2015

Annual Report

www.investrustbank.com

Investrust Bank Plc

(Registered Commercial Bank)

Mission Statement

"To deliver customer driven financial solutions that contribute to the growth of the Zambian economy and create wealth for all stakeholders."

Vision

"To be the most preferred and leading financial institution in our chosen markets."

Our Values

- *Dedication to quality service*
- *Fairness and consistency*
- *Respect and courtesy*
- *Integrity and honesty*
- *Innovation*
- *Teamwork*

Contents

Investrust Bank Plc Board of Directors

Dr. Jacob M. Mwanza - *Chairman*

Mr. Eddie K. Samakai – *Director*

Mrs. Eva Jhala – *Director*

Mr. Hampande Hachongo – *Director*

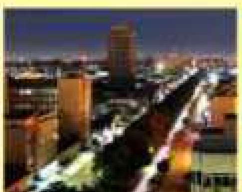
CHAIRMAN's *Statement*

INTRODUCTION

On behalf of the Board of Directors of Investrust Bank Plc, I am pleased to present to you the Annual Report and consolidated financial statements of the Bank and its subsidiary Zambian Home Loans Limited (ZHL) for the year ended 31 December 2015. I wish to state from the outset that this was a particularly difficult year operationally for the Bank and its subsidiary and indeed for the Zambian economy as a whole.

The Board made key changes at executive management level during the year 2015. Mr. Friday C. Ndhlovu retired as Managing Director on 31 May 2015 and was immediately replaced by Dr. Richard K. E. Chembe. Mr. Richard Phiri, former Deputy Managing Director, retired on 31 July 2015 and the position was abolished. The Board created a new position of Chief Operating Officer and appointed Mr. Isaiah Chindumba in that role with effect from 07 September 2015. On behalf of the Board of Directors, I wish to sincerely thank Mr. Friday C. Ndhlovu and Mr. Richard Phiri for their immense personal contribution to the Bank over several years, and also to welcome the new executive staff.

To cap a difficult year for the Bank, Dr. Chembe was taken ill on 25 December 2015 and continues to recuperate in hospital in South Africa. In his place, the Board appointed Mr. Chindumba to act as Managing Director with effect from 29 December 2015. On behalf of the Board of Directors, I wish Dr. Chembe a quick recovery and Mr. Chindumba, all the best as he spearheads the Bank's turn-around strategy.



WORLD ECONOMY

The world economy grew at a moderate rate of 3.3% in 2015 compared to the growth rate of 3.4% achieved during 2014. There was steady and stronger growth recorded in advanced economies but a slowdown in underlying growth recorded in emerging markets and developing economies.

The key drivers of growth in advanced economies, such as the USA and Euro zone, were eased financial conditions, improved fiscal policies, labour market conditions, wage growth and consumer consumption, capital investment and lower commodity prices particularly oil prices and metal prices.

In emerging markets and developing economies, the slowdown in economic growth was attributed mainly to the negative impact of lower commodity prices (metals and oil), tighter external financial conditions, rebalancing in the Chinese economy and economic distress linked to geopolitical factors.

AFRICA AND SUB-SAHARAN ECONOMY

Economic growth in sub-Saharan Africa dropped for the first time in many years during 2015, from as high as 5% in 2014 to 3.8% in 2015. The slowdown was largely driven by the effects of declining commodity prices following a slump in demand from China that has traditionally provided the major export market for the predominantly commodity exporting economies of the sub-Saharan African countries. The major commodities affected were oil and metals (copper, gold, platinum, etc.). Countries that were directly impacted on account of lower oil prices included Nigeria and Angola, while countries such as South Africa, Zambia and Congo DR, suffered on account of lower metal prices.

Economic output in some countries in the region such as South Africa and Zambia also suffered from poor electricity supply owing to a critical power shortage. There were also economic distress related to disease burdens such as the Ebola virus in West Africa, regional political violence (eg during elections, etc.) leading to loss of confidence in local or regional economies.

ZAMBIAN ECONOMY

The growth in the economy slowed down during 2015 to about 3.6% from close to 6% during 2014 due to the effects of both external shocks and domestic challenges. The decline in the GDP during 2015 was largely due to reduction in production in key economic sectors such as mining, agriculture and manufacturing in response to dampened global demand for commodities and the impact of deficits in electricity supply.

The economy recorded an expanded fiscal deficit of 8.1% during 2015 that put mounted pressure on the government's capacity to fund both its normal operations and massive infrastructure projects.

The macroeconomic fundamentals weakened during 2015 as measured by the outturn on annual inflation at 21.1% in December 2015 (against a target of 7%), significant depreciation in the Kwacha exchange rate during 2015 to K10.99/1USD as at 31 Dec 2015 (Dec2014:K6.4/1USD), higher interest rates and a negative balance of payments position (current account deficit).

FINANCIAL SECTOR

The financial sector was stable during 2015. The banking sector consisted of nineteen (19) commercial banks operating on the market. The banking sector as a whole was reported by the Central Bank as being adequately capitalised and having satisfactory aggregate liquidity throughout the year.

During 2015 banking industry total assets increased by 31% to K63 311 million as at 31 Dec 2015 (2014: K48 255 million) while total deposits increased by 33% in 2015 to K46 151 million as at 31 Dec 2015 (2014:K34 653 million). Total banking industry net loans and advances increased by 20% to K24 710 million as at 31 Dec 2015 (2014:K20 532 million). Net industry-wide profit after tax dropped by 13% during 2015 to K982 million in 2015 (2014: K1 130 million).

Although the banking industry grew by 31% in terms of total balance sheet size as measured by total assets, industry profitability declined by 13% owing to the difficulty operating environment that was obtaining during 2015. It was characterised by a severe liquidity shortage, volatility in the exchange rate, high money market interest rates, and constrained margins on lending.

The following regulatory and/or statutory developments took place during 2015.

- Increase in Statutory Reserve Ratios – through CB Circular 07/2015, the Bank of Zambia increased the minimum statutory reserve ratio on both public and government Kwacha and foreign currency deposit liabilities from 14% to 18% with effect from April 2015. This monetary policy decision resulted in further tightening of market liquidity and increase in money market interest rate.
- BoZ Policy Rate –Bank of Zambia increased the Policy Rate to 15.5% in November 2015 from 12.5% that was obtaining since December 2014. The Bank of Zambia also dropped the concept of placing a limit on the margin that commercial banks could apply on lending activities and left it to market players to set their own margins on pricing.
- Overnight Lending Facility – CB Circular 22/2015, on 18 November 2015, the Bank of Zambia placed a limit on access to the OLF by commercial banks of once per week and abolished the automatic route of accessing OLF through lapsing of intraday loans. This action led to increased pressure on interbank borrowing and reduction in available overall market liquidity. The Bank of Zambia also increased the OLF lending rate to 1000 basis points above the Policy Rate thereby pushing the rate to a minimum 25.5%. This resulted in the immediate rise in the overnight interbank lending rate to at least match the OLF rate.

BANK'S FINANCIAL PERFORMANCE REVIEW - 2015 HIGHLIGHTS

The Group recorded a loss after tax of K52.33 million during 2015 (2014: loss after tax K6.36 million). Group net interest income declined by 19% to K39.77 million (2014: K49.30 million) owing to a significant increase in funding costs on account of increased money market borrowing and sharp rise in money market interest rates during 2015. Consequently, interest expense rose by 13% to K108.99 million in 2015 (2014: K96.75 million). Group net fees and commission income reduced by 4% during 2015 to K60.56 million (2014: K63.04 million) due to limited disbursements made on loans and advances and lack of growth in deposits to spur transactional income. Further, the historical nonperforming portfolio, particularly the insider-borrowers', contributed to the increased negative outcome. I am pleased to inform the AGM that the Board has taken decisive measures to recover these loans by bringing the matter before the courts of law to ensure recovery. Profit on foreign exchange trading and revaluation reduced substantially by 37% to K19.31 million (2014: K30.85 million) due to reduction in trading activity on account of Kwacha liquidity constraints, lack of foreign currency liquidity on the market and limited size of deals restricted by the thin capital base. Gross impairment charges increased by 32% in 2015 to K8.32 million (2014: K6.45 million).

Group total operating income reduced by 16% to K119.64Mn in 2015 (2014: K143.19Mn) whereas total operating costs increased by 30% to K196.80Mn (2014:K150.57Mn), explaining the significant deterioration in overall financial results for the year. The increase in operating costs was attributed to the general rise in operating expenses due to higher inflation and depreciation of the Kwacha on one hand and exceptional staff separation costs amounting to K23.50Mn incurred in relation to restructuring of Bank operations. The Bank also expensed an amount of K4.10Mn arising from a tax assessment by the Zambia Revenue Authority (ZRA) for the period 2008 to 2012 that was only conducted in 2015. Total actual normal operating costs were however contained within budget.

The Group statement of financial position recorded a reduction of 11% during 2015, with total assets declining to K1 391Mn as at 31 December 2015 (2014: K1 564Mn). The decline in total assets was mainly attributed to reduction in cash balances and investments in government securities prompted by the significant reduction in customer deposits.

CAPITAL POSITION

During the year 2015 the Bank pursued the capital raise exercise through a rights offer to raise K40 million towards meeting the minimum regulatory capital requirement. The additional capital would also immediately enhance and strengthen the Bank's capital base to facilitate its growth aspirations into 2016 and beyond. The Bank is currently executing a rights offer and expects to complete the whole exercise during April 2016.

The Bank would still have a shortfall on its primary capital after completing the rights offer to raise K40 million. The Board intends to raise additional capital of at least K50 million to cover the shortfall through issuance of non-voting preference shares on terms that would qualify it under Tier 1 conditions set by the Central Bank. The Board would table a proposal on this matter during this meeting and seek to secure shareholders' approval to issue preference shares as soon as possible.

DIVIDENDS

The Directors recommend that no dividend be proposed for the full year ended 31 December 2015.

FUTURE OUTLOOK

The Board has already embarked on a turn-around strategy that would address the following areas.

Restructuring and consolidation exercise

- Operate a sales oriented business model focusing primarily on client portfolio growth,
- Improve operational efficiencies in relation to organizational and operational structures,
- Cost cutting and containment on operational expenses,
- Rollout of electronic delivery channels to accelerate growth through capital efficient means.

Deposit mobilisation and diversification

- Increase and diversify deposit portfolio in order to reduce on the high cost of funds,
- Grow retail client portfolio through branch structures,
- Agency Banking platform - use this platform and a network of Agents to accelerate market outreach on retail clients.

Credit Control

- Recoveries drive on all past due loans and advances enhanced to reduce facilities in arrears and non-performing loans.

Increase Non-Interest Income

- Treasury- aggressive marketing of treasury products.
- Fee and commission - improved performance of all delivery channels (ATMs, mobile banking, internet banking, etc.).

Equity capital raise

- Raise additional capital through rights offers and augment it with debt capital and/or credit lines to accelerate growth over the next five years.

The Board is confident about the potential to turn-around the operation in the near future on the basis of various initiatives and strategies already being pursued by the Bank. The Bank already has in place the infrastructure, systems and people required to drive and realise the set objectives.

CONCLUSION

I wish to recognise the fact that during 2015 the Bank operated under extremely difficult conditions most of which were dictated by developments in the external environment, particularly the Zambian economy. Against this background, the Bank still remained resilient and focused on its priorities aimed at turning-around operating results into profitability and to chart a growth trajectory.

I therefore wish to thank fellow members of the Board of Directors for their commitment and earnest contribution to the business during 2015. I also commend management and staff for their dedication to improving the operations of the Bank. Lastly I wish to acknowledge the support rendered to the Bank in several ways by shareholders and other stakeholders during the year 2015.

DR. Jacob M. Mwanza
BOARD CHAIRMAN

MANAGING DIRECTOR's *Report - 2015*

Isaiah Chindumba - *Chief Operating Officer/Acting Managing Director*

The global economy slowed down, recording only moderate growth during the year 2015 compared to 2014 mainly due to the decline in growth in emerging markets and developing economies. There was however gradual but strong growth recorded by advanced economies (Euro zone, USA, Japan) that recorded improved industrial output, decline in unemployment rates and increased wages and consumption, easing of financial conditions and strengthening of currencies, increased capital investments, etc.

The dismal performance by emerging markets and developing economies was largely attributed to the plunge in prices of key export commodities that account for most of the income for economies of these countries. The world witnessed the biggest reduction in many years in prices of oil and metals to levels that threatened economic stability of most of the affected countries, such as Zambia, Nigeria, Angola, Ghana, South Africa, Congo DR, etc. This was linked to the drastic reduction in import of commodities by China that constituted the major export market.

ZAMBIAN ECONOMIC PERFORMANCE

On the back of declining productivity due to power cuts and low metal prices, the Zambian economy that largely depends on copper production and export, declined significantly during 2015 recording GDP growth of only 3.6% compared to 6% during 2014.

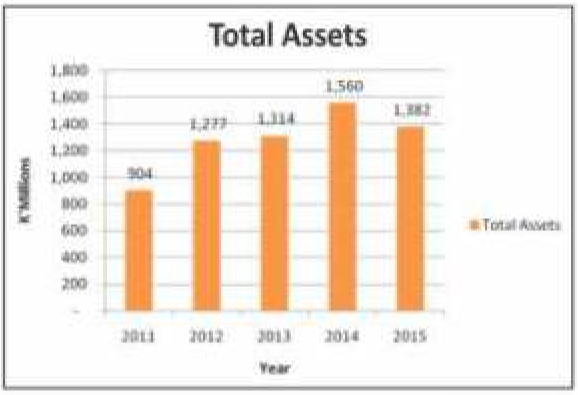
The collapse in commodity prices resulted in the price of Zambia's major export commodity, copper, dropping to all time lows of around US$4,500/tonne by end of December 2015. This affected export earnings, balance of payments and ultimately the exchange rate of the Kwacha against major convertible currencies.

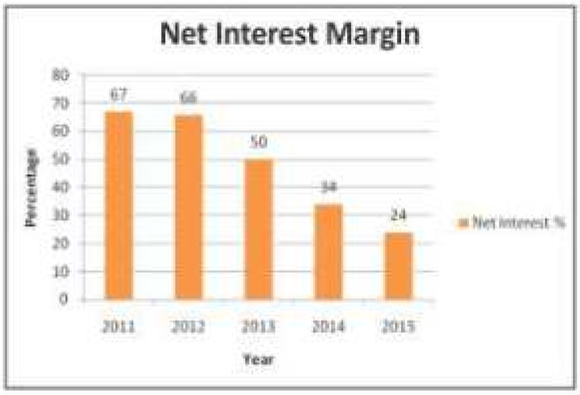
The Kwacha depreciated significantly during 2015, to K10.99:1US$ as at 31 December 2015 (2014:K6.40:1US$). The exchange rate deteriorated in response to a drop in copper prices on the world market, shortage of US Dollar liquidity on the market, general strength of the US Dollar against other world currencies and the trade deficit recorded during the year.

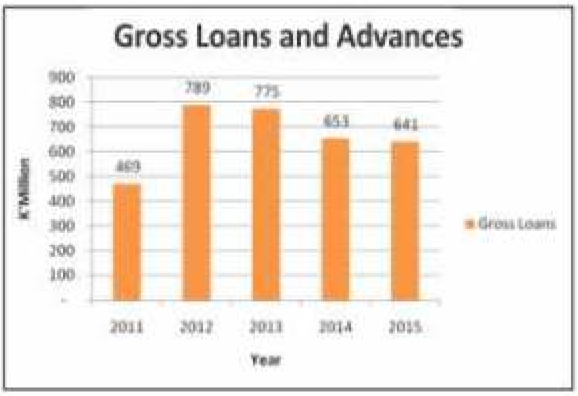
Inflation rate increased considerably to 21.1% as at 31 December 2015 (2014: 7.9%). The increase was linked to the pass-through effects of the rapid depreciation of the Kwacha and the impact of power shortages on industrial and agricultural output.

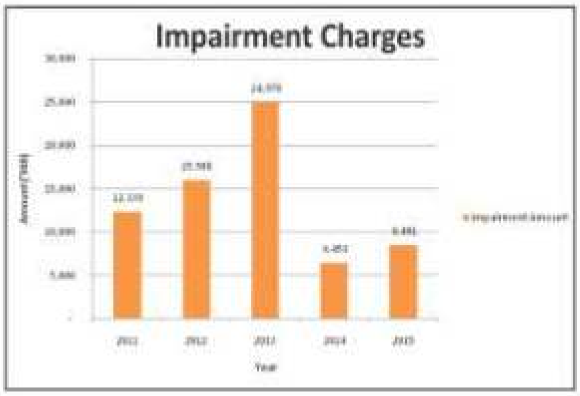
The economy also experienced severe liquidity conditions associated with the tight monetary policy pursued by the Central Bank. The government encountered a huge fiscal deficit during 2015 and as such resorted to borrowing from money markets. These two factors resulted in constrained market liquidity and pushed interest rates higher to above 22% on government securities and 25.5% on the inter-bank market. The rates surpassed 30% on term deposit placements post 31 December 2015.

2015 FINANCIAL HIGHLIGHTS









GROUP FINANCIAL PERFORMANCE REVIEW

The Group recorded an operating loss after tax of K52.33Mn during 2015 (2014: operating loss of K6.36Mn). The operating results for 2015 deteriorated compared to 2014 owing to the considerably higher funding costs, huge drop in foreign exchange income, drop in fee and commission income, increase in impairment charges and the increase in operating expenses that included exceptional items pertaining to restructuring costs and costs relating to the ZRA tax assessment.

Net Interest Income

Net interest income declined by 19% during 2015 to K39.77Mn (2014: K49.30Mn). This was explained by the substantial increase (13%) in interest and similar expenses to K108.99 in 2015 (2014: K96.75Mn) due to increase in money market interest rates that made term deposits, inter-bank and BoZ borrowing more costly.

The concentration on term deposits remained high at 47% of the total deposit portfolio thereby severely impacting on interest costs as market interest rates trended upwards.

To the contrary, interest and similar income increased by only 3% to K148.76Mn in 2015 (2014:K146.05Mn) due to the limited growth achieved in the loan book and the effect of restricted lending margins because of interest rate capping that was in place for most part of the year. Liquidity constraints also limited the Bank's capacity to increase investment in government securities to enhance interest income.

Non-Interest Income

Non-interest income, represented by fees and commissions and foreign exchange income, declined by 15% to K79.87Mn in 2015 (2014:K93.89Mn), explained largely by a 37% drop in foreign exchange income to K19.31Mn (2014:K30.85Mn). The foreign exchange market experienced severe shortage of foreign currency liquidity and extensive volatility in the exchange rate due to a huge mismatch between supply of and demand for, foreign currency and sporadic interventions by the Central Bank. The Bank's lean capital base also hindered efforts to underwrite sizeable deals that could generate ample income during the year. Growth in fee and commission income was hampered by lack of growth in the deposit base needed to drive transactional charges and the limited growth in the loan book that could drive documentation and arrangement fee income.

Operating Expenses

Total operating expenses for 2015 amounted to K196.80Mn (2014: K150.57Mn), representing a 31% increase attributed mainly to rise in general operating costs linked to higher inflation and steep depreciation of the Kwacha, increase in staff costs to cover general increase in cost of living, exception costs of K23.50Mn incurred on staff expenses as part of the restructuring exercise and costs of K4.1Mn arising from the tax assessment for the period 2008 to 2012 conducted by the ZRA during 2015.

Impairment charges on loans and advances increased by 32% during 2015 to K8.5Mn (2014:K6.5Mn) after taking prudential action to provide for more facilities that had shown signs of distress. However, over the last five years, the Bank has recorded a considerable reduction in loan loss provision as indicated in the graph above.

Total Assets

Total assets amounted to K1 391Mn as at 31 December 2015 (2014: K1 564Mn), indicating a reduction of 11% driven by a drop of 20% in total deposits. The major reductions in assets were recorded on cash and balances with BoZ and other banks and on government securities.

Total Liabilities

Total liabilities amounted to K1 361Mn as at 31 December 2015 (2014: K1 481Mn). Customer deposit liabilities dropped by 20% to K1 108Mn at end of December 2015 (2014:K1 391Mn), and a corporate bond balance of K15.01Mn was paid off during the year. The amounts due to other banks amounted to K150Mn, represented largely by inter-bank borrowing of K85Mn and BoZ borrowing of K65Mn.

Over the last four years the Bank successfully repaid the corporate bonds and all the lines of credit (AfDB/NORSAD, etc) that had been contracted without a single default. The Bank will pursue strategic partners for new lines as soon as the new capital levels are met in order to raise funds required to support the ever-growing demand for credit.

Capital Position

The Bank's need to recapitalise cannot be overemphasised. Whereas the Bank is in the process of pursuing various initiatives for recapitalisation as alluded to in the Chairman's statement, Management is working hard to ensure return to profitability which would aid capital preservation.

The Bank has regularly updated the Bank of Zambia on the progress made in raising additional capital and secured its approval to extend the deadline to meet the prescribed minimum primary capital of K104 million.

BUSINESS PERFORMANCE

Credit Origination and Underwriting

The Bank recorded a reduction of 4% in its net loans and advances portfolio during 2015 to K476Mn (2014:K497Mn) while the lease portfolio increased by 19% to K87Mn (2014: K71Mn). However Group balances on loans and advances increased marginally to K498Mn due to significant growth of K21Mn in the loan book for ZHL. The Bank made a strategic decision to slowdown on lending in view of the tightened liquidity on the market, restricted and thin margins on lending in the face of the exorbitant cost of funds linked to high money market interest rates.

Branch Operations and Customer Service

During 2015, the Bank worked on consolidating operations in its vast branch network and as such did not expand the physical branch network anymore. The Bank marketed the Agency Banking platform extensively and recruited Agents in various parts of the country. This effort resulted in the growth of the Eaze account product and the associated deposit base that reached K4.50Mn by 31 December 2015.

The Bank addressed hardware and software challenges that had hampered the smooth operation of the ATM network during 2014 and improved run time to above 90% during 2015. Other alternative delivery channels such as InvestMobile and internet banking (InvestNet) were availed at optimal levels thereby providing convenience to customers and decongesting the branches.

Information Technology

The Bank committed vast resources towards strengthening and stabilising the performance of the ICT infrastructure and systems. Further investments were made in IT hardware and software, and indeed staff training. The operation of the Bank's own switching system was fine tuned and interfaces with other systems re-enforced to ensure uninterrupted services on alternative delivery channels including Agency Banking.

Marketing and Publicity

The Bank continued to promote its brand and business through appropriate marketing, advertising and publicity programmes. Most of the expenditure was in the area of product development and campaigns aimed at mobilizing additional deposits. The main products that were promoted were InvestMobile, InvestApp and Agency Banking and this was done through various media platforms such as the printed press, radio, television and billboards.

The Bank continued its partnership with Zesco United Football Club and accordingly sponsored the football kit for the 2015/16 season. This initiative secured the Bank wide publicity through jersey and touchline brand propagation. The club supported the Bank through maintenance of operational accounts.

Human Resources and Training

The Bank's establishment rose to 514 staff as at 31 December 2015 (2014: 506) in response to the increase in scope of operations. Staff development programmes at various levels and through various training interventions were conducted to induct new staff and impart new skills on existing staff. The Bank also continued to offer part sponsorship to staff undertaking further studies to increase their aptitude and improve on their qualifications.

Corporate Social Responsibility

The Bank values its corporate social responsibility programme and as such commits budgetary resources every year to supporting a number of deserving causes that have the potential to improve the social and economic wellbeing of the communities in which we operate.

Accordingly, the Bank invested K339,000 (2014: K507,000) 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.

Investrust Bank Plc Managing Director Dr. Richard Chembe presents a K10,000 donation to a Habitat for Humanity official at the Bankers Build event in Lusaka's Kamanga Compound. This is among the various activities under the Bank's CSR programme.

FUTURE OUTLOOK

The Bank is optimistic about its future operating results going by the strategic interventions that have been put in place by the Board and Management. The focus of these interventions is to immediately turn-around the operating results into profitability to secure the capital base of the Bank, improve its liquidity position through a deposit mobilisation strategy to be driven through our distribution network. Realignment of our sales teams is meant to improve our operational capacity meant to generate increased interest and fee based and commission income. There are also other initiatives we have already deployed through an aggressive recovery drive to collect what is owed to the Bank in some cases legal means are being pursued vigorously.

In addition we are deploying cost cutting measures meant to improve our network efficiencies so as to boost the Bank's profitability going forward. The goal is to be lean and efficient.

The imminent increase in the Bank's primary capital by an additional K40 million to be raised through a rights offer shall enhance the capital base and immediately increase the Bank's capacity to underwrite bigger ticket deals.

The Bank has in place a rolling five-year operating plan approved by the Board that provides strategic direction on how to achieve specific key objectives to enable the Bank turn-around the operating results and sustainably grow its business. The Bank's annual budget that is aligned to the current five-year operating plan has projected that the Bank's operation would break-even by end of June 2016 and post a moderate profit for the full year 2016.

Management and the Board remain confident that operating results shall improve as the strategies already put in place start yielding results.

CONCLUSION

I wish to thank most sincerely the Board of Directors for their valuable input into the business and the guidance and support given to the management team during the year 2015. I also wish to extend my appreciation to all the staff for their tenacity and hard work that enabled the business to withstand challenges that were encountered during this very difficult period. I am equally indebted to our shareholders and other stakeholders that have supported the Bank through various means during the year under review.

Isaiah G. Chindumba
CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR (ACTING)

Investrust Bank Plc
BOARD & MANAGEMENT

Investrust Bank Plc

(Registered Commercial Bank)

Board of DIRECTORS

Dr. Jacob M. Mwanza - *Chairman*
A seasoned Economist; former Governor of the Bank of Zambia and former Senior Economic Advisor at the International Monetary Fund.

Mr. Eddie K. Samakai - *Director*
Reputable Insurance Expert who has held senior management positions with prominent insurance companies and former Managing Director of Zambia State Insurance Corporation.

Mrs. Eva Jhala - *Director*
Lawyer and former Permanent Secretary in the Ministry of Legal Affairs

Mr. Hampande Hachongo – *Director*
Fellow of the Association of Chartered Certified Accountants in the UK and the Zambia Institute of Chartered Accountants. His work life spans both public service and private sector where he has served in various sectors of the economy. He has over 30 years experience in advisory and audit work, specialising in financial services.

Management TEAM

Isaiah Chindumba –
Chief Operating Officer/
Acting Managing Director

Harry Mafuta –
Head of Corporate and Investment Banking

Ackim Sinkala –
Financial Controller

Peter Mwale –
Head Treasury

Cuthbert Tembo –
Company Secretary & Legal Counsel

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

Shaun Naidoo –
Head Retail

Chrispin Daka -
Head Credit
(Acting)

Getrude Kamwanga -
Head Risk

Richard Mutukwa –
Corporate & Investment Banking Specialist

Jacqueline Filamba -
Head IT

Mr. Manyando Sikanda -
Head Operations
(Acting).

Report and Consolidated Financial Statements

for the year ended 31 December 2015

Investrust Bank Plc

(Registered Commercial Bank)

Bank With Your Own

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 2015.

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 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:

	GROUP		BANK	
	2015	2014	**2015**	2014
	K	K	**K**	K
Net interest income	**39 765 811**	49 302 667	**37 714 805**	49 302 667
Loss before tax	**(77 163 873)**	(7 381 373)	**(75 442 001)**	(5 408 056)
Loss for the year	**(52 334 786)**	(6 362 751)	**(50 914 609)**	(5 073 133)

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

Despite the Bank recording a loss for the year and not achieving the capital adequacy as required by the law, the Directors confirm the continued existence of the bank based on the plan put in place as per note 3.2. The Directors consider that the bank will continue to operate for the foreseeable future within the available financial resources and based on a turnaround strategy approved by the board. Accordingly, the preparation of these financial statements on the going concern basis is considered appropriate.

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 K1 each and 4,665,231 issued ordinary shares at par value of K1 each.

(i) Significant shareholding in the Bank

As at 31 December 2015, substantial shareholding (5 per cent or more) in the Bank's share capital were as follows:

	2015	2014
Mean wood Venture Capital Limited	**25%**	20%
Daka Timothy	**7%**	11%
Jacob Lameck Shuma	**9%**	11%
ZCCM Investment Holdings Plc	**11%**	11%
Lupande Family Trust Limited	**11%**	11%
Workers' Compensation Fund Control Board	**7%**	7%
Stanbic Bank Zambia Staff Pension Scheme	**5%**	5%
Justin Bevin Zulu	**5%**	5%

DIRECTORS

The Directors who held office during the year were:

Dr. J. M. Mwanza	-	Chairman
Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer (Retired April 2015)
Dr. R. K. Chembe	-	Managing Director and Chief Executive Officer
Mrs. E. Jhala	-	Non-executive
Mr. H. Hachongo	-	Non-executive
Mr. E. Samakai	-	Non-executive
Mr. N. A Lungu	-	Non-executive (retired April 2015)

DIRECTORS' 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 interest of the directors of the Bank in the issued share capital of Investrust Bank Plc according to the register as at 31 December 2015 were as follows:

	Number of shares		% Shareholding	
	2015	2014	**2015**	2014
Dr. J.M. Mwanza	**5 451**	-	**0.1**	-
Mrs. E. Jhala	-	-	-	-
Mr. H. Hachongo	-	-	-	-
Mr. E. Samakai	-	-	-	-
Dr. R.K Chembe	-	-	-	-
Mr . F.C Ndholvu (Retired)	-	-	-	-

The Directors' emoluments are disclosed in notes 12 and 33 to the financial statements.

PROPERTY AND EQUIPMENT

The Group purchased property and equipment amounting to **K13,070,121** (2014: K19,149,882) 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	**519**	February	**517**
March	**517**	April	**517**
May	**547**	June	**546**
July	**545**	August	**528**
September	**527**	October	**526**
November	**523**	December	**514**

The total remuneration paid to the Group's employees during the year amounted to **K98,744,366** (2014: K68,376,751).

The Group recognises its responsibility regarding the occupational health, safety, and welfare of its employees and has put in place measures to meet these responsibilities.

RELATED PARTY TRANSACTIONS

As required by the Banking and Financial Services Act, 1994 (as amended) and International Accounting Standard Number 24, related party transactions are disclosed under note 33 to the financial statements.

RESEARCH AND DEVELOPMENT

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

GIFTS AND DONATIONS

The Group made donations during the year amounting to **K339,132** (2014: K506,688) in order to support various socially responsible causes.

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 Committees carry out independent reviews to ensure compliance with financial and operational controls.

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).

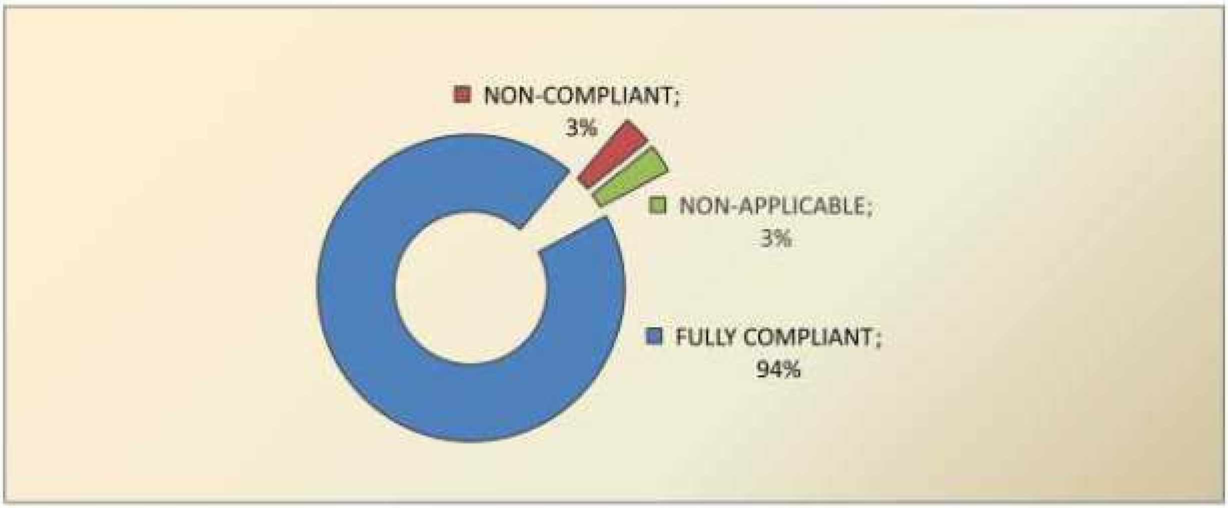
COMPLIANCE FUNCTION

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

COMPLIANCE STATUS OF CORPORATE GOVERNANCE RULES

A review of Investrust Bank Plc's compliance with the LuSE Corporate Governance Code as at 31 December 2015, showed that full compliance rate was at 94%. The summary of the compliance status is shown in the chart below.

COMPLIANCE STATUS OF CORPORATE GOVERNANCE RULES (CONTINUED)



SUMMARY OF AREAS THAT ARE NOT FULLY COMPLIANT OR INAPPLICABLE

Areas of non-compliance

i) Appraisal of Chairperson: The Board has not conducted a formal appraisal of the Chairperson. However, the Board is in the process of establishing the framework for Director appraisal and once the framework is approved, all Directors will be appraised as part of the overall Board Evaluation.

ii) Board Evaluations: The Board has made provision for Board Evaluation in the revised Board Charter but is yet to conduct its first evaluation. The Board will engage the Institute of Directors, subject to availability of resources, to help draw up a comprehensive Board Evaluation framework which will form a basis for all future evaluations.

iii) HIV/AIDS Policy: Whereas the Bank supports various HIV/AIDS advocacy campaigns, no formal policy exists to address and manage the potential impact of HIV/AIDS. The Board realises the importance of this policy and will ensure compliance in the FY 2016.

Areas of partial compliance

None.

Areas not applicable

i) The Bank does not have an independent director as Deputy Chairperson because the roles of Chairperson and Chief Executive Officer are performed by two (2) different people.

ii) The Bank does not offer Directors any share options. This negates the need for shareholder approval for such options.

iii) The Bank does not run any plant and machinery. However, the Bank maintains a policy for workplace safety.

SUMMARY OF AREAS THAT ARE NOT FULLY COMPLIANT OR INAPPLICABLE (CONTINUED)

Areas not applicable (Continued)

Category	Total Rules	Applicable to Investrust	Non applicable to Investrust	Full compliance	Partial compliance	Non compliance	% N/A	% FC	% PC	% NC
General matters	15	14	1	13		1	7%	87%	0%	7%
Chairman & CEO	5	5		4		1	0%	80%	0%	20%
Executive & NED's	4	3	1	3			25%	75%	0%	0%
Directors compensation	9	9		9			0%	100%	0%	0%
Share & share dealings	4	3	1	3			25%	75%	0%	0%
Board meetings	4	4		4			0%	100%	0%	0%
Board evaluations	1	1		0		1	0%	0%	0%	100%
Company secretary	3	3		3			0%	100%	0%	0%
Board committees	10	10		10			0%	100%	0%	0%
Legal & compliance	2	2		2			0%	100%	0%	0%
External audit	6	6		6			0%	100%	0%	0%
Internal audit	12	12		12			0%	100%	0%	0%
Risk	7	7		7			0%	100%	0%	0%
Integrated sustainability reporting	7	7		7			0%	100%	0%	0%
Disclosure & stakeholder reporting	4	4		4			0%	100%	0%	0%
Organisation integrity	6	6		6			0%	100%	0%	0%
	99	96	3	93	0	3	1	96	1	3

CURRENT AND FUTURE DEVELOPMENTS

Mr. F.C. Ndhlovu, the founder and Managing Director of the Bank retired from the Bank during the year 2015. In his place, the Board appointed Dr. Richard Chembe as Managing Director.

The Bank conducted a restructuring exercise aimed at strengthening its Management structures and skewing the Bank's resources towards frontline retail business.

In 2016, the Bank will seek to leverage its strong retail brand to pursue a turnaround driven primarily by its strategy to halt further branch expansion, relaunch Agency banking and grow income from the use of its robust electronic banking platform.

AUDITORS

Messrs Deloitte & Touche retire at the next Annual General Meeting. A resolution to appoint external auditors for the forthcoming year and authorising 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: 15th February, 2016

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 endeavour to realise 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 fulfil 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 Chairperson and the Chief Executive Officer

The roles of Chairperson and Chief Executive Officer are separate and neither individual has unfettered control over decision-making. The Chairperson is a Non-Executive Director appointed by the Board. The Chairperson'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, organisational climate, organisational goals, culture, job structure and communication; and
- the outcome of contacts with strategic stakeholders in the market in an effort to mobilise and grow the business of the Bank.

The Directors who held office during the year were:

Dr. J. M. Mwanza	-	Chairperson
Dr. R. K.E. Chembe	-	Managing Director and Chief Executive Officer (from May 2015)
Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer (until April 2015)
Mrs. E. Jhala	-	Non-Executive Director
Mr. H. Hachongo	-	Non-Executive Director
Mr. E. Samakai	-	Non-Executive Director
Mr. N. A Lungu	-	Non-Executive Director (Retired April 2015)

BANK'S PHILOSOPHY ON CORPORATE GOVERNANCE (CONTINUED)

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 Chairperson, 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 Chairperson's approval.

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 2015, 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 committees are incorporated in the Board Charter. The Audit and Risk Committees have additional 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.

BOARD COMMITTEES (CONTINUED)

Audit Committee

The Committee was chaired by Mr. H Hachongo. The Committee during the year was made up of the following:

Mr. H. Hachongo	-	Chairperson
Dr. R. K.E. Chembe	-	Managing Director and Chief Executive Officer (from May 2015)
Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer (until April 2015)
Mrs. E. Jhala	-	Non-Executive Director
Mr. E. Samakai	-	Non-Executive Director

Meetings were held regularly throughout the year and were attended by the Internal Auditor as well as Senior Management where necessary.

Board Asset and Liabilities Committee ("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. The Committee was chaired by Mr. E. Samakai.

The Committee comprises the following:

Mr. E. Samakai	-	Chairperson (Appointed April 2015)
Mr. N. A Lungu	-	Chairperson (Retired April 2015)
Dr. R. K.E. Chembe	-	Managing Director and Chief Executive Officer (from May 2015)
Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer (until April 2015)
Mr. H. Hachongo	-	Non-Executive Director

Loans Review Committee

The Loans Review Committee was chaired by Mrs E. Jhala. 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:

Mrs. E. Jhala	-	Chairperson
Dr. J. M. Mwanza	-	Non-Executive Director
Mr. N. A Lungu	-	Non-Executive Director (Retired April 2015)
Dr. R. K.E. Chembe	-	Managing Director and Chief Executive Officer (from May 2015)
Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer (until April 2015)

Remuneration and Conditions of Service Committee

The Remuneration and Conditions of Service Committee was chaired by Mr. E. Samakai . The Committee met regularly to review/consider and approve and make recommendations to the Board as appropriate, 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	-	Acting Chairperson
Dr. J. M. Mwanza	-	Non-Executive Director
Mr. H. Hachongo	-	Non-Executive Director
Dr. R. K.E. Chembe	-	Managing Director and Chief Executive Officer (from May 2015)
Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer (until April 2015)

BOARD COMMITTEES (CONTINUED)

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 comprised of the following during 2015:

Mrs. E. Jhala	-	Chairperson
Dr. J. M. Mwanza	-	Non-Executive Director
Dr. R. K.E. Chembe	-	Managing Director and Chief Executive Officer (Appointed May 2015)
Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer (Retired April 2015)

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 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. I. Chindumba	-	Chief Operating Officer (Appointed September 2015)
Mr. R. Phiri	-	Deputy Managing Director (Retired July 2015)
Mr. C.K. Tembo	-	Legal Counsel and Company Secretary
Mr. H. Mafuta	-	Head - Corporate and Investment Banking
Mr. M. Sikanda	-	Acting Head - Operations
Mr. P. Ndholvu	-	Head - Operations (Resigned August 2015)
Mr. E. Mtonga	-	Head - Credit Control
Mr. G. Siziya	-	Head - Credit Risk Management (Retired September 2015)
Mr. C. Daka	-	Acting Head - Credit Risk Management (Appointed October 2015)
Mr. A. Sinkala	-	Financial Controller
Mr. P. Mwale	-	Head - Treasury
Mrs. J. Filamba	-	Head - Information Technology (Appointed September 2015)
Mr. S. Khambete	-	Head - Risk Management and Training
Mr. S. Banda	-	Head - Internal Audit

MANAGEMENT COMMITTEES (CONTINUED)

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:

Dr. R. K.E. Chembe	-	Managing Director and Chief Executive Officer (Appointed May 2015)
Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer (Retired April 2015)
Mr. R. Phiri	-	Deputy Managing Director (Retired July 2015)
Mr. I. Chindumba	-	Chief Operating Officer (Appointed September 2015)
Mr. E. Mtonga	-	Head - Credit Control
Mr. G. Siziya	-	Head - Credit Risk Management (Retired September 2015)
Mr. P. Ndhlovu	-	Head - Operations (Resigned August 2015)
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:

Dr. R. K.E. Chembe	-	Managing Director and Chief Executive Officer (Appointed May 2015)
Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer (Retired April 2015)
Mr. R. Phiri	-	Deputy Managing Director (Retired July 2015)
Mr. I. Chindumba	-	Chief Operating Officer (Appointed September 2015)
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:

Dr. R. K.E. Chembe	-	Managing Director and Chief Executive Officer (Appointed May 2015)
Mr. F. C. Ndhlovu	-	Managing Director and Chief Executive Officer (Retired April 2015)
Mr. R. Phiri	-	Deputy Managing Director (Retired July 2015)
Mr. I. Chindumba	-	Chief Operating Officer (Appointed September 2015)
Mr. H. Mafuta	-	Head - Corporate and Investment Banking

MANAGEMENT COMMITTEES (CONTINUED)

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

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 anti 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 Bank are 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) and section 56 (2) of the Banking and Financial Services Act, 1994 (as amended) require the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Bank and of its profit or loss for that period.

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. In addition, the Directors are responsible for preparing the directors report. 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.

These consolidated financial statements are prepared on a going concern basis. Except as disclosed in the Directors report and on Note 3.2 to the financial statements, 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 loss of the Bank for the year ended 31 December 2015;
- 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 2015;
- there are reasonable grounds to believe that the Bank will be able to meet its debts as and when they fall due;
- 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), the Banking and Financial Services Act, 1994 (as amended) and the Securities Act, 1993 (as amended).

Signed on 15th February, 2016 on behalf of the Board by:

Chairman

Managing Director

Director

Company Secretary

Independent AUDITORS' REPORT

To the members of

Investrust Bank Plc

Report on the financial statements

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 15 to 99 which comprise the consolidated and separate statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and in the manner required by the Banking and Financial Services Act, 1994 (as amended), the Companies Act, 1994 (as amended), and the Securities Act, 1993, 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 consolidated and separate 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 consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated and separate 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 consolidated 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 2015, 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), the Companies Act, 1994 (as amended) and the Securities Act , 1993 (as amended) so far as concerns the members bank.

Other matters

The supplementary information set out on pages 98 to 100 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 (as amended) 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:

- The Bank has complied with the provisions of this Act and the regulations, guidelines and prescriptions under this Act with the following exceptions:

  (i) The Bank did not achieve the regulatory capital as required by the Bank of Zambia Circular number 2 of 2012. The Bank's regulatory capital as at 31 December 2015 was **K 17 million.**

  (ii) The requirements of Statutory Instrument No. 142 and No. 184 as set out in Notes 30(b) and 5.12 to the financial statements respectively, have not been met;
- Included in gross loans and advances to customers of **K732 million** are eight non-performing loans whose principal amounts total **K91 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 adequate loan impairment charges have been recorded for these non-performing loans;
- We are not aware of any transaction that has not been within the powers of the Bank or which was contrary to the Act; and
- The Bank made available all necessary information to enable us to comply with the requirements of this Act.

In accordance with requirements of the Schedule IV, Rule 18 of The Securities Act, Cap 254 of the Laws of Zambia, we confirm that:

- the annual financial statements of the licensee have been properly prepared in accordance with SEC Rules;
- the licensee has, throughout the financial year, kept proper accounting records in accordance with the requirements of the SEC Rules;
- no transactions or conditions affecting the well being of the Bank have come to our attention that in our opinion are not satisfactory and require rectification;
- the statement of financial position and statement of comprehensive income are in agreement with the licensee's accounting records and;
- we have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of the audit.

DELOITTE & TOUCHE

CHARTERED ACCOUNTANTS

Tembo

ALICE J TEMBO
AUDIT PARTNER
PC NO: AUD/F000433

DATE: 15th February, 2016

Consolidated STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *for the year ended 31 December 2015*

	NOTES	GROUP 2015 K	GROUP 2014 K	BANK 2 015 K	BANK 2014 K
Interest income	6	**148 756 584**	146 052 057	**146 440 959**	146 052 057
Interest expenses	7	**(108 990 773)**	(96 749 390)	**(108 726 154)**	(96 749 390)
Net interest income		**39 765 811**	49 302 667	**37 714 805**	49 302 667
Impairment charges for credit losses	8	**(8 490 981)**	(6 452 867)	**(8 321 194)**	(6 452 309)
Net interest income after impairment charges for credit losses		**31 274 830**	42 849 800	**29 393 611**	42 850 358
Fee and commission income	9	**63 942 238**	64 561 371	**62 583 511**	64 576 247
Fee and commission expense	10	**(3 382 159)**	(1 526 317)	**(3 382 159)**	(1 934 738)
Net fee and commission income		**60 560 079**	63 035 054	**59 201 352**	62 641 509
Net foreign exchange gains and losses		**18 338 580**	29 269 834	**18 338 580**	29 269 834
Other operating income		**975 123**	1 582 097	**975 123**	1 582 097
Other income		**19 313 703**	30 851 931	**19 313 703**	30 851 931
Total operating income		**111 148 612**	136 736 785	**107 908 666**	136 343 798
Operating expenses	11	**(188 312 485)**	(144 118 158)	**(183 350 667)**	(141 751 854)
Loss before tax	12	**(77 163 873)**	(7 381 373)	**(75 442 001)**	(5 408 056)
Income tax credit	13	**24 829 087**	1 018 622	**24 527 392**	334 923
Loss for the year		**(52 334 786)**	(6 362 751)	**(50 914 609)**	(5 073 133)
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Amortisation of revaluation reserve		**359 386**	359 386	**359 386**	359 386
		359 386	359 386	**359 386**	359 386
Total comprehensive loss for the year		**(51 975 400)**	(6 003 365)	**(50 555 223)**	(4 713 747)
Loss for the year attributable to:					
Owners of the Bank		**(51 631 260)**	(5 730 838)	**(50 914 609)**	(5 073 133)
Non-controlling interests		**(703 526)**	(631 913)	**-**	-
		(52 334 786)	(6 362 751)	**(50 914 609)**	(5 073 133)
Total comprehensive loss for the year attributable to:					
Owners of the Bank		**(51 631 260)**	(5 730 838)	**(50 914 609)**	(4 713 747)
Non-controlling interests		**(703 526)**	(631 913)	**-**	-
		(52 334 786)	(6 362 751)	**(50 914 609)**	(4 713 747)
Earnings per share					
Basic and diluted earnings per share	35	**(11.14)**	(1.36)	**(10.91)**	(1.09)

Consolidated STATEMENT OF FINANCIAL POSITION *at 31 December 2015*

	NOTES	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
ASSETS					
Cash and balances with the Bank of Zambia	14	**303 511 974**	380 359 966	**303 511 524**	380 358 400
Balances due from other banks	15	**5 066 455**	112 563 693	**5 066 455**	112 563 693
Held to maturity investments	16	**213 038 197**	366 492 158	**218 494 197**	366 492 158
Other assets	17	**150 711 104**	29 403 195	**150 336 910**	29 116 960
Inventory	18	**1 008 796**	768 688	**1 008 796**	768 688
Loans and advances to customers	19	**497 513 329**	497 158 893	**476 426 136**	496 699 416
Finance lease receivables	36	**86 550 585**	71 193 667	**86 550 585**	71 193 667
Equity investments	20	**583 697**	584 972	**7 492 777**	7 494 052
Current tax assets	13	**26 817 780**	21 617 473	**26 817 780**	21 617 473
Deferred tax asset	28	**27 076 425**	2 220 356	**26 091 031**	1 536 657
Property and equipment	21	**68 116 310**	71 555 161	**67 970 952**	71 412 224
Deferred software development expenditure	23	**10 850 679**	9 646 450	**10 850 679**	9 646 450
Total assets		**1 390 845 331**	1 563 564 672	**1 380 617 822**	1 568 899 838
LIABILITIES					
Deposits from customers	24	**1 108 233 480**	1 390 818 433	**1 112 375 152**	1 402 108 228
Debt securities in issue	25	-	15 010 000	-	15 010 000
Borrowings	26	**28 872 406**	18 265 701	**20 688 406**	18 265 701
Balances due to other banks	15	**150 512 786**	-	**150 512 786**	-
Other liabilities	27	**73 427 248**	57 336 341	**71 155 900**	56 715 722
Total liabilities		**1 361 045 920**	1 481 430 475	**1 354 732 244**	1 492 099 651
EQUITY					
Share capital	29	**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	30 (a)	**4 665 231**	4 665 231	**4 665 231**	4 665 231
General banking reserve	30 (b)	**13 627 477**	10 123 492	**10 890 559**	10 123 492
Revaluation reserves		**2 515 699**	2 875 085	**2 515 699**	2 875 085
Retained earnings		**(27 695 116)**	27 080 743	**(23 577 672)**	27 744 618
Equity attributable to owners of the Bank		**24 505 052**	76 136 312	**25 885 578**	76 800 187
Non-controlling interests		**5 294 359**	5 997 885	-	-
Total equity		**29 799 411**	82 134 197	**25 885 578**	76 800 187
Total equity and liabilities		**1 390 845 331**	1 563 564 672	**1 380 617 822**	1 568 899 838

The responsibilities of the Bank's Directors with regard to the preparation of the financial statements are set out on page 13. The consolidated financial statements on pages 16 to 101 were approved for issue by the Board of Directors on 15 February 2016 and were signed on its behalf by:

Chairman

Director

Managing Director

Secretary

Consolida ted STATEMENT OF CHANGES IN EQUITY*(continued) for the year ended 31 December 2015*

BANK

	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 2014	**4 665 231**	**26 726 530**	**4 665 231**	**8 935 661**	**3 234 471**	**33 646 196**	-	-	**81 873 320**
Total comprehensive loss for year	-	-	-	1 187 831	(359 386)	(5 901 578)	-	-	**(5 073 133)**
Loss for the year	-	-	-	-	-	(5 073 133)	-	-	**(5 073 133)**
Transfer from revaluation reserve	-	-	-	-	(359 386)	359 386	-	-	-
Other comprehensive income	-	-	-	1 187 831	-	(1 187 831)	-	-	-
							-		
Balance at 31 December 2014	**4 665 231**	**26 726 530**	**4 665 231**	**10 123 492**	**2 875 085**	**27 744 618**	-	-	**76 800 187**
Total comprehensive loss for year	-	-	-	767 067	(359 386)	(51 322 290)	-	-	**(50 914 609)**
Loss for the year	-	-	-	-	-	(50 914 609)	-	-	**(50 914 609)**
Transfer from revaluation reserve					(359 386)	359 386			
Transfer from general banking reserve	-	-	-	767 067	-	(767 067)	-	-	-
Balance at 31 December 2015	**4 665 231**	**26 726 530**	**4 665 231**	**10 890 559**	**2 515 699**	**(23 577 672)**	-	-	**25 885 578**

Consolidated STATEMENT OF CHANGES IN EQUITY *(continued) for the year ended 31 December 2015*

BANK

	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 2014	**4 665 231**	**26 726 530**	**4 665 231**	**8 935 661**	**3 234 471**	**33 646 196**	-	-	**81 873 320**
Total comprehensive loss for year	-	-	-	1 187 831	(359 386)	(5 901 578)	-	-	**(5 073 133)**
Loss for the year	-	-	-	-	-	(5 073 133)	-	-	**(5 073 133)**
Transfer from revaluation reserve	-	-	-	-	(359 386)	359 386	-	-	-
Other comprehensive income	-	-	-	1 187 831	-	(1 187 831)	-	-	-
							-		
Balance at 31 December 2014	**4 665 231**	**26 726 530**	**4 665 231**	**10 123 492**	**2 875 085**	**27 744 618**	-	-	**76 800 187**
Total comprehensive loss for year	-	-	-	767 067	(359 386)	(51 322 290)	-	-	**(50 914 609)**
Loss for the year	-	-	-	-	-	(50 914 609)	-	-	**(50 914 609)**
Transfer from revaluation reserve					(359 386)	359 386			
Transfer from general banking reserve	-	-	-	767 067	-	(767 067)	-	-	-
Balance at 31 December 2015	**4 665 231**	**26 726 530**	**4 665 231**	**10 890 559**	**2 515 699**	**(23 577 672)**	-	-	**25 885 578**

	NOTES	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
OPERATING ACTIVITIES					
Loss for the year		**(52 334 786)**	(6 362 751)	**(50 914 609)**	(5 073 133)
Adjusted for:					
Depreciation and amortisation expense	11	**14 948 718**	11 754 620	**14 894 212**	11 739 792
ZRA tax assessment amounts	13	**4 062 089**	-	**4 062 089**	-
Loss on disposal of property and equipment	12	**376 469**	(10 000)	**376 469**	(10 000)
Fair value loss on marketable equity investments	20	**1 275**	11 475	**1 275**	11 475
Exchange loss on long term borrowings	26	**8 631 394**	2 538 056	**8 631 394**	2 538 056
Impairment loss recognised on loans and advances	8	**8 490 981**	6 452 867	**8 321 194**	6 452 309
Income tax expense (credit)	13	**(24 829 087)**	(1 018 622)	**(24 527 392)**	(334 923)
Operating (loss)/Profit before changes in operating funds		**(40 652 947)**	13 365 645	**(39 155 368)**	15 323 576
Decrease (increase) in held to maturity investments		**159 510 527**	(122 716 344)	**154 052 961**	(122 716 344)
(Increase) decrease in other assets		**(120 893 757)**	39 330 365	**(120 805 798)**	39 616 601
Increase in inventory		**(240 108)**	(473 355)	**(240 108)**	(473 355)
(Increase) decrease in loans and advances		**(8 845 417)**	149 036 886	**11 952 086**	149 496 921
Increase in finance lease receivables		**(15 356 918)**	(27 463 954)	**(15 356 918)**	(27 463 954)
Decrease (increase) in customer deposits		**(282 584 953)**	356 907 820	**(289 733 076)**	367 628 007
Increase in other liabilities		**16 090 907**	13 816 546	**14 440 178**	13 227 631
Cash (used in) generated from operations		**(292 972 666)**	421 803 609	**(284 846 043)**	434 639 083
Income taxes paid and suffered	13	**(10 231 207)**	(4 759 833)	**(10 231 207)**	(4 759 833)
Cash (used in) generated from operating activities		**(303 203 873)**	417 043 776	**(295 077 250)**	429 879 250
INVESTING ACTIVITIES					
Purchase of property and equipment	21	**(12 033 635)**	(19 149 882)	**(11 976 708)**	(18 992 117)
Purchase of software development expenditure	23	**(1 036 486)**	(463 576)	**(1 036 486)**	(463 576)
Proceeds on disposal of property and equipment		**507 233**	10 000	**507 233**	10 000
Net cash used in investing activities		**(12 562 888)**	(19 603 458)	**(12 505 961)**	(19 445 693)
FINANCING ACTIVITIES					
Contributions from Minority Shareholders		**-**	6 360 725	**-**	-
Repayments of borrowings		**(6 208 689)**	(12 925 635)	**(6 208 689)**	(12 925 635)
Repayment of debt in issue	25	**(15 010 000)**	-	**(15 010 000)**	-
Net proceeds from issue of Corporate Bonds	26	**8 184 000**	-	**-**	-
Payments to acquire equity investments	20	**-**	-	**-**	(6 634 080)
Net cash used in financing activities		**(13 034 689)**	(6 564 910)	**(21 218 689)**	(19 559 715)
Net (decrease) Increase in cash and cash equivalents		**(328 801 450)**	390 875 408	**(328 801 900)**	390 873 842
Cash and cash equivalents at beginning of the year		**526 867 093**	135 993 251	**526 867 093**	135 993 251
Cash and cash equivalents at end of the year		**198 065 643**	526 868 659	**198 065 193**	526 867 093
Comprising of:					
Cash and balances with Central Bank	14	**303 511 974**	380 359 966	**303 511 524**	380 358 400
Balances due from other banks	15	**5 066 455**	112 563 693	**5 066 455**	112 563 693
Balances due to other banks	15	**(150 512 786)**	-	**(150 512 786)**	-
Held to maturity investments maturing in 90 days	16	**40 000 000**	33 945 000	**40 000 000**	33 945 000
		198 065 643	526 868 659	**198 065 193**	526 867 093

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/or disclosed in the financial statements

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015:

- **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**
  These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

- **Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 – 2013 Cycle**
  The application of amendments has had no impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

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:

Effective date	Standard, Amendment or interpretation
1 January 2018	*IFRS 9 Financial Instruments* IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. *Possible Impact on the financial statements:* 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.

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

2.2 Standards and Interpretations in issue, not yet effective (Continued)

Effective date	Standard, Amendment or interpretation
1 January 2018	*IFRS 15 Revenue from Contracts with Customers* IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework: • Identify the contract(s) with a customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contract • Recognise revenue when (or as) the entity satisfies a performance obligation. *Possible Impact on the financial statements:* 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.
1 January 2016	*Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations* The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. *Possible Impact on the financial statements:* The directors of the group do not anticipate that the application of these amendments to IFRS 11 will have a significant impact on the group's financial statements.

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

2.2 Standards and Interpretations in issue, not yet effective (Continued)

Effective date	Standard, Amendment or interpretation
1 January 2016	*Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation* The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances: a) when the intangible asset is expressed as a measure of revenue; or b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. **Possible Impact on the financial statements:** The directors of the group believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the group do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the group's financial statements.
1 January 2016	**Amendments to IAS 27: Equity Method in Separate Financial Statements** The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: • at cost, • in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9), or • using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. Basically the same accounting must be applied to each category of investments and the amendments also clarifies that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs. *Possible Impact on the financial statements:* The directors of the group do not anticipate that the application of these amendments to IAS 27 will have a significant impact on the group's financial statements.
1 January 2016	**Amendments to IAS 1 Disclosure Initiative** The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. • An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. • An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. • In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss. The directors of the group do not anticipate that the application of these amendments to IAS 1 will have a significant impact on the group's financial statements.

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

2.2 Standards and Interpretations in issue, not yet effective (Continued)

Effective date	Standard, Amendment or interpretation
1 January 2016	*Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. *Possible Impact on the financial statements:* The director's of the group anticipate that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the group's financial statements in future periods should such transactions arise.
1 January 2016	*Annual Improvements to IFRSs 2012-2014 Cycle* The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below. The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued. The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. *Possible Impact on the financial statements:* The directors of the Bank do not anticipate that the application of these amendments will have a material effect on the Bank's financial statements.

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 and buildings 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.

The Directors believe together that the financial statements have appropriately been prepared on a going concern basis as they, together with management have put in place plans to improve the following areas:

1. Bank profitability

- The Bank has slowed down the expansion of branches to save liquidity.
- The Bank is undertaking a restructuring exercise which has been put in place by the new management appointed in 2015.
- Management has put in place specific business strategies to increase interest and other income and reduce operating costs in order to improve the financial results in the medium to long term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of preparation (Continued)

3 Key plans being implemented by the Board and Management (Continued)

(e) Equity Capital raise and debt/credit lines

- Raise additional capital through a rights issue and augment it with debt capital and/or credit lines to accelerate growth over the next five years.

Conclusion

With all the above initiatives, It is the considered view of the Directors and Management that the bank will continue as a going concern in the foreseeable future and hence the preparation of the financial statements on a going concern basis is appropriate.

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of preparation (Continued)

2. Capital Adequacy

- The Bank has since concluded arrangements for a rights issue to raise additional capital of K40 million immediately to increase the capital base.
- The Bank is in constant communication with the Bank of Zambia in relation to the status of the capital adequacy of the bank.
- The Bank has been liquid over the past three years and as such will be able to meet its obligations and continue to do so for the foreseeable future.
- The Bank of Zambia liquidity returns attest to the fact that the bank is liquid.

3 Key plans being implemented by the Board and Management

(a) Restructuring and consolidation exercise

- Operate a sales oriented business model focusing primarily on client portfolio growth through aggressive mobilization of retail and corporate liability products.
- Improve operational efficiencies in relation to organisational and operational structures to ensure efficient resource utilisation and quick turn around time on service delivery.
- Cost cutting and containment on operational expenses to realize savings without necessarily compromising on operational effectiveness.
- Rollout of electronic delivery channels to accelerate growth through capital efficient means. Marketing of electronic banking products besides consolidating operations in existing branches.

(b) Deposit mobilization and diversification

- Increase and diversify deposit portfolio in order to reduce high dependence on term deposits.
- Grow retail client portfolio through branch structure and marketing of complementary electronic banking products.
- Agency banking platform - use this platform and a network of agents to accelerate outreach to retail clients that may not have access to the physical branch network.
- Target government beneficiary institutions such as councils, hospitals , universities, colleges, district and provincial offices, contractors, etc.

(c) Credit underwriting and credit control

- Strengthened credit underwriting processes to ensure a quality loan book through enhanced risk acceptance criteria/policies.
- Recoveries drive on all past loans and advances enhanced to reduce facilities in arrears and non-performing loans.
- Strengthening of the recoveries team to ensure adequate capacity and man power to follow up on all non-performing loans.

(d) Increase non-interest income

- Treasury - aggressive marketing of treasury products. Foreign currency trading, cash sales, specialized treasury trade products, etc.
- Fees and commission income - improved performance of all delivery channels such as ATMs and electronic banking platform (mobile banking, internet banking, etc.).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Basis of consolidation (Continued)

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (continued)

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

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.

(ii) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Derecognition of financial assets (Continued)

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 and equipment except buildings is stated at historical cost. Items of property 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, and equipment have different useful lives, they are componentized as separate items of property, and equipment.

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

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

(ii) Subsequent costs

The cost of replacing a component of an item of property, 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, and equipment are recognized in profit or loss as incurred.

(iii) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Property and equipment (Continued)

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, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Borrowing 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

(i) 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.

(ii) 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.

(iii) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Financial liabilities and equity (Continued)

(iv) 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 Provisions

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Provisions (Continued)

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.

(i) The Group as 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.

(ii) 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 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 Group meet the definition of a reportable segment under IFRS 8.

3.28 Segment reporting (Continued)

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 revision 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.

(i) 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.

(ii) 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.

(iii) 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(iv) Useful lives of property, plant and equipment

As described at 3.12 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.

(v) 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.

(vi) Collateral

The Bank 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 Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

In addition, in order to minimise the credit loss the Bank 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.

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. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.1 Credit risk management (Continued)

(a) Risk limit control and mitigation policies (Continued)

(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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.1 Credit risk management (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		
	2015	2014	2015	2014	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**	3	**3**	3	Property and equipment
Personal loans	**11**	8	**11**	8	None
Loans and advances to corporate customers					
Finance leases	**10**	10	**10**	10	Property and equipment
Secured loans	**28**	26	**28**	26	Commercial property
Other	**48**	53	**48**	53	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	
	2015	2014	**2015**	2014
	K	K	**K**	K
Property	**54 453 133**	106 291 653	**54 453 133**	106 291 653
Equipment and motor vehicles	**53 423 227**	47 998 978	**53 423 227**	47 998 978
Other (debentures)	**8 370 309**	17 000	**8 370 309**	17 000
	116 246 669	154 307 631	**116 246 669**	154 307 631

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.1 Credit risk management (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 **K25.02 million** at 31 December 2015 (2014: K32.05 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	
	2015	2014	**2015**	2014
	K	K	**K**	K
Landed property	**51 617 537**	65 232 500	**30 360 000**	65 232 500
Plant and machinery	**-**	-	**-**	-
	51 617 537	65 232 500	**30 360 000**	65 232 500

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.1 Credit risk management (Continued)

(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:

Table I - Grading	GROUP				BANK			
	2015		2014		**2015**		2014	
	Loans & advances (%)	**Impairment provision (%)**	Loans & advances (%)	Impairment provision (%)	**Loans & advances (%)**	**Impairment provision (%)**	Loans & advances (%)	Impairment provision (%)
Pass	**57%**	**0%**	57%	0%	**57%**	**0%**	57%	0%
Sub-standard	**2%**	**0%**	2%	12%	**2%**	**0%**	2%	12%
Doubtful	**3%**	**0%**	2%	1%	**3%**	**0%**	2%	1%
Loss	**39%**	**63%**	40%	73%	**39%**	**63%**	40%	73%

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.1 Credit risk management (Continued)

(d) Impairment and provisioning policies (Continued)

Maximum exposure to credit risk before collateral held

Table 2 - credit risk exposure

	Maximum exposure			
	GROUP		BANK	
	2015	2014	**2015**	2014
	K	K	**K**	K
Investment Securities	**213 038 197**	366 492 158	**218 494 197**	366 492 158
Loans and advances to Banks	**5 066 455**	112 563 693	**5 066 455**	112 563 693
Loans and advances to customers				
Individual (retail customers)				
- Term loans	**102 374 461**	116 735 689	**102 374 461**	116 735 689
- Overdrafts	**27 871 624**	23 115 059	**27 871 624**	23 115 059
- Mortgages	**50 891 526**	29 335 215	**29 633 989**	29 100 598
Corporate entities				
- Large corporates	**423 067 936**	470 514 649	**423 067 936**	470 514 649
- SMEs	**236 020 195**	232 603 968	**236 020 195**	232 603 968
Total on - Financial position credit risk exposure	**1 058 330 394**	1 351 360 431	**1 042 528 857**	1 351 125 814
Credit risk exposure relating to off-balance sheet items are as follows:				
Financial guarantees and bid bonds	**83 046 363**	101 645 051	83 046 363	101 263 066
	83 046 363	101 645 051	**83 046 363**	101 263 066
Total on and off financial position credit risk exposure	**1 141 376 757**	1 453 005 482	**1 125 575 220**	1 452 388 880

The above table represents a worst case scenario of credit risk exposure to the Group and Bank at 31 December 2015 and 2014, 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, 73% of the total maximum exposure is derived from loans and advances to banks and customers (2014: 60%).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.1 Credit risk management (Continued)

(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:

- the Bank exercises stringent controls over the granting of new loans.
- 58% (2014: 57%) of the loans and advances portfolio are neither past due nor impaired.
- 89% (2014: 90%) of the loans and advances portfolio are backed by collateral.
- 100% (2014:100%) of the investments in securities are government securities.

Loans and advances including finance leases are summarised as follows:

Table 3	GROUP				BANK			
	31 December 2015		31 December 2014		31 December 2015		31 December 2014	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
	K	K	K	K	K	K	K	K
Neither past due nor impaired	484 353 173	5 066 455	493 757 002	112 563 693	463 265 980	5 066 455	493 296 967	112 563 693
Past due but not impaired	36 680 932	-	29 033 448	-	36 680 932	-	29 033 448	-
Impaired	319 191 637	-	349 739 547	-	319 021 293	-	349 739 547	-
Gross	840 225 742	5 066 455	872 529 997	112 563 693	818 968 205	5 066 455	872 069 962	112 563 693
Less: allowance for impairment	(256 161 828)		(304 177 437)	-	(255 991 484)	-	(304 176 879)	-
Net	584 063 914	5 066 455	568 352 560	112 563 693	562 976 721	5 066 455	567 893 083	112 563 693

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.1 Credit risk management (Continued)

(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

Table 5 (a)	Financial	Manufacturing	Transport & communication	Wholesale and retail trade	Agriculture	Other industries	Individuals	Total
2015								
Loans and advances customers	75 562 486	25 991 677	98 629 712	81 166 249	84 427 006	354 070 681	120 377 931	840 225 742
Investment securities:								
- held-to-maturity	213 038 197	-	-	-	-	-	-	213 038 197
At 31 December 2015	**288 600 683**	**25 991 677**	**98 629 712**	**81 166 249**	**84 427 006**	**354 070 681**	**120 377 931**	**1 053 263 939**
GROUP								
2014								**#REF!**
Loans and advances	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**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.1 Credit risk management (Continued)

(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

Table 5 (a)	Financial	Manufacturing	Transport & communication	Wholesale and retail trade	Agriculture	Other industries	Individuals	Total
2015								
Loans and advances customers	75 562 486	25 991 677	98 629 712	81 166 249	84 427 006	354 070 681	120 377 931	840 225 742
Investment securities:								
- held-to-maturity	213 038 197	-	-	-	-	-	-	213 038 197
At 31 December 2015	**288 600 683**	**25 991 677**	**98 629 712**	**81 166 249**	**84 427 006**	**354 070 681**	**120 377 931**	**1 053 263 939**
GROUP								
2014								**#REF!**
Loans and advances	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**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.1 Credit risk management (Continued)

(f) Concentration of risk (Continued)

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

Table 5 (b)	Financial	Manufacturing	Transport & communication	Wholesale and retail trade	Agriculture	Other industries	Individuals	Total
BANK								
2015								
Loans and advances customers	75 562 486	25 991 677	98 629 712	81 166 249	84 427 006	354 070 681	99 120 394	818 968 205
Investment securities:								
- held-to-maturity	218 494 197	-	-	-	-	-	-	218 494 197
At 31 December 2015	**294 056 683**	**25 991 677**	**98 629 712**	**81 166 249**	**84 427 006**	**354 070 681**	**99 120 394**	**1 037 462 402**
BANK								
2014								**0**
Loans and advances	26 713 388	38 929 504	115 851 970	59 636 587	61 681 274	399 555 610	169 701 630	872 069 963
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**	**399 555 610**	**169 701 630**	**1 238 562 121**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.1 Credit risk management (Continued)

(f) Concentration of risk (Continued)

Credit risk exposures relating to off- statement of financial position items:

GROUP

Table 6 (a)	Financial	Manufacturing	Transport & communication	Wholesale and retail trade	Agriculture	Other industries	Individuals	Total
2015								
Guarantee and performance bonds	-	1 850 000	3 277 363	24 251 457	-	53 667 543	-	83 046 363
Undrawn stand-by facilities, credit lines and other commitments to lend	-	-	-	-	-	-	-	-
	-	1 850 000	3 277 363	24 251 457	-	53 667 543	-	83 046 363
31 December 2015	**288 600 683**	**27 841 677**	**101 907 075**	**105 417 706**	**84 427 006**	**407 738 224**	**120 377 931**	**1 136 310 302**
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
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**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.1 Credit risk management (Continued)

(f) Concentration of risk (Continued)

Credit risk exposures relating to off- statement of financial position items:

BANK

Table 6 (b)	Financial	Manufacturing	Transport & communication	Wholesale and retail trade	Agriculture	Other industries	Individuals	Total
2015								
Guarantee and performance bonds	-	1 850 000	3 277 363	24 251 458	-	53 667 543	-	83 046 363
	-	1 850 000	3 277 363	24 251 458	-	53 667 543	-	83 046 363
31 December 2015	**294 056 683**	**27 841 677**	**101 907 075**	**105 417 707**	**84 427 006**	**407 738 224**	**99 120 394**	**1 120 508 765**
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
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**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2015 and 2014 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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (Continued)

(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 2015

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2015 to the contractual maturity date.

Table 7 (a)	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	74 592 716	63 631 136	41 698 774	90 744 157	32 845 191	-	-	**303 511 974**
Loans and advances to banks	-	5 066 455	-	-	-	-	-	**5 066 455**
Held to maturity investments	29 870 193	45 932 109	-	110 771 883	20 466 901	5 997 111	-	**213 038 197**
Other assets	96 848 379	52 156 995	906 449	797 886	1 395	-	-	**150 711 104**
Loans and advances to customers and	-	-	-	-	-	-	-	
finance lease receivables	53 617 158	10 788 624	133 542 900	22 911 650	250 935 205	88 590 399	23 677 978	**584 063 914**
Equity instruments	-	-	-	-	-	-	583 697	**583 697**
Total assets	**254 928 446**	**177 575 319**	**176 148 123**	**225 225 576**	**304 248 692**	**94 587 510**	**24 261 675**	**1 256 975 341**
Financial liabilities								
Customer deposits	195 728 152	157 232 694	186 039 867	185 209 767	220 945 233	163 077 767	-	**1 108 233 480**
Debt securities in issue	-	-	-	-	-	-	-	**-**
Other borrowed funds	-	-	-	-	20 688 406	-	8 184 000	**28 872 406**
Balances due to other banks	150 380 906	131 880						**150 512 786**
Other liabilities	9 368 113	14 783 352	10 633 277	38 642 506	-	-	-	**73 427 248**
Total liabilities	**355 477 171**	**172 147 926**	**196 673 144**	**223 852 273**	**241 633 639**	**163 077 767**	**8 184 000**	**1 361 045 920**
Net liquidity gap	**(100 548 725)**	**5 427 393**	**(20 525 021)**	**1 373 303**	**62 615 053**	**(68 490 257)**	**16 077 675**	**(104 070 579)**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (Continued)

(c) Liquidity risk maturity analysis (Continued)

BANK

31 DECEMBER 2015

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2015 to the contractual maturity date.

Table 7 (b)	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 the Bank of Zambia	74 592 266	68 282 000	37 047 910	90 744 157	32 845 191	-	-	**303 511 524**
Loans and advances to banks	-	5 066 455	-	-	-	-	-	**5 066 455**
Held to maturity investments	29 870 193	45 932 109	-	116 227 883	20 466 901	5 997 111	-	**218 494 197**
Other assets	91 535 235	53 452 638	1 004 502	4 343 140	1 395	-	-	**150 336 910**
Loans and advances to customers and finance lease receivables	53 617 158	9 980 842	133 542 900	22 324 128	247 477 079	88 232 636	7 801 978	**562 976 721**
Equity instruments	-	-	-	-	-	-	7 492 777	**7 492 777**
Total assets	**249 614 852**	**182 714 044**	**171 595 312**	**233 639 308**	**300 790 566**	**94 229 747**	**15 294 755**	**1 247 878 584**
Financial liabilities								
Customer deposits	195 728 152	158 625 466	188 788 767	185 209 767	220 945 233	163 077 767	-	**1 112 375 152**
Debt securities in issue	-	-	-	-	-	-	-	**-**
Other borrowed funds	-	-	-	-	20 688 406	-	-	**20 688 406**
Balances due to other banks	150 380 906	131 880						**150 512 786**
Other liabilities	9 031 515	14 629 352	10 407 306	37 087 727	-	-	-	**71 155 900**
Total liabilities	**355 140 573**	**173 386 698**	**199 196 073**	**222 297 494**	**241 633 639**	**163 077 767**	**-**	**1 354 732 244**
Net liquidity gap	**(105 525 721)**	**9 327 346**	**(27 600 761)**	**11 341 814**	**59 156 927**	**(68 848 020)**	**15 294 755**	**(106 853 660)**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (Continued)

(c) Liquidity risk maturity analysis (Continued)

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 date.

Table 7 (c)	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 the Bank of Zambia	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	841 465	11 922 962	3 622 230	12 441 453	575 085	-	-	**29 403 195**
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	**481 243 176**	**288 890 779**	**163 141 240**	**287 125 059**	**150 644 852**	**75 954 699**	**10 756 739**	**1 457 756 544**
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	7 179 021	-	44 721 852	-	-	-	**57 336 341**
Total liabilities	**475 071 364**	**281 046 077**	**146 137 290**	**277 350 722**	**148 484 636**	**133 781 699**	**19 558 687**	**1 481 430 475**
Net liquidity gap	**6 171 812**	**7 844 702**	**17 003 950**	**9 774 337**	**2 160 216**	**(57 827 000)**	**(8 801 948)**	**(23 673 931)**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Liquidity risk (Continued)

(c) Liquidity risk maturity analysis (Continued)

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 (d)	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	841 465	11 922 964	3 622 230	12 155 216	575 085	-	-	29 116 960
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	**481 241 610**	**288 890 781**	**163 141 240**	**286 838 822**	**150 419 709**	**75 720 365**	**17 665 819**	**1 463 918 346**
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	7 179 022	-	44 101 232	-	-	-	56 715 722
Total liabilities	**475 071 364**	**281 046 078**	**151 895 086**	**282 262 101**	**148 484 636**	**133 781 699**	**-**	**1 492 099 651**
Net liquidity gap	**6 170 246**	**7 844 703**	**11 246 154**	**4 576 721**	**1 935 073**	**(58 061 334)**	**17 665 819**	**(28 181 305)**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (continued)

(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').

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (continued)

(c) Liquidity risk maturity analysis (Continued)

Liquidity reserves

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

Table 8	GROUP				BANK			
	2015 K Carrying amount	2015 K Fair Value	2014 K Carrying amount	2014 K Fair Value	2015 K Carrying amount	2015 K Fair Value	2014 K Carrying amount	2014 K Fair Value
Balances with central banks	231 010 782	231 010 782	334 084 746	334 084 746	231 010 782	231 010 782	334 084 746	334 084 746
Cash on hand	69 736 410	69 736 410	46 275 220	46 275 220	69 735 960	69 735 960	46 273 654	46 273 654
Cash in transit	2 764 782	2 764 782	-	-	2 764 782	2 764 782	-	-
Amounts due from other banks	5 066 455	5 066 455	112 563 693	112 563 693	5 066 455	5 066 455	112 563 693	112 563 693
Clean credit lines	3 000 000	3 000 000	74 000 000	74 000 000	3 000 000	3 000 000	74 000 000	74 000 000
Treasury bills	178 624 282	178 624 282	312 896 546	312 896 546	178 624 282	178 624 282	312 896 546	312 896 546
Total liquidity reserves	**490 202 711**	**490 202 711**	**879 820 205**	**879 820 205**	**490 202 261**	**490 202 261**	879 818 639	879 818 639

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 2015	2014	BANK 2015	2014
At 31 December	**0.56**	0.60	**0.56**	0.60
Average for the period	**0.62**	0.52	**0.62**	0.52
Maximum for the period	**0.66**	0.66	**0.66**	0.66
Minimum for the period	**0.45**	0.40	**0.45**	0.40

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. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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.

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

31 December 2015

	Market risk measure			
Table 9	GROUP		BANK	
Assets subject to market risk	**Carrying amount**	**Non-trading portfolio**	**Carrying amount**	**Non-trading portfolio**
Cash and cash equivalents	158 065 643	158 065 643	158 065 193	158 065 193
Held to maturity Investments	213 038 197	213 038 197	218 494 197	218 494 197
Loans and advances to customers	584 063 914	584 063 914	562 976 721	562 976 721
	955 167 754	**955 167 754**	**939 536 111**	**939 536 111**
Liabilities subject to market risk				
Customer deposits	1 108 233 480	1 108 233 480	1 112 375 152	1 112 375 152
Borrowings	28 872 406	28 872 406	20 688 406	20 688 406
	1 137 105 886	**1 137 105 886**	**1 133 063 558**	**1 133 063 558**
31 December 2014				
Assets subject to market risk				
Cash and cash equivalents	492 923 659	492 923 659	492 922 093	492 922 093
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
	1 427 770 868	1 427 770 868	1 427 309 825	1 427 309 825
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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2015 and 2014. Included in the table are the Bank's financial instruments, categorised by currency.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.9 Currency risk (Continued)

GROUP — **31 DECEMBER 2015**

Table 10 (a)

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
Financial assets							
Cash and balances with Central Bank	58 353 922	262 790	435 600	1 049 989	7 121	243 402 552	**303 511 974**
Loans and advances to banks	131 880	1 894 557	2 608 386	431 632	-	-	**5 066 455**
Held to maturity investments	-	-	-	-	-	213 038 197	**213 038 197**
Other assets	408 218	-	730 000	101 000	-	149 471 886	**150 711 104**
Loans and advances to customers and finance lease receivables	145 196 782	-	11 203 218	-	-	427 663 914	**584 063 914**
Equity instruments	-	-	-	-	-	583 697	**583 697**
Total assets	**204 090 802**	**2 157 347**	**14 977 204**	**1 582 621**	**7 121**	**1 034 160 246**	**1 256 975 341**
Financial liabilities							
Customer deposits	213 892 199	1 109 882	13 474 853	756 554	-	878 999 992	**1 108 233 480**
Borrowings	20 688 406	-	-	-	-	8 184 000	**28 872 406**
Balances due to other banks	9 065 936	-	-	1 446 850	-	140 000 000	**150 512 786**
Other liabilities	30 480 841	85 159	1 323 995	58 005	-	41 479 248	**73 427 248**
Total liabilities	274 127 382	1 195 041	14 798 848	2 261 409	-	1 068 663 240	**1 361 045 920**
Net on-balance sheet position	**(70 036 580)**	**962 306**	**178 356**	**(678 788)**	**7 121**	**(34 502 994)**	**(104 070 579)**
Off-balance sheet net notional position	-	-	-	-	-	-	-

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.9 Currency risk (Continued)

BANK

31 DECEMBER 2015

Table 10 (b)

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
Financial assets							
Cash and balances with Central Bank	58 353 922	262 790	435 600	1 049 989	7 121	243 402 102	**303 511 524**
Loans and advances to banks	131 880	1 894 557	2 608 386	431 632	-	-	**5 066 455**
Held to maturity investments	-	-	-	-	-	218 494 197	**218 494 197**
Other assets includes stationery	408 218	-	730 000	101 000	-	149 097 692	**150 336 910**
Loans and advances to customers and finance lease receivables	145 196 782	-	11 203 218	-	-	406 576 721	**562 976 721**
Equity instruments	-	-	-	-	-	7 492 777	**7 492 777**
Total assets	**204 090 802**	**2 157 347**	**14 977 204**	**1 582 621**	**7 121**	**1 025 063 489**	**1 247 878 584**
Financial liabilities							
Customer deposits	213 892 199	1 109 882	13 474 853	756 554	-	883 141 664	**1 112 375 152**
Borrowings	20 688 406	-	-	-	-	-	**20 688 406**
Balances due to other banks	9 065 936	-	-	1 446 850	-	140 000 000	**150 512 786**
Other liabilities	30 480 841	85 159	1 323 995	58 005	-	39 207 900	**71 155 900**
Total liabilities	274 127 382	1 195 041	14 798 848	2 261 409	-	1 062 349 564	**1 354 732 244**
Net on-balance sheet position	**(70 036 580)**	**962 306**	**178 356**	**(678 788)**	**7 121**	**(37 286 075)**	**(106 853 660)**
Off-balance sheet net notional position	-	-	-	-	-	-	-

5. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

5.9 **Currency risk (Continued)**

GROUP

31 DECEMBER 2014

Table 10 (c)

	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	-	2 491	-	-	-	29 400 704	**29 403 195**
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**	**1 244 830 567**	**1 457 756 544**
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	-	7 690 180	**57 336 341**
Total liabilities	190 535 127	1 129 825	15 667 164	840 182	-	1 273 258 177	**1 481 430 475**
Net on-balance sheet position	**2 541 936**	**864 756**	**672 801**	**669 085**	**5 101**	**(28 427 610)**	**(23 673 931)**
Off-balance sheet net notional position	-	-	-	-	-	-	-

5. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

5.9 **Currency risk (Continued)**

BANK

31 DECEMBER 2014

Table 10 (d)

	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	350 850 340	**380 358 400**
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	-	2 491	-	-	-	29 114 469	**29 116 960**
Loans and advances to customers and finance lease receivables	92 907 830	-	7 943 903	-	-	467 041 350	**567 893 083**
Equity instruments	-	-	-	-	-	7 494 052	**7 494 052**
Total assets	**193 077 063**	**1 994 581**	**16 339 965**	**1 509 267**	**5 101**	**1 250 992 369**	**1 463 918 346**
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	-	7 069 561	**56 715 722**
Total liabilities	190 535 127	1 129 825	15 667 164	840 182	-	1 283 927 353	**1 492 099 651**
Net on-balance sheet position	**2 541 936**	**864 756**	**672 801**	**669 085**	**5 101**	**(32 934 984)**	**(28 181 305)**
Off-balance sheet net notional position	-	-	-	-	-	-	-

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 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.

31 DECEMBER 2015

GROUP

Table 11(a)		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		-	-	-	-	-	-	-	303 511 974	**303 511 974**
Loans and advances to bank		5 066 455	-	-	-	-	-	-	-	**5 066 455**
Held to maturity investments		29 870 193	45 932 109	-	112 627 913	20 180 871	4 427 111	-	-	**213 038 197**
Other assets		-	-	-	-	-	-	-	150 711 104	**150 711 104**
Loans and advances to customers and finance lease receivables		53 617 158	10 788 624	137 761 249	22 911 650	246 716 856	88 590 399	23 677 978	-	**584 063 914**
Equity instruments		-	-	-	-	-	-	-	583 697	**583 697**
Total assets		**88 553 806**	**56 720 733**	**137 761 249**	**135 539 563**	**266 897 727**	**93 017 510**	**23 677 978**	**454 806 775**	**1 256 975 341**
Financial liabilities										
Customer deposits		159 434 461	107 818 688	129 609 677	135 209 767	110 982 651	163 077 767	-	302 100 469	**1 108 233 480**
Borrowings		-	-	-	-	20 688 406	-	8 184 000	-	**28 872 406**
Balances due to other banks		150 512 786								**150 512 786**
Other liabilities		-	-	-	-	-	-	-	73 427 248	**73 427 248**
Finance lease payables		-	-	-	-	-	-	-	-	**-**
Total liabilities		**309 947 247**	**107 818 688**	**129 609 677**	**135 209 767**	**131 671 057**	**163 077 767**	**8 184 000**	**375 527 717**	**1 361 045 920**
Interest sensitive gap		**(221 393 441)**	**(51 097 955)**	**8 151 572**	**329 796**	**135 226 670**	**(70 060 257)**	**15 493 978**	**79 279 058**	**(104 070 579)**
Impact of increase in interest rate	5.0%	(11 069 672)	(2 554 898)	407 579	16 490	6 761 334	(3 503 013)	774 699	-	**(9 167 482)**
	10.0%	(22 139 344)	(5 109 796)	815 157	32 980	13 522 667	(7 006 026)	1 549 398	-	**(18 334 964)**
	15.0%	(33 209 016)	(7 664 693)	1 222 736	49 469	20 284 001	(10 509 039)	2 324 097	-	**(27 502 446)**
Impact of decrease in interest rate	(2.5%)	5 534 836	1 277 449	(203 789)	(8 245)	(3 380 667)	1 751 506	(387 349)	-	**4 583 741**
	(7.5%)	16 604 508	3 832 347	(611 368)	(24 735)	(10 142 000)	5 254 519	(1 162 048)	-	**13 751 223**
	(12.5%)	27 674 180	6 387 244	(1 018 947)	(41 225)	(16 903 334)	8 757 532	(1 936 747)	-	**22 918 705**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.10 Interest rate risk (Continued)

BANK

Table 11(b)

		31 DECEMBER 2015								
		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		-	-	-	-	-	-	-	303 511 524	**303 511 524**
Loans and advances to bank		5 066 455	-	-	-	-	-	-	-	**5 066 455**
Held to maturity investments		29 870 193	45 932 109	-	112 627 913	21 079 871	8 984 111	-	-	**218 494 197**
Other assets		-	-	-	-	-	-	-	150 336 910	**150 336 910**
Loans and advances to customers and finance lease receivables		53 617 158	9 980 842	137 761 249	22 324 128	247 477 079	84 014 287	7 801 978	-	**562 976 721**
Equity instruments		-	-	-	-	-	-	-	7 492 777	**7 492 777**
Total assets		**88 553 806**	**55 912 951**	**137 761 249**	**134 952 041**	**268 556 950**	**92 998 398**	**7 801 978**	**461 341 211**	**1 247 878 584**
Financial liabilities										
Customer deposits		159 434 461	107 818 688	133 788 767	135 209 767	110 945 233	163 077 767	-	302 100 469	**1 112 375 152**
Debt securities in issue		-	-	-	-	-	-	-	-	**-**
Borrowings		-	-	-		20 688 406	-	-	-	**20 688 406**
Balances due to other banks		150 512 786								**150 512 786**
Other liabilities		-	-	-	-	-	-	-	71 155 900	**71 155 900**
		-	-	-	-	-	-	-	-	**-**
Total liabilities		**309 947 247**	**107 818 688**	**133 788 767**	**135 209 767**	**131 633 639**	**163 077 767**	**-**	**373 256 369**	**1 354 732 244**
Interest sensitive gap		**(221 393 441)**	**(51 905 737)**	**3 972 482**	**(257 726)**	**136 923 311**	**(70 079 369)**	**7 801 978**	**88 084 842**	**(106 853 660)**
Impact of increase in interest rate	5.0%	(11 069 672)	(2 595 287)	198 624	(12 886)	6 846 166	(3 503 968)	390 099	-	**(9 746 925)**
	10.0%	(22 139 344)	(5 190 574)	397 248	(25 773)	13 692 331	(7 007 937)	780 198	-	**(19 493 850)**
	15.0%	(33 209 016)	(7 785 861)	595 872	(38 659)	20 538 497	(10 511 905)	1 170 297	-	**(29 240 775)**
Impact of decrease in interest rate	(2.5%)	5 534 836	1 297 643	(99 312)	6 443	(3 423 083)	1 751 984	(195 049)	-	**4 873 463**
	(7.5%)	16 604 508	3 892 930	(297 936)	19 329	(10 269 248)	5 255 953	(585 148)	-	**14 620 388**
	(12.5%)	27 674 180	6 488 217	(496 560)	32 216	(17 115 414)	8 759 921	(975 247)	-	**24 367 313**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.10 Interest rate risk (Continued)

GROUP

31 DECEMBER 2014

Table 11(c)

		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 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		-	-	-	-	-	-	-	29 403 195	**29 403 195**
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**	**410 348 133**	**1 457 756 544**
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		-	-	-	-	-	-	-	57 336 341	**57 336 341**
Total liabilities		**234 635 896**	**113 867 056**	**140 605 291**	**238 160 869**	**98 484 636**	**53 781 699**	**818 653**	**601 076 375**	**1 481 430 475**
Interest sensitive gap		**10 599 542**	**17 907 068**	**18 913 719**	**36 747 880**	**51 359 988**	**22 173 000**	**9 353 114**	**(190 728 242)**	**(23 673 931)**
Impact of increase in interest rate	5%	529 977	895 353	945 686	1 837 394	2 567 999	1 108 650	467 656	-	**8 352 716**
	10%	1 059 954	1 790 707	1 891 372	3 674 788	5 135 999	2 217 300	935 311	-	**16 705 431**
	15%	1 589 931	2 686 060	2 837 058	5 512 182	7 703 998	3 325 950	1 402 967	-	**25 058 147**
Impact of decrease in interest rate	(2.5%)	(264 989)	(447 677)	(472 843)	(918 697)	(1 284 000)	(554 325)	(233 828)	-	**(4 176 358)**
	(7.5%)	(794 966)	(1 343 030)	(1 418 529)	(2 756 091)	(3 851 999)	(1 662 975)	(701 484)	-	**(12 529 073)**
	(12.5%)	(1 324 943)	(2 238 384)	(2 364 215)	(4 593 485)	(6 419 999)	(2 771 625)	(1 169 139)	-	**(20 881 789)**

5. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

5.10 **Interest rate risk (Continued)**

BANK

31 DECEMBER 2014

Table 11(d)

		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	**380 358 400**
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		-	-	-	-	-	-	-	29 116 960	**29 116 960**
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		**245 235 438**	**131 774 124**	**159 519 010**	**274 683 606**	**149 844 624**	**75 720 365**	**10 171 767**	**416 969 412**	**1 463 918 346**
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		-	-	-	-	-	-	-	56 715 722	**56 715 722**
Total liabilities		**234 635 896**	**113 867 056**	**151 895 086**	**238 160 869**	**98 484 636**	**53 781 699**	**818 653**	**600 455 756**	**1 492 099 651**
Interest sensitive gap		**10 599 542**	**17 907 068**	**7 623 924**	**36 522 737**	**51 359 988**	**21 938 666**	**9 353 114**	**(183 486 344)**	**(28 181 305)**
Impact of increase in interest rate	5%	529 977	895 353	381 196	1 826 137	2 567 999	1 096 933	467 656	-	**7 765 252**
	10%	1 059 954	1 790 707	762 392	3 652 274	5 135 999	2 193 867	935 311	-	**15 530 504**
	15%	1 589 931	2 686 060	1 143 589	5 478 411	7 703 998	3 290 800	1 402 967	-	**23 295 756**
Impact of decrease in interest rate	(2.5%)	(264 989)	(447 677)	(190 598)	(913 068)	(1 284 000)	(548 467)	(233 828)	-	**(3 882 626)**
	(7.5%)	(794 966)	(1 343 030)	(571 794)	(2 739 205)	(3 851 999)	(1 645 400)	(701 484)	-	**(11 647 878)**
	(12.5%)	-1 324 942.75	(2 238 384)	(952 991)	(4 565 342)	(6 419 999)	(2 742 333)	(1 169 139)	-	**(19 413 130)**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.11 Fair value of financial assets and liabilities

The fair value of held-to-maturity investment securities at 31 December 2015 is estimated at **K214.9 million** (2014: K366.5 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.

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

Financial asset	Fair value hierarchy	Valuation techniques and key inputs	Group		Bank	
			2015 K	2014 K	2015 K	2014 K
Foreign currency forward contracts	Level 1	Market approach	2 108 263	(65 090)	2 108 263	(65 090)
Listed equity investments	Level 1	Market approach	369 762	371 037	369 762	**371 037**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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)

Table 12	GROUP				BANK			
	2015		2014		2015		2014	
	Carrying amount K	Fair value K	Carrying amount K	Fair value K	Carrying amount K	Fair value K	Carrying amount K	Fair value K
Financial assets								
Loans and receivables:	735 783 814	735 783 814	595 011 637	595 011 637	714 322 427	714 322 427	594 265 925	594 265 925
- loans to related parties	28 793 000	28 793 000	26 190 084	26 190 084	28 793 000	28 793 000	26 190 084	26 190 084
- loans and other assets	706 990 814	706 990 814	568 821 553	568 821 553	685 529 427	685 529 427	568 075 841	568 075 841
Held-to-maturity investments:	218 494 197	218 494 197	366 492 158	366 492 158	218 494 197	218 494 197	366 492 158	366 492 158
– Treasury bills	178 624 282	178 624 282	312 896 546	312 896 546	178 624 282	178 624 282	312 896 546	312 896 546
– Government bonds	34 413 915	34 413 915	52 595 612	52 595 612	34 413 915	34 413 915	52 595 612	52 595 612
Financial liabilities								
Financial liabilities held at amortised cost:	252 812 440	252 812 440	72 608 492	72 608 492	242 357 092	242 357 092	72 608 492	72 608 492
– loans from other entities	179 385 192	179 385 192	18 265 701	18 265 701	171 201 192	171 201 192	18 265 701	18 265 701
– trade and other payables	73 427 248	73 427 248	53 823 536	53 823 536	71 155 900	71 155 900	53 202 916	53 202 916

5. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

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)**

Fair value hierarchy as at 31 December 2015

Table 13	GROUP		BANK	
	Level 3	Total	Level 3	Total
	K	K	K	K
Financial assets				
Loans and receivables:				
- loans to related parties	28 793 000	28 793 000	28 793 000	28 793 000
- loans and other assets	706 990 814	706 990 814	685 529 427	685 529 427
Held-to-maturity investments:				
- Government bonds	34 413 915	34 413 915	34 413 915	34 413 915
Total	770 197 729	770 197 729	748 736 342	748 736 342
Financial liabilities				
Financial liabilities held at amortised cost:				
- loans from other entities	179 385 192	179 385 192	171 201 192	171 201 192
- Other liabilities	73 427 248	73 427 248	71 155 900	71 155 900
	252 812 440	252 812 440	242 357 092	242 357 092

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. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.11 Fair value of financial assets and liabilities (Continued)

Fair value hierarchy (Continued)

(iii) Reconciliation of Level 3 fair value measurement

GROUP	Available for sale - Unlisted shares K	Others K	Total K
31 December 2015			
Balance at 1 January 2015	-	584 972	584 972
Purchased	-	-	-
Total gains or losses:			
– in profit or loss	-	(1 275)	(1 275)
Balance at 31 December 2015	-	583 697	583 697
31 December 2014			
Balance at 1 January 2014	-	596 447	596 447
Total gains or losses:			
– in profit or loss	-	(11 475)	(11 475)
Balance at 31 December 2014	-	584 972	584 972

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.11 Fair value of financial assets and liabilities (Continued)

Fair value hierarchy (Continued)

(iii) Reconciliation of Level 3 fair value measurement (Continued)

BANK	Available for sale - Unlisted shares K	Others K	Total K
31 December 2015			
Balance at 1 January 2015	-	7 494 052	7 494 052
Purchased	-	-	-
Total gains or losses:			
– in profit or loss	-	(1 275)	(1 275)
Balance at 31 December 2015	-	7 492 777	7 492 777
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

The total gains or losses for the year included an unrealised loss of **K1,275** relating to financial assets that are measured at fair value at the end of each reporting period (2014: unrealised gain K11,475). Such fair value gains or losses are included in 'other gains and losses'.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.12 Capital management (Continued)

(a) Calculation of risk weighted assets

Table 14

Part 1- On financial position obligations	Weight (1)	GROUP Balance (Net of allowance for losses) (2)	BANK Balance (Net of allowance for losses) (2)	GROUP Risk-weighted assets (1x2)	BANK Risk-weighted assets (1x2)
			K		K
Assets	%				
Notes and coins		**69 736 410**	69 735 960	-	-
- Zambian notes and coins	0%	69 736 410	69 735 960	-	-
- other notes and coins	0%	-	-	-	-
Balances held with the Bank of Zambia		**231 010 782**	**231 010 782**	-	-
- statutory reserves	0%	205 609 209	205 609 209	-	-
- other balances	0%	25 401 573	25 401 573	-	-
Balances with commercial banks in Zambia		-	-	-	-
- with residual maturity of up to 12 months	20%	-	-	-	-
- with residual maturity of more than 12 months	100%	-	-	-	-
Balances with commercial banks abroad		**5 066 455**	**5 066 455**	**1 013 291**	-
- with residual maturity of up to 12 months	20%	5 066 455	5 066 455	1 013 291	1 013 291
- with residual maturity of more than 12 months	100%	-	-	-	-
Assets in transit			-		-
- from other commercial banks	50%	-	-	-	-
- from branches to reporting bank	20%	-	-	-	-
Investment in debt securities		**213 038 197**	**218 494 197**	**6 882 783**	**12 338 783**
- treasury bills	0%	178 624 282	178 624 282	-	-
- other government securities	20%	34 413 915	34 413 915	6 882 783	6 882 783
- issued by local government units	100%	-	-	-	-
- private securities	100%	-	5 456 000	-	5 456 000
Loans and advances		**584 063 914**	**562 976 721**	**456 863 582**	**446 319 986**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.12 Capital management (Continued)

(a) Calculation of risk weighted assets (continued)

Table 14

Part 1- On financial position obligations (Continued)	Weight (1)	GROUP Balance (Net of allowance for losses) (2) K	BANK Balance (Net of allowance for losses) (2) K	GROUP Risk-weighted assets (1x2) K	BANK Risk-weighted assets (1x2) K
- portion secured by cash or treasury bills	0%	277 900	277 900	-	-
- loans to or guaranteed by the government of Zambia	50%	28 511 950	28 511 950	14 255 975	14 255 975
Loans repayable in instalments and secured by a					
- mortgage on owner- occupied residential property	50%	225 332 914	204 245 721	112 666 457	102 122 861
- loans to or guaranteed by local government units	100%	12 720 842	12 720 842	12 720 842	12 720 842
- loans to parastatals	100%	10 864 158	10 864 158	10 864 158	10 864 158
- other	100%	306 356 150	306 356 150	306 356 150	306 356 150
Inter-bank advances and loans/advances		-	-	-	-
- guaranteed by other banks			-		-
- with a residual maturity of 12 months	20%	-	-	-	-
- with residual maturity of more than 12 months	100%	-	-	-	-
Bank premises	100%	36 546 242	36 546 242	36 546 242	36 546 242
Acceptances	100%		-		-
Other assets	100%	**248 034 852**	**246 529 906**	248 034 852	**246 529 906**
Investment in equity of other companies	100%	**583 697**	**7 492 777**	583 697	**7 492 777**
Total risk-weighted assets (on financial position)		**1 388 080 549**	**1 377 853 040**	**749 924 447**	**749 227 694**

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 14 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. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.12 Capital management (Continued)

(a) Calculation of risk weighted assets (continued)

Part 2 - Off financial position obligations

(Under first schedule - regulations 21 and 24)

Table 14

	Weight (1)	GROUP Balance (Net of allowance for losses) (2)	BANK Balance (Net of allowance for losses) (2)	GROUP Risk-weighted assets (1x2)	BANK Risk-weighted assets (1x2)
Assets					
Letters of credit					
- 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 confirmed	20%	-	-	-	-
Guarantees and Indemnities		-	-	-	-
- guarantees for loans, trade and securities	100%	-	-	-	-
- portion secured by cash/treasury bills	0%	-	-	-	-
- performance bonds	50%	83 046 363	83 046 363	41 523 182	41 523 182
- portion secured by cash/treasury bills	0%	-	-	-	-
- securities purchased under resale agreement	100%	-	-	-	-
- other contingent liabilities	100%	-	-	-	-
- net open position in foreign currencies	100%	-	-	-	-
Total risk-weighted assets (off financial position)		**83 046 363**	**83 046 363**	41 523 182	41 523 182
Total risk-weighted assets (on and off financial position) as at 31 December 2015		**1 471 126 912**	**1 460 899 403**	**791 447 629**	**790 750 875**
Total risk-weighted assets (on and off financial position) as at 31 December 2014		1 661 314 932	1 666 650 098	690 716 732	686 868 175

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.12 Capital management (Continued)

(b) Computation of capital position

Table 15

	GROUP		BANK	
	2015	2014	**2015**	2014
I Primary (Tier 1) Capital	**K**	K	**K**	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	**(27 695 116)**	27 080 743	**(23 577 672)**	27 744 618
(e) General reserves	**13 627 477**	10 123 492	**10 890 559**	10 123 492
(f) Statutory reserves	**4 665 231**	4 665 231	**4 665 231**	4 665 231
(g) Minority interests (common shareholders' equity)				
(h) Sub-total	**21 989 353**	73 261 227	**23 369 879**	73 925 102
Less:				
(i) Goodwill and other intangible assets				
(j) Investments in unconsolidated subsidiaries and associates	-	-	**6 909 080**	-
(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)	-	-	**6 909 080**	-
Other adjustments				
Provisions	-	-	-	-
Assets of little or no realizable value - specify details or use separate list if necessary:	-	-	-	-
Other adjustments (specify)	-	-	-	-
(n) Sub-total (B) - (Sub-total A above + Other adjustments)	-	-	**6 909 080**	-
(o) Total primary capital (h - n)	**21 989 353**	73 261 227	**16 460 799**	73 925 102
II Secondary (Tier 2) Capital				
(a) Eligible preferred shares (Regulations 13 and 17)	-	-	-	-
(b) Eligible subordinated term debt (Regulation 17 (b))	-	3 002 000	-	3 002 000
(c) Eligible loan stock/capital (Regulation 17(b)	-	-	-	-
(d) Revaluation reserves (Regulation 17 (a))	-	-	-	-
Maximum is 40% of revaluation res.	1 006 280	1 150 034	1 006 280	1 150 034
(e) Other (Regulation (17 (c)). Specify	-			
(f) Total secondary capital	**1 006 280**	4 152 034	**1 006 280**	4 152 034

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.12 Capital management (Continued)

(b) Computation of capital position (Continued)

	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
III Eligible secondary capital (the maximum amount of secondary capital is limited to 100% of primary capital)	**1 006 280**	4 152 034	**1 006 280**	4 152 034
IV Eligible total capital (I(o) + III) (Regulatory capital)	**22 995 633**	77 413 261	**17 467 078**	78 077 136
V Minimum total capital requirement:				
(10% of total on and off financial position risk-weighted assets as established)	**104 000 000**	104 000 000	**104 000 000**	104 000 000
VI Excess (deficiency) (IV minus V)	**(81 004 367)**	(26 586 739)	**(86 532 922)**	(25 922 864)
Regulatory ratios				
Tier 1 capital as a percentage of total risk weighted assets	**3%**	11%	**2%**	11%
Tier 1 and Tier 2 capital as a percentage of total risk weighted assets	**3%**	11%	**2%**	11%

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 bank secured Bank of Zambia approval to extend the deadline to enable it complete the lengthy process of raising capital through a rights issue. The bank has been appraising Bank of Zambia on the progress made on the capital raise exercise for K40 million. The bank concluded formalities for execution of the rights issue by 31 December 2015 and immediately commenced the process.

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 INCOME

	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
Arising on:				
Loans and advances to:				
- customers	**71 528 335**	86 571 576	**69 069 854**	86 571 576
- banks	**935 677**	3 697 200	**935 677**	3 697 200
	72 464 012	90 268 776	**70 005 531**	90 268 776
Held to maturity investments	**59 320 361**	45 446 869	**59 320 361**	45 446 869
Leasing	**16 622 104**	10 326 285	**16 622 104**	10 326 285
Open market operations placements	**350 107**	10 127	**350 107**	10 127
Corporate bonds	**-**	-	**142 856**	-
	148 756 584	**146 052 057**	**146 440 959**	146 052 057

7. INTEREST EXPENSE

	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
Arising on:				
Deposits due to customers	**89 289 842**	84 539 411	**89 289 842**	84 539 411
Deposits from banks	**15 469 986**	8 100 605	**15 469 986**	8 100 605
	104 759 828	92 640 016	**104 759 828**	92 640 016
Debt securities in issue	**2 886 194**	2 934 879	**2 886 194**	2 934 879
Borrowings	**1 344 751**	1 174 495	**1 080 132**	1 174 495
	108 990 773	96 749 390	**108 726 154**	96 749 390

8. IMPAIRMENT CHARGE FOR CREDIT LOSSES

	GROUP		BANK	
	2015	2014	**2015**	2014
	K	K	**K**	K
Balance at the beginning of the year	**84 802 733**	78 093 366	**84 802 175**	78 093 366
Impairment losses recognised on loans and advances	**8 490 981**	6 452 867	**8 321 194**	6 452 309
Effect of foreign currency movements	**(35 830 392)**	1 750 107	**(35 830 392)**	1 750 107
Amounts recovered during the year	**(898 033)**	(1 493 607)	**(898 033)**	(1 493 607)
Balance at the end of the year	**56 565 289**	84 802 733	**56 394 944**	84 802 175
Amounts charged to profit or loss are made up as follows:				
Impairment losses recognised on loans and advances	**8 490 981**	6 452 867	**8 321 194**	6 452 309
Effect of foreign currency movements	**(35 830 392)**	1 750 107	**(35 830 392)**	1 750 107

9. FEE AND COMMISSION INCOME

Sundry transaction fees and commissions	**30 093 097**	32 867 054	**28 708 018**	32 867 016
Ledger fees	**24 504 992**	23 629 637	**24 531 344**	23 644 551
Credit related fees and commissions	**9 052 101**	7 294 604	**9 052 101**	7 294 604
Asset management fees	**292 048**	770 076	**292 048**	770 076
	63 942 238	64 561 371	**62 583 511**	64 576 247

10. FEE AND COMMISSION EXPENSE

Bank charges	**2 227 884**	663 647	**2 227 884**	1 072 068
Handling fees on Government securities	**1 154 275**	862 670	**1 154 275**	862 670
	3 382 159	1 526 317	**3 382 159**	1 934 738

11. OPERATING EXPENSES

Personnel expenses				
Salaries and other staff benefit costs	**93 732 058**	66 847 788	**90 658 711**	65 402 632
Pension costs - defined contribution plan	**5 012 308**	1 528 963	**5 012 308**	1 528 963
Total Remuneration paid	**98 744 366**	68 376 751	**95 671 019**	66 931 595
Staff medical	**3 113 774**	1 512 672	**3 052 807**	1 487 910
Staff training	**650 772**	759 962	**643 927**	759 962
Staff insurance	**500 375**	406 929	**500 375**	406 929
	103 009 287	71 056 314	**99 868 128**	69 586 396

11. OPERATING EXPENSES (CONTINUED)

	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
Administrative expenses				
Occupancy	12 066 586	8 843 739	11 816 499	8 719 295
Motor vehicle costs	5 096 996	6 376 869	5 096 466	6 375 339
Telecommunication and postage	14 108 972	11 314 793	14 033 873	11 278 802
Office and security expenses	6 368 316	6 000 392	6 332 233	5 951 660
	37 640 870	32 535 793	37 279 071	32 325 096
Other operating expenses				
Depreciation and amortisation (note 20 and note 22)	14 948 718	11 754 620	14 894 212	11 739 792
Other expenses	13 157 328	9 971 517	12 550 792	9 618 689
Marketing and public relations	4 411 018	5 873 944	4 309 545	5 849 925
Travel expenses	3 987 683	4 229 289	3 901 304	4 224 323
Professional and legal fees	5 913 444	3 904 097	5 340 486	3 672 657
Repairs and maintenance	3 250 662	3 142 890	3 246 412	3 093 405
Printing and stationery	1 572 688	1 649 694	1 539 930	1 641 571
Amounts written off during the year as uncollectible	420 787	-	420 787	-
	47 662 328	40 526 051	46 203 468	39 840 362
	188 312 485	144 118 158	183 350 667	141 751 854

12. LOSS BEFORE TAX

	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
Loss before tax is stated after crediting:				
Interest receivable from other banks	935 677	3 697 200	935 677	3 697 200
Rental income	77 090	78 490	77 090	78 490
Gain on disposal of property and equipment	-	10 000	-	10 000
and after charging:				
Depreciation and amortisation (Note 20 and 22)	14 948 718	11 754 620	14 894 212	11 739 792
Loss on disposal of property and equipment	376 469	-	376 469	-
Pension costs - employer's contributions	5 012 308	1 528 963	5 012 308	1 528 963
Directors emoluments:				
- in connection with the management of the Company	2 958 977	2 628 795	2 958 977	2 861 115
- fees and expenses	2 410 697	1 211 849	2 410 697	1 049 866
Interest payable to other banks	15 469 986	11 858 280	15 469 986	8 100 605
Donations	339 132	410 700	338 832	506 688

13. INCOME TAX CREDIT

Income tax is charged at 35% on banking profits in 2015 (2014: 35%). Withholding tax on Government Bonds interest and Treasury bills discount is 15% and that is also the final tax. All non banking profits are taxed at 35% in 2015 (2014: 35%).

	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
Current tax				
Based on non banking profits	26 982	7 849	26 982	7 849
	26 982	7 849	26 982	7 849
Prior period over provisioning on banking profits	-	-	-	-
Deferred tax (note 28)	(24 856 069)	(1 026 471)	(24 554 374)	(342 772)
	(24 829 087)	(1 018 622)	(24 527 392)	(334 923)

13. INCOME TAX (CREDIT) EXPENSE (CONTINUED)

	GROUP		BANK	
	2015	2014	**2015**	2014
	K	K	**K**	K
The current tax asset has been derived as follows:				
Payable in respect of the year	**26 982**	7 849	**26 982**	7 849
Recoverable in respect of previous years	**(21 617 473)**	(16 865 489)	**(21 617 473)**	(16 865 489)
	(21 590 491)	(16 857 640)	**(21 590 491)**	(16 857 640)
Assessed amounts offset against tax asset	**5 003 918**	-	**5 003 918**	-
Income tax payments made	**-**	-	**-**	-
Withholding tax suffered during the year	**(10 231 207)**	(4 759 833)	**(10 231 207)**	(4 759 833)
Total paid and suffered	**(10 231 207)**	(4 759 833)	**(10 231 207)**	(4 759 833)
Income tax recoverable	**(26 817 780)**	(21 617 473)	**(26 817 780)**	(21 617 473)

Tax assessment amounts

The Zambia Revenue Authority (ZRA) conducted assessments on the bank's tax returns submitted for the years 2008 to 2012 relating to Corporate Income Tax (CIT), Value Added Tax (VAT), and Pay As You Earn (PAYE). Arising from this assessment, an additional tax charge of K5,003,918 was assessed as payable from the different tax types assessed. Management have sought approval to offset this assessed tax liability against the tax asset of K26,844,762 as at 31 December 2015. A total of K4,062,089 of the assessed liability has been expensed in the income statement while K527,677 has been capitalised due to its nature. The balance of K414,152 has been captured under sundry debtors as it constitutes amounts that are recoverable from clients.

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:

	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
Loss before tax	**(77 163 873)**	(7 381 373)	**(75 442 001)**	(5 408 056)
Tax at the applicable rate of 35% (2013: 35%)	**(27 007 355)**	(2 583 481)	**(26 404 700)**	(1 892 820)
- Rate differential	**-**	-	**-**	-
- Prior period over provisioning on banking profits	**-**	-	**-**	-
- Prior period adjustment on capital allowances	**-**	-	**-**	-
- Permanent differences	**2 178 268**	1 564 859	**1 877 308**	1 557 897
	(24 829 087)	(1 018 622)	**(24 527 392)**	(334 923)

Subject to agreement with the Zambia Revenue Authority, the Bank has estimated tax losses of approximately **K82,469,251** (2014: K10,199,809) 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:

	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
2015 tax losses available until 2020	**72 561 627**	-	**72 269 442**	-
2014 tax losses available until 2019	**9 197 421**	6 593 017	**6 593 017**	6 593 017
2013 tax losses available until 2018	**3 638 433**	3 606 792	**3 606 792**	3 606 792
2012 tax losses available until 2017	**6 926**	6 926	**-**	-
	85 404 407	10 206 735	**82 469 251**	10 199 809

14. CASH AND BALANCES WITH BANK OF ZAMBIA

	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
Balances with Central Bank:				
Statutory deposits	**205 609 209**	188 525 411	**205 609 209**	188 525 411
Current account	**25 401 573**	145 559 335	**25 401 573**	145 559 335
	231 010 782	334 084 746	**231 010 782**	334 084 746
Cash in transit	**2 764 782**	-	**2 764 782**	-
Cash on hand	**69 736 410**	46 275 220	**69 735 960**	46 273 654
	303 511 974	380 359 966	**303 511 524**	380 358 400

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.

Open Market Operation ("OMO") deposits are fixed rate assets.

15. LOANS AND ADVANCES TO/FROM BANKS

	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
Amounts due from other banks	**5 066 455**	112 563 693	**5 066 455**	112 563 693
Amounts due to other banks	**150 512 786**	-	**150 512 786**	-

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 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
Treasury bills	**178 624 282**	312 896 546	**178 624 282**	312 896 546
Government bonds	**34 413 915**	53 595 612	**34 413 915**	53 595 612
Corporate bonds	**-**	-	**5 456 000**	-
	213 038 197	**366 492 158**	**218 494 197**	**366 492 158**
Current	**178 498 601**	342 928 863	**178 498 601**	342 928 863
Non-current	**34 539 596**	23 563 295	**39 995 596**	23 563 295
	213 038 197	**366 492 158**	**218 494 197**	**366 492 158**
Treasury bills				
Face value				
Maturity period				
0 - 91 days	**40 000 000**	33 945 000	**40 000 000**	33 945 000
92 - 182 days	**115 000 000**	4 115 000	**115 000 000**	4 115 000
183 - 273 days	**-**	260 000 000	**-**	260 000 000
274 - 364 days	**45 000 000**	52 000 000	**45 000 000**	52 000 000
	200 000 000	350 060 000	**200 000 000**	350 060 000
Less: unearned discount	**(21 375 718)**	(37 163 454)	**(21 375 718)**	(37 163 454)
	178 624 282	312 896 546	**178 624 282**	312 896 546

16. HELD TO MATURITY INVESTMENTS (CONTINUED)

	GROUP		BANK	
	2015	2014	**2015**	2014
	K	K	**K**	K
Government bonds				
Face value				
Maturity period				
0 - 91 days	**-**	10 500 000	**-**	10 500 000
92 - 365 days	**15 000 000**	20 000 000	**15 000 000**	20 000 000
366 - 730 days	**25 000 000**	670 000	**25 000 000**	670 000
731 - 1095 days	**-**	25 000 000	**-**	25 000 000
1096 - 1826 days	**670 000**	-	**670 000**	-
	40 670 000	56 170 000	**40 670 000**	56 170 000
Less: unearned discount	**(6 256 085)**	(2 574 388)	**(6 256 085)**	(2 574 388)
	34 413 915	53 595 612	**34 413 915**	53 595 612
Maturity analysis:				
Due within one year	**15 000 000**	30 500 000	**15 000 000**	30 500 000
Due after more than one year	**25 670 000**	25 670 000	**25 670 000**	25 670 000
	40 670 000	56 170 000	**40 670 000**	56 170 000

Corporate bonds

The bank subscribed to a seven (7) year Medium Term Note issued by Zambian Home Loans for a total note amount of K13,640,000 at an annual interest rate benchmarked to the Bank of Zambia Policy Rate plus 182 Treasury Bill Rate.

Pledged assets

	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
Treasury bills	160 500 000	261 802 000	**160 500 000**	261 802 000
Government bonds	**40 670 000**	45 000 000	**40 670 000**	45 000 000
	201 170 000	306 802 000	**201 170 000**	306 802 000

The pledged assets presented in the table above are those financial assets that may be repledged or resold by counterparties. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities. These treasury bills are held as collateral by wholesale depositors and Zambia Electronic Clearing House.

17. OTHER ASSETS

	GROUP		BANK	
	2015	2014	**2015**	2014
	K	K	**K**	K
Other receivables and prepayments	**150 711 104**	29 403 195	**150 336 910**	29 116 960
Current	**150 711 104**	29 403 195	**150 336 910**	29 116 960
Non-current	**-**	-	**-**	-
	150 711 104	29 403 195	**150 336 910**	29 116 960
The analysis of other receivables and prepayments is as follows:				
Suspense clearing accounts	**34 817 311**	5 120 693	**34 817 311**	5 120 693
Sundry debtors	**109 409 506**	19 146 847	**109 419 686**	18 925 652
Prepayments	**2 736 234**	3 237 668	**2 351 860**	3 172 628
VAT receivable	**2 268 784**	670 296	**2 268 784**	670 296
Interest receivables	**1 065 117**	1 227 691	**1 065 117**	1 227 691
ZRA tax assessment amounts	**414 152**	-	**414 152**	-
	150 711 104	29 403 195	**150 336 910**	29 116 960

18. INVENTORY

Stationery and cheque books	**1 008 796**	768 688	**1 008 796**	768 688

The cost of inventories relating to stationery and cheque books recognised as an expense amounted to **K1,539,930** (2014: K1,641,571) does not include any amounts in respect of write downs of inventory to net realisable value.

19. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers	**753 675 157**	801 336 330	**732 417 620**	800 876 295
Less: impaired loans and advances (note 8)	**(56 565 289)**	(84 802 733)	**(56 394 945)**	(84 802 175)
Less: Suspended interest	**(199 596 539)**	(219 374 704)	**(199 596 539)**	(219 374 704)
	497 513 329	497 158 893	**476 426 136**	496 699 416

19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Included in loans and advances on 31 December 2015 is an amount relating to advances made to staff of **K60,449,536** (31 December 2014: K55,105,796).

	GROUP				BANK			
	2015		2014		**2015**		2014	
	K		K		**K**		K	
Industry analysis								
Wholesale and retail trade	**77 069 959**	**10%**	68 311 603	9%	77 069 959	**11%**	68 311 603	9%
Other sectors	**250 569 251**	**33%**	246 079 601	31%	229 311 714	**31%**	245 619 566	31%
Financial	**75 552 854**	**10%**	81 489 101	10%	75 552 854	**10%**	81 489 101	10%
Service industries	**177 838 359**	**24%**	182 271 788	23%	177 838 359	**24%**	182 271 788	23%
Agriculture	**72 837 799**	**10%**	60 930 521	8%	72 837 799	**10%**	60 930 521	8%
Construction, mining and quarrying	**73 953 648**	**10%**	123 648 922	15%	73 953 648	**10%**	123 648 922	15%
Manufacturing	**25 853 287**	**3%**	38 604 794	5%	25 853 287	**4%**	38 604 794	5%
	753 675 157	**100%**	801 336 330	100%	**732 417 620**	**100%**	800 876 295	100%
Less: impaired loans and advances and suspended interest	**(256 161 828)**		(304 177 437)		**(255 991 484)**		(304 176 879)	
	497 513 329		497 158 893		**476 426 136**		496 699 416	
Sector analysis								
Private corporations	**551 242 889**	**73%**	615 101 270	77%	551 242 889	**75%**	615 101 270	77%
Individuals	**174 473 210**	**23%**	160 457 223	20%	153 215 673	**21%**	159 997 188	20%
Related parties	**27 959 058**	**4%**	25 777 837	3%	27 959 058	**4%**	25 777 837	3%
	753 675 157	**100%**	801 336 330	100%	**732 417 620**	**100%**	800 876 295	100%
Less: impaired loans and advances and suspended interest	**(256 161 828)**		(304 177 437)		**(255 991 484)**		(304 176 879)	
	497 513 329		497 158 893		**476 426 136**		496 699 416	

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 33.

20. EQUITY INVESTMENT

	GROUP		BANK	
	2015	2014	**2015**	2014
	K	K	**K**	K
The movement in investments in shares during the year were as follows:				
At beginning of year	**584 972**	596 447	**7 494 052**	871 447
Loss in fair value of marketable equity investments	**(1 275)**	(11 475)	**(1 275)**	(11 475)
Investments in shares	**-**	-	**-**	6 634 080
	583 697	584 972	**7 492 777**	7 494 052
Zambian Home Loans Limited	**-**	-	**6 909 080**	6 909 080
Prima Reinsurance Zambia Plc	**369 762**	371 037	**369 762**	371 037
Swift International Share Subscription	**126 537**	126 537	**126 537**	126 537
Zambia Electronic Clearing House Ltd	**87 398**	87 398	**87 398**	87 398
	583 697	584 972	**7 492 777**	7 494 052

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 therefore a subsidiary of Investrust Bank Plc. The Investment is carried at cost.

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.

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 therefore became a shareholder after purchasing the allocated shares. The Investment is carried at cost.

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.

21. PROPERTY AND EQUIPMENT

The movement in the property and equipment were as follows:

GROUP

	Leasehold buildings K	Leasehold improvements K	Furniture and fixtures K	Motor vehicles and equipment K	Capital work in progress K	Total K
Cost						
Balance at 1 January 2014	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**
Additions	-	299 387	303 608	7 258 070	4 172 570	12 033 635
Reclassification	-	-	(7 832)	-	(2 477 867)	(2 485 699)
Disposals	-	-	-	(1 534 367)	-	(1 534 367)
Balance at 31 December 2015	**8 219 577**	**42 353 300**	**8 501 140**	**57 712 295**	**4 141 486**	**120 927 798**
Accumulated depreciation						
Balance at 1 January 2014	-	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**
Charge for the year	-	3 555 694	781 592	7 765 799	-	12 103 085
Eliminated on disposals	-	-	-	(650 665)	-	(650 665)
Balance at 31 December 2015	**164 392**	**13 862 243**	**4 159 017**	**34 625 836**	**-**	**52 811 488**
Carrying amount						
Balance at 31 December 2015	**8 055 185**	**28 491 057**	**4 342 123**	**23 086 459**	**4 141 486**	**68 116 310**
Balance at 31 December 2014	8 055 185	31 747 364	4 827 939	24 477 890	2 446 783	71 555 161

BANK

	Leasehold buildings K	Leasehold improvements K	Furniture and fixtures K	Motor vehicles and equipment K	Capital work in progress K	Total K
Cost						
Balance at 1 January 2014	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**
Additions	-	299 387	303 608	7 201 143	4 172 570	11 976 708
Reclassification	-	-	(7 832)	-	(2 477 867)	(2 485 699)
Disposals	-	-	-	(1 534 367)	-	(1 534 367)
Balance at 31 December 2015	**8 219 577**	**42 353 300**	**8 445 163**	**57 553 580**	**4 141 486**	**120 713 106**
Accumulated depreciation						
Balance at 1 January 2014	-	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**
Charge for the year		3 555 694	781 592	7 711 293	-	12 048 579
Eliminated on disposals	-	-	-	(650 665)	-	(650 665)
Balance at 31 December 2015	**164 392**	**13 862 243**	**4 152 488**	**34 563 031**	**-**	**52 742 154**
Carrying amount						
Balance at 31 December 2015	**8 055 185**	**28 491 057**	**4 292 675**	**22 990 549**	**4 141 486**	**67 970 952**
Balance at 31 December 2014	8 055 185	31 747 364	4 778 491	24 384 401	2 446 783	71 412 224

Capital work in progress comprises of costs incurred in relation to the project to rollout Mastercard.

22. CAPITAL COMMITMENTS

	GROUP		BANK	
	2015	2014	**2015**	2014
	K	K	**K**	K
Authorised and contracted for	**10 320 000**	17 410 725	**10 320 000**	17 410 725

At 31 December 2015, the Bank had capital commitments in respect of property and equipment purchases. The Bank's management is confident that future net revenues and funding will be sufficient to cover these commitments.

23. DEFERRED SOFTWARE DEVELOPMENT EXPENDITURE

GROUP AND BANK	Software development costs K
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
Cost	
At 1 January 2015	17 198 779
Additions captured directly	1 036 486
Tax assessment amounts capitalised (note 13)	527 677
Reclassifications from capital work in progress	2 485 699
At 31 December 2015	**21 248 641**
Amortisation	
At 1 January 2015	7 552 329
Amortisation for the year	2 845 633
At 31 December 2015	**10 397 962**
Carrying amount 31 December 2015	**10 850 679**
Carrying amount 31 December 2014	9 646 450

24. DEPOSITS FROM CUSTOMERS	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
Current accounts	**266 847 033**	641 290 298	**266 847 033**	644 080 093
Deposit accounts	**518 233 208**	511 421 832	**518 233 208**	519 921 832
Savings accounts	**109 543 181**	111 418 488	**109 543 181**	111 418 488
Cheque savers' accounts	**178 352 832**	126 024 873	**182 494 504**	126 024 873
SME accounts	**35 257 226**	662 942	**35 257 226**	662 942
	1 108 233 480	1 390 818 433	**1 112 375 152**	1 402 108 228
All deposits accounts have fixed interest rates. The customer accounts are split as follows:				
Retail customers				
- Savings accounts	**104 894 674**	108 017 673	**104 894 674**	108 017 673
- Cheque Saver accounts	**21 819 214**	18 844 173	**21 819 214**	18 844 173
- Current accounts	**2 449 245**	45 990 170	**2 449 245**	45 990 170
- Deposit accounts	**24 985 205**	5 441 692	**24 985 205**	5 441 692
	154 148 338	178 293 708	**154 148 338**	178 293 708
Corporate customers				
- Current accounts	**299 654 525**	595 963 069	**299 654 525**	598 752 864
- Deposit accounts	**493 248 000**	505 980 140	**493 248 000**	514 480 140
- Cheque Saver accounts	**160 675 289**	107 180 700	**160 675 289**	107 180 700
- Savings accounts	**507 328**	3 400 816	**4 649 000**	3 400 816
	954 085 142	1 212 524 725	**958 226 814**	1 223 814 520
	1 108 233 480	1 390 818 433	**1 112 375 152**	1 402 108 228
The maturity analysis for the term deposit accounts is as follows:				
Period				
0 - 30 days	**92 065 769**	270 901 483	**92 065 769**	270 901 483
31 - 60 days	**233 491 369**	43 248 403	**233 491 369**	43 248 403
61 - 90 days	**105 131 786**	55 947 294	**105 131 786**	55 947 294
91 - 365 days	**87 544 284**	141 277 932	**87 544 284**	149 777 932
Above 365 days	**-**	46 720	**-**	46 720
	518 233 208	511 421 832	**518 233 208**	519 921 832

24. DEPOSITS FROM CUSTOMERS (CONTINUED)	GROUP 2015 K	2014 K	BANK 2015 K	2014 K
(Decrease)/increase in amounts due to depositors:				
Current accounts	**(374 443 265)**	243 502 393	**(377 233 060)**	246 292 189
Deposit accounts	**6 811 376**	114 741 175	**(1 688 624)**	123 241 174
Savings accounts	**(1 875 307)**	(9 959 546)	**(1 875 307)**	(9 959 546)
Cheque savers' accounts	**52 327 959**	1 239 327	**56 469 631**	1 239 327
SME accounts	**34 594 284**	6 814 862	**34 594 284**	6 814 862
	(282 584 953)	356 338 211	**(289 733 076)**	367 628 006

25. DEBT SECURITIES IN ISSUE

Kwacha Medium Term Notes due 2015	-	15 010 000	-	15 010 000
Non-current	-	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 2015 was 21.77% (2014: 19.55%).

26. BORROWINGS

At 1 January 2015	18 265 701	28 653 279	18 265 701	28 653 279
Contracted during the year	8 184 000	-	-	-
Repayments during the year	(6 208 689)	(12 925 635)	(6 208 689)	(12 925 635)
Effects of foreign currency revaluation	8 631 394	2 538 057	8 631 394	2 538 057
At 31 December 2015	**28 872 406**	**18 265 701**	**20 688 406**	**18 265 701**
Zambia Enterprise Development Project ("ZEDP")	**13 819 656**	13 118 830	**13 819 656**	13 118 830
African Life Financial Services Limited	**8 184 000**	-	-	-
European Investment Bank ("EIB")	**6 868 750**	5 146 871	**6 868 750**	5 146 871
	28 872 406	18 265 701	**20 688 406**	18 265 701
Current liability payable within one year	**(8 824 285)**	(12 989 426)	**(8 224 285)**	(12 989 426)
Non-current liability	**20 048 121**	5 276 275	**12 464 121**	5 276 275

26. BORROWINGS (CONTINUED)

(i) 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 (2014: Nil).

The annual weighted average effective interest rate was **5.9%** per annum in 2015 (2014: 5.45%).

The purpose of the loan obtained by the Bank was to finance small to medium scale enterprises in investment in fixed assets and export trade.

(ii) African Life Financial Services Limited

Zambian Home Loans Limited issued a Medium Term Note Program of K45m. The amount of K8,184, 285 had been received from African Life Financial Services Limited as at 31 December 2015. The effective interest rate on the Corporate Bond is 19.97%

(iii) 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 5**%** per annum in 2015 (2014: 9.31%).

The level of borrowings as at year end were US$625,000 (K6,868,750) which was within the maximum borrowings authorised by the articles of association of K466, 523, 100.

27. OTHER LIABILITIES

	GROUP		BANK	
	2015	2014	**2015**	2014
	K	K	**K**	K
Interest payable on deposits	**38 507 619**	37 131 996	**38 507 619**	37 131 996
Sundry payables	**32 514 843**	16 728 840	**30 508 114**	16 108 221
Bankers cheques payable	**2 019 510**	3 118 122	**2 019 510**	3 118 122
Interest payable on borrowings	**385 276**	357 383	**120 657**	357 383
	73 427 248	57 336 341	**71 155 900**	56 715 722

Sundry payables

These can be analysed as follows:

Other creditors and accruals	**14 235 711**	4 554 314	**13 746 658**	4 554 314
Sundry creditors	**11 285 514**	2 019 342	**9 880 551**	1 398 723
Payroll related liabilities	**4 493 372**	7 994 202	**4 380 659**	7 994 202
Unpresented drafts	**2 500 246**	2 095 892	**2 500 246**	2 095 892
Forward commitments	**-**	65 090	**-**	65 090
	32 514 843	16 728 840	**30 508 114**	16 108 221

28. DEFERRED TAX ASSET

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of **35%** (2014: 35%).

Tax effect of timing differences due to:

Temporary differences on property, and equipment	**1 646 222**	2 301 377	**1 630 741**	2 292 762
Other provisions	**(1 554 520)**	(2 244 937)	**(1 456 980)**	(2 194 640)
Property revaluation	**1 935 154**	1 935 154	**1 935 154**	1 935 154
Tax losses	**(29 103 281)**	(4 211 950)	**(28 199 946)**	(3 569 933)
Deferred tax assets	**(27 076 425)**	(2 220 356)	**(26 091 031)**	(1 536 657)

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

GROUP

	Other provisions K	Property revaluation K	Tax losses K	Accelerated capital allowances K	Total K
At 1 January 2014	(3 233 024)	1 935 154	(1 262 377)	1 366 362	(1 193 885)
Arising in the year:					
- Charged (credit) to income (Note 13)	988 087	-	(2 949 573)	935 015	(1 026 471)
At 31 December 2014	**(2 244 937)**	**1 935 154**	**(4 211 950)**	**2 301 377**	**(2 220 356)**
Arising in the year:					
- Charged (credit) to 'income (Note 13)	690 417	-	(24 891 331)	(655 155)	(24 856 069)
At 31 December 2015	**(1 554 520)**	**1 935 154**	**(29 103 281)**	**1 646 222**	**(27 076 425)**

28. DEFERRED TAX ASSET (CONTINUED)

BANK

	Other provisions K	Property revaluation K	Tax losses K	Accelerated capital allowances K	Total K
At 1 January 2014	(3 233 024)	1 935 154	(1 262 377)	1 366 362	(1 193 885)
Arising in the year:					
- Charged (credit) to income (Note 13)	1 038 384	-	(2 307 556)	926 400	(342 772)
At 31 December 2014	**(2 194 640)**	**1 935 154**	**(3 569 933)**	**2 292 762**	**(1 536 657)**
Arising in the year:					
- Charged (credit) to 'income (Note 13)	737 660	-	(24 630 013)	(662 021)	(24 554 374)
At 31 December 2015	**(1 456 980)**	**1 935 154**	**(28 199 946)**	**1 630 741**	**(26 091 031)**

Recoverability of the deferred tax asset has been carefully considered by the Directors in view of the practice of the Zambia Revenue Authority to lapse tax losses after five years following the year they were incurred and having due consideration to the manner in which taxable profits will arise in the foreseeable future. On the basis of business plans for the foreseeable future and a review of the Company's performance to date of the issue of these financial statements, the Directors are confident the deferred tax asset recognised is fully recoverable.

29. SHARE CAPITAL

	2015 K	2014 K
Authorised ordinary shares of K1 each 120,000,000 (2014: 120,000,000).	**120 000 000**	120 000 000
Issued and fully paid up		
4,665,231 ordinary shares of **K1** each (2014: 4,665,231 shares of K1 each).	**4 665 231**	4 665 231

	2015 %	2014 %
Below is the shareholding structure:		
Meanwood Venture Capital Limited	**25.0**	20.0
ZCCM Investment Holdings Plc	**10.6**	10.6
Lupande Family Trust Limited	**10.6**	10.6
Jacob Lameck Shuma	**9.1**	10.7
Daka Timothy	**7.3**	10.7
Workers' Compensation Fund Control Board	**6.7**	6.7
Stanbic Bank Zambia Staff Pension Scheme	**5.4**	5.4
Justin Bevin Zulu	**5.1**	5.1
Satunia Regna Pension Trust Fund	**3.7**	3.7
Madison Pension Trust Fund	**3.3**	3.3
Individual and institutional investors	**13.2**	13.2
Total	**100.00**	100.00
Public Shareholders	10.6	10.6
Non - Public shareholders	89.4	89.4
Total	**100.00**	100.00

30. (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.

31. DIVIDENDS

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the meeting held on 2 April 2015, no dividend was proposed in respect of 2014.

No dividend in respect of 2015 is to be proposed at the Annual General Meeting to be held on 31 March 2016.

32. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Legal proceedings

There were a number of legal proceedings outstanding against the Bank at 31 December 2015. 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

At 31 December 2015 the Bank off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

	2015	2014	**2015**	2014
	K	K	**K**	K
	GROUP	GROUP	**BANK**	BANK
Guarantees and performance bonds	**83 046 363**	101 645 051	**83 046 363**	101 263 066

(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.

33. 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 and Gift Shops	Related to shareholders
Matula Investments Limited	Common shareholding
Hortex Limited	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:

(a) Loans and advances to related parties

	Directors and other key management personnel**				Associated companies			
	GROUP		**BANK**		**GROUP**		**BANK**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	K	K	**K**	K	**K**	K	**K**	K
Loans outstanding at 1 January	**412 247**	1 063 284	**412 247**	1 063 284	**25 777 837**	20 618 215	25 777 837	20 618 215
Loans issued during the year	**-**	-	**-**	-	**7 054 398**	5 743 707	7 054 398	5 743 707
Interest charges	**24 309**	62 699	**24 309**	62 699	**6 740 310**	1 388 361	6 740 310	1 388 361
Loan repayments during the year	**(40 776)**	(713 736)	**(40 776)**	(713 736)	**(11 175 325)**	(1 972 446)	(11 175 325)	(1 972 446)
Loans outstanding at 31 December	**395 780**	412 247	**395 780**	412 247	**28 397 220**	25 777 837	**28 397 220**	25 777 837
Interest income earned	**-**	62 699	**379 313**	62 699	**6 740 310**	1 388 361	**6 740 310**	**1 388 361**

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Loans and advances to related parties (Continued)

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) Directors' interests in the Bank

As at 31 December 2015, the interests of Directors in the Company, as recorded in the register and on the Lusaka Stock Exchange, were as follows:

	2015	2014
Total ordinary issued shares of the Company	4 665 532	4 665 532
Direct shareholding		
Dr. J.M. Mwanza	5 451	-
Mrs. E. Jhala	-	-
Mr. H. Hachongo	-	-
Mr. E. Samakai	-	-
Dr. R.K Chembe	-	-
Mr. F. Ndholvu (Retired April 2015)		
Indirect shareholding	493 250	493 250
Mr. F. Ndholvu (Retired April 2015)	-	-

(c) Other transactions with related parties

	Directors and other key management personnel		Related companies	
	2015	2014	**2015**	2014
	K	K	**K**	K
Rental income	-	-	**70 440**	70 440
Cost of office floral arrangement	-	-	(240 720)	(262 530)

(d) 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.

	2015	2014
	K	K
Salaries	**2 958 977**	2 861 115
Directors fees and expenses	**2 410 697**	1 049 866
Terminal benefits	**11 191 800**	-
	16 561 474	3 910 981

Non Executive Directors' remuneration

Analysis is as follows:

Director's fees:		
Mr. H. Hachongo	**595 459**	174 138
Mrs. E. Jhala	**588 172**	190 723
Mr. E. Samakai	**558 834**	116 092
Dr. J.M. Mwanza	**363 395**	146 497
Mr. N.A Lungu	**58 046**	174 138
Dr. J.B. Zulu	-	66 338
Mr. R.L. Bvulani	-	82 923
	2 163 906	950 851

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Directors' remuneration and key management personnel compensation (Continued)

Executive Directors' annual remuneration

	2015 K	2014 K
Analysis is as follows:		
Dr. R.K Chembe		
Basic salary	1 320 000	-
Other allowances	772 880	-
Total	**2 092 880**	-
Mr. F.C. Ndholvu (Retired April 2015)		
Basic salary	1 026 326	2 239 256
Other allowances	353 381	621 859
Terminal benefits	11 191 800	-
Total	**12 571 507**	2 861 115

34. 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:

(i) 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 and loans and advances among others

(ii) 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, amoung others.

(iii) 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 year to acquire property and equipment.

The Group operates only in one geographical segment.

34. SEGMENT REPORTING (CONTINUED)

Mortgage Financing (Continued)

GROUP

2015

External revenue	**Retail and operations**	**Wholesale Banking**	**Mortgage Financing**	**Total**
Net interest income	7 535 205	30 179 600	2 051 006	39 765 811
Net fee and commission income	56 760 657	5 822 854	1 358 727	63 942 238
Net foreign exchange trading income	-	18 338 580	-	18 338 580
Other operating income	6 650	592 002	-	598 652
Total segment income	**64 302 512**	**54 933 036**	**3 409 733**	**122 645 281**
Expenses				
Operating expenses	(61 127 914)	(78 780 464)	(4 961 820)	**(144 870 198)**
Recovery/(impairment) losses on loans and advances	-	(8 321 194)	(169 787)	**(8 490 981)**
Reportable segment operating (loss) profit before tax	**3 174 598**	**(32 168 622)**	**(1 721 873)**	**(30 715 897)**
Other gains and losses	-	-	-	-
Central administration costs and director's salaries	-	(43 065 817)	-	**(43 065 817)**
Finance costs	(21 260)	(3 360 899)	-	**(3 382 159)**
Loss before tax	3 153 338	(78 595 338)	(1 721 873)	**(77 163 873)**
Reportable segment assets	**666 077 203**	**702 048 273**	**22 719 854**	**1 390 845 331**
Reportable segment liabilities and equity	**691 803 739**	**676 321 737**	**22 719 855**	**1 390 845 331**

GROUP
2014

External revenue				
Net interest income	5 316 087	43 986 580	-	49 302 667
Net fee and commission income	52 265 712	12 310 535	393 545	64 969 792
Net foreign exchange trading income	3 905	29 265 929	-	29 269 834
Other operating income	8 050	1 574 047	-	1 582 097
Total segment income	**57 593 754**	**87 137 091**	**393 545**	**145 124 390**
Expenses				
Operating expenses	(49 804 353)	(53 210 511)	(2 366 304)	**(105 381 168)**
Recovery/(impairment) losses on loans and advances	-	**(6 452 309)**	(558)	**(6 452 867)**
Reportable segment operating (loss) profit before tax	**7 789 401**	**27 474 271**	**(1 973 317)**	**33 290 355**
Other gains and losses				-
Central administration costs and director's salaries		(38 736 990)		**(38 736 990)**
Finance costs		(1 934 738)		**(1 934 738)**
Profit (Loss) before tax	7 789 401	(13 197 457)	(1 973 317)	**(7 381 373)**
Reportable segment assets	**582 648 021**	**977 403 845**	**3 512 806**	**1 563 564 672**
Reportable segment liabilities and equity	**977 403 253**	**582 648 613**	**3 512 806**	**1 563 564 672**

34. SEGMENT REPORTING (CONTINUED)

BANK

2015	Retail and operations	Wholesale Banking	Unallocated	Total
Net revenue				
Net interest income	7 535 205	30 179 600	-	37 714 805
Net fee and commission income	56 760 657	5 822 854	-	62 583 511
Net foreign exchange trading income	-	18 338 580	-	18 338 580
Other operating income	6 650	592 002	-	598 652
Total segment income	**64 302 512**	**54 933 036**	**-**	**119 235 548**
Expenses				
Operating expenses	(61 127 914)	(78 780 464)		**(139 908 378)**
Recovery/(impairment) losses on loans and advances	-	**(8 321 194)**	-	**(8 321 194)**
Reportable segment operating (loss) profit before tax	**3 174 598**	**(32 168 622)**	**-**	**(28 994 024)**
Other gains and losses				-
Central administration costs and director's salaries	-	(43 065 818)		**(43 065 818)**
Finance costs	(21 260)	(3 360 899)		**(3 382 159)**
Profit (Loss) before tax	**3 153 338**	**(78 595 339)**	**-**	**(75 442 001)**
Reportable segment assets	**671 533 203**	**709 084 619**	-	**1 380 617 822**
Reportable segment liabilities and equity	**700 143 645**	**680 474 176**	-	**1 380 617 821**
2014				
Net revenue				
Net interest income	5 316 087	43 986 580	-	49 302 667
Net fee and commission income	51 872 168	12 704 079	-	64 576 247
Net foreign exchange trading income	3 905	29 265 929	-	29 269 834
Other operating income	8 050	1 574 047	-	1 582 097
Total segment income	**57 200 210**	**87 530 635**	**-**	**144 730 845**
Expenses				
Operating expenses	(49 804 353)	(53 210 511)		**(103 014 864)**
Recovery/(impairment) losses on loans and advances	**-**	**(6 452 309)**	**-**	(6 452 309)
Reportable segment operating (loss) profit before tax	**7 395 857**	**27 867 815**	**-**	**35 263 672**
Other gains and losses				-
Central administration costs and director's salaries	-	(38 736 990)	-	**(38 736 990)**
Finance costs	-	(1 934 738)	-	**(1 934 738)**
Profit (loss) before tax	7 395 857	(12 803 913)	-	**(5 408 056)**
Reportable segment assets	**546 682 724**	**1 022 217 114**	-	**1 568 899 838**
Reportable segment liabilities and equity	**1 022 019 159**	**546 880 679**	-	**1 568 899 838**

35. BASIC EARNING PER SHARE

	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 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 in issue during the year.				
Loss attributable to equity holders	**(51 975 400)**	(6 362 751)	**(50 914 609)**	(5 073 133)
Weighted number of ordinary shares in issue	**4 665 231**	4 665 231	**4 665 231**	4 665 231
Basic earnings per share	**(11.14)**	(1.36)	**(10.91)**	(1.09)

36. FINANCE LEASE RECEIVABLES

	GROUP 2015 K	GROUP 2014 K	BANK 2015 K	BANK 2014 K
Current finance lease receivables	**9 008 664**	4 385 127	9 008 664	4 385 127
Non-current finance lease receivables	**77 541 921**	66 808 540	77 541 921	66 808 540
	86 550 585	71 193 667	**86 550 585**	71 193 667
The movement for the year is as follows:				
At the beginning of the year	**88 542 527**	51 469 739	88 542 527	51 469 739
Additions during the year	**80 463 614**	65 230 732	80 463 614	65 230 732
Repayments during the year	**(51 674 129)**	(31 735 883)	(51 674 129)	(31 735 883)
Unrealised exchange gains	**12 116 859**	3 577 939	12 116 859	3 577 939
Gross investment in finance leases	**129 448 871**	88 542 527	**129 448 871**	88 542 527
Less: Unearned future finance income on finance leases	**(42 898 286)**	(17 348 860)	**(42 898 286)**	(17 348 860)
Net investment in finance leases	**86 550 585**	71 193 667	**86 550 585**	71 193 667

36. FINANCE LEASE RECEIVABLES (CONTINUED)

	GROUP				BANK			
	2015		2014		**2015**		2014	
	K		K		**K**		K	
Industry analysis:								
Other sectors	**14 143 335**	**11%**	3 538 942	4%	14 143 335	**11%**	3 538 942	4%
Construction, mining and quarrying	**775 720**	**1%**	9 047 466	10%	775 720	**1%**	9 047 466	10%
Manufacturing	**208 245**	**0%**	324 710	0%	208 245	**0%**	324 710	0%
Service industries	**91 739 183**	**71%**	73 565 220	83%	91 739 183	**71%**	73 565 220	83%
Wholesale and retail	**4 651 835**	**4%**	985 354	1%	4 651 835	**4%**	985 354	1%
Agriculture	**17 439 082**	**13%**	750 753	1%	17 439 082	**13%**	750 753	1%
Financial	**491 471**	**0%**	330 082	0%	491 471	**0%**	330 082	0%
	129 448 871	**100%**	88 542 527	100%	**129 448 871**	**100%**	88 542 527	100%
Sector analysis								
Private corporations	**127 431 119**	**98%**	86 564 401	98%	127 431 119	**98%**	86 564 401	98%
Non banking financial institutions	**491 472**	**0%**	330 082	0%	491 472	**0%**	330 082	0%
Individuals	**1 526 280**	**1%**	1 648 044	2%	1 526 280	**1%**	1 648 044	2%
	129 448 871	**100%**	88 542 527	100%	**129 448 871**	**100%**	88 542 527	100%

The Bank enters into finance leasing arrangements. The average term of finance leases entered into is 3 years. Unguaranteed residual dues of assets leased under the finance leases at the reporting date are estimated at **K2,653,378.67** (2014: K 1,648,044).

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%** for US Dollar denominated and **25%** 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.

37. EVENTS AFTER THE REPORTING DATE

The Bank concluded formalities for the execution of the rights issue by 31 December 2015 and has subsequent to the year end in January 2016, commenced the process of issuance of new shares. Other than this, there are no circumstances or facts that require disclosure or adjustment to these financial statements.

Appendix 1 - FIVE YEAR FINANCIAL SUMMARY

TREND ANALYSIS (OPERATING RESULTS)

	GROUP 2015	BANK 2015	GROUP 2014	BANK 2014	BANK 2013	BANK 2012	BANK 2011
INCOME	K	K	K	K	K	K	K
Interest on loans and advances	89 436 223	86 977 742	100 605 188	100 605 188	94 714 488	73 534 350	65 729 614
Profit on foreign exchange trading	18 338 580	18 338 580	29 269 834	29 269 834	14 433 392	16 200 764	14 603 449
Income on held to maturity investments	59 320 361	59 320 361	45 446 869	45 446 869	28 415 735	39 530 955	15 456 475
Net fees and commissions	61 535 202	60 176 475	64 617 151	64 223 606	71 541 043	55 814 146	32 319 477
	228 630 366	224 813 158	239 939 042	239 545 497	209 104 658	185 080 215	128 109 015
EXPENDITURE							
Interest payable	108 990 773	108 726 154	96 749 390	96 749 390	61 891 683	38 934 060	26 784 029
Staff benefit costs	103 009 287	99 868 128	71 056 314	69 586 396	63 706 361	57 449 130	39 743 813
Administration and other operating expenses	85 303 198	83 482 539	73 061 844	72 165 458	65 044 882	51 828 659	37 949 784
Provision for loan losses and bad debts	8 490 981	8 321 194	6 452 867	6 452 309	24 978 379	15 988 011	12 338 573
	305 794 239	300 398 015	247 320 415	244 953 553	215 621 305	164 199 860	116 816 199
(Loss) profit before tax	(77 163 873)	(75 584 857)	(7 381 373)	(5 408 056)	(6 516 647)	20 880 355	11 292 816
Income tax credit (expense)	24 829 087	24 527 392	1 018 622	334 923	3 736 584	(6 539 444)	(5 545 162)
(Loss) profit after tax	(52 334 786)	(51 057 465)	(6 362 751)	(5 073 133)	(2 780 063)	14 340 911	5 747 654
ASSETS							
Cash, balances with Bank of Zambia and other banks	308 578 429	308 577 979	492 923 659	492 922 093	198 493 251	227 863 900	112 208 785
Held to maturity investments	213 038 197	218 494 197	366 492 158	366 492 158	261 830 814	242 699 851	323 689 450
Loans and advances (net of provisions)	584 063 914	562 976 721	568 352 560	567 893 083	696 378 361	733 340 852	402 516 820
Other assets	285 164 791	290 568 925	132 283 489	138 079 698	157 789 033	72 798 980	65 696 329
Total assets	1 390 845 331	1 380 617 822	1 560 051 866	1 565 387 032	1 314 491 459	1 276 703 583	904 111 384

TREND ANALYSIS (OPERATING RESULTS)

LIABILITIES

	GROUP	BANK	GROUP	BANK	BANK	BANK	
	2015	2015	2014	2014	2013	2012	2011
	K	K	K	K	K	K	K
Customer deposits	1 108 233 480	1 112 375 152	1 390 818 433	1 402 108 228	1 034 480 220	1 049 198 997	710 883 566
Other borrowed funds	179 385 192	171 201 192	18 265 701	18 265 701	143 153 279	86 624 484	58 032 850
Subordinated debt	-	-	15 010 000	15 010 000	15 010 000	29 360 000	44 400 000
Other liabilities	73 427 248	71 155 900	53 823 536	53 202 916	39 975 285	30 461 221	24 076 998
	1 361 045 920	1 354 732 244	1 477 917 670	1 488 586 845	1 232 618 784	1 195 644 702	837 393 414
Shareholders funds	29 799 411	25 885 578	82 134 196	76 800 187	81 872 675	81 058 881	66 717 970
Total liabilities and shareholders funds	1 390 845 331	1 380 617 822	1 560 051 866	1 565 387 032	1 314 491 459	1 276 703 583	904 111 384

Appendix II - DETAILED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

	GROUP		BANK	
	2015	2014	**2015**	2014
	K	K	**K**	K
NET INTEREST INCOME				
Interest income	**148 899 440**	146 052 057	**146 440 959**	146 052 057
Interest expense	**(109 133 629)**	(96 749 390)	**(108 726 154)**	(96 749 390)
Net interest income	**39 765 811**	49 302 667	**37 714 805**	49 302 667
OTHER OPERATING INCOME				
Fees and commissions	**40 335 279**	42 425 323	**38 950 200**	42 425 303
Gains from dealings in foreign currencies	**18 338 580**	29 269 834	**18 338 580**	29 269 834
Ledger fees	**24 504 992**	23 644 551	**24 531 344**	23 644 551
Rental income	**77 090**	78 490	**77 090**	78 490
Gain on disposal of assets	**-**	10 000	**-**	10 000
	83 255 941	95 428 198	**81 897 214**	95 428 178
TOTAL INCOME	**123 021 752**	144 730 865	**119 612 019**	144 730 845
OPERATING EXPENSES AND BAD DEBTS				
Employee benefit expenses	**99 895 513**	68 835 515	**96 815 321**	68 098 486
Depreciation expense	**14 948 718**	11 754 620	**14 894 212**	11 739 792
Postage and communication costs	**14 108 972**	11 289 891	**14 033 873**	11 278 802
Rent and rates	**12 066 586**	8 782 761	**11 816 499**	8 719 295
Impairment charge for credit losses	**8 490 981**	6 452 594	**8 321 194**	6 452 309
Office and security expenses	**6 368 316**	5 976 514	**6 332 233**	5 951 660
Professional and legal fees	**5 913 444**	3 790 691	**5 340 486**	3 672 657
Motor vehicle expenses	**5 096 996**	6 376 119	**5 096 466**	6 375 339
Advertising	**4 411 018**	5 862 175	**4 309 545**	5 849 925
Travel expenses	**3 987 683**	4 226 855	**3 901 304**	4 224 323
Other miscellaneous expenses	**3 578 856**	4 941 951	**3 363 522**	3 747 544
Computer expenses	**4 095 376**	2 244 818	**3 729 792**	2 089 836
Fee and commission expense	**3 382 159**	1 526 317	**3 382 159**	1 934 738
Repairs and maintenance	**3 250 662**	3 118 642	**3 246 412**	3 093 405
Medical expenses	**3 113 774**	1 500 539	**3 052 807**	1 487 910
Printing and stationery	**1 572 688**	1 645 713	**1 539 930**	1 641 571
Directors fees and expenses	**2 410 697**	1 049 892	**2 410 697**	1 049 866
Subscriptions	**1 028 967**	989 146	**1 017 013**	988 160
Insurance	**625 439**	610 877	**615 125**	609 825
Water and electricity	**635 815**	547 667	**635 815**	547 667
Donations	**339 132**	506 688	**338 832**	506 688
Loss on disposal of assets	**376 469**	-	**376 469**	-
Entertainment	**66 577**	82 253	**63 527**	79 103
Bad debts written off	**420 787**	-	**420 787**	-
TOTAL EXPENDITURE	**200 185 625**	152 112 238	**195 054 020**	150 138 901
LOSS BEFORE TAX	**(77 163 873)**	(7 381 373)	**(75 442 001)**	(5 408 056)

Products & Services

- Account for farmers
- Society (Schools, churches & Small NGOs) Accounts
- Salary Account
- Current Accounts (MyChecking Account)
- Loans
- InvestLease
- Student Accounts
- Account for :Police, ZNS, ZAF,& Zambia Army
- Investment Accounts
- Savings Accounts
- SME Kantemba Business Accounts
- Forex Accounts
- InvestMobile (Mobile Banking)
- InvestNet (Internet Banking)
- VISA GreenCard, VISA InvestGo, PayEasy and More!

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BRANCH NETWORK

- Lusaka
- Kitwe
- Chipata
- Luangwa
- Chililabombwe
- Chirundu
- Solwezi
- Livingstone
- Lumwana
- Kabwe
- Ndola
- Choma
- Mongu

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