THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Document is neither a prospectus nor an invitation to the public to subscribe for shares in Investrust Bank Plc, but is an offer to existing Investrust shareholders as at the Record Date, to acquire additional shares in the Company on the terms and conditions set out in this Circular.

The definitions commencing on page 34 of this Circular apply *mutatis mutandis* to this cover.

Action Required:

- If you are in any doubt as to the meaning of the contents of this Circular or as to the action you should take, please consult your accountant, bank manager, stockbroker or other professional adviser immediately; and

- If you no longer hold any shares in Investrust, then you should send this Circular, as soon as possible, to the stockbroker through whom the sale of your shareholding in Investrust was effected for onward transmission to the purchaser or transferee of those Investrust shares.

Investrust Bank Plc
(Registered Commercial Bank)

(Incorporated in the Republic of Zambia, Company Registration Number: 21906)

Share Code: INVE

ISIN: ZM0000000235

("Investrust" or "the Company")

CIRCULAR TO SHAREHOLDERS

Regarding a

RENOUNCEABLE RIGHTS OFFER

Of **3,499,563** (Three Million Four Hundred and Ninety-Nine Thousand Five Hundred and Sixty-Three) Rights Offer Shares of ZMW 1.00 (one Zambian Kwacha) par value each in the share capital of Investrust, at a subscription price of **ZMW 11.44** (Eleven Kwacha Forty-Four Ngwee) per Rights Offer Share, on the basis of **3 new Rights Offer Shares for every 4** Ordinary Shares already held at the Record Date, payable in full on acceptance.

LEAD ADVISER

STOCKBROKERS ZAMBIA LIMITED

STOCKBROKERS ZAMBIA LIMITED

Sponsoring Broker

STOCKBROKERS ZAMBIA LIMITED

STOCKBROKERS ZAMBIA LIMITED

Independent Reporting Accountant

Grant Thornton
An instinct for growth

GRANT THORNTON ZAMBIA

Legal Adviser

VLP | VENTUS
LEGAL PRACTITIONERS

VENTUS LEGAL PRACTITIONERS

Transfer Secretary

Corpserve
Zambia

CORPSERVE ZAMBIA

Date of Issue: 29 February 2016

The Directors of Investrust, whose names are given in section E of this Circular, collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain such facts and that the Circular contains all information required by law.

Each of the Lead Advisers to the Offer and the listing, Sponsoring Broker and Legal Adviser have consented in writing to act in the capacities stated and to their names being stated and, where applicable, their reports being included in this Circular.

IMPORTANT NOTICE

Anyone in possession of this document must read the content of this page before continuing.

In compliance with the Companies Act, Chapter 388 of the Laws of Zambia, a copy of the attached renounceable rights offer ("**Offer**") circular (the "**Circular**") has been registered by the Registrar of Companies (the "Registrar") at the Patents and Companies Registration Agency in Zambia ("**PACRA**"). The Registrar has not checked and will not check the accuracy of the statements made in the Circular and therefore accepts no responsibility for the financial soundness of Investrust Bank PLC (the "**Company**") or the value of the securities concerned.

This disclaimer applies to the attached Circular issued by the Company and you are therefore instructed to read this document carefully before taking any action based on its contents.

By using this Circular in any way, you agree to be bound by the terms and conditions of this disclaimer. If you are in any doubt as to the action you should take, please consult a licensed broker, investment adviser, accountant, lawyer or other professional adviser immediately.

1) Copyright

2) Members and Residents of the EU

a) The Circular is only addressed to and directed at persons in member states of the European Economic Area (the "**EEA**") who are qualified investors ("**qualified investors**") within the meaning of Article 2(1)(e) of (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU to the extent implemented in the relevant member state of the EEA ("**relevant member state**") and any implementing measure in each relevant member state (the "**Prospectus Directive**").

b) In addition, in the United Kingdom ("**UK**"), the Circular is being distributed only to, and is directed only at:

   i) qualified investors who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act, 2000 (Financial Promotion) Order 2005, as amended (the "**order**") and qualified investors falling within Article 49(2)(a) to (d) of the order; and

   ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**").

c) The Circular must not be acted on nor relied upon in:

   i) the UK, by persons who are not relevant persons; or

   ii) any relevant member state of the EEA other than the UK, by persons who are not qualified investors.

d) Any investment or investment activity to which the Circular relates is available only to:

   i) in the UK, relevant persons; and

   ii) in any relevant member state other than the UK, qualified investors and will be engaged in only with such persons.

3) Citizens and Residents of the United States of America

a) The securities referenced in the Circular may only be distributed in offshore transactions ("**offshore transactions**") as defined in, and in accordance with, Regulation S under the Securities Act of 1933, as amended (the "**U.S. Securities Act**") ("**Regulation S**") or within the United States of America (the "**U.S.**") to qualified institutional buyers ("**QIBs**"), as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**").

b) Any forwarding, redistribution or reproduction of the Circular in whole or in part is unauthorised. Failure to comply with this notice may result in a violation of the U.S. Securities Act or the applicable laws of other jurisdictions.

c) Nothing in the transmission of the Circular (whether electronic or otherwise) constitutes an offer of securities for sale in the U.S. or any other jurisdiction where it is unlawful to do so. The securities have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the U.S. or in any other jurisdiction other than Zambia and may not be offered, sold, pledged or otherwise transferred:

d) in or into the U.S., except to a person that the holder and any person acting on its behalf reasonably believes is a QIB; or

e) outside the U.S., except, in offshore transactions in accordance with Rule 903 or 904 of Regulation S, in each case in accordance with any applicable securities laws of any state of the U.S. or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state or local securities laws.

4) Confirmation of your representation

By accepting delivery of the Circular, you are deemed to have represented to the company and its advisers that you are acting on behalf of, or you are either:

a) a person outside the U.S. (as defined in Regulation S) or (b) a QIB in the U.S. that is acquiring securities for your own account or for the account of another QIB;

b) if you are in the UK, you are a relevant person; or

c) if you are in any relevant member state other than the UK, you are a qualified investor.

d) By accepting delivery of the Circular, you are deemed to have represented to the company and its advisers that the securities acquired by you pursuant to the Circular have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in any relevant member state to qualified investors; and

e) By accepting delivery of the Circular, you are deemed to have represented to the company and its advisers that if you are outside the U.S., UK and EEA (and the address that you gave to the company or to which the Circular has been delivered is not located in such jurisdictions), you are a person into whose possession the Circular may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

5) Limiting Conditions

a) Nothing in this document constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

b) None of the Company's advisers, or any of their respective affiliates, or any of their respective directors, officers, employees or agents accept any responsibility whatsoever for the contents of the Circular or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the Circular. The Company's advisers and any of their respective affiliates accordingly disclaim all and any liability whether arising in delict, contract, or otherwise which they might otherwise have in respect of the attached Circular or any such statement. No representation or warranty express or implied, is made by any of the Company's advisers or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in the Circular.

c) The Company's advisers are acting exclusively for the Company and no one else in connection with the offer pursuant to the Circular. They will not regard any other person (whether or not a recipient of the Circular) as their client in relation to the offer and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for giving advice in relation to the offer or any transaction or arrangement referred to in the Circular.

CORPORATE INFORMATION

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Lead Adviser and Sponsoring Broker
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Zambia

CONTENTS

ACTION REQUIRED BY QUALIFYING SHAREHOLDERS

The Definitions and Interpretations commencing on page 9 of this Circular apply mutatis mutandis to this section.

This Circular is important and requires your immediate attention. The enclosed Letter of Allocation applies to all Qualifying Shareholders. The Letters of Allocation are negotiable and can only be traded on the LuSE or renounced in favour of another person. Qualifying Shareholders are referred to Annexure VII on page 138 of this Circular, which sets out the procedures to be followed by Qualifying Shareholders in relation to the Offer.

COURSES OF ACTION

Action to be taken by Investrust Shareholders and/ or Non Shareholders
▪ In order to participate in the Investrust Rights Offer, you need a copy of this Circular and your Letter of Allocation, which indicates your name, the number of Investrust Shares that you held as at the Record Date, which was Friday, 26 February 2016, and the number of Rights Offer Shares that you are entitled to purchase on the basis of 3 new shares for every 4 shares held on Record Date and then follow the courses of action provided in Annexure VII, on page 138 of this Document and summarized below. ▪ If you are a Shareholder and wish to buy more Rights Offer Shares, over and above your entitlement on the Record Date, you should contact your stockbroker to purchase tradable rights or Letters of Allocation (LAs) listed on the LuSE during the Offer Period from 29 February 2016 to 01 April 2016, at the then prevailing market price, and thereafter proceed to subscribe for the Rights Offer Shares associated with the purchased LAs, at the Offer Price of **ZMW 11.44 (Eleven Kwacha Forty-Three Four)** per Rights Offer Share. ▪ Non-shareholders who wish to participate in the Investrust Rights Offer should contact a stockbroker to purchase tradable rights or LAs listed on the LuSE during the Rights Offer Period from 29 February 2016 to 01 April 2016, at the then prevailing market price, and thereafter proceed to subscribe for the Rights Offer Shares associated with the purchased LAs at the Offer Price of **ZMW 11.44 (Eleven Kwacha** and Forty Four Ngwe**)** per Rights Offer Share.

OPTIONS FOR SHAREHOLDERS

Pursuant to this Rights Offer by Investrust, Qualifying Shareholders (both Qualifying Dematerialised and Certificated Shareholders) may elect one of four courses of action to follow. The four options are summarised below. Should you have any questions about the appropriate action to take, please consult your financial Adviser or stockbroker, or the Sponsoring Broker, Stockbrokers Zambia Limited.

Qualifying Shareholders should note that the Letters of Allocation can only be traded on the LuSE and only during the Offer Period from Monday, 29 February 2016 to 01 April 2016. All rights not accepted, sold or renounced by last day to accept, sell or renounce, will lapse.

1. SUBSCRIBE for Rights Offer Shares offered (acceptance)

Complete Section A of the Renounceable Letter of Allocation (at the end of this Circular) and lodge the completed form together with the payment with the Sponsoring Brokers or any of the authorised Receiving Agents at the addresses set out in the "Directory of Receiving Agents" contained in ANNEXURE VII no later than 12h00 on **Wednesday, 30 March 2016**.

2. SELL your rights through the LuSE (renunciation)

Complete Section B of the Renounceable Letter of Allocation (at the end of this Circular) and send it to your stockbroker, or to the Sponsoring Broker with the instructions to **"sell the rights"**. Participants will be permitted to sell their Rights over the LuSE during the Offer Period.

3. SUBSCRIBE in part for Rights Offer Shares AND SELL the remaining rights through the LuSE

Complete Section B (Instruction to sell) of the Renounceable Letter of Allocation (at the end of this Rights Offer Circular) and send it to your stockbroker, or to the Sponsoring Broker with the "instructions to sell the rights".

Participants will be permitted to sell their Rights only through the LuSE during the Offer Period from Monday, 29 February 2016 to Friday, 01 April 2016.

4. NON ACTION

Shareholders not selecting any of the foregoing options by **01 April 2016**, the closing of the Offer Period, and/or if the required documentation and payment have not been received by the Sponsoring Broker or any of the authorised Receiving Agents in accordance with the instructions contained in Annexure VII by Wednesday, **30 March 2016 at 12h00**, then the Rights Offer shares will be deemed to have been declined and the entitlement will decline.

IMPORTANT INFORMATION

The definitions as set out in the "Definitions and Interpretations" section of this Circular apply to this section regarding important information.

The information below is not intended to constitute legal advice and it does not purport to describe all of the considerations that may be relevant to Qualifying Shareholders or renouncees. Qualifying Shareholders or their renouncees who are not resident in Zambia are urged to seek further professional advice with regard to the subscription for Rights Offer Shares and the sale and purchase of Letters of Allocation.

The Rights Offer is being made in accordance with the Company's Act Chapter 388 of the Laws of Zambia (the "*Companies Act*"), the Securities Act Chapter 354 of the Laws of Zambia (the "*Securities Act*") and the LuSE Listing Requirements in Zambia (the "*Listing Rules*"). The Rights Offer is addressed to persons to whom it may lawfully be made. By subscribing for any Rights Offer Shares, you will be deemed to have represented and agreed that (a) you are not (and any person for whom you are acting is not) (i) resident in any jurisdiction in which such offer would be unlawful; or (ii) a person to whom the Rights Offer may not lawfully be made; and (b) you have received all necessary information to make an informed investment decision.

No person has been authorised by Investrust to give any information or to make any representation not contained in or not consistent with this Circular or any other information supplied in connection with the Rights Offer. If given or made, such information or representation must not be relied upon as having been authorised by Investrust, the Lead Adviser, the Sponsoring Broker, the Reporting Accountants, the Legal Advisers, or the Transfer Secretary. Neither the delivery of this Circular nor any subscription made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of Investrust since the date of the publication of this Circular, or that any other financial statement or other information supplied in connection with the Circular is correct at any time subsequent to the date indicated in the document containing the same.

The distribution of this Circular in certain jurisdictions may be restricted by law. Persons into whose possession this Circular comes are required by Investrust, the Lead Adviser, the Sponsoring Broker, the Reporting Accountants, the Legal Advisers, and the Transfer Secretary to inform themselves about the Circular and to observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Circular does not constitute an offer to sell or the solicitation of an offer to buy or subscribe for any Letters of Allocation, Forms of Instruction or Rights Offer Shares, in any jurisdiction, to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither Investrust nor the Lead Adviser, the Sponsoring Broker, the Reporting Accountants, the Legal Advisers or the Transfer Secretary represent that this Circular may be lawfully distributed, or that any Letters of Allocation, Forms of Instruction or Rights Offer Shares may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available there under, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by Investrust, the Lead Adviser, the Sponsoring Broker, the Reporting Accountants, the Legal Advisers or the Transfer Secretary that would permit a public offering of any Letters of Allocation, Forms of Instruction and Rights Offer Shares or distribution of this Circular in any jurisdiction where action for that purpose is required. Accordingly, no Letters of Allocation, Forms of Instruction or Rights Offer Shares may be offered or subscribed for, directly or indirectly, and neither this Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except in compliance with any applicable laws and regulations. To the extent that this Circular may be sent to any jurisdiction in which the dissemination of this Circular is illegal or fails to conform to the laws of such jurisdiction, it is provided for information purposes only.

The Letters of Allocation, Forms of Instruction and Rights Offer Shares have only been registered under Zambian securities laws and have not been and will not be registered under the securities laws of any other jurisdiction and may therefore not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within any other jurisdictions except in accordance with certain regulations and laws. There will be no public offer of the Letters of Allocation, Forms of Instruction and Rights Offer Shares in jurisdictions outside Zambia.

The Letters of Allocation, Forms of Instruction and Rights Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or jurisdiction of the United States. The Letters of Allocation, Forms of Instruction and Rights Offer Shares may not be offered, sold, subscribed for, resold, transferred or delivered within the United States or to US persons except in accordance with regulations under the US Securities Act. There will be no public offer of the Letters of Allocation, Forms of Instruction and Rights Offer Shares in the U.S.

Market and industry data

Market and other statistical information used throughout this Circular are based on independent industry publications, government publications or other published independent sources. Although Investrust believes these sources are reliable, the Company has not verified the information independently and cannot guarantee its accuracy and completeness.

Forward looking statements

This Circular includes “forward-looking statements” which include all statements other than statements of historical facts, including, without limitation, those regarding Investrust’s financial position, profit and revenue forecasts, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to Investrust’s Subsidiariess or Investees products and services) and any statement preceded by, followed by or that includes the word “projects”, “prospects”, “estimates”, “targets”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “would”, “could” or “seeks” or any similar expression or the negative thereof.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the actual results, performance and/or achievements of Investrust to be materially different from future results, performance and/or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Investrust’s present and future business performance and/or strategies and the environment in which Investrust will operate in the future.

These forward-looking statements speak only as of the date of this document. Investrust and its Directors expressly disclaim any obligation or undertaking to disseminate revisions to any forward-looking statements contained in this Circular to reflect any change in Investrust’s expectations with regard to such statements or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by applicable law.

SALIENT DATES AND TIMES

1st announcement – Publication of Declaration Announcement	Friday, 05 February 2016
2nd announcement – Publication of Finalisation Announcement	Monday, 15 February 2016
Last day to trade in Investrust Shares (cum entitlement);	Tuesday, 23 February 2016
Record Date	Friday, 26 February 2016
Investrust Rights Offer opens; Dealing commences in Letters of Allocation;	Monday, 29 February 2016
Last day for dealing in Letters of Allocation	Tuesday, 29 March 2016
Last day for payment; Investrust Rights Offer closes	Friday, 01 April 2016
3rd announcement: Results of Investrust Rights Offer announced	Monday, 11 April 2016
Expected date of listing of New Shares on the LuSE	Monday, 11 April 2016
Letters of allocation posted/sent on or about	Friday, 15 April 2016

Notes:

1 All times referred to in this Circular are Zambian times.

2 The above dates and times are subject to amendment. Any material variation of the above dates and/or times will be published in the local press.

3 Qualifying Shareholders are required to notify their stockbroker, or the Sponsoring Broker with their instructions on which course of action they wish to follow.

DEFINITIONS AND INTERPRETATIONS

The following definitions apply throughout this Circular, unless otherwise stated or the context requires otherwise. In this Circular, unless otherwise indicated, the words or phrases in the left hand column bear the meaning stipulated in the right hand column. Words in the singular shall include the plural and vice versa, words importing natural persons shall include juristic persons (whether corporate or unincorporated and vice versa) and words in the masculine shall import both the feminine and neuter.

"AGM"	the **24th Annual General Meeting** of Investrust shareholders held at Raddison Blu in Lusaka, Zambia on **02 April 2015** at which the Rights Offer approval was renewed;
"Agreement"	the agreement concluded between Investrust and the Anchor Subsriber(s) in terms of which the Anchor Subscriber(s) undertook to guarantee full subscription of the Investrust Rights Offer at the Subscription Price. The commission for such an undertaking is 2.00% of the value of the full subscription;
"Anchor Subscriber"	investor that agreed to guarantee that the minimum subscription the Investrust Rights Offer, in this instance ZCCM-IH;
"Articles"	the Articles of Association of Investrust Bank Plc;
"Authorised Share Capital"	Investrust Bank Plc's authorised share capital of 120,000,000 Ordinary Shares;
"Bank of Zambia" or "BOZ"	the Central Bank of the Republic of Zambia;
"Board"	the Board of Directors of Investrust Bank Plc;
"Business Day"	any day other than a Saturday, Sunday or official public holiday in Zambia;
"Circular" or "Document"	this Circular to Investrust Shareholders which sets out the details of the Rights Offer and incorporates all notices, letters and appendices relating to the proposed Transaction;
"Closing Date"	the date on which the Rights Offer closes, being 16h00 on Friday, **01 April 2016**;
"Companies Act"	the Companies Act Cap 388 of the Laws of Zambia;
"CSD" or "LuSE CSD"	the Central Securities Depository maintained by the LuSE CSD;
"Directors"	the executive and non-executive directors of Investrust;
"GRZ"	the Government of the Republic of Zambia;
"Holders of Record Report" or "HOR"	a report issued by the CSD, listing all holders of securities on a specific date;
"Independent Reporting Accountant"	Grant Thornton Zambia;
"Investrust Bank Plc" or "Investrust" or "the Company" or "the Bank"	Investrust Bank Plc, a company duly registered and incorporated in terms of the laws of the Republic of Zambia (registration number 21906). Investrust Bank Plc is licensed and regulated by the Bank of Zambia (BOZ) under the Banking and Financial Services Act Chapter 387 of the laws of Zambia;
"Lead Adviser"	Stockbrokers Zambia Limited;
"Legal Adviser"	Ventus Legal Practitioners;
"Letters of Allocation" or "LAs"	the renounceable Letter of Allocation, for each shareholder of Investrust as at Record Date, in respect to the Rights Offer , which is attached hereto as Appendix 4, that will be posted to each shareholder of Investrust after the Record Date, and which sets out the entitlement of the person/shareholder to whom this Circular is addressed with respect to

	the Rights Offer;
"Listing"	the proposed listing of the Rights Offer Shares on the LuSE, being on or about Monday, 11 April 2016;
"LuSE"	The Lusaka Stock Exchange, the official market in Zambia, authorised and licensed by the SEC for secondary trading of quoted and listed securities;
"LuSE Listing Requirements"	The Listing Requirements of the LuSE, being the rules regulating equities listed on the LuSE;
"Management"	The members of management of Investrust;
"Minimum subscription"	The subscription for a minimum of 3,499,563 new shares, being the minimum threshold for the Rights Offer to be successfully concluded;
"Offer Period"	The period during which the Rights Offer will be open being from Monday, 29 February 2016 to Friday, 01 April 2016;
"Ordinary Shares" or "Investrust Shares" or "Shares"	Existing Ordinary Shares of a nominal value of ZMW 1.00 (One kwacha) each in the issued share capital of Investrust, which are listed on the LuSE;
"Opening Date"	The date the Rights Offer opens and Letters of Allocation are listed on the LuSE, being Monday, 29 February 2016;
"Participants"	Institutions accepted by the LuSE CSD as participants in terms of the Securities Act;
"Qualilying Shareholders"	Investrust shareholders who appear in the books of the Company as at Record Date
"Ratio of Entitlement"	the number of Rights Offer Shares to which Investrust Shareholders are entitled to subscribe for in terms of the Rights Offer, being 3 Rights Offer Shares for every 4 Investrust Shares held on the Record Date for the Rights Offer;
"Rights"	the entitlement to subscribe for Investrust Rights Offer Shares pursuant to the Rights Offer;
"Rights Offer" or "Rights Offer" or "the Offer"	the renounceable rights offer to subscribe for **3,499,563 (Three Million Four Hundred and Ninety-Nine Thousand Five-Hundred and Sixty-Three)** new Investrust Ordinary Shares of ZMW 1.00 par value each ("Rights Offer Shares") in the issued share capital of Investrust, to be issued at a subscription price of ZMW 11.44 (Eleven Kwacha Forty-Four Ngwee) per share on a ratio of 3 Rights Offer Shares for every 4 Investrust Shares held at the Record Date, to raise ZMW 40,000,000 (forty million Zambian Kwacha) gross funds as described in this Circular;
"Rights Offer Shares"	the **3,499,563** (Three Million Four Hundred and Ninety-Nine Thousand Five Hundred and Sixty-Three) new Investrust ordinary shares, to be offered to Investrust Shareholders registered as such on the Record Date, and applied for by such Shareholders pursuant to the Rights Offer;
"Record Date"	The date on which the register of Investrust Shareholders will be closed to determine eligibility of Shareholders for participation in the Rights Offer, which time and date is as at the close of business on Friday, 26 February 2016;
"SEC"	The Securities and Exchange Commission of Zambia, a corporate body created under the Securities Act, and responsible for regulation of the Zambian securities market;
"SENS"	the Stock Exchange News Service of the LuSE;
"Securities Act" or "the Act"	The Securities Act Chapter 354 of the laws of Zambia;

"Shareholder"	A holder of Investrust Ordinary Shares registered in the Investrust share register and, particularly for the purposes of this Circular, as at the Record Date;
"Sponsoring Broker"	Stockbrokers Zambia Limited;
"Stockbrokers Zambia Limited" or "SBZ"	Stockbrokers Zambia Limited, a company incorporated with limited liability in Zambia and member of the LuSE, sponsoring brokers and Lead Advisers to Investrust regarding the Rights Offer;
"Subscription Price"	ZMW 11.44 (Eleven Kwacha Forty-Four Ngwee) per Rights Offer Share;
"Transaction"	the Rights Offer by the Company as more fully described in this Circular;
"Transfer Secretary"	Corpserve Zambia Share Transfer Agents;
"US $" or "US$"	United States Dollar;
"ZCCM-IH"	ZCCM Investments Holdings Plc, a company duly registered and incorporated in terms of the laws of the Republic of Zambia (registration number: 771).
"ZMK"	Zambian Kwacha prior to rebasing in 2012.
"ZMW" or "K" or "Kwacha"	Zambian Kwacha, the legal currency of the Republic of Zambia.

SALIENT FEATURES OF THE RIGHTS OFFER

This summary section highlights certain information contained in this Circular, which should be read in its entirety for a full appreciation of the subject matter contained herein. If you are in any doubt as to its meaning, or what action to take, please consult, a licensed broker, investment adviser, accountant, lawyer or other professional adviser immediately.

This section does not purport to be complete and is taken from, and is qualified by, the remainder of this Circular. Terms not otherwise defined in this section have the same meaning as used in the "Definitions and Interpretations" section of this Circular.

Principal Purpose of the Rights Offer

The Board is proposing a Rights Offer to raise ZMW 40,000,000 (forty million Zambian Kwacha) to be applied towards attaining the minimum regulatory capital requirement for a locally owned Zambian commercial bank. The Rights Offer will substantially increase the capital base of Investrust and raise its regulatory Tier 1 capital from the current level of ZMW 67.65 million to meet the required minimum ZMW 104 million. The strengthening of Investrust's balance sheet will allow the Company to compete in the Zambian banking sector. A total of **3,499,563** (Three million Four Hundred and Ninety-Nine Thousand Five Hundred and Sixty Three) Rights Offer Shares are being offered, at a subscription price of ZMW11.44 per Rights Offer Share, to give effect to the Transaction.

Terms of the Rights Offer

Investrust have entered into an agreement with ZCCM-IH in terms of which ZCCM-IH has subscribed for all the 3,499,563 Rights Offer Shares. A total of ZMW 40,035,000.72 has been paid by ZCCM-IH to Investrust in accordance with the Agreement for the subscribed shares, therefore guaranteeing full subscription of the Offer. All shareholders in the books of the Company as at the Record Date have the opportunity to exercise their Rights by purchasing the Rights Offer Shares from the Anchor Subscriber based on their Ratio of Entitlement.

Therefore, 3,499,563 (Three million Four Hundred and Ninety-Nine Thousand Five Hundred and Sixty Three) Rights Offer Shares are being offered for cash at a Subscription Price of ZMW 11.44 (Eleven Kwacha Forty-Four Ngwee) each, payable in full on acceptance, on the basis of 3(Three) new Investrust Rights Offer Shares for every 4 (Four) Ordinary Shares already held, to existing Investrust Shareholders registered on the Record Date. The new Rights Offer Shares to be issued pursuant to the Rights Offer will be issued as fully paid and will rank pari passu, in all respects, with all existing Investrust Shares with effect from the date of issue. The Subscription Price is at a discount of 15% to the current Investrust share price.

Share capital structure of Investrust before and after the Rights Offer

Share capital before the Rights Offer:	**Before the Rights Offer**
Current number of authorised Ordinary Shares	120,000,000
Current number of issued Ordinary Shares	4,665,532
Number of unissued Ordinary Shares before the Rights Offer	115,334,769
Nominal value of Ordinary Shares	ZMW1.00

Share capital following successful completion of the Rights Offer:	**Following completion of the Rights Offer**
Number of authorised Ordinary Shares	120,000,000
New Ordinary shares to be issued under the Rights Offer (at a ratio of 3 for 4)	3,499,563
Number of issued Ordinary Shares after the Rights Offer	8,165,095
Number of unissued Ordinary Shares after the Rights Offer	111,834,905
Nominal value of the Rights Offer Shares	ZMW 1.00
Subscription price of the Rights Offer Shares	ZMW 11.44
Discount to current share price	15%

Summary of unaudited financial information on Investrust as at the six months period ended 30 June 2014 and 2015

	2015 (ZMW'000)	**% Change**	**2014 (ZMW'000)**
Total capital and reserves	**72,744**	**-15.54%**	**86,133**
Total assets	1,473,841	26.14%	1,168,432
Loans and advances	560,773	-17.63%	680,771
Customer deposits	**1,192,062**	**29.88%**	**917,828**
(Loss) Profit after tax	**(8,757)**	**-839.61%**	**1,184**
(Loss) Income attributable to ordinary shareholders	**(8,006)**	**-776.18%**	**1,184**

A. LETTER TO INVESTRUST SHAREHOLDERS

Investrust Bank Plc

(Incorporated in the Republic of Zambia, Company Registration Number: 21906)
Share Code: INVE
ISIN: ZM0000000235
("Investrust" or "the Company")

Directors: Dr. J. M. Mwanza (Chairman), Dr. R. K. Chembe (Managing Director), E. Jhala, H. Hachongo, E. Samakai
Address: Ody's Park, Plot No. 19028/9, Great East Road, P. O. Box 32344, Lusaka, Zambia.

CIRCULAR TO SHAREHOLDERS

Dear Shareholder,

At our 24th AGM held on 02 April 2015, the Directors sought and received the renewal of the approval of the Shareholders to proceed with a capital raise by way of a Rights Offer. Accordingly, the purpose of this Circular is to provide Investrust Shareholders with the requisite statutory and regulatory information with respect to the Transaction.

1. INTRODUCTION

In order to comply with the minimum capital requirements of the BOZ, the Bank proposed to raise ZMW 40 million, via a Rights Offer to Shareholders to subscribe for 3,499,563 (Three Million Four Hundred and Ninety-Nine Thousand Five Hundred and Sixty-Three) new Investrust Ordinary Shares.

Pursuant to the adoption of the AGM resolutions to proceed with the capital raise by way of a Rights Offer, ZCCM Investments Holdings ("ZCCM-IH") entered into an agreement to subscribe for all 3,499,563 new Ordinary Shares, which represents all the new Investrust Ordinary Shares to be issued under the Rights Offer, at a price of ZMW 11.44, thereby guaranteeing full subscription of the Offer. These shares are subject to purchases by Qualifying Shareholders in exercise of their rights to subscribe for the new shares on a ratio of 3 Rights Offer Shares for every 4 Investrust Shares held at the Record Date. Rights Offer Shares that are not taken up by Qualifying Shareholders by Closing Date shall be allocated to ZCCM-IH.

The recapitalisation of Investrust Bank PLC has therefore been realised and completed via the subscription by ZCCM-IH for 100% of the Rights Offer, in advance of the opening date for Qualifying Shareholders to participate in the Rights Offer. A total of ZMW 40,035,000.72 has already been paid by ZCCM-IH to Investrust in accordance with the Agreement.

2. NATURE AND PURPOSE OF TRANSACTION

On 30 January 2012, the BOZ increased the minimum capital requirements for both local and foreign banks. The minimum primary capital requirement for local banks was increased to ZMW 104 million from ZMW 12 million. Over the last three years, the Bank has been working to achieve compliance with these capital requirements and now requires an additional ZMW 40,000,000 in Tier 1 Capital, the purpose for which the Rights Offer is intended. The Transaction is the raising of ZMW 40,000,000 by Investrust via issuance of new Investrust Shares to Shareholders of Investrust on the basis of 3 new Shares for every 4 existing Shares held as described above.

Following the successful completion of the Rights Offer, the Bank will be in compliance with the BOZ capital requirements and possess a higher quality and more efficient capital structure.

3. APPLICATION OF PROCEEDS

As highlighted above, the proceeds of the Rights Offer would be applied towards the Bank's Tier 1 capital requirements, specifically the funding of operational liquidity and decreasing the current borrowings from more expensive sources of funding, such as institutional investors. The Bank also intends to apply a portion of the proceeds to consolidate its investments in its ICT platforms and delivery channels to increase efficiency and effectiveness in its service delivery.

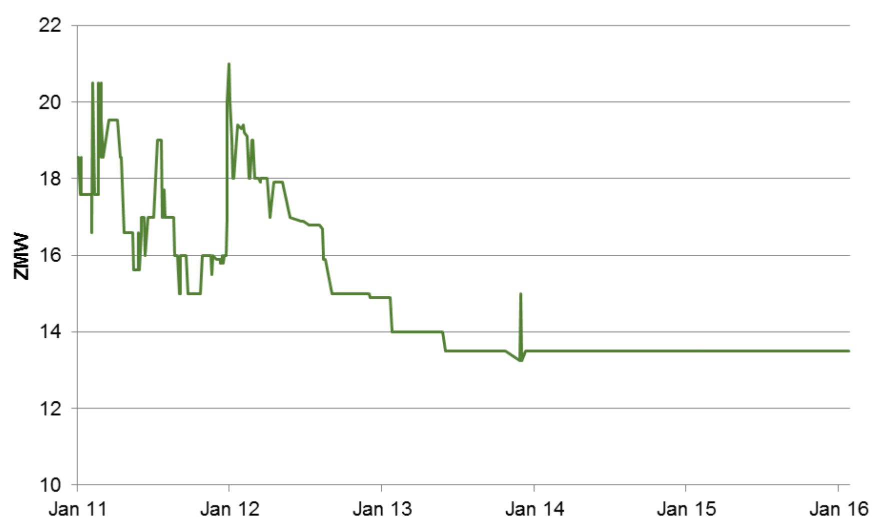
The Bank has faced challenges in the current market including coping with an increasingly tough regulatory environment for commercial banks coupled by the relentless competition from larger and more heavily capitalized banks. Management believes that the new injection of capital and the restructuring of the Bank's funding structure will create significant opportunities for the Company. The Board and Management are implementing a turnaround strategy for the Bank to increase interest income and reduce interest expenses and operating costs.

The Bank is undertaking the following measures to turnaround its operations to profitability:

- Restructure the business to a sales oriented model and streamlining its operations;
- Deposit mobilization and diversification;
- Grow Government deposit portfolio by targeting Government consumption units such as hospitals, schools, district and provincial offices rather than Central Government;
- Reducing Non Performing Loans through improving and reinforcing its credit underwriting and control processes;
- Increase Non-Interest Income through aggressive marketing of its treasury and electronic banking products; and
- Improve its capital base via the Rights Offer recapitalization exercise, which ultimately gives the Bank more capacity to undertake larger ticket deals.

4. SHARE PRICE

The Rights Offer Subscription Price is set at ZMW 11.44 per share, which is a 15% discount to the current share price of ZMW 13.50. The graph below illustrates the movement in the share price over the last five years. There has been limited movement in the share price over the last three years characterized by low liquidity. As a result, the 90 day volume weighted average Investrust share price (as at 29 January 2016) was ZMW 13.50, with the 12 month high and low also being ZMW13.50.



5. SHARES UNDER OPTION

As at the last practicable date there were no share options issued or proposed to be issued

6. PREVIOUS ISSUES AND OFFERS

Investrust has not implemented any rights offers in the previous 12 months. In addition, the Company has not paid any commissions or brokerage fees nor authorised any discounts relating to the issue or sale of any securities, stock or corporate bonds in the capital of the Company in the previous three years, other than those disclosed in any annual reports.

7. DIVIDENDS (Dividend policy and history)

The Bank's dividend policy is to maintain a steady level of dividends and to minimize significant fluctuations that would result from changing profitability levels. An interim dividend may be declared depending on the Bank's cash flow and ability to pay.

Actual dividend payout, as a percentage of net income, will be determined by the capital position relative to loans, deposits, total assets, and projected growth objectives. The dividend amount will be recommended by the Board for approval by the shareholders at the Annual General Meeting.

The dividend pay-out ratio will not exceed 25% of profits after tax, to a maximum of 5% of paid-up capital. When deciding on the dividend to be paid out the Board would take cognisance of the following guiding principles:

- No dividends shall be paid out of unrealised profits; dividends shall only be paid out of a profitable period's retained earnings.
- Whenever the Statutory Reserve Fund is less that the paid-up or assigned capital at least 20% of the profits for the year must be transferred to the Statutory Reserve Fund, as required under the Banking and Financial Services Act.
- The Banking and Financial Services Act stipulates that no financial institution shall declare, credit or pay any dividend or make any other transfer from profits whenever such declaration, credit, payment or transfer would result in an impairment of the capital required under the Act. The Bank would therefore always obtain regulatory approval of the Bank of Zambia before declaring any dividend.

8. GUARANTEED FULL SUBSCRIPTION

The Rights Offer has been fully subscribed for by ZCCM-IH to an amount of approximately ZMW 40 million, representing 100% of the Rights Offer amount and subject to the terms of the Agreement signed between the Bank and ZCCM-IH. ZCCM-IH has subscribed and paid for all 3,499,563 Rights Offer Shares hence ensuring that the required ZMW 40 million capital is raised prior to the Rights Offer. The Agreement is available for inspection at the registered office of Investrust and the Sponsoring Broker during normal business hours.

9. EXPENSES OF THE RIGHTS OFFER AND TRANSACTION

The total expenses related to the Rights Offer and Transaction will be borne by Investrust from the proceeds of the Rights Offer. Such expenses are estimated at approximately ZMW 2,744,068 or 7% of the gross proceeds of the Rights Offer.

10. DIRECTORS' OPINIONS AND RECOMMENDATIONS

The Directors consider the Transaction to be fair and reasonable so far as the Shareholders of Investrust are concerned and to be in the best interests of the Bank's future performance. Accordingly, the Directors unanimously recommend that Shareholders follow their rights and participate in the Rights Offer.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of Investrust, whose names are set out in paragraph 1 of the "Statutory Information" section of the Circular, being Part E, collectively and individually accept full responsibility for the accuracy of the information provided in this Circular and certify that, to the best of their knowledge and belief, there are no other facts the omission of which make any statement in this Document false or misleading, that they have made all reasonable inquiries to ascertain such facts (where applicable), and that this Circular contains all information required by law.

The Directors confirm that the listing particulars include all such information within their knowledge (or which it would be reasonable for them to obtain by making enquiries) as investors and their professional advisers would reasonably require and reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the issuer and of the rights attaching to the securities to which the listing particulars relate.

12. TAX CONSEQUENCES

Qualifying Shareholders and/or their Renouncee(s) are advised to consult their professional advisers regarding the tax consequences of the Rights Offer.

13. EXCHANGE CONTROLS

There are no exchange controls in Zambia.

14. JURISDICTION

The Rights Offer Shares have not been and will not be registered in any jurisdiction outside of Zambia. Any investor(s) from any jurisdiction outside of Zambia, is (are) required to comply with the laws of that jurisdiction in participating in this Rights Offer. The distribution of this Circular and the offer of Rights Offer Shares may be restricted by law in certain jurisdictions. Persons who come into possession of this Circular are cautioned to familiarise themselves, and to observe any such restrictions.

15. FINANCIAL EFFECTS OF THE RIGHTS OFFER

The table below sets out the pro forma financial effects of the offer based on the published unaudited financial statements of Investrust for the six months period ended 30 June 2015.

The unaudited pro forma financial effects set out below have been prepared to assist Investrust Shareholders to assess the impact of the Rights Offer on the EPS and NAV per share of the Company. These pro forma financial effects, are presented for illustrative purposes only, and because of their nature, may not fairly present the Company's financial position, changes in equity, results of operations or cash flows nor the effects and impact of the Rights Offer going forward.

The unaudited pro forma financial effects have been prepared in accordance with the LuSE Listings Requirements and the Guide on Pro Forma Financial Information issued by the Zambian Institute of Chartered Accountants and are consistent with those applied in the published unaudited financial statements of Investrust for the six months period ended 30 June 2015. These unaudited pro forma financial effects are the responsibility of the Board. The Report on the compilation of the pro forma financial information is set out in ANNEXURE V of this Circular. The unaudited pro forma financial effects set out below should be read in conjunction with the full unaudited financial position as at 30 June 2015 and full audited statement of comprehensive income for the six months ended 30 June 2015 that is set out in ANNEXURE V of this Circular.

Pro forma financial effects of the Rights Offer

	Before	Pro forma adjustments	**After**	Percentage change (%)
EPS (ZMW)	-1.88	+0.81	**-1.07**	+ 43.09 %
NAV per share (ZMW)	14.92	-6.39	**8.53**	(-) 42.83 %
Ordinary Shares in issue	4,665,532	+3,499,563	**8,165,095**	+75.01 %
Weighted average number of Ordinary Shares in issue	4,665,532	+3,499,563	**8,165,095**	+75.01 %

B. INFORMATION RELATING TO INVESTRUST AND ITS SUBSIDIARY

1. HISTORY

Investrust Bank Plc is a public limited company and is incorporated under the Companies Act Chapter 388 of the 'laws of Zambia. The Bank is licensed under the Banking and Financial Services Act Chapter 387 of the Laws of Zambia to conduct commercial banking services and has a primary listing on the Lusaka Stock Exchange.

Key Dates in the History of Investrust Bank

1990	**17th October incorporation of Investrust Merchant Bank in Lusaka**
1996	Investrust Merchant Bank Zambia Limited formed with one branch in Lusaka.
1998	Second branch opened in Kitwe.
1999	Opened an Agency at Mulungushi House.
2002	Changed the bank name from Investrust Merchant Bank Zambia Limited to Investrust Bank Limited.
2003	Opened an Agency at Arcades Shopping Centre.
2004	Third branch opened in Chipata; Total Assets exceeded ZMK 100 billion for the first time; Total Deposits exceeded ZMK 100 billion for the first time; converted from a private company to a public limited company and became quoted on the LuSE.
2005	An ultra modern Savings Centre was opened at the Lusaka branch.
2006	The Investlease Product, to cater for small to medium size leases, was launched.
2006	Investrust celebrated its 10th Anniversary and opened the Luangwa Branch.
2007	Bank fully listed on the LuSE; launched the ZMK 100 billion Medium Term Note Programme; roll out of upgraded banking system and real time banking across branch networks and launch of ATM product through ZAMLINK.
2008	Opened Chililabombwe Branch and Solwezi Branch; Total Assets exceeded ZMK 450 million for the first time; successfully negotiated a credit line of US$ 3 million with NORSAD; completed upgraded banking system - credit module, treasury dealing modules and AutoMIS reporting modules.
2009	Opened Lumwana Mine Branch near Solwezi (first bank in Lumwana); Livingstone Branch; Lusaka Industrial Branch; signed agreements of credit lines with the European Investment Bank (EIB) and the Africa Development Bank (AfDB); launched Money Gram service.
2010	Launched VISA acquiring service at its ATM networks, launched Internet Banking; opened Kafue Road Branch and Chirundu Branch.
2011	Launched SME Banking product, VISA and Internet Banking and Offsite ATM.
2011	Rights Issue - raised additional capital worth ZMK26Million
2012	InvestMobile Banking service launched; InvestFarmer account introduced; Total Assets reached ZMW 1 billion for the first time; Total deposits exceeded ZMW 1 billion for the first time.
2013	Kabwe, Ndola President Avenue, Ndola Buteko Avenue and Mongu branches launched.
2014	Kitwe Freedom Avenue, Copperbelt University and Chingola branches launched.
2014	Agency Banking channel launched; Bank's own Switching system installed and commissioned.

2. NATURE OF BUSINESS AND OVERVIEW OF OPERATIONS

Investrust currently has 27 branches spread in the following towns: Lusaka, Kitwe, Chipata, Chirundu, Chililabombwe, Chingola, Choma, Kabwe, Mongu, Ndola, Solwezi, Lumwana, Livingstone and Luangwa. Apart from the 27 branches the Bank also has three (3) agency offices in Lusaka at the Lusaka International Airport, Mwami Border Post in Chipata and at Harry Mwanga Nkumbula International Airport in Livingstone.

The Bank has built its information technology system based on the best standards in the banking industry and all services are fully computerized. The Bank has state of the art information and communication technology, which will be further developed following the planned investment from a portion of the proceeds of the Rights Offer.

The business structure of Investrust Bank is summarized below:

2.1 Retail and SME Banking

The provision of retail banking services to the consumer market in Zambia currently constitutes the core activities of Investrust Bank. The introduction of Agency banking underpins the Bank's commitment to ensuring easier accessibility of its banking services to its customers. This is set to increase and anchor the Bank's operations as more branches are opened and latest alternative delivery channels implemented as part of the expansion and growth strategy.

2.2 Treasury Banking

The Treasury function at Investrust Bank is primarily responsible for liquidity management in both local and foreign currencies and management of various business risks. The Treasury Department takes an active role in the money market to generate interest income via investments in treasury bills and government bonds and margin income on foreign exchange transactions.

2.3 Corporate Banking

Investrust Bank is progressively repositioning itself in the Zambian financial market by offering products based on a market segmentation strategy. In this regard the Corporate Banking department has focused on medium-sized enterprises and emergent Zambian entrepreneurs and corporations.

One of the recently introduced products is "Investlease". Leasing financing is expected to grow significantly and contribute significantly to revenue generation in the immediate term.

3. MARKET OVERVIEW

The structure of the banking industry as at year end 2015 comprised: The Bank of Zambia and 19 commercial banks. 16 foreign owned, 2 owned by local private investors, and 1 jointly owned by the Zambian Government and the Indian Government.

Non-Bank Financial Institutions as at end 2012 comprised of 8 leasing companies, 4 building societies, , 1 savings and credit bank, 1 development finance institution,57 bureaux de change,1 credit reference bureau and 35 micro-finance institutions. Regulated and supervised by the Bank of Zambia under the Banking and Financial Services Act Chapter 387 of the Laws of Zambia 2000.

The banking industry in Zambia has undergone significant developments in the last five years that have affected banking operations, profitability and market liquidity. The industry recorded a rapid increase in the number of players in the commercial banking space to 19 leading to increased competition. There has also been a lot of innovation in terms of products and service delivery at the back of developments in ICT platforms. However the rates of access to finance in Zambia are significantly lower than the African average, with more than 65 percent of the population lacking access to formal financial services.

In 2012 the Central Bank increased the minimum primary capital for commercial banks to ZMW104 million for locally owned banks and ZMW520 million for foreign owned banks in order to strengthen the balance sheets of commercial banks to support Zambia's growing economy. There have also been a number of statutory and regulatory changes that have impacted negatively on bank operations through tightening of market liquidity, restricting of lending and trading margins, etc. particularly in the last three years. The market has witnessed sharp increases in money market interest rates resulting in significant increase in cost of funding and erosion of margins on interest income. On the foreign exchange market, the exchange rate has been volatile in the last 6 months and depreciated substantially against major convertible currencies.

Market conditions have remained difficult owing to an unfavourable interest rate regime and limited market liquidity thereby constraining investment and growth prospects. The Bank of Zambia pursued a tight monetary policy, increasing the policy rate to curb inflation. Inflation had remained relatively stable during the past couple of years until September 2015 when it jumped from 7.7% to 14.4% in October. The inflation for December 2015 was 21.1%. Growth in private sector credit was adversely affected by a cap on interest rates for commercial banks and non-bank financial institutions, coupled with a rise in returns on government securities. This led to a decline in the growth of private sector credit from 40% to 15% in 2013/14. The cap on lending has since been removed, however, tight liquidity continues to poses a challenge in the banking Sector. In 2016, the financial sector is expected to continue expanding in line with the projected GDP growth of 3.7%.

The expansion in public spending has also increased domestic and external borrowings. External debt stock has doubled from 2011 to 2014. Financing costs increased following the downward revision of Zambia's credit rating, with a negative outlook due to fiscal profligacy and policy uncertainty. Interest rates on government securities have risen by over 700 basis points from 2011 to 2015, with the 365 days tbill priced at 21.5% at the end of December 2015while spreads on the 2022 Eurobond increased by over 200 basis points.

In the medium term, the Bank of Zambia is expected to continue its tight monetary policy to tame inflation while stabilising the exchange rate. Balancing this with the sovereign credit downgrade, which has pushed up the cost of finance, will entail prudence and close co-ordination with fiscal authorities. Addressing recurring concerns of policy uncertainty will also be critical to fostering macroeconomic stability.

4. INVESTRUST SUBSIDIARY PROFILE

The table below provides a summarised description of Investrust's Subsidiary:

Company	Shareholding	Description/Core Business
Zambia Home Loans Limited	51%	Provision of house construction financing to employees of qualifying employers. Financing are secured through creation of mortgages over constructed property.

5. PROSPECTS

The Board is confident about the Company's future prospects due tothe various strategic initiatives implemented by the Bank in the last five years and the launch of its subsidiary Zambian Home Loans (ZHL). The Bank has expanded its branch network to 27 branch locations in key economic areas and introduced Agency Banking to accelerate rollout of retail banking services to mass-market areas with massive growth potential. Further, the Bank has introduced a number of alternative delivery channels and new products aimed at enhancing customer convenience and experience. ZHL will continue to market and roll out its house construction financing product to the market and enlist more institutions.

The Bank will focus on growth in its key operational areas whilst containing operating costs within budget. Operations will be restructured to ensure increased efficiency, effectiveness and turn-around operating results.

6. CAPITAL STRUCTURE

Summary of alterations to the share capital and issued shares in the past three years

The share capital of the Company has not been changed in any other way over the past three years.

The authorised and issued share capital of Investrust, before and after, the Rights Offer is set out below:

BEFORE THE IMPLEMENTATION OF THE RIGHTS OFFER	ZMW
Authorisedshare capital	
120,000,000 Ordinary Shares of ZMW 1.00 each	120,000,000
Issued share capital	
4,665,532 Ordinary Shares of ZMW 1.00 each	4,665,532
AFTER THE RIGHTS OFFER	**ZMW**
Authorised share capital	
120,000,000 Ordinary Shares of ZMW 1.00 each	120,000,000
Issued share capital	
8,165,095 Ordinary Shares of ZMW 1.00 each	8,165,095

VARIATION OF RIGHTS ATTACHING TO SHARES

In accordance with the Company's Articles of Association any variation of rights attaching to shares, subject to the requirements under the Companies Act, requires the consent of shareholders in a general meeting by way of a special resolution.

VOTING RIGHTS

In accordance with the Articles of Association of Investrust, at any general meeting, every shareholder present in person or by an authorised representative shall have one vote on a show of hands, every member who is present at a meeting of Investrust in person shall have one vote and on a poll and every member who is present in person or by proxy shall have one vote for every ZMW 1.00 in nominal amount of the shares of which he is the holder.

AUTHORISATIONS RELATING TO SHARES

The Articles accord shareholders pre-emptive rights in relation to the issue of any new shares subject to the requirements under the Listing Requirements. An issue of new shares by the directors must be authorised by ordinary resolution in general meeting.

7. CONTROLLING AND MAJOR SHAREHOLDERS:

Investrust has in excess of 600 shareholders as at 30 January 2016. As at the Record Date, the top ten Investrust shareholders, holding approximately 86.8% of the issued share capital of the Company were as follows:

In the event that all Shareholders follow their rights, there will be no change in the shareholding structure of Investrust on conclusion of the Rights Offer.

Shareholder	No. of Investrust shares	Holding
MEANWOOD VENTURE CAPITAL LIMITED	1 166 383	25.0%
ZCCM INVESTMENT HOLDINGS PLC	494 000	10.6%
LUPANDE FAMILY TRUST LTD	493 250	10.6%
JACOB LAMECK SHUMA	422 495	9.1%
TIMOTHY DAKA	342 206	7.3%
WORKERS' COMPENSATION FUND CONTROL BOARD	312 500	6.7%
STANBIC BANK ZAMIBIA NOMINEES	252 567	5.4%
JUSTIN BEVIN ZULU	239 350	5.1%
SATURNIA REGNA PENSION TRUST FUND	172 753	3.7%
MADISON PENSION TRUST F-INACTIVE SCHEME	152 938	3.3%
OTHER – Individuals, companies and institutions	617 090	13.2%
Total	**4,665,532**	**100%**

8. DIRECTORS AND SENIOR MANAGEMENT OF INVESTRUST AND ITS SUBSIDIARY

The full names, qualifications, nationalities, addresses and occupations of the directors of Investrust and its Subsidiaries are set out below in Section D, commencing on page 27 below.

9. DIRECTORS INTEREST IN THE COMPANY'S SHARES

The beneficial, direct and indirect interests of the directors and their associates in the Company's shares before and after the Rights Offer (assuming all Rights Offer Shares are subscribed for) are set out below:

Name of Director	Before Rights Offer			After Rights Offer		
	Direct	Indirect	%	Direct	Indirect	%
Jacob Mwanza	5,451	-	0.12	9,540	-	0.12

Dr. Jacob Mwanza was appointed to the Board on 31 March 2014. There has been no change in Dr. Mwanza's interest, between the date of appointment as a director and the date of this Circular.

10. DIRECTORS INTERESTS IN TRANSACTIONS

Save as disclosed above, neither the Directors of Investrust nor any person acting in concert with the Directors, controls or is interested, beneficially or otherwise, in any Investrust Shares or in any securities convertible to rights to subscribe for Investrust Shares.

11. DIRECTORS REMUNERATION AND SERVICE CONTRACTS

The total aggregate remuneration and benefits paid to directors of Investrust in the financial year ended 31 December 2014 was ZMW 3,911,007.

No management, consulting, technical or other fees, directly or indirectly, including payments to management companies have been paid to any Directors of the Company. There are no commissions, gains or profit sharing arrangements payable to any of the Directors.

The remuneration of Directors, in their capacity as the Board, will in no way be affected as a result of the Rights Offer.

12. RIGHTS OFFER VALUATION AND SHARE PRICE HISTORY

Rights Offer Pricing

Date/reference	Share Price (ZMW)	Net Asset Value per share – NAV (ZMW)	Price to Book Value – PBV
Sep 2015	13.50	12.04	1.12
Oct 2015	13.50	11.24	1.20
Nov 2015	13.50	9.60	1.41
Dec 2015	13.50	7.60	1.78
Subscription Price	11.44	14.92	1.78

The share price history of Investrust shares on the LuSE from 2012 is given the table at ANNEXURE III.

C. GENERAL INFORMATION

1. ADEQUACY OF CAPITAL

The Directors are of the opinion that following the successful completion of the Rights Offer and the issue of the 3,499,563 new Ordinary shares:

The Company's authorised share capital is adequate for the purposes of the business of the Company for the foreseeable future; and

The Company's working capital resources will be adequate to cover for its current and foreseeable requirements.

2. MATERIAL CONTRACTS, PROMOTERS, SERVICE AND OTHER AGREEMENTS

All material contracts, promoters, service and other agreements by Investrust over the past three years appear in the audited annual reports of Investrust and its Subsidiary (since 2013), which are available for inspection as per paragraph 7 below.

3. LITIGATION

Investrust is involved in the following legal and/or arbitration proceedings as at 31 January 2016:

PLAINTIFF	NATURE OF CLAIM
Tayati Masiku	Claim for money had and received, breach of contract, interest and costs
Chickmasters	The Plaintiff claims that the execution was wrongful and thus is asking for damages from the Bank in the tune of ZMW 11,000,000.00. Judgment was passed in favour of the Bank at High Court level. The Appeal was heard on 14th November, 2014 and is now pending Judgment of the Supreme Court
MTN Zambia Limited	This is a suit emanating from a guarantee issued by the Bank on behalf of Celpay Zambia Limited, in which MTN are calling in the guarantee and requesting the Bank to pay ZMW5,000,000.00. The Appeal is scheduled for hearing in March 2016.
Yamene Naks Investments Limited	A court action arising from a repossession of property belonging to one of the Bank's customer (Kavino Limited). This property apparently houses machinery pledged to other third parties. Claim is for damages for inconvenience, loss of business, possession of the property both equipment and the property holding the equipment and machinery, delivery up and possession of the equipment/machinery
Joint Leisure Resorts Limited	Claim is for damages for breach of contract, Special damages for professional negligence, the sum of ZMW70,000.00 paid out together with charges, costs of the action and any other court order.
A.K Contractors	The Plaintiff (from Lumwana Branch) claims for money that he believes was wrongly debited on his account in the sum of ZMW 11,245.95
John Lupiya	The Plaintiff (from Solwezi Branch) claims for money that he believes was wrongly debited on his account in the sum of ZMW 4,412.00 and Negligence
Kelvin Njovu	The Plaintiff claims refund of money in the sum of ZMW 7,800.00 being money deposited in the Plaintiff's account and alleged to be erroneously paid out by the bank. The Plaintiff is also claiming damages and interest for the inconvenience caused.
Ibrahim Diab	the Plaintiff claims for a refund of ZMW43,700.00 as he disputes certain point of sale transactions conducted by use of his Visa Card in Germany

PLAINTIFF	NATURE OF CLAIM
Chainama Hotel, Sonny Mulenga	This is an appeal in the Supreme Court were the Appellants claim that the Bank was awarded more than it ought have received as per Judgement in the High Court
Mevinah Simabwachi & 30 others	The Plaintiffs are former Direct Salels Agents who are claiming for payment of thier gratuity following the termination of their contracts. The matter was struck out for non-attendance on 1 September 2015. The Plaintiffs have since obtained an Order to Restore to the matter dated 12 January 2016.
Lumwana Plant Hire (SCZ 116/2011)	The Appellant has appealed against Judgment in favour of the Bank, the Appellant seeks payment of USD 52,000 and interest for work done.
Provident Investment Limited (2010/HPC/490)	After execution of Consent Judgment in the matter, the Respondent has made an application for an Order for the Bank to render an account on the sale of the mortgaged properties. The Respondent is disputing a total sum of ZMW 590,475.61 recovered by the Bank as overdue charges. The matter comes up for hearing on 29th February 2016.
Naomy Nyendwa 2015/HP/408	The Plaintiff has sued the Bank for return of Certificate of Title and unliquidated damages for mental torture and loss of use of Title.

4. MATERIAL CHANGES

The Directors report that to their knowledge there have been no material changes in the financial or trading position of the Company since 31 December 2014, the date of the last published audited financial statements of the Company and as set out in the Independent Reporting Accountants' Report on the Historical Financial Information of the Company as set out in Annexure V.

5. ESTIMATED EXPENSES IN RELATION TO THE TRANSACTION

The total costs of the Rights Offer, including advisory fees, regulatory costs, filing costs, marketing and printings costs is estimated at ZMW 2,671,901 or 7% of the Rights Offer.

The table below sets out estimated expenses incurred in relation to the Rights Offer.

	ZMW
Financial adviser	950,000
Legal adviser fees	228,000
Fees paid to Reporting Accountant	200,000
Transfer agent fees	55,000
Printing, posting and public relations	34,568
Receiving agent fees	200,000
LuSE Scrutiny + Listing fees	83,500
SEC Scrutiny fees	33,333
PACRA registration fees	87,500
Anchor Subscriber Fee	800,000
Total	**2,671,901**

6. DIRECTORS RESPONSIBILITY STATEMENT

The directors, whose names are given in this section of the Circular, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain such facts and that the Circular contains all information required by law.

7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours between Monday, 26 February 2016 and Friday, 01 April 2016 from the registered office of the Company, the offices of the Transfer Secretary and the offices of the Sponsoring Broker, the addresses of which are set out in the "Corporate Information" section on page 3 of this Circular:

- the articles of association of the Company, the certificate of incorporation and the certificate of share capital;
- the audited annual reports of Investrust Bank PLC and its Subsidiary (since 2013) for the last 3 years;
- the signed copy of the Report of the Independent Reporting Accountant;
- the signed copy of the Agreement dated 22 February 2016
- the written consents of the Joint Lead advisers, the Independent Reporting Accountant, the Sponsoring Broker and the Legal Adviser to the Rights Offer named in this Rights Offer Document to act in those capacities, none of which consents having been withdrawn prior to registration;

SIGNED BY THE DIRECTORS AT LUSAKA ON FRIDAY 26 FEBRUARY 2016

J.M. MWANZA

NAME SIGNATURE

I. CHINDUMBA

NAME SIGNATURE

E. JHALA

NAME SIGNATURE

H. HACHONGO

NAME SIGNATURE

E. SAMAKAI

NAME SIGNATURE

D. INFORMATION RELATING TO THE DIRECTORS AND SENIOR MANAGEMENT OF INVESTRUST AND ITS SUBSIDIARY

1. DIRECTORS OF INVESTRUST

The full names, qualifications, nationalities, addresses and occupations of the directors of Investrust are set out below.

Name	**Jacob M. Mwanza (Dr.)** (Non-Executive Chairman)
Other directorship	Zambeef Products (Chairman) Pangaea Securities (Chairman)
Address	House No 277 Neru Road, Longacres, Lusaka, **Zambia**
Nationality	Zambian
Business experience	Dr Mwanza has served in various high profile positions including that of Governor of the Bank of Zambia from 1995 to 2002. Before taking up the role of Governor, he served as Senior International Monetary Fund (IMF) Economic Adviser for Zambia and Sierra Leone. Dr. Mwanza is currently the Chancellor of the University of Zambia and is a member of the IMF Advisory Group for Africa.

Name	**Isaiah Chindumba (Mr.)** (Acting Managing Director)
Other directorship	FINCA (Z) LTD
Address	**Plot 249, Zambezi Road Roma**
Nationality	Zambian
Business experience	Thirty years of commercial banking experience both local and international. Mr. Chindumba worked for Commercial Bank of Rwanda (BCR) now I&M Bank Rwanda Limited as Chief Operating Officer (COO) in Kigali Rwanda. Prior to joining I&M Bank Rwanda Limited, he worked for Citi Bank Zambia Limited as Country Legal and Compliance Officer and Chief of Staff - Member of the Country Management Committee. He also held the positions of Assistant General Manager and Senior Branch Operations Officer, Manager Operations, Head of Administration and Treasury Operation with Citi Bank Zambia Limited.

Name	**Hampande Hachongo (Mr.)** (Non-Executive)
Other directorship	None
Address	Plot 263, Libala Road, Roma, Lusaka, **Zambia**
Nationality	Zambian
Business experience	Mr. Hachongo is an experienced Chartered Accountant with over 30 years experience in Audit. He previously held the position of Audit Partner at KPMG and several other positions at the Office of the Auditor General and Zambia Corporative Federation Professional Services. Mr. Hachongo currently serves as Senior Partner at MPH Chartered Accountants.

Name	**Eva. Jhala (Mrs)** (Non-Executive)
Other directorship	BEMVI Associates; Zambia Centre for Accountancy Studies
Address	C/O Bemvi Associates, Ridgeway, **Lusaka**
Nationality	Zambian
Business experience	Mrs. Jhala worked for Lusaka City Council after graduation and for the Civil service of Zambia. She was admitted to the Permanent and Pensionable establishment on 8 November 1983 and served on contract from 1996 to 2002. Between 1996 to 2001 she was the Permanent Secretary at the Ministry of Legal Affairs and between 2001 and 2002 she was the Permanent Secretary at the Ministry of Science and Technology.

Name	**Eddie Samakai (Mr)** (Non-Executive)
Other directorship	Meanwood General Insurance Company (Executive Chairman), Zambia Airways (In liquidation) – Creditors Committee (Chairman), Land Mark Construction Limited Zambia (Chairman), Meanwood Finance Corporation (Chairman)
Address	C/O Meanwood General Insurance, Plot 106, Fairview, Great East Road, Lusaka, **Zambia**
Nationality	Zambian
Business experience	Mr. Eddie Samakai has over 35 years' experience in the insurance industry. He is the former Managing Director of Zambia State Insurance Corporation Limited from 1991 to 1998. He moved on to hold the same position with Fidelity Insurance Brokers Limited from 2002 to 2011. Mr. Samakai is presently the Executive Chairman of Meanwood General Insurance Company

1.1 Directors declarations

None of the directors mentioned above have:

- ever been convicted of an offence resulting from dishonesty, fraud or embezzlement;
- ever been declared bankrupt or sequestrated in any jurisdiction;
- at any time been a party to a scheme or of arrangement or made any other form of compromise with their creditors;
- ever been found guilty in disciplinary proceedings by an employer or regulatory body, due to dishonest activities;
- ever been involved in any receiverships, compulsory liquidations or creditors voluntary liquidations;
- ever received public criticisms from statutory or regulatory authorities, including professional bodies, and have ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- ever been barred from entry into a profession or occupation; or
- ever been convicted in any jurisdiction of any criminal offence.

1.2 Corporate Governance

Investrust continues to operate by enforcing good corporate governance practices and observing the separation of powers between the Directors and Management on one hand and the Chairman of the Board and the Chief Executive Officer on the other. Four (4) of the five (5) Directors on the Board as listed in this document are non-executive. Activities are further streamlined by the full utilisation of the existing Audit, Remuneration and Conditions of Service, Loans Review, Nominations and Risk Management Committees.

2. INVESTRUST SENIOR MANAGEMENT

Brief profiles of the members of the Investrust's Senior Management are set out in the table below.

Name, nationality and position	Qualifications and summary profile
Richard Chembe (Managing Director)	Dr. Chembe has extensive experience in the Banking and Financial Services sector having worked in various senior management portfolios at the Bank of Zambia and the International Monetary Fund. He also served as the Special Assistant for Economic and Development Affairs to the 4th President of the Republic of Zambia.
Isaiah Chindumba (Acting Managing Director)	Thirty years of commercial banking experience both local and international. Mr. Chindumba worked for Commercial Bank of Rwanda (BCR) now I&M Bank Rwanda Limited as Chief Operating Officer (COO) in Kigali Rwanda. Prior to joining I&M Bank Rwanda Limited, he worked for Citi Bank Zambia Limited as Country Legal and Compliance Officer and Chief of Staff - Member of the Country Management Committee. He also held the positions of Assistant General Manager and Senior Branch Operations Officer, Manager Operations, Head of Administration and Treasury Operation with Citi Bank Zambia Limited. He holds a Postgraduate Diploma in International Law and a Bachelor of Arts Degree from the University of Zambia and awards in Marketing and Strategic Planning from Edinburgh Business School.

Name, nationality and position	Qualifications and summary profile
Ackim Sinkala (Financial Controller)	A Chartered Management Accountant and holder of an MBA from the United Kingdom's Herriot Watt University. He has over twenty years' post qualification experience and has previously worked for different companies in managerial positions. He is a former Managing Director of Intermarket Banking Corporation.
Cuthbert Tembo (Company Secretary/Legal Counsel)	Nine years post qualification experience in Legal services with Seven (7) years in the Banking Sector. An Advocate of the Supreme Court of Zambia, holder of an LLB from the University of Zambia, an Associate of the Chartered Institute of Arbitrators and the Institute of Chartered Secretaries and Administrators and a Candidate of a Master of Science in Finance and Financial Law at the University of London.
Harry Mafuta (Head - Corporate and Investment Banking)	A Chartered Certified Accountant with more than 15 years of post qualification experience including 7 years of audit experience with PricewaterhouseCoopers specializing in the audit of banks and financial institutions. Prior to his current position, he served as Financial Controller of Investrust Bank plc for 8 years since 2004. He holds a degree of Bachelor of Accountancy (BAcc), Master of Business Administration (MBA), is Fellow of the Association of Chartered Certified Accountants (FCCA) and a Fellow of the Zambia Institute of Certified Accountants (FZICA).

3. DIRECTORS AND SENIOR MANAGEMENT OF INVESTRUST'S SUBSIDIARY

3.1 Zambian Home Loans Limited

3.1.1 Board of Directors

Brief profiles of the members of Zambian Home Loans Board of Directors and the Company Secretary are set out in the table below.

Name, Nationality And Position	Qualifications And Summary Profile
Richard Phiri Zambian Non Executive Director/ Chairman	**MBA /FCCA/FZICA** Richard Phiri is a holder of an MBA, and is a fellow of both the Chartered Certified Accountants (FCCA) and Zambia Institute of Chartered Accountants (FZICA). He has over 15years in the financial services sector acquired in various key management positions. He worked for ZCCM, Securities and Exchange Commission, Stanbic Bank, Citibank, Investrust Bank (as Head of Credit and Corporate Finance) and Development Bank of Zambia.
Cuthbert Tembo Zambian Non Executive Director	See paragraph 2. Above
Michael Waller South African Director	**BBusSci (UCT), PGDA, CA (SA), CFA** Michael Waller is the Managing Director of Sofala Capital. He is a former Director of Standard Bank Plc where he headed the origination and structuring for the African Markets business. In this role he operated extensively in all of the bank's 17 African presence countries and specialised in local currency structured finance using both domestic and international risk distribution channels. Over his time with Standard, Michael originated and managed a US$500m cross-border, asset backed lending book, (predominantly into Nigeria). He also lead-arranged toll roads, power plants, agricultural facilities, Eurobond placements, property transactions, local pension fund placements and mezzanine loans. In 2008, Michael acted for Standard Bank as the Lead Arranger on the largest bank syndication to date in the Zambian market. The syndicate raised over US$160m ZMK equivalent on behalf of Zambia Sugar Plc from onshore banks, pension funds and offshore hedge funds. Michael is a Chartered Accountant and CFA Charter holder.

Name, Nationality And Position	Qualifications And Summary Profile
St John James Peregrine Perrot Bungey South African Non Executive Director	**CFA** St. John Bungey has recently been appointed as CEO of Sanlam's Africa Investments business. This follows 2 years as CIO of Blue Ink and later the Group's combined Multi-management businesses. St. John joined the Sanlam Group in 2012 with a track record of 21 years' experience in the financial markets, 11 of which have been gained in the hedge fund industry. St. John moved over from Praesidium Capital where he was partner and portfolio manager from 2006 to 2012. St. John started his career in 1992 in the South African debt capital markets. In 1996 he joined BoE Private Bank where, in addition to managing Treasury, he also held several roles related to operational and credit risk management. In 1998, St. John was tasked with setting up BoE's multi-management division, which was later merged with the acquired Edge Group. In 2003, he formed part of the management buy-out of Edge Capital from BoE, when the business was refocused as a dedicated alternative multi-manager. Here St. John was a director and portfolio manager for several local and international funds of hedge funds. After incubating an event-drive, off-market debt strategy, St. John left to start a mezzanine fund at Praesidium in 2006.
John Janes British Non Executive Director	**BA, FIBZ** John Janes has completed a 33 year career with Standard Chartered PLC with a wide range of roles in both the developed and less developed markets of Asia, Africa, and America. From 1988 to 1993 he was responsible for Consumer Banking in Singapore and Malaysia. He has held CEO responsibility in Bangladesh, Cambodia, Sierra Leone and Zambia. He is a former Chairman of LUSE and the Bankers Association of Zambia. I In 2002 he formed Hurford Investments which is his personal private investment in Zambia. In 2003 Hurford Investments successfully negotiated on behalf of Standard Chartered, the first banking licence granted by the Afghan government. He is currently Chairman of African Life Financial Services Ltd.
Richard Mutukwa Zambian Advisor to the Board	**BSC (Hons) Geology, BSc (Hons) Applied Accounting, MBA** Richard is currently the Corporate Finance and Investment Banking Specialist at Investrust Bank Plc. Before joining Investrust Bank Plc, Richard worked as the Head of Asset Finance at Barclays Bank Zambia Plc. Richard also worked for Deloitte as Manager and Principal Consultant. Other companies that Richard has worked for include Arval PHH UK Ltd (Part of the Paribus Group) and PC World Cardiff. Richard has a Master of Business Administration Degree (MBA) from Cardiff University, a BSc. (Hons) in Exploration Geology from Cardiff University and a BSc. (Hons) in Applied Accounting from Oxford Brookes University. Richard is also a Chartered Accountant with the Association of Chartered Certified Accountants (ACCA) and is an associate member of the Zambia Institute of Chartered Accountants (ZICA).
Namwene Mkandawire Zambian Company Secretary	**LLB, ASCZ** Namwene Mkandawire holds a Bachelor of Laws Degree from the University of Wolverhampton, and is an Advocate of the Supreme Court of Zambia, She is currently the Legal Officer for Investrust Bank Plc. She is in charge of the Securities Unit. Within this role, she manages the formulation and implementation and administration of the collateral management system within the Bank. She further assists the Legal Counsel in his duties to ensure the bank adheres to legal compliance including but not limited to preparation and review of business service level agreements and other agreements.

3.1.2 Senior Management

Brief profiles of the Zambian Home Loans Limited senior management team are set out in the table below:

Name, Nationality And Position	Qualifications And Summary Profile
Twaambo Hamusutu Zambian Chief Executive Officer	**BA Economics/PG Diploma Actuarial Science/Dip Insurance** Twaambo is former Vice President of Consumer Lending and Insurance for Barclays Bank Zambia Plc where he was responsible for overseeing the full product suite of retail lending and insurance products that included group schemes, unsecured loans, mortgage finance and credit card issuing. He oversaw the growth of this portfolio from GBP92 million in 2010 to GBP200 million at the end of 2013. Twaambo played an integral role in the Barclays Branch expansion programme of 2007 to 2009 in which Barclays grew its branch network from 18 to 55. He was later assigned to set up the Bancassurance Department in Barclays Zambia, which he did and grew the Insurance business to GBP4 million income per annum. His last project assignment at Barclays was to oversee the implementation of the first local currency denominated credit card product on the Zambian market. Before joining Barclays, he worked as an Insurance broker at Aon Zambia. He holds a Bachelor's Degree in Economics and Statistics from The University of Zambia, a Post Graduate Diploma in Actuarial Science from The University of Leicester (UK) and a Diploma in Insurance Studies from the Zambia Insurance Business College.
Matongo Syamujaye Zambian Financial Controller	**FCCA, FZICA, BA Accounting, Diploma in International Financial Reporting** Matongo is formerly the Financial Controls Manager at Investrust Bank Plc with responsibility for overseeing the Finance and the General ledger sections. She is a Fellow of Association of Chartered Certified Accountants and the Zambia Institute of Chartered Accountants. She also holds a Bachelor of Arts Degree in Accounting and a Diploma in International Financial Reporting.
Nfwama Mfula Zambian Head Business Development	**Bachelor of Business Administration, National Accounting Technician** Nfwama Mfula is former Senior Manager of Risk and Credit for Bayport Financial Services Limited where she was responsible for loan book portfolio management, potential employer vetting for scheme loans, administration of core lending application and relationship management with all employers (Schemes). Nfwama played an integral role in the creation and implementation of a workflow for the loan management system in 2009. She maintained an NPL ratio of less that 1.5% from 2009 to 2014. Her last assignment was to come up with arrear loans and customer refunds management workflows. Before joining Bayport, she worked as an Audit Senior at Deloitte Zambia. She holds a Bachelor's Degree in Business Administration from The Copper-belt University and National Accounting Technician Diploma (NATECH) obtained through self-study.
Joel Makelele Zambian Head – Portfolio Mgt & Governance	**Bachelor Mineral Science Mining Engineering/Advanced Commercial Lending** Joel is a former Assistance Vice President(AVP) of Consumer Credit Risk for Barclays Bank Zambia Plc where he was responsible for delivering risk support the end to end credit life cycle & portfolio management of the Retail loan Book(unsecured loans, mortgage finance and credit card) Joel played an integral role in setting up the Credit Risk operations processes and controls effectiveness by applying applicable risk frameworks, embedding a positive risk culture and strengthen overall Credit Risk control environment. His last project assignment at Barclays was to offer Credit Risk support in the implementation of the first local currency denominated credit card product on the Zambian market. He holds a Bachelor of Mineral science in Mining Engineering from The University of Zambia, an Advanced Certificate in Commercial Lending from IFS School of Finance (UK).

Name, Nationality And Position	Qualifications And Summary Profile
Kennedy Kaonga Zambian Head – Monitoring and Valuations	**BSc Building Science, Quantity Surveying, Dip Project Management, TechDip Electrical & Electronics** Kennedy Kaonga is a qualified QS and project manager who has joined ZHL from, Saloba Limited, a Copperbelt based construction Company where he project managed and surveyed various projects that include housing projects for Mopani and other mining companies. He holds a BSc Degree in Building Science specialising in Quantity Surveying (CBU), a Diploma in Project Management (ICM, UK) and Technician Certificate in Electrical and Electronics (City & Guilds, UK).
Martin West South African Head - System and Loan Administration	**BBusSc (Information Systems Honours), MCom (Financial Management)** Martin West is the former Head Investment Consulting at Realfin Capital Partners, a South African based financial advisory firm. Prior to this, he was consistently a top performer in the 6 years he spent at Investec Specialised Bank in deal origination and structuring. Martin also worked at Standard Bank South Africa, Corporate and Investment Banking, in Johannesburg, where he was an Analyst and subsequently an Evaluator in the International and African Credit Risk areas. He holds a Bachelor of Business Science in Information Systems, as well as a Masters in Financial Management, both degrees being earned from the University of Cape Town (SA).

ANNEXURE I EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF INVESTRUST

"25. Capital

82. The capital of the Company is K120,000,000.00 divided into 120,000,000 shares with power to divide or subdivide the shares in the capital for the time being into various classes and to attach there respectively any preferential, deferred, qualified or special rights, privileges or conditions as regard dividends, capital, voting or otherwise.

9. Alteration of Capital

35. The Company may by resolution:
    - (a) Increase its authorised share capital by the creation of new shares of such amount as is specified in the resolution.
    - (b) Consolidate and divide all or any of its authorised share capital into shares of larger amounts than its existing shares
    - (c) Subdivide all or any of its shares into shares of smaller amounts than is fixed by the certificate of share capital, but so that in the subdivision the proportion between the amount paid and the amount (if any) unpaid on each such share of a smaller amount is the same as it was in the case of the share from which the share of a smaller amount is derived; and
    - (d) Cancel shares that at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or have been forfeited, and reduce its authorised share capital by the amount of the shares so cancelled.
    - (e) Reduce its capital in terms of the Act.

2. Share Capital and Variation of Rights

1. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, but subject to the Act, shares in the company may be issued by the directors and any such share may be issued with such preferred, deferred or other special rights or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the directors, subject to a resolution, determine.

2. The directors shall not issue any rights or options to shares in favour of any persons unless the issue has been authorised at a general meeting by a special resolution.

3. (1) Subject to the Act, any preference shares may, with the sanction of resolution, be issued on the terms that they are, or at the option of the company are liable to be redeemed.

   (2) No further securities ranking in priority to or *pari passu* with existing preference shares of any class shall be created or issued without the consent of the holders of 75% of the existing preference shares of such class or the sanction of a resolution of the holders of such class of preference shares passed at a separate meeting of such holders and at which members holding in aggregate not less than one-fourth of the total votes of all the members holding securities in that class entitled to vote at that meeting are present, and the resolution has been passed by at least 75% votes in favour.

4. (1) Subject to Regulation 4, if at any time the shares capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the company is being wound-up, be varied with the consent in writing of the holders of three quarters of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of the class.

   (2) The provisions of the Act and these regulations relating to general meetings apply so far as they are capable of application and with the necessary modifications to every such class meeting except that;

(a) where a class has only one member - that shall constitute a meeting.
(b) in any other case - a quorum shall be constituted by two persons who, between them, hold or present by proxy one-third of the issued shares of the class;
(c) any holder of shares of the class, present in person or by proxy, may demand a poll.

(3) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class, be varied by the creation or issue of further shares ranking equally with the first mentioned shares.

5. (1) The Company may make payments by way of brokerage or commission on the issue of shares.

(2) Such payments shall not exceed the rate of 10 percent of the price at which the shares or partly by the payment of cash and partly by the allotment of fully or partly paid shares.

(3) Such payments may be made in cash, by the allotment of fully or partly paid shares or partly by the payment of cash and partly by the allotment of fully paid shares.

6. (1) Except as required by law, the company shall not recognise a person as holding a share upon any trust.

(2) The company shall not be bound by or compelled in any way to recognise (whether or not it has notice of the interest or rights concerned) any equitable, contingent, future or partial interest in any share or unit of share or (except as otherwise provided by these regulations or by law) any other right in respect of a share except an absolute right of ownership in the registered holder.

7. (1) A person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate in respect of the share under the seal of the company in accordance with the Act, but in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate.

(2) Delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.

(3) If a share certificate is defaced, it may be renewed on payment of the fee allowed by the Act, or such lesser sum and on such terms (if any) as to evidence and the payment of costs to the company of investigating evidence as the directors decide.

12. **Directors**

55. The company may by ordinary resolution fix a share qualification of directors but unless and until a qualification is so fixed, there shall be no share qualification.

56. In addition to the circumstances in which the office of a director becomes vacant by virtue of the Act, the office of the director shall become vacant if the director makes any arrangement or composition with his creditors generally.

13. Borrowing Powers

57. (1) Subject to subregulation (2), the directors may exercise the powers of the company to borrow money, to charge any property or business of the company or any other person.

(2) The amount of any borrowing outstanding at any one time be unlimited, but if it exceeds one hundred (100) times the issued Share Capital a fresh mandate from the Board shall be required exceed the amount.

ANNEXURE II TABLE OF ENTITLEMENTS

The rounded number of Rights Offer Shares to which participants will become entitled will be as follows:

Number of Ordinary Shares held	Rights Offer entitlement on a 3 for 4 basis	Value of entitlement (ZMW)
4	3	34
8	6	69
24	18	206
36	27	309
60	45	515
80	60	686
100	75	858
200	150	1 716
400	300	3 432
800	600	6 864
1 000	750	8 580
2 000	1 500	17 160
4 000	3 000	34 320
8 000	6 000	68 640
10 000	7 500	85 800
20 000	15 000	171 600
30 000	22 500	257 400
40 000	30 000	343 200
50 000	37 500	429 000
60 000	45 000	514 800
70 000	52 500	600 600
80 000	60 000	686 400
90 000	67 500	772 200
100 000	75 000	858 000
200 000	150 000	1 716 000
300 000	225 000	2 574 000
400 000	300 000	3 432 000
500 000	375 000	4 290 000
600 000	450 000	5 148 000
700 000	525 000	6 006 000
800 000	600 000	6 864 000
900 000	675 000	7 722 000
1 000 000	750 000	8 580 000
2 000 000	1 500 000	17 160 000
3 000 000	2 250 000	25 740 000
4 000 000	3 000 000	34 320 000
5 000 000	3 750 000	42 900 000
6 000 000	4 500 000	51 480 000
7 000 000	5 250 000	60 060 000
8 000 000	6 000 000	68 640 000
9 000 000	6 750 000	77 220 000
10 000 000	7 500 000	85 800 000

ANNEXURE III TRADING HISTORY OF INVESTRUST SHARES

	Close (Kwacha)	Volume traded (million)	Value traded (ZMW million)
Month ended			
March-12	0.018	949 368	17 130
June-12	0.017	205 106	3 466
September-12	0.015	5 000	75
December-12	14.90	178 715	2 673
January-13			
February-13			
March-13	14.90	32	448
April-13			
May-13			
June-13	13.50	93 728	1 265 345
July-13	13.50	751	10,139
August-13	13.50	0	0
September-13	13.50	0	0
October-13	13.26	467 384	6 309 515
November-13	13.26	0	0
December-13	14.90	158	2 221
January-14	13.50	669	9 034
February-14	13.50	6	81
March-14	13.50	72	972
April-14	13.50	139	1 877
May-14	13.50	39	527
June-14	13.50	965	13 028
July-14	13.50	45	608
August-14	13.50	0	0
September-14	13.50	4	24
October-14	13.50	392	5 292
November-14	13.50	0	0
December-14	13.50	477 000	6 406 000
January-15	13.50	0	0
February-15	13.50	68 042	918 567
March-15	13.50	0	0
April-15	13.50	0	0
May-15	13.50	0	0
June-15	13.50	0	0
July 15	13.50	0	0
August-15	13.50	0	0
September-15	13.50	0	0
October-15	13.50	0	0
November-15	13.50	57	684
December-15	13.50	231 199	2 342 046
January-16	13.50	1 561	21 024
05-Feb-15	13.50	0	0

ANNEXURE IV INFORMATION RELATING TO THE ANCHOR SUBSCRIBER

The following information relating to the Anchor Subsriber(s) is disclosed in accordance with the LuSE Listing Requirements:

1. ZCCM INVESTMENTS HOLDINGS PLC	
Directors	Cosmas K. Mwananshiku Sophie K.M. Mutemba Bwalya K.E. Ng'andu Pamela C. Kabamba Phillippe G. Taussac Paul M. Chanda
Bankers	Barclays Bank (Z) Plc Stanbic Bank (Z) Limited Standard Chartered Bank (Z) Plc
Address:	Mukuba Pension House, Plot 5309 Dedan Kimathi Road, P.O. Box 30048 Lusaka, Zambia
Subscription Amount:	ZMW 40,035,000.72
Anchor Subscriber fee: Place and date of incorporation Authorised and Issued Share Capital	2% Lusaka, Zambia – 15 August 2000 Registration Number: 771 ZMW 2,000,000 (authorised) ZMW 1,608,003 (issued)

ANNEXURE V INDEPENDENT REPORTING ACCOUNTANTS REPORT ON THE HISTORICAL FINANCIAL INFORMATION

26 February 2016

The Directors
Investrust Bank PLC
Ody's Park
Plot No. 19028/9
Great East Road
P O Box 32344
Lusaka

Dear Sirs

We have reviewed the financial statements of Investrust Bank PLC ("the Bank"), which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flow for the six months ended 30 June 2015 and the three (3) years ended 31 December 2012, 31 December 2013 and 31 December 2014, and a summary of significant accounting policies and other explanatory notes. Deloitte & Touche are the auditors of the Bank for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 of the bank and has issued an unmodified audit report on the financial statements from which the consolidated financial information is extracted. The financial statements for the six months to 30 June 2015 are unaudited.

These audited financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Banking and Financial Services Act and Companies Act of Zambia. Our responsibility is to express a conclusion on the consolidated financial statement based on our review. For the purpose of the engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in preparing the consolidated financial information.

The financial statements on which the following information is based are the responsibility of the directors of the Bank. We report on the information in accordance with the requirements of the Third Schedule to The Securities (Registration of Securities) Rules, 1993. We are a Firm of registered accountants with partners who hold practicing certificates issued by The Zambia Institute of Chartered Accountants under the Accountants Act, 1982.

In our opinion the information set out on pages 19 to 105 below gives, for the purpose of the share rights offer, a true and fair view of the profit of the Bank for the six months ended 30 June 2015 and for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and of the assets and liabilities of the Bank at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015.

Without qualifying our report we draw your attention to notes 3(a) to 3(f) highlighting the adjustments made to some of the figures as reported in the audited financial statements.

Further, Grant Thornton has given and has not withdrawn its written consent, prior to the issue of this Circular, with its statement included in the form and context in which it is in as fact, included under the appropriate Annex of the Reporting Accountants' Report 2015.

Yours sincerely

Grant Thornton

Chartered Accountants (M/PC 0000009)
Wesley M Beene
Name of Partner signing on behalf of the firm

Lusaka

1. **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.

1.1 **Statement of compliance**

The financial statements of the Bank and its subsidiaries hereafter called "the Group" have been prepared in accordance with International Finance Reporting Standards.

1.2 **Basis of preparation**

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observed or estimated using another valuation technique. In estimating the fair value of the asset or liability if market, the Group takes into account the characteristics of the asset or liability if market participant 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 categorized 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 entirely, 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; and
- Level 3 inputs are unobservable inputs for the assets or liability.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.3 Application of new and revised International Financial Reporting Standards (IFRSs)

1.3.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements.

In the current year, the Group has adopted the new and revised Standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2015.

- Amendments to IFRS 2, IFRS 3;
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 Novation of Derivatives and continuation of Hedge Accounting; and
- IFRIC 21 Levies.

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

1.3.2 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:

IFRS 9 Financial Instrument: Disclosures

- Contains accounting requirements for financial statements, replacing IAS 39. Financial Instruments: recognition and Measurement.
  November 2013 – Annual periods beginning on or after 1 January 2018

IFRS 14 Regulatory Deferral Accounts

- Adopters of International Financial Reporting Standards to continue to account, with some limited changes, for regulatory deferral account balances in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.
  January 2014 – Applicable to an entity’s first annual IFRS financial statements for a period beginning on or after 1 January 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.3.2 Standards and Interpretations in issue, not yet effective (continued)

IAS 19 Employee Benefits

- Amendments resulting from Annual Improvements 2012-2014 (Clarifies high quality bonds used in estimating the discount rate)
  September 2014 – Annual periods beginning on or after 1 July 2016.

IFRS 11 Joint Arrangements

- Requires an acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the business combination accounting principles and disclose information required by IFRSs for business combination.
  May 2014 – Annual periods beginning on or after 1 January 2016.

IAS 27 Separate Financial Statements

- Amends to permit investments in subsidiaries, joint ventures and associate to be optionally accounted for using the equity method.
  August 2014 – Annual periods beginning on or after 1 July 2016

IFRS 10 Consolidated Financial Statements

- Clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.
  September 2014 – Annual periods beginning on or after 1 July 2016

- Consolidation exception for investment entities
  December 2014 – Annual periods beginning on or after 1 July 2016

IFRS 5 Non-current Assets Held and Discontinued Operation

- Amendments resulting from Annual Improvements 2012-2014 Cycle (clarifies the reclassification of an asset from held for sale to held for distribution or vice versa.)
  September 2014 –Annual periods beginning on or after 1 July 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.3.2 Standards and Interpretations in issue, not yet effective (continued)

IFRS 7 Financial Instrument; Disclosure

- Amendments resulting from Annual Improvements 2012-2014 (Clarifies on offsetting disclosures.)
  September 2014 – Annual periods beginning on or after 1 July 2016

IAS 1 Presentation of Financial Statements

- Amendments resulting from Annual Improvements 2012-2014 (Amendments to address perceived impediments to preparers exercising their judgments in presenting their Financial reports)
  September 2014 – annual periods beginning on or after 1 July 2016

IFRS 12 Disclosure of Interests in Other Entities

- Consolidation exception for investment entities
  December 2014 – Annual periods beginning on or after 1 July 2016

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

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

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.4 **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 the right, 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 right are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstance 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 relatives to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Bank over other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicated that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of the subsidiaries begins when the Bank obtains control over the subsidiaries and ceases when the Bank loses control of the subsidiaries. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profits 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.4 Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

1.4.1 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 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 associate or a joint venture.

1.5 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.

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 transactions at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss account. Monetary items carried at fair value that are denominated in foreign currencies are retranslated at the prevailing rate 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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.6 **Interest income and expense**

Interest income and expense for all interest bearing instruments, expect 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.

1.7 **Fees and commissions income**

Fees and commission 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 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.

1.8 **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 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 recognistion. 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 asset 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 same time of initial recognistion. All regular way purchases or sales of financial assets are recognised and derecognised on a trade data basis. Regular way purchases or sales are purchased 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.8 Financial assets (continued)

(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-restrict balances with the Bank of Zambia, treasury bills, loans and advances to banks, amounts due from other banks and short-term Government securities.

(ii) Loans, advances and receivables

Loans, advances and receivables are non-derivatives 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 classified 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

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 carrying amounts of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest methods and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amounts 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 investment 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 investment are measured at cost less any identified impairment losses at the end of each reporting period.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.9 **Employee benefits**

The Group and all its employees contribute to the National Pension Scheme Authority (NAPSA), which is a defined contribution plan NAPSA is a retirement benefits 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 dese not hold sufficient assets to pay all employees' benefits relating to employees' service in the current and prior periods. The Group's contributions to define 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 periods 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 benefits expenses.

1.10 **Earnings per share**

The calculation of basic earnings per share is based on the profit attributed 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 in employee benefits trust, currently not vested, is adjusted for the effect of all dilutive potential shares.

1.11 **Impairment of financial assets**

a) **Assets carried at amortised cost**

The Group assesses at each reporting date whether there is objective evidence that a financial assets 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 impairments as a result of one or more events that occurred after the initial recognition of the assets (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 repayment; 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 assets because of financial difficulties; or

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.11 Impairment of financial assets (continued)

a) Assets carried at amortised cost (continued)

- Observe 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 the 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 period used vary between 3 months and 6 months.

The Group first assesses whether objectives 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 are that individually assessed for impairment and for which an impairment loss is or continued 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 amounts 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.11 Impairment of financial assets (Continued)

a) 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 locations, 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 collective 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 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 investment 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 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 increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss account.

b) Renegotiated loans

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.12 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 assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risk 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 entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulated gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognised under continuing involvement, and 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 no longer recognise and the sum of the consideration received for the parts 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 of those parts.

1.13 Property and equipment

(i) Recognition and measurements

All property, plant and equipment except buildings are stated at historical cost. Items of property plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses. 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 Group's policy to perform revaluation 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 recognised as an expense, in which case it should be recognised to the extent that it exceeds any amounts previously credited to the revaluation surplus relating to the same asset.
When a revalued asset is disposed of, any revaluation surplus is transferred directly to retained earnings.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.13 **Property and equipment (continued)**

(i) **Recognition and measurements (continued)**

Cost includes expenditures 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 property, plant and equipment have different useful lives, they are componentized as separate items of property, plant and equipment.

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

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

(ii) **Subsequent costs**

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

(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.

Capital work in progress is not depreciated.

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

The estimated useful lives are as follows:

Leasehold building	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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.13 Property and equipment (continued)

(iii) Depreciation (continued)

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 amounts exceeds its recoverable amount. The recoverable amount is 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).

1.14 Revaluation reserve

The surplus arising on revaluation of tangible assets is credited to a no-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 amounts of the asset and (the depreciation charged to the 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.

1.15 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 expenses 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 difference 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.15 Taxation (continued)

The carrying amounts 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 within equity.

Deferred tax assets and liabilities are offset when there is a legally enforcement 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.

1.16 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 assets (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 assets (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 amounts and fair value less costs to sell.

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 instrument are recorded at proceeds received, net of direct issue costs.

Derecognition of financial liabilities

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.17 Borrowings

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

Borrowing costs directly attribute 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 recognized in profit or loss in the year which they are incurred.

1.18 Financial liabilities and equity

Classification as debt or equity

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

Financial liabilities

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

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

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

1.19 Offsetting

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.20 Sale and repurchase agreements

Securities sold subjects 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 resale ('reserve 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.

1.21 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.

1.22 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.

1.23 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 benefits plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

1.24 Acceptance and letters of credit

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

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

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

1.26 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 leasee. All other leases are classified as operating leases.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1.26 **Finance leases (continued)**

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 assets and recognised on a straight-line basis over the lease term.

Lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributed to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals arising under operating leases are recognised as expense 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 lease, 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.

1.27 **Intangible asset – Computer software**

Computer software is stated at cost, less amortisation and provision 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.28 Segment reporting

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

The Group has two main business segments:

- **Rental banking:** incorporating private banking services, private customers current accounts, savings, deposits, investments 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.

2. 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 both current and future periods.

Critical judgements in applying accounting polices

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

a) **Impairment losses on loans and advances**

The Group reviews its loans 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, local economic conditions that correlate with defaults on assets with 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 experienced.

b) **Held to maturity investments**

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

c) **Income taxes**

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

d) **Useful lives of property, plant and equipment**

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

e) **Fair values of financial instruments**

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example models) are used to determine fair value, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are use, and models are calibrated to ensure that outputs reflect actual data and comparative markets 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.

3. ADJUSTMENTS TO SOME FIGURES AS REPORTED IN THE FINANCIAL STATEMENTS

The following notes highlights the adjustments that have been made to the figures in the signed accounts to arrive at the figures shown in this Reporting Accountant's Report:

a) Statement of changes in Equity

		ZMW
i)	Retained earnings at 31 December 2012 as reported in the 2014 signed accounts	38,966,346
	Retained at 31 December 2012 in 2013 signed accounts and in this Reporting Accountant's Report	38,976,498
	Difference	10,152
	The difference is attributed to erroneous consolidation of retained earnings in the 2014 signed accounts.	
ii)	Equity attributable to owners of the parent at 1 January 2013 in 2014 signed accounts	38,966,346
	Equity attributable to owners of the parent at 1 January 2013 in this Reporting Accountants Report	81,058,881
	Difference	42,092,535
	The difference is attributed to formula error in calculating equity attributable to owners of the parent by the External Auditors.	
iii)	Non-controlling interest in signed accounts of 2014	(9,753)
	Non-controlling interest in this Reporting Accountants Report	-
	Difference	(9,753)
	The difference is attributed to erroneous computation of non-controlling interest in the 2014 signed accounts by the External Auditors.	

3. ADJUSTMENTS TO SOME FIGURES AS REPORTED IN THE FINANCIAL STATEMENTS

a) Statement of changes in Equity (continued)

		ZMW
iv)	Acquisition from non-controlling shareholders during 2013 in 2014 signed accounts	275,000
	Acquisition from non-controlling interest during 2013 in this Reporting Accountant's report	265,24
	Difference	9,753

The difference is attributed to erroneous computation of non-controlling interest in the 2014 signed accounts by the External Auditors.

v)	Equity attributable to the owners of the parent at 31 December 2014 in the signed accounts	27,549,802
	Equity attributable to the owners of the parent at 31 December 2014 in this Reporting Accountant's Report	76,145,819
	Difference	48,596,017

The difference is attributed to formula error in calculating equity attributable to the owners of the parent by the External Auditors.

		2014	2013	2012
vi)	Total equity in the signed accounts of 2014	82,134,197	82,145,976	81,048,729
	Total equity in this Reporting Accountant's Report	82,143,704	82,145,730	81,058,881
	Differences	9,507	246	10,152

The difference is attributed to erroneous consolidation and unexplained prior year adjustment in 2014 signed accounts from the External Auditors.

b) Financial statements

The financial statements for the year ended 31 December 2013 were not consolidated with Zambia Home Loans – a 51% subsidiary. The Financial statements for the year ended 31 December 2014 were consolidated retrospectively. The reported comparative financial information therefore differed from the prior year signed accounts. No disclosure or reconciliation was done to explain the effect of this retrospective consolidation in the signed accounts as required by the International Financial Reporting Standards.

The financial statements for 2013 in this Reporting Accountant's Report are consolidated amounts.

3. ADJUSTMENTS TO SOME FIGURES AS REPORTED IN THE FINANCIAL STATEMENTS

c) Market Risk

Market risk measure in signed accounts:

31 December 2013	Carrying amount	Non-trading portfolio
Assets		
Cash and cash equivalents	492,923,659	198,493,251
Held to maturity investments	366,492,158	261,830,814
Loans and advances to customers	568,352,560	696,378,359
Other assets	2,491	2,491
	1,427,770,868	1,156,704,915
Liabilities		
Customer deposits	1,390,818,433	1,033,910,613
Debt securities in issue	15,010,000	15,010,000
Borrowings	18,265,701	28,653,279
Other liabilities	49,646,161	2,048,268
	1,473,740,295	1,079,622,160

Market risk measure in this Reporting Accountant's Report:

31 December 2013

Assets	Carrying amount	Non-trading portfolio
Cash and cash equivalents	135,993,251	135,993,251
Held to maturity investments	261,830,814	261,830,814
Loans and advances to customers	696,378,359	696,378,359
Other assets	10,693,839	10,693,839
	1,104,896,263	1,104,896,263
Liabilities		
Customer deposits	1,033,910,613	1,033,910,613
Debt securities in issue	15,010,000	15,010,000
Borrowings	28,653,279	28,653,279
Other liabilities	2,048,268	2,048,268
	1,079,622,160	1,079,622,160

The differences are attributable to formula error and wrong mapping of the financial statements by the External Auditors.

3. ADJUSTMENTS TO SOME FIGURES AS REPORTED IN THE FINANCIAL STATEMENTS

d) Loans and advances

i) Summary of fair values for past due and impaired loans and advances in the signed accounts

i) Summary of fair values for past due and impaired loans and Advances in including finance leases - Table 4, note 2.1.1 (e) in the signed accounts described the first column as "Carrying amount" while in this Reporting Accountant's Report it is described as "Gross carrying amounts".

The wrong description is attributable to typing error by external the auditor.

	2014 Current	2014 Non-Current
ii) **Held to Maturity Investments**		
Held to maturity investments in signed accounts	342,928,863	13,063,295
Held to maturity investments in this Reporting Accountant's Report	342,928,863	23,563,295
Difference	-	10,500,000

The difference is attributable to formula error in risk analysis by external auditors.

e) Currency Risk

	2012 K
Equity instruments in signed accounts	287,398
Equity instruments in this Reporting Accountant's Report	688,935
Difference	401,537

The difference is attributable to formula error by external auditors.

f) Basic earnings per share

	2013 K
Profit attributable to equity holders in signed accounts	2,780,063
Profit attributable to equity holders in this Reporting Accountants' Report	2,772,255
Difference	7,808

The difference is attributable to formula error by external auditors.

INVESTRUST BANK PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015, AND THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013 AND 31 DECEMBER 2012

	Notes	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
Interest and similar income	3	80,264,627	146,052,057	123,130,223	113,065,305
Interest and similar expenses	4	(52,559,412)	(96,749,390)	(61,891,683)	(38,934,060)
Net interest income		27,705,215	49,302,667	61,238,540	74,131,245
Impairment charges for credit losses	5	(3,383,916)	(6,452,867)	(24,978,379)	(15,988,011)
Net interest income after impairment Charges for credit losses		24,321,299	42,849,800	36,260,161	58,143,234
Fee and commission income	6	30,797,370	64,561,371	70,027,232	50,748,208
Fee and commission expense	7	(1,311,354)	(1,526,317)	(1,605,373)	(1,747,764)
Net fee and commission income		29,486,016	63,035,054	68,421,859	49,000,445
Net gains on dealings in foreign currencies		9,853,713	29,269,834	14,433,392	16,200,768
Other operating income		359,261	1,582,097	3,126,992	9,857
Other income		10,212,974	30,851,931	17,560,384	16,210,625
Total operating income		64,020,289	136,736,785	122,242,404	130,285,248
Operating expenses	8	(76,984,643)	(144,118,158)	(128,751,243)	(109,404,893)
Profit/(loss) before tax	9	(12,964,354)	(7,381,373)	(6,508,839)	20,880,355
Income tax credit/(expense)	10	3,879,051	1,018,622	3,736,584	(6,539,444)
Loss for the period/year		(9,085,303)	(6,362,751)	(2,772,255)	14,340,911
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Gain on revaluation of property	20	-	-	5,529,011	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	27	-	-	(1,935,154)	-
		-	-	3,593,857	-
Total comprehensive (loss)/income for the period/year		(9,085,303)	(6,362,751)	821,602	14,340,911
Loss for the year attributes to:					
Owners of the Bank		(8,334,616)	(5,730,838)	817,776	14,340,911
Non-controlling interests		(750,687)	(631,913)	3,826	-
		(9,085,303)	(6,362,751)	821,602	14,340,911
Earnings per share					
Basic and diluted earnings per share	34	(1.95)	(1.36)	(0.60)	3.07

INVESTRUST BANK PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015, 31 DECEMBER 2014, 31 DECEMBER 2013 AND 31 DECEMBER 2012

	Notes	2015	2014	2013	2012
		Unaudited	Audited	Audited	Audited
ASSETS		K	K	K	K
Cash and balances with the Bank of Zambia	11	222,217,513	380,359,966	110,243,516	181,343,807
Balances due from other banks	12	50,075,612	112,563,693	88,249,735	46,520,093
Held to maturity investments	13	398,250,616	366,492,158	261,830,814	242,699,851
Other assets	14	64,548,947	26,659,077	65,516,087	19,776,331
Loans and advances to customers	15	474,822,169	497,158,893	652,648,646	698,651,345
Finance lease receivables	32	85,952,719	71,193,667	43,729,713	34,689,507
Equity investments	16	584,972	584,972	596,447	688,935
Current tax assets	9	22,903,705	21,617,473	16,865,489	6,526,926
Deferred tax assets	24	6,099,407	2,220,356	1,193,885	-
Property and equipment	17	69,493,118	71,555,161	67,676,885	39,461,966
Deferred software development expenditure	19	8,449,930	9,646,450	5,665,888	6,345,467
Total assets		1,403,398,708	1,560,051,866	1,314,217,105	1,276,704,228
LIABILITIES					
Deposits from customers	20	1,192,062,372	1,390,818,433	1,033,910,613	1,049,198,997
Debt securities in issue	21	15,010,000	15,010,000	15,010,000	29,360,000
Borrowings	22	17,240,392	18,265,701	28,653,279	42,226,279
Balances due to other banks	12	52,879,000	-	114,500,000	44,398,205
Other liabilities	23	53,148,543	53,814,028	39,997,483	30,106,118
Deferred tax liabilities	24	-	-	-	355,748
Total liabilities		1,330,340,307	1,477,908,162	1,232,071,375	1,195,645,347
EQUITY					
Share capital	25	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	26(a)	4,665,231	4,665,231	4,665,231	4,665,231
General banking reserves	26(b)	10,123,492	10,123,492	8,935,661	6,025,391
Revaluation reserves		3,593,857	3,593,857	3,593,857	-
Retained earnings		18,036,861	26,371,478	33,290,147	38,976,498
Equity attributable to owners of the Bank		67,811,202	76,145,819	81,876,657	81,058,881
Non-controlling interests		5,247,199	5,997,885	269,073	-
Total equity		73,058,401	82,143,704	82,145,730	81,058,881
Total equity and liabilities		1,403,398,708	1,560,051,866	1,314,217,105	1,276,704,228

INVESTRUST BANK PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015, AND THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013 AND 31 DECEMBER 2012

	Share Capital	Share premium	Statutory reserves	General banking reserves	Revaluation reserves	Retained earnings	Attributable to owners of the parent	Non-Controlling interest	Total
	K	K	K	K	K	K	K	K	K
Balance at 1 January 2012	4,665,231	26,726,530	4,665,231	3,853,106	-	26,807,872	66,717,970	-	66,717,970
Profit for the year	-	-	-	-	-	14,340,911	14,340,911	-	14,340,911
Transfer to general banking reserves	-	-	-	2,172,285	-	(2,172,285)	-	-	-
Balance at 31 December 2012	4,665,231	26,726,530	4,665,231	6,025,391	-	38,976,498	81,058,881	-	81,058,881
Acquisition from non-controlling interest	-	-	-	-	-	-	-	265,247	265,247
(Loss)/profit for the year	-	-	-	-	-	(2,776,081)	(2,776,081)	3,826	(2,772,255)
Other comprehensive income	-	-	-	-	3,593,857	-	3,593,857	-	3,593,857
Transfer to general banking reserves	-	-	-	2,910,270	-	(2,910,270)	-	-	-
Balance at 31 December 2013	4,665,231	26,726,530	4,665,231	8,935,661	3,593,857	33,290,147	81,876,657	269,073	82,145,730
Proceeds received from non controlling interest	-	-	-	-	-	-	-	6,360,725	6,360,725
Total comprehensive loss for year	-	-	-	1,187,831	-	(6,918,669)	(5,730,838)	(631,913)	(6,362,751)
Loss for the year	-	-	-	-	-	(5,730,838)	(5,730,838)	(631,913)	(6,362,751)
Transfer to general banking reserve	-	-	-	1,187,831	-	(1,187,831	-	-	-
		-		-					
Balance at 31 December 2014	4,665,231	26,726,530	4,665,231	10,123,492	3,593,857	26,371,478	76,145,819	5,997,885	82,143,704
Total comprehensive loss for the year	-	-	-	-	-	(8,334,617)	(8,334,617)	(750,686)	(9,085,303)
Loss for the period	-	-	-	-	-	(8,334,617)	(8,334,617)	750,686)	(9,085,303)
Balance at 30 June 2015	4,665,231	26,726,530	4,665,231	10,123,492	3,593,857	18,036,861	67,811,202	5,247,199	73,058,401

INVESTRUST BANK PLC

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015, AND YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013 AND 31 DECEMBER 2012

	Notes	2015	2014	2013	2012
		Unaudited	Audited	Audited	Audited
		K	K	K	K
OPERATING ACTIVITIES					
Profit/(loss) before tax		(12,964,354)	(7,381,373)	(6,508,839)	20,880,355
Adjusted for:					
Depreciation and amortization expense	11	7,460,025	11,754,620	10,170,068	8,510,060
Gain on disposal of property and equipment	12	406,703	(10,000)	(173,168)	(1,717)
Property and equipment adjustments		-	-	-	83,136
Unrealised exchange gains on debt securities		-	-	-	(10,000)
Fair value gain on marketable equity investments	19	-	11,475	(182,512)	-
Impairment loss recognized on loans and advances	8	3,383,916	6,452,867	24,978,379	15,988,011
Operating profit before changes in operating funds		(1,713,710)	10,827,589	28,283,928	45,449,845
Increase in held to maturity investments		198,486,542	(122,716,344)	(23,570,963)	95,496,887
Decrease/(increase) in other assets		(37,889,870)	38,857,010	(45,749,449)	4,679,064
Decrease in loans and advances		18,952,808	149,036,886	21,024,318	(346,812,044)
Increase in finance lease receivables		(14,759,052)	(27,463,954)	(9,040,206)	
Increase/(decrease)/ increase in customer deposits		(198,756,061)	356,907,820	(14,718,777)	338,315,431
Increase in other liabilities		(665,486)	13,816,546	9,871,702	10,268,795
Cash generated (used in)/from operations		(36,344,829)	419,265,553	(33,899,447)	147,397,978
Income taxes paid and suffered	13	(1,286,232)	(4,759,833)	(10,086,766)	(8,912,122)
Cash (used in) generated from operating activities		(37,631,061)	414,505,720	(43,986,213)	138,485,856
INVESTING ACTIVITIES					
Purchase of property and equipment	20	(5,085,164)	(19,149,882)	(31,522,447)	(16,347,952)
Purchase of software development expenditure	22	-	(463,576)	(875,310)	(950,518)
Proceeds on disposal of property and equipment		477,000	10,000	394,527	3,000
Net cash used in investing activities		(4,608,164	(19,603,458)	(32,003,230)	(17,295,470)
FINANCING ACTIVITIES					
Redemption of debt securities		-	-	(14,350,000)	(15,030,000)
Contributions from minority shareholders		-	6,360,725	-	-
Repayments of borrowings		(1,025,309)	(10,387,579)	(13,573,001)	15,806,571
Payments to acquire equity investments	19	-	-	-	(401,537)
Net cash used in financing activities		**(1,025,309)**	(4,026,854)	(27,923,001)	(31,238,108)
Net increase (decrease) in cash and cash equivalents		(43,264,534)	390,875,408	(103,912,444)	89,952,278
Cash and cash equivalents at beginning of the year		526,868,659	135,993,251	239,905,695	149,953,417
Cash and cash equivalents and end of the period/year		483,604,125	526,868,659	135,993,251	239,905,695
Comprising of:					
Cash and balances with Central Bank	14	222,217,513	380,359,966	110,243,516	181,343,807
Balances due from other banks	15	50,075,612	112,563,693	88,249,735	46,520,093
Balances due to other banks	15	(52,879,000)	-	(114,500,000)	(44,398,205)
Held to maturity investments maturing in 90 days	16	264,190,000	33,945,000	52,000,000	56,440,000
		483,604,125	526,868,659	135,993,251	239,905,695

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. 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 rates risk and credit risk. In addition, the internal Audit department is responsible for the independent review of the risk management and the control environment.

The risk 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.

2.1 **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 obligation to the Group. Credit risk arises mainly from commercial and consumer loans and advances, and loans commitments arising mainly from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letter of credit, endorsement 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 reserve 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 Loan Review Committee once every quarter.

2. Financial risk management (continued)

2.1 **Credit risk (Continued)**

2.1.1 **Credit risk management**

a) **Risk limit control and mitigation policies**

The Group structures the levels of credit risk it undertake by placing limits on the amounts of risk accepted in relation to one borrower, or group 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 by 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 positions 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 one 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 financial instruments such as debt instrument;
- 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.

2. Financial risk management (continued)

2.1 **Credit risk (Continued)**

2.1.1 **Credit risk management (Continued)**

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

(i) **Collateral (Continued)**

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

(ii) **Financial covenants (for Credit-related commitment 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 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 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 markets 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 assurance 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 underlying shipments of goods to which they relate and therefore carry less than a direct borrowing.

2. Financial risk management (continued)

2.1 **Credit risk (Continued)**

2.1.1 **Credit risk management (Continued)**

c) **Credit related commitments (Continued)**

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

2. **Financial Risk Management (continued)**

2.1 **Credit risk (continued)**

(c) **Credit related commitments (continued)**

The Groups 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**				
	2015 Unaudited	**2014 Audited**	**2013 Audited**	**2012 Audited**	**Principal type of collateral held**
Loans and advances to banks					
Funds placements	100	100	100	-	Treasury bills
Loans and advances to retail customers					
Mortgage lending	3	3	2	-	Property and equipment
Personal loans	10	8	9	-	None
Loans and advances to corporate Customers					
Finance leases	15	10	6	-	Property and equipment
Secured loans	30	26	44	-	Commercial property
Other	42	53	39	-	Floating charges over corporate assets and cash cover

2. Financial Risk Management (continued)

2.1 Credit risk (continued)

(c) Credit related commitments (continued)

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:

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
Property	28,388,928	106,291,653	68,514,957	289,264,270
Equipment and motor vehicles	29,279,617	47,998,978	16,383,463	15,938,485
Other (debentures)	-	17,000	35,823,113	33,733,510
	57,668,545	154,307,631	120,721,533	338,936,265

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 judgement 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 totaled K39 million at 30 June 2015 (2014: K32.05 million; 2013:K219.0 44 Million; 2012: K18.87)

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 as calls made on credit enhancements and held at the period-end are shown below:

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
Landed property	30,620,000	65,232,500	25,194,000	24,585,000
Plant and machinery	-	-	5,336,852	-
	30,620,000	65,232,500	30,530,852	24,585,000

2. **Financial Risk Management (continued)**

2.1 **Credit risk (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 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 1 – Grading

	2015 (Unaudited)		2014 (Audited)		2013 (Audited)		2012 (Audited)	
	Loans & Advance (%)	Impairment Provision (%)	Loans & Advance (%)	Impairment Provision (%)	Loans & Advance (%)	Impairment Provision (%)	Loans & Advance (%)	Impairment Provision (%)
Pass	56%	-	57%	0%	83%	0%	68%	0%
Sub-standard	1%	20%	2%	20%	1%	20%	1%	20%
Doubtful	1%	50%	2%	50%	1%	50%	1%	50%
Loss	42%	100%	40%	100%	15%	100%	30%	100%

2. Financial Risk Management (continued)

2.1 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			
	2015	**2014**	**2013**	**2012**
	(Unaudited)	**(Audited)**	**(Audited)**	**(Audited)**
	K	**K**	**K**	**K**
Investment Securities	398,250,616	366,492,158	261,830,814	242,699,851
Loans and advances to Banks	50,075,612	112,563,693	88,249,735	46,520,093
Loans and advances to customers				
Individuals (retail customers)				
- Term loans	137,507,726	116,735,689	125,001,631	143,471,474
- Overdrafts	19,643,961	23,115,059	17,822,078	11,879,120
- Mortgages	26,712,210	29,335,215	18,723,511	-
Corporate entities				
- Large corporates	512,893,775	470,514,649	570,294,279	647,025,533
- SMEs	256,446,887	232,603,968	202,149,308	104,157,120
Total on-financial position credit risk exposure	1,401,530,787	1,351,360,431	1,284,071,356	1,195,753,191

2. Financial Risk Management (continued)

2.1 Credit risk (continued)

2.1.1 Credit risk management (continued)

(d) Impairment and provisioning policies (continued)

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

Table 2 – Credit Risk Exposure

	Maximum exposure			
	2015	**2014**	**2013**	**2012**
	(Unaudited)	**(Audited)**	**(Audited)**	**(Audited)**
	K	**K**	**K**	**K**
Financial guarantees and bid bonds	92,420,919	101,263,066	71,343,385	58,107,381
	92,420,919	101,263,066	71,343,385	58,107,381
Total on and off financial position credit risk exposure	1,493,951,706	1,452,623,497	1,355,414,741	1,253,860,572

The above table represents a worst case scenario of credit risk exposure of the Group at 30 June 2015, 31 December 2014, 31 December 2013 and 31 December 2012 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 bank and customers (2014: 75%; 2013: 74%; 2012: 77%).

2. Financial Risk Management (continued)

2.1 Credit risk (continued)

2.1.1 Credit risk management (continued)

(e) Loans and advances (continued)

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.
- 57% (2014: 57%, 2013: 68%; 2012: 73%) of the loans and advances portfolio are neither past due nor impaired.
- 91% (2014: 90%, 2013: 89%; 2012: 86%) of the loans and advances portfolio are backed by collateral.
- 100% (2014: 100%, 2013: 100%; 2012: 100%) of the investments in securities are Government securities

Loans and advances including finance leases are summarized as follows:

Table 3 – Credit Risk Exposure

	30 June 2015 (Unaudited)		31 December 2014 (Audited)		31 December 2013 (Audited)		31 December 2012 (Audited)	
	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	373,511,041	50,075,612	493,757,002	112,563,693	636,452,374	88,249,735	661,962,299	46,520,093
Past due but not Impaired	43,475,001	-	29,033,448	-	6,724,145	-	19,155,121	-
Impaired	406,224,021	-	349,739,547	-	290,814,288	-	225,415,827	-
Gross	823,210,063	50,075,612	872,529,997	112,563,693	933,990,807	88,249,735	906,533,247	46,520,093
Less: allowance for impairment	(348,387,894)	-	(304,177,437)	-	(237,612,446)	-	(173,192,395)	-
Net	474,822,169	50,075,612	568,352,560	112,563,693	696,378,361	88,249,735	733,340,852	46,520,093

2. **Financial Risk Management (continued)**

2.1 **Credit risk (continued)**

2.1.1 **Credit risk management (continued)**

(e) **Loans and advances (continued)**

Loans and advances including finance leases are summarized as follows:

Table 4

	30 June 2015 (Unaudited)		31 December 2014 (Audited)		31 December 2013 (Audited)		31 December 2012 (Audited)	
	Gross Carrying Amount K	Fair Values K	Gross Carrying Amount K	Fair Values K	Gross Carrying Amount K	Fair Values K	Gross Carrying Amount K	Fair Values K
Past due loans	43,475,001	26,500,500	29,033,448	19,135,448	6,724,145	4,613,302	19,155,121	11,817,387
Impaired loans	406,224,021	74,810,628	349,739,547	52,975,560	290,814,288	201,179,121	225,415,827	196,119,325
	449,699,022	101,311,128	378,772,995	72,111,008	297,538,433	205,792,423	244,570,948	207,936,712

2. **Financial Risk Management (continued)**

2.1 **Credit risk (continued)**

2.1.1 **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 position items:

2015 (Unaudited)

	Financial	Manufacturing	Transport & communication	Wholesale and retail trade	Agriculture	Other industries	Individuals	Total
	K	K	K	K	K	K	K	K
Loans and advances customers	23,336,977	42,637,530	134,499,606	77,762,435	98,791,986	390,735,789	185,440,236	953,204,559
Investment securities:								
-Held to maturity	398,250,616	-	-	-	-	-	-	398,250,616
At 30 June 2015	421,587,593	42,637,530	134,499,606	77,762,435	98,791,986	390,735,789	185,440,236	1,351,455,175

2014 (Audited)

	Financial	Manufacturing	Transport & communication	Wholesale and retail trade	Agriculture	Other industries	Individuals	Total
	K	K	K	K	K	K	K	K
Loans and advances customers	26,713,388	38,929,504	115,851,970	59,636,587	61,681,274	399,790,228	169,701,630	872,304,581
Investment securities:								
-Held to maturity	366,492,158	-	-	-	-	-	-	366,492,158
At 31 December 2014	393,205,546	38,929,504	115,851,970	59,636,587	61,681,274	399,790,228	169,701,630	1,238,796,739

2. Financial Risk Management (continued)

2.1 Credit risk (continued)

2.1.1 Credit risk management (continued)

(f) **Concentration of risk**

Credit risk relating to on-statement of financial position items (continued)

2013 (Audited)

	Financial	Manufacturing	Transport & communication	Wholesale and retail trade	Agriculture	Other industries	Individuals	Total
	K	K	K	K	K	K	K	K
Loans and advances customers	20,003,826	26,031,102	67,853,164	69,634,463	239,420,010	349,143,321	161,904,920	933,990,806
Investment securities:								
-Held to maturity	261,830,814	-	-		-	-	-	261,830,814
At 31 December 2013	281,834,640	26,031,102	67,853,164	69,634,463	239,420,010	349,143,321	161,904,920	1,195,821,620
2012 (Audited)								
Loans and advances customers	19,415,751	25,265,837	65,858,410	67,587,342	232,381,516	338,879,169	157,145,222	906,533,247
Investment securities:								
-Held to maturity	242,699,851	-	-	-	-	-	-	242,699,851
At 31 December 2012	262,115,602	25,265,837	65,858,410	67,587,342	232,381,516	338,879,169	157,145,222	1,149,233,098

2. **Financial Risk Management (continued)**

2.1 **Credit risk (continued)**

2.1.1 **Credit risk management (continued)**

(f) **Concentration of risk**

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

	Financial	Manufacturing	Transport & communication	Wholesale and retail trade	Agriculture	Other industries	Individuals	Total
	K	K	K	K	K	K	K	K
2015 (Unaudited)								
Guarantee and performance bonds	-	-	1,241,958	21,549,725	-	69,629,236	-	92,420,919
30 June 2015	421,587,593	42,637,530	135,741,564	99,312,160	98,791,986	460,365,025	185,440,236	1,443,876,094
2014 (Audited)								
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
2013 (Audited)								
Guarantee and performance bonds	-	-	1,293,462	13,289,691	-	56,710,232	50,000	71,343,385
31 December 2013	281,834,640	26,031,102	69,146,626	82,924,154	239,420,010	405,853,553	161,954,920	1,267,165,005
2012 (Audited)								
Guarantee and performance bonds	-	-	1,245,800	-	-	56,861,581	-	58,107,381
31 December 2012	262,115,602	25,265,837	67,104,210	67,587,342	232,381,516	395,740,750	157,145,222	1,207,340,479

2. **Financial risk management**

2.2 **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 evens including, but not limited to, credit events, merger and acquisition activity, systematic 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 include:

- 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 30 June 2015, 31 December 2014, 31 December 2013 and 31 December 2012 respectively.

(b) **Assets held for managing liquidity risk**

The Bank holds a diversified portfolio of cash and high-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.

2. **Financial Risk Management (continued)**

2.2 **Liquidity risk (continued)**

(c) **Liquidity risk maturity analysis**

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

30 June 2015 (Unaudited)

Table 7

	Up to 1 month	1-3 Months	3 -6 Months	6 - 12 Months	1 – 3 Years	3-5 Years	Over 5 years	Total
	K	K	K	K	K	K	K	K
Financial Assets								
Cash and balances with Central Bank	199,666,913	22,550,600	-	-	-	-	-	222,217,513
Loans and advances to banks	-	50,075,612	-	-	-	-	-	50,075,612
Held to maturity investments	89,088,000	165,569,000	68,405,000	40,930,000	24,057,000	10,201,616	-	398,250,616
Other assets	26,822,375	9,326,115	13,082,475	15,317,982		-	-	64,548,947
Loans and advances to customers and finance lease receivables	52,029,075	9,685,000	14,213,879	24,562,475	361,325,482	85,623,475	13,335,502	560,774,888
Equity instruments	-	-	-	-	-	-	584,972	584,972
Total assets	367,606,363	257,206,327	95,701,354	80,810,457	385,382,482	95,825,091	13,920,474	1,296,452,548
Financial Liabilities								
Customer deposits	413,740,158	130,229,301	146,815,228	246,208,472	123,938,208	131,131,005	-	1,192,062,372
Debt securities in issue	-	-	15,010,000	-	-	-	-	15,010,000
Other borrowed funds	-	-	-	-	17,240,392	-	-	17,240,392
Due to Banks	52,879,000	-	-	-	-	-	-	52,879,000
Other liabilities	9,092,177	-	-	44,056,366	-	-	-	53,148,543
Total liabilities	475,711,335	130,229,301	161,825,228	290,264,838	141,178,600	131,131,005	-	1,330,340,307
Net liquidity gap	(108,104,972)	126,977,026	(66,123,874)	(209,454,381)	244,203,882	(35,305,914)	13,920,474	(33,887,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015 AND YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013 AND 31 DECEMBER 2012

2 **Financial Risk Management (continued)**

2.2 Liquidity Risk (continued)

2.2 **Liquidity risk maturity analysis (continued)**

31 December 2014 (Audited)

Table 7 (continued)

	Up to 1 month	1-3 Months	3 -6 Months	6 - 12 Months	1 – 3 Years	3-5 Years	Over 5 years	Total
	K	K	K	K	K	K	K	K
Financial Assets								
Cash and balances with Central Bank	347,729,966	32,630,000	-	-	-	-	-	380,359,966
Loans and advances to banks	-	112,563,693	-	-	-	-	-	112,563,693
Held to maturity investments	106,538,754	102,743,115	21,186,125	78,740,076	57,284,088	-	-	366,492,158
Other assets	1,010,253	8,755,626	3,876,660	12,441,453	575,085	-	-	26,659,077
Loans and advances to customers and finance lease receivables	26,132,991	29,031,009	138,332,885	195,943,530	92,785,679	75,954,699	10,171,767	568,352,560
Equity instruments	-	-	-	-	-	-	584,972	584,972
Total assets	481,411,964	285,723,443	163,395,670	287,125,059	150,644,852	75,954,699	10,756,739	1,455,012,426
Financial Liabilities								
Customer deposits	469,635,896	273,867,056	146,137,290	232,628,870	120,356,100	128,634,534	19,558,687	1,390,818,433
Debt securities in issue	-	-	-	-	15,010,000	-	-	15,010,000
Other borrowed funds	-	-	-	-	13,118,536	5,147,165	-	18,265,701
Other liabilities	5,435,468	3,656,708	-	44,721,852	-	-	-	53,814,028
Total liabilities	475,071,364	277,523,764	146,137,290	277,350,722	148,484,636	133,781,699	19,558,687	1,477,908,162
Net liquidity gap	6,340,600	8,199,679	17,258,380	9,774,337	2,160,216	(57,827,000)	(8,801,948)	(22,895,736)

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

2 **Financial Risk Management (continued)**

2.2 **Liquidity Risk (continued)**

(c) **Liquidity risk maturity analysis**

The tables below present financial liabilities into relevant maturity groupings based on the remaining contractual maturities at the reporting date and financial assets by expected maturity dates.

31 December 2013 (Audited)

Table 7 (continued)

	Up to 1 month	1-3 Months	3 -6 Months	6 - 12 Months	1 – 3 Years	3-5 Years	Over 5 years	Total
	K	K	K	K	K	K	K	K
Financial Assets								
Cash and balances with Central Bank	1,839,384	45,061,158	-	63,342,974	-	-	-	110,243,516
Loans and advances to banks	-	88,249,735	-	-	-	-	-	88,249,735
Held to maturity investments	19,511,712	38,413,297	6,599,737	167,537,876	29,768,192	-	-	261,830,814
Other assets	35,219,453	25,597,223	4,176,660	407,504	115,247	-	-	65,516,087
Loans and advances to customers and finance lease receivables	354,917,268	4,895,145	15,784,125	195,944,415	77,223,124	40,827,035	6,787,247	696,378,359
Equity instruments	-	-	-	-	-	-	596,447	596,447
Total assets	411,487,817	202,216,558	26,560,522	427,232,769	107,106,563	40,827,035	7,383,694	1,222,814,958
Financial Liabilities								
Customer deposits	174,417,400	183,659,261	172,907,039	295,665,792	134,434,299	72,826,822	-	1,033,910,613
Debt securities in issue	-	-	-	-	15,010,000	-	-	15,010,000
Other borrowed funds	517,841	4,183,444	1,793,428	6,494,713	14,185,285	1,478,568	-	28,653,279
Due to banks	114,500,000	-	-	-	-	-	-	114,500,000
Other liabilities	8,660,831	21,641,659	435,586	9,259,407	-	-	-	39,997,483
Total liabilities	298,096,072	209,484,364	175,136,053	311,419,912	163,629,584	74,305,390	-	1,232,071,375
Net liquidity gap	113,391,745	(7,267,806)	(148,575,531)	115,812,857	(56,23,021)	(33,478,355)	7,383,694	(9,256,417)

2. **Financial Risk Management (continued)**

2.1 **Liquidity Risk (continued)**

(c) **Liquidity risk maturity analysis**

The tables below present financial liabilities into relevant maturity groupings based on the remaining contractual maturities at the reporting date and financial assets by expected maturity dates.

31 December 2012 (audited)

Table 7 (continued)

	Up to 1 month	1-3 Months	3 -6 Months	6 - 12 Months	1 – 3 Years	3-5 Years	Over 5 years	Total
	K	K	K	K	K	K	K	K
Financial Assets								
Cash and balances with Central Bank	119,754,974	27,564,053	-	34,024,780	-	-	-	181,343,807
Loans and advances to banks	-	46,520,093	-	-	-	-	-	46,520,093
Held to maturity investments	41,294,824	15,809,585	55,475,447	112,767,610	16,726,800	625,585	-	242,699,851
Other assets	3,245,649	10,110,380	6,420,302	-	-	-	-	19,776,331
Loans and advances to customers and finance lease receivables	-	21,412,140	16,140,136	39,123,852	591,491,741	34,128,110	31,044,873	733,340,852
Equity instruments	-	-	-	-	-	-	688,935	688,935
Total assets	164,295,447	121,416,251	78,035,885	185,916,242	608,218,541	34,753,695	31,733,808	1,224,369,869
Financial Liabilities								
Customer deposits	152,415,122	130,054,712	93,873,503	103,667,633	310,102,482	259,085,545	-	1,049,198,997
Debt securities in issue	-	-	-	14,350,000	15,010,000	-	-	29,360,000
Other borrowed funds	612,178	4,867,214	2,792,786	8,272,178	22,310,223	3,371,700	-	42,226,279
Due to banks	29,098,205	15,300,000	-	-	-	-	-	44,398,205
Other liabilities	12,323,959	8,829,555	1,399,083	7,552,876	-	-	-	30,105,473
Total liabilities	194,449,464	159,051,481	98,065,372	133,842,687	347,422,705	262,457,245	31,733,808	1,195,288,953
Net liquidity gap	(30,154,017)	(37,635,230)	(20,029,487)	52,073,555	260,795,836	(227,703,550)	-	29,080,915

2 **Financial Risk Management (continued)**

2.2 **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 unrecognized 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 liquidity reserves).

2. **Financial Risk Management (continued)**

2.2 **Liquidity Risk (continued)**

(c) **Liquidity risk maturity analysis (continued)**

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

The carrying amounts approximately equal fair value

	2015	**2014**	**2013**	**2012**
	Unaudited	**Audited**	**Audited**	**Audited**
	K	**K**	**K**	**K**
Balance with central banks	141,528,222	334,084,746	65,182,358	153,779,754
Cash and cash equivalents	130,753,183	158,837,347	133,310,893	74,084,146
Clean credit lines	3,000,000	74,000,000	74,000,000	74,000,000
Treasury bills	344,110,641	312,896,546	225,227,157	183,424,493
Total liquidity reserves	619,392,046	879,818,639	497,720,408	485,288,373

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 bank, 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 dates and during the reporting periods were as follows:

	Group	**Group**	**Bank**	**Bank**
	2015	**2014**	**2013**	**2012**
	Unaudited	**Audited**	**Audited**	**Audited**
At 30 June and 31 December	0.51	0.60	0.33	0.60
Average for the period	0.49	0.52	0.26	0.52
Maximum for the period	0.58	0.66	0.33	0.66
Minimum for the period	0.37	0.40	0.21	0.40

2.3 **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.

2. **Financial Risk Management (continued)**

2.4 **Market risk**

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

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

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

30 June 2015 (Unaudited)

Assets	**Carrying amount**	**Non-trading portfolio**
	K	**K**
Cash and cash equivalents	483,604,126	483,604,126
Held to maturity investments	398,250,616	398,250,616
Loans and advances to customers	560,774,888	560,774,888
Other assets	8,494,000	8,494,000
	1,451,123,630	1,451,123,630
Liabilities		
Customer deposits	1,192,062,372	1,192,062,372
Debt securities in issue	15,010,000	15,010,000
Borrowings	17,240,392	17,240,392
Other liabilities	30,118,000	30,118,000
	1,254,430,764	1,254,430,764

2. **Financial Risk Management (continued)**

31 December 2014 (Audited)

Assets	**Carrying amount**	**Non-trading portfolio**
	K	**K**
Cash and cash equivalents	526,868,659	526,868,659
Held to maturity investments	366,492,158	366,492,158
Loans and advances to customers	568,352,560	568,352,560
Other assets	2,491	2,491
	1,461,715,868	1,461,715,868
Liabilities		
Customer deposits	1,390,818,433	1,390,818,433
Debt securities in issue	15,010,000	15,010,000
Borrowings	18,265,701	18,265,701
Other liabilities	49,646,161	49,646,161
	1,473,740,295	1,473,740,295

2. **Financial Risk Management (continued)**

2.4 **Market risk (continued)**

31 December 2013 (Audited)

Assets	**Carrying amount**	**Non-trading portfolio**
	K	**K**
Cash and cash equivalents	135,993,251	135,993,251
Held to maturity investments	261,830,814	261,830,814
Loans and advances to customers	696,378,359	696,378,359
Other assets	10,693,839	10,693,839
	1,104,896,263	1,104,896,263
Liabilities		
Customer deposits	1,033,910,613	1,033,910,613
Debt securities in issue	15,010,000	15,010,000
Borrowings	28,653,279	28,653,279
Other liabilities	2,048,268	2,048,268
	1,079,622,160	1,079,622,160

31 December 2012 (Audited)

Amount subject to market risk	**Carrying amount**	**Non-trading portfolio**
	K	**K**
Cash and cash equivalents	239,905,695	239,905,695
Held to maturity investments	242,699,851	242,699,851
Loans and advances to customers	733,340,852	733,340,852
Other assets	125,164,774	125,164,774
	1,341,111,172	1,341,111,172
Liabilities subject to market Risk		
Customer deposits	1,049,198,997	1,049,198,997
Debt securities in issue	29,360,000	29,360,000
Borrowings	86,624,484	86,624,484
Other liabilities	6,735,367	6,735,367
	1,171,918,848	1,171,918,848

2. Financial Risk Management (continued)

2.5 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.

2.6 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 rise. Customer complaints are thoroughly investigated and resolved to the satisfaction of both the bank and the customer.

2.7 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.

2.8 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuation 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 currency by currency and in aggregate for both overnight and intra- day positions, which are monitored daily.

2.9 Currency risk

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

The table below summaries the Bank's exposure to foreign currency exchange rate risk at each reporting date. Included in the table are the Bank's financial instruments, categorised by currency.

2. **Financial Risk Management (continued)**

Currency risk (continued)

Table 9

30 June 2015 (Unaudited)

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
	K	K	K	K	K	K	K
Financial Assets							
Cash and balances with Central Bank	61,304,404	320,434	456,170	1,353,919	8,654	158,773,932	222,217,513
Loans and advances to banks	42,701,029	-	7,240,596	133,987	-	-	50,075,612
Held to maturity investments	-	-	-	-	-	398,250,616	398,250,616
Other assets includes stationery	8,494,000	-	-	-	-	56,054,947	64,548,947
Loans and advances to customers and finance lease receivables	104,413,332	-	8,055,669	-	-	448,305,887	560,774,888
Equity instruments	-	-	-	-	-	584,972	584,972
Total assets	216,912,765	320,434	15,752,435	1,487,906	8,654	1,061,970,354	1,296,452,548

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
	K	K	K	K	K	K	K
Financial Liabilities							
Customer deposits	172,881,302	453,137	14,047,037	158,268	-	1,004,522,628	1,192,062,372
Debt securities in issue						15,010,000	15,010,000
Due to Banks	-	137,000	-	742,000	-	52,000,000	52,879,000
Borrowings	17,240,392	-	-	-	-	-	17,240,392
Other liabilities	30,118,000	-	-	-	-	23,030,543	53,148,543
Total liabilities	220,239,694	590,137	14,047,037	900,268	-	1,094,563,171	1,330,349,814
Net on-balance sheet position	(3,326,929)	(269,703)	1,705,398	587,638	8,654	(32,592,817)	(33,887,759)
Off – balance sheet net notional position	-	-	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015 AND YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013 AND 31 DECEMBER 2012 (CONTINUED)

2. Financial Risk Management (continued)

Currency risk (continued)

Table 9

31 December 2014 (Audited)

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

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
	K	K	K	K	K	K	K
Financial Liabilities							
Customer deposits	124,233,417	1,041,447	14,827,458	158,114	-	1,250,557,997	1,390,818,433
Debt securities in issue	-	-	-	-	-	15,010,000	15,010,000
Borrowings	18,265,701	-	-	-	-	-	18,265,701
Other liabilities	48,036,009	88,378	839,706	682,068	-	4,167,867	53,814,028
Total liabilities	190,535,127	1,129,825	15,667,164	840,182	-	1,269,735,864	1,477,908,162
Net on-balance sheet position	2,541,936	864,756	672,801	669,085	5,101	(27,649,415)	(22,895,736)
Off – balance sheet net notional position	-	-	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015 AND YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013 AND 31 DECEMBER 2012

2. **Financial Risk Management (continued)**

Currency risk (continued)

Table 9

31 December 2013 (audited)

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
	K	K	K	K	K	K	K
Financial Assets							
Cash and balances with Central Bank	11,281,436	212,792	469,706	575,784	6,841	97,696,957	110,243,516
Loans and advances to banks	70,311,594	1,662,932	12,064,929	4,210,280	-	-	88,249,735
Held to maturity investments	-	-	-	-	-	261,830,814	261,830,814
Other assets includes stationery	6,391,841	816,330	-	3,485,668	-	54,822,248	65,516,087
Loans and advances to customers and finance lease receivables	91,938,219	-	1,134	-	-	604,439,006	696,378,359
Equity instruments	-	-	-	-	-	596,447	596,447
Total assets	179,923,090	2,692,054	12,535,769	8,271,732	6,841	1,019,385,472	1,222,814.958
Financial Liabilities							
Customer deposits	158,379,254	626,510	12,348,983	500,713	-	862,155,153	1,033,910,613
Debt securities in issue	-	-	-	-	-	15,010,000	15,010,000
Borrowings	28,653,279	-	-	-	-	-	28,653,279
Due to banks	-	-	-	-	-	114,500,000	114,500,000
Other liabilities	1,923,440	71,438	11,900	43,452	(1,962)	37,949,216	39,997,483
Total liabilities	188,855,973	697,948	12,360,883	544,165	(1,962)	1,029,614,368	1,232,071,375
Net on-balance sheet position	(8,932,883)	1,994,106	174,886	7,727,567	8,803	(10,228,896)	(9,256,417)
Off – balance sheet net notional position	-	-	-	-	-	-	-

2. **Financial Risk Management (continued)**

Currency risk (continued)

Table 9

31 December 2012 (Audited)

	USD	GBP	EURO	RAND	PULA	KWACHA	TOTAL
	K	K	K	K	K	K	K
Financial Assets							
Cash and balances with Central Bank	8,686,229	176,698	488,107	899,506	2,111	171,091,156	181,343,807
Loans and advances to banks	33,187,136	392,079	12,891,312	49,566	-	-	46,520,093
Held to maturity investments	-	-	-	-	-	242,699,851	242,699,851
Other assets includes stationery	154,529	41,102	-	300,405	-	19,280,295	19,776,331
Loans and advances to customers and finance lease receivables	125,163,804	-	218	752	-	608,176,077	733,340,851
Equity instruments	-	-	-	-	-	688,935	688,935
Total assets	167,191,698	609,879	13,379,637	1,250,229	2,111	1,041,936,314	1,224,369,868
Financial Liabilities							
Customer deposits	139,657,275	327,531	12,621,895	473,120	-	896,119,176	1,049,198,997
Debt securities in issue	2,040,000	-	-	-	-	27,320,000	29,360,000
Borrowings	42,226,279	-	-	-	-	-	42,226,279
Due to banks	15,300,000	-	-	670,705	-	28,427,500	44,398,205
Other liabilities	6,311,866	68,567	10,569	344,365	-	23,370,106	30,105,473
Total liabilities	205,535,420	396,098	12,632,464	1,488,190	-	975,236,782	1,195,288,954
Net on-balance sheet position	(38,343,720)	213,781	747,173	(237,961)	2,111	66,699,532	29,080,915
Off – balance sheet net notional position	-	-	-	-	-	-	-

2.10 **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 maybe taken, which is monitored daily by Treasury Department.

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

2. Financial Risk Management (continued)

2.10 Interest rate risk (continued)

30 June 2015 (Unaudited)

		Up to 1 Month	1-3 Months	3 -6 Months	6 - 12 Months	1 – 3 Years	3-5 Years	Over 5 years	Non-interest bearing	Total
		K	K	K	K	K	K	K	K	K
Financial Assets										
Cash and balances with Central Bank		-	-	-	-	-	-	-	222,217,513	222,217,513
Loans and advances to banks		-	50,075,612	-	-	-	-	-	-	50,075,612
Held to maturity investments		89,088,000	165,569,000	68,405,000	40,930,000	24,057,000	10,201,616	-	-	398,250,616
Other assets		-	-	-	-	-	-	-	64,548,947	64,548,947
Loans and advances to customers and finance lease receivables		52,029,075	9,685,000	14,213,879	24,562,475	361,325,482	85,623,475	13,335,502	-	560,774,888
Equity instruments		-	-	-	-	-	-	-	584,972	584,972
Total assets		141,117,075	225,329,612	82,618,879	65,492,475	385,382,482	95,825,091	13,335,502	287,351,432	1,296,452,548
Financial Liabilities										
Customer deposits		163,187,158	102,729,301	113,237,228	220,679,565	123,938,208	131,131,005	-	337,159,907	1,192,062,372
Debt securities in issue		-	-	15,010,000	-	-	-	-	-	15,010,000
Due to Banks		52,879,000	-	-	-	-	-	-	-	52,879,000
Borrowings		-	-	-	-	17,240,392	-	-	-	17,240,392
Other liabilities		-	-	-	-	-	-	-	53,148,543	53,148,543
Total liabilities		216,066,158	102,729,301	128,247,228	220,679,565	141,178,600	131,131,005	-	390,308,450	1,330,349,814
Interest sensitive gap		(74,949,083)	122,600,311	(45,628,349)	(155,187,090)	244,203,882	(35,305,914)	13,335,502	(102,957,018)	(33,887,759)
Impact of increase in interest rate	5.0%	(3,747,454)	6,130,016	(2,281,417)	(7,759,355)	12,210,194	(1,765,296)	666,775	-	(1,694,863)
	10.0%	(7,494,908)	12,260,031	(4,562,835)	(15,518,709)	24,420,388	(3,530,591)	1,333,550	-	(3,389,727)
	15.0%	(11,242,362)	18,390,047	(6,844,252)	(23,278,064)	36,630,582	(5,295,887)	2,000,325	-	(5,084,590)
Impact of decrease in interest rate	(2.5%	1,873,727	(3,065,008)	1,140,709	3,879,677	(6,105,097)	882,648	(333,388)	-	847,432
	(7.5)	5,621,181	(9,195,023)	3,422,126	11,639,032	(18,315,291)	2,647,944	(1,000,163)	-	2,542,295
	(12.5)	9,368,635	(15,325,039)	5,703,544	19,398,386	(30,525,485)	4,413,239	(1,666,938)	-	4,237,158

2. **Financial Risk Management (continued)**

2.10 **Interest rate risk (continued)**

31 December 2014 (Audited)

		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 Central Bank		-	-	-	-	-	-	-	380,359,966	380,359,966
Loans and advances to banks		112,563,693	-	-	-	-	-	-	-	112,563,393
Held to maturity investments		106,588,754	102,743,115	21,186,125	78,740,076	57,284,088	-	-	-	366,492,158
Other assets		-	-	-	-	-	-	-	26,659,077	26,659,077
Loans and advances to customers and finance lease receivables		26,132,991	29,031,009	138,332,885	196,168,673	92,560,536	75,954,699	10,171,767	-	568,352,560
Equity instruments		-	-	-	-	-	-	-	584,972	584,972
Total assets		245,235,438	131,774,124	159,519,010	274,908,749	149,844,624	75,954,699	10,171,767	407,604,015	1,455,012,420
Financial Liabilities										
Customer deposits		234,635,896	113,867,056	140,605,291	238,160,869	70,356,100	48,634,534	818,653	543,740,034	1,390,818,433
Debt securities in issue		-	-	-	-	15,010,000	-	-	-	15,010,000
Borrowings		-	-	-	-	13,118,536	5,147,165	-	-	18,265,701
Other liabilities		-	-	-	-	-	-	-	53,814,028	53,814,028
Finance lease payables		-	-	-	-	-	-	-	-	-
Total liabilities		234,635,896	113,867,056	140,605,291	238,160,869	98,484,636	53,781,699	818,653	597,554,062	1,477,917,676
Interest sensitive gap		10,599,542	17,907,068	18,913,719	36,747,880	51,359,988	22,173,000	9,353,114	(189,950,047)	(22,895,736)
Impact of increase in interest rate	5.0%	529,977	895,353	381,196	1,826,137	2,567,999	1,096,933	467,656	-	7,765,252
	10.0%	52,998	89,535	38,120	182,614	256,800	109,693	935,311	-	1,665,071
	15.0%	79,497	134,303	57,179	273,921	385,200	164,540	1,402,967	-	2,497,607
									-	
Impact of decrease in interest rate	(2.5%)	(13,249)	(22,384)	(9,530)	(45,653)	(64,200)	(27,423)	(233,828)	-	(416,268)
	(7.5)	(39,748)	(67,152)	(28,590)	(136,960)	(192,600)	(82,270)	(701,484)	-	(1,240,803)
	(12.5)	(66,247)	(111,919)	(47,650)	(228,267	(321,000)	(137,117)	(1,169,139)	-	(2,081,330)

2. **Financial Risk Management (continued)**

2.10 **Interest rate risk (continued)**

31 December 2013 (Audited)

		Up to 1 month	1-3 Months	3 -6 Months	6 - 12 Months	1 – 3 Years	3-5 Years	Over 5 years	Non-interest bearing	Total
		K	K	K	K	K	K	K	K	K
Financial Assets										
Cash and balances with Central Bank		-	-	-	-	-	-	-	110,243,516	110,243,516
Loans and advances to banks		88,249,735	-	-	-	-	-	-	-	88,249,735
Held to maturity investments		19,511,712	38,413,297	6,599,737	167,537,876	29,768,192	-	-	-	261,830,814
Other assets		-	-	-	-	-	-	-	65,516,084	65,516,084
Loans and advances to customers and finance lease receivables		3,236,125	9,707,315	4,891,145	225,831,059	211,320,236	140,880,458	100,512,023	-	696,378,361
Equity instruments		-	-	-	-	-	-	-	596,447	596,447
Total assets		110,997,572	48,120,612	11,490,882	393,368,935	241,088,428	140,880,458	100,512,023	176,356,047	1,222,814,957
Financial Liabilities										
Customer deposits		144,922,842	106,830,610	102,078,388	224,267,532	64,175,258	-	-	391,635,983	1,033,910,613
Debt securities in issue		-	-	-	-	15,010,000	-	-	-	15,010,000
Borrowings		517,841	4,183,444	1,793,428	6,494,714	14,185,284	1,478,568	-	-	28,653,279
Due to banks		114,500,000	-	-	-	-	-	-	-	114,500,000
Other liabilities		-	-	-	-	-	-	-	39,997,483	39,997,483
Finance lease payables		-	-	-	-	-	-	-	-	-
Total liabilities		259,940,683	111,014,054	103,871,816	230,762,246	93,370,542	1,478,568	-	431,633,466	1,232,071,375
Interest sensitive gap		(148,943,111)	(62,893,442)	(92,380,934)	162,606,689	147,717,886	139,401,890	100,512,023	(255,277,419)	(9,256,418)
Impact of increase in interest rate	5%	(7,447,156)	(3,144,672)	(4,619,047)	8,130,334	7,385,894	6,970,095	5,025,601	-	12,301,050
	10%	(744,716)	(314,467)	(461,905)	813,033	738,589	697,009	10,051,202	-	10,778,747
	15%	(1,117,073)	(471,701)	(692,852)	1,219,550	1,107,884	1,045,514	15,076,803	-	16,168,120
									-	
Impact of decrease in interest rate	(2.5%)	186,179	78,617	115,476	(203,258)	(184,647)	(174,252)	(2,512,801)		(2,694,687)
	(7.5%)	558,537	235,850	346,429	(609,775)	553,942)	(522,757)	(7,538,402)	-	(8,084,060)
	(12.5%)	930,894	393,084	577,381	(1,016,292)	(92,3,237)	(871,262)	(12,564,0003)	-	(13,473,434)

2. **Financial Risk Management (continued)**

2.10 **Interest rate risk (continued)**

31 December 2012 (Audited)

	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 Central Bank	-	-	-	-	-	-	-	181,343,807	181,343,807
Loans and advances to banks	46,520,093	-	-	-	-	-	-	-	46,520,093
Held to maturity investments	41,294,824	15,809,585	55,475,447	112,767,610	16,726,800	625,585	-	-	242,699,851
Other assets	-	-	-	-	-	-	-	19,776,331	19,776,331
Loans and advances to customers	-	15,456,871	987,146	4,734,123	610,250,165	58,947,047	42,965,499	-	733,340,851
Equity instruments	-	-	-	-	-	-	-	688,935	688,935
Total assets	87,814,917	31,266,456	56,462,593	117,501,733	626,976,965	59,572,632	42,965,499	201,809,073	1,224,369,868
Financial Liabilities									
Customer deposits	152,415,122	130,054,712	93,873,503	103,667,633	51,016,937	-	-	518,171,090	1,049,198,997
Debt securities in issue	-	-	-	14,350,000	15,010,000	-	-	-	29,360,000
Other borrowed funds	612,178	4,867,214	2,792,786	8,272,178	22,310,223	3,371,700	-	-	42,226,279
Due to banks	29,098,205	15,300,000	-	-	-	-	-	-	44,398,205
Other liabilities	-	-	-	-	-	-	-	30,105,473	30,105,473
Finance lease payables	-	-	-	-	-	-	-	-	-
Total liabilities	182,125,505	150,221,926	96,666,289	126,289,811	88,337,160	3,371,700	-	548,276,563	1,195,288,954
Interest sensitive gap	(94,310,588)	(118,955,470)	(40,203,696)	(8,788,078)	538,639,805	56,200,932	42,965,499	(346,467,490)	29,080,914
Impact of increase in interest rate	(4,715,529)	(5,947,774)	(2,010,185)	(439,404)	26,931,990	2,810,047	2,148,275	-	18,777,420
	(471,553)	(594,777)	(201,018)	(43,940)	2,693,199	281,005	4,296,550	-	5,959,464
	(707,329)	(892,166)	(301,528)	(65,911)	4,039,799	421,507	6,444,825	-	8,939,197
								-	
Impact of decrease in interest rate	117,888	148,694	50,255	10,985	(673,300)	(70,251)	(1,074,137)		(1,489,866)
	353,665	446,083	150,764	32,955	(2,019,899)	(210,753)	(3,222,412))	-	(4,469,598)
	589,441	743,472	251,273	54,925	(3,366,499)	(351,256)	(5,370,687)	-	(7,449,331)

2. **Financial Risk Management (continued)**

2.11 **Fair value of financial assets and liabilities**

The fair value of held- to- maturity investment securities at 30 June 2015 is estimated at K398.3 million (2014: K366.5 million; 2013: K261.8 million; 2012: K242.7 million). The fair value of the Bank's other financial assets and liabilities approximate the respective carrying amounts, due to the general short periods to contractual re-pricing or maturity dates as set out above. Fair values are based on discount cash flows using a discount rates based on similar financial assets at the Statement of Financial Positions date.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to these valuations are observable or unobservable. Observable inputs reflect market date 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.

2. Financial Risk Management (continued)

2.11 Fair value of financial assets and liabilities (continued)

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

Financial assets/ financial	2015 (Unaudited) K	2014 (Audited) K	2013 (Audited) K	2012 (Audited) K	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Foreign currency forward contracts					-	-	-	-
2) Available for sale financial assets					-	-	-	-
3) Private equity investments	584,972	584,972	596,447	-	Level 1	Market approach and cost approach	-	-

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

2. **Financial Risk Management (continued)**

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

Fair value hierarchy (continued)

(i) **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)**

	2015 (Unaudited)		**2014 (Audited)**		**2013 (Audited)**		**2012 (Audited)**	
	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:	625,323,835	625,323,835	595,011,637	595,011,637	761,894,445	761,894,445	753,117,183	753,117,183
- Loans to related parties	25,020,782	25,020,782	26,190,084	26,190,084	18,735,000	18,735,000	14,367,000	14,367,000
- Loans and other assets	600,303,053	600,303,053	568,821,553	568,821,553	743,159,445	743,159,445	738,750,183	738,750,183
Held to maturity investments:	398,250,616	398,250,616	366,492,158	366,492,158	261,830,814	261,830,814	242,699,851	242,699,851
- Treasury bill	344,110,641	344,110,641	312,896,546	312,896,546	225,227,157	225,227,157	183,424,473	183,424,473
- Government bonds	54,139,975	54,139,975	53,595,612	53,595,612	36,603,657	36,603,657	59,275,378	59,275,378
Financial liabilities								
Financial liabilities held at amortised cost:	70,388,935	70,388,935	72,089,237	72,608,492	68,628,564	68,628,564	72,331,752	72,331,752
- Loans from other entities	17,240,392	17,240,392	18,265,701	18,265,701	28,653,278	28,653,278	42,226,279	42,226,279
- trade and other payables	53,148,543	53,148,543	53,823,536	53,823,536	39,975,286	39,975,286	30,105,473	30,105,473

2. **Financial Risk Management (continued)**

2.11 **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 30 June 2015 (Unaudited)	**Group**	
	Level 3	**Total**
Financial assets		
Loans and receivables:		
- Loans to related parties	25,020,787	25,020,787
- Loans and other assets	600,303,053	600,303,053
Held to maturity investments:		
- Government bonds	54,139,975	54,139,975
Total	679,463,810	679,463,810
Financial liabilities		
Financial liabilities held at amortised cost:		
- Loans from other entities	17,240,392	17,240,392
- Other liabilities	53,148,543	53,148,543
	70,388,935	70,388,935

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.

(iii) **Reconciliation of level 3 fair value measurement**

	Available for sale – unlisted shares	**Others**	**Total**
	K	**K**	**K**
30 June 2015 (Unaudited)			
Balance at 1 January 2015	-	584,972	584,972
Purchased	-		
Total gains or losses:	-	-	-
- in profit or loss	-	-	-
Balance at 30 June 2015	-	584,972	584,972
31 December 2014 (audited)			
Balance at 1 January 2014			
Purchased	-	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

2. Financial Risk Management (continued)

2.11 Fair value of financial assets and liabilities (continued)

Fair value hierarchy (continued)

iii) **Reconciliation of level 3 fair value measurement (continued)**

	Available for sale – unlisted shares	Others	Total
	K	K	K
31 December 2013 (Audited)			
Balance at 1 January 2013	-	413,935	413,935
Total gains or losses:			
- in profit or loss	-	182,512	182,512
Balance at 31 December 2013	-	596,447	596,447
31 December 2012 (Audited)			
Balance at 1 January 2012	-	287,398	287,398
Total gains or losses:			
- in profit or loss	-	401,537	401,537
Balance at 31 December 2012	-	688,935	688,935

2.12 Capital management

The Bank's objectives when managing capital, which is a broader concept than the equity on the face of the statement of financial positions, 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 as that 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 reporting periods subject to the waiver given by Bank of Zambia.

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

2. **Financial Risk Management (continued)**

2.12 **Capital management (continued)**

a) **Calculation of risk weighted assets**

	Weight (1)	Balance (Net of allowance for losses (2)	Risk-weighted assets (1x2)
Part 1- on financial position obligations			
ASSETS			
Notes and coins		80,689,291	-
- Zambian notes and coins	0%	80,689,291	
- Other notes and coins	0%	-	-
			-
Balances held with the Bank of Zambia		212,269,315	
- Statutory reserves	0%	212,269,315	
- Other balances	0%	-	
Balances with commercial bank in Zambia		62,025,000	
- with residual maturity of up to 12 months	20%	50,075,612	10,015,122
- with residual maturity of more than 12 month	100%	-	-
Balance with commercial banks abroad		-	-
- with residual maturity of up to 12 months	20%	-	-
- with residual maturity of more than 12 month	100%	-	-
Assets in transit			
- from other commercial banks	50%	-	-
- from branches to reporting bank	20%	-	-
Investment in debt securities		398,250,616	-
- treasury bills	0%	344,110,641	-
- other government securities	20%	54,139,975	10,827,995
- issued by local government units	100%	-	-
- private securities	100%	-	-
Loans and advances		560,774,888	
- portion secured by cash or treasury bills	0%	39,000	-
- loans to or guaranteed by the government of Zambia	50%	25,073,471	12,536,736
Loans repayable in instalments and secured by a			
- mortgage on owner – occupied residential property	50%	202,970,588	101,485,294
- loans to or guaranteed by local government units	100%	14,184,476	14,184,476
- loans parastatals	100%	21,147,142	21,147,142
- other	100%	297,360,211	297,360,211

2. **Financial Risk Management (continued)**

2.12 **Capital management (continued)**

a) **Calculation of risk weighted assets**

	Weight (1)	Balance (Net of allowance for losses (2)	Risk-weighted assets (1x2)
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%	38,078,728	38,078,728
Acceptances	100%	-	-
Other assets	100%	133,416,380	133,416,380
Investment in equity of other companies	100%	584,972	-
Total risk-weighted assets (on financial position)		1,403,398,709	639,052,083
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%	92,420,919	46,210,460
- 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-weighed assets (off financial position)		92,420,919	46,210,460
Total risk- weighted assets (on and off financial position) as at 30 June 2015	100%	1,495,819,628	685,262,543
As at 31 December 2014		1,560,051,866	630,085,199
As at 31 December 2013		1,392,618,606	687,825,317
As at 31 December 2012		1,329,645,964	593,103,117

2. **Financial Risk Management (continued)**

2.12 **Capital management (continued)**

b) **Computation of capital position**

		2015	2014	2013	2012
		K	**K**	**K**	**K**
I	**Primary (Tier 1) Capital**				
(a)	Paid-up common share	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	18,027,355	26,361,971	33,286,165	38,976,498
(e)	General reserves	10,123,492	10,123,492	8,935,661	6,025,391
(f)	Statutory reserves	4,665,231	4,665,231	4,665,231	4,665,231
(g)	Minority interests (common shareholder's equity	-	-	-	-
(h)	Sub-total	64,207,839	72,542,455	78,278,818	81,058,881
Less:					
(i)	Goodwill and other intangible assets	-	-	-	-
(j)	Investments in unconsolidated subsidiaries and associates	-	-	-	-
(k)	Lending of a capital nature to subsidiaries and associates	-	-	-	-
(l)	Holding of other bank's or financial institutions' capital instruments	-	-	-	-
(m)	Assets pledged to secure liabilities	-	-	-	-
I	**Primary (Tier 1) Capital**				
	Sub-total (A) (items i to m)				-
Other adjustments					
Provisions		-	-	-	-
Assets of little or no realizable value – use separate list if necessary:		-	-	-	-
Other adjustments (specify)					
(n)	Sub-total (B) – Sub total A above + other adjustments)	-	-	-	-
(o)	**Total primary capital (h-n)**	64,207,839	72,542,455	78,278,818	81,058,881

2. **Financial Risk Management (continued)**

2.12 **Capital management (continued)**

b) **Computation of capital position (continued)**

		2015 (Unaudited) K	2014 (Audited) K	2013 (Audited) K	2012 (Audited) K
II	**Secondary (Tier 2) capital**				
(a)	Eligible preferred shares (Regulations 13 and 17)				
(b)	Eligible subordinated term debt (Regulation 17(b)	3,002,003	3,002,000	6,004,000	9,006,000
(c)	Eligible loan stock/capital (Regulation 17(b)	-	-	-	-
(d)	Revaluation reserves (Regulation 17 (a))	-	-	-	-
	Maximum is 40% of revaluation reserve	1,437,543	1,437,543	2,020,010	-
(e)	Other (Regulation (17 (c) Specify	-	-	-	-
(f)	**Total secondary capital**	4,439,543	4,439,543	8,024,010	9,006,000
III	**Eligible secondary capital** (the maximum amount of secondary capital is limited to 100% of primary capital)	4,439,543	4,439,543	8,024,010	9,006,000
IV	**Eligible total capital (I(0) +III) (Regulatory capital)**	68,656,888	77,645,872	83,392,558	90,064,881
V	**Minimum total capital requirement:** Position risk –weighted assets as established	104,00,000	104,000,000	68,782,532	59,826,812
VI	**Excess (deficiency) (IV minus V)**	(35,343,112)	(26,354,128)	14,610,026	30,238,069

Regulatory ratios

	2015	2014	2013	2012
Tier 1 capital as a percentage of total risk weighted assets	9%	11%	11%	14%
Tier 1 and Tier 2 capital as a percentage of total risk weighted assets	10%	11%	13%	15%

2. Financial Risk Management (continued)

2.12 Capital management (continued)

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

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

3. Interest and similar income

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
Arising on:				
Loans and advances to:				
- banks	191,824	3,697,200	1,283,408	2,379,158
- customers	36,617,910	86,571,576	87,237,043	65,021,522
	36,809,734	90,268,776	88,520,451	67,400,680
Held to maturity investments	36,065,971	45,446,869	28,415,735	39,530,955
Open market operations placements	-	10,127	1,062,915	1,898,942
Leasing	7,388,922	10,326,285	5,131,122	4,234,728
	80,264,627	146,052,057	123,130,223	113,065,305

4. Interest and similar expense

	2015	2014	2013	2012
Arising on:				
Deposits due to customers	42,480,025	84,539,411	44,615,951	27,377,449
Deposits from banks	8,210,113	8,100,605	11,858,280	2,869,974
	50,690,138	92,640,016	56,474,231	30,247,423
Debt securities in issue	1,516,430	2,934,879	3,459,769	5,987,517
Borrowings	352,844	1,174,495	1,957,683	2,699,120
	52,559,412	96,749,390	61,891,683	38,934,060

5. **Impairment charge for credit losses**

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
Balance at the beginning of the period/year	84,802,733	78,093,366	55,989,971	52,454,474
Impairment losses recognized on loans and advances	3,383,916	6,452,867	24,978,379	15,988,011
Effect of foreign currency movements	2,142,440	1,750,107	-	-
Amounts recovered during the period/year	(744,155)	(1,493,607)	(2,874,984)	(12,452,514)
Balance at the end of the period/year	89,584,934	84,802,733	78,093,366	55,989,971
Amounts charged to profit or loss are made up as follows:				
Impairment losses recognized on loans and advances	3,383,916	6,452,867	24,978,379	15,988,011
Effect of foreign currency movements	2,142,440	1,750,107	-	-

6. **Fee and commission income**

	2015	2014	2013	2012
Sundry transaction fees and commissions	14,185,716	32,867,054	32,478,645	24,867,998
Ledger fees	12,529,206	23,629,637	23,196,560	11,577,383
Credit related fees and commissions	3,858,851	7,294,604	14,065,922	13,917,873
Asset management fees	223,597	770,076	286,105	384,955
	30,797,370	64,561,371	70,027,232	50,748,209

7. **Fee and commission expense**

	2015	2014	2013	2012
Bank charges	1,312,468	663,647	1,083,309	1,014,224
Handling fees on Government securities	(1,114)	862,670	522,064	733,540
	1,311,354	1,526,317	1,605,373	1,747,764

8. **Operating expenses**

	2015	2014	2013	2012
Personnel expenses				
Salaries and other staff benefit costs	36,925,719	66,847,788	58,048,438	52,022,900
Pension costs – defined contribution plan	2,442,324	1,528,963	2,926,756	2,325,560
Staff medical	1,306,994	1,512,672	1,766,305	1,903,522
Staff training	191,327	759,962	609,234	798,287
Staff insurance	167,599	406,929	355,628	398,861
	41,033,963	71,056,314	63,706,361	57,449,130

8. **Operating expenses (continued)**

	2015	2014	2013	2012
	Unaudited	Audited	Audited	Audited
	K	K	K	K
Administrative expenses				
Occupancy	5,278,273	8,843,739	6,907,957	6,007,848
Motor vehicle costs	2,132,421	6,376,869	7,046,406	5,551,811
Telecommunication and postage	6,051,122	11,314,793	9,967,438	7,498,694
Office and security expenses	2,876,051	6,000,392	4,730,955	3,035,094
	16,337,867	32,535,793	28,652,756	22,093,447
Other operating expenses				
Depreciation and amortization (note 20 and note 22)	7,460,025	11,754,620	10,170,068	8,510,060
Other expenses	3,764,181	9,971,517	6,652,512	5,692,427
Marketing and public relations	1,762,431	5,873,944	6,083,936	4,640,952
Travel expenses	1,975,352	4,229,289	5,725,920	5,065,224
Professional and legal fees	2,116,227	3,904,097	2,862,966	2,436,701
Repairs and maintenance	1,711,427	3,142,890	2,154,270	1,967,151
Printing and stationery	823,170	1,649,694	2,434,533	1,422,697
Amounts written off during the year as uncollectible	-	-	307,921	127,104
	19,612,813	40,526,051	36,392,126	29,862,316
	76,984,643	144,118,158	128,751,243	109,404,893

9. **(Loss)/profit before tax**

	2015	2014	2013	2012
(Loss)/profit before tax is stated after crediting:				
Interest receivable from other banks	191,824	3,697,200	-	2,379,158
Rental income	21,810	78,490	78,840	78,840
Gain on disposal of property and equipment	(406,703)	10,000	173,168	1,717
Dividend income	-	-	-	9,857
and after charging:				
Depreciation and amortization (Note 20 and 22)	7,426,183	11,739,792	10,170,068	8,510,060
Pension costs- employer's contributions	2,442,324	1,528,963	2,926,756	2,325,560
Directors emoluments:				
- in connection with the management of the Company	2,861,115	2,861,115	2,628,795	1,762,500
- fees and expenses	810,146	1,049,892	1,211,849	1,030,048
Interest payable to other banks	8,210,113	8,100,605	11,858,280	2,869,979
Donations	85,933	506,688	410,700	378,196

9. Income tax (credit) expense

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
Income tax is charged at 35% on banking profits in 2015 (2012 - 2014 :35%). With-holding tax on Government Bond interest and treasury bills discount is 15% and that is also the final tax. All non-banking profits are taxed at 35% in 2015 (2012-2014: 35%)				
Current tax				
Based on banking profits	-	-	-	8,322,150
Based on non-banking profits	-	7,849	27,594	31,536
	-	7,849	27,594	8,353,686
Prior period over provisioning on banking profits	-	-	(279,391)	(2,117,751)
Deferred tax (note 27)	(3,879,051)	(1,026,471)	(3,484,787)	303,509
	(3,879,051)	(1,018,622)	(3,736,584)	6,539,444
The current tax asset has been derived as Follows:				
(Recoverable)/payable in respect of the period/year	-	7,849	(251,797)	6,235,935
(Recoverable)/payable in respect of previous years	(21,617,473)	(16,865,489)	(6,526,926)	(3,850,739)
	(21,617,473)	(16,857,640)	(6,778,723)	2,385,196
Income tax payments made		-	(5,936,875)	(3,358,951)
Withholding tax suffered during the period/year	(1,286,232)	(4,759,833)	(4,149,891)	(5,553,171)
Total paid and suffered	(1,286,232)	(4,759,833)	(10,086,766)	(8,912,122)
Income tax recoverable	(22,903,705)	(21,617,473)	(16,865,489)	(6,526,926)
Reconciliation of the tax charge (credit):				
The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:				
(Loss)/profit before tax	(12,964,354)	(7,381,373)	(6,516,647)	20,880,355
Tax at the applicable rate of 35% (2012 - 2014: 35%)	(4,537,524)	(2,583,481)	(2,280,826)	7,308,124
- Rate differential		-	-	(1,971)
- Prior period over provisioning on banking profits		-	(279,391)	(2,117,751)
- Prior period adjustment on capital allowances		-	(106,483)	-
- Permanent differences	658,473	1,564,859	(1,069,884)	1,351,042
	(3,879,051)	(1,018,622)	(3,736,584)	6,539,444

10. Income tax (credit) expense

Subject to agreement with the Zambia RevenueAuthority, the Bank has estimated tax losses of approximately K19,285,112 (2014: K10,199,809 2013:K3,606,792 – 2012: Knil) 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:

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
2015 tax losses available until 2020	9,085,303	-	-	-
2014 tax losses available until 2019	6,593,017	6,593,017	-	-
2013 tax losses available until 2018	3,606,792	3,606,792	3,606,792	-

11. Cash and balances with bank of Zambia

Balances with Central Bank:

	2015	2014	2013	2012
Statutory deposits	212,269,315	188,525,411	63,342,974	34,024,780
Current account	(70,741,093)	145,559,335	1,839,384	119,754,974
Total balances with central Bank	141,528,222	334,084,746	65,182,358	153,779,754
Cash on hand	80,689,291	46,275,220	45,061,158	27,564,053
	222,217,513	380,359,966	110,243,516	181,343,807

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.

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
12. Balances due to/from other banks				
Amounts due from other banks	50,075,612	112,563,693	88,249,735	46,520,093
Amount due to other banks	52,879,000	-	114,500,000	44,398,205

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

13. **Held to maturity investments**

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
Treasury bills	344,110,641	312,896,546	225,227,157	183,424,473
Government bonds	54,139,975	53,595,612	36,603,657	59,275,378
	398,250,616	366,492,158	261,830,814	242,699,851
Current	363,992,179	342,928,863	204,367,385	225,347,467
Non-current	34,258,437	23,563,295	57,463,429	17,352,384
	398,250,616	366,492,158	261,830,814	242,699,851

Treasury bills face value

	2015	2014	2013	2012
Maturity period				
0-91 days				
92-182 days	264,190,000	33,945,000	52,000,000	56,440,000
183 – 273 days	50,350,000	4,115,000	7,000,000	49,000,000
274 – 364 days	-	260,000,000	150,000,000	85,076,438
274 – 364 days	42,460,000	52,000,000	31,000,000	-
	357,000,000	350,060,000	240,000,000	190,516,438
Less: unearned discount	(12,889,359)	(37,163,454)	(14,772,843)	(7,091,965)
	344,110,641	312,896,546	225,227,157	183,424,473

Government bonds
Face value

	2015	2014	2013	2012
Maturity period				
0-91 days	20,000,000	10,500,000	-	43,500,000
92-365 days	670,000	20,000,000	6,850,000	6,850,000
366 – 730 days	25,000,000	670,000	30,500,000	10,500,000
731 – 1095 days	15,000,000	25,000,000	670,000	670,000
1096 – 1826 days	-	-	-	-
	60,670,000	56,170,000	38,020,000	61,520,000
Less: unearned discount	(6,530,025)	(2,574,388)	(1,416,343)	(2,244,622)
	54,139,975	53,595,612	36,603,657	59,275,378
Maturity analysis:				
Due within one year	20,670,000	30,500,000	6,850,000	43,500,000
Due after more than one year	40,000,000	25,670,000	31,170,000	18,020,000
	60,670,000	56,170,000	38,020,000	61,520,000

14. Other assets

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
Other receivables and prepayments	64,548,948	26,659,077	65,516,087	19,776,331
Current	64,548,948	26,659,077	65,516,087	19,776,331
Non-current	-	-	-	-
	64,548,948	26,659,077	65,516,087	19,776,331

The analysis of other receivables and prepayments is as follows:

	2015	2014	2013	2012
Suspense clearing accounts	58,879,071	21,425,030	31,358,958	12,312,505
Prepayments	3,584,411	3,237,668	3,214,054	4,043,306
Interest receivables	1,285,344	1,227,691	30,647,742	3,266,709
Stationery and cheque books	800,122	768,688	295,333	153,811
	64,548,948	26,659,077	65,516,087	19,776,331

The cost of inventories relating to stationery and cheque books recognized as an expense amounted to K823,172 (2014: K1,641,570 – 2013: K2,434,533; 2012: K1,967,151) does not include any amounts in respect of write downs of inventory to net realizable value.

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
15. Loans and advances to customers				
Loans and advances to customers	823,210,063	801,336,330	890,261,092	871,843,740
Less: impaired loans and advances (note 8)	(89,571,909)	(84,802,733)	(78,093,366)	(55,989,971)
Less: Suspended interest	(258,815,985)	(219,374,704)	(159,519,081)	(117,202,424)
	474,822,169	497,158,893	652,648,646	698,651,345

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

Included in loans and advances on is an amount relating to advances made to staff of 31 December 2014 (K55,105,796; 31 December 2013:K39,088,000; 31 December 2012: K20,044,000).

	2015 Unaudited K		2014 Audited K		2013 Audited K		2012 Audited K	
Industry analysis								
Wholesale and retail trade	73,815,779	9%	68,311,603	8%	69,259,088	8%	46,145,579	5%
Other sectors	271,765,717	33%	246,079,601	31%	261,911,066	29%	257,688,364	30%
Financial	22,202,364	3%	81,489,101	10%	19,439,435	2%	7,607,226	1%
Service industries	242,555,124	29%	182,271,788	23%	149,247,323	17%	155,279,471	18%
Agriculture	95,685,757	12%	60,930,521	8%	239,383,630	27%	304,051,123	35%
Construction, mining and quarrying	75,524,518	9%	123,648,922	15%	125,721,387	14%	70,459,839	8%
Manufacturing	41,660,804	5%	38,604,794	5%	25,299,163	3%	30,612,138	3%
	823,210,063	100%	801,336,330	100%	890,261,092	100%	871,843,740	100%
Less: Impaired loans and advances suspended interest	(348,387,894)		(304,177,437)		(237,612,446)		173,192,395	
	474,822,169		(497,158,893)		652,648,646		698,651,345	
Sector analysis								
Private corporations	634,655,395	77%	615,101,270	77%	736,916,058	83%	667,104,001	76%
Individuals	163,533,668	20%	160,457,223	20%	132,736,819	15%	189,092,583	22%
Related parties	25,021,000	3%	25,777,837	3%	20,608,215	2%	15,647,156	2%
	823,210,063	100%	801,336,330	100%	890,261,092	100%	871,843,740	100%
Less: Impaired loans and advances suspended interest	(348,387,894)		(304,177,437)		(237,612,446)		173,192,395	
	474,822,169		(497,158,893)		652,648,646		698,651,345	

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 29.

16. **Equity Investment**

The movement in investments in share during the year were as follows:

	2015	2014	2013	2012
	Unaudited	Audited	Audited	Audited
	K	K	K	K
At beginning of period/year	584,972	596,447	413,935	287,398
(Loss) /gain in fair value of marketable equity investments	-	(11,475)	182,512	-
Investments in shares	-	-	-	401,537
	584,972	584,972	596,447	688,935
Prima Reinsurance Zambia PLC	371,037	371,037	382,512	200,000
Zambian Home Loans Limited	-	-	-	275,000
Swift International Share Subscription	126,537	126,537	126,537	126,537
Zambia Electronic Clearing House Limited	87,398	87,398	87,398	87,398
	584,972	584,972	596,447	688,935

Prima Reinsurance Zambia Plc

The Bank holds 0.43% (2014: 0.43%; 2013: 0.43%, 2012: 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 (2012 – 2014: same).

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 estimate within which the fair value of this investment is likely to be.

Zambia Home Loans Limited

The Bank holds 51% (2014: 51%; 2013: 51%; 2012: nil) 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. Zambia Home Loans Limited is thus a subsidiary of Investrust Bank PLC. The Investment is carried at cost.

Swift International Share Subscription

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

17. **Property and equipment**

The movement in the property and equipment were as follows:

	Leasehold buildings	Leasehold improvements	Furniture and fixtures	Motor vehicles and equipment	Work in Progress	Total
	K	K	K	K	K	K
Cost						
Balance at 1 January 2012	3,308,420	14,670,922	5,013,296	22,495,145	5,276,513	50,764,296
Additions	32,957	933,269	410,294	5,506,729	9,464,703	16,347,952
Reclassification	-	1,561,606	356,249	2,322,802	(6,764,813)	(2,524,156)
Adjustments	-	-	-	(500)	(82,636)	(83,136)
Disposals	-	-	-	(6,350)	-	(6,350)
Balance at 31 December 2012 (Audited)	3,341,377	17,165,797	5,779,839	30,317,826	7,893,767	64,498,606
Additions	80,392	1,549,421	706,787	5,441,107	23,744,740	31,522,447
Reclassification	8,205	17,176,006	1,095,104	7,064,949	(25,879,497)	(535,233)
Disposals	-	-	(425)	(1,255,924)	-	(1,256,349)
Revaluation increase	5,050,026	-	-	-	-	5,050,026
Balance at 31 December 2013 (Audited)	8,480,000	35,891,224	7,581,305	41,567,958	5,759,010	99,279,497
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)
Adjustments	(570,762)	(287,987)	1,251	858,143	-	645
Balance at 31 December 2014 (Audited)	8,219,577	42,053,913	8,205,364	51,988,592	2,446,783	112,914,229
Additions	-	232,587	91,027	2,533,032	2,228,518	5,085,164
Reclassification	-	(271,467)	-	-	271,467	-
Disposals	-	-	-	(1,318,115)	-	(1,318,115)
Balance at 30 June 2015 (Unaudited)	8,219,577	42,015,033	8,296,391	53,203,509	4,946,768	116,681,278
Depreciation:						
Balance at 1 January 2012	318,761	3,575,033	1,567,103	12,978,470	-	18,439,367
Charge for the year	66,353	1,491,936	496,463	4,548,233	-	6,602,985
Eliminated on disposals	-	-	-	(5,067)		(5,067)
Balance at 31 December 2012 (Audited)	385,114	5,066,969	2,063,566	17,521,636	-	25,037,285
Charge for the year	93,871	1,878,204	584,136	5,523,734		8,079,945
Eliminated on revaluation	(478,985)	-	-	-	-	(478,985)
Eliminated on disposals			(264)	(1,034,724)		(1,034,988)
Balance at 31 December 2013 (Audited)	-	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)

17. **Property and equipment (continued)**

	Leasehold buildings	Leasehold improvements	Furniture and fixtures	Motor vehicles and equipment	Work in progress	Total
	K	K	K	K	K	K
Balance at 31 December 2014 (Audited)	164,392	10,306,549	3,377,425	27,510,702	-	41,359,068
Charge for the year	112,630	1,572,311	599,753	3,978,810	-	6,263,504
Eliminated on disposals	-	-	-	(434,412)	-	(434,412)
Balance at 30 June 2015 (Audited)	277,022	11,878,860	3,977,178	31,055,100	-	47,188,160
Carrying amount:						
Balance at 30 June 2015 (Unaudited)	7,942,555	30,136,173	4,319,213	22,148,409	4,946,768	69,493,118
Balance at 31 December 2014 (Audited)	8,055,185	31,747,364	4,827,939	24,477,890	2,446,783	71,555,161
Balance at 31 December 2013 (Audited)	8,480,000	28,946,051	4,933,867	19,557,312	5,759,010	67,676,240
Balance at 31 December 2012 (Audited)	2,956,263	12,098,828	3,716,273	12,796,190	7,893,767	39,461,321

18. **Capital commitments**

	2015	2014	2013	2012
	K	K	K	K
Authorised and contracted for	17,410,725	17,410,725	18,290,000	53,090,250

At 30 June 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.

19. **Deferred software development expenditure**

Group and bank	**Software development costs**
	K
Cost	
At 1 January 2012	6,759,944
Additions captured directly	950,520
Reclassifications from capital work in progress	2,524,154
At 31 December 2012 (Audited)	**10,234,618**
Additions captured directly	875,310
Reclassifications from capital work in progress	535,234
At 31 December 2013 (Audited)	**11,645,162**
Additions captured directly	463,576
Reclassifications from capital work in progress	5,090,041
At 31 December 2014 (Audited)	**17,198,779**
Additions captured directly	-
Reclassifications from capital work in progress	-
At 30 June 2015 (Unaudited)	**17,198,779**
Amortisation	
At 1 January 2012	1,982,076
Amortisation for the year	1,907,075
At 31 December 2012 (Audited)	**3,889,151**
Amortisation for the year	2,090,123
At 31 December 2013 (Audited)	**5,979,274**
Amortisation for the year	1,573,055
At 31 December 2014 (Audited)	**7,552,329**
Amortisation for the period	1,196,520
At 30 June 2015 (Unaudited)	**8,748,849**
Carrying amount 30 June 2015 (Unaudited)	8,449,930
Carrying amount 31 December 2014 (Audited)	9,646,450
Carrying amount 31 December 2013 (Audited)	5,665,888
Carrying amount 31 December 2012 (Audited)	6,345,467

20. Deposits from customers

	2015	2014	2013	2012
	Unaudited	**Audited**	**Audited**	**Audited**
	K	**K**	**K**	**K**
Current accounts	335,390,753	641,290,298	371,314,264	505,986,690
Deposit accounts	614,082,234	511,421,832	396,680,657	291,143,223
Savings accounts	116,713,824	111,418,488	121,378,034	130,293,943
Cheque savers' accounts	125,254,356	126,024,873	124,785,546	109,590,741
SMEs account	621,205	662,942	19,752,112	12,184,400
	1,192,062,372	1,390,818,433	1,033,910,613	1,049,198,997

All deposits accounts have fixed interest rates.
The customer accounts are split as follows:

	2015	2014	2013	2012
Retail customers				
- Saving accounts	92,531,827	108,017,673	116,579,516	125,732,093
- Cheque Saver accounts	18,844,173	18,844,173	18,495,758	26,009,908
- Current accounts	16,855,167	45,990,170	13,696,498	204,587
- Deposit accounts	4,825,458	5,441,692	6,466,894	6,145,737
	133,056,625	178,293,708	155,238,666	158,092,325
`Corporate customers				
- Current accounts	319,156,791	595,963,069	377,369,877	517,966,503
- Deposit accounts	609,256,776	505,980,140	390,213,764	284,997,486
- Cheque Saver accounts	106,410,183	107,180,700	106,289,788	83,580,833
- Savings	24,181,997	3,400,816	4,798,518	4,561,850
	1,059,005,747	1,212,524,725	878,671,947	891,106,672
	1,192,062,372	1,390,818,433	1,033,910,613	1,049,198,997

The maturity analysis for the term deposit accounts is as follows

	2015	2014	2013	2012
0 – 30 days	64,807,528	270,901,483	149,460,291	104,438,186
31 – 60 days	21,919,179	43,248,403	48,655,353	55,001,092
61 – 90 days	125,866,346	55,947,294	37,903,130	27,076,683
91-365 days	334,027,584	141,277,932	160,661,883	101,587,262
Above 365 days	67,461,597	46,720	-	3,040,000
	614,082,234	511,421,832	396,680,657	291,143,223

20. **Deposits from customers (continued)**

(Decrease)/increase in amounts due to depositors:

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
Current accounts	(305,899,545)	243,502,393	(133,533,206)	180,897,537
Deposit accounts	102,660,402	114,741,175	105,537,434	80,526,737
Savings accounts	5,295,336	(9,959,546)	(8,915,909)	42,085,535
Cheque savers' accounts	(770,517)	1,239,327	15,194,805	28,044,619
SME account	(41,737)	6,814,862	7,567,708	6,761,003
	(198,756,061)	356,338,211	(14,149,168)	338,315,431

21. **Debt Securities in Issue**

	2015	2014	2013	2012
Kwacha Medium notes due 2013		-	-	12,310,000
USD Medium Term Notes due 2013		-	-	2,040,000
Kwacha Medium Term Notes due 2015	15,010,000	15,010,000	15,010,000	15,010,000
	15,010,000	15,010,000	15,010,000	29,360,000
Current	15,010,000	-	-	14,350,000
Non-current	-	15,010,000	15,010,000	15,010,000

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

The annual effective interest rate on the debt securities in 2015 was 21.77% (2014:19.55%, 2013: 17.61%, 2012: 11.57%).

22. **Borrowings**

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
Zambia Enterprise Development Project ("ZEDP")	12,009,251	13,118,830	17,442,036	23,133,341
European Investment Bank ("EIB")	5,231,141	5,146,871	5,421,425	5,919,643
African Development Bank (ADB)	-	-	4,830,000	8,925,000
Norsad Fund	-	-	959,818	4,248,295
	17,240,392	18,265,701	28,653,279	42,226,279
Current liability payable within one year	(7,730,828)	(8,224,285)	(12,989,426)	(16,544,387)
Non –current liability	9,509,564	10,041,416	15,663,853	25,681,892

African Development Bank

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

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

The annual weighted average effective interest rate was 4.7 per annum in 2015 (2014 – 4.3%; 2013: 4%; 2012:3.5%).

22. **Borrowings (continued)**

Norsad Fund

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

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

The annual weighted average effective interest rate was 8.9% per annum for the six (6) month to 30 June 2015 (2014: 8.6%; 2013: 8.37%; 2012: 12.2%).

The European Investment Bank facility ("EIB")

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

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

The annual weighted average effective interest rate was 9.82% per annum for the six (6) month to 30 June 2015 (2014: 9.31%; 2013: 4.62%; 2012:5.42%).

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; 2013: Nil; 2012: Nil)..

The annual weighted average effective interest rate was 5.86% per annum for the six (6) month to 30 June 2015 (2014: 5.45%; 2013:5.74%; 2012:5.78%).

23. Other liabilities

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
Interest payable on deposits	27,265,149	37,131,996	17,624,865	8,078,370
Sundry payables	24,119,878	13,216,035	18,871,985	18,932,413
Bankers cheques payable	1,380,578	3,118,122	3,093,136	1,726,799
Interest payable on borrowings	384,445	357,383	417,004	1,367,891
	53,150,050	53,823,536	40,006,990	30,105,473
Sundry payables				
These can be analysed as follows:				
Payroll related liabilities	5,884,595	7,994,202	10,709,221	9,381,279
Unpresented drafts	2,361,525	2,095,892	1,940,110	1,195,111
Sundry creditors	5,755,604	2,077,337	1,404,507	1,009,203
Other creditors and accruals	10,118,154	1,048,604	4,818,147	7,346,820
	24,119,878	13,216,035	18,871,985	18,932,413

24. Deferred Tax Liabilities

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 35% (2014 - 2012: 35%).

Tax effect on timing differences due to:

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
Temporary differences on property and equipment	2,301,377	2,301,377	1,366,362	2,349,757
Other provisions	(2,244,937)	(2,244,937)	(3,233,024)	(1,994,009)
Property revaluation	1,935,154	1,935,154	1,935,154	-
Tax losses	(8,091,001)	(4,211,950)	(1,262,377)	-
Deferred tax liabilities (assets)	(6,099,407	(2,220,356)	(1,193,885)	355,748

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

	Other provisions K	Property revaluation K	Tax losses K	Accelerated capital allowances K	Total K
At 1 January 2013 (audited)	(1,994,009)	-	-	2,349,757	355,748
Arising in the year:					
- charged (credit) to income (note 14)	(1,239,015)	-	(1,262,377)	(983,395)	(3,484,787)
- Charged to equity	-	1,935,154	-	-	1,935,154
At 31 December 2013 (audited)	(3,233,024)	1,935,154	(1,262,377)	1,366,362	(1,193,885)
Arising in the year:					
- charged (credit) to income (note 14)	988,087	-	(2,949,573)	935,015	(1,026,471)
At 31 December 2014 (audited)	(2,244,937)	1,935,154	(4,211,950)	2,301,377	(2,220,356)
Arising in the year:					
- charged (credit) to income (note 14)	-	-	(3,879,051)	-	(3,879,051)
At 30 June 2015 (unaudited)	**(2,244,937)**	**1,935,154**	**(8,091,001)**	**2,301,377**	**(6,099,407)**

25. **Share capital**

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
Authorised ordinary shares of K1 each 120,000,000 (2014 - 2012:120,000,000)	120,000,000	120,000,000	120,000,000	120,000,000
Issued and fully paid up				
4,665,231 ordinary share of K1 each (2014 - 2012: 4,665,231 shares of K1 each)	4,665,231	4,665,231	4,665,231	4,665,231

26. **(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.

27. **Dividends**

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the last meeting held on 02 April 2015, no dividend was proposed. (2014: nil; 2013: nil; 2012: nil).

28. **Contingent Liabilities and Commitments**

a) **Legal proceedings**

There were a number of legal proceedings outstanding against the Bank at 30 June 2015. No provision has been made as professional advice indicate that it is unlikely that any significant loss will arise.

b) **Loan commitments, guarantees and other financial facilities**

	2015 Unaudited K	2014 Audited K Group	2013 Audited K Bank	2012 Audited K Bank
At each reporting date the Bank off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:				
Guarantees and performance bonds	92,420,919	101,645,051	71,343,385	58,107,381

28. Contingent Liabilities and Commitments

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 the local Central Bank in accordance with statutory requirements. These deposits are not available to finance the Bank's day to day operations.

29. 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 reporting periods with the following associated companies:

Name	Name 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:

29. **Related party transactions (continued)**

a) Loans and advances to related parties

	Directors and other key management personnel				**Associated companies**			
	Group				**Group**			
	2015	**2014**	**2013**	**2012**	**2015**	**2014**	**2013**	**2012**
	Unaudited	**Audited**	**Audited**	**Audited**	**Unaudited**	**Audited**	**Audited**	**Audited**
	K	**K**	**K**	**K**	**K**	**K**	**K**	**K**
Loans outstanding at 1 January	412,247	1,063,284	2,523,134	1,746,098	25,777,837	20,618,215	15,647,157	22,095,677
Loans issued during the year	-	-	-	700,000	-	5,743,707	1,775,625	-
Interest charges	31,587	62,699	239,894	125,161	857,962	1,388,361	5,127,947	4,077,209
Loan repayments during the year	(355,406)	(713,736)	1,699,744)	(48,125)	(1,703,445)	(1,972,446)	(1,932,514)	(10,525,729)
Loans outstanding at 30 June	88,428	412,247	1,063,284	2,523,134	24,932,354	25,777,837	20,618,215	15,647,157
Interest income earned	31,587	62,699	239,894	125,161	857,962	1,388,361	5,127,947	4,077,209

The amounts on connected entities arises 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.

29. **Related party transactions (continued)**

b) Other transactions with related parties

	Directors and other key management personnel				Related companies			
	Group				Group			
	2015	**2014**	**2013**	**2012**	**2015**	**2014**	**2013**	**2012**
	Unaudited	**Audited**	**Audited**	**Audited**	**Unaudited**	**Audited**	**Audited**	**Audited**
	K	**K**	**K**	**K**	**K**	**K**	**K**	**K**
Rental income	-	-	-	-	21,810	70,440	70,440	70,440
Cost of office floral arrangement	-	-	-	-	122,160	(262,530)	(247,920)	70,440

c) Directors' remuneration and key management personnel compensation

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

	2015	**2014**	**2013**	**2012**
	Unaudited	**Audited**	**Audited**	**Audited**
	K	**K**	**K**	**K**
Salaries	1,542,520	2,861,115	2,628,795	2,532,125
Directors fees and expenses	810,146	1,049,866	1,211,849	1,030,048
Other long term benefits	-	-	559,814	3,231,250
	2,352,666	3,910,981	4,400,458	6,793,423

30. **Segment reporting**

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

The Group has three main lines of business:

Retail and operations

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

Wholesale banking

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

Mortgage Financing

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

Segment revenue reported below represents revenue generated from external customers.

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

The Group operates only in one geographical segment.

30. **Segment reporting (continued)**

Group

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

2013 (Audited)	**Retail and Operations**	**Wholesale banking**	**Unallocated**	**Total**
External revenue				
Net interest income	5,705,814	55,532,725	-	61,238,539
Net fee and commission income	55,531,779	12,890,080	-	68,421,859
Net trading income	13,711	14,419,682	-	14,433,392
Other operating income	` 8,400	-	243,608	252,008
Total segment income	61,259,704	82,842,487	243,608	144,345,798
Other material non-cash items:				
Recovery/(impairment) losses on loans and advances	-	(22,103,395)	-	(22,103,395)
Reportable segment operating (loss) profit before tax	11,459,924	(18,212,371)	243,608	(6,508,839)
Reportable segment assets	291,999,991	1,022,217,114	-	1,314,217,105
Reportable segment liabilities and equity	767,611,426	546,605,679	-	1,314,217,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015 AND YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013 AND 31 DECEMBER 2012

30. **Segment reporting (continued)**

2012 (Audited)	**Retail and Operations**	**Wholesale banking**	**Unallocated**	**Total**
External revenue				
Net interest income	6,301,358	67,865,119	-	74,166,477
Net fee and commission income	36,513,710	12,461,360	-	48,975,070
Net trading income	18,890	16,181,874	-	16,200,764
Other operating income	8,400	-	72,157	80,557
Total segment income	42,842,358	96,508,353	72,157	139,422,868
Other material non-cash items:				
Recovery/(impairment) losses on loans and advances	-	(9,264,724)	-	(9,264,724)
Reportable segment operating (loss) profit before tax	5,164,795	15,643,403	72,157	20,880,355
Reportable segment assets	208,385	1,068,319	-	1,276,704
Reportable segment liabilities and equity	848,619	428,084	-	1,276,704

	2015 Unaudited K	2014 Audited K	2013 Audited K	2012 Audited K
31. Basic Earnings per share				
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 period/year				
Profit attributable to equity holders	(9,085,303)	(6,362,751)	(2,772,255)	14,340,911
Weighted number of ordinary shares in issue	4,665,231	4,665,231	4,665,231	4,665,231
Basic earnings per share	(1.95)	(1.36)	(0.59)	3.07
32. Finance Lease Receivables				
Current finance lease receivables	6,485,789	4,385,127	2,565,845	411,111
Non-current finance lease receivables	79,466,930	66,808,540	41,163,868	34,278,396
	85,952,719	71,193,667	43,729,713	34,689,507
The movement for the year is as follows:				
At the beginning of the year	88,542,527	51,469,739	40,464,911	30,693,717
Additions during the year	41,147,263	65,230,732	27,809,781	25,342,798
Repayments during the year	(18,827,419)	(31,735,883)	(18,976,494)	(17,481,727)
Unrealised exchange (losses) gains	19,132,125	3,577,939	2,171,541	1,910,123
Gross investment in finance leases	129,994,496	88,542,527	51,469,739	40,464,911
Less: Unearned future finance income on finance leases	(44,041,777)	(17,348,860)	(7,740,026)	(5,775,404)
Net investment in finance leases	85,952,719	71,193,667	43,729,713	34,689,507

	2015 Unaudited K		2014 Audited K		2013 Audited K		2012 Audited K	
Industry analysis								
Other sectors	6,499,724	5%	3,538,942	4%	4,476,975	9%	15,904,092	40%
Construction, mining and quarrying	21,783,118	17%	9,047,466	11%	12,778,019	25%	18,627,608	46%
Manufacturing	976,726	1%	324,710	0%	1,670,785	3%	1,985,136	5%
Service industries	92,547,430	71%	73,565,220	83%	31,440,579	61%	2,624,833	6%
Wholesale and retail	3,946,656	3%	985,354	1%	939,032	2%	1,067,892	3%
Agriculture	3,106,229	2%	750,753	1%	-	0%	87,097	0%
Financial	1,134,613	1%	330,082	0%	164,349	0%	168,253	0%
	129,994,496	100%	88,542,527	100%	51,469,739	100%	40,464,911	100%

	2015 Unaudited K		2014 Audited K		2013 Audited K		2012 Audited K	
32. Finance Lease Receivables (continued)								
Sector analysis								
Private corporations	84,669,741	99%	86,564,401	98%	50,489,719	98%	39,937,093	98%
Non banking financial institution	258,648	0%	330,082	0%	164,349	0%	306,745	1%
Individuals	1,024,330	1%	1,648,044	2%	815,671	2%	221,073	1%
	85,952,719	100%	88,542,527	100%	51,469,739	100%	40,464,911	100%

The Bank enters into finance leasing arrangements. The average term of finance leases entered into is 2 years. Unguaranteed residual dues of assets leased under the finance leases at the Statement of financial position date are estimated at K1,024,330 (2014: K1,648,044; 2013: K815,671; 2012: K 221,073).

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 13% (2014: 12.08%; 2013: 13%; 2012: 12%) for US Dollar denominated and 24.5% (2014: 21.5%; 2013: 18%; 2012: 16.5%) for Kwacha denominated leases.

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

33. Events after the reporting date

There were no significant events after the reporting date that require disclosure in or adjustment to the financial statements for the period ended 30 June 2015 and for the years ended 31 December 2014, 31 December 2013 and 31 December 2012.

INVESTRUST BANK PLC

APPENDIX I – FIVE YEAR FINANCIAL SUMMARY

TREND ANALYSIS (OPERATING RESULTS) (UNAUDITED)

	Group 2015 K	Group 2014 K	Bank 2013 K	Bank 2012 K	Bank 2011 K	Bank 2010 K
INCOME						
Interest on loans and advances	44,198,656	100,605,188	94,714,488	73,534,350	65,729,614	66,451,285
Profit on foreign exchange trading	9,853,713	29,269,834	14,433,392	16,200,764	14,603,449	10,037,007
Income on held to maturity investments	36,065,971	45,446,869	28,415,735	39,530,955	15,456,475	8,884,597
Net fees and commissions	29,845,278	64,617,151	71,541,043	55,814,146	32,319,477	27,119,823
	119,963,618	239,939,042	209,104,658	185,080,215	128,109,015	112,492,712
EXPENDITURE						
Interest payable	52,559,412	96,749,390	61,891,683	38,934,060	26,784,029	25,009,279
Staff benefit costs	41,033,963	71,056,314	63,706,361	57,449,130	39,743,813	33,992,825
Administration and other operating	35,950,681	73,061,844	65,044,882	51,828,659	37,949,784	33,045,189
Provision for loan losses and bad debts	3,383,916	6,452,867	24,978,379	15,988,011	12,338,573	26,797,039
	132,927,972	247,320,415	215,621,305	164,199,860	116,816,199	118,844,332
(Loss) profit before tax	(12,964,354)	(7,381,373)	(6,516,647)	20,880,355	11,292,816	(6,351,230)
Income tax credit (expense)	3,879,051	1,018,622	3,736,584	(6,539,444)	(5,545,162)	1,412,176
(Loss) profit after tax	(9,085,303)	(6,362,751)	(2,780,063)	14,340,911	5,747,654	(4,939,054)

INVESTRUST BANK PLC

APPENDIX II – FIVE YEAR FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION TREND ANALYSIS (UNAUDITED)

	Group 2015 K	Group 2014 K	Bank 2013 K	Bank 2012 K	Bank 2011 K	Bank 2010 K
Assets						
Cash, balances with Bank of Zambia and other banks	272,293,126	492,923,659	198,493,251	227,863,900	112,208,785	118,700,612
Held to maturity investments	398,250,616	366,492,158	261,830,814	242,699,851	323,689,450	80,081,198
Loans and advances (net of provisions)	560,774,888	568,352,560	696,378,361	733,340,852	402,516,820	374,288,592
Other assets	172,080,078	132,283,489	157,789,033	72,798,980	65,696,329	72,570,574
Total assets	1,403,398,708	1,560,051,866	1,314,491,459	1,276,703,583	904,111,384	645,640,976
Liabilities						
Customer deposits	1,192,062,372	1,390,818,433	1,034,480,220	1,049,198,997	710,883,566	476,250,233
Other borrowed funds	70,119,392	18,265,701	143,153,279	86,624,484	58,032,850	50,675,815
Subordinated debt	15,010,000	15,010,000	15,010,000	29,360,000	44,400,000	44,274,000
Other liabilities	53,148,543	53,814,028	39,975,285	30,461,221	24,076,998	35,163,194
	1,330,340,307	1,477,908,162	1,232,618,784	1,195,644,702	837,393,414	606,363,242
Shareholders' funds	73,058,401	82,143,704	81,872,675	81,058,881	66,717,970	39,277,734
Total liabilities and shareholding funds	1,403,398,708	1,560,051,866	1,314,491,459	1,276,703,583	904,111,384	645,640,976

INVESTRUST BANK PLC

APPENDIX II – DETAILED PROFIT AND LOSS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015 AND YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013 AND 31 DECEMBER 2012

	2015	2014	2013	2012
	K	K	K	K
Net interest income				
Interest income	80,264,627	146,052,057	123,130,223	113,065,305
Dividend income	-	-	-	9,857
Interest expense	(52,559,412)	(96,749,390)	(61,891,683)	(38,934,060)
Net interest income	27,705,215	49,302,667	61,238,540	74,141,102
Other operating income				
Fees and commissions	19,012,319	42,425,323	47,126,972	39,170,826
Gains from dealings in foreign currencies	9,853,713	29,269,834	14,433,392	16,200,764
Ledger fees	12,529,206	23,644,551	22,900,260	11,577,383
Rental income	21,810	78,490	78,840	78,840
Gain on disposal of property and equipment	(406,703)	10,000	173,168	1,717
	41,010,345	95,428,198	84,712,632	67,029,530
Total income	68,715,560	144,730,865	145,951,172	141,170,632
Operating Expenses and Bad Debts				
Employee benefit expenses	39,726,969	68,835,515	61,940,056	55,545,608
Impairment charge for credit losses	3,383,916	6,452,594	24,978,379	9,137,622
Depreciation expense	7,460,025	11,747,354	10,170,085	8,510,311
Postage and communication costs	6,051,122	11,297,157	9,967,438	7,498,694
Rent and rates	5,278,273	8,782,761	6,907,957	6,007,848
Motor vehicle expenses	2,132,421	6,376,119	7,046,406	5,551,811
Travel expenses	1,975,352	4,226,855	5,725,920	5,065,224
Advertising	1,762,431	5,862,175	6,083,936	4,640,952
Office and security expenses	2,876,051	5,976,514	4,730,955	3,035,094
Professional and legal fees	2,116,227	3,790,691	2,852,966	2,436,701
Printing and stationery	823,172	1,645,713	2,434,533	1,967,951
Medical expenses 1,306,994	1,500,539	1,766,305	1,903,522	
Fee and commission expense	1,311,354	1,526,317	1,605,373	1,747,764
Repairs and maintenance	1,711,427	3,118,642	2,154,270	1,422,697
Computer expenses	754,903	2,244,818	1,087,619	1,256,030
Other miscellaneous expenses	802,236	4,566,952	1,421,948	1,160,228
Directors fees and expenses	810,146	1,049,892	1,211,849	1,030,048
Subscriptions	306,321	989,146	888,031	631,884
Insurance	370,634	610,877	569,144	413,128
Donations	85,933	506,688	410,700	378,196
Auditors remuneration	257,500	374,999	360,000	360,000
Water and electricity	341,478	547,667	541,457	281,090
Entertainment	35,029	82,253	161,748	181,570
Bad debts written off	-	-	(2,567,064)	127,104
Total expenditure	81,679,914	152,112,238	152,460,011	120,290,277
Profit (loss) before tax	(12,964,354)	(7,381,373)	(6,508,839)	20,880,355

ANNEXURE VI DIRECTORY OF RECEIVING AGENTS

Stockbrokers Zambia Limited
2nd Floor, Exchange Building
Central Park
P.O. Box 38956
Lusaka
Zambia

Finance Securities Limited
Discount House Division
2nd Floor Finsbury Park,
P.O. Box 32507,
Lusaka
Zambia

African Alliance Securities Zambia Limited
The Collosseum, Block A, Ground Floor
Bwinjifumu Road, Rhodes Park
P.O. Box 32308
Lusaka
Zambia

Equity Capital Resources Limited
4th Floor Godfrey House
Kabelenga Road
Lusaka
Zambia

Intermarket Securities Limited
Ground, Stock Exchange Building
Corner Church/ Cairo Roads
P.O. Box 35832
Lusaka
Zambia

Madison Asset Management Company Limited
MLife Building, Dar es Salaam Place,
South of Main Post Office, Cairo Road & Church Road
P.O. Box 37013
Lusaka
Zambia

Pangaea Securities Limited
3rd Floor, North Wing, Farmers House
Central Park
P.O. Box 30163
Lusaka
Zambia

(Incorporated in the Republic of Zambia, Company Registration Number: 21906)
Share Code: INVE
ISIN: ZM0000000235
("Investrust" or "the Company")

Directors: Dr. J. M. Mwanza (Chairman), R. K. Chembe (Managing Director), E. Jhala, H. Hachongo, E. Samakai
Address: Ody's Park, Plot No. 19028, Great East Road, P. O Box 32344, Lusaka, Zambia.

A FULLY SUBSCRIBED RENOUNCEABLE RIGHTS OFFER OF 3,499,563 NEW INVESTRUST ORDINARY SHARES IN THE RATIO OF 3 (THREE) NEW INVESTRUST ORDINARY SHARES FOR EVERY 4 (FOUR) EXISTING INVESTRUST ORDINARY SHARES HELD ON THE RECORD DATE, AT ZMW 11.44 PER ORDINARY SHARE

ANNEXURE VII RENOUNCEABLE LETTER OF ALLOCATION

1. RENOUNCEABLE LETTER OF ALLOCATION ("LA")

An offer is hereby made to shareholders of Investrust Bank Plc ("Investrust"), who were registered as such at the close of business on **Friday, 26 February 2016 ("Record Date")**, to subscribe for 3,499,563 (Three Million Four Hundred and Ninety-Nine Thousand Five Hundred and Sixty-Three) new Ordinary Shares of par value ZMW 1.00 each ("Rights Offer Shares"), at a subscription price of ZMW 11.44 (Eleven Kwacha Forty-Four Ngwee) per Rights Offer Share, offered on the basis of 3 (Three) Rights Offer Shares for every 4 (Four) Ordinary Shares held as at Record Date .

This offer should be read in conjunction with the Circular to Investrust Shareholders, dated **Friday, 26 February 2016**, detailing the terms and conditions of the Rights Offer ("Circular").

2. INVESTRUST RIGHTS OFFER SUBSCRIPTION ARRANGEMENTS

2.1 Summary of Rights Offer Shares to be issued

3,499,563 (Three Million Four Hundred and Ninety-Nine Thousand Five Hundred and Sixty-Three) Rights Offer Shares are hereby offered to Investrust Shareholders, registered as such at the close of business on **Friday, 26 February 2016**, being the **Record Date**, for subscription in cash at a price of ZMW 11.44 (Eleven Kwacha Forty-Four Ngwee) each, payable on acceptance, on the basis of 3 (Three) Rights Offer Shares for every 4 (Four) Investrust Ordinary Shares held as at Record Date.

The renounceable Letter of Allocation that will be posted to Shareholders by **Monday, 29 February 2016** will set out the entitlement of the person to whom this Circular is addressed.

2.2 Time table

The Rights Offer opens - 08h00	Monday, 26 February 2016
Dealing in LA's commences	Monday, 26 February 2016
Last day for dealing in LA's – 14h00	Tuesday, 29 March 2016
Rights Offer closes – 16h30	Friday, 01 April 2016

COURSES OF ACTION

Set out below are the various options open to Shareholders with respect to the rights accruing to them in terms of the Rights Offer:

2.3 Acceptance - SUBSCRIBE for all the Rights Offer Shares offered

A person to whom this Rights Offer is made (and/or his/her renouncee) who wishes to apply for Rights Offer Shares, must complete the renounceable Letter of Allocation in accordance with the instructions contained therein and forward or post it, clearly marked, "**Investrust Bank Plc – Rights Offer**", to any one of the addresses or offices as contained in Section 8, together with payment in accordance with Section 4 of this Annexure.

The completed Letter of Allocation and payment, if posted, must reach any of the addresses of the receiving agents no later than 12h00 on **Wednesday, 30 March 2016**.

2.4 Renunciation – SELL all rights to the Rights Offer Shares being offered by trading them on the LuSE

The right to subscribe for Rights Offer Shares in Investrust, as detailed in the Letter of Allocation, may be renounced (nil paid) by completing the Letter of Allocation in accordance with the instructions contained therein. Such renounced rights may be sold by your broker on the LuSE, if there are buyers during the period allotted for trading of rights. Any unsold rights will be forfeited at the end of the Offer period.

The completed Letter of Allocation must reach any of the addresses or offices detailed in Annexure VI, by no later than 12h00 on **Tuesday, 29 March 2016**.

2.5 Splitting – SUBSCRIBE in part for the Rights Offer Shares and SELL the remaining Rights by trading them on the LuSE

A Letter of Allocation may be split into letters of smaller denominations by completing the Letter of Allocation in accordance with the instructions contained therein. Splitting allows a shareholder to subscribe for some of the new shares offered and to sell the rights on the balance of shares not taken up.

The last day for splitting will be on **Tuesday, 29 March 2016**, at 16h00.

2.6 NON ACTION - The 4th option

Shareholders not selecting any of the foregoing options by **Friday, 01 April 2016**, the closing of the Offer Period, will be deemed to have selected the option to sell all of their rights at the then prevailing price and, provided that there are buyers for the rights, they will be sold by their stockbroker or in the event that shareholders do not have a broker, by the Sponsoring Broker. This period for the sale of rights where the shareholder “does nothing” will also close on **Tuesday, 29 March 2016**.

3. PAYMENT

Payments shall be made upon lodgment of completed Letter of Allocation to any of the Receiving Agents as set out in Annexure VII.

4. LISTING AND REGISTRATION OF THE RIGHTS OFFER SHARES

The Listings Committee of the LuSE has granted a primary listing for, and permission to deal in, all renounceable Letters of Allocation (nil paid) relating to the Rights Offer Shares, between **Monday, 29 February 2016** and **Tuesday, 29 March 2016**.

Application has been made for the Rights Offer Shares offered in terms of the Rights Offer to be listed on the LuSE on or about **Monday, 29 February 2016**.

5. CONFIRMATION LETTERS

Shareholders will NOT be issued share certificates, but will instead be issued confirmations of allotment of Rights Offer Shares held at the LuSE CSD.

Confirmation of allotments in respect of the Rights Offer Shares will be posted from **Monday, 11 April 2016**, at the risk of the Shareholders to whom they are addressed.

6. EXPENSES OF THE TRANSACTION

The cash expenses of the Transaction, amounting to approximately ZMW 2,744,068 million, relate to various advisory and regulatory fees and charges, registration and listing fees, brokerage commissions, anchor subscriber fees, marketing and other third party expenses, and will be paid by Investrust out of the proceeds of the Transaction.

7. ADDRESSES AND OFFICES

Shareholders may forward completed Letters of Allocation to the Sponsoring Broker, being Stockbrokers Zambia Limited at their registered office shown at the beginning of this Circular or to any registered stockbrokers of the LuSE or to any of the Collection Agents whose addresses are shown in Appendix III.

LETTER OF ALLOCATION

(Incorporated in the Republic of Zambia, Company Registration Number: 21906)
Share Code: INVE
ISIN: ZM0000000235
("Investrust" or "the Company")

Directors: Dr. J. M. Mwanza (Chairman), R. K. Chembe (Managing Director), E. Jhala, H. Hachongo, E.K. Samakai

Address: Ody's Park, Plot No. 19028, Great East Road, P. O Box 32344, Lusaka, Zambia.

RENOUNCEABLE LETTER OF ALLOCATION: This document is valuable and may be traded on the Lusaka Stock Exchange or renounced freely. Please read the instructions and notes in this Letter of Allocation in conjunction with the Rights Offer Circular dated **Friday, 26 February 2016** to which it relates. If you are in any doubt as to the action to be taken, you should contact your stockbroker, bank manager, lawyer, accountant or other professional advisor.

NAME : ……………………………………………………… **ADDRESS** : ……

A. ACCEPTANCE (as per paragraph 3.1 of Appendix 4)

Number of Investrust shares registered in your name at the close of business at 16h00, *Friday, 26 February 2016*	**Number of Investrust Rights Offer Shares which you may subscribe for at ZMW 11.44 per Rights Offer Share**	**AMOUNT PAYABLE in ZMW By 16h00 on *Friday, 01 April 2016***

Signature(s) …………………………………………..

IF YOU WISH TO SUBSCRIBE FOR THESE RIGHTS OFFER SHARES WHICH HAVE BEEN OFFERED TO YOU SIMPLY RETURN THIS FORM, TOGETHER WITH YOUR PAYMENT, A CHEQUE OR BANK DRAFT IN FAVOUR OF "INVESTRUST RIGHTS ISSUE" CROSSED "NOT NEGOTIABLE" AND "NOT TRANSFERABLE" BY NO LATER THAT 16h00 ON FRIDAY, 01 APRIL 2016 TO THE RECEIVING AGENTS WHOSE DETAILS ARE GIVEN IN ANNEXURE VI. BY SIGNING THIS FORM, YOU UNDERSTAND AND ACCEPT THAT SHOULD SUCH CHEQUE BE DISHONOURED, YOU WILL FORFEIT THE RIGHT TO TAKE UP THE RIGHTS OFFER SHARES AND WILL HAVE NO CLAIM WHATSOEVER AND WILL INDEMNIFY INVESTRUST IN THIS REGARD.

B. FORM OF RENUNCIATION/ SPLITTING (as per paragraph.2.4 and 2.5 of Annexure VII)

(To be completed by the Shareholder named above if the right to subscribe for the Rights Offer Shares is to be renounced or if this Letter is to be split)

TO: The Directors
Investrust Bank Plc

I/We, the shareholder(s) named, would like to take up ………………………………….. (number of Rights Offer Shares) of the total Rights Offer Shares offered above. I/We hereby renounce the balance of my/our right to subscribe for the Rights Offer Shares allocated to me/us in favour of the Person(s) signing the registration application form (see Section C below) in relation to such Rights Offer Shares, or in default of a named person, in favour of the underwriter.

Signature(s) ……………………………….Date:……………………………………………………...

Details of split required	
Split No.	
1.	
2.	
3	
4.	

C. REGISTRATION APPLICATION FORM
(To be completed by the person(s) to whom the right has been renounced, or by his/her/their agent).
(PLEASE PRINT)

First Name(s) ………………………………………………………………Surname or name of corporate body…………………………………………………………………………

Address……

TO: The Directors- Investrust Bank Plc

I/We the person(s) named above, confirm I/we have full legal capacity to contract and request you to allot the Rights Offer Shares covered by this Letter in my/our name(s). I/We authorise you to place my/own name(s) on the register as members of the Company in respect of the shares so allocated, subject to the conditions set out in the Circular to Shareholders dated 26 February 2016 and to the Articles of Association of the Company and enclose herewith my/our cheque/ or other proof of payment.

Signature(s) ……………………………….Date:……………………………………………………...