of that interest.

Appointment and re-appointment of Directors

Two thirds of the Directors retire by rotation each year and an equal number is elected or re- elected by the members at the Annual General Meeting in accordance with the Companies Act, 1994 Chapter 388 of the Laws of Zambia.

BOARD COMMITTEES

The Board discharges some of its core responsibilities through specialized committees. These are the Audit, Risk, Remuneration and Human Resources, Loans Review, and Assets and Liabilities Committees. The Terms of Reference for these committee's are incorporated in the Board Charter. Additionally, Audit and Risk Committee has specific Terms of Reference. These committees have scheduled quarterly meetings as well as special meetings depending on the exigencies of the business. The Board also has power to establish other sub-committees to address matters of specific importance.

Additionally, the Board has delegated some of its responsibilities to Management Committees which include; the Management Committee, Management Credit Committee, Management Sub-ALCO and Credit Risk Management Committee.

A description of each of the Board's core committees is given below:

Audit Committee

The Audit Committee provides direction to the audit function and monitors the quality of internal and external audit. The responsibilities of the Audit committee include overseeing the financial reporting process to ensure fairness, comprehensiveness and credibility of financial statements, review of the functioning of the Whistle Blower Policy, review of quarterly and annual financial statements before submission to the Board, review of the adequacy of internal control systems and the internal audit function, review of compliance with inspection and audit reports from both internal and external auditors and review of the findings of internal investigations.

The Committee was chaired by Mr. R.L Bvulani, a Non-Executive Director of the Bank. The Committee during the year was made up of the following:

Mr. H. Hachongo	-	Chairperson (Appointed 31 March 2014)
Mr. R. L. Bvulani	-	Chairperson (Retired 31 March 2014)
Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer
Mrs. E. Jhala	-	Non-Executive Director
Mr. E. Samakai	-	Non-Executive Director (Appointed 31 March 2014)

Meetings were held regularly throughout the year and were attended by the Internal Auditor as well as Senior Management where necessary. The Committee met five times in 2013.

Board Asset and Liabilities Committee ("ALCO")

The Committee comprises the following:

Mr. N.A. Lungu	-	Chairperson (Effective 30 March 2014)
Dr. J. B. Zulu	-	Chairperson (Retired 30 March 2014)
Mr. F.C. Ndhlovu	-	Managing Director and Chief Executive Officer
Mr. H. Hachongo	-	Non-Executive Director (Appointed 31 March 2014)
Mr. R.L. Bvulani	-	Non-executive (Retired 31 March 2014)
Mr. E. Samakai	-	Non-executive (Appointed 31 March 2014)

Loans Review Committee

The Loans Review Committee was chaired by Mrs E. Jhala (Effective 31 March 2014). The Loans Review Committee is constituted in accordance with the Banking and Financial Services Act, 1994, (as amended). The Committee meets to review the quality and collectability of the Bank's loan portfolio, including any accrued and unpaid interest. Reports of such loan reviews are made for the Board of Directors' necessary action.

The Committee comprises the following:

Mr. N.A. Lungu	-	Chairperson (Effective 30 March 2014)
Dr. J. B. Zulu	-	Chairperson (Retired 30 March 2014)
Mr. F.C. Ndhlovu	-	Managing Director and Chief Executive Officer
Mr. H. Hachongo	-	Non-Executive Director (Appointed 31 March 2014)
Mr. R.L. Bvulani	-	Non-executive (Retired 31 March 2014)
Mr. E. Samakai	-	Non-executive (Appointed 31 March 2014)

Remuneration and Conditions of Service Committee

The Remuneration and Conditions of Service Committee was chaired by Mr. E. Samakai (Appointed 31 March 2014). The Committee met regularly to review/consider and approve and make recommendations to the Board asap propriate, on matters relating to conditions of service and remuneration for staff of Investrust Bank Plc.

During the year, the Committee was made up of the following:

Mr. E. Samakai	-	Non-executive (Appointed 31 March 2014)
Mrs. E. Jhala	-	Chairperson (Up to 31 March 2014)
Mr. F.C. Ndhlovu	-	Managing Director and Chief Executive Officer
Mr. H. Hachongo	-	Non-Executive Director (Appointed 31 March 2014)
Mr. R.L. Bvulani	-	Non-executive (Retired 31 March 2014)

Nominations Committee

This function has been performed by the main Board in view of the small volume of matters to be dealt with.

Board Risk Management Committee

The Risk Management Committee's role is to oversee risk management and compliance within the Bank. It reviews, on behalf of the Board, the key risks and compliance issues inherent in the business and the system of internal control necessary to manage them and presents its findings to the Board. This involves oversight of management's responsibility to assess and manage the Bank's risk profile and key risk exposures covering credit, market, funding/liquidity, operational, legal and compliance risks.

The Committee makes recommendations to the Board regarding the Bank's risk appetite and all material policies relating to the Bank's risk profile. The Committee oversaw a successful completion and approval of an Enterprise Risk Management Policy as required by the Bank of Zambia and in preparation for the implementation of BASEL II Risk Management Model.

The Committee was chaired by Mrs E. Jhala, (Effective 31 March 2014).

Mrs. E. Jhala	-	Chairperson (Up to 31 March 2014)
Mr. N.A. Lungu	-	Chairperson (Effective 30 March 2014)
Mr. F.C. Ndhlovu	-	Managing Director and Chief Executive Officer
Dr. J. M. Mwanza	-	Non-executive (Appointed 31 March 2014)
Mr. R.L. Bvulani	-	Non-executive (Retired 31 March 2014)

Details of how each risk is managed are contained in the notes to the financial statements under the risk management section.

MANAGEMENT COMMITTEES

The Board has delegated the responsibility for the day to day management of the Bank's operations to the Managing Director who is also the Chief Executive Officer. The Chief Executive Officer is supported by various Committees.

Management Committee

The Board has delegated the responsibility for the day to day management of the Bank's operations to the Managing Director who is also the Chief Executive Officer. The Chief Executive Officer is supported by various Committees.

The Committee met every month to review the performance of the Bank for each business unit and to discuss any operational matters affecting each unit.

The Management Committee was made up of the following:

Mr. R. Phiri	-	Deputy Managing Director
Mr. C. K. Tembo	-	Legal Counsel and Company Secretary
Mr H. Mafuta	-	Head - Corporate and Investment Banking
Mr. P . Ndhlovu	-	Head - Operations
Mr. E. Mtonga	-	Head - Credit Control
Mr. G. Siziya	-	Head - Credit Risk Management
Mr. A. Sinkala	-	Financial Controller
Mr. P. Mwale	-	Head - Treasury
Mr. N. Kakvi	-	Head - Information Technology (resigned 30th November, 2014)
Mr. D. J. Lunensu	-	Acting Head- Information Technology (Appointed 01 December 2014)
Mr. S. Khambete	-	Head - Risk Management and Training
Mr. S. Banda	-	Head - Internal Audit
Mr. M. Mwelwa	-	Head - Recoveries (Resigned 30 November, 2014)

Management Credit Committee

In managing credit risk, the Loans Review Committee was assisted by a Management Credit Committee, which was responsible to the Board for approval and extension of advances. The Committee meets as and when required to discuss credit matters and approval, and makes recommendation for loans and advances.

The Management Credit Committee comprised the following:

Mr. F. C. Ndlovu	-	Managing Director and Chief Executive Officer
Mr. R. Phiri	-	Deputy Managing Director
Mr. E. Mtonga	-	Head - Credit Control
Mr. G. Siziya	-	Head - Credit Risk Management
Mr. P. Ndhlovu	-	Head - Operations
Mr. C. K. Tembo	-	Company Secretary and Legal Counsel

Credit Risk Management Committee

The Committee reported directly to the Board through the Board Risk Management Committee. The committee had been set up in compliance with the risk management guidelines issued by the Central Bank of Zambia. At minimum, it was responsible for:

- Implementing the credit risk policy and strategy approved by the Board;
- Monitoring credit risk on a bank-wide basis and ensuring compliance with limits approved by the Board;
- Recommending to the Board, for its approval, clear policies on standards for presentation of credit proposals, financial covenants, rating standards and benchmarks; and
- Recommending the delegation of credit approving powers, prudential limits on large credit exposures, standards for loan collateral, portfolio management, loan review mechanism, risk concentrations, risk monitoring, evaluation and control, pricing of loans, provisioning, regulatory and legal compliance, etc.

The Committee comprised the following:

Mr. F. C. Ndlovu	-	Managing Director and Chief Executive Officer
Mr. R. Phiri	-	Deputy Managing Director
Mr. S. Khambete	-	Head - Risk Management and Training
Mr. A. Sinkala	-	Financial Controller

Management Sub-Asset and Liabilities Committee ("Sub -ALCO")

The main purpose of the Committee is to manage the liquidity and cash flow of the Bank, capital position, asset and liability mismatches, compliance with internal limits and regulatory ratios and exposures to exchange rate and interest rate movements on a daily basis in line with Board approved policies, procedures and limits to ensure that the Bank meets all the daily regulatory requirements.

The Committee comprised the following:

Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer
Mr. R. Phiri	-	Deputy Managing Director
Mr. H. Mafuta	-	Head - Corporate and Investment Banking
Mr. A. Sinkala	-	Financial Controller
Mr. E. Mtonga	-	Head - Credit Control
Mr. P. Mwale	-	Head - Treasury
Mr. S. Khambete	-	Head - Risk Management and Training

OTHER MATTERS

Organisational Ethics and Business Integrity

Good governance and ethical conduct are critical to counterparty and investor perceptions of the Bank. Investrust Bank Plc strives to ensure that its integrity and professional conduct are beyond reproach. While it is probably impossible to achieve perfection, the Bank attempts to limit the incidence and cost of unethical behaviour to the stakeholders.

The Bank has adopted a code of conduct formulated by the Bankers Association of Zambia. The Code comprehensively deals with various issues including money laundering, insider trading, bribery, political activities, confidentiality and data privacy. Investrust Bank Plc has a zero tolerance approach towards inappropriate or fraudulent conduct exhibited by Management or staff at any level.

Know your customer and money laundering policies

The Bank has adopted a know your customer (KYC) policy and money laundering policies and adheres to current regulatory and legal requirements and guidelines in these areas.

Whistle Blower Policy

The Bank has reviewed and updated the whistle blower policy. In terms of this policy, employees of the Bankare duty bound to raise issues, if any, on breach of any law, statute or regulation by the Bank and on accounting policies and procedures adopted for any area or item and report them to the Audit committee through specified channels. A bank wide sensitisation is organised on an on-going basis to ensure effective use of the policy.

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Section 164 (6) of the Companies Act, 1994 (as amended) requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and of the profit or loss for that period.

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, Messrs Deloitte & Touche, have audited the financial statements and their report is shown on pages 14 and 15.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The 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 annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern in the foreseeable future.

In the opinion of the Directors:

- the statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the profit of the Bank for the year ended 31 December 2013;
- the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2014;
- there are reasonable grounds to believe that the Bank will be able to meet its debts as and when they fall due; and
- the Group accounts are drawn up so as to give a true and fair view of:
  (i) the loss of the Bank and its subsidiary for the financial year;
  (ii) the state of affairs of the Bank and its subsidiary as at the end of the financial year; and
- the financial statements have been prepared in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1994 (as amended) and the Banking and Financial Services Act, 1994 (as amended).

Signed on behalf of the Board of Directors by:

Director:____________________ Director:____________________

Director:____________________ Secretary:____________________

REPORT OF THE INDEPENDENT AUDITOR

Deloitte.

P.O. BOX 30030
Lusaka
Zambia

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www.deloitte.co.zm

To the members of

Investrust Bank Plc

We have audited the accompanying consolidated and separate financial statements of Investrust Bank Plc and its subsidiary, Zambian Home Loans Limited set out on pages 17 to 131 which comprise the consolidated and separate statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated and separate statement of changes inequity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated and separate financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1994 (as amended) and the Banking and Financial Services Act, 1994 (as amended) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of Investrust Bank Plc and its subsidiary Zambian Home Loans Limited as at 31 December 2014, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Banking and Financial Services Act, 1994 (as amended) and the Companies Act, 1994 (as amended).

Other matters

The supplementary information set out on pages 86 to 88 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

Report on other legal and regulatory requirements

The Companies Act, 1994 (asamended) under section 173(3) requires that in carrying out our audit, we consider and report to you on the following matters: we confirm that, in our opinion, the accounting and other records and registers have been properly kept in accordance with the Act.

In accordance with the Banking and Financial Services Act, 1994 (as amended), we report that in our opinion:

- Included in gross loans and advances and finance leases to customers of **K872 million** are seven (7) non-performing loans whose principal amounts total **K69.1 million** and are more than 5% of regulatory capital as per section 64(2)(d)(ii) but for which impairment losses have been recorded. Our audit opinion is not qualified in respect of this matter as loan impairment charges have been recorded for these non- performing loans and they have no impact on the reported results for the year;
- We are not aware of any transaction that has not been within the powers of the Bank or which was contrary to the Act;
- The Bank made available all necessary information to enable us to comply with the requirements of this Act; and
- The Bank has complied with the provisions of this Act and the regulations, guidelines and prescriptions under this Act with an exception of the requirements of Statutory Instrument No. 142 and No. 184 as set out in Notes 29(b) and 5.12 to the financial statements respectively.

Deloitte & Touche

DELOITTE & TOUCHE

Chungu

C. CHUNGU PARTNER
PARTNER (MU/C 0000565)

DATE: 17 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31st December, 2014

	NOTES	GROUP		BANK	
	NOTES	2014 K	2013 K	2014 K	2013 K
Interest and similar income	6	**146 052 057**	123 130 223	**146 052 057**	123 130 223
Interest and similar expenses	7	**(96 749 390)**	(61 891 683)	**(96 749 390)**	(61 891 683)
Net interest income		**49 302 667**	61 238 540	**49 302 667**	61 238 540
Impairment charges for credit losses	8	**(6 452 867)**	(24 978 379)	**(6 452 309)**	(24 978 379)
Net interest income after impairment charges for credit losses		**42 849 800**	36 260 161	**42 850 358**	36 260 161
Fee and commission income	9	**64 561 371**	70 027 232	**64 576 247**	70 029 122
Fee and commission expense	10	**(1 526 317)**	(1 605 373)	**(1 934 738)**	(1 615 071)
Net fee and commission income		**63 035 054**	68 421 859	**62 641 509**	68 414 051
Net gains on dealings in foreign currencies		**29 269 834**	14 433 392	**29 269 834**	14 433 392
Other operating income		**1 582 097**	3 126 992	**1 582 097**	3 126 992
Other income		**30 851 931**	17 560 384	**30 851 931**	17 560 384
Total operating income		**136 736 785**	122 242 404	**136 343 798**	122 234 596
Operating expenses	11	**(144 118 158)**	(128 751 243)	**(141 751 854)**	(128 751 243)
Loss before tax	12	**(7 381 373)**	(6 508 839)	**(5 408 056)**	(6 516 647)
Income tax credit	13	**1 018 622**	3 736 584	**334 923**	3 736 584
LOSS FOR THE YEAR		**(6 362 751)**	(2 772 255)	**(5 073 133)**	(2 780 063)
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain on revaluation of property	20	-	5 529 011	-	5 529 011
Income tax relating to items that will not be reclassified subsequently to profit or loss	27	-	(1 935 154)	-	(1 935 154)
		-	3 593 857	-	3 593 857
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(6 362 751)**	821 602	**(5 073 133)**	813 794
Loss for the year attributable to:					
Owners of the Bank		**(5 730 838)**	(2 776 081)	**(5 073 133)**	(2 780 063)
Non-controlling interests		**(631 913)**	3 826	**-**	-
		(6 362 751)	(2 772 255)	**(5 073 133)**	(2 780 063)
Total comprehensive loss for the year attributable to:					
Owners of the Bank		**(5 730 838)**	817 776	**(5 073 133)**	813 794
Non-controlling interests		**(631 913)**	3 826	**-**	0
		(6 362 751)	821 602	**(5 073 133)**	813 794
Earnings per share					
Basic and diluted earnings per share	34	**(1.36)**	**(0.60)**	**(1.09)**	**(0.60)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2014

	NOTES	GROUP		BANK	
		2014 K	2013 K	**2014 K**	2013 K
ASSETS					
Cash and balances with the Bank Of Zambia	14	**380 359 966**	110 243 516	**380 358 400**	110 243 516
Balances due from other banks	15	**112 563 693**	88 249 735	**112 563 693**	88 249 735
Held to maturity investments	16	**366 492 158**	261 830 814	**366 492 158**	261 830 814
Other assets	17	**26 659 077**	65 516 087	**26 372 842**	65 516 087
Loans and advances to customers	18	**497 158 893**	652 648 646	**496 699 416**	652 648 646
Finance lease receivables	35	**71 193 667**	43 729 713	**71 193 667**	43 729 713
Equity investments	19	**584 972**	596 447	**7 494 052**	871 447
Current tax assets	13	**21 617 473**	16 865 489	**21 617 473**	16 865 489
Deferred tax asset	27	**2 220 356**	1 193 885	**1 536 657**	1 193 885
Property and equipment	20	**71 555 161**	67 676 885	**71 412 224**	67 676 885
Deferred software development expenditure	22	**9 646 450**	5 665 888	**9 646 450**	5 665 888
Total assets		**1 560 051 866**	1 314 217 105	**1 565 387 032**	1 314 492 105
LIABILITIES					
Deposits from customers	23	**1 390 818 433**	1 033 910 613	**1 402 108 228**	1 034 480 221
Debt securities in issue	24	**15 010 000**	15 010 000	**15 010 000**	15 010 000
Borrowings	25	**18 265 701**	28 653 279	**18 265 701**	28 653 279
Balances due to other banks	15	**-**	114 500 000	**-**	114 500 000
Other liabilities	26	**53 823 536**	40 006 990	**53 202 916**	39 975 285
Total liabilities		**1 477 917 670**	1 232 080 882	**1 488 586 845**	1 232 618 785
EQUITY					
Share capital	28	**4 665 231**	4 665 231	**4 665 231**	4 665 231
Share premium		**26 726 530**	26 726 530	**26 726 530**	26 726 530
Statutory reserves	29 (a)	**4 665 231**	4 665 231	**4 665 231**	4 665 231
General banking reserve	29 (b)	**10 123 492**	8 935 661	**10 123 492**	8 935 661
Revaluation reserves		**3 593 857**	3 593 857	**3 593 857**	3 593 857
Retained earnings		**26 361 971**	33 280 640	**27 025 846**	33 286 810
Equity attributable to owners of the Bank		**76 136 312**	81 867 150	**76 800 187**	81 873 320
Non-controlling interests		**5 997 884**	269 073	**-**	-
Total equity		**82 134 196**	82 136 223	**76 800 187**	81 873 320
Total equity and liabilities		**1 560 051 866**	1 314 217 105	**1 565 387 032**	1 314 492 105

The responsibilities of the Bank's Directors with regard to the preparation of the financial statements are set out on page 14. The financial statements on pages 17 to 131 were approved for issue by the Board of Directors on 17 March 2015 and were signed on its behalf by:

Director:

Director:

Director:

Secretary:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2014

GROUP

	Share Capital K	Share Premium K	Statutory Reserves K	General Banking reserves K	Revaluation Reserves K	Retained Earnings K	Attributable To owners of The parent K	Non-Controlling interest K	Total K
Balance at 1 January 2013	4 665 231	26 726 530	4 665 231	6 025 391	-	38 966 346	38 966 346	(9 753)	81 048 729
Acquisition from non controlling shareholders	-	-	-	-	-	-	-	275 000	275 000
Total comprehensive loss for year	-	-	-	-	3 593 857	(2 776 081)	(2 776 081)	3 826	821 602
(Loss) profit for the year	-	-	-	-	-	(2 776 081)	(2 776 081)	3 826	(2 772 255)
Other comprehensive income	-	-	-	-	-	-	3 593 857	-	3 593 857
Prior year adjustment	-	-	-	-	-	645	645	-	645
Transfer to general banking reserve	-	-	-	2 910 270	-	(2 910 270)	(2 910 270)	-	-
Balance at 31 December 2013	4 665 231	26 726 530	4 665 231	8 935 661	3 593 857	33 280 640	33 280 640	269 073	82 145 976
Acquisition from non controlling shareholders	-	-	-	-	-	-	-	6 360 725	6 360 725
Total comprehensive loss for year	-	-	-	1 187 831	-	(6 918 669)	(5 730 838)	(631 913)	(6 362 751)
Loss for the year	-	-	-	-	-	(5 730 838)	(5 730 838)	(631 913)	(6 362 751)
Transfer to general banking reserve	-	-	-	1 187 831	-	(1 187 831)	-	-	-
Balance at 31 December 2014	4 665 231	26 726 530	4 665 231	10 123 492	3 593 857	26 361 971	27 549 802	5 997 885	82 134 197

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2014

GROUP

	Share Capital K	Share Premium K	Statutory Reserves K	General Banking reserves K	Revaluation Reserves K	Retained Earnings K	Attributable To owners of The parent K	Non-Controlling interest K	Total K
Balance at 1 January 2013	4 665 231	26 726 530	4 665 231	6 025 391	-	38 966 346	-	-	81 058 881
Total comprehensive loss for year	-	-	-	-	3 593 857	(2 776 081)	-	-	813 794
(Loss) profit for the year	-	-	-	-	-	(2 776 081)	-	-	(2 780 063)
Other comprehensive income	-	-	-	-	3 593 857	-	-	-	3 593 857
Prior year adjustment	-	-	-	-	-	645	-	-	645
Transfer to general banking reserve	-	-	-	2 910 270	-	(2 910 270)	-	-	-
Balance at 31 December 2013	4 665 231	26 726 530	4 665 231	8 935 661	3 593 857	33 286 810	-	-	81 873 320
Total comprehensive loss for year	-	-	-	1 187 831	-	-	-	-	-
Loss for the year	-	-	-	-	-	(5 073 133)	-	-	(5 073 133)
Transfer to general banking reserve	-	-	-	1 187 831	-	(1 187 831)	-	-	-
Balance at 31 December 2014	4 665 231	26 726 530	4 665 231	10 123 492	3 593 857	27 025 846	-	-	76 800 187

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2014

	NOTES	GROUP		BANK	
		2014 K	2013 K	2014 K	2013 K
OPERATING ACTIVITIES					
Loss for the year		**(6 362 751)**	(2 772 255)	**(5 073 133)**	(2 780 063)
Adjusted for:					
Depreciation and amortisation expense	11	**11 754 620**	10 170 068	**11 739 792**	10 170 068
Gain on disposal of property and equipment	12	**(10 000)**	(173 168)	**(10 000)**	(173 168)
Fair value gain on marketable equity investments	19	**11 475**	(182 512)	**11 475**	(182 512)
Impairment loss recognised on loans and advances	8	**6 452 867**	24 978 379	**6 452 309**	24 978 379
Income tax expense (credit)	13	**(1 018 622)**	(3 736 584)	**(334 923)**	(3 736 584)
Operating profit before changes in operating funds		**10 827 589**	28 283 928	**12 785 520**	28 276 120
Increase in held to maturity investments		**(122 716 344)**	(23 570 963)	**(122 716 344)**	(23 570 963)
Decrease (increase) in other assets		**38 857 010**	(45 749 449)	**39 143 245**	(45 739 753)
Decrease in loans and advances		**149 036 886**	21 024 318	**149 496 921**	21 024 318
Increase in finance lease receivables		**(27 463 954)**	(9 040 206)	**(27 463 954)**	(9 040 206)
Increase (decrease) increase in customer deposits		**356 907 820**	(14 718 777)	**367 628 007**	(14 718 777)
Increase in other liabilities		**13 816 546**	9 871 702	**13 227 631**	9 869 812
Cash generated (used in) from operations		**419 265 553**	(33 899 447)	**432 101 026**	(33 899 449)
Income taxes paid and suffered	13	**(4 759 833)**	(10 086 766)	**(4 759 833)**	(10 086 766)
Cash (used in) generated from operating activities		**414 505 720**	(43 986 213)	**427 341 193**	(43 986 215)
INVESTING ACTIVITIES					
Purchase of property and equipment	20	**(19 149 882)**	(31 522 447)	**(18 992 117)**	(31 522 447)
Purchase of software development expenditure	22	**(463 576)**	(875 310)	**(463 576)**	(875 310)
Proceeds on disposal of property and equipment		**10 000**	394 527	**10 000**	394 527
Net cash used in investing activities		**(19 603 458)**	(32 003 230)	**(19 445 693)**	(32 003 230)
FINANCING ACTIVITIES					
Redemption of debt securities			(14 350 000)	-	(14 350 000)
Contributions from Minority Shareholders		**6 360 725**	-	-	-
Repayments of borrowings		**(10 387 579)**	(13 573 001)	**(10 387 578)**	(13 572 999)
Payments to acquire equity investments	19	-	-	**(6 634 080)**	-
Net cash used in financing activities		**(4 026 854)**	**(27 923 001)**	**(17 021 658)**	**(27 922 999)**
Net Increase (decrease) in cash and cash equivalents		**390 875 408**	(103 912 444)	**390 873 842**	(103 912 444)
Cash and cash equivalents at beginning of the year		**135 993 251**	239 905 695	**135 993 251**	239 905 695
Cash and cash equivalents at end of the year		**526 868 659**	135 993 251	**526 867 093**	135 993 251
Comprising of:					
Cash and balances with Central Bank	14	**380 359 966**	110 243 516	**380 358 400**	110 243 516
Balances due from other banks	15	**112 563 693**	88 249 735	**112 563 693**	88 249 735
Balances due to other banks	15	-	(114 500 000)	-	(114 500 000)
Held to maturity investments maturing in 90 days	16	**33 945 000**	52 000 000	**33 945 000**	52 000 000
		526 868 659	135 993 251	**526 867 093**	135 993 251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

1. GENERAL INFORMATION

Investrust Bank Plc (the "Bank") and its subsidiary, Zambian Home Loans Limited, are companies incorporated and domiciled in Zambia. The addresses of the Bank's registered office and principal place of business are disclosed in the report of the Directors on page 1. The principal activities of the Bank and its subsidiary (the "Group") are described in the Report of the Directors on page 1.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 Standards and Interpretations affecting amounts reported and/ordisclosed in the financial statements

In the current year, the Group has adopted the new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities ;
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities ;
Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting; and
IFRIC 21 Levies .

The adoption of these new and revised Standards and Interpretations did not have a significant impact on the financial statements of the Group.

2.2 Standards and Interpretations in issue, not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

Pronouncement	Issued	Effective date
IFRS 9 *Financial Instrument: Disclosures* Contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*	November 2013	Annual periods beginning on or after 1 January 2018
IFRS 14 *Regulatory Deferral Accounts* Adopters of International Financial Reporting Standards to continue to account, with some limited changes, for 'Regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.	January 2014	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017

Pronouncement	Issued	Effective date
IAS 19 *Employee Benefits* Amendments clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	November 2013	Annual periods beginning on or after 1 July 2014
Amendments resulting from Annual Improvements 2012-2014 (Clarifies high quality bonds used in estimating the discount rate)	September 2014	Annual periods beginning on or after 1 July 2016
IFRS 11 *Joint Arrangements* Requires an acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the business combination accounting principles and disclose information required by IFRSs for business combination.	May 2014	Annual periods beginning on or after 1 January 2016
IFRS 2 *Share Based Payments* Amendments resulting from Annual Improvements 2010-2012 Cycle (Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition').	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 3 *Business Combinations* Amendments resulting from Improvements 2010-2012 Annual Cycle (Requires fair value measurement for contingent consideration at each reporting date)	December 2013	Annual periods beginning on or after 1 July 2014
Annual Improvements 2011-2013 Cycle (Clarifies exclusion from its scope the accounting for the formation of a joint arrangement)	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 8 *Operating Segments* Amendments resulting from Annual Improvements 2010-2012 Cycle (Requires disclosure of the judgments made by management)	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 13 *Fair Value Measurement* Amendments resulting from Annual Improvements 2010-2012 Cycle (Clarifies measurement of certain short-term receivables and payables on an undiscounted basis)	December 2013	Annual periods beginning on or after 1 July 2014
Annual Improvements 2011-2013 Cycle (Clarifies scope of the portfolio exception in paragraph 52	December 2013	Annual periods beginning on or after 1 July 2014

Pronouncement	Issued	Effective date
IAS 16 Property, *Plant and Equipment* Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 1 First time Adoption of International Financial Reporting Standards Annual Improvements 2011-2013 Cycle (clarifies which versions of IFRSs can be used on initial adoption)	December 2013	Annual periods beginning on or after 1 July 2014
IAS 24 *Related Party Disclosures* Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities).	December 2013	Annual periods beginning on or after 1 July 2014
IAS 40 *Investment Property* Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities).	December 2013	Annual periods beginning on or after 1 July 2014
IAS 38 *Intangible Assets* Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	December 2013	Annual periods beginning on or after 1 July 2014
IAS 27 *Separate Financial Statements* Amends to permit investments in subsidiaries, joint ventures and associate to be optionally accounted for using the equity method.	August 2014	Annual periods beginning on or after 1 July 2016
IFRS 10 *Consolidated Financial Statements* Clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	September 2014	Annual periods beginning on or after 1 July 2016
Consolidation exception for investment entities	September 2014	Annual periods beginning on or after 1 July 2016
IFRS 5 Non-current Assets Held and Discontinued Operation Amendments resulting from Annual Improvements 2012-2014 Cycle (Clarifies the reclassification of an asset from held for sale to held for distribution or vice versa.)	September 2014	Annual periods beginning on or after 1 July 2016
IFRS 7 *Financial Instrument; Disclosure* Amendments resulting from Annual Improvements 2012-2014 (Clarifies on offsetting disclosures.)	September 2014	Annual periods beginning on or after 1 July 2016

Pronouncement	Issued	Effective date
IAS 1 *Presentation of Financial Statements* Amendments resulting from Annual Improvements 2012-2014 (Amendments to address perceived impediments to preparers exercising their judgments in presenting their Financial reports)	September 2014	Annual periods beginning on or after 1 July 2016
IAS 1 *Presentation of Financial Statements* Amendments resulting from Annual Improvements 2012-2014 (Amendments to address perceived impediments to preparers exercising their judgments in presenting their Financial reports)	September 2014	Annual periods beginning on or after 1 July 2016
IFRS 12 *Disclosure of Interests in Other Entities* Consolidation exception for investment entities	December 2014	Annual periods beginning on or after 1 July 2016

The directors of the Group anticipate that other than IFRS 9 and IFRS 15, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Group.

The directors of the Group anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

The directors of the Group anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Statement of compliance

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS

17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiary. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of the subsidiaries begins when the Bank obtains control over the subsidiaries and ceases when the Bank loses control of the subsidiaries. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiaries.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.3.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary (i.e. reclassified in profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.4 Translation of Foreign currencies

(i) Functional and presentation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Kwacha (“K”) which is the Group's functional currency.

(ii) Transaction 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 account. Monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items denominated in foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

3.5 Interest income and expense

Interest income and expense for all interest bearing instruments, except for those classified as held for trading or designated at fair value through profit and loss, are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation of the effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

3.6 Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of business - are recognised on completion of the underlying transaction.

3.7 Financial assets

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributed to acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at fair value through profit and loss (FVTPL) are recognised immediately in the profit or loss. The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans, advances and receivables; held- to-maturity financial assets; and available-for-sale assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Management determines the appropriate classification of its financial assets at initial recognition.

(i) Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition including cash in hand and non-restricted balances with the Bank of Zambia, treasury bills, loans and advances to banks, amounts due from other banks and short-term government securities.

(ii) Loans, advances and receivables

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

(iii) Held-to maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Were the Group to sell more than an insignificant amount of held-to- maturity assets, the entire category would have to be reclassified as available- for-sale. Subsequent to initial recognition, held to maturity investments are measured at amortised cost using the effective interest rate method less any impairment.

(iv) Available-for-sale

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

3.8 Employee benefits

The Group and all its employees contribute to the National Pension Scheme, which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the Group pays fixed contributions into a separate entity. The Group 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. The Group's contributions to the defined contribution pension plan are recognized as an employee benefit expense.

Short-term benefits, such as salaries, paid absences, and other benefits, are accounted for on an accruals basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably.

All expenses related to employee benefits are recognised in the statements of comprehensive income in staff benefit expenses.

3.9 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders and the number of basic weighted average number of shares excluding own shares held in employee benefits trusts, currently not vested. When calculating the diluted earnings per share, the profit attributable to equity holders is adjusted for the conversion of outstanding options into shares within certain subsidiary entities. The weighted average number of ordinary shares excluding own shares held in employee benefit trusts, currently not vested, is adjusted for the effects of all dilutive potential ordinary shares.

3.10 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor; or
- a breach of contract, such as a default or delinquency in interest or principal repayments; or
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (a) adverse changes in the payment status of borrowers in the portfolio; and
  - (b) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between 3 months and 6 months.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past- due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for- sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss account. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss account.

(b) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

3.11 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.12 Property and equipment

(i) Recognition and Measurements

All property, plant and equipment except buildings is stated at historical cost. Items of property plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses and property is subsequently measured at fair value less accumulated depreciation.

Buildings are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses. It is the Groups policy to perform revaluations with regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The revaluation differences are credited to other comprehensive income and accumulated in equity under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease previously recognized as an expense, in which case it should be recognized as income. A decrease as a result of a revaluation is recognized as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset.

When a revalued asset is disposed off, any revaluation surplus is transferred directly to retained earnings.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as party of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are componentized as separate items of property, plant and equipment.

Capital work in progress relates to items of property, plant and equipment that are under construction and are yet to be commissioned for use. Work in progress is measured at the cost incurred in relation to the construction up to the reporting date.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other operating income.

(ii) Subsequent costs

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

(ii) Depreciation

Depreciation is based on the cost of the asset less its residue value. Components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Capital work in progress is not depreciated.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives are as follows:

- Leasehold buildings 50 years
- Furniture and fixtures 10 years
- Leasehold improvements 10 years or over life of the lease
- Equipment and motor vehicles 4 years
- Automatic Teller Machines 10 years
- Generator sets 10 years
- Intangible assets 5 years

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

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

3.13 Revaluation reserve

The surplus arising on revaluation of tangible assets is credited to a non-distributable reserve. Decreases that offset previous revaluations of the same asset are charged against the revaluation reserve. All other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to revenue reserves. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to revenue reserves.

3.14 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.15 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is allocated to remaining assets and liabilities. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurements are recognized in profit or loss.

3.16 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.

3.17 Borrowings Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

3.18 Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

Financial liabilities

Financial liabilities are classified as borrowed funds, other payables, other liabilities and amounts due to related parties.

Borrowed funds, other payables and other liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at proceeds received, net of direct issue costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.19 Offsetting

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.

3.20 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 other banks or customers, 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.

3.21 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.

3.22 Dividends payable

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

3.23 Fiduciary activities

The Group 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 Group.

3.24 Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-statement of financial position transactions and disclosed as contingent liabilities.

3.25 Provision

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

The Group recognises no provisions for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.26 Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessor
Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight- line basis over the lease term.

Lessee
Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 3.13 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.27 Intangible asset - Computer software

Computer software is stated at cost, less amortisation and provisions for impairment, if any.

The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Group, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred.

3.28 Segments Reporting

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Executive Management Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group has two main business segments:

- Retail banking: Incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, safe custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking: Incorporating direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities and foreign currency.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the re vision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before a decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in that group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Held to maturity investments

The Group follows the guidance on IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available for sale. The Directors have reviewed the Group's held to maturity financial assets in light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity.

(c) Income taxes

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

(d) Useful lives of property, plant and equipment

As described at 3.17 above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, there were no adjustments made to the useful lives of property, plant and equipment.

(e) Fair values of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5. FINANCIAL RISK MANAGEMENT

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the entity, measure these risks, manage the risk positions and determine capital allocations. The Board of Directors regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the entity's financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management is carried out by the Risk Management department under policies approved by the Board of Directors through a Board Risk Management sub-committee which identifies, evaluates and hedges financial risks in close co-operation with the concerned operating units of the Group. 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 and credit risk. In addition, the Internal Audit department is responsible for the independent review of risk management and the control environment.

The risks arising from financial instruments to which the Group is exposed are financial risks, which includes credit risk, liquidity risk, market risk (which are discussed below) and operational risk.

5.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board Risk Management committee and Loans review committee once every quarter.

5.1.1 Credit risk management

(a) Risk limit control and mitigation policies

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and by industry sector are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off-statement of financial position exposures.

For example:

1) There is a single name credit exposure limit of 25% of the regulatory capital.

2) Clean and secured counterparty limits apply for money market operations conducted by the Treasury Department.

Some specific control and mitigation measures are outlined below:

(i) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group 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 instruments;
- Cash cover; and
- Longer-term finance and lending to corporate entities are generally secured. Certain personal credit facilities are generally unsecured.

In addition, in order to minimize the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset backed securities and similar instruments, which are secured by portfolios of financial instruments.

(ii) Financial covenants (for Credit-related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipment of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group 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 Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

(b) Lending limit

Credit risk exposure is managed as part of overall lending limits with customers, together with potential exposures from market movements.

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt in cash or securities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

(c) 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 Group will make payments in the event that 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 Group on behalf of a customer authorising a third party to draw drafts on the Group 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 borrowing.

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 Group 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 Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(c) Credit related commitments (continued)

The Group holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Percentage of Exposure that is subject to collateral requirements				
	GROUP		BANK		
	2014	2013	2014	2013	Principal type of collateral held
Loans and advances to banks					
Funds placements	**100**	100	**100**	100	Treasury bills
Loans and advances to retail Customers					
Mortgage lending	**3**	2	**3**	2	Property and equipment
Personal Lending	**8**	9	**8**	9	None
Loans and advances to corporate Customers					
Finance leases	**10**	6	**10**	6	Property and equipment
Secured loans	**26**	44	**26**	44	Commercial property
Other	**53**	39	**53**	39	Floating charges over Corporate assets and cash cover

New loans issued covered by collateral

Detail of financial and non-financial assets obtained by the Bank during the year covered by collateral held as security against loans and advances as well calls made on credit enhancements and held at the year end are shown below:

	GROUP		BANK	
	2014 K	2013 K	2014 K	2013 K
Property	**106 291 653**	68 514 957	**106 291 653**	68 514 957
Equipment and motor vehicles	**47 998 978**	16 383 463	**47 998 978**	16 383 463
Other (debentures)	**17 000**	35 823 113	**17 000**	35 823 113
	154 307 631	120 721 533	**154 307 631**	120 721 533

(c) Credit related commitments (continued)

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payment. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totalled K32.05 million at 31 December 2014 (2013: K219.04 million).

Repossessed collateral

Detail of financial and non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances as well calls made on credit enhancements and held at the year end are shown below.

	GROUP		BANK	
	2014 K	2013 K	2014 K	2013 K
Landed property	**65 232 500**	25 194 000	**65 232 500**	25 194 000
Plant and machinery	**-**	5 336 852	**-**	5 336 852
	65 232 500	30 530 852	**65 232 500**	30 530 852

(d) Impairment and provisioning policies

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property are not classified in the statement of financial position.

The internal grading system that the Bank uses focuses more on credit quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment allowance shown in the statement of financial position at year end is derived from the internal grading system. However, the majority of the impairment provision comes from the bottom two gradings. The table below shows the percentage of the bank's on and off balance sheet items relating to loans and advances and the associated impairment provision for each of the bank's grading categories:

	GROUP				BANK			
Table I - Grading	2014		2013		2014		2013	
	Loans and Advances %	Impairment Provision %	**Loans and Advances %**	Impairment Provision %	**Loans and Advances %**	Impairment Provision %	**Loans and Advances %**	Impairment Provision %
Pass	**57%**	0%	**83%**	0%	**57%**	0%	**63%**	0%
Sub-standard	**2%**	20%	**1%**	20%	**2%**	20%	**1%**	20%
Doubtful	**2%**	50%	**1%**	50%	**2%**	50%	**1%**	50%
Loss	**40%**	100%	**15%**	100%	**40%**	100%	**15%**	100%

(d) Impairment and provisioning policies (continued)

Maximum exposure to credit risk before collateral held

Table 2 - credit risk exposure	Maximum exposure			
	GROUP		BANK	
	2014 K	2013 K	**2014 K**	2013 K
Investment Securities	**366 492 158**	261 830 814	**366 492 158**	261 830 814
Loans and advances to Banks	**112 563 693**	88 249 735	**112 563 693**	88 249 735
Loans and advances to customers				
Individual (retail customers)				
- Terms loans	**116 735 689**	125 001 631	**116 735 689**	125 001 631
- Overdrafts	**23 115 059**	17 822 078	**23 115 059**	17 822 078
- Mortgages	**29 335 215**	18 723 511	**29 335 215**	18 723 511
Corporate entities				
- Large corporates	**470 514 649**	570 294 279	**470 514 649**	570 294 279
- SMEs	**232 603 968**	202 149 308	**232 603 968**	202 149 308
Total on - Financial position credit risk exposure	**1 351 360 431**	1 284 071 356	**1 351 360 431**	1 284 071 356

Credit risk exposure relating to off-balance sheet items are as follows:

Table 2 - credit risk exposure	Maximum exposure			
	GROUP		BANK	
	2014 K	2013 K	**2014 K**	2013 K
Financial guarantees and bid bonds	**101 263 066**	71 343 385	**101 263 066**	71 343 385
	101 263 066	71 343 385	**101 263 066**	71 343 385
Total on and off financial position credit risk exposure	**1 452 623 497**	1 355 414 741	**1 452 388 880**	1 355 414 741

The above table represents a worst case scenario of credit risk exposure to the Group and Bank at 31 December 2014 and 2013, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position. As shown above, 75% of the total maximum exposure is derived from loans and advances to banks and customers (2013: 81%).

(e) Loans and advances

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:

- 57% (2013: 68%) of the loans and advances portfolio are neither past due nor impaired.
- 90% (2013: 89%) of the loans and advances portfolio are backed by collateral.
- 100% (2013:100%) of the investments in securities are government securities.

Loans and advances including finance leases are summarised as follows:

	GROUP				BANK			
Table 3	**31 December 2014**		31 December 2013		**31 December 2014**		31 December 2013	
	Loans and advances to Customers K	**Loans and advances to Banks K**	Loans and advances to Customers K	**Loans and advances to Banks K**	**Loans and advances to Customers K**	**Loans and advances to Banks K**	Loans and advances to Customers K	**Loans and advances to Banks K**
Neither past due nor impaired	**493 757 002**	112 563 693	636 452 374	88 249 735	**493 296 967**	**112 563 693**	636 452 374	88 249 735
Past due but not impaired	**29 033 448**	-	6 724 145	-	**29 033 448**	**-**	6 724 145	-
Impaired	**349 739 547**	-	290 814 288	-	**349 739 547**	**-**	290 814 288	-
Gross	872 529 997	112 563 693	933 990 807	88 249 735	**872 069 962**	**112 563 693**	933 990 807	88 249 735
Less: allowance for Impairment	(304 177 437)		(237 612 446)	-	**(304 176 879)**		(237 612 446)	-
Net	**568 352 560**	**112 563 693**	696 378 361	88 249 735	**567 893 083**	**112 563 693**	696 378 361	88 249 735

Further information of the impairment allowance for loans and advances is provided in Note 9 and note 19.
The fair values for the past due and impaired loan and advances are summarised below:

	GROUP				BANK			
Table 4	**2014**		2013		**2014**		2013	
	Carrying Amount K	**Fair values K**	Carrying Amount K	**Fair values K**	**Carrying Amount K**	**Fair values K**	Carrying Amount K	**Fair values K**
Past due loans	**29 033 448**	**19 135 448**	6 724 145	**4 613 302**	**29 033 448**	**19 135 448**	6 724 145	**4 613 302**
Impaired loans	**349 739 547**	**52 975 560**	290 814 288	**201 179 121**	**349 739 547**	**52 975 560**	290 814 288	**201 179 121**
	378 772 995	**72 111 008**	297 538 433	**205 792 423**	**378 772 995**	**72 111 008**	297 538 433	**205 792 423**

(f) Concentration of risk

Industry sector risk concentration were as follows for on-and off-statement of financial position.

Credit risk relating to on-statement of financial statement position items:

GROUP

	Financial	Manu-Facturing	Transport & Communication	Wholesale And retail Trade	Agriculture	Other Industries	Industrials	Total
2014								
Loans and advances customers	**26 713 388**	38 929 504	115 851 970	59 636 587	61 681 274	399 790 228	169 701 630	872 304 581
Investment securities -Held-to-maturity	**366 492 158**	-	-	-	-	-	-	366 492 158
At 31 December, 2014	**393 205 546**	**38 929 504**	**115 851 970**	**59 636 587**	**61 681 274**	**399 790 228**	**169 701 630**	**1 238 796 739**

GROUP

	Financial	Manu-Facturing	Transport & Communicatio	Wholesale And retail Trade	Agriculture	Other Industries	Industrials	Total
2013								
Loans and advances customers	**20 003 826**	26 031 102	67 853 164	69 634 463	239 420 010	349 143 321	161 904 920	933 990 806
Investment securities -Held-to-maturity	**261 830 814**	-	-	-	-	-	-	261 830 814
At 31 December, 2013	**281 834 640**	**26 031 102**	**67 853 164**	**69 634 463**	**239 420 010**	**349 143 321**	**161 904 920**	**1 195 821 620**

(f) Concentration of risk (continued)

Credit risk relating to on-statement of financial statement position items:

BANK

	Financial	Manu-Facturing	Transport & Communication	Wholesale And retail Trade	Agriculture	Other Industries	Industrials	Total
2014								
Loans and advances customers	26 713 388	38 929 504	115 851 970	59 636 587	61 681 274	399 555 610	169 701 630	872 304 581
Investment securities								
-Held-to-maturity	366 402 158	-	-	-	-	-	-	366 492 158
At 31 December, 2014	**393 205 546**	**38 929 504**	**115 851 970**	**59 636 587**	**61 681 274**	**399 555 610**	**169 701 630**	**1 238 796 739**

BANK

	Financial	Manu-Facturing	Transport & Communication	Wholesale And retail Trade	Agriculture	Other Industries	Industrials	Total
2013								
Loans and advances customers	20 003 826	26 031 102	67 853 164	69 634 463	239 420 010	349 143 231	161 904 920	933 990 806
Investment securities								
-Held-to-maturity	261 830 814	-	-	-	-	-	-	261 830 814
At 31 December, 2013	**281 834 640**	**26 031 102**	**67 853 164**	**69 634 463**	**239 420 010**	**349 143 321**	**161 904 920**	**1 195 821 620**

(f) Concentration of risk (continued)

Credit risk relating to on-statement of financial statement position items:

GROUP

	Financial	Manu-Facturing	Transport & Communication	Wholesale And retail Trade	Agriculture	Other Industries	Industrials	Total
2014								
Guarantee and performance bonds	-	-	1 206 127	16 191 041	-	83 815 898	50 000	101 263 066
Undrawn stand-by facilities, credit Lines and other commitments to lend	-	-	-	-	-	-	381 985	381 985
	-	-	1 206 127	16 191 041	-	83 815 898	431 985	101 645 051
At 31 December, 2014	**393 205 546**	**38 929 504**	**117 058 097**	**75 827 628**	**61 681 274**	**483 606 126**	**170 133 615**	**1 340 441 790**
2013								
Guarantee and performance bonds	-	-	1 293 462	13 289 691	-	56 710 232	50 000	71 343 385
	-	-	1 293 462	13 289 691	-	56 710 232	50 000	71 343 385
At 31 December, 2013	**281 834 640**	**26 031 102**	**69 146 626**	**82 924 154**	**239 420 010**	**405 853 553**	**161 954 920**	**1 267 165 005**

(f) Concentration of risk (continued)

Credit risk relating to on-statement of financial statement position items:

BANK

	Financial	Manu-Facturing	Transport & Communication	Wholesale And retail Trade	Agriculture	Other Industries	Industrials	Total
2014								
Guarantee and performance bonds	-	-	1 206 127	16 191 041	-	83 815 898	50 000	101 263 066
	-	-	1 206 127	16 191 041	-	83 815 898	50 000	101 263 066
At 31 December, 2014	**393 205 546**	**38 929 504**	**117 058 097**	**75 827 628**	**61 681 274**	**483 371 508**	**169 751 630**	**1 339 825 187**
2013								
Guarantee and performance bonds	-	-	1 293 462	13 289 691	-	56 710 232	50 000	71 343 385
	-	-	1 293 462	13 289 691	-	56 710 232	50 000	71 343 385
At 31 December, 2013	**281 834 640**	**26 031 102**	**69 146 626**	**82 924 154**	**239 420 010**	**405 853 553**	**161 954 920**	**1 267 165 005**

5.2 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfill lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

a. Liquidity risk management process

The Bank's liquidity management process is monitored on a daily basis by the Bank's Treasury Department in consultation with the Financial Controller and the Managing Director and controlled as far as possible by ensuring that mismatches between maturing deposit liabilities and investments of these funds are kept to a minimum. Consultations includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in the money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Table 7 and 8 shows the net liquidity gaps at 31

December 2014 and 2013 respectively.

b. Assets held for managing liquidity risk

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

- Cash and balances with the central bank;
- Certificates of deposit;
- Government bonds and other securities that are readily acceptable in repurchase agreements with the central bank; and
- Secondary sources of liquidity in the form of highly liquid instruments in the trading portfolios.

(c) Liquidity Risk maturity analysis

The tables below present the undiscounted cash flows payable by the Group and Bank respectively under financial liabilities by the remaining contractual maturities at the reporting date and from financial assets by expected maturity dates.

GROUP **31 December, 2014**

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2014 to the contractual maturity

Table 7

	up to 1 month K	1 - 3 Months K	3 - 6 Months K	6 - 12 Months K	1 - 3 years K	3 - 5 Years K	Over 5 years K	Total K
FINANCIAL ASSETS								
Cash and balances with Central Bank	347 729 966	32 630 000	-	-	-	-	-	380 359 966
Loans and advances to banks	-	112 563 693	-	-	-	-	-	112 563 693
Held to maturity investments	106 538 754	102 743 115	21 186 125	78 740 076	57 284 088	-	-	366 492 158
Other assets	1 010 253	8 755 626	3 876 660	12 441 453	575 085	-	-	26 659 077
Loans and advances to Customers and finance lease receivables	26 132 991	29 031 009	138 332 885	195 943 530	92 785 679	75 954 699	10 171 767	568 352 560
Equity instruments	-	-	-	-	-	-	584 972	584 972
Total assets	**481 411 964**	**285 723 443**	**163 395 670**	**287 125 059**	**150 644 852**	**75 954 699**	**10 756 739**	**1 455 012 426**
FINANCIAL LIABILITIES								
Customer deposits	469 635 896	273 867 056	146 137 290	232 628 870	120 356 100	128 634 534	19 558 687	1 390 818 433
Debt securities in issue	-	-	-	-	15 010 000	-	-	15 010 000
Other borrowed funds	-	-	-	-	13 118 536	5 147 165	-	18 265 701
Other liabilities	5 435 468	3 666 216	-	44 721 852	-	-	-	53 823 536
Total liabilities	**475 071 364**	**277 533 272**	**146 137 290**	**277 350 722**	**148 484 636**	**133 781 699**	**19 558 687**	**1 477 917 670**
Net liquidity gap	**6 340 600**	**8 190 171**	**17 258 380**	**9 774 337**	**2 160 216**	**(57 827 000)**	**(8 801 948)**	**(22 905 244)**

Customer deposits relate to current and savings account deposits, which though classified in these bands are deemed stable and of a long-term nature.

(c) Liquidity Risk maturity analysis

BANK **31 December, 2014**

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2014 to the contractual maturity date.

Table 7

	up to 1 month K	1 - 3 Months K	3 - 6 Months K	6 - 12 Months K	1 - 3 years K	3 - 5 Years K	Over 5 years K	Total K
FINANCIAL ASSETS								
Cash and balances with Central Bank	347 728 400	32 630 000	-	-	-	-	-	380 358 400
Loans and advances to banks	-	112 563 693	-	-	-	-	-	112 563 693
Held to maturity investments	106 538 754	102 743 115	21 186 125	78 740 076	57 284 088	-	-	366 492 158
Other assets	1 010 253	8 755 626	3 876 660	12 155 216	575 085	-	-	26 372 840
Loans and advances to Customers and finance lease receivables	26 132 991	29 031 009	138 332 885	195 943 530	92 560 536	75 720 365	10 171 767	567 893 083
Equity instruments	-	-	-	-	-	-	7 494 052	7 494 052
Total assets	**481 410 398**	**285 723 443**	**163 395 670**	**286 838 822**	**150 419 709**	**75 720 365**	**17 665 819**	**1 461 174 226**
FINANCIAL LIABILITIES								
Customer deposits	469 635 896	273 867 056	151 895 086	238 160 869	120 356 100	128 634 534	19 558 687	1 402 108 228
Debt securities in issue	-	-	-	-	15 010 000	-	-	15 010 000
Other borrowed funds	-	-	-		13 118 536	5 147 165	-	18 265 701
Other liabilities	5 435 468	3 666 216	-	44 101 232	-	-	-	53 202 916
Total liabilities	**475 071 364**	**277 533 272**	**151 895 086**	**282 262 101**	**148 484 636**	**133 781 699**	**19 558 687**	**1 488 586 845**
Net liquidity gap	**6 339 034**	**8 190 171**	**11 500 584**	**4 576 721**	**1 935 0736**	**(58 061 334)**	**(1 892 868)**	**(27 412 619)**

Customer deposits relate to current and savings account deposits, which though classified in these bands are deemed stable and of a long-term nature.

(c) Liquidity Risk maturity analysis *(Continued)*

GROUP **31 December, 2013**

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2014 to the contractual maturity date.

Table 7

	up to 1 month K	1 - 3 Months K	3 - 6 Months K	6 - 12 Months K	1 - 3 years K	3 - 5 Years K	Over 5 years K	Total K
FINANCIAL ASSETS								
Cash and balances with Central Bank	1 839 384	45 061 158	-	63 342 974	-	-	-	**110 243 516**
Loans and advances to banks	-	88 249 735	-	-	-	-	-	**88 249 735**
Held to maturity investments	19 511 712	38 413 297	6 599 737	167 537 876	29 768 192	-	-	**261 830 814**
Other assets	35 219 453	25 597 223	4 176 660	407 504	115 247	-	-	**65 516 087**
Loans and advances to Customers and finance lease receivables	354 917 268	4 895 145	15 784 125	195 944 415	77 223 124	40 827 035	6 787 247	**696 378 359**
Equity instruments	-	-	-	-	-	-	596 447	**596 447**
Total assets	**411 487 817**	**202 216 558**	**26 560 522**	**427 232 769**	**107 106 563**	**40 827 035**	**7 383 694**	**1 222 814 958**
FINANCIAL LIABILITIES								
Customer deposits	174 417 400	183 659 261	172 907 039	295 665 792	134 434 299	72 826 822	-	**1 033 910 613**
Debt securities in issue	-	-	-	-	15 010 000	-	-	**15 010 000**
Other borrowed funds	517 841	4 183 444	1 793 428	6 494 713	14 185 285	1 478 568	-	**28 653 279**
Due to banks	114 500 000	-	-	-	-	-	-	**114 500 000**
Other liabilities	8 660 831	21 641 659	435 586	9 268 914	-	-	-	**40 006 990**
Total liabilities	**298 096 072**	**209 484 364**	**175 136 053**	**311 429 419**	**163 629 584**	**74 305 390**	**-**	**1 232 080 882**
Net liquidity gap	**113 391 745**	**(7 267 806)**	**(148 575 531)**	**115 803 350**	**(56 523 021)**	**(33 478 355)**	**7 383 694**	**(9 265 924)**

(c) Liquidity Risk maturity analysis *(Continued)*

BANK — **31 December, 2013**

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2014 to the contractual maturity date.

Table 7

	up to 1 month K	1 - 3 Months K	3 - 6 Months K	6 - 12 Months K	1 - 3 years K	3 - 5 Years K	Over 5 years K	Total K
FINANCIAL ASSETS								
Cash and balances with Central Bank	1 839 384	45 061 158	-	63 342 974	-	-	-	**110 243 516**
Loans and advances to banks	-	88 249 735	-	-	-	-	-	**88 249 735**
Held to maturity investments	19 511 712	38 413 297	6 599 737	167 537 876	29 768 192	-	-	**261 830 814**
Other assets	35 219 453	25 597 223	4 176 660	407 504	115 247	-	-	**65 516 087**
Loans and advances to Customers and finance lease receivables	354 917 268	4 895 145	15 784 125	195 944 413	77 223 124	40 827 035	6 787 249	**696 378 359**
Equity instruments	-	-	-	-	-	-	596 447	**871 447**
Total assets	**411 487 817**	**202 216 558**	**26 560 522**	**427 232 767**	**107 106 563**	**40 827 035**	**7 383 696**	**1 223 089 958**
FINANCIAL LIABILITIES								
Customer deposits	174 417 400	183 659 261	172 907 039	295 665 792	135 003 908	72 826 821	-	**1 034 480 221**
Debt securities in issue	-	-	-	-	15 010 000	-	-	**15 010 000**
Other borrowed funds	517 841	4 183 444	1 793 428	6 494 713	14 185 284	1 478 569	-	**28 653 279**
Due to banks	114 500 000	-	-	-	-	-	-	**114 500 000**
Other liabilities	8 660 831	21 641 659	435 586	9 237 209	-	-	-	**39 975 285**
Total liabilities	**298 096 072**	**209 484 364**	**175 136 053**	**311 397 714**	**164 199 192**	**74 305 390**	-	**1 232 618 785**
Net liquidity gap	**113 391 745**	**(7 267 806)**	**(148 575 531)**	**115 835 053**	**(57 092 629)**	**(33 478 355)**	**7 383 696**	**(9 528 827)**

c. Liquidity risk maturity analysis *(Continued)*

The amounts in the table have been compiled as follows:

Type of financial instruments	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments
Issued financial guarantee contracts, and unrecognised loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows.	The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- Demand deposits from customers are expected to remain stable or increase; and
- unrecognised loan commitments are not all expected to be drawn down immediately.

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents and debt securities which can be readily sold to meet liquidity requirements. In addition, the Bank maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral with central banks (these amounts are referred to as the 'Group's liquidity reserves').

(c) Liquidity Risk maturity analysis *(Continued)*

Liquidity reserves

The table below sets out the components of the Group's liquidity reserves.

	GROUP				BANK			
	2014 K Carrying amount	**2014 K Fair Value**	2013 K Carrying amount	2013 K Fair Value	**2014 K Carrying amount**	**2014 K Fair Value**	2013 K Carrying amount	2013 K Fair Value
Balances with central banks	**334 084 746**	**334 084 746**	65 182 358	65 182 358	**334 084 746**	**334 084 746**	65 182 358	65 182 358
Cash and cash equivalents	**158 837 347**	**158 837 347**	133 310 893	133 310 893	**158 837 347**	**158 837 347**	133 310 893	133 310 893
Clean credit lines	**74 000 000**	**74 000 000**	74 000 000	74 000 000	**74 000 000**	**74 000 000**	74 000 000	74 000 000
Treasury bills	**312 896 546**	**312 896 546**	225 227 157	225 227 157	**312 896 546**	**312 896 546**	225 227 157	225 227 157
Total liquidity reserves	**879 818 639**	**879 818 639**	**497 720 408**	**497 720 408**	**879 818 639**	**879 818 639**	**497 720 408**	**497 720 408**

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issues, other borrowings and commitments maturing within the next month. Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	GROUP	BANK	GROUP	BANK
	2014	2013	2014	2013
At 31st December	**0.60**	0.33	**0.60**	0.33
Average for the period	**0.52**	0.26	**0.52**	0.26
Maximum for the period	**0.66**	0.33	**0.66**	0.33
Minimum for the period	**0.40**	0.21	**0.40**	0.21

5.3 Operational risk

All policies, procedures and limits are properly documented in the operational manual for each department within the Bank and updated every three years to take account of the changes to internal controls, procedures and limits.

5.4 Market risk

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

The Treasury Department in consultation with the Managing Director, Financial Controller and Head - Operations reviews the foreign exchange buying and selling rates on a daily basis and a decision is made as to whether to hold long or short positions, within the limits stipulated by Bank of Zambia.

Similarly the same composition of individuals also monitors the interest rates on a weekly basis and adjustments are made on interest chargeable on loans and advances. The monitoring process pays attention to Treasury Bill rates and base rates changes announced by other Banks.

5.4 Market risk *(continued)*

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.

31 December 2014

	Market risk measure			
	GROUP		BANK	
Assets subject to market risk	Carrying Amount	Non-trading Portfolio	Carrying Amount	Non-trading portfolio
Cash and cash equivalents	526 868 659	526 868 659	526 867 093	526 867 093
Held to maturity Investments	366 492 158	366 492 158	366 492 158	366 492 158
Loans and advances to customers	568 352 560	568 352 560	567 893 083	567 893 083
Other assets	2 491	2 491	2 491	2 491
	1 461 715 868	**1 461 715 868**	1 461 254 825	1 461 254 825
Liabilities subject to market risk				
Customer deposits	1 390 818 433	1 390 818 433	1 402 108 228	1 402 108 228
Debt securities in issue	15 010 000	15 010 000	15 010 000	15 010 000
Borrowings	18 265 701	18 265 701	18 265 701	18 265 701
Other liabilities	49 646 161	49 646 161	49 646 161	49 646 161
	1 473 740 295	**1 473 740 295**	**1 485 030 090**	**1 485 030 090**

31 December 2013

	GROUP		BANK	
Assets subject to market risk				
Cash and cash equivalents	492 923 659	198 493 251	135 993 251	135 993 251
Held to maturity Investments	366 492 158	261 830 814	261 830 814	261 830 814
Loans and advances to customers	568 352 560	696 378 359	696 378 359	696 378 359
Other assets	2 491	2 491	2 491	2 491
	1 427 770 868	**1 156 704 915**	**1 094 204 915**	**1 094 204 915**
Liabilities subject to market risk				
Customer deposits	1 390 818 433	1 033 910 613	1 034 480 221	1 034 480 221
Debt securities in issue	15 010 000	15 010 000	15 010 000	15 010 000
Borrowings	18 265 701	28 653 279	28 653 279	28 653 279
Other liabilities	49 646 161	2 048 268	49 646 161	2 048 268
	1 473 740 295	**1 079 622 160**	**1 127 789 661**	**1 080 191 768**

5.5 Strategic risk

The Bank's strategic plan is comprehensive in all aspects with particular emphasis on compliance with legal and market conditions and Senior Management effectively communicates the plan to all staff levels and allocates resources in line with the laid down objectives.

5.6 Regulatory risk

Any risks associated with the reputation of the Bank are dealt with as soon as they are perceived. This includes matters arising from regulatory reviews such as Bank of Zambia inspections and are promptly and adequately dealt with as they arise. Customer complaints are thoroughly investigated and resolved to the satisfaction of both the Bank and the customer.

5.7 Legal risk

The Bank ensures that all prudential requirements of the Bank of Zambia and the relevant regulations in the Laws of Zambia are complied with without exception. The risk of non-compliance could be detrimental to the operations of the Bank.

5.8 Foreign Exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank of Zambia sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

5.9 Currency risk

The Bank is exposed 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.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2014 and 2013. Included in the table are the Bank's financial instruments, categorised by currency.

5.9 Currency risk *(continued)*

GROUP — **31 December, 2014**

Table 9

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
FINANCIAL ASSETS							
Cash and balances with Central Bank	28 273 443	322 347	822 924	84 245	5 101	350 851 906	**380 359 966**
Loans and advances to banks	71 895 790	1 669 743	7 573 138	1 425 022	-	30 000 000	**112 563 693**
Held to maturity investments	-	-	-	-	-	366 492 158	**366 492 158**
Other assets includes stationery	-	2 491	-	-	-	26 656 586	**26 659 077**
Loans and advances to customers and finance lease receivables	92 907 830	-	7 943 903	-	-	467 500 827	**568 352 560**
Equity instruments	-	-	-	-	-	584 972	**584 972**
Total assets	**193 077 063**	**1 994 581**	**16 339 965**	**1 509 267**	**5 101**	**1 242 086 449**	**1 455 012 426**

BANK — **31 December, 2014**

Table 9

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
FINANCIAL LIABILITIES							
Customer deposits	124 233 417	1 041 447	14 827 458	158 114	-	1 250 557 997	**1 390 818 433**
Debt securities in issue	-	-	-	-	-	15 010 000	**15 010 000**
Borrowings	18 265 701	-	-	-	-	-	**18 265 701**
Other liabilities	48 036 009	88 378	839 706	682 068	-	4 177 375	**53 823 536**
Total liabilities	190 535 127	1 129 825	15 667 164	840 182	-	1 269 745 372	**1 477 917 670**
Net on-balance sheet position	**2 541 936**	**864 756**	**672 801**	**669 085**	**5 101**	**(27 658 923)**	**(22 905 244)**
Off-balance sheet net notional position	-	-	-	-	-	-	**-**

5.9 Currency risk *(continued)*

GROUP — 31 December, 2014

Table 9

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
FINANCIAL ASSETS							
Cash and balances with Central Bank	28 273 443	322 347	822 924	84 245	5 101	350 851 906	**380 359 966**
Loans and advances to banks	71 895 790	1 669 743	7 573 138	1 425 022	-	30 000 000	**112 563 693**
Held to maturity investments	-	-	-	-	-	366 492 158	**366 492 158**
Other assets includes stationery	-	2 491	-	-	-	26 370 351	**26 372 842**
Loans and advances to customers and finance lease receivables	92 907 830	-	7 943 903	-	-	467 500 827	**568 352 560**
Equity instruments	-	-	-	-	-	7 494 052	**7 494 052**
Total assets	**193 077 063**	**1 994 581**	**16 339 965**	**1 509 267**	**5 101**	**1 248 248 251**	**1 461 174 228**

BANK — 31 December, 2014

Table 9

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
FINANCIAL LIABILITIES							
Customer deposits	124 233 417	1 041 447	14 827 458	158 114	-	1 261 847 792	**1 402 108 228**
Debt securities in issue	-	-	-	-	-	15 010 000	**15 010 000**
Borrowings	18 265 701	-	-	-	-	-	**18 265 701**
Other liabilities	48 036 009	88 378	839 706	682 068	-	3 556 755	**53 202 916**
Total liabilities	190 535 127	1 129 825	15 667 164	840 182	-	1 280 414 547	**1 488 586 845**
Net on-balance sheet position	**2 541 936**	**864 756**	**672 801**	**669 085**	**5 101**	**(32 166 296)**	**(27 412 617)**
Off-balance sheet net notional position	-	-	-	-	-	**-**	**-**

5.9 Currency risk *(continued)*

GROUP — 31 December, 2013

Table 9

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
FINANCIAL ASSETS							
Cash and balances with Central Bank	11 281 436	212 792	469 706	575 784	6 841	97 696 957	**110 243 516**
Loans and advances to banks	70 311 594	1 662 932	12 064 929	4 210 280	-	-	**88 249 735**
Held to maturity investments	-	-	-	-	-	261 830 814	**261 830 814**
Other assets includes stationery	6 391 841	816 330	-	3 485 668	-	54 822 248	**65 516 087**
Loans and advances to customers and finance lease receivables	91 938 219	-	1 134	-	-	604 439 006	**696 378 359**
Equity instruments	-	-	-	-	-	596 447	**596 447**
Total assets	**179 923 090**	**2 692 054**	**12 535 769**	**8 271 732**	**6 841**	**1 019 385 472**	**1 222 814 958**

BANK — 31 December, 2013

Table 9

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
FINANCIAL LIABILITIES							
Customer deposits	158 279 254	626 510	12 348 983	500 713	-	862 155 153	**1 033 910 613**
Debt securities in issue	-	-	-	-	-	15 010 000	**15 010 000**
Borrowings	28 653 279	-	-	-	-	-	**28 653 279**
Due to banks	-	-	-	-	-	114 500 000	**114 500 000**
Other liabilities	1 923 440	71 438	11 900	43 452	(1 962)	37 958 722	**40 006 990**
Total liabilities	188 855 973	697 948	12 360 883	544 165	(1 962)	1 029 623 875	**1 232 080 882**
Net on-balance sheet position	**(8 932 883)**	**1 994 106**	**174 886**	**7 727 567**	**8 803**	**(10 238 403)**	**(9 265 924)**
Off-balance sheet net notional position	-	-	-	-	-	-	**-**

5.9 Currency risk *(continued)*

GROUP — 31 December, 2013

Table 9

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
FINANCIAL ASSETS							
Cash and balances with Central Bank	11 281 436	212 792	469 706	575 784	6 841	97 696 957	**110 243 516**
Loans and advances to banks	70 311 594	1 662 932	12 064 929	4 210 280	-	-	**88 249 735**
Held to maturity investments	-	-	-	-	-	261 830 814	**261 830 814**
Other assets includes stationery	6 391 841	816 330	-	3 485 668	-	54 822 248	**65 516 087**
Loans and advances to customers and finance lease receivables	91 938 219	-	1 134	-	-	604 439 006	**696 378 359**
Equity instruments	-	-	-	-	-	871 447	**871 447**
Total assets	**179 923 090**	**2 692 054**	**12 535 769**	**8 271 732**	**6 841**	**1 019 385 472**	**1 223 089 958**

BANK — 31 December, 2013

Table 9

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
FINANCIAL LIABILITIES							
Customer deposits	158 279 254	626 510	12 348 983	500 714	-	862 155 153	**1 033 910 613**
Debt securities in issue	-	-	-	-	-	15 010 000	**15 010 000**
Borrowings	28 653 279	-	-	-	-	-	**28 653 279**
Due to banks	-	-	-	-	-	114 500 000	**114 500 000**
Other liabilities	1 923 440	71 438	11 900	43 452	(1 962)	37 927 017	**39 957**
Total liabilities	188 855 973	697 948	12 360 883	544 166	(1 962)	1 030 161 777	**1 232 618 785**
Net on-balance sheet position	**(8 932 883)**	**1 994 106**	**174 886**	**7 727 566**	**8 803**	**(10 501 305)**	**(9 528 827)**
Off-balance sheet net notional position	-	-	-	-	-	-	**-**

5.10 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. 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 losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Treasury department.

Table 11 and 12 summarises the Bank's exposure to interest rate risks. Included on the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

5.10 Interest rate risk *(continued)*

GROUP — **31 December, 2014**

Table 11

		up to 1 month K	1 - 3 Months K	3 - 6 Months K	6 - 12 Months K	1 - 3 years K	3 - 5 Years K	Over 5 years K	Non-interest Bearing K	Total K
FINANCIAL ASSETS										
Cash and balances with the Central Bank		-	-	-	-	-	-	-	380 359 966	380 359 966
Loans and advances to bank		112 563 693	-	-	-	-	-	-	-	112 563 693
Held to maturity investments		106 538 754	102 743 115	21 186 125	78 740 076	57 284 088	-	-	-	366 492 158
Other assets		-	-	-	-	-	-	-	26 659 077	26 659 077
Loans and advances to Customers and finance Lease receivables		26 132 991	29 031 009	138 332 885	196 168 673	92 560 536	75 954 699	10 171 767	-	568 352 560
Equity instruments		-	-	-	-	-	-	-	584 972	584 972
Total assets		**245 235 438**	131 774 124	159 519 010	274 908 749	149 844 624	75 954 699	10 171 767	**407 604 015**	**1 455 012 426**
FINANCIAL LIABILITIES										
Customer deposits		234 635 896	113 867 056	140 605 291	238 160 869	70 356 100	48 634 534	818 653	543 740 034	1 390 818 433
Debt securities in issue		-	-	-	-	15 010 000		-	-	15 010 000
Borrowings		-	-	-	-	13 118 536	5 147 165	-	-	18 265 701
Other Liabilities		-	-	-	-	-	-	-	53 823 536	53 823 536
Finance lease payables		-	-	-	-	-	-	-	-	-
Total liabilities		**234 635 8966**	**113 867 056**	**140 605 291**	**238 160 869**	**98 484 636**	**53 781 699**	**818 653**	**597 563 570**	**1 477 917 670**
Interest sensitive gap		**10 599 542**	**17 907 068**	**18 913 719**	**36 747 880**	**51 359 988**	**22 173 000**	**9 353 114**	-	(22 905 244)
Impact of increase in Interest rate	5.0%	529 977	895 353	381 196	1 826 137	2 567 999	1 096 933	467 656	-	**7 765 252**
	10.0%	52 998	89 535	38 120	182 614	256 800	109 693	935 311	-	**1 665 071**
	15.0%	79 497	134 303	57 179	273 921	385 200	164 540	1 402 967	-	**2 497 607**
Impact of decrease in Interest rate	(2.5%)	(13 249)	(22 384)	(9 530)	(45 653)	(64 200)	(27 423)	(233 828) (701	-	**(416 268)**
	(7.5%)	(39 748)	(67 152)	(28 590)	(136 960)	(192 600)	(82 270)	484)	-	**(1 248 803)**
	(12.5%)	(66 247)	(111 919)	(47 650)	(228 267)	(321 000)	(137 117)	(1 169 139)	-	**(2 081 339)**

5.10 Interest rate risk *(continued)*

BANK — **31 December, 2014**

Table 11

		up to 1 month K	1 - 3 Months K	3 - 6 Months K	6 - 12 Months K	1 - 3 years K	3 - 5 Years K	Over 5 years K	Non-interest Bearing K	Total K
FINANCIAL ASSETS										
Cash and balances with the Central Bank		-	-	-	-	-	-	-	380 358 400	380 359 966
Loans and advances to bank		112 563 693	-	-	-	-	-	-	-	112 563 693
Held to maturity investments		106 538 754	102 743 115	21 186 125	78 740 076	57 284 088	-	-	-	366 492 158
Other assets		-	-	-	-	-	-	-	26 372 841	26 372 841
Loans and advances to Customers and finance Lease receivables		26 132 991	29 031 009	138 332 885	196 168 673	92 560 536	75 720 365	10 171 767	-	567 893 083
Equity instruments		-	-	-	-	-	-	-	7 494 052	7 494 052
Total assets		**245 235 438**	**131 774 124**	**159 519 010**	**274 908 749**	**149 844 624**	**75 720 365**	**10 171 767**	**414 225 293**	**1 461 174 227**
FINANCIAL LIABILITIES										
Customer deposits		234 635 896	113 867 056	151 895 086	238 160 869	70 356 100	48 634 534	818 653	543 740 034	1 402 108 228
Debt securities in issue		-	-	-	-	15 010 000		-	-	15 010 000
Borrowings		-	-	-	-	13 118 536	5 147 165	-	-	18 265 701
Other Liabilities		-	-	-	-	-	-	-	53 202 916	53 202 916
Finance lease payables		-	-	-	-	-	-	-	-	-
Total liabilities		**234 635 8966**	**113 867 056**	151 895 086	**238 160 869**	**98 484 636**	**53 781 699**	**818 653**	**596 942 950**	**1 488 586 845**
Interest sensitive gap		**10 599 542**	**17 907 068**	**7 623 924**	**36 522 737**	**51 359 988**	**21 938 666**	**9 353 114**	**(182 717 657)**	**(27 412 618)**
Impact of increase in Interest rate	5.0%	529 977	895 353	381 196	1 826 137	2 567 999	1 096 933	467 656	-	**7 765 252**
	10.0%	52 998	89 535	38 120	182 614	256 800	109 693	935 311	-	**1 665 071**
	15.0%	79 497	134 303	57 179	273 921	385 200	164 540	1 402 967	-	**2 497 607**
Impact of decrease in Interest rate	(2.5%)	(13 249)	(22 384)	(9 530)	(45 653)	(64 200)	(27 423)	(233 828)	-	**(416 268)**
	(7.5%)	(39 748)	(67 152)	(28 590)	(136 960)	(192 600)	(82 270)	(701 484)	-	**(1 248 803)**
	(12.5%)	(66 247)	(111 919)	(47 650)	(228 267)	(321 000)	(137 117)	(1 169 139)	-	**(2 081 339)**

5.10 Interest rate risk *(continued)*

GROUP — **31 December, 2013**

Table 11

		up to 1 month K	1 - 3 Months K	3 - 6 Months K	6 - 12 Months K	1 - 3 years K	3 - 5 Years K	Over 5 years K	Non-interest Bearing K	Total K
FINANCIAL ASSETS										
Cash and balances with the Central Bank		-	-	-	-	-	-	-	-	110 243 516
Loans and advances to bank		88 249 735	-	-	-	-	-	-	-	88 249 735
Held to maturity investments		19 511 712	38 413 297	6 599 737	167 537 876	29 768 192	-	-	-	261 830 814
Other assets		-	-	-	-	-	-	-	65 516 087	65 516 087
Loans and advances to Customers and finance Lease receivables		3 236 125	9 707 315	4 891 145	225 831 059	211 320 236	140 880 458	100 512 021	-	696 378 359
Equity instruments		-	-	-	-	-	-	-	596 447	596 447
Total assets		**110 997 572**	48 120 612	11 490 882	393 368 935	241 088 428	140 880 458	100 512 021	**176 356 050**	**1 222 814 958**
FINANCIAL LIABILITIES										
Customer deposits		144 922 842	106 830 610	102 078 388	224 267 532	64 175 258	-	-	**391 635 983**	**1 033 910 613**
Debt securities in issue		-	-	-	-	15 010 000	-	-	-	**15 010 000**
Borrowings		517 841	4 183 444	1 793 428	6 494 714	14 185 284	1 478 568	-	-	**28 653 279**
Due to Banks		114 500 000	-	-	-	-	-	-	-	**114 500 000**
Other Liabilities		-	-	-	-	-	-	-	**40 006 990**	**40 006 990**
Finance lease payables		-	-	-	-	-	-	-	-	-
Total liabilities		**259 940 683**	**111 014 054**	**103 871 816**	**230 762 246**	**93 370 542**	**1 478 568**	-	**431 642 973**	**1 232 080 883**
Interest sensitive gap		**(148 943 111)**	(62 893 442)	**(92 380 934)**	**162 606 689**	**147 717 886**	**139 401 890**	**100 512 021**	**(255 286 923)**	**(9 265 925)**
Impact of increase in Interest rate	5.0%	(7 447 156)	(3 144 672)	(4 619 047)	8 130 334	7 385 894	6 970 095	5 025 601	-	**12 301 050**
	10.0%	(744 716)	(314 467)	(461 905)	813 033	738 589	697 009	10 051 202	-	**10 778 747**
	15.0%	(1 117 073)	(471 701)	(692 857)	1 219 550	1 107 884	1 045 514	15 076 803	-	**16 168 120**
Impact of decrease in Interest rate	(2.5%)	186 179	78 617	115 476	(203 258)	(184 647)	(174 252)	(2 512 801)	-	**(2 694 687)**
	(7.5%)	558 537	235 850	346 429	(609 775)	(553 942)	(522 757)	(7 538 402)	-	**(8 084 060)**
	(12.5%)	930 894	393 084	577 381	(1 016 292)	(923 237)	(871 262)	(12 564 003)	-	**(13 473 434)**

5.10 Interest rate risk *(continued)*

GROUP — **31 December, 2013**

Table 11

		up to 1 month K	1 - 3 Months K	3 - 6 Months K	6 - 12 Months K	1 - 3 years K	3 - 5 Years K	Over 5 years K	Non-interest Bearing K	Total K
FINANCIAL ASSETS										
Cash and balances with the Central Bank		-	-	-	-	-	-	-	-	110 243 516
Loans and advances to bank		88 249 735	-	-	-	-	-	-	-	88 249 735
Held to maturity investments		19 511 712	38 413 297	6 599 737	167 537 876	29 768 192	-	-	-	261 830 814
Other assets		-	-	-	-	-	-	-	65 516 087	65 516 087
Loans and advances to Customers and finance Lease receivables		3 236 125	9 707 315	4 891 145	225 831 059	211 320 236	140 880 458	100 512 021	-	696 378 359
Equity instruments		-	-	-	-	-	-	-	596 447	871 447
Total assets		**110 997 572**	48 120 612	11 490 882	393 368 935	241 088 428	140 880 458	100 512 021	**176 631 050**	**1 223 089 958**
FINANCIAL LIABILITIES										
Customer deposits		144 922 842	106 830 610	102 078 388	224 837 140	64 175 258	-	-	**391 635 983**	**1 034 480 221**
Debt securities in issue		-	-	-	-	15 010 000	-	-	-	**15 010 000**
Borrowings		517 841	4 183 444	1 793 428	6 494 714	14 185 284	1 478 568	-	-	**28 653 279**
Due to Banks		114 500 000	-	-	-	-	-	-	-	**114 500 000**
Other Liabilities		-	-	-	-	-	-	-	**39 975 285**	**39 975 285**
Finance lease payables		-	-	-	-	-	-	-	-	-
Total liabilities		**259 940 683**	**111 014 054**	**103 871 816**	**231 331 854**	**93 370 542**	**1 478 568**	-	**431 611 268**	**1 232 618 786**
Interest sensitive gap		**(148 943 111)**	(62 893 442)	**(92 380 934)**	**162 037 081**	**147 717 886**	**139 401 890**	**100 512 021**	**(254 980 218)**	(9 265 925)
Impact of increase in Interest rate	5.0%	(7 447 156)	(3 144 672)	(4 619 047)	8 130 334	7 385 894	6 970 095	5 025 601	-	12 301 050
	10.0%	(744 716)	(314 467)	(461 905)	813 033	738 589	697 009	10 051 202	-	10 778 747
	15.0%	(1 117 073)	(471 701)	(692 857)	1 219 550	1 107 884	1 045 514	15 076 803	-	16 168 120
Impact of decrease in Interest rate	(2.5%)	186 179	78 617	115 476	(203 258)	(184 647)	(174 252)	(2 512 801)	-	**(2 694 687)**
	(7.5%)	558 537	235 850	346 429	(609 775)	(553 942)	(522 757)	(7 538 402)	-	**(8 084 060)**
	(12.5%)	930 894	393 084	577 381	(1 016 292)	(923 237)	(871 262)	(12 564 003)	-	**(13 473 434)**

5.11 Fair value of financial assets and liabilities

The fair value of held-to-maturity investment securities at 31 December 2014 is estimated at K366.5 million (2013: K261.8 million). 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 as set out above. Fair values are based on discounted cash flows using a discount rates based upon the yield rates on similar financial assets at the Statement of Financial Position date.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuations techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank market assumptions. The two types of inputs have created the following fair value hierarchy:

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

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

5.11 Fair value of financial assets and liabilities *(continued)*

The table below sets out the components of the Group's liquidity reserves.

(i) Fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets/ financial liabilities	2014 K	2013 K	2014 K	2013 K	Fair Value Hierarchy	Valuation technique(s) and key input(s)		Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Foreign currency forward contracts	-	-	-	-	-	-	-	-	-
2) Available for sale financial assets	-	-	-	-	-	-	-	-	-
3) Private equity investments	584 972	596 447	7 494 052	871 447	Level 1	Market approach and cost approach	-	-	-

There were no transfers between Level 1 and 2 in the period.

Fair value hierarchy (continued)

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

	GROUP				BANK			
	2014 Carrying amount K	Fair value K	2014 Carrying amount K	Fair value K	2014 Carrying amount K	Fair Value K	2014 Carrying Amount K	Fair value K
Financial assets	**595 011 637**	**595 011 637**	761 894 445	761 894 445	**594 265 925**	**594 265 925**	761 894 445	761 894 445
Loans and receivables:	**26 190 084**	**26 190 084**	18 735 000	18 735 000	**26 190 084**	**26 190 084**	18 735 000	18 735 000
- loans to related parties	**568 821 553**	**568 821 553**	743 159 445	743 159 445	**568 075 841**	**568 075 841**	743 159 445	743 159 445
- loans and other assets	**366 492 158**	**366 492 158**	261 830 814	261 830 814	**366 492 158**	**366 492 158**	261 830 814	261 830 814
Held-to-maturity investments:	**312 896 546**	**312 896 546**	225 227 157	225 227 157	**312 896 546**	**312 896 546**	225 227 157	225 227 157
– Treasury bills	**53 595 612**	**53 595 612**	36 603 657	36 603 657	**53 595 612**	**53 595 612**	36 603 657	36 603 657
– Government bonds								
Financial liabilities								
Financial liabilities held at								
Amortised cost:	**72 608 492**	**72 608 492**	68 628 564	68 628 564	**72 608 492**	**72 608 492**	68 628 564	68 628 564
– loans from other entities	**18 265 701**	**18 265 701**	28 653 278	28 653 278	**18 265 701**	**18 265 701**	28 653 278	28 653 278
– trade and other payables	**53 823 536**	**53 823 536**	39 975 286	39 975 286	**53 202 916**	**53 202 916**	39 975 286	39 975 286

5.11 Fair value of financial assets and liabilities *(continued)*

Fair value hierarchy (continued)

(Ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) *(Continued)*

	GROUP		BANK	
	Level 3 K	Total K	Level 3 K	Total K
Financial assets				
Loans and receivables:				
- loans to related parties	26 190 084	26 190 084	26 190 084	26 190 084
- loans and other assets	568 821 553	568 821 553	568 075 841	568 075 841
Held-to-maturity investments:				
– Government bonds	53 595 612	53 595 612	53 595 612	53 595 612
Total	648 607 249	648 607 249	647 861 537	647 861 537
Financial liabilities				
Financial liabilities held at				
– loans from other entities	18 265 701	18 265 701	18 265 701	18 265 701
– other liabilities	53 823 536	53 823 536	53 202 916	53 202 916
	72 089 237	72 089 237	71 468 617	71 468 617

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

5.11 Fair value of financial assets and liabilities *(continued)*

(iii) Reconciliation of Level 3 fair value measurement

GROUP

31 December, 2014	Available for Sale-Unlisted Shares K	Others K	Total K
Balance at 1 January, 2014	-	596 447	596 447
Purchased		-	-
Total gains or losses:			
-In profit or loss	-	(11 475)	(11 475)
Balance at 31 December, 2014	-	584 972	584 972

GROUP

31 December, 2014	Available for Sale-Unlisted Shares K	Others K	Total K
Balance at 1 January, 2014	-	413 935	413 935
Total gains or losses:			
-In profit or loss	-	182 512	182 512
Balance at 31 December 2013	-	596 447	596 447
BANK			
31 December 2014			
Balance at 1 January 2014	-	871 447	871 447
Purchased	-	6 634 080	6 634 080
Total gains or losses:			
– in profit or loss	-	(11 475)	(11 475)
Balance at 31 December 2014	-	7 494 052	7 494 052

(iii) Reconciliation of Level 3 fair value measurement

BANK

31 December, 2013	**Available for Sale- Unlisted Shares K**	**Others K**	**Total K**
Balance at 1 January, 2013	-	688 935	688 935
Total gains or losses:			
-In profit or loss	-	182 512	182 512
Balance at 31 December, 2013	-	871 447	871 447

The total gains or losses for the year included an unrealised loss of **K11,475** relating to financial assets that are measured at fair value at the end of each reporting period (2013: unrealised gain K182,512). Such fair value gains or losses are included in 'other gains and losses'.

All gains and losses included in other comprehensive income relate to unlisted shares held at the end of the reporting period and are reported as Changes of 'Investment revaluation reserve'.

5.12 Capital management

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

- To comply with the capital requirements set by the Bank of Zambia;
- 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; and
- To maintain a strong capital base to support the development of its business.

The Bank has complied with all externally imposed capital requirements throughout the year.

There has been no material changes in the Bank's management of capital during the year. Table 13 shows the computation of the Bank's risk weighted assets and capital position. The minimum capital for the Bank is the higher of 10% of the Risk Weighted Assets as computed or K104 million.

5.12 Capital management *(continued)*

a) Calculation of risk weighted assets

Table 13

Part 1 - On financial position obligations	Weight (1)	GROUP Balance (Net of allowance for losses) (2)	K BANK Balance (Net of allowance for losses) (2)	GROUP Risk-weighted Asset (1x2)	K BANK Risk-weighted Asset (1x2)
Assets	%				
Notes and coins					
- Zambian notes and coins	0%	**46 275 220**	**46 273 654**	-	
- other notes and coins	0%	46 275 220	46 273 654	-	-
		-	-		-
Balances held with the Bank of Zambia		**334 084 746**	**334 084 746**		-
- statutory reserves	0%	188 525 411	188 525 411	-	-
- other balances	0%	145 559 335	145 559 335		-
Balances with commercial banks in Zambia		**62 025 000**	**62 025 000**		-
- with residual maturity of up to 12 months	20%	62 025 000	62 025 000	12 405 000	12 405 000
- with residual maturity of more than 12 months	100%		-		-
Balances with commercial banks abroad		**50 538 693**	**50 538 693**		-
- with residual maturity of up to 12 months	20%	50 538 693	50 538 693	10107738.63	10 107 739
- with residual maturity of more than 12 months	100%		-		

5.12 Capital management *(continued)*

a) Calculation of risk weighted assets

Table 13

	Weight (1)	GROUP Balance (Net of allowance for losses) (2)	K BANK Balance (Net of allowance for losses) (2)	GROUP Risk-weighted Asset (1x2)	K BANK Risk-weighted Asset (1x2)
Assets					
- from other commercial banks	50%		-		
- from branches to reporting bank	20%		-		
			-		
Investment in debt securities		366 492 158	366 492 158		
- treasury bills	0%	312 896 546	312 896 546	-	-
- other government securities	20%	53 595 612	53 595 612	10 719 122	10 719 122
- issued by local government units	100%				
- private securities	100%				
Loans and advances		568 352 560	567 893 083		
- portion secured by cash or treasury bills	0%	150 000	150 000	-	-
- loans to or guaranteed by the government of Zambia	50%		-	-	-
Loans repayable in instalments and secured by a				-	-
- mortgage on owner - occupied residential property	50%	206 095 477	206 095 477	103 047 739	103 047 739
- loans to or guaranteed by local government units	100%	12 000	12 000	12 000	12 000
- loans to parastatals	100%	29 574 000	29 574 000	29 574 000	29 574 000
- other	100%	332 521 083	332 521 083	332 521 083	332 521 083
Inter-bank advances and loans/advances		-			-
- guaranteed by other banks					
- with a residual maturity of 12 months	20%		-		-
- with residual maturity of more than 12months	100%		-		-
			-		-
Bank premises	100%	39 802 549	39 802 549	39 802 549	39 802 549
Acceptances	100%		-		-
Other Assets	100%	91 895 968	90 783 097	91 895 968	90 783 097
Investment in equity of other companies	100%	584 972	7 494 052		7 494 052
Total risk-weighted assets (on financial position)		1 560 051 866	1 565 387 032	630 085 199	636 236 642

5.12 Capital management *(continued)*

A) Calculation of risk weighted assets (continued)

Table 13

Part 1 - On financial position obligations (Under first schedule - regulations 21 and 24)	Weight (1)	GROUP Balance (Net of allowance for losses) (2)	BANK Balance (Net of allowance for losses) (2)	GROUP Risk-weighted Asset (1x2)	BANK Risk-weighted Asset (1x2)
Assets					
Letters of credits					
- sight import letters of credit	20%	-	-	-	-
- portion secured by cash/treasury bills	0%	-	-	-	-
- standby letters of credit	100%	-	-	-	-
- portion secured by cash/treasury bills	0%	-	-	-	-
- export letters of credit	20%	-	-	-	-
Guarantees and indemnities		-	-	-	-
- guarantees for loans, trade and securities	100%	-	-	-	-
- portion secured by cash/treasury bills	0%	-	-	-	-
- performance bonds	50%	101 263 066	101 263 066	50 631 533	50 631 533
- portion secured by cash/treasury bills	0%	-	-	-	-
- security purchased under resale agreement	100%	-	-	-	-
- other contingent liabilities	100%	-	-	-	-
- net open position in foreign currencies	100%	-	-	-	-
Total risk-weighted assets (off financial position)		101 263 066	101 263 066	50 631 533	50 631 533
Total risk -weighted assets (on and off financial position) as at 31 December 2014		**1 661 314 932**	**1 666 650 098**	**680 716 732**	**686 868 175**
Total risk-weighted assets (on and off financial position) as at 31 December 2013		1 392 618 606	1 392 618 606	687 825 317	687 825 317

5.12 Capital management *(Continued)*

b) Computation of capital position

TABLE 14

	GROUP		BANK	
I Primary (Tier 1) Capital	**2014 K**	2013 K	**2014 K**	2013 K
(a) Paid-up common shares	**4 665 231**	4 665 231	4 665 231	4 665 231
(b) Eligible preferred shares	-	-	-	-
(c) Contributed surplus	**26 726 530**	26 726 530	26 726 530	26 726 530
(d) Retained earnings	**27 025 846**	33 286 165	33 286 165	33 286 165
(e) General reserves	**10 123 492**	6 025 391	6 025 391	6 025 391
(f) Statutory reserves	**4 665 231**	4 665 231	4 665 231	4 665 231
(g) Minority interests (common shareholders' equity)				
(h) Sub-total	**73 206 330**	75 368 548	**73 206 330**	**75 368 548**
Less:				
(i) Goodwill and other intangible assets				
(J) Investments in unconsolidated subsidiaries and associates	-	-	-	-
(k) Lending of a capital nature to subsidiaries and associates	-	-	-	-
(l) Holding of other banks' or financial institutions' capital instruments	-	-	-	-
(m) Assets pledged to secure liabilities	-	-	-	-
I Primary (Tier 1) Capital				
Sub-total (A) (items i to m)	-	-	-	-
Other adjustments				
Provisions	-	-	-	-
Assets of little or no realizable value - use separate list if necessary:	-	-	-	-
Other adjustments (specify)	-	-	-	-
(n) Sub-total (B) - (Sub-total A above + Other adjustments)	-	-	-	-
(o) Total primary capital (h - n)	**73 206 330**	75 368 548	**73 206 330**	**75 368 548**

5.12 Capital management *(Continued)*

b) Computation of capital position (continued)

TABLE 14

		GROUP		BANK	
II	**Secondary (Tier 2) Capital**	**2014 K**	2013 K	**2014 K**	2013 K
(a)	Eligible preferred shares (Regulations 13 and 17)	**-**	-	**-**	-
(b)	Eligible subordinated term debt (Regulations 17 (b)	**3 002 000**	6 004 000	**3 002 000**	6 004 000
(c)	Eligible loan stock/capital (Regulation 17(b)	**-**	-	**-**	-
(d)	Revaluation reserves (Regulation 17(a)	**-**	-	**-**	-
	Maximum is 40% of revaluation res.	**1 437 543**	2 020 010	**1 437 543**	2 020 010
(e)	Other (Regulation (17 ©). Specify				
(f)	**Total secondary capital**	**4 439 543**	8 024 010	**4 439 543**	8 024 010
III	**Eligible secondary capital**				
	(The maximum amount of secondary capital is limited to 100% of primary capital)	**4 439 543**	8 024 010	**4 439 543**	8 024 010
IV	**Eligible total capital (I(o) + III) (Regulatory capital)**	**77 645 872**	83 392 558	**77 645 872**	83 392 558
V	**Minimum total capital requirement:**				
	Position risk-weighted assets as Established	**104 000 000**	68 782 532	**104 000 000**	68 782 532
VI	**Excess (deficiency) (IV minus V)**	**(26 354 128)**	14 610 026	**(26 354 128)**	14 610 026
Regulatory ratios					
Tier 1 capital as a percentage of total risk weighted assets		**11%**	11%	**11%**	11%
Tier 1 and Tier 2 capital as a percentage of total risk weighted assets		**11%**	13%	**11%**	13%

5.12 Capital management (continued)

On 30 January 2012, the Bank of Zambia revised the minimum capital requirement for all banks from K12 million to K104 million and K520 Million for local and foreign owned banks, respectively, and set the deadline for full compliance as 31 December 2012. The deadline was subsequently revised to 31 December 2014.

The Bank maintained adequate regulatory capital during the period under review. The Bank is on course with the capital raise exercise aimed at increasing primary capital to the revised limit of K104 million within the extended timelines granted by the Bank of Zambia.

6. INTEREST AND SIMILAR INCOME

	GROUP		BANK	
	2014 K	2013 K	**2014 K**	2013 K
Arising on:				
Loans and advances to:				
- banks	**3 697 200**	1 283 408	**3 697 200**	1 283 408
- customers	**86 571 576**	87 237 043	**86 571 576**	87 237 043
	90 268 776	88 520 451	**90 268 776**	88 520 451
Held to maturity investments	**45 446 869**	28 415 735	**45 446 869**	28 415 735
Open market operations placements	**10 127**	1 062 915	**10 127**	1 062 915
Leasing	**10 326 285**	5 131 122	**10 326 285**	5 131 122
	146 052 057	123 130 223	**146 052 057**	123 130 223

7. INTEREST AND SIMILAR EXPENSE

Arising on:				
Deposits due to customers	**84 539 411**	44 615 951	**84 539 411**	44 615 951
Deposits from banks	**8 100 605**	11 858 280	**8 100 605**	11 858 280
	92 640 016	56 474 231	**92 640 016**	56 474 231
Debt securities in issue	**2 934 879**	3 459 769	**2 934 879**	3 459 769
Borrowings	**1 174 496**	1 957 683	**1 174 496**	1 957 683
	96 749 390	61 891 683	**96 749 390**	61 891 683

8. IMPAIRMENT CHARGE FOR CREDIT LOSSES

	GROUP		BANK	
	2014 K	2013 K	2014 K	2013 K
Balance at the beginning of the year	78 093 366	55 989 971	78 093 366	55 989 971
Impairment losses recognised on loans and advances	6 452 867	24 978 379	6 452 309	24 978 379
Effect of foreign currency movements	1 750 107	-	1 750 107	-
Amounts recovered during the year	(1 493 607)	(2 874 984)	(1 493 607)	(2 874 984)
Balance at the end of the year	84 802 733	78 093 366	84 802 175	78 093 366
Amounts charged to profit or loss are made up as follows:				
Impairment losses recognised on loans and advances	6 452 867	24 978 379	6 452 867	24 978 379
Effect of foreign currency movements	1 750 107	-	1 750 107	-

9. FEE AND COMMISSION INCOME

	GROUP 2014 K	GROUP 2013 K	BANK 2014 K	BANK 2013 K
Sundry transaction fees and commissions	32 867 054	32 478 645	32 867 015	32 478 645
Ledger fees	23 629 637	23 196 560	23 644 551	23 196 560
Credit related fees and commissions	7 294 604	14 065 922	7 294 604	14 065 922
Asset management fees	770 076	286 105	770 076	286 105
	64 561 371	70 027 232	64 576 247	70 029 122

10. FEE AND COMMISSION EXPENSE

	GROUP 2014 K	GROUP 2013 K	BANK 2014 K	BANK 2013 K
Bank charges	663 647	1 083 309	1 072 068	1 093 007
Handling fees on Government securities	862 670	522 064	862 670	522 064
	1 526 317	1 605 373	1 934 738	1 615 071

11. OPERATING EXPENSES

	GROUP 2014 K	GROUP 2013 K	BANK 2014 K	BANK 2013 K
Personnel expenses				
Salaries and other staff benefit costs	66 847 788	58 048 438	65 402 632	58 048 438
Pension costs - defined contribution plan	1 528 963	2 926 756	1 528 963	2 926 756
Staff medical	1 512 672	1 766 305	1 487 910	1 766 305
Staff training	759 962	609 234	759 962	609 234
Staff insurance	406 929	355 628	406 929	355 628
	71 056 314	63 706 361	69 586 396	63 706 361
Administrative expenses				
Occupancy	8 843 739	6 907 957	8 719 295	6 907 957
Motor vehicle costs	6 376 869	7 046 406	6 375 339	7 046 406
Telecommunication and postage	11 314 793	9 967 438	11 278 802	9 967 438
Office and security expenses	6 000 392	4 730 955	6 000 392	4 730 955
	32 535 793	28 652 756	32 325 096	28 652 756
Other operating expenses				
Depreciation and amortisation (note 21 & note 23)	11 754 620	10 170 068	11 739 792	10 170 068
Other expenses	9 971 517	6 652 512	9 618 689	6 652 512
Marketing and public relations	5 873 944	6 083 936	5 849 925	6 083 936
Travel expenses	4 229 289	5 725 920	4 224 323	5 725 920
Professional and legal fees	3 904 097	2 862 966	3 672 657	2 862 966
Repairs and maintenance	3 142 890	2 154 270	3 093 405	2 154 270
Printing and stationery	1 649 694	2 434 533	1 641 571	2 434 533
Amounts written off during the year as Uncollectible	-	307 921	-	307 921
	40 526 051	36 392 126	39 840 362	36 392 126
	144 118 158	128 751 243	141 751 854	128 751 243

12. (LOSS) PROFIT BEFORE TAX

	GROUP		BANK	
	2014 **K**	2013 K	**2014** **K**	2013 K
Profit before tax is stated after crediting:				
Interest receivable from other banks	**3 697 200**	-	**3 697 200**	1 283 408
Rental income	**78 490**	78 840	**78 490**	78 840
Gain on disposal of property and equipment	**10 000**	173 168	**10 000**	173 168
and after charging:				
Depreciation and amortisation (Note 21 and 23)	**11 739 792**	10 170 068	**11 739 792**	10 170 068
Pension costs - employer's contributions	**1 528 963**	2 926 756	**1 528 963**	2 926 756
Directors emoluments:				
- in connection with the management of the Company	**2 861 115**	2 628 795	**2 861 115**	2 628 795
- fees and expenses	**1 049 892**	1 211 849	**1 049 866**	1 211 849
Interest payable to other banks	**8 100 605**	11 858 280	**8 100 605**	11 858 280
Donations	**506 688**	410 700	**506 688**	410 700

13. INCOME TAX (CREDIT) EXPENSE

Income tax is charged at 35% on banking profits in 2014 (2013: 35%). Withholding tax on Government Bond interest and Treasury bills discount is 15% and that is also the final tax. All non banking profits are taxed at 35% in 2014 (2013: 35%).

	GROUP 2014 K	GROUP 2013 K	BANK 2014 K	BANK 2013 K
Current tax				
Based on non banking profits	**7 849**	27 594	**7 849**	27 594
	7 849	27 594	**7 849**	27 594
Prior period over provisioning on banking profits	-	(279 391)	-	(279 391)
Deferred tax (note 27)	**(1 026 471)**	(3 484 787)	**(342 772)**	(3 484 787)
	(1 018 622)	(3 736 584)	**(334 923)**	(3 736 584)
The current tax asset has been derived as follows:				
(Recoverable)/payable in respect of the year	**7 849**	(251 797)	**7 849**	(251 797)
(Recoverable)/payable in respect of previous years	**(16 865 489)**	(6 526 926)	**(16 865 489)**	(6 526 926)
	(16 857 640)	(6 778 723)	**(16 857 640)**	(6 778 723)
Income tax payments made	-	(5 936 875)	-	(5 936 875)
Withholding tax suffered during the year	**(4 759 833)**	(4 149 891)	**(4 759 833)**	(4 149 891)
Total paid and suffered	**(4 759 833)**	(10 086 766)	**(4 759 833)**	(10 086 766)
Income tax recoverable	**(21 617 473)**	(16 865 489)	**(21 617 473)**	(16 865 489)
Reconciliation of the tax charge (credit):				
The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:				
Loss before tax	**(7 381 373)**	(6 516 647)	**(5 408 056)**	(6 516 647)
Tax at the applicable rate of 35% (2013: 35%)	**(2 583 481)**	(2 280 826)	**(1 892 820)**	(2 280 826)
- Rate differential	-	-	-	-
- Prior period over provisioning on banking profits	-	(279 391)	-	(279 391)
- Prior period adjustment on capital allowances	-	(106 483)	-	(106 483)
- Permanent differences	**1 564 859**	(1 069 884)	**1 557 897**	(1 069 884)
	(1 018 622)	(3 736 584)	**(334 923)**	(3 736 584)

13. INCOME TAX (CREDIT) EXPENSE (Continued)

	GROUP		BANK	
	2014 K	2013 K	**2014 K**	2013 K
Subject to agreement with the Zambia Revenue Authority, the Bank has estimated tax losses of approximately K10,199,809 (2013: K3,606,792) available to carry forward for a period of not more than 5 years from the charge year in which they were incurred, for set off against future taxable profit from the same source as follows:				
2014 tax losses available until 2019	**6 593 017**	-	**6 593 017**	-
2013 tax losses available until 2018	**3 606 792**	3 606 792	**3 606 792**	3 606 792

14. CASH AND BALANCES WITH BANK OF ZAMBIA

	GROUP 2014 K	GROUP 2013 K	BANK 2014 K	BANK 2013 K
Balances with Central Bank:				
Statutory deposits	**188 525 411**	63 342 974	**188 525 411**	63 342 974
Current account	**145 559 335**	1 839 384	**145 559 335**	1 839 384
	334 084 746	65 182 358	**334 084 746**	65 182 358
Cash on hand	**46 275 220**	45 061 158	**46 273 654**	45 061 158
	380 359 966	110 243 516	**380 358 400**	110 243 516

From time to time the Central Bank prescribes the minimum required statutory deposit ratio as a means of protecting customers' deposits. The statutory deposits are restricted and not available for use in the Bank's day-to-day operations and are non-interest bearing. Cash on hand and current account balances are non- interest bearing.

15. LOANS AND ADVANCES TO/ FROM BANKS

	GROUP 2014 K	GROUP 2013 K	BANK 2014 K	BANK 2013 K
Amounts due from other banks	**112 563 693**	88 249 735	**112 563 693**	88 249 735
Amounts due to other banks	**-**	114 500 000	**-**	114 500 000

The amounts due to and from other banks relate to short term placements and borrowings.
These amounts are all current in nature.

16. HELD TO MATURITY INVESTMENTS

	GROUP		BANK	
	2014 K	2013 K	**2014 K**	2013 K
Treasury bills	**312 896 546**	225 227 157	**312 896 546**	225 227 157
Government bonds	**53 595 612**	36 603 657	**53 595 612**	36 603 657
	366 492 158	261 830 814	**366 492 158**	261 830 814
Current	**342 928 863**	204 367 385	**342 928 863**	204 367 385
Non-current	**13 063 295**	57 463 429	**13 063 295**	57 463 429
Treasury bills				
Face value				
Maturity period				
0 - 91 days	**33 945 000**	52 000 000	**33 945 000**	52 000 000
92 - 182 days	**4 115 000**	7 000 000	**4 115 000**	7 000 000
183 - 273 days	**260 000 000**	150 000 000	**260 000 000**	150 000 000
274 - 364 days	**52 000 000**	31 000 000	**52 000 000**	31 000 000
	350 060 000	240 000 000	**350 060 000**	240 000 000
Less: unearned discount	**(37 163 454)**	(14 772 843)	**(37 163 454)**	(14 772 843)
	312 896 546	225 227 157	**312 896 546**	225 227 157
Government bonds				
Face value				
Maturity period				
0 - 91 days	**10 500 000**	-	**10 500 000**	-
92 - 365 days	**20 000 000**	6 850 000	**20 000 000**	6 850 000
366 - 730 days	**670 000**	30 500 000	**670 000**	30 500 000
731 - 1095 days	**25 000 000**	670 000	**25 000 000**	670 000
1096 - 1826 days	**-**	-	**-**	-
	56 170 000	38 020 000	**56 170 000**	38 020 000
Less: unearned discount	**(2 574 388)**	(1 416 343)	**(2 574 388)**	(1 416 343)
	53 595 612	36 603 657	**53 595 612**	36 603 657
Maturity analysis:				
Due within one year	**30 500 000**	6 850 000	**30 500 000**	6 850 000
Due after more than one year	**25 670 000**	31 170 000	**25 670 000**	31 170 000
	56 170 000	38 020 000	**56 170 000**	38 020 000

17. OTHER ASSETS

	GROUP		BANK	
	2014 K	2013 K	**2014 K**	2013 K
Other receivables and prepayments	**26 659 077**	65 516 087	**26 372 842**	65 516 087
Current	**26 659 077**	65 516 087	**26 372 842**	65 516 084
Non-current	**-**	-	**-**	-
	26 659 077	65 516 087	**26 372 842**	65 516 084
The analysis of other receivables and prepayments is as follows:				
Suspense clearing accounts	**21 425 030**	31 358 958	**21 203 835**	31 358 958
Prepayments	**3 237 668**	3 214 054	**3 172 628**	3 214 054
Interest receivables	**1 227 691**	30 647 742	**1 227 691**	30 647 742
Stationery and cheque books	**768 688**	295 333	**768 688**	295 333
	26 659 077	65 516 087	**26 372 842**	65 516 087

The cost of inventories relating to stationery and cheque books recognised as an expense amounted to K 1,641,57 (2013: K2,434,533) does not include any amounts in respect of write downs of inventory to net realisable value.

18. LOANS AND ADVANCES TO CUSTOMERS

	GROUP 2014 K	GROUP 2013 K	BANK 2014 K	BANK 2013 K
Loans and advances to customers	**801 336 330**	890 261 092	**800 876 295**	890 261 092
Less: impaired loans and advances (note 8)	**(84 802 733)**	(78 093 366)	**(84 802 175)**	(78 093 366)
Less: Suspended interest	**(219 374 704)**	(159 519 080)	**(219 374 704)**	(159 519 080)
	497 158 893	652 648 646	**496 699 416**	652 648 646

18. LOANS AND ADVANCES TO CUSTOMERS (*continued*)

	GROUP				BANK			
	2014 K		2013 K		**2014 K**		2013 K	
Included in loans and advances on 31 December, 2014 is an amount relating to advances made to staff **K 55,105,796** (31 December, 2013): K39,088,000)								
Industry analysis								
Wholesale and retail trade	**68 311 603**	**9%**	69 259 088	8%	**68 311 603**	**9%**	69 259 088	8%
Other sectors	**246 079 601**	**31%**	261 911 066	29%	**245 619 566**	**31%**	261 911 066	29%
Financial	**81 489 101**	**10%**	19 439 435	2%	**81 489 101**	**10%**	19 439 435	2%
Service industries	**182 271 788**	**23%**	149 247 323	17%	**182 271 788**	**23%**	149 247 323	17%
Agriculture	**60 930 521**	**8%**	239 383 630	27%	**60 930 521**	**8%**	239 383 630	27%
Construction, mining and quarrying	**123 648 922**	**15%**	125 721 387	14%	**123 648 922**	**15%**	125 721 387	14%
Manufacturing	**38 604 794**	**5%**	25 299 163	3%	**38 604 794**	**5%**	25 299 163	3%
	801 336 330	**100%**	890 261 092	100%	**800 876 295**	**100%**	890 261 092	100%
Less: impaired loans and advances and suspended interest	**(304 177 437)**		(237 612 446)		**(304 176 879)**		(237 612 446)	
	497 158 893		652 648 6463		**496 699 416**		652 648 6463	
Sector analysis								
Private corporations	**615 101 270**	**77%**	736 916 058	83%	**615 101 270**	**77%**	736 916 058	83%
Individuals	**160 457 223**	**20%**	132 736 819	15%	**159 997 188**	**20%**	132 736 819	15%
Related parties	**25 777 837**	**3%**	20 608 215	2%	**25 777 837**	**3%**	20 608 215	2%
	801 336 330	**100%**	890 261 092	100%	**800 876 295**	**100%**	890 261 092	100%
Less: impaired loans and advances And suspended interest.	**(304 177 437)**		(237 612 446)		**(304 176 879)**		(237 612 446)	
	497 158 893		652 648 646		**496 699 416**		652 648 646	

Contracts with Directors and related parties

Included in the loans and advances balances are amounts due from Directors and other related parties. The aggregate amount outstanding with persons who are Directors of the Bank and related companies is shown under Note 32.

19. EQUITY INVESTMENT

	GROUP		BANK	
	2014 K	2013 K	**2014 K**	2013 K
The movement in investments in shares during the year were as follows:				
At beginning of year	**596 447**	413 935	**871 447**	688 935
(Loss) gain in fair value of Marketable equity investments	**(11 475)**	182 512	**(11 475)**	182 512
Investments in shares	**-**	-	**6 634 080**	-
	584 972	596 447	**7 494 052**	871 447
Prima Reinsurance Zambia Plc	**371 037**	382 512	**371 037**	382 512
Zambia Home Loans Limited	**-**	-	**6 909 080**	275 000
Swift International Share Subscription	**126 537**	126 537	**126 537**	126 537
Zambia Electronic Clearing House Limited	**87 398**	87 398	**87 398**	87 398
	584 972	596 447	**7 494 052**	871 447

Prima Reinsurance Zambia Plc

The Bank holds 0.43% shares in Prima Reinsurance Zambia Plc. The investment is carried at fair value. The Bank's shareholding remained unchanged at 127,504 shares.

Zambia Electronic Clearing House

The Bank also holds 1.96% shares in Zambia Electronic Clearing House Limited ("ZECHL"). All banks in Zambia which participate in clearing are required to hold shares in ZECHL. The shares have been issued to this value in the name of the Bank. This investment represents the cost of the issued share capital of ZECHL. The investment is carried at cost as there is no market for this investment that provide a reliable measure of fair value.

No dividends are expected from these investment in the foreseeable future and consequently there are no determinable future cash inflows. It is not possible to determine a possible range of estimates within which the fair value of this investment is likely to be.

Zambia Home Loans Limited

The Bank holds 51% of the equity shares in Zambian Home Loans Limited, owned with Sofala Capital that holds 25% and African Life Financial Services holds 24% equity shares. Zambian Home Loans Limited is thus a subsidiary of Investrust Bank Plc. The Investment is carried at cost.

Swift International Share Subscription

The Bank subscribed to a mandatory offer for purchase of shares from Swift International in 2012. SWIFT reallocates its shareholding at least every three years to members in live operations on the basis of the financial contribution from network based services invoiced in the preceding year (Per Swift by-Laws General Membership Rules, Clause 9.2) The Bank gained entitlement to allocation of Six SWIFT shares in 2012 and thus became a shareholder after purchasing the allocated shares. The Investment is carried at cost.

20. PROPERTY AND EQUIPMENT

GROUP

The movement in the property and equipment were as follows:

	Leasehold buildings K	Leasehold improvements K	Furniture And Fixtures K	Motor vehicle And Equipment K	Capital Work in Progress K	Total K
Cost						
Balance at 1 January 2013	2 770 615	16 877 810	5 781 090	31 175 969	7 893 767	64 499 251
Additions	80 392	1 549 421	706 787	5 441 107	23 744 740	31 522 447
Reclassification	8 205	17 176 006	1 095 104	7 064 949	(25 879 497)	(535 233)
Disposals	-	-	(425)	(1 255 924)	-	(1 256 349)
Revaluation increase	5 050 026	-	-	-	-	5 050 026
Balance at 31 December 2013	**7 909 238**	**35 603 237**	**7 582 556**	**42 426 101**	**5 759 010**	**99 280 142**
Additions	310 339	527 048	127 877	3 776 249	14 408 369	19 149 882
Reclassification	-	5 923 628	494 931	6 211 996	(17 720 596)	(5 090 041)
Disposals	-	-	-	(425 754)	-	(425 754)
Balance at 31 December 2014	**8 219 577**	**42 053 913**	**8 205 364**	**51 988 592**	**2 446 783**	**112 914 229**
Accumulated depreciation						
Balance at 1 January 2013	385 114	5 066 969	2 063 566	17 521 636	-	25 037 285
Charge for the year	93 871	1 878 204	584 136	5 523 734	-	8 079 945
Eliminated on revaluation	(478 985)	-	-	-	-	(478 985)
Eliminated on disposals	-	-	(264)	(1 034 724)	-	(1 034 988)
Balance at 31 December 2013	-	**6 945 173**	**2 647 438**	**22 010 646**	-	**31 603 257**
Charge for the year	164 392	3 361 376	729 987	5 925 810	-	10 181 565
Eliminated on disposals	-	-	-	(425 754)	-	(425 754)
Balance at 31 December 2014	**164 392**	10 306 549	3 377 425	27 510 702	-	**41 359 068**
Carrying amount						
Balance at 31 December 2014	**8 055 185**	**31 747 364**	**4 827 939**	**24 477 890**	**2 446 783**	**71 555 161**
Balance at 31 December 2013	7 909 238	28 658 064	4 935 118	20 415 455	5 759 010	67 676 885

20. PROPERTY AND EQUIPMENT (Continued)

BANK

The movement in the property and equipment were as follows:

	Leasehold buildings K	Leasehold improvements K	Furniture And Fixtures K	Motor vehicle And Equipment K	Capital Work in Progress K	Total K
Cost						
Balance at 1 January 2013	2 770 615	16 877 810	5 781 090	31 175 969	7 893 767	64 499 251
Additions	80 392	1 549 421	706 787	5 441 107	23 744 740	31 522 447
Reclassification	8 205	17 176 006	1 095 104	7 064 949	(25 879 497)	(535 233)
Disposals	-	-	(425)	(1 255 924)	-	(1 256 349)
Revaluation increase	5 050 026	-	-	-	-	5 050 026
Balance at 31 December 2013	**7 909 238**	**35 603 237**	**7 582 556**	**42 426 101**	**5 759 010**	**99 280 142**
Additions	310 339	527 048	71 900	3 674 461	14 408 369	18 992 117
Reclassification	-	5 923 628	494 931	6 211 996	(17 720 596)	(5 090 041)
Disposals	-	-	-	(425 754)	-	(425 754)
Balance at 31 December 2014	**8 219 577**	**42 053 913**	**8 149 387**	**51 886 804**	**2 446 783**	**112 756 464**
Accumulated depreciation						
Balance at 1 January 2013	385 114	5 066 969	2 063 566	17 521 636	-	25 037 285
Charge for the year	93 871	1 878 204	584 136	5 523 734	-	8 079 945
Eliminated on revaluation	(478 985)	-	-	-	-	(478 985)
Eliminated on disposals	-	-	(264)	(1 034 724)	-	(1 034 988)
Balance at 31 December 2013	-	**6 945 173**	**2 647 438**	**22 010 646**	-	**31 603 257**
Charge for the year	164 392	3 361 376	723 458	5 917 511	-	10 166 737
Eliminated on disposals	-	-	-	(425 754)	-	(425 754)
Balance at 31 December 2014	**164 392**	**10 306 549**	**3 370 896**	**27 502 403**	-	**41 344 240**
Carrying amount						
Balance at 31 December 2014	**8 055 185**	**31 747 364**	**4 778 491**	**24 384 401**	**2 446 783**	**71 412 224**
Balance at 31 December 2013	7 909 238	28 658 064	4 935 118	20 415 455	5 759 010	67 676 885

21. CAPITAL COMMITMENTS

	GROUP		BANK	
	2014 K	2013 K	**2014 K**	2013 K
Authorised and contracted for	**17 410 725**	18 290 000	**17 410 725**	18 290 000

At 31 December 2014, the Bank had capital commitments in respect of property and equipment purchases. The Bank's management is confident tat future net revenues and funding will be sufficient to cover these commitments.

22. DEFERRED SOFTWARE DEVELOPMENT EXPENDITURE

	GROUP and BANK
	Software Development cost
	K
Cost	
At 1 January 2013	10 234 618
Additions captured directly	875 310
Reclassifications from capital work in progress	535 234
At 31 December 2013	11 645 162
Amortisation	
At 1 January 2013	3 889 151
Amortisation for the year	2 090 123
At 31 December 2013	5 979 274
Carrying amount 31 December 2013	5 665 888
Cost	
At 1 January 2014	11 645 162
Additions captured directly	463 576
Reclassifications from capital work in progress	5 090 041
At 31 December 2014	17 198 779
Amortisation	
At 1 January 2014	5 979 274
Amortisation for the year	1 573 055
At 31 December 2014	7 552 329
Carrying amount 31 December 2014	9 646 450
Carrying amount 31 December 2013	5 665 88893

23. DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
	2014 K	2013 K	**2014 K**	2013 K
Current accounts	**641 290 298**	371 314 263	**641 290 298**	371 314 263
Deposit accounts	**511 421 832**	396 680 657	**511 421 832**	396 680 657
Savings accounts	**111 418 488**	121 378 034	**111 418 488**	121 378 034
Cheque savers' accounts	**126 024 873**	124 785 546	**126 024 873**	124 785 546
SME accounts	**662 942**	19 752 112	**662 942**	19 752 112
	1 390 818 433	1 033 910 613	**1 402 108 228**	1 034 480 221
All deposits accounts have fixed interest rates. The customer accounts are split as follows:				
Retail customers				
- Savings accounts	**108 017 673**	116 579 516	**108 017 673**	116 579 516
- Cheque Saver accounts	**18 844 173**	18 495 758	**18 844 173**	18 495 758
- Current accounts	**45 990 170**	13 696 498	**45 990 170**	13 696 498
- Deposit accounts	**5 441 692**	6 466 894	**5 441 692**	6 466 894
	178 293 708	155 238 666	**178 293 708**	155 238 666
Corporate customers				
- Current accounts	**595 963 069**	377 369 877	**598 752 864**	377 939 485
- Deposit accounts	**505 980 140**	390 213 764	**514 480 140**	390 213 764
- Cheque Saver accounts	**107 180 700**	106 289 788	**107 180 700**	106 289 788
- Savings accounts	**3 400 816**	4 798 518	**3 400 816**	4 798 518
	1 212 524 725	878 671 947	**1 223 814 520**	879 241 555
	1 390 818 433	1 033 910 613	**1 402 108 228**	1 034 480 221
The maturity analysis for the term deposit accounts follows: is as				
Period				
0 - 30 days	**270 901 483**	149 460 291	**270 901 483**	149 460 291
31 - 60 days	**43 248 403**	48 655 353	**43 248 403**	48 655 353
61 - 90 days	**55 947 294**	37 903 130	**55 947 294**	37 903 130
91 - 365 days	**141 277 932**	160 661 883	**149 777 932**	160 661 883
Above 365 days	**46 720**	-	**46 720**	-
	511 421 832	396 680 657	**519 921 832**	396 680 657
(Decrease)/increase in amounts due to depositors:				
Current accounts	**243 502 393**	(133 533 206)	**246 292 189**	(134 102 814)
Deposit accounts	**114 741 175**	105 537 434	**123 241 174**	105 537 434
Savings accounts	**(9 959 546)**	(8 915 909)	**(9 959 545)**	(8 915 909)
Cheque savers' accounts	**1 239 327**	15 194 805	**1 239 327**	15 194 805
SME accounts	**6 814 862**	7 567 708	**6 814 862**	7 567 708
	356 338 211	(14 149 168)	**367 628 007**	(14 718 776)

24. DEBT SECURITIES IN ISSUE

	GROUP		BANK	
	2014 K	2013 K	**2014 K**	2013 K
Kwacha Medium Term Notes due 2015	**15 010 000**	15 010 000	**15 010 000**	15 010 000
Non-current	**15 010 000**	15 010 000	**15 010 000**	15 010 000

The debt securities are repayable only on maturity. None of the debt securities are secured. The Bank has not had any defaults on interest amounts during the year.

The annual effective interest rate on the debt securities in 2014 was **19.55%** (2013: 17.61%).

25. BORROWINGS

	GROUP 2014 K	GROUP 2013 K	BANK 2014 K	BANK 2013 K
Zambia Enterprise Development Project ("ZEDP")	**13 118 830**	17 442 036	**13 118 830**	17 442 036
European Investment Bank ("EIB")	**5 146 871**	5 421 425	**5 146 871**	5 421 425
African Development Bank (ADB)	-	4 830 000	-	4 830 000
Norsad Fund	-	959 818	-	959 818
	18 265 701	28 653 279	**18 265 701**	28 653 279
Current liability payable within one year	**(8 224 285)**	(12 989 426)	**(8 224 285)**	(12 989 426)
Non-current liability	**10 041 416**	15 663 853	**10 041 416**	15 663 853

African Development Bank

This is the Line of Credit with the African Development Bank (ADB) to be utilised for medium term lending to the underserved local Small and Medium sized Enterprises. The project targets growth oriented SMEs operating in capital intensive sectors. The total loan is for US$3.5 million repayable within 5 years.

The ADB loan bears floating interest at the rate of LIBOR + 2.3% per annum and repayable in five years with a grace period of one year.

The annual weighted average effective interest rate was 4.3% per annum in 2014 (2013 - 4%).

Norsad Fund

Norsad Fund is a joint Nordic and Southern African Development Community (SADC) development finance institution established to contribute to the economic and industrial development of the participating SADC member states by extending foreign exchange loans, lines of credit and guarantees on commercial terms for the current operations of viable enterprises in the SADC region.

The Norsad loan bears interest at a fixed rate of 7.5% per annum and repayable in five years with a grace period of one year.

The annual weighted average effective interest rate was 8.6% per annum in 2014 (2013:8.37%).

The European Investment Bank facility ("EIB")

The EIB facility is part of the Global Facility under the Partnership agreement between the members of the African, Caribbean and Pacific (ACP) Group of States on one hand and the European Community and its member states on the other hand to grant credit to financial institutions acceptable to the Bank. The facility is to be used for financing of small and medium sized investment projects to be carried out in Zambia by private enterprises.

The EIB loan bears interest at a fixed rate of 8% per annum and repayable in ten years with a grace period of three years.

The annual weighted average effective interest rate was 9.31% per annum in 2014 (2013: 4.62%).

The Zambia Enterprise Development Project ("ZEDP")

The ZEDP facility is part of the International Development Agency Support Programme to the Government of the Republic of Zambia and is managed through the Bank of Zambia and participating financial intermediaries. The amount represents the principal amount due to Bank of Zambia.

The amounts are borrowed by the Bank for on- lending to customers under lease arrangements in certain sectors of the economy.

The ZEDP loans bear interest at the rate of 5%. The Bank has not had any defaults of principal, interest or redemption amounts during the period (2013: Nil).

The annual weighted average effective interest rate was **5.45%** per annum in 2014 (2013: 5.74%).

26. OTHER LIABILITIES

	GROUP		BANK	
	2014 K	2013 K	**2014 K**	2013 K
Interest payable on deposits	**37 131 996**	17 624 865	**37 131 996**	17 624 865
Sundry payables	**13 216 035**	18 871 985	**12 595 415**	18 840 280
Bankers cheques payable	**3 118 122**	3 093 136	**3 118 122**	3 093 136
Interest payable on borrowings	**357 383**	417 004	**357 383**	417 004
	53 823 536	40 006 990	**53 202 916**	39 975 285
Sundry payables				
These can be analysed as follows:				
Payroll related liabilities	**7 994 202**	10 709 221	**7 994 202**	10 709 221
Unpresented drafts	**2 095 892**	1 940 110	**2 095 892**	1 940 110
Sundry creditors	**2 077 337**	1 404 507	**1 456 717**	1 372 802
Other creditors and accruals	**1 048 604**	4 818 147	**1 048 604**	4 818 147
	13 216 035	18 871 985	**12 595 415**	18 840 280

27. DEFERRED TAX LIABILITIES

	GROUP 2014 K	GROUP 2013 K	BANK 2014 K	BANK 2013 K
Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 35% (2013: 35%).				
Tax effect of timing differences due to:				
Temporary differences on property, and equipment	**2 301 377**	1 366 362	**2 292 762**	1 366 362
Other provisions	**(2 244 937)**	(3 233 024)	**(2 194 640)**	(3 233 024)
Property revaluation	**1 935 154**	1 935 154	**1 935 154**	1 935 154
Tax losses	**(4 211 950)**	(1 262 377)	**(3 569 933)**	(1 262 377)
Deferred tax liabilities (assets)	**(2 220 356)**	(1 193 885)	**(1 536 657)**	(1 193 885)

The following are the major deferred tax assets recognised by the Bank and their movements in the year:

27. DEFERRED TAX LIABILITIES *(continued)*

GROUP

At 1 January 2013	Other Provitions K	Property Revaluation K	Tax Losses K	Accelerated Capital Allowances K	Total K
Arising in the year: - Charged (credit) to Income (Note 14) - Charged to equity	(1 994 009)	-	-	2 349 757	355 748
	(1 239 015)	-	(1 262 377)	(983 395)	(3 484 787)
At 31 December 2013	-	1 935 154	-	-	1 935 154
Arising in the year: - Charged (credit) to 'income (Note 14)	(3 233 024)	1 935 154	(1 262 377)	1 366 362	(1 193 885)
At 31 December 2014	988 087	-	(2 949 573)	935 015	(1 026 471)
	(2 244 937)	1 935 154	(4 211 950)	2 301 377	(2 220 356)

BANK

At 1 January 2013	Other Provitions K	Property Revaluation K	Tax Losses K	Accelerated Capital Allowances K	Total K
Arising in the year: - Charged (credit) to Income (Note 14) - Charged to equity	(1 994 009)	-	-	2 349 757	355 748
	(1 239 015)	-	(1 262 377)	(983 395)	(3 484 787)
At 31 December 2013	-	1 935 154	-	-	1 935 154
Arising in the year: - Charged (credit) to 'income (Note 14)	(3 233 024)	1 935 154	(1 262 377)	1 366 362	(1 193 885)
At 31 December 2014	1 038 384	-	(2 307 556)	926 400	(342 772)
	(2 194 640)	1 935 154	(3 569 933)	2 292 762	(1 536 657)

28. SHARE CAPITAL

	GROUP	BANK
	2014 K	2013 K
Authorised ordinary shares of K 1 each 120,000,000 (2013: 120,000,000).	**120 000 000**	120 000 000
Issued and fully paid up		
4,665,231 ordinary shares of **K1 each** (2013: 4,665,231 shares of K1 each).	**4 665 231**	4 665 231

29. a. STATUTORY RESERVES

The statutory reserve is established in accordance with Chapter VI Section 69 of the Banking and Financial Services Act, 1994 (as amended). Current regulation stipulates that a bank shall maintain a reserve account and before declaring any dividend, shall transfer to its reserve account, 20% to 50% of the net profit of each year after due provision has been made for tax, to a maximum of the issued share capital.

b. GENERAL BANKING RESERVES

The Bank has charged the impairment loss on loans and advances in accordance with IAS 39. The difference of the charge for impairment on loans and advances based on Bank of Zambia regulatory requirements under Statutory Instrument No. 142 and the charge based on the Bank policy which follows the guidance of IFRS (IAS 39) has been transferred from revenue reserves to the general banking reserve, although the Bank has not complied in full with this requirement.

30. DIVIDENDS

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the meeting held on 31 March 2014, no dividend was proposed in respect of 2013.

No dividend in respect of 2014 is to be proposed at the Annual General Meeting to be held on 2 April 2015.

31. CONTINGENT LIABILITIES AND COMMITMENTS

a) Legal proceedings

There were a number of legal proceedings outstanding against the Bank at 31 December 2014. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

b) Loan commitments, guarantees and other financial facilities	GROUP	BANK	GROUP	BANK
	2014 **K**	2013 K	**2014** **K**	2013 K
At 31 December the Bank off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:				
Guarantees and performance bonds	**101 645 051**	71 343 385	**101 263 066**	71 343 385

c) Assets pledged

Assets are pledged as collateral under repurchase agreements with other Banks and for security deposits relating to Real Time Gross Settlements and Zambia Electronic Clearing House Limited memberships. Mandatory reserve deposits are also held with local Central Bank in accordance with statutory requirements. These deposits are not available to finance the Bank's day to day operations.

32. RELATED PARTY TRANSACTIONS

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and at market rates. The Bank had related party transactions during the year with the following associated companies:

Name	Nature of relationship
AFE Limited	Common shareholding
Revays Florist	Related to shareholders
Matula	Common shareholding
Hortex	Common shareholding

The volumes of related party transactions, outstanding balances at the year end, and relating expense and income for the year are as follows:

32. RELATED PARTY TRANSACTIONS

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and at market rates. The Bank had related party transactions during the year with the following associated companies:

Name	Nature of relationship
AFE Limited	Common shareholding
Revays Florist	Related to shareholders
Matula	Common shareholding
Hortex	Common shareholding

The volumes of related party transactions, outstanding balances at the year end, and relating expense and income for the year are as follows:

32. RELATED PARTY TRANSACTIONS (*continued*)

a) Loans and advances to related parties

	Directors and other key management personnel**				Associated companies			
	GROUP		BANK		GROUP		BANK	
	2014 K	2013 K	2014 K	2013 K	2014 K	2013 K	2014 K	2013 K
Loans outstanding at 1 January	**1 063 284**	2 523 134	**1 063 284**	2 523 134	**20 618 215**	15 647 157	**20 618 215**	15 647 157
Loans issued during the year	**-**	-	**-**	-	**5 743 707**	1 775 625	**5 743 707**	1 775 625
Interest charges	**62 699**	239 894	**62 699**	239 894	**1 388 361**	5 127 947	**1 388 361**	5 127 947
Loan repayments during the year	**(713 736)**	(1 699 744)	**(713 736)**	(1 699 744)	**(1 972 446)**	(1 932 514)	**(1 972 446)**	(1 932 514)
Loans outstanding at 31 December	**412 247**	**1 063 284**	**412 247**	**1 063 284**	**25 777 837**	**20 618 215**	**25 777 837**	**20 618 215**
Interest income earned	**62 699**	**239 894**	**62 699**	**239 894**	**1 388 361**	**5 127 947**	**1 388 361**	**5 127 947**

32. RELATED PARTY TRANSACTIONS

a) Loans and advances to related parties

The amounts on connected entities arise on:

- Loan facilities; and
- Rentals of office premises

The loans issued to other key management personnel during the year are governed by the general conditions of service for management staff.

The loans and advances to associated companies are secured by Directors personal guarantees supported by a mortgage and are repayable on demand.

The entities are related to the Bank through common Directorship and shareholdings.

b) Other transactions with related parties

	Directors and other key management personnel		Related companies	
	2014 K	2013 K	**2014 K**	2013 K
Rental income	**-**	-	**70 440**	70 440
Cost of office floral arrangement	**-**	-	**(262 530)**	(247 920)

c) Directors' remuneration and key management personnel compensation

A list of the members of the Board of Directors is shown on page 1 of the financial statements under the Report of the Directors.

	2014 K	2013 K
Salaries	**2 861 115**	2 628 795
Directors fees and expenses	**1 049 866**	1 211 849
Other long term benefits	**-**	559 814
	3 910 981	4 400 458

33. SEGMENT REPORTING

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Executive Management Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8.

The Group has three main lines of business:

Retail and operations

This business unit caters for business with retail clients (i.e individuals and MSMEs) and covers all Branch operations. Transactions processed include deposits, withdrawals, loans and advances, etc.

33. SEGMENT REPORTING *(continued)*

Wholesale banking

This business segment covers corporate and institutional banking customers and offers such services as loans and advances, corporate finance, trade finance, cash management, deposits and payments processing and other transactional services. This unit incorporates Corporate and Investment Banking, Public Sector and Non- Profit Institutions and Treasury departments. Treasury is responsible for liquidity management through investments in short-term placements and corporate and government securities, borrowing on the money markets, issue of debt securities, liquidity and interest rate risk management, etc.

Mortgage Financing

This business segment covers lending to employees of approved institutions and covers mortgages financing for construction purpose to qualifying institutions.

Segment revenue reported below represents revenue generated from external customers.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment.

The Group operates only in one geographical segment.

GROUP

2014 External revenue	Retail and operations	Wholesale Banking	Unallocated	Total
Net interest income	5 316 087	43 986 580	-	49 302 667
Net fee and commission income	52 265 712	10 769 342	-	63 035 054
Net trading income	3 905	29 265 929	-	29 269 834
Other operating income	8 050	-	80 440	88 490
Total segment income	57 593 754	84 021 851	80 440	141 696 045
Other material non-cash items: Recovery/(impairment) losses on loans and advances	-	(4 959 260)	-	(4 959 260)
Reportable segment operating (loss) profit before tax	(6 340 900)	(1 120 913)	80 440	(7 381 373)
Reportable segment assets	582 648 021	977 403 845	-	1 560 051 866
Reportable segment liabilities and equity	977 403 253	582 648 613	-	1 560 051 866

GROUP

2013 External revenue	Retail and operations	Wholesale Banking	Unallocated	Total
Net interest income	5 705 814	55 532 725	-	61 238 540
Net fee and commission income	55 531 779	11 890 080	-	68 421 859
Net trading income	13 711	14 419 682	-	14 433 392
Other operating income	8 400	-	243 608	252 008
Total segment income	61 259 704	82 842 487	243 608	144 345 798
External revenue Other material non-cash items: Recovery/(impairment) losses on loans and advances	-	(22 103 395)	-	(22 103 395)
Reportable segment operating (loss) profit before tax	11 459 924	(18 212 371)	243 608	(6 508 839)
Reportable segment assets	291 999 991	1 022 217 114	-	1 314 217 105
Reportable segment liabilities and equity	767 611 426	546 605 679	-	1 314 217 105

33. SEGMENT REPORTING *(continued)*

BANK

2014 External revenue	Retail and operations	Wholesale Banking	Unallocated	Total
Net interest income	5 316 087	43 986 580	-	49 302 667
Net fee and commission income	51 872 168	10 769 341	-	62 641 509
Net trading income	3 905	29 265 929	-	29 269 834
Other operating income	8 050	-	80 440	88 490
Total segment income	57 200 210	84 021 850	80 440	141 302 500
Other material non-cash items: Recovery/(impairment) losses on loans and advances	-	(4 958 702)	-	(4 958 702)
Reportable segment operating (loss) profit before tax	(4 367 584)	(1 120 912)	80 440	(5 408 056)
Reportable segment assets	587 983 187	977 403 845	-	1 565 387 032
Reportable segment liabilities and equity	977 403 253	587 983 779	-	1 565 387 032

BANK

2013 External revenue	Retail and operations	Wholesale Banking	Unallocated	Total
Net interest income	5 705 814	55 532 725	-	61 238 540
Net fee and commission income	55 531 971	12 890 080	-	68 414 051
Net trading income	13 711	14 419 682	-	14 433 392
Other operating income	8 400		243 608	252 008
Total segment income	61 251 896	82 842 487	243 608	144 337 990
External revenue Other material non-cash items: Recovery/(impairment) losses on loans and advances	-	(22 103 395)	-	(22 103 395)
Reportable segment operating (loss) profit before tax	11 452 116	(18 212 371)	243 608	(6 516 647)
Reportable segment assets	292 274 991	1 022 217 114	-	1 314 492 105
Reportable segment liabilities and equity	767 611 426	546 880 679	-	1 314 492 105

34. BASIC EARNING PER SHARE

	GROUP		BANK	
	2014 K	2013 K	**2014 K**	2013 K
Basic and diluted earnings per share is calculated by dividing the profit after tax attributed to equity holders of the Bank by weighted average number of shares issue during the year.				
Profit attributable to equity holders	**(6 362 751)**	(2 780 063)	**(5 073 133)**	(2 780 063)
Weighted number of ordinary shares in issue	**4 665 231**	4 665 231	**4 665 231**	4 665 231
Basic earnings per share	**(1.36)**	(0.60)	**(1.09)**	(0.60)

35. FINANCE LEASE RECEIVABLES

	GROUP 2014 K	GROUP 2013 K	BANK 2014 K	BANK 2013 K
Current finance lease receivables	**4 385 127**	2 565 845	**4 385 127**	2 565 845
Non-current finance lease receivables	**66 808 540**	41 163 868	**66 808 540**	41 163 868
	71 193 667	43 729 713	**71 193 667**	43 729 713

35. FINANCE LEASE RECEIVABLES (*continued*)

	GROUP				BANK			
	2014 K		2013 K		2014 K		2013 K	
The movement for the year is as follows:								
At the beginning of the year	51 469 739		40 464 911		51 469 739		40 464 911	
Additions during the year	65 230 732		27 809 781		65 230 732		27 809 781	
Repayments during the year	(31 735 883)		(18 976 494)		(31 735 883)		(18 976 494)	
Unrealised exchange (losses) gains	3 577 939		2 171 541		3 577 939		2 171 541	
Gross investment in finance leases	88 542 527		51 469 739		88 542 527		51 469 739	
Less: Unearned future finance income on finance leases	(17 348 860)		(7 740 026)		(17 348 860)		(7 740 026)	
Net investment in finance leases	71 193 667		43 729 713		71 193 667		43 729 713	
Industry analysis:								
Other sectors	3 538 942	4%	4 476 975	9%	3 538 942	4%	4 476 975	9%
Construction, mining and quarrying	9 047 466	10%	12 778 019	25%	9 047 466	10%	12 778 019	25%
Manufacturing	324 710	0%	1 670 785	3%	324 710	0%	1 670 785	3%
Service industries	73 565 220	83%	31 440 579	61%	73 565 220	83%	31 440 579	61%
Wholesale and retail	985 354	1%	939 032	2%	985 354	1%	939 032	2%
Agriculture	750 753	1%	-	0%	750 753	1%	-	0%
Financial	330 082	0%	164 349	0%	330 082	0%	164 349	0%
	88 542 527	100%	51 469 739	100%	88 542 527	100%	51 469 739	100%
Sector analysis								
Private corporations	86 564 401	98%	50 489 719	98%	86 564 401	98%	50 489 719	98%
Non banking financial institutions	330 082	0%	164 349	0%	330 082	0%	164 349	0%
Individuals	1 648 044	2%	815 671	2%	1 648 044	2%	815 671	2%
	88 542 527	100%	51 469 739	100%	88 542 527	100%	51 469 739	100%

The Bank enters into finance arrangements. The average term of finance leases entered into is 2 years.

Unguaranteed residual dues of assets leased under the finance leases at the balance sheet date are estimated at **K 1,648,044 (2013: K 815,671).**

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted is approximately 12.08% for US Dollar denominated and 21.5% for Kwacha denominated leases.

The Directors consider that the fair value of the leases is at least equal to their carrying values as reflected in the balance sheet.

36. EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting date that require disclosure in or adjustment to the financial statements for the year ended 31 December 2014.

APPENDIX I - FIVE YEAR FINANCIAL SUMMARY

TREND ANALYSIS (OPERATING RESULTS)

	GROUP 2014 K	BANK 2014 K	BANK 2013 K	BANK 2012 K	BANK 2011 K	BANK 2010 K
INCOME						
Interest on loans and advances	100 605 188	100 605 188	94 714 488	73 534 350	65 729 614	66 451 285
Profit on foreign exchange trading	29 269 834	29 269 834	14 433 392	16 200 764	14 603 449	10 037 997
Income on held to maturity investments	45 446 869	45 446 869	28 415 735	39 530 955	15 456 475	8 884 597
Net fees and commissions	64 617 151	64 223 606	71 541 043	55 814 146	32 319 477	27 119 823
	239 939 042	239 545 497	209 104 658	185 080 215	128 109 015	112 493 702
EXPENDITURE						
Interest payable	96 749 390	96 749 390	61 891 683	38 934 060	26 784 029	25 009 279
Staff benefit costs	71 056 314	69 586 396	63 706 361	57 449 130	39 743 813	33 992 825
Administration and other operating	73 061 844	72 165 458	65 044 882	51 828 659	37 949 784	33 045 189
Provision for loan losses and bad debts	6 452 867	6 452 309	24 978 379	15 988 011	12 338 573	26 797 639
	247 320 415	244 953 553	215 621 305	164 199 860	116 816 199	118 844 932
(Loss) profit before tax	(7 381 373)	(5 408 056)	(6 516 647)	20 880 355	11 292 816	(6 351 230)
Income tax credit (expense)	1 018 622	334 923	3 736 584	(6 539 444)	(5 545 162)	1 412 176
(Loss) profit after tax	(6 362 751)	(5 073 133)	(2 780 063)	14 340 911	5 747 654	(4 939 054)

STATEMENT OF FINANCIAL POSITION TREND ANALYSIS

	2014 K GROUP	2014 K BANK	2013 K BANK	2012 K BANK	2011 K BANK	2010 K BANK
ASSETS						
Cash, balances with Bank of Zambia and other banks	**492 923 659**	**492 922 093**	198 493 251	227 863 900	112 208 785	118 700 612
Held to maturity investments	**366 492 158**	**366 492 158**	261 830 814	242 699 851	323 689 450	80 081 198
Loans and advances (net of provisions)	**568 352 560**	**567 893 083**	696 378 361	733 340 852	402 516 820	374 288 592
Other assets	**132 283 489**	**138 079 698**	157 789 033	72 798 980	65 696 329	72 570 574
Total assets	**1 560 051 866**	**1 565 387 032**	1 314 491 459	1 276 703 583	904 111 384	645 640 976
LIABILITIES						
Customer deposits	**1 390 818 433**	**1 402 108 228**	1 034 480 220	1 049 198 997	710 883 566	476 250 233
Other borrowed funds	**18 265 701**	**18 265 701**	143 153 279	86 624 484	58 032 850	50 675 815
Subordinated debt	**15 010 000**	**15 010 000**	15 010 000	29 360 000	44 400 000	44 274 000
Other liabilities	**53 823 536**	**53 202 916**	39 975 285	30 461 221	24 076 998	35 163 194
	1 477 917 670	**1 488 586 845**	1 232 618 784	1 195 644 702	837 393 414	606 363 242
Shareholders funds	**82 134 196**	**76 800 187**	81 872 675	81 058 881	66 717 970	39 277 734
Total liabilities and shareholders funds	**1 560 051 866**	**1 565 387 032**	1 314 491 459	1 276 703 583	904 111 384	645 640 976

APPENDIX II - DETAILED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December, 2014

	GROUP		BANK	
	2014 K	2013 K	**2014 K**	2013 K
NET INTEREST INCOME				
Interest income	**146 052 057**	123 130 223	**146 052 057**	123 130 223
Interest expense	**(96 749 390)**	(61 891 683)	**(96 749 390)**	(61 891 683)
Net interest income	**49 302 667**	61 238 540	**49 302 667**	61 238 540
OTHER OPERATING INCOME		47 126 972	**42 425 303**	47 128 862
Fees and commissions	**42 425 323**			
Gains from dealings in foreign currencies	**29 269 834**	14 433 392	**29 269 834**	14 433 392
Ledger fees	**23 644 551**	22 900 260	**23 644 551**	22 900 260
Rental income	**78 490**	78 840	**78 490**	78 840
Gain on disposal of property and equipment	**10 000**	173 168	**10 000**	173 168
	95 428 198	84 712 632	**95 428 178**	84 714 522
TOTAL INCOME	**144 730 865**	145 951 172	**144 730 845**	145 953 062
OPERATING EXPENSES AND BAD DEBT				
Employee benefit expenses	**68 835 515**	61 940 056	**68 098 486**	61 940 056
Impairment charge for credit losses	**6 452 594**	24 978 379	**6 452 309**	24 978 379
Depreciation expense	**11 747 354**	10 170 085	**11 739 792**	10 170 085
Postage and communication costs	**11 297 157**	9 967 438	**11 278 802**	9 967 438
Rent and rates	**8 782 761**	6 907 957	**8 719 295**	6 907 957
Motor vehicle expenses	**6 376 119**	7 046 406	**6 375 339**	7 046 406
Travel expenses	**4 226 855**	5 725 920	**4 224 323**	5 725 920
Advertising	**5 862 175**	6 083 936	**5 849 925**	6 083 936
Office and security expenses	**5 976 514**	4 730 955	**5 951 660**	4 730 955
Professional and legal fees	**3 790 691**	2 862 966	**3 672 657**	2 862 966
Printing and stationery	**1 645 713**	2 434 533	**1 641 571**	2 434 533
Medical expenses	**1 500 539**	1 766 305	**1 487 910**	1 766 305
Fee and commission expense	**1 526 317**	1 605 373	**1 934 738**	1 615 071
Repairs and maintenance	**3 118 642**	2 154 270	**3 093 405**	2 154 270
Computer expenses	**2 244 818**	1 087 619	**2 089 836**	1 087 619
Other miscellaneous expenses	**4 566 952**	1 421 948	**3 387 544**	1 421 948
Directors fees and expenses	**1 049 892**	1 211 849	**1 049 866**	1 211 849
Subscriptions	**989 146**	888 031	**988 160**	888 031
Insurance	**610 877**	569 144	**609 825**	569 144
Donations	**506 688**	410 700	**506 688**	410 700
Auditors remuneration	**374 999**	360 000	**360 000**	360 000
Water and electricity	**547 667**	541 457	**547 667**	541 457
Entertainment	**82 253**	161 748	**79 103**	161 748
Bad debts written off	**-**	(2 567 064)	**-**	(2 567 064)
TOTAL EXPENDITURE	**152 112 238**	152 460 011	**150 138 901**	152 469 709
PROFIT (LOSS) BEFORE TAX	**(7 381 373)**	(6 508 839)	**(5 408 056)**	(6 516 647)

Finance Minister Hon. Alexander Chikwanda officially opening Investrust Bank Plc Choma Branch

Copperbelt staff manning the Zambia International Trade Fair Stand pictured with Deputy Managing Director Mr. Richard Phiri and Head of Public Sector & Non-Profit Institutions Mr. Zephnat Sakala

NOTES

LUSAKA

Arcades Branch	Great East Road
Ody's Branch	Great East Road
Mumbwa Road Branch	Mumbwa Road
Kafue Road Branch	Kafue Road
Industrial Branch	Chandwe Musonda Rd
Levy Business Park Branch	Levy Business Park
Lusaka Main Branch	Freedom Way
Manda Hill Branch	Great East/Manchinchi Rd
Soweto Branch	Mumbwa/Los Angeles Rd
Savings Centre Branch	Freedom Way
Mulungushi Branch	Off Independence Avenue, Ministry of Lands HQ

CHILILABOMBWE

Chililabombwe Branch	Town Centre

KABWE

Kabwe Branch	Revenue Hall Civic Centre

LUANGWA

Luangwa Branch	Feira Road

SOLWEZI

Solwezi Branch	Independence Way

NDOLA

Buteko Avenue Branch	Buteko Avenue
President Avenue Branch	Zmart Mall

CHOMA

Choma Branch	Livingstone Road

CHIPATA

Chipata Branch	Parirenyatwa Road

CHIRUNDU

Chirundu Branch	Agents Building

CHINGOLA

Chingola Branch	Civic Centre, President Ave.

KITWE

Kitwe Main Branch	Obote Avenue
Freedom Avenue Branch	Freedom Avenue
Copperbelt University Branch	Riverside, Jumbo Drive

LUMWANA

Lumwana Branch	Spine Road

LIVINGSTONE

Livingstone Branch	Mosi-O-Tunya Road

MONGU

Mongu Branch	Independence Way

AGENCIES

Kenneth Kaunda International Airport Agency
Lusaka

Harry Mwaanga Nkumbula International Airport Agency
Livingstone

Mwami Border Agency Mwami Boarder, ZRA offices
Chipata