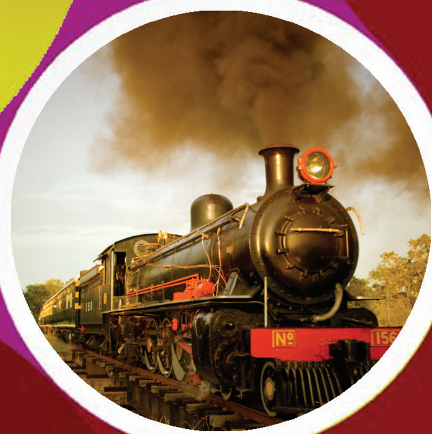
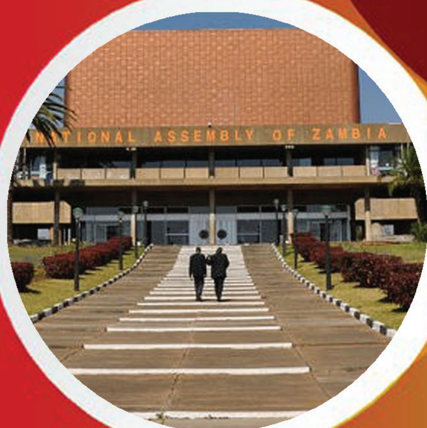




ANNUAL REPORT 2015

IZB

INDO ZAMBIA BANK

Supporting You. Developing Zambia.

North, South East or West...

Whichever direction you take, we are there to serve you!

LUSAKA
- Chilenje
- Chilanga
- Chawama
- Kamwala
- Lusaka Main
- Industrial
- Chandwe Musonda
- Northend
- Manda Hill
- Crossroads
- Kafue Agency

SOUTHERN
- Livingstone
- Zimba Agency
- Choma

WESTERN
- Mongu

CENTRAL
- Kabwe
- Mulungushi Agency
- Serenje

COPPERBELT
- Ndola Main (President Avenue)
- Ndola (Jacaranda Mall)
- Kitwe Main
- Copperhill
- Chingola
- Kasumbalesa

NORTH WESTERN
- Solwezi

LUAPULA
- Mansa

NORTHERN
- Kasama
- Mungwi

MUCHINGA
- Chinsali

EASTERN
- Chipata
- Nyimba
- Lundazi

Visit any of our branches near you today and open your account or get any information or advice from our Customer Care Advisors

TABLE OF **CONTENTS**

ABOUT US

MISSION, VISION & BRAND PROMISE

MISSION:
To act as a catalyst for the economic development of Zambia

VISION:
To become the bank of choice for all retail and corporate customers

BRAND PROMISE:
Supporting You. Developing Zambia

OUR CORE VALUES

Commitment to the Nation
Supporting the growth and development of the nation is critical to us therefore our Brand Promise of "Supporting You, Developing Zambia" is indeed evident in all our workings.

Commitment to Highest Level of Ethical Moral Standards
Everything we do is done with the highest level of integrity and we shall always remain committed to ensuring that the highest level of ethical behavior prevails in all our conduct and working guided and governed by codified policies.

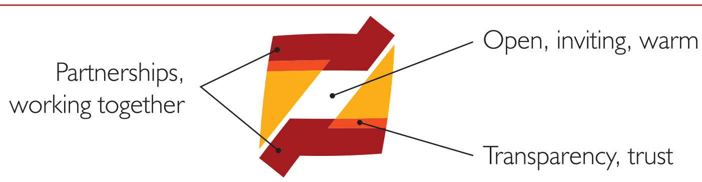
Commitment To Our Customers
Our commitment is to be customer centric bank focused on satisfying and delighting every customer we want to remain approachable by our entire customer at all times. Our commitment is to continue investing in building long standing and solid relationships.

Commitment To Our Communities
We are committed to fulfilling our corporal social responsibilities and to Fostering the building of strong communities in which we operate. We will always strive to be a good corporate citizen in society.

Commitment To Professionalism
We strive to develop a professional working environment with Team Members who are trusted by our customers and committed to discharging their duties in the true spirit of our core values. Our commitment is to continuously nurture an organizational culture which promotes the highest standard of professionalism and corporate government.

OUR EMBLEM

Moving forward, dynamic, progresive



30TH ANNUAL GENERAL MEETING EVENT

From Right to Left: The Guest of Honour, The Honurable Minister of Finance, Hon. Alexander B. Chikwanda, MP, Managing Director Mr. Shankardas Gupta, Deputy Minister of Finance, Hon. Christopher Mvunga, MP, Bank of Zambia Deputy Governor - Operations Dr. Bwalya Ngandu, the High Commissioner of India to Zambia, His Excellency Gaddam Dharmendra and General Manager Mr. Godwin Ngoma listen to the announcing of the performance results of the bank.

A joyful Honurable Minister of Finance, Hon. Alexander B. Chikwanda, MP receiving the dividend cheque of K6,771,506 from the Board Chairperson Mrs. Orlean Y.Moyo and the Managing Director Mr. Shankardas Gupta on behalf of the Government of the Republic of Zambia being a 40% shareholder in Indo Zambia Bank.

INDO ZAMBIA BANK | A BRIEF TIMELINE

1984

1984
Registered at PACRA on 19th October 1984
Lusaka branch opened on 24th December, 1984

1985
Official inauguration of the Lusaka Branch (**1ST BRANCH)** on 1st February, 1985 by the first President HE Dr. K. Kaunda

1986
Deposits:0.106mn
Advances:0.49mn
Net Profit:0.007mn

1987
Deposits: 0.189mn
Advances:0.69mn
Net profit: 0.004mn

OPENING OF 2ND BRANCH
at Ndola

1988
Deposits: 0.292mn
Advances: 0.108mn
Net profit: 0.003mn

1989
Change of FY ending from Dec. to March

OPENING OF 3RD BRANCH
at Kitwe

1990
Deposits: 0.539mn
Advances: 0.316mn
Net profit: 0.023mn

1991
Deposits: 1.051mn
Advances: 0.496mn
Net profit: 0.036mn

1992
Deposits: 2.305mn
Advances: 0.755mn
Net profit: 0.105mn

1993
Deposits: 3.696mn
Advances: 0.991mn
Net profit:0.409mn

OPENING OF 4TH BRANCH
at Kabwe

OPENING OF 5TH BRANCH
at Chilanga

1994
Deposits: 5.21mn
Advances:1.23mn
Net profit:1.55mn

1995
Deposits:10.12mn
Advances:1.87mn
Net profit:1.32mn

OPENING OF 6TH BRANCH
at Kamwala, Lusaka

1996
Deposits:14.79mn
Advances:5.02mn
Net profit:1.74mn

OPENING OF 7TH BRANCH
at Northend , Lusaka

1997
Deposits: 20.84mn
Advances: 6.05mn
Net profit: 2.71mn

1998
Deposits: 33.08mn
Advances: 7.98mn
Net profit: 1.45mn

1999
Deposits: 51.22mn
Advances:15.19mn
Net profit: 1.70mn

2000
Deposits: 69.60mn
Advances:12.84mn
Net profit: 4.06mn

2001
Deposits: 84.30mn
Advances:16.18mn
Net Profit:10.04mn

2002
Deposits: 150mn
Advances:18mn
Net profit:14mn

2003
Deposits:273mn
Advances:25mn
Net profit:21mn

2004
Deposits: 292mn
Advances:31mn
Net profit:21mn

OPENING OF 8TH BRANCH
at Chingola

OPENING OF 9TH BRANCH
at Livingstone

2005
Deposits: 299mn
Advances:45mn
Net profit:10mn

2006
Deposits: 309mn
Advances:72mn
Net profit:21mn

2007
Deposits: 452mn
Advances:130mn
Net profit:22mn

2008
Deposits:554mn
Advances:186mn
Net profit: 23mn

OPENING OF 10TH BRANCH
Industrial Area, Lusaka

OPENING OF 11TH BRANCH
(agency) Mulungushi University Agency

Bank upgrades to CBS

2009
Deposits:680mn
Advances:289mn
Net profit:24mn

OPENING OF BRANCHES:
12th Branch-Chipata
13th Branch-Chawama

2010
Deposits: 766mn
Advances: 337mn
Net profit: 22mn

OPENING OF 14TH BRANCH
at Mandahill, Lusaka

2011
Deposits : 833mn
Advances: 416mn
Net Profit: 24mn

OPENING OF BRANCHES:
15th Branch-Nyimba
16th Branch-Chandwe Musonda

2012
Change of FY ending from March to December

Deposits : 1228mn
Advances: 766mn
Net Profit: 24mn

OPENING OF BRANCHES:
17th Branch- Kasumbalesa
18th Branch-Choma

2013
Deposits: 1512mn
Advances: 864mn
Net profit: 37mn

OPENING OF BRANCHES:
19th Branch-Solwezi
20th Branch-Kasama
21st Branch-Chinsali

2014
Deposits: 1645mn
Advances: 779mn
Net profit: 46mn

Launch of Visa Card

OPENING OF BRANCHES:
22nd Branch-Jacaranda
23rd Branch-Crossroads
24th Branch-Mansa
25th Branch-Copperhill

2015
Deposits :1988mn
Advances: 986mn
Net Profit : 80mn

OPENING OF BRANCHES:
26th Branch-Mongu
27th Branch-Kafue
28th Branch-Chilenje
29th Branch-Zimba
LAUNCH OF MOBILE BANKING

GOVT. OF ZAMBIA TRANSFERS THEIR SHARES TO IDC

2016
Upgradation of Software/Core Banking IT Infrastructure

OPENING OF BRANCHES:
30th Branch-Serenje
31st Branch-Lundazi
32nd Branch-Mungwi

2016

NOTE:
All business figures from 1990 to 2011 are as on 31st March and other years as on 31st December.

2015 CHAIRPERSON'S STATEMENT

It is indeed a matter of great pride and priviledge for me to place the Annual Report of Indo Zambia Bank for the year ended 31st December 2015 before our valuable stakeholders and partners.

I am pleased to report that 2015 was another year of great performance for Indo Zambia Bank set against a very challenging economic backdrop, but inspite of these challenges the Bank's strategic focus delivered significant accomplishments. These achievements were driven by a sense of revitalized strategic clarity which enabled the Bank to adapt to the economic and market conditions and kept it focused on building market share, increasing earnings and improving returns. This strategic outcome is evident in the results of the performance of the Bank I present.

For the financial year ended 31st December, 2015, the Bank's aggregate deposits have grown from K1,645.02 Million as at 31st December 2015 to K1,992.90 Million recording growth of 21.15%. The Bank's aggregate Gross Credit Portfolio increased to K1.013.38 Billion as at 31st December, 2015 as against K798.80 million as at 31st December, 2014 representing a rise of 26.86%. The investment portfolio of the Bank stood at K613.72 million thus the total business mix of the Bank stands in excess of K3.6 Billion. The Gross Non Performing Assets (NPA) of Net Non Performing Assets

For the financial year ended 31st December, 2015, the Bank's aggregate Deposits have grown **from K1,645.02 Million as at 31st December 2015 to K1,992.90 Million recording growth of 21.15%.**

The Bank's aggregate Gross Credit Portfolio **increased to K1.013.38 Billion as at 31st December, 2015 as against K798.80 million as at 31st December, 2014 representing a rise of 26.86%.**

(NPA) of the Bank as at 31st December, 2015 stood at K52.14 million and K17.87 respectively.

The total income of the Bank has increased to K393.02 million as at 31st December, 2015 from K303.19 million for the same period last year recording a growth rate of 29.63% while the total interest income touched K308.48 million compared to K237.30 million during the 12 months last year. The total Non Interest income also recorded an impressive growth of 27.94% to reach the level of K84.54 million.

The Operating Profit of the Bank has grown by 85.02% from K73.98 million as on 31st December, 2014 to K136.89 million as on 31st December, 2015. Most importantly, the Net Profit earned by the Bank has increased from K46.15 million to K80.82 million recording an outstanding growth of 75.11 % over the previous year. We paid an amount of K46.74 million as corporate taxes for 2015. Subsequently, in view of the Bank's continued profitability, strong capital adequacy ratio and consistent with the Bank's dividend policy, the Shareholders resolved at the Annual General Meeting to declare and pay dividend to the Shareholders at the rate of 7% on share capital which translates into an outgo of 39.85% on the Profit After Tax. What is most pertinent to note is that we have continued to reward our shareholding by ensuring that the Bank remains strong, prudently managed and profitable.

All in all, the Bank has recorded good performance in all the parameters and we improved the Bank's efficiency and have continued to build a very strong capital liquidity base. We have achieved good results in a challenging environment because our performance and workings have been driven by the fact that we have remained true to our core value strength of serving our customers, supporting our community and our passion for fostering the development of the country. I must therefore compliment the Board of Directors for its' strategic and policy direction rendered to the Bank and the entire workforce led by the senior management team for their commitment to delivering a distinct banking experience for every customer and for the effective implementation of the Bank's strategy and business plan for 2015 which has yielded these positive results.

In 2015, the Bank continued to tread on the path of expanding its branch network with a view to support the government's economic development agenda and to answer the regulator's call on the financial institutions to promote broad based financial inclusion. In this quest, the Bank has attained a national wide branch network of 29 branches. In addition the Bank will open three (3) additional branches in the first quarter of 2016 at the un banked district of Mungwi in Northern Province and the other two at Serenje in Central Province and Lundazi which will further increase our Nation wide branch network to 32 branches. The Bank has also acquired plots of land and initiated the process for construction of a branch premises in Kaoma district in Western Province and Chililabombwe in the Copperbelt Province thus keeping the Bank on course to further increase its national wide branch network to 35 branches in 2016 with further expansion to other districts planned. The ATM network of the Bank has equally increased and now stands at 50 and is poised to expand further in 2016.

The Bank has attained a national wide branch network of 29 branches.

In 2015, we continued to invest in improving our business processes to augment productivity and efficiency. This

The Operating Profit of the bank has **grown by 85.02% from K73.98 million as on 31st December, 2014 to K136.89 million as on 31st December, 2015.**

The Net Profit earned by the bank has **increased from K46.15 million to K80.82 million recording an outstanding growth of 75.11 % over the previous year.**

His Excellency The President of the Republic of Zambia Mr. Edgar Chagwa Lungu shares a light moment with the Board Chairperson Mrs. Orlean Y. Moyo at the official opening of Lundazi Branch.

business strategy is succeeding evidenced in our enhanced productivity and service quality along with reduced risk and improved bottom line.

During the year under review, the Bank embarked upon an IT-enabled Business Transformation Programme, for the benefit of our customers. The programme implemented by the Bank provides our customer a superior banking experience and convenience on a 24 X 7 basis through deployment of an upgraded Core Banking Solution platform with integrated delivery channels like ATM/Visa Debit Cards, Internet, Mobile, SMS, e-Statements etc.

Further, the Bank will during the first quarter of 2016, launch a full-fledged transaction-enabled Internet Banking. Through this platform, customers will have the facility to make payment of utility bills, and also inter/intra Bank fund transfer. Corporate customers will have the facility of direct salary uploads. To protect our customers from phishing attempts the Bank has implemented beneficiary registration for third party fund transfer activities. SWIFT facility for worldwide inter-bank financial communication will also be provided through Straight Through Process (STP). All branches are Real Time gross Settlement Service (RTGS) and EFT enabled. RTGS and Electronic Funds Transfer (EFT) have also been implemented with Straight through Process (STP). Also customers are being provided the facility of making interbank transfers online using Internet Banking. The newly created robust technology platform would also facilitate supervision and control and building up of rich management information system to aid the business decision making.

The Bank has continued to attain significant milestones because its workings have remained firmly grounded in our culture which has been the major contributor to our long term performance and stability. Our culture is founded on the value of forging relationships which captures the level of our passion for serving our shareholders, customers and the community in which we operate. The Board of Directors will therefore continue to nourish and strengthen these fundamental beliefs and culture while ensuring that the Bank's customers and all stakeholders are served consistent with our brand promise of "Supporting You, Developing Zambia".

It is therefore gratifying to report that the Bank has kept up the thrust of supporting the Government's employment creation efforts by dutifully contributing to the growth and development of the Small and medium scale enterprises (SME) sector including the provision of special Micro

Financing Schemes to support and empower the under privileged and vulnerable women in Society.

The Bank has continued to build and invest in a strong foundation for future growth by continuously working on enhancing human resources capabilities. Taking into account the critical fact that our people are a rich source of competitive advantage and the need to develop and nurture their skills, talent and competences, the Bank has been imparting training in general banking operations and specialized functions to the Bank's staff at all levels on an ongoing basis. The Bank will continue to leverage on human resources capabilities and abilities as our dedicated staff members live by our vision and values and have the character, intellect and essential expertise necessary to meet our customer's expectations and to sustain the prevailing growth momentum of the Bank.

On the vital aspect of Corporate Governance, the Bank acts under the highest ethical standards and ensures strict compliance to the best practice of corporate governance as well as to comply with all the stipulated regulator's guidelines. The Bank is also very conscious of fulfilling its corporate social responsibilities by earmarking a definite portion of its profit for supporting various deserving and noble causes at a National level. We remain firmly committed to helping address challenges facing our society through a sustained commitment to our Corporate Social Investment programmes.

I wish to take this opportunity to acknowledge and express the deepest gratitude to the Board of Directors, the management team, entire staff members, all our stakeholders and all our valued customers for their unstinted support and assure them of our commitment to enlarge the stakeholder's value consistently.

I also wish to acknowledge the support and the guidance rendered throughout the year by the three Indian shareholding banks, the Industrial Development Corporation Zambia Limited and the Ministry of Finance. We thank you most sincerely for your investment in Indo Zambia Bank and we will count on your same level of support and wise counsel in 2016.

Looking forward, even as the environment around us

The Bank of Zambia Governor Dr. Denny Kalyalya with the Board Chairperson Mrs. Orlean Y. Moyo at Lundazi Branch following its official opening.

continues to be dynamic, we will never lose sight of what makes us 'The Bank You Can Trust'. We are mindful of the strength of our Bank and how we as a Bank are an integral part of the growth and vibrancy of the nation's economy. I truly believe we have formulated the right business strategies which will continue to deliver desired outcomes. We equally have the right people to execute these strategies and we have a powerful brand, therefore, we are focused on the future and I am convinced that only continued success lies ahead for Indo Zambia Bank. Our potential for success as we move forward is magnified by the formidable combination of our business model, our culture and our people which gives us the ability to deliver outstanding products, service and results for the benefit of our customers, communities, employees and ultimately our shareholders.

I therefore look forward to the distinct privilege of sharing and reporting our progress to you all next year.

Mrs. Orlean Y. Moyo
Chairperson

BOARD OF DIRECTORS

MRS. ORLEAN Y. MOYO

Mrs Orlean Y. Moyo took over as the Board Chairperson of Indo Zambia Bank in February, 2002. Mrs. Moyo has a Bachelor of Arts Degree from University of Zambia and is a Diploma holder in Banking from Manchester Business School, U.K. Mrs. Moyo has over 30 years of rich experience in the Banking and Financial Industry. She is also a Fund Manager - National Housing Board, Chairperson - People Act Foundation and Director on Alexander Forbes, National Housing Bonds Trusts and other organisations.

SHRI MELWYN REGO, DIRECTOR

Mr Melwyn Rego, is the Managing Director & Chief Executive Officer of Bank of India, He was holding the position of Deputy Managing Director, IDBI Bank Ltd since August 30, 2013. He is a career banker and has been with IDBI Bank Ltd since 1984 and held assignments in the areas of Corporate Banking, Rehabilitation Finance, Treasury, International & Domestic Resources, Infrastructure Corporate Group, Project Appraisal Department, Sourcing, Syndication and Advisory Department, Priority Sector and Retail Banking Group in various capacities. Mr Rego was also Managing Director & CEO of IDBI Homefinance Ltd as from September 2003 to January 2008. Mr Rego is a keen sportsman and has a passion for music and dramatics.

SHRI BHUWANCHANDRA B. JOSHI, DIRECTOR

Mr Bhuwanchandra B. Joshi is Executive Director of the Bank of Baroda since 5th August, 2013. Prior to his appointment as Executive Director of Bank of Baroda, he was General Manager with Bank of India, working as Chief Executive, US Center of the Bank.

Mr Joshi is a graduate in Commerce with CAIIB. Having joined Bank of India in the year 1977, he brings with him more than three decades of experience in Banking and Finance. During his career spanning over 36 years in Bank of India, he has held several distinguished positions including that as Zonal Head, Ahmedabad and has vast exposure in Credit, SME and International operations.

MR. RAJEEV RISHI, DIRECTOR

Mr R. Rishi is Chairman and Managing Director of Central Bank of India. Prior to assuming his position, Mr Rishi served as Executive Director of Indian Bank and as General Manager in Oriental Bank.

Mr Rishi holds a Bachelor of Arts and Bachelor of Laws Degrees. His banking career spans over 30 years with extensive exposure in Corporate Finance and Credit, Risk Management, Business Process Re-engineering, Technology Management, Information System Security and MIS.

MR. DEEPAK MALIK, DIRECTOR

Mr. Deepak Malik has been the Director of Indo Zambia Bank since August, 1999. He is a qualified Chartered Accountant with 30 years experience, covering Financial and General Management, Private Equity, Audit, Development Banking and Industry. Deepak Malik is also a Regional Director in Africa for Norfund, based in South Africa. He has over 20 years experience in Africa and is on the Board of Directors of various companies, including financial institutions and private equity funds.

MR. SAMUEL MUKUPA, DIRECTOR

Mr. Samuel Mukupa, a qualified Teacher/ Lecturer by profession was appointed as a Director on the Board of Indo Zambia Bank on 17th February 2012. He has served as a Member of Parliament from 1991-2000. During his tenure as a legislature he served as an Executive Member of the Commonwealth Parliamentary Association/Union from 1998 to 2000. In 1998 he was appointed Head of Parliamentary Delegation, Election Observer Mission to Germany. Mr Mukupa is also an illustrious businessman.

MR. SHANKARDAS GUPTA, MANAGING DIRECTOR

Mr. Shankardas Gupta took over as the Managing Director of Indo Zambia Bank in May, 2012. He holds a Master Degree in English, Certificate in Management of Banking & Finance, Advanced Diploma in Management and Diploma in Finance Management. He is also a Certified Associate of Indian Institute of Bankers(CAIIB). He has held several distinguished positions in Bank of India in India with a career spanning 29 years which includes international experience of working as Assistant Vice President at the Bank's office in San Fransisco, USA for 4 years. He is a past Chairman of the Bankers Association of Zambia (BAZ).

MR. GODWIN C. NGOMA, BOARD SECRETARY & GENERAL MANAGER

Mr. G C Ngoma took over as the General Manager of Indo Zambia Bank in April, 2011. He holds a Master of Business Administration, BBA and Diploma in HRM Degrees. He had held several positions in the Bank's hierarchy in a career spanning over 20 years in the areas of General Banking, Administration and Services, Marketing and Public Relations.

SENIOR MANAGEMENT

Standing left to right: Mr Munider Pathak, Chief Manager - Credit, Mr Bhupender Singh, Chief Manager - IT, Mr Ravender Singh, Chief Manager - Foreign Business, Mr Ramesh Gopalaratnam, Chief Manager - Finance, Mr Christopher Wakung'uma, Chief Manager - Human Resources, Mr Rajesh Mehra, Chief Manager - Risk Management & Inspection, Mr Chenjelani C. Banda, Chief Manager - Branch Operations & Adminstartion.
Sitting left to right: Mr Godwin C. Ngoma, General Manager, Mr Shankardas Gupta , Managing Director.

CHIEF MANAGERS AT THE BRANCHES

Sumanta Ghosh
(Lusaka Main)

Pascalina Mwenso
(Lusaka Industrial)

Ramesh Peer
(Kitwe)

Ravi Shanker
(Ndola)

P. V. Unnikrishnan
(Chingola)

GLOBAL ECONOMIC DEVELOPMENTS

International Monetary Fund January 2016 World Economic Outlook Report estimated that global economic growth to have declined to 3.1% in 2015 from 3.4% in 2014. Advanced countries and the Euro area exhibited some recovery while emerging market economies particularly China, Sub-Saharan Africa (SSA) and developing economies registered weaker growth.

The slowdown in global growth is mainly attributed to low commodity prices, weakening trade, declining capital flows, increased financial market volatility and slow recovery in advanced economies. Further, crude oil prices continued to decline, falling by 17.4% in the fourth quarter of 2015 while Copper prices also declined by 7.6% during the same period and some agricultural commodity prices also declined due to excess supply resulting in negative impact on overall growth.

In SSA, growth was estimated to have declined to 3.5% from 5.0% in 2014, largely due to declining oil and metal prices, depressed foreign direct investment induced by slowdown in the Chinese economy and a stronger US dollar.

In 2016, global economic activity is projected to pick up to 3.4%, reflecting strong private consumption supported by growth in jobs in advanced economies, particularly in the United States of America. It is also expected that improvements in financial conditions, investment and government spending will drive resurgent growth in 2016. The projection is that growth in most Sub-Saharan African countries is anticipated to gradually pick up in 2016 as countries adjust to lower commodity prices and higher borrowing costs.

DEVELOPMENTS IN THE ZAMBIAN ECONOMY

IN 2015, GOVERNMENT'S MAJOR MACROECONOMIC OBJECTIVES WERE TO:

Achieve real GDP growth of above **7.0%**

Attain end-year inflation of no more than **7.0%**

Limit domestic financing to **2.0% of GDP**

Increase international reserves to over 4 months of import

REAL SECTOR DEVELOPMENTS

Real GDP growth for 2015 is projected to be 3.6% compared to the target of 7.0% on account of adverse weather conditions which affected the 2014/15 agriculture performance. Other factors which affected growth include the continued weaknesses in the global economy reflected in a decline in copper prices, further the subdued performance of the mining sector which also affects growth of services and manufacturing sectors and the heightened power rationing in the second half of 2015 coupled with exchange rate depreciation, increase in fuel prices and high cost of imported inputs and production costs adversely affected GDP growth in 2015.

INFLATION DEVELOPMENTS

Inflation accelerated to 21.1% in December 2015 from 7.7% in September 2015. The higher inflation was mainly as a result of the pass-through effects of the sharp depreciation in the exchange rate in the third quarter. High production costs induced by power rationing, increase in electricity tariffs, low supply of some food items, which kept food inflation at elevated levels. These factors caused food and non-food inflation to accelerate to 24.8% and 17.1% in December 2015 from 8.1% and 7.3% in September 2015, respectively.

EXCHANGE RATE DEVELOPMENTS

During the second half of 2015, bouts of volatility characterized the foreign exchange market. Depreciating pressures engulfed the forex market, driven sentimentally by adverse economic developments during the year.

Declining copper prices in the wake of a slow-down in China's economic activities, increase in US interest rates, a growing domestic electricity deficit and the fiscal and trade gaps, negatively affected market confidence.

The exchange rate sharply depreciated by 72.0% from K6.41 per US$ recorded at end of December 2014 to K11.41 per US$ by the end of January, 2016 touching to a high of K14.50 during November, 2015.

MONETARY DEVELOPMENTS

Monetary Policy

Monetary policy focused on the achievement of the inflation target of 7.0% for 2015. During the fourth quarter, the Policy Rate was raised to 15.5% from 12.5%. Increase in the Policy Rate was motivated by significant increase in inflation to 14.3% in October from 7.7% in September 2015.

Following a further tightening of monetary policy, which included restricting access by Commercial Banks to the Overnight Lending Facility (OLF) to once a week, the interbank rate rose sharply and exceeded both the Policy Rate and the OLF rate towards the end of the quarter.

As a consequence of tight liquidity conditions, the overnight rate remained above the Policy Rate. The Bank of Zambia resisted bringing the interbank rate back into the Policy Rate corridor as injecting liquidity into the market risked triggering volatility of the exchange rate, and hence inflationary pressures. The tight liquidity conditions, which were also partly the result of Bank of Zambia providing of foreign exchange support to the market compelled banks to resort to the OLF and Rediscount window for liquidity. Consequently, Treasury Bill rediscounts and the amount of funds borrowed on the OLF soared. Tight liquidity conditions were also reflected in a 40% increase in interbank trading to K26.4 billion as banks looked to meet their liquidity requirements through the interbank money market.

Tight liquidity levels resulted in the decline in demand for Government Securities, Investor subscription on Treasury Bills dropped to an average of 32.5% from an average of 83.0% in the third quarter of 2015. Similarly, investor participation in the Bond auction significantly declined to an average of 4% from 87% in third quarter of 2015. Consequently, yield rates on Treasury bills generally declined, with the composite rate falling to 20.7% from 21.7%. However, the composite yield rate on Government Bonds rose to 25.9% from 23.4% as market players sought higher returns in light of tight liquidity conditions.

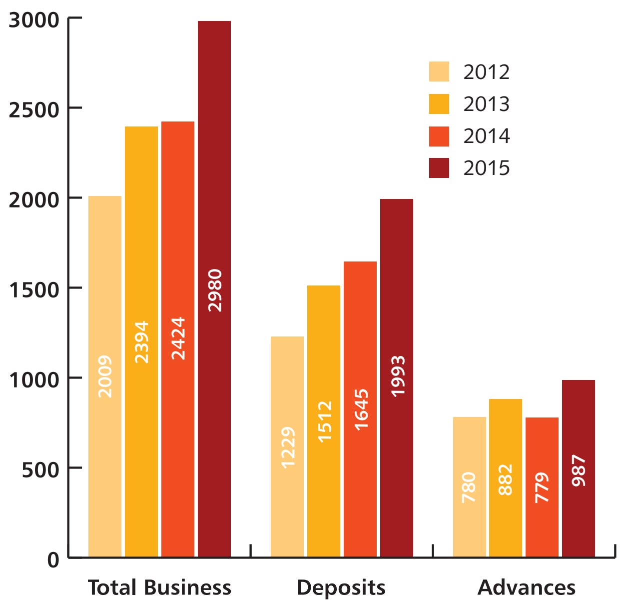
PERFORMANCE OF THE BANK

	POSITION AS ON 31-12-2013 (K Millions)	POSITION AS ON 31-12-2014 (K Millions)	POSITION AS ON 31-12-2015 (K Millions)
Business Mix	2,394	2,424	2,980
Deposits	1,512	1,645	1,993
Advances	882	799	987
Net profit	37	46	81
Capital Adequacy Ratio	**26.37**	**60.56**	**50.76**

BUSINESS MIX

The total business of the Bank has grown by 22.94% to reach K2,980 million as at 31st December, 2015 from K2.424 million as at 31st December, 2014 despite several constraints in the financial sector.

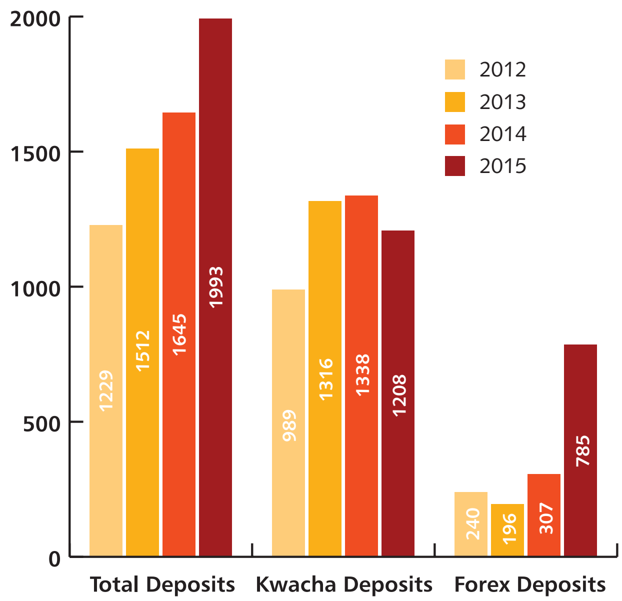
Total Business



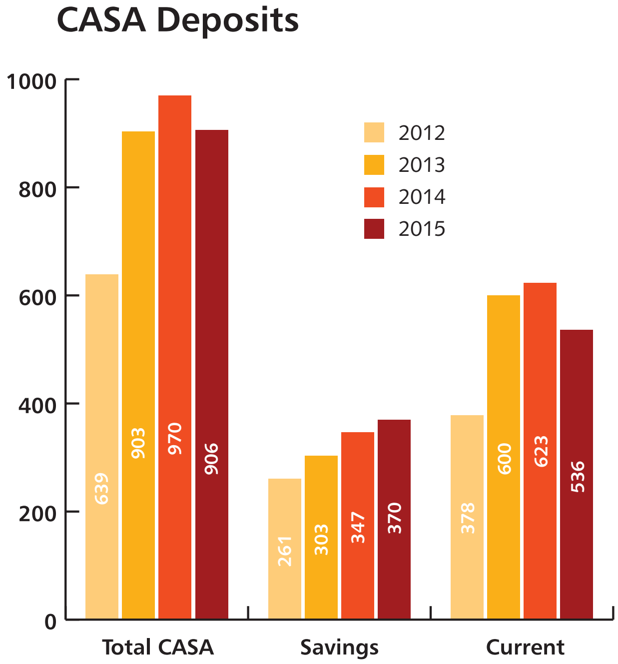
DEPOSITS

Bank's total deposits increased from K1.645 billion as at 31st December, 2014 to K1.993 billion as at 31st December, 2015 recording a growth of 21.15%. The Kwacha deposits as at 31st December, 2015 stood at K1.208 billion and Forex deposits at K 0.785 billion (approx $ 71.4 million).

Deposits during the last 4 years



Savings Bank deposits grew by 7% while Current deposits showed a fall of 14%. The share of low cost deposits comprising of current and savings deposits (CASA) to total deposits is 75% as at 31st December, 2015 (73% as at 31st December, 2014).

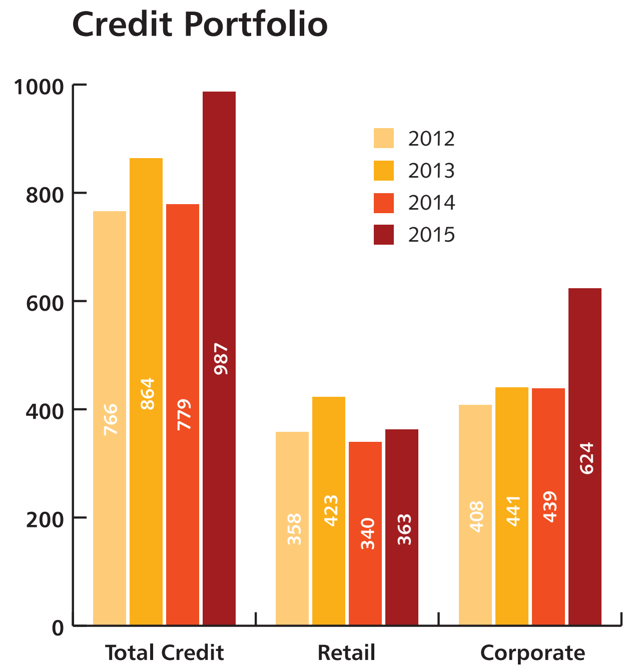


ADVANCES

The Gross Advances of the Bank stood at K987 million as at 31st December, 2015 as against K779 million as at 31st December, 2014. The Bank has made provision for Non-performing assets as per the requirement of the Bank of Zambia / IFRS and also made adequate provision on standard advances to ensure compliance under IFRS. The total provision made on advances as at 31st December, 2015 was K26.79 million as against K 19.35 million as at 31st December, 2014.

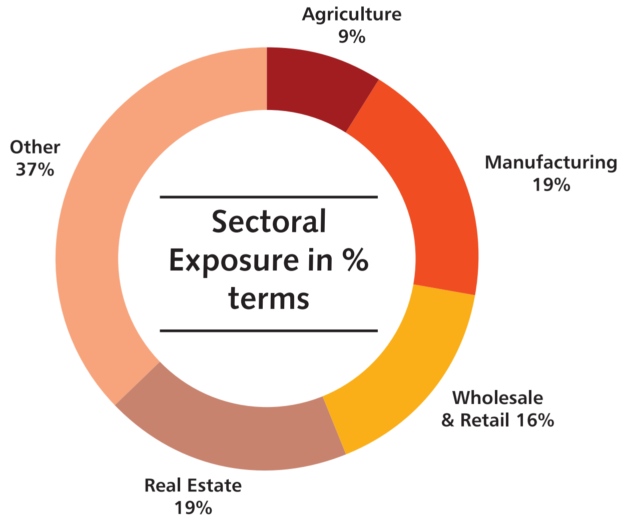
Non Performing Advances

The total non-performing advances as at 31st December, 2015 was K52.14 million as against K20.15 million as at 31st December, 2014. The Bank has been consistently classifying its non-performing assets proactively to ensure compliance with IFRS in full. As against the gross non performing advances, the Bank has made a overall provision of K26.79 million which consist of K 22 million towards specific impairment as at 31st December, 2015 and K4.79 million towards collective impairment. The Gross and net NPA as at 31st December, 2015 was 5.15% and 2.00% respectively after taking into account Credit Reserve. The provision coverage ratio as at 31st December, 2014 was 62.18%.



Sectoral Distribution

The Advances portfolio is diversified to Wholesale & Retail to the extent of 17%, Real estate to 19%, Manufacturing to 14%, Agriculture to 6%, Mining & Quarrying to 1%, Construction to 2% and Others (including Personal Loans) to 41%.



Credit Monitoring

Credit Monitoring Department of the Bank has been actively working to ensure the asset quality by monitoring and taking preventive/corrective action. Necessary tools have been evolved in –house and has been provided to all branches and are functioning well.

INVESTMENTS

The Bank's investments are in Government Treasury Bills and Government Bonds. The Total Investments as at 31st December 2015 was K614 million as against K840 million as at 31st December, 2014. The investments in Government securities reduced due to increase in credit portfolio.

PROFITABILITY

The Bank achieved an Operating Profit of K137 million for the year ended 31st December, 2015 as against K74 million for the year ended 31st December, 2014, a rise of 85%. The net profit grew by 75% from K 46 million for year ended 31st December, 2014 to K81 million for the year ended 31st December, 2015.

BRANCH EXPANSION

The Bank has already expanded its branch network in 2013 to cover all provinces of Zambia. During 2014, the bank opened 3 branches (Mansa, Copper Hill Branch at Kitwe and

Chilenje Branch on inauguration day.

at Mongu) and Agency at Kafue. The Bank opened branch at Chilenje and Agency at Zimba during 2015. During the year 2015, the number of branches is 25 and 4 Retail Agency Outlets.

RISK MANAGEMENT

The Board of Directors of the Bank has the authority and responsibility to implement the Risk Management Architecture of the Bank. Risk Management Committee of Executives and Risk Management Committee of the Board are looking after the implementation of Integrated Risk Management systems in the Bank.

The Bank has a full-fledged Risk Management Department headed by a Chief Manager. The Bank has set up separate committees of top Executives of the Bank to supervise the respective risk management functions as under:

Asset Liability Management Committee (ALCO) is a decision making unit responsible for balance sheet planning from a risk-return perspective including the strategic management of interest rate and liquidity risks. The business issues that an ALCO would consider, inter alia, typically include product pricing for both deposits and advances, desired maturity profiles of the incremental assets and liabilities, etc. It also plans out strategies to meet asset-liability mismatches.

Loans Review Committee (LRC) has the responsibility to formulate and implement various enterprise-wide credit risk strategies including lending policies and also to monitor the

Provincial Minister for Southern Province
Hon. Nathaniel Mubukwanu MP using the
ATM Cash Point at Zimba Branch.

Honourable Deputy Minister of Finance
Hon. Christopher Mvunga MP officially opening Chilenje Branch. To his left is the Board Member Mr. Samuel Mukupa and Board Chairperson Mrs. Orlean Y. Moyo.

Bank's credit risk management functions on a regular basis.

Risk Management Committee (RMC) has the responsibility of evaluating and taking necessary steps for mitigation of risks including operational risk by designing and maintaining an explicit operational risk management process. It also ensures that the norms, policies and guidelines laid down in **Operational Risk Management Policy** are strictly adhered to.

Preparation for Basel II

Indo Zambia Bank has started implementation of Basel II norms as per the guidelines of the Bank of Zambia. The Bank is preparing itself to automate with the requirement as may be advised by Bank of Zambia.

INFORMATION TECHNOLOGY

Business Transformation (upgradation) Programme

The Bank has embarked upon IT-enabled Business Transformation Programme, and accomplished Core Banking Upgrade as part of IT initiatives for our customers during year 2015/2016. The Bank's Technology initiatives are clearly focused on the customer. The Business Transformation Programme encompassing technology implemented by the Bank with a view to provide its customer, convenience banking on 24 X 7 basis through deployment of an upgraded Core Banking Solution platform with integrated delivery channels like ATM/Visa Debit Cards, Internet, Mobile, SMS, e-Statements etc.

Customer - Orientation

With 100% CBS, upgraded delivery channels and various initiatives, Bank has enabled its customer with the state of the art technology; duly complemented with the human interface.

Now, our branches can devote maximum time to sales and marketing functions and handle the newly acquired business in an effective manner.

Management Information

The newly created robust technology platform would also facilitate supervision and control and building up of rich management information system to aid the business decision making.

IT ENABLED SERVICES

Internet Banking

The Bank has launched full-fledged transaction-enabled Internet Banking. Through this platform, customers have the facility to make payment of utility bills, and also inter/intra Bank fund transfer. Corporate customers have the facility of direct salary uploads. To protect our customers from phishing attempts Bank has implemented beneficiary registration for third party fund transfer activities.

Branch Heads Review Meeting in session in the Training Centre at Head Office

Mobile Banking

The Bank launched a featured rich Mobile Banking service through almost all channels including APPs for Android/ iPhone/Blackberry/ Windows based smart phones along with USSD channel (*232#). Through this platform, customers have the facility to make payment of utility bills, and also inter/intra Bank fund transfer, and can access Bank account easily and in secure manner.

SMS Alerts

SMS Alert and e-mail Alert facility is provided to all e-Banking customers.

Remittances (Domestic and Foreign)

All branches are RTGS and EFT enabled. RTGS and EFT have been implemented with Straight through Process (STP). Also customers are being provided the facility of making interbank transfers online using Internet banking. SWIFT facility for worldwide inter-bank financial communication is also being provided through Straight through Process (STP) implementation.

HUMAN RESOURCES

Staff Strength

The total staff strength as at 31st December, 2015 was as under:

	MALE	FEMALE	TOTAL
Management Staff	81	28	100
Unionized Staff	84	100	184
Total	**165**	**128**	**293**

Training

1. A training center was set up at the bank's head office as a permanent facility for training of staff.

2. During the year, the following trainings were conducted:

Training programme	No. of Staff
Flexcube Technical Training	25
Customer Service and Marketing	145

3. Our staff members also attended training conducted by external bodies as under:-

Training programme	No. of Staff
Basel II Workshop	7 (Senior Management)
CTS	34
FIC Workshop	7
IFRS Workshop	1
Cybroam	2
AML and Countering the Financing of Terrorism and other serious offences	2

Recruitment

Officers (specialized for Forex)	3
Officers (Specialized for Credit Analysis)	2
Officers (Specialized for Audit)	1
Clerks (Trainee) Clerks (experienced	7

Promotion

Clerks to Officers	5
Officers MS 11 to MS 10	4

AUDIT AND INSPECTION

Bank's Inspection & Audit Division has played an important role in protecting the standards of control and compliance for your Bank without hurting its business growth. The Bank's Inspection & Audit department located at its Head Office conducts its audit of the internal control system through Risk Based Internal Audit of all the branches.

The regular branch inspection reports is a comprehensive feed-back and monitoring tool for the Management on the degree of compliance of the Bank's systems and procedures and guidelines at the operational level and hence, the most important tool for exercising control. An Audit Committee of the management screens each report with the respective manager, before submitting the same to the Audit committee of the Board. The compliance is further monitored through submission of Rectification Certificate by the branches.

All the branches are covered under the Bank's Risk Based Internal Audit (RBIA). This helps the Management in identifying areas of high risk requiring attention on priority basis. The position of the risk categorization of the branches is reviewed by Audit Committee of the Board on quarterly basis.

COMPLIANCE

The Bank adheres to a robust compliance function policy. The scope of compliance covers all statutory, regulatory and internal guidelines of the Bank. KYC and AML norms are observed and checked by inspections and the staff is kept updated with the norms and regulations in this regard.

MARKETING AND PUBLICITY

Marketing is one of the thrust areas of the Bank for acquisition of new customers, servicing the existing customers and creation of customer centric products/processes to enhance value. The deposit products: Savings and Current were redesigned during the year and extensive publicity was given to these products. Further, the IT enabled products like ATMs, Visa cards, Mobile banking, SMS alerts, e-statements have also been promoted. The internet banking will also become transaction – oriented upon implementation of the up graded software. The ATM numbers have grown to 50 and they have been attractively claded with Bank's brand colours and they are located at all branches and other off-site centres like malls/University campus/hospitals etc..

We ran several multi-media corporate campaigns using the channels of print media, radio, stalls at malls, participation at various business events, etc.

We leave no opportunity in projecting and promoting the "Brand IZB".

CORPORATE SOCIAL RESPONSIBILITY

The Paramount Chief of the Ngoni People Inkosi Ya Ma Nkosi Mpezeni IV conferring a royal honour to the Bank through the Managing Director Mr. Shankardas Gupta. The award was given in recognition of the Bank's 15 years support to the N'cwala Ceremony. The Paramount Chief is flanked to the left by Guest of Honour at the event, the Honourable Minister of Finance Hon. Alexander B Chikwanda MP, and the Deputy Minister of Finance Hon. Christopher Mvunga MP.

The Managing Director Mr. Shankardas Gupta presents a donation of K10,000 to the N'cwala Ceremony National Organising Committee Chairman Mr. Brighton Ngoma.

FINANCIAL INCLUSION

The Bank remains fully committed to championing the important agenda of focused financial Inclusion and Literacy

The Bank of Zambia Deputy Governor for Administration Dr. Tukiya Kankasa Mabula interacting with Managing Director Mr. Shankardas Gupta during the occasion and exhibition to mark the World Savings Day.

Members of Staff interact with a customer during Financial Literacy Week Exhibition.

CORPORATE SOCIAL INVESTMENT

The Bank takes special pride in its various ongoing Corporate Social Investment initiatives such as its **Micro Credit Lending Scheme** through Self Help Groups (SHG). The IZB Micro Credit Scheme programme aims at the financial inclusion of the economically disadvantaged people in areas where the bank operates. This initiative by the bank supplements the Government's efforts in poverty reduction and employment creation as the beneficiaries are empowered with sustainable self employment.

Her Honour, the Vice President of the Republic of Zambia Madam Inonge Wina, MP appreciating products produced by various groups financed under the IZB Micro Credit Scheme.

Her Honour, the Vice President of the Republic of Zambia Madam Inonge Wina, MP gracing the occasion wherein the Bank disbursed credit facilities aggregating to ZMW 3.220 Million under the Micro Credit Lending Scheme involving 85 Women Groups translating into over 1,700 beneficiaries.
Looking on from right to left is the Board Chairperson Mrs. Orlean Y. Moyo, Bank of Zambia Deputy Governor, Administration, Dr. Tukiya Kankasa Mabula and Managing Director Mr. Shankardas Gupta.

Directors' report

for the year ended 31 December 2015

The directors are pleased to submit their report and the audited financial statements for the year ended 31 December 2015, which disclose the state of affairs of Indo Zambia Bank Limited (the "Bank").

General information

Indo Zambia Bank Limited is incorporated under the Companies Act of Zambia, as a limited liability company and is domiciled in the Republic of Zambia. The Bank is also licensed under the Banking and Financial Services Act of Zambia, to conduct commercial banking services. The Bank commenced operations on 19 October, 1984.

The Bank's business activities are the provision of retail and corporate banking services.

Shareholding

Indo Zambia Bank Limited's shareholding consists of Government of Zambia through Industrial Development Corporation (formerly held through Ministry of Finance) 40%, Bank of India 20%, Bank of Baroda 20% and Central Bank of India 20%. The total number of authorised ordinary shares is 420,000,000 with a par value of K1 per share.

Details of the Bank's authorised and issued share capital are included in note 24 of the financial statements.

Operating results

	2015	2014
Net interest income	**240,147,204**	175,788,034
Profit before taxation	**127,559,717**	71,614,944
Income tax expense	**(46,744,523)**	(25,462,087)
Profit for the year	**80,815,194**	46,152,857

Dividends

During the year, K18,721,222 was paid as dividends to the members for the year ended 31 December 2014. (2014: Nil). After the reporting date, a dividend of K32,203,295 was proposed (2014: K18,721,222). This dividend is subject to approval by the shareholders at the Annual General Meeting.

Directors' report *(continued)*
for the year ended 31 December 2015

Reserves

	2015	2014
Statutory reserve	**15,000,000**	15,000,000
Fidelity reserve	**126,369**	126,369
Revaluation reserves	**20,398,080**	17,509,654
Credit risk reserves	**10,424,349**	-
Retained earnings	**186,801,198**	134,985,152
	232,749,996	167,621,175

Developments during the year

During the year, the Bank opened Chilenje Branch in Lusaka and two agencies in the following towns: Kafue and Zimba. In addition, Kasumbalesa was downgraded into an agency. At 31 December 2015, the Bank had a total of 25 branches and 5 agencies.

Directors

The Directors who held office during the year were:

Mrs O Y Moyo	Chairperson
Mr D Malik	Director
Mr S Mukupa	Director
Mr Rajiv Rishi	Director
Mr B B Joshi	Director – Appointed 20 May 2015
Mr P Srinivas	Director – Retired 20 February 2015
Mrs V R Iyer	Director – Retired 20 May 2015
Mr S Gupta	Managing Director

Board secretary

Mr Godwin C Ngoma

Directors' interests and emoluments

Except for the Managing Director, no other Director has a service contract with the Bank. No Director had an interest in any significant contract entered into by the Bank during the year (2014: Nil).

Directors' emoluments paid during the period ended 31 December 2015 were K1.48 million (2014: K2.23 million) as disclosed in note 13 of the financial statements.

Directors' fees paid during the period ended 31 December 2015 were K3.08 million (2014: K2.15 million) as disclosed in note 28(f) of the financial statements.

Property and equipment

During the year, the Bank purchased property and equipment amounting to K46.44 million (2014: K13.92 million) which included K3.6 million (2014: K1.08 million) on leasehold improvements as disclosed in note 20 of the financial statements.

Directors' report *(continued)*
for the year ended 31 December 2015

Research and developments

During the year, the Bank did not conduct any research and development activities (2014: Nil).

Related party transactions

As required by the Banking and Financial Services Act, related party transactions are disclosed in note 28 of the financial statements.

Employees

The average number of employees for each month during the period amounted to 292 (2014: 295).

The total remuneration to employees during the year amounted to K120.54 million (2014: K112.4 million) as disclosed in note 13 of the financial statements and the total number of employees was as follows:

January	290	July	291
February	294	August	291
March	293	September	294
April	294	October	293
May	293	November	291
June	291	December	293

Health and safety of employees

The Directors are aware of their responsibilities regarding the safety and health of employees and have put appropriate measures in place to safeguard the safety and health of the Bank's employees.

Risk management and control

In its normal operations, the Bank is exposed to a number of risks, the most significant of which are credit, market, operational and liquidity risks. These are described and explained in greater detail in note 5 and 29.

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

Gifts and donations

The Bank made donations during the year amounting to K0.43 million (2014: K0.47 million) in order to support various socially responsible causes.

Directors' report *(continued)*
for the year ended 31 December 2015

Other material facts, circumstances and events

During September 2015, the Government of Zambia transferred all its shareholding from Ministry of Finance to Industrial Development Corporation.

The Kwacha depreciated from K6.385 per USD in December 2014 to K11.00 per USD in December 2015. In view of the steep depreciation of Kwacha against USD and other currencies, the representation of the foreign currency assets and liabilities in the statement of financial position has shown significant increase.

Prohibited borrowings or lending

There were no prohibited borrowings or lending as defined under Sections 72 and 73 of the Banking and Financial Services Act.

Corporate governance

The Board of Directors hereby confirms that the Bank has complied with all the internal control aspects of the principles of good governance. A Risk and Audit Committee has been constituted.

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and comply with the requirements of the Companies Act and the Banking and Financial Services Act of Zambia.

The financial statements set out on pages 8 to 59 have been approved by the Board of Directors.

Auditors

In accordance with the provision of the Articles of Association of the Bank, Messrs KPMG will retire at the next Annual General Meeting. A resolution for appointing external auditors for the forthcoming year and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By order of the Board.

O Y Moyo
Chairperson

Indo Zambia Bank Limited

Directors' responsibilities in respect of the preparation of financial statements

The Bank's directors are responsible for the preparation and fair presentation of the financial statements of Indo Zambia Bank Limited, comprising the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act and the Banking and Financial Services Act of Zambia. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as they determine necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Bank to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, described above.

Approval of the financial statements

The financial statements of Indo Zambia Bank Limited, as identified in the first paragraph, were approved by the board of directors on **22 February 2016** and are signed on its behalf by:

O Y Moyo
Chairperson

D Mailk
Director

S Mukupa
Director

R Rishi
Director

B B Joshi
Director

S Gupta
Managing Director

KPMG Chartered Accountants
First Floor, Elunda Two
Addis Ababa Roundabout
Rhodes Park, Lusaka
P O Box 31282
Lusaka, Zambia

Telephone +260 211 372 900
Website www.kpmg.com

Independent auditor's report to the members of Indo Zambia Bank Limited

Report on the financial statements

We have audited the financial statements of Indo Zambia Bank Limited ("the Bank"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 34 to 85.

Directors' responsibility for the financial statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act and the Banking and Financial Services Act of Zambia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Indo Zambia Bank Limited as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the Banking and Financial Services Act of Zambia.

KPMG

Report on other legal and regulatory requirements

In accordance with Section 173 (3) of the Companies Act of Zambia, we report that, in our opinion, the accounting and other records and registers required by the Act have been properly kept in accordance with the Act.

In accordance with Section 64 (2) of the Banking and Financial Services Act of Zambia, we report that, in our opinion:

- the Bank made available all necessary information to enable us to comply with the requirements of this Act;
- the Bank has complied with the provisions of this Act and the regulations, guidelines and prescriptions under this Act; and
- There were no non-performing or restructured loans owing to the Bank whose principal amount exceeds 5% of the regulatory capital of the Bank.

KPMG

KPMG Chartered Accountants

22 February 2016

Jason Kazilimani, Jr
Partner

AUD/F000336

Statement of financial position

As at 31 December 2015

In Zambian Kwacha

	Notes	2015	2014
Assets			
Balances with Central Bank	15	**398,502,253**	349,338,733
Cash and cash equivalents	15	**562,359,618**	243,667,229
Held-to-maturity investment securities	16	**613,717,938**	840,429,781
Derivative financial Instrument	17	**5,348,959**	-
Loans and advances to customers	18	**986,591,061**	779,446,713
Other assets	19	**88,171,852**	66,759,118
Property and equipment	20	**142,589,699**	99,701,414
Current tax assets	14d	**-**	2,926,132
Total assets		**2,797,281,380**	2,382,269,120
Liabilities			
Deposits from customers	21	**1,992,903,086**	1,645,019,725
Deposits from banks	22	**-**	19,180,000
Other liabilities	23	**148,721,512**	127,404,315
Current tax liabilities	14c	**3,674,439**	-
Deferred tax liabilities	14d	**3,232,347**	7,043,905
Total liabilities		**2,148,531,384**	1,798,647,945
Equity			
Share capital	24	**416,000,000**	416,000,000
Statutory reserve		**15,000,000**	15,000,000
Fidelity reserve		**126,369**	126,369
Revaluation reserve		**20,398,080**	17,509,654
Credit risk reserve		**10,424,349**	-
Retained earnings		**186,801,198**	134,985,152
Total equity attributable to the equity holders of the bank		**648,749,996**	583,621,175
Total liabilities and equity		**2,797,281,380**	2,382,269,120

These financial statements were approved by the Board of Directors on **22 February, 2016** and were signed on its behalf by:

O Y Moyo *Chairperson*	**D Mailk** *Director*	**S Mukupa** *Director*
B B Joshi *Director*	**R Rishi** *Director*	**S Gupta** *Managing Director*
G C Ngoma *General Manager*	**G Ramesh** *Chief Financial Officer*	

The notes on pages 39 to 85 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2015

In Zambian Kwacha

		2015	2014
Interest income	*7*	**308,482,584**	237,299,429
Interest expense	*8*	**(68,335,380)**	(61,511,395)
Net interest income		**240,147,204**	175,788,034
Fee and commission income	*9*	**49,649,554**	34,795,221
Net trading income	*10*	**27,238,219**	26,565,267
		76,887,773	61,360,488
Revenue		**317,034,977**	237,148,522
Other income	*11*	**7,653,549**	4,542,343
Administrative expenses	*12*	**(43,427,931)**	(36,727,191)
Operating expenses	*13*	**(144,372,379)**	(130,981,111)
Loan impairment recoveries	*18b*	**4,852,695**	7,596,755
Impairment loss on loans and advances	*18c*	**(14,181,194)**	(9,964,374)
Profit before income tax		**127,559,717**	71,614,944
Income tax expense	*14a*	**(46,744,523)**	(25,462,087)
Profit		**80,815,194**	46,152,857
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation surplus		**4,590,157**	4,954,998
Deferred tax on revaluation surplus	*14d*	**(1,606,555)**	(1,734,249)
Other comprehensive income net of tax		**2,983,602**	3,220,749
Total comprehensive income		**83,798,796**	49,373,606

The notes on pages 39 to 85 are an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2015

In Zambian Kwacha

	Share capital	Statutory reserves	Fidelity reserves	Revaluation reserves	Credit risk reserves	Retained earnings	Total
Balance as at 1 January 2014	112,376,184	15,000,000	126,369	14,688,300		148,841,657	291,032,510
Total comprehensive income							
Profit for the year	-	-	-	-	-	46,152,857	46,152,857
Other comprehensive income							
Revaluation surplus	-	-	-	4,954,998	-	-	4,954,998
Deferred tax on revaluation surplus	-	-	-	(1,734,249)	-	-	(1,734,249)
Amortisation of revaluation surplus	-	-	-	(614,454)	-	614,454	-
Deferred tax on amortisation of revaluation surplus	-	-	-	215,059	-	-	215,059
Total comprehensive income for the year, net of tax	-	-	-	2,821,354	-	46,767,311	49,588,665
Transactions with owners, recorded directly in equity							
Issue of shares	243,000,000	-	-	-	-	-	243,000,000
Bonus shares issued	60,623,816	-	-	-	-	(60,623,816)	-
Balance at 31 December 2014	416,000,000	15,000,000	126,369	17,509,654	-	134,985,152	583,621,175
Balance as at 1 January 2015	**416,000,000**	**15,000,000**	**126,369**	**17,509,654**	**-**	**134,985,152**	**583,621,175**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	**80,815,194**	**80,815,194**
Other comprehensive income							
Revaluation surplus	-	-	-	**4,590,156**	-	-	**4,590,156**
Deferred tax on revaluation surplus	-	-	-	**(1,606,555)**	-	-	**(1,606,555)**
Amortisation of revaluation surplus	-	-	-	**(146,423)**	-	**146,423**	-
Deferred tax on amortization of revaluation surplus	-	-	-	**51,248**	-	-	**51,248**
Total comprehensive income for the year, net of tax	-	-	-	**2,888,426**	-	**80,961,617**	**83,850,043**
Increase in credit risk reserve	-	-	-	-	**10,424,349**	**(10,424,349)**	-
Transactions with owners, recorded directly in equity							
Dividend paid	-	-	-	-	-	**(18,721,222)**	**(18,721,222)**
Balance at 31 December 2015	**416,000,000**	**15,000,000**	**126,369**	**20,398,080**	**10,424,349**	**186,801,198**	**648,749,996**

Statement of changes in equity *(continued)*
for the year ended 31 December 2015

Statutory reserve

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

Fidelity reserve

The fidelity reserve arises from compliance with section 82 of the Banking and Financial Services Act, which requires the Bank to maintain a special reserve account for the purpose of making good any loss resulting from potential negligence and dishonesty of directors, the chief executive officer, managers or employees. In addition, the Bank has taken out an insurance policy with an approved insurer for this purpose.

Revaluation reserve

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

Credit risk reserve

The credit risk reserve is a non-distributable reserve (loan loss reserve) that relates to the excess of impairment provision as required by the Banking and Financial Services Act of Zambia, over the impairment provision computed in terms of International Financial Reporting Standards.

Retained earnings

Retained earnings are the carried forward recognised income, net of expenses of the Bank, plus current period profit attributable to shareholders less distributions to shareholders.

The notes on pages 39 to 85 are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2015

In Zambian Kwacha

	Note	2015	2014
Cash flow from operating activities			
Profit for the year		**80,815,194**	46,152,857
Adjustment for			
Profit on sale of property, plant and equipment		**(56,664)**	(12,731)
Depreciation	*20*	**8,862,328**	10,246,045
Adjustment to depreciation		**(725,131)**	-
Tax expense	*14*	**46,744,523**	25,462,087
Interest expense		**68,335,380**	61,511,395
Interest income		**(308,482,584)**	(237,299,429)
		(104,546,954)	(93,939,776)
Change in:			
- Loans and advances to customers		**(207,144,348)**	85,000,491
- Other assets		**(21,412,734)**	28,697,753
- Customer deposits		**347,883,361**	133,074,227
- Derivative financial instrument		**(5,348,959)**	-
- Deposits from banks		**(19,180,000)**	(33,789,018)
- Other liabilities		**21,317,197**	18,869,601
		11,607,563	137,913,278
Tax paid	*14*	**(45,510,818)**	(25,367,652)
Interest paid	*8*	**(68,335,380)**	(61,511,395)
Interest received	*7*	**308,482,584**	237,299,429
Net cash generated from operating activities		**206,243,949**	288,333,660
Cash flows from investing activities			
Acquisition of property, plant and equipment	*20*	**(46,435,325)**	(13,924,081)
Acquisition of investment securities		**-**	(393,551,907)
Proceeds from disposal of property and equipment		**56,664**	14,355
Proceeds from redemption of investment securities		**226,711,843**	-
Cash generated from / (utilised in) investing activities		**180,333,182**	(407,461,633)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	243,000,000
Dividends paid		**(18,721,222)**	-
Net cash flows (utilised)/generated from financing activities		**(18,721,222)**	243,000,000
Net increase in cash and cash equivalents		**367,855,909**	123,872,027
Cash and cash equivalents at 1 January		**593,005,962**	469,133,935
Cash and cash equivalents at 31 December	*15*	**960,861,871**	593,005,962
Represented by:			
Cash and cash equivalents	*15*	**611,351,871**	364,565,412
Statutory reserves*	*15*	**349,510,000**	228,440,550
		960,861,871	593,005,962

*The total statutory reserve held with Bank of Zambia, as a minimum reserve requirement, is not available for the Bank's daily business.

The notes on pages 39 to 85 are an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2015

1 Reporting entity

Indo Zambia Bank Limited ("the Bank") is a limited liability company incorporated under the Companies Act of Zambia and is domiciled in the Republic of Zambia. The Bank is also licensed under the Banking and Financial Services Act of Zambia to conduct commercial banking services. The Bank commenced operations on 19 October, 1984. The Bank's activities are the provision of retail and corporate banking services and investment of surplus funds in various financial instruments. The registered office of the Bank is Plot 6907, Cairo Road, Lusaka.

2 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Companies Act and the Banking and Financial Services Act of Zambia. They were approved by the Bank's Board of Directors in its meeting held on **22 February 2016**.

Details of the Bank's significant accounting policies are included in note 32.

3 Functional and presentation currency

These financial statements are presented in Zambian Kwacha ("Kwacha"), which is the Bank's functional currency. All amounts have been rounded to the nearest Kwacha, except otherwise indicated.

4 Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2015 is set out below in relation to the impairment of financial instrument and in the following notes in relation to other areas:

- Note 14d – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used; and
- Notes 32 g (vii) – Financial assets and liabilities, identification and measurement of impairment.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

4 Use of estimates and judgements *(continued)*

(a) Assumptions and estimation uncertainties *(continued)*

i) Impairment of financial instruments

Assets accounted for at amortised cost are evaluated for impairment on the basis described in note 32 g (vii).

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired (loss incurred but not reported or IBNR).

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

In Zambian Kwacha

5 Financial risk review

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

a) Credit risk

For the definition of credit risk and information on how credit risk is managed by the Bank, see note 29(b).

i) Credit quality analysis

The table below sets out information about the credit quality of financial assets and the allowance for impairment/loss held by the Bank against those assets.

The Bank's maximum exposure to credit risk is as follows:

	Loans and advances to customers		**Held to maturity financial assets**	
	2015	2014	**2015**	2014
Carrying amount	**986,591,061**	779,446,713	**613,717,938**	840,429,781
Individually impaired:				
Corporate loans	**37,586,491**	11,984,370	-	-
Retail loans	**14,554,681**	8,166,511	-	-
Allowance for impairment	**(22,000,485)**	(16,209,441)	-	-
Carrying amount	**30,140,687**	3,941,440	**613,717,938**	840,429,781
Past due but not impaired:				
Corporate loans	**71,365,444**	56,175,734	**-**	-
Retail loans	**60,247,539**	99,022,852	**-**	-
Carrying amount	**131,612,983**	155,198,586	-	-
Past due but not impaired comprise :				
01 – 30 days	**74,766,103**	105,028,595	-	-
31 – 60 days	**15,812,299**	19,835,502	-	-
61 – 90 days	**41,034,581**	30,334,489	-	-
Carrying amount	**131,612,983**	155,198,586	-	-
Neither past due nor impaired:				
Corporate loans	**530,426,923**	382,431,134		-
Retail loans	**299,203,602**	241,016,486		-
Held-to-maturity investment securities	**-**	-	**613,717,938**	840,429,781
	829,630,525	623,447,620	**613,717,938**	840,429,781
Allowance for collective portfolio impairment	**(4,793,134)**	(3,140,933)	**-**	-
Carrying amount	**986,591,061**	779,446,713	**613,717,938**	840,429,781

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2015

5 Financial risk review *(continued)*

a) Credit risk *(continued)*

i) Credit quality analysis *(continued)*

Impaired loans and advances

The Bank regards a loan and advance or a debt security as impaired in the following circumstances:

- There is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.
- A retail loan is overdue for 90 days or more.

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

Loans and advances that are past due but not impaired

Loans that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank. The amounts disclosed exclude assets measured at fair value through profit or loss.

Loans and advances with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. The Bank does not have any loans with renegotiated terms hence not disclosed the carrying amounts.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate to incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Notes to the consolidated financial statements *(continued)*

for the year ended 31 December 2015

5 Financial risk review *(continued)*

a) Credit risk *(continued)*

i) Credit quality analysis *(continued)*

Write off policy

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Bank loan review Committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balances and standardised loans, charge write off decisions generally are based on a product specific past due status.

All credit write off require written endorsement at appropriate levels as set by the Bank.

The Bank holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except where securities are held as part of reverse repurchase and securities borrowing activity. Collateral is not usually held against investment securities, and no such collateral was held at 31 December 2015.

Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. For impaired loans, the Bank obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement when estimating future cashflows.

ii) Offsetting financial assets and financial liabilities

There are no financial assets and financial liabilities that are offset in the Bank's statement of financial position or that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

iii) Concentration of credit risk

The Bank monitors concentrations of credit risk by sector and an analysis of concentration of credit risk from loans and advances and investment securities at the reporting date is shown below:

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

In Zambian Kwacha

5 Financial risk review *(continued)*

a) Credit risk *(continued)*

iii) Concentration of credit risk

		Loans and advances to customers		Investment securities	
		2015	2014	**2015**	2014
1	Agriculture,	**84,496,208**	47,177,374	-	-
2	Mining and quarrying	**4,559,547**	4,565,802	-	-
3	Manufacturing	**188,452,338**	112,790,383	-	-
4	Electricity, gas, water and energy	**9,621,389**	7,362,916	-	-
5	Construction	**7,819,653**	13,908,762	-	-
6	Wholesale and retail trade	**162,736,376**	135,661,283	-	-
7	Restaurants and hotels	**6,164,364**	6,837,453	-	-
8	Transport, storage and communications	**25,414,285**	29,551,910	-	-
9	Financial services	**32,758,633**	13,330,266	-	-
10	Community, social and personal services	**21,855,450**	17,297,720	-	-
11	Real estate	**190,273,725**	147,039,052	-	-
12	Government	**-**	-	**613,717,938**	840,429,781
13	Others	**252,439,093**	243,923,792	**-**	-
	Carrying amount	**986,591,061**	779,446,713	**613,717,938**	840,429,781

iv) Impaired loans and advances and investment debt securities

For details of impaired financial assets see note 5(a) (i). For details of impairment allowances for loans and advances see note 18.

b) Liquidity risk

For the definition of liquidity risk and information on how liquidity risk is managed by the Bank, see note 29c.

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 are considered as including cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month. A similar, but not identical calculation is used to measure the Bank's compliance with the liquidity limit established by the Bank of Zambia. Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2015	2014
At 31 December	**69.53%**	78.31%
Average for the period	**71.54%**	56.40%
Maximum for the period	**79.85%**	78.31%
Minimum for the period	**62.06%**	39.05%

The minimum required by Bank of Zambia for core liquid assets is 6% (2014: 6%).

The concentration of funding requirements at any one date or from any one source is managed continuously. A substantial proportion of the Bank's deposit base is made up of current and savings accounts and other short term customer deposits.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

In Zambian Kwacha

5 Financial risk review *(continued)*

b) Liquidity risk *(continued)*

The following table below analyses financial assets and financial liabilities of the Bank into relevant contractual, undiscounted maturity groupings:

2015

	Carrying amount	Gross nominal	up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial assets							
Cash balances at Bank of Zambia	398,502,253	398,502,253	48,992,253	-	-	349,510,000	-
Cash and cash equivalents	562,359,618	562,359,618	562,359,618	-	-		-
Held-to- maturity investment securities	613,717,938	613,717,938	94,425,156	60,675,201	404,188,053	14,233,856	40,195,672
Derivative financial instrument	5,348,959	5,348,959	-	5,348,959	-	-	-
Loans and advances to customers	986,591,061	1,013,384,680	67,283,484	104,225,179	224,021,084	539,396,199	78,458,734
Total financial assets	2,566,519,829	2,593,313,448	773,066,511	170,249,339	628,209,137	903,140,055	118,654,406
Financial liabilities							
Deposits from customers	(1,992,903,086)	(1,992,903,086)	(1,761,421,025)	(58,346,335)	(165,405,509)	(7,730,217)	-
Total financial liabilities	(1,992,903,086)	(1,992,903,086)	(1,761,421,025)	(58,346,335)	(165,405,509)	(7,730,217)	-
Net liquidity gap	573,616,743	600,410,362	(988,360,514)	111,903,004	462,803,628	895,409,838	118,654,406

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

In Zambian Kwacha

5 Financial risk review *(continued)*

b) Liquidity risk *(continued)*

The following table below analyses financial assets and financial liabilities of the Bank into relevant contractual, undiscounted maturity groupings:

2014

	Carrying amount	Gross nominal	up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial assets							
Cash balances at Bank of Zambia	349,338,733	349,338,733	162,053,750	-	-	-	228,440,550
Cash and cash equivalents	243,667,229	243,667,229	243,667,229	-	-	-	-
Held-to- maturity investment securities	840,429,781	840,429,781	39,720,800	71,889,476	668,960,000	45,620,567	14,238,938
Loans and advances to customers	779,446,713	779,446,713	107,796,683	52,013,820	165,895,202	346,933,855	106,807,153
Total financial assets	2,212,882,456	2,212,882,456	553,238,462	123,903,296	834,855,202	392,554,422	349,486,641
Financial liabilities							
Deposits from customers	(1,645,019,725)	(1,645,019,725)	(1,276,730,533)	(147,781,300)	(219,359,479)	(1,148,413)	-
Deposits from banks	(19,180,000)	(19,180,000)	(19,180,000)	-	-	-	-
Total financial liabilities	(1,664,199,725)	(1,664,199,725)	(1,295,910,533)	(147,781,300)	(219,359,479)	(1,148,413)	-
Net liquidity gap	548,682,731	548,682,731	(742,672,071)	(23,878,004)	615,495,723	391,406,009	349,486,641

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

In Zambian Kwacha

5 Financial risk review *(continued)*

c) Market risk

For the definition of market risk and information on how the Bank manages the market risks of trading and non-trading portfolios, see note 29(d).

i) Exposure to interest rate risk - non-trading portfolios

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times and/or in differing amounts. In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices. Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes.

The table below summaries the Bank's exposure to interest rate risk. Included in the table are the Bank's financial asset and liabilities at carrying amounts, categoriesed by earlier of contractual repricing or maturity dates.

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

In Zambian Kwacha

5 Financial risk review *(continued)*

c) Market risk *(continued)*

i) Interest rate risk *(continued)*

Exposure of interest rate risk – non trading portfolio contained

2015				**Fixed rate instruments**		
	Total	**Zero rate instruments**	**Floating rate instruments**	**Less than 3 months**	**3 months– 1 year**	**Over 1 year**
Cash balances at Bank of Zambia	**398,502,253**	**398,502,253**	-	-	-	-
Cash and cash equivalents	**562,359,618**	**562,359,618**	-	-	-	-
Held-to-maturity investment securities	**613,717,938**	-	-	**155,100,357**	**404,188,053**	**54,429,528**
Derivative financial instrument	**5,348,959**	-	-	**5,348,959**	-	-
Loans and advances to customers	**986,591,061**	-	**986,591,061**	-	-	-
Total financial assets	**2,566,519,829**	**960,861,871**	**986,591,061**	**160,449,316**	**404,188,053**	**54,429,528**
Financial liabilities						
Deposits from customers	**(1,992,903,086)**	-	**(1,992,903,086)**	**(1,819,767,360)**	**(165,405,509)**	**(7,730,217)**
Deposits from banks	-	-	-	-	-	-
Total financial liabilities	**(1,992,903,086)**	-	**(1,992,903,086)**	**(1,819,767,360)**	**(165,405,509)**	**(7,730,217)**
Inter rate gap position	**573,616,743**	**960,861,871**	**(1,006,312,025)**	**(1,659,318,044)**	**238,782,544**	**46,699,311**

2014				Fixed rate instruments		
	Total	Zero rate instruments	Floating rate instruments	Less than 3 months	3 months – 1 year	Over 1 year
Cash balances at Bank of Zambia	349,338,733	349,338,733	-	-	-	-
Cash and cash equivalents	243,667,229	243,667,229	-	-	-	-
Held-to-maturity investment securities	840,429,781	-	-	111,610,276	668,960,000	59,859,505
Loans and advances to customers	779,446,713	-	779,446,713	-	-	-
Total financial assets	2,212,882,456	593,005,962	779,446,713	111,610,276	668,960,000	59,859,505
Financial liabilities						
Deposits from banks	(19,180,000)	-	-	-	(19,180,000)	-
Deposits from customers	(1,645,019,725)	-	(1,243,435,989)	(53,220,324)	(336,139,091)	(11,624,321)
Total financial liabilities	(1,664,199,725)	-	(1,243,435,989)	(53,220,324)	(355,319,091)	(11,624,321)
Inter rate gap position	548,682,731	593,005,962	(463,989,276)	(58,389,952)	313,640,909	48,235,184)

Interest rate sensitivity analysis

	2015		2014	
	ZMW	**US$**	ZMW	US$
Increase in basis points	**0.50**	**0.50**	0.50	0.50
Sensitivity of annual net interest income	**(0.10)**	**(2.28)**	(0.13)	(0.61)
Decrease in basis points	**0.50**	**0.50**	0.50	0.50
Sensitivity of annual net interest income	**0.10**	**2.28**	0.13	0.61

ii) Currency risk

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

In Zambian Kwacha

5 Financial risk review *(continued)*

c) Market risk *(continued)*

ii) Currency risk *(continued)*

Maximum exposure to currency risk is as follows (Kwacha equivalent):

2015	**US dollar**	**Pound**	**Euro**	**Rand**	**Rupee**	**Kwacha**	**Total**
Monetary assets	**803,358,645**	**6,708,693**	**3,764,162**	**11,263,433**	**916,926**	**1,735,159,010**	**2,561,170,869**
Monetary liabilities	**(810,356,607)**	**(6,087,273)**	**(3,719,088)**	**(11,404,758)**	**(144,682)**	**(1,309,912,192)**	**(2,141,624,601)**
Net recognised position	**(6,997,962)**	**621,420**	**45,074**	**(141,325)**	**772,244**	**425,246,818**	**419,546,269**

Maximum exposure to currency risk is as follows:

2014							
Monetary assets	301,241,014	2,275,461	6,863,588	6,644,196	348,949	1,895,509,248	2,212,882,456
Monetary liabilities	(302,877,596)	(2,753,777)	(6,168,564)	(6,879,052)	(226,588)	(1,472,698,463)	(1,791,604,040)
Net recognised position	(1,636,582)	(478,316)	695,024	(234,856)	122,361	422,810,785	421,278,416

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's transactional exposures give rise to foreign currency gains and losses recognised in profit or loss. These exposures comprise the monetary assets and monetary liabilities of the Bank.

In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

In Zambian Kwacha

5 Financial risk review *(continued)*

c) Market risk *(continued)*

ii) Currency risk *(continued)*

Exchange rate sensitivity

A strengthening (weakening) of the Kwacha by 10 percent, as indicated below against the USD, GBP, Euro, Rupee and ZAR at 31 December 2015 would have increased (decreased) equity and profit or loss by the amounts shown below. This computation is based on the foreign exchange rate variance that the company considered reasonably possible at the reporting date. The computation assumes all the other variables remain constant.

	Strengthening		**Weakening**	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2015				
USD	**699,796**	**699,796**	**(699,796)**	**(699,796)**
GBP	**62,142**	**62,142**	**(62,142)**	**(62,142)**
Euro	**4,507**	**4,507**	**(4,507)**	**(4,507)**
ZAR	**14,133**	**14,133**	**(14,133)**	**(14,133)**
Rupee	**77,224**	**77,224**	**(77,224)**	**(77,224)**
31 December 2014				
USD	163,658	163,658	(163,658)	(163,658)
GBP	47,832	47,832	(47,832)	(47,832)
Euro	69,502	69,502	(69,502)	(69,502)
ZAR	23,486	23,486	(23,486)	(23,486)
Rupee	12,236	12,236	(12,236)	(12,236)

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

5 Financial risk review *(continued)*

d) Capital management

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

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

The Bank complied with the minimal capital adequacy requirements in the period.

Regulatory capital

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

In implementing current capital requirements Bank of Zambia requires banks;

- To maintain the higher of a minimum 10% ratio of total capital to total risk-weighted assets or hold a minimum K 416 million;
- Maintain primary or Tier 1 capital of not less than 5% of total risk weighted assets; and
- Maintain total capital of not less than 10% of risk-weighted assets plus risk-weighted unrecognised items.

The Bank's regulatory capital is analysed into two tiers:

- Primary (Tier 1) capital, which includes paid-up common shares, retained earnings, statutory reserves less adjustment for assets of little or no realizable value.
- Secondary (Tier 2) capital, which includes qualifying subordinated term debt and revaluation reserves limited to a maximum of 40% of revaluation reserves. The maximum amount of total secondary capital is limited to 100% of primary capital.

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

In Zambian Kwacha

5 Financial risk review *(continued)*

d) Capital management *(continued)*

i) Computation of capital position

	2015	2014
I Primary (Tier 1) Capital		
(a) Paid-up common shares	**416,000,000**	416,000,000
(b) Eligible preferred shares	-	-
(c) Contributed surplus	-	-
(d) Retained earnings	**197,351,916**	135,111,521
(e) General reserves	-	-
(f) Statutory reserves	**15,000,000**	15,000,000
(g) Minority interests (common shareholders' equity)	-	-
(h) Sub-total A (items a to g)	**628,351,916**	566,111,521
Subtractions:		
(i) Goodwill and other intangible assets	-	-
(j) Investments in unconsolidated subsidiaries and associates	-	-
(k) Lending of a capital nature to subsidiaries and associates	-	-
(l) Holding of other banks' or financial institutions' capital instruments	-	-
(m) Assets pledged to secure liabilities	-	-
(n) Sub-total B (items i to m)	-	-
Provisions	-	-
Assets of little or no realised value	-	-
Other adjustments (prepayment)	-	-
(o) Sub-total C (other adjustments)	-	-
(p) Total primary capital [h – (n to o)]	**628,351,916**	566,111,521
II Secondary (tier 2) capital		
(a) Eligible preferred shares	-	-
(b) Eligible subordinated term debt	-	-
(c) Eligible loan stock / capital	-	-
(d) Eligible general provisions	-	-
(e) Revaluation reserves. (Maximum is 40% of revaluation reserves)	**8,159,232**	7,003,862
(f) Other	-	-
(f) Total secondary capital	**8,159,232**	7,003,862
III Eligible secondary capital	**8,159,232**	7,003,862
(The maximum amount of secondary capital is limited to 100% of primary capital)		
IV Eligible total capital (I(p) + III) (Regulatory capital)	**636,511,148**	573,115,383
V Minimum total capital requirement (10% of total on and unrecognised risk weighted assets)	**520,000,000**	520,000,000
VI Excess (IV minus V)	**116,511,148**	53,115,383

On 30 January 2012, the Bank of Zambia issued Circular 02/2012 on a new capital adequacy framework. This entailed reclassification of commercial banks into locally owned banks and foreign banks. The minimum capital was revised upwards to K520 million for foreign-owned banks and K104 million for locally-owned banks. Indo Zambia bank is a foreign owned bank.

The circular states that at least eighty percent of the minimum capital requirement shall be in nominal paid up common shares. Indo Zambia Limited has K416 million in share capital and eligible reserves of K221.96 million (K637.96 million). This total is more than the minimum capital requirement of K520 million for foreign banks.

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

5 Financial risk review *(continued)*

e) Financial assets and financial liabilities

The table below sets out the carrying amounts and fair values of the Bank's financial assets and financial liabilities:

2015	*Note*	**Trading**	**Loans and receivables**	**Amortised cost**	**Total carrying amounts**	**Fair value**
Balances with central Bank	*15*	-	**398,502,253**	-	**398,502,253**	**398,502,253**
Cash and cash equivalents	*15*	-	**562,359,618**	-	**562,359,618**	**562,359,618**
Held-to-maturity investment securities	*16*	-	-	**613,717,938**	**613,717,938**	**613,717,938**
Derivative financial instruments	*17*	**5,348,959**	-	-	**5,348,959**	**5,348,959**
Loans and advances to customers	*18*	-	**986,591,061**	-	**986,591,061**	**986,591,061**
Other assets	*19*	-	**88,171,852**	-	**88,171,852**	**88,171,852**
Total financial assets		**5,348,959**	**2,035,624,784**	**613,717,938**	**2,654,628,958**	**2,654,628,958**
Financial liabilities						
Deposits from customers	*21*	-	-	**1,992,903,086**	**1,992,903,086**	**1,992,903,086**
Other liabilities	*23*	-	-	**148,721,513**	**148,721,513**	**148,721,515**
Total		-	-	**2,141,624,599**	**2,141,624,619**	**2,141,624,601**

2014	*Note*	Trading	Loans and receivables	Amortised cost	Total carrying amounts	Fair value
Balances with central Bank	*15*	-	349,338,733	-	349,338,733	349,338,733
Cash and cash equivalents	*15*	-	243,667,229	-	243,667,229	243,667,229
Held-to-maturity investment securities	*16*	-	-	840,429,781	840,429,781	840,429,781
Loans and advances to customers	*18*	-	779,446,713	-	779,446,713	779,446,713
Other assets	*19*	-	66,759,118	-	66,759,118	66,759,118
Total financial assets		-	1,439,211,793	840,429,781	2,279,641,574	2,279,641,574
Financial liabilities			-	-	-	-
Deposits from customers	*21*	-	-	1,645,019,725	1,645,019,725	1,645,019,725
Deposits from banks	*22*	-	-	19,180,000	19,180,000	19,180,000
Other liabilities	*23*	-	-	127,404,315	127,404,315	127,404,315
Total		-	-	1,791,604,040	1,791,604,040	1,791,604,040

The directors are of the opinion that the carrying amounts are not materially different from fair values of the financial instruments due to their short term to maturity.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

6 Fair values of financial instruments

a. Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- *Level 1*: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments

- *Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- *Level 3:* Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instruments is to arrive at a fair value determination that reflects the price of the financial instruments at the reporting date that would have been determined by market participants acting at arm's length.

b. Financial instruments measured at fair value-fair value hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group and Bank

31 December 2015	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Assets						
Derivative financial instrument	*17*	-	**5,348,959**	-	**5,348,959**	**5,348,959**
31 December 2014	*Note*					
Assets						
Derivative financial instrument	*17*	-	-	-	-	-

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

In Zambian Kwacha

6 Fair values of financial instruments *(continued)*

c. Financial instruments not measured at fair value

31 December 2015	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Assets						
Cash and cash equivalents	*15*	-	**562,359,618**	-	**562,359,618**	**562,359,618**
Held to maturity investment securities	*16*	-	**613,717,938**	-	**613,717,938**	**613,717,938**
Loans and advances to customers	*18*	-	**986,591,061**	-	**986,591,061**	**986,591,061**
Liabilities						
Deposits from customers	*21*	-	**1,992,903,086**		**1,992,903,086**	**1,992,903,086**

31 December 2014	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Assets						
Cash and cash equivalents	*15*	-	243,667,229	-	243,667,229	243,667,229
Loans to banks		-	840,429,781	-	840,429,781	840,429,781
Loans and advances to customers	*18*	-	779,448,713	-	779,448,713	779,448,713
Liabilities						
Deposits from customers	*21*	-	1,645,019,725	-	1,645,019,725	1,645,019,725

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include data from third party brokers based on OTC trading activity, and information obtained from other market participants, which includes observed primary and secondary transactions. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates, and default probability.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

The carrying amounts of financial assets and liabilities are representative of the Bank's position at 31 December 2015 and are in the opinion of the directors not significantly different from their respective fair values due to generally short periods to maturity dates. Fair values are generally determined using valuation techniques or where available, published price quotations from an active market.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

In Zambian Kwacha

7 Interest income
See accounting policies in note 32 b

	2015	2014
Loans and advances to customers	**156,236,451**	136,565,119
Held-to-maturity investment securities	**145,728,789**	91,270,120
Other	**6,517,344**	9,464,190
	308,482,584	237,299,429

8 Interest expense
See accounting policies in note 32 b

Deposits from customers	**66,839,130**	60,804,715
Other	**1,496,250**	706,680
	68,335,380	61,511,395

9 Fee and commission income
See accounting policies in note 32 c

Retail banking customer fees	**48,568,231**	32,925,761
Loans and advances fees	**1,081,323**	1,869,460
	49,649,554	34,795,221

10 Net trading income
See accounting policies in note 32 d

Foreign currency transaction gains	**27,238,219**	26,565,267

11 Other income

Rental income	**36,000**	198,539
Gain on disposal of property and equipment	**56,664**	12,731
Cheque book charges	**805,582**	734,985
Swift charges recovered	**5,152,897**	3,160,919
Other income	**1,602,406**	435,169
	7,653,549	4,542,343

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

In Zambian Kwacha

12 Administrative expenses

	2015	2014
Audit fees	**445,833**	397,000
Directors fees	**3,081,769**	2,149,264
Depreciation	**8,862,328**	10,246,045
Stationery	**2,407,457**	2,382,384
Swift and telephone	**4,159,849**	3,717,592
Security charges	**4,201,495**	3,442,933
BOZ charges	**5,799,206**	3,035,588
Other administrative expenses	**14,469,994**	11,356,385
	43,427,931	36,727,191

13 Operating expenses

	2015	2014
Staff costs	**118,075,953**	110,145,723
National Pension Scheme Authority contributions	**2,463,293**	2,291,762
Directors' emoluments	**1,486,384**	2,233,791
Property related expenses	**7,773,439**	5,987,965
Office expenses	**14,573,310**	10,321,870
	144,372,379	130,981,111

14 Income taxes

See accounting policies in note 32 e

a) Current tax expense

	2015	2014
Current year	**52,111,389**	26,612,914
Deferred tax (note 14(c))	**(5,366,866)**	(1,150,827)
Total income tax expense	**46,744,523**	25,462,087

The income tax expenses for the current year is subject to agreement with the ZRA.

b) Reconciliation of effective tax rate

		2015		2014
Profit before income tax		**127,559,717**		71,614,944
Tax calculated at the tax rate of	***35%***	**44,645,901**	*35%*	25,065,231
Non-deductible expenses	***1.8%***	**1,757,441**	*1.4%*	1,040,117
Timing differences	***0.27%***	**341,181**	*(0.89%)*	(643,261)
Total income tax expense in profit or loss	*37.07%*	**46,744,523**	*35.51%*	25,462,087

c) Current income tax movement in the statement of financial position

	2015	2014
Current tax asset at the beginning of the year	**(2,926,132)**	(4,171,394)
Charge for the year	**52,111,389**	26,612,914
Tax paid	**(45,510,818)**	(25,367,652)
Current tax liability/(asset) at the end of the year	**3,674,439**	(2,926,132)

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

In Zambian Kwacha

14(d) Deferred tax assets and liabilities

See accounting policies in note 32 e

a) Recognised deferred tax assets and liabilities

The following are the deferred tax (assets)/liabilities recognised by the Bank.

	Assets		Liabilities		Net	
	2015	2014	**2015**	2014	**2015**	2014
Property and equipment	**(1,296,418)**	(2,734,870)	**-**	-	**(1,296,418))**	(2,734,870)
Bad debts provision	**(7,910,498)**	(1,105,181)	**-**	-	**(7,910,498)**	(1,105,181)
Amortisation of revaluation surplus	**(266,307)**		**-**	-	**(266,307)**	-
Revaluation	**-**	-	**12,705,570**	10,883,956	**12,705,570**	10,883,956
	(9,473,223)	(3,840,051)	**12,705,570**	10,883,956	**3,232,347**	7,043,905

b) Movement in temporary differences during the year

	Balance at 1 January 2014	Recognised in profit or loss	Recognised in equity	Balance at 31 December 2014	Recognised in profit or loss	Recognised in equity	Balance at 31 December 2015
Property and equipment	(1,584,043)	(1,150,827)	-	(2,734,870)	**1,438,452**	**-**	**(1,296,418)**
Bad debts provision	(1,105,181)	-	-	(1,105,181)	**(6,805,318)**	**-**	**(7,910,498)**
Amortisation of revaluation surplus	-	-	(215,059)	(215,059)	**-**	**(51,248)**	**(266,307)**
Revaluation	9,364,766	-	1,734,249	11,009,015	**-**	**1,606,555**	**12,705,570**
	6,675,542	(1,150,827)	1,519,190	7,043,905	**(5,366,866)**	**1,555,307**	**3,232,347**

There were no unrecognised deferred tax assets and liabilities during the year (2015: nil).

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

In Zambian Kwacha

15 Balances with Central Bank

See accounting policies in note 32 h

	2015	2014
Balances at Bank of Zambia	**48,992,253**	120,898,183
Bank of Zambia statutory reserve	**349,510,000**	228,440,550
Total	**398,502,253**	349,338,733
Cash and cash equivalents		
Cash on hand	**91,784,371**	104,623,773
Placements with other banks	**100,000,000**	126,238,456
Balance due from other banks	**370,575,247**	12,805,000
Total	**562,359,618**	243,667,229
Grand total	**960,861,871**	593,005,962

The total statutory reserve held with Bank of Zambia, as a minimum reserve requirement, is not available for the Bank's daily business. The reserve represents a requirement by the Banking and Financial Services Act and is a percentage of the Bank's local and foreign currency liabilities to the public. At 31 December 2015 the required percentage was 18% (2014: 14%).

16 Held-to-maturity investment securities

See accounting policies in note 32 j

	2015	2014
Treasury bills	**552,197,162**	688,237,402
Government bonds	**61,520,776**	152,192,379
	613,717,938	840,429,781

	2015		2014	
Maturity analysis	**Treasury bills**	**Government bonds**	Treasury bills	Government bonds
Within one year	**552,197,162**	**7,091,248**	688,237,402	92,332,874
Within one to five years	**-**	**54,549,528**	-	59,859,505
	552,197,162	**61,520,776**	688,237,402	152,192,379

Included in investment securities are treasury bills with a total face value of K 25 million (2014: K 20 million) pledged as security by the Bank for transactions with various counter parties and the Zambia Electronic Clearing House.

17 Derivative financial instrument

	2015	2014
Foreign exchange contract	**5,348,959**	-

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

In Zambian Kwacha

18 Loans and advances to customers

See accounting policies in note 32i

	2015			2014		
	Gross amount	**Impairment allowance**	**Carrying amount**	Gross mount	Impairment allowance	Carrying amount
Retail customers:						
Mortgage lending	**101,284,703**	**(1,804,758)**	**99,479,945**	86,377,272	(674,306)	85,702,966
Personal loans	**235,931,520**	**(7,530,291)**	**228,401,239**	226,991,104	(6,273,461)	220,717,643
Term loans	**36,789,600**	**(1,550,860)**	**35,238,740**	34,837,473	(828,967)	34,008,506
Total	**374,005,823**	**(10,885,909)**	**363,119,914**	348,205,849	(7,776,734)	340,429,115
Corporate customers:						
Term loans	**319,891,281**	**(7,962,385)**	**311,928,896**	219,510,476	(3,631,403)	215,879,073
Overdrafts	**319,487,576**	**(7,945,325)**	**311,542,251**	231,080,762	(7,942,237)	223,138,525
Total	**639,378,857**	**(15,907,710)**	**623,471,147**	450,591,238	(11,573,640)	439,017,598
Total loans	**1,013,384,680**	**(26,793,619)**	**986,591,061**	798,797,087	(19,350,374)	779,446,713

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

In Zambian Kwacha

18 Loans and advances to customers *(continued)*

a) Maturity analysis of loans and advances

The maturity analysis is based on the remaining periods to contractual maturity.

	2015	2014
Maturing within one year	**398,876,262**	325,705,705
Maturing after 1 year but less than 5 years	**509,256,066**	346,933,855
Maturing after 5 years	**78,458,733**	106,807,153
	986,591,061	779,446,713

b) Allowances for impairment

See accounting policies in note 30 g (iii)

	2015	2014
Specific allowances for impairment		
Balance at beginning of the period	**16,209,441**	14,018,156
Charge for the year	**12,528,993**	9,980,374
Write-offs previously provided for	**(1,885,254)**	(197,729)
Exchange differences	**-**	5,395
Recoveries	**(4,852,695)**	(7,596,755)
Balance at end of the period	**22,000,485**	16,209,441
Collective allowances for impairment		
Balance at beginning of the period	**3,140,933**	3,156,933
Charge/(reversal) for the year	**1,652,201**	(16,000)
Balance at end of the period	**4,793,134**	3,140,933
Total impairment allowance	**26,793,619**	19,350,374

c) Total impairment losses in profit or loss

	2015	2014
Specific impairment	**12,528,993**	9,980,374
Collective impairment	**1,652,201**	(16,000)
Impairment loss recognized in profit or loss	**14,181,194**	9,964,374

19 Other assets

	2015	2014
Interest receivable	**13,970,336**	14,462,924
Inter branch accounts receivable	**716,833**	4,602,211
Other assets	**73,484,683**	47,693,983
	88,171,852	66,759,118

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

In Zambian Kwacha

20 Property and equipment

See accounting policies in note 30 p

	Land and buildings	Leasehold improvements	Motor vehicles	Computer and office equipment	Furniture and fixtures	Capital work in progress	Total
Cost/ valued assets							
At 1 January 2014	54,435,421	19,969,162	2,679,085	19,492,237	21,815,506	11,740,586	130,131,997
Additions	2,092,786	1,080,115	-	4,062,689	2,684,601	4,003,890	13,924,081
Revaluation	3,226,714	-	-	-	-	-	3,226,714
Transfers	3,975,189	4,728,225	-	258,534	2,658,214	(11,620,162)	-
Disposals	-	-	(277,843)	-	-	-	(277,843)
Balance at 31 December 2 013	63,730,110	25,777,502	2,401,242	23,813,460	27,158,321	4,124,314	147,004,949
At 1 January 2015	**63,730,110**	**25,777,502**	**2,401,242**	**23,813,460**	**27,158,321**	**4,124,314**	**147,004,949**
Additions	**81,050**	**3,618,738**	**549,185**	**12,209,697**	**6,220,010**	**23,756,645**	**46,435,325**
Revaluation	**3,429,446**	**-**	**-**	**-**	**-**	**-**	**3,429,446**
Transfers	**-**	**-**	**-**	**72,299**	**(72,299)**	**-**	**-**
Disposals	**-**	**-**	**-**	**-**	**(56,664)**	**-**	**(56,664)**
At 31 December 2015	**67,240,606**	**29,396,240**	**2,950,427**	**36,095,456**	**33,249,368**	**27,880,959**	**196,813,056**
Depreciation							
Balance at 1 January 2014	1,120,575	4,615,966	2,264,092	16,581,407	14,479,953	-	39,061,993
Charge for the year	1,075,442	2,076,206	178,723	2,168,751	4,746,923	-	10,246,045
Transfers	-	-	-	(111,030)	(614,101)	725,131	-
Depreciation write back	(1,728,284)	-	-	-	-	-	(1,728,284)
Disposal	-	-	(276,219)	-	-	-	(276,219)
At 31 December 2014	467,733	6,692,172	2,166,596	18,639,128	18,612,775	725,131	47,303,535
Balance at 1 January 2015	**467,733**	**6,692,172**	**2,166,596**	**18,639,128**	**18,612,775**	**725,131**	**47,303,535**
Charge for the year	**1,270,930**	**2,139,869**	**158,591**	**3,226,567**	**2,066,317**	**-**	**8,862,328**
Adjustment to depreciation	**-**	**-**	**-**	**-**	**-**	**(725,131)**	**(725,131)**
Depreciation write back	**(1,160,711)**	**-**	**-**	**-**	**-**	**-**	**(1,160,711)**
Disposals	**-**	**-**	**-**	**-**	**(56,664)**	**-**	**(56,664)**
At 31 December 2015	**577,952**	**8,832,041**	**2,325,187**	**21,865,695**	**20,622,482**	**-**	**54,223,357**
Carrying amounts							
At 31 December 2014	3,400,277	19,085,330	234,646	5,174,332	8,545,546	3,399,183	99,701,414
At 31 December 2015	**66,662,654**	**20,564,199**	**625,240**	**14,229,761**	**12,626,886**	**27,880,059**	**142,589,699**

Included in property and equipment are fully depreciated assets with a cost of K 20.73 million (2014: K 24.79 million). During the year, the land and buildings were revalued by Fairworld Properties Limited, Registered Valuation Surveyors, on the basis of open market. The revaluation surplus arising was K 4.59 million (2014: K 4.95 million). In the opinion of the directors, the carrying value of land and buildings at 31 December 2015 approximates fair value.

In accordance with section 193 of the Companies Act a list of the Bank's properties is available for inspection at the registered office.

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

In Zambian Kwacha

20 Property and equipment *(continued)*

If the buildings were stated on a historical cost basis, the carrying value would be as follows:

	2015	2014
Cost	**33,531,069**	33,450,019
Accumulated depreciation	**(2,409,168)**	(1,738,547)
Net book value	**31,121,901**	31,711,472

Measurement of fair value

(i) Fair value hierarchy

The fair value of land and building was determined by external, independent property valuers Fairworld Properties Limited, Registered Valuation Surveyors having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The independent valuers provide the fair value of the Bank's land and building every 5 years as at the balance sheet date.

The fair value measurement for land and building of K92.35 million (2014: K63.85 million) has been categorised as a Level 2 fair value based on the inputs to the valuation technique used.

(i) Valuation technique

Market approach model – the land and building have been valued using direct comparison with similar properties that have been sold in the area.

(ii) Valuation inputs

The input is the actual selling price of similar properties that have been sold in the same location and include cost of specific features such as security, generators and CCTV. For properties located in areas where no actual sales transactions took place in recent times, the current cost of constructing similar properties is used a basis for determining the fair value

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Notes to the financial statements *(continued)*

for the year ended 31 December 2015

In Zambian Kwacha

21 Deposits from customers

See accounting policies in note 32l

	2015	2014
Demand deposits	**535,276,729**	623,150,043
Savings deposits	**370,312,793**	346,897,850
Term deposits	**302,370,533**	367,701,987
Foreign currency deposits	**784,943,031**	307,269,845
	1,992,903,086	1,645,019,725
Repayable on demand	**1,572,123,923**	1,276,730,533
Repayable with agreed maturity dates or periods of notice, by residual maturity:		
- Three months or less	**145,240,655**	147,781,300
- Between three months and one year	**262,774,613**	219,359,479
- Between one year and three years	**12,763,895**	1,148,413
	1,992,903,086	1,645,019,725

22 Deposits from banks

See accounting policies in note 32 l

	2015	2014
Citi Bank	**-**	19,180,000
	-	19,180,000

23 Other liabilities

See accounting policies in note 30m

	2015	2014
Bills payable	**6,261,993**	5,852,678
Interest payable	**15,684,999**	22,849,990
Withholding tax payable	**533,283**	2,565,760
Accrued expenses	**4,779,455**	2,614,829
Employee provisions	**82,295,313**	75,610,854
Other liabilities	**39,166,469**	17,910,204
	148,721,512	127,404,315

24 Share capital

	Number of ordinary shares 2015	**Ordinary share capital 2015**	Number of ordinary shares 2014	Ordinary share capital 2014
Authorised				
Ordinary shares of K 1 each	420,000,000	420,000,000	420,000,000	420,000,000
Issued and fully paid				
Ordinary shares of K 1 each	**416,000,000**	**416,000,000**	416,000,000	416,000,000

Changes in share capital	**2015**	2014
At 1 January	**416,000,000**	112,376,184
Contributions and distributions		
Issue of shares	-	243,000,000
Bonus share issue	-	60,623,816
Total contributions and distributions	-	303,623,816
At 31 December	**416,000,000**	416,000,000

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

In Zambian Kwacha

24 Share capital *(continued)*

The holders of ordinary shares are entitled to vote at meetings of the Bank and to dividends as declared from time to time. After the reporting date, a dividend of K32,203,295 (2014: K18,721,222) was proposed. The dividends have not been recognised as liabilities, therefore, there are no tax consequences.

25 Contingent liabilities

There were contingent liabilities as at 31 December 2015 amounting to K54.12 million (2014: K44.09 million). These are financial guarantees and letters of credit, which are not recognised in the statement of financial position.

26 Subsequent events

Apart from the dividend of K32,203,294 which was proposed after the reporting date, there were no events after the reporting date requiring disclosure in, or adjustment of, these financial statements.

27 Capital commitments

Capital commitments include amounts payable for renovation/expansion of branches amounting to K4 million.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

In Zambian Kwacha

28 Related party transactions

(a) Balances due to other banks

	2015	2014
Bank of Baroda	**21,104,931**	(16,998,842)
Bank of India	**193,767,688**	(36,093,268)
	214,872,619	(53,092,110)

b) Interest received

Bank of Baroda	**-**	14,230

c) Interest paid

Bank of Baroda	**128,269**	304,144
Bank of India	**1,162,366**	190,989
	1,290,635	495,133

d) Deposits

Government of the Republic of Zambia - (Central Government)	**51,803,624**	65,407,855
Government of the Republic of Zambia - (Donor funds)	**2,624,848**	7,350,247
	54,428,471	72,758,102

(e) Key management compensation

Salaries and short term benefits	**13,421,965**	12,337,839
Terminal benefits	**3,151,367**	3,857,352
	16,578,332	16,195,191

(f) Directors' remuneration

Directors' remuneration	**3,081,769**	2,149,264

(g) Directors' loans

Loans outstanding at beginning of the year	**15,538**	-
Loan advances during the year	**464,510**	67,078
Loan repayments during the year	**(56,273)**	(51,540)
Loans outstanding at end of the year	**423,775**	15,538
Interest earned	**36,577**	7,174

The average interest rate range for the year 2015 was 24.50% (2014: 18.25%).

All loans to directors and companies controlled by directors are given on commercial terms and at market rates, in the ordinary course of business. Directors' remuneration is disclosed in note 12.

(h) Directors' deposits

	2015	2014
Balance at beginning of the year	**1,259,586**	281,016
New deposits	**162,713**	978,570
Balance at end of the year	**1,422,299**	1,259,586

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

28 Related party transactions

(h) Deposit balances with entities owned by the Industrial Development Corporation

During September 2015, the Ministry of Finance of the Government of Republic of Zambia transferred its holdings in Indo Zambia Bank Limited to the Industrial Development Corporation (IDC). On transfer of the Bank's shares to IDC, the Ministry of Finance also transferred shares in 28 other entities to the IDC. Subsequent to that, IDC obtained interest in 4 additional entities which increase the number of entities that IDC has an interest into 33 entities.

The following companies that are fully owned and partly owned by the IDC held deposits accounts with the Bank:

- Engineering Services Corporation - ESCO Limited;
- Indeni Petroleum Refinery;
- Lusaka South Multi Facility Economic Zone Limited;
- ZESCO Limited;
- ZAMTEL Limited;
- ZAFFICO Limited;
- Zambia Railways Limited and;
- ZSIC Group Limited.

The total cumulative deposits held by entities owned by Industrial Development Corporation as at 31st December 2015 was K61.79 million. Normal terms and conditions apply on the deposit accounts held by these entities. The transactions with the Bank were at arm's length.

There were no loan accounts held by any of the entities in which IDC has interest.

The following entities that are owned by IDC did not have any deposit and loan accounts with the Bank as at 31 December 2015:

• Afrox Zambia PLC • Kariba Minerals Limited • Lusaka Trust Hospital • Medical Stores Limited • Mpulungu Harbour Limited • Mukuba Hotel Limited • Mulungushi Village Limited • Mupepetwe Development Company • Nanga Farms PLC • Nitrogen Chemicals of Zambia Limited • Zambia Daily Mail • Zambia International Trade Fair Limited • Zambia Printing Company Limited • Zambia Educational Publishing House	• Zambia China Mulungushi Joint Venture • Zamcapital Enterprises Limited • Times Printpak Zambia • ZANACO PLC • Mpulungu Harbour corporation Limited • ZCCM-IH PLC • MOFED London • MOFED Tanzania • Zambia Forestry and Forest Industries company • Zambia Publishing House Limited • Zambia School of Business • Zambia Airways Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

29 Financial risk management

a) Introduction and overview

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank Asset and Liability Committee (ALCO), Loan Review Committee, Audit Committee and Risk Management Committee, which are responsible for developing and monitoring Bank risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risk faced by the Bank. The Bank Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Bank Audit Committee.

Risk management is carried out by the treasury department under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. In addition, Internal Audit and the Risk Management units are responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and operational risks.

b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally through the Bank's lending activities that lead to loans and advances, and investment activities that bring about debt securities and other bills into the Bank's asset portfolio. There is also credit risk arising from unrecognised financial instruments, such as loan commitments and guarantees. The credit risk management and control is carried out by the Loan Review Committee and reported to the Board of Directors and head of each business unit regularly.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

29 Financial risk management *(continued)*

b) Credit risk *(continued)*

(i) Management of credit risk

The board of directors has delegated responsibility for the oversight of credit risk to its Group Credit Committee. A separate Credit department, reporting to the Group Credit Committee, is responsible for managing the credit risk, including the following.

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Credit, the Head of Credit, the Credit Committee or the board of directors as appropriate.

- Reviewing and assessing credit risk Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).

- Developing and maintaining the risk gradings to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Risk.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Credit, which may require appropriate corrective action to be taken

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

  Each business unit is required to implement credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business unit has a Chief Credit Risk officer who reports on all credit-related matters to local management and the Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval. Regular audits of business units and Credit processes are undertaken by Internal Audit.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

29 Financial risk management *(continued)*

c) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Liquidity is monitored on a daily basis by the Bank's Treasury Department in consultation with the Chief Manager Finance 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.

Any unforeseen mismatches that arise would result in the Bank borrowing on the interbank market either on a clean basis or with collateral for a short period.

d) Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates. The bank separates exposures to market risk into either trading or non-trading portfolios. The market risks arising from trading and non-trading activities are concentrated in the Treasury department and monitored by two separate teams. Regular reports are submitted to the Board of Directors and heads of each business unit.

The Forex Department in consultation with the Managing Director and, Chief Manager (Forex) review the foreign exchange buying and selling rates on a daily basis and a decision is made as to whether to hold long or short positions, within the limits stipulated by Bank of Zambia.

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

i) Currency risk

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

ii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Treasury department.

The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's financial assets and financial liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

29 Financial risk management *(continued)*

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations. All policies, procedures and limits are properly documented in the operational manual for each department within the Bank and updated every year to take account the changes to internal controls, procedures and limits.

Management of 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.

Management of 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. These are promptly and adequately dealt with as they arise. Customer complaints are thoroughly investigated and resolved.

30 Basis of measurement

These financial statements have been prepared on the historical cost basis, except for building, which are carried at their revalued amount.

31 Changes in accounting policies

Except for the changes below, the Bank has consistently applied the accounting policies as set out in note to all periods presented in these financial statements.

The Bank has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

- Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7).

The nature and the effects of the changes are explained below.

Offsetting of Financial Assets and Financial Liabilities (Amendments to IAS 32)

As a result of the amendments to IAS 32, the Group has changed its accounting policy for offsetting financial assets and financial liabilities. The amendments clarify when an entity currently has a legally enforceable right to see-off and when gross settlement is equivalent to net settlement.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

32 Significant accounting policies

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

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

a) Foreign currency

Transactions in foreign currencies are translated to Kwacha at spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

Non monetary items that are measured based on historical cost in the foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

32 Significant accounting policies *(continued)*

b) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate.
Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss and OCI include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

- Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

c) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed.

Other fees and commission expenses relate to transactions and service fees, which are expensed as the services are provided.

d) Net trading income

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, and foreign exchange differences.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

32 Significant accounting policies *(continued)*

e) Taxation

Income tax
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax
Current tax represent the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustments to the tax payable in respect of previous years. The tax rates are based on the applicable Zambian tax law.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and amounts used for taxation purposes.

Deferred tax is not recognised for:
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

32 Significant accounting policies *(continued)*

f) Employment benefits

i) Defined contribution plan

The Bank contributes to the National Pension Scheme Authority (NAPSA) which is a defined contribution scheme. Membership to NAPSA is compulsory and monthly contributions by both employer and employee are made.

Obligations for contributions to National Pension Scheme Authority (NAPSA) are recognised as an expense in profit or loss in the periods during which services are rendered by employees. The Bank's employees are on term contracts and a provision for gratuity has been made for all its employees

ii) Short term benefits

Short-term employee benefits, such as salaries, holiday pay, and other benefits, are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid as short-term bonus to the extent that the Bank has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

iii) Terminal benefits:

Normal Retirement

An employee may retire on attaining the pensionable age which shall be 55 years, or after working for 20 years of continuous service whichever is earlier. The retirement benefits shall be 3 months pay for each completed year of continuous service.

Retirement on medical grounds

An employee may be retired on medical grounds on receipt of satisfactory medical evidence from the relevant Ministry of Health authority or a Bank appointed medical practitioner. The benefits to be received on such retirement will be 3 month's pay for each completed year of service.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

32 Significant accounting policies *(continued)*

g) Financial assets and financial liabilities

i) Recognition and initial measurement

The Bank initially recognises loans and advances and deposits, on the date they are originated. All other financial assets (including regular way purchases and sales of financial assets) are recognised initially on the trade date which is the date, the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value including, for an item not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

ii) Classification

Financial assets

The Bank classifies its financial assets in one of the following categories:

- Loans and receivables; and
- Held-to-maturity investment securities.

Financial liabilities

The Bank classifies its financial liabilities, other than financial standby letters of credit and loan commitments, as measured at amortised cost.

iii) Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, repurchase transactions.

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

32 Significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

iii) Derecognition *(continued)*

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

iv) Offsetting financial instruments

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

v) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment (for financial assets only).

vi) Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

32 Significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

iv) Fair value measurement *(continued)*

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

vii) Identification and measurement of impairment

At each reporting date the Bank assesses whether there is objective evidence that financial assets not measured at fair value though profit or loss are impaired. A financial asset or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer,
- default or delinquency by a borrower,
- restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider,
- indications that a borrower or issuer will enter bankruptcy,
- the disappearance of an active market for a security, or
- other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Bank considers evidence of impairment for loans and advances at both a specific asset and collective level. All individual significant loans and advances are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

32 Significant accounting policies *(continued)*

g) Financial assets and financial liabilities *(continued)*

viii) Identification and measurement of impairment *(continued)*

In assessing collective impairment the Bank uses statistical modelling of historical trends for the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

The Bank writes off a loan either partially or in full, and any related allowance for impairment losses when the Bank Credit Committee determines that there is no realistic prospect of recovery.

h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the central bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in fair value, and are used by the Bank in the management of its short term commitments, cash and bank balances with group and non-group banks, and overdrafts with these banks.

Cash and cash equivalents are measured at amortised cost in the statement of financial position.

i) Loans and advances

Loans and advances are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market and the Bank does not intend to sell immediately or in the near future. Loans and advances include mortgage, term loans, personal loans and overdrafts.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at amortised cost using the effective interest method, less impairment losses.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

32 Significant accounting policies *(continued)*

j) Investment securities

Investment securities are initially measured at fair value and subsequently measured depending on their classification as held-to-maturity. Management determines the classification of its investments at initial recognition.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has the positive intent and ability to hold to maturity and which are not designated at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification;

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

k) Borrowings

Borrowings are subsequently measured at amortised cost, any difference net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

l) Deposits from customers

Deposits are the Bank's sources of debt financing. Deposits are subsequently measured at amortised cost using the effective interest method.

m) Non derivative financial liabilities

The Bank classifies non derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities include accruals and other payables.

Notes to the financial statements *(continued)*

for the year ended 31 December 2015

32 Significant accounting policies *(continued)*

n) Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities.

The Bank receives collateral in the form of cash or debt securities in respect of other financial instruments in order to reduce credit risk. Collateral received in the form of debt securities is not recognised on the statement of financial position. Collateral received in the form of cash is recognised on the statement of financial position with a corresponding liability. These items are assigned to deposits received from banks or other counterparties. Any interest payable or receivable arising is recognised as interest expense or interest income respectively.

o) Leases

A lease is classified as a finance lease if it transfers substantially all the risk and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risk and rewards incidental to ownership. For an operating lease, a lessee does not recognise a liability for rentals in respect of future periods, except for a property that is held for an operating lease that is accounted for as investment property. In a case where the Bank is the lessee, the leased assets are not recognised in the Bank's statement of financial position. The total payments made under operating leases are charged to profit or loss on a straight-line basis over the lease period.

p) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

32 Significant accounting policies *(continued)*

p) Property and equipment *(continued)*

Depreciation

Depreciation is calculated to write off items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land and building	50 years
Leasehold improvements	10 years
Motor vehicles	5 years
Furniture, fittings and office equipment	4 years
Office computer	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Revaluation of property

An external, independent valuation expert, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Bank's land and buildings every 5 years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A market yield is applied to the estimated rental value, adjustments are made to reflect actual rentals.

i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

32 Significant accounting policies *(continued)*

p) Property and equipment *(continued)*

Revaluation surplus

The surplus arising on the revaluation of properties is initially credited to a revaluation surplus, which is a non-distributable reserve. A transfer is made (net of tax) from this reserve to retained earnings each year, equivalent to the difference between the actual depreciation charge for the year and the depreciation charge based on historical values, in respect of the re-valued assets.

If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset, thereafter the remaining decrease is recognised in profit or loss.

Capital work in progress

Capital work-in-progress represents assets in the course of development, which as at the reporting date, has not brought into use.

q) Impairment of non-financial assets

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets.

The 'recoverable amount' of an asset is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

32 Significant accounting policies *(continued)*

r) Share capital and prepaid capital contributions

i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognised as a deduction from equity, net of tax effects.

ii) Prepaid capital contributions

Amounts received in respect of prepayments for shares not yet issued, and for which there is no possibility that the Bank may be required to refund the amount received and the Bank's obligation is to deliver only a fixed number of shares, are credited to a separate category of equity as funds awaiting allotment of shares.

iii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders.

s) Fiduciary activities

The Bank acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and other institutions. These assets are excluded from these financial statements, as they are not assets of the Bank.

t) Financial guarantees and loan commitments

Financial guarantee contracts are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities. Loan commitments are Bank commitments to provide credit under pre specified terms and conditions.

Financial guarantee liabilities are accounted for as unrecognised transactions and disclosed as contingent liabilities. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Any increase in the liability relating to guarantees is taken to the statement of comprehensive income under other operating expenses.

u) Acceptances and letters of credit

Acceptances and letters of credit are accounted for as unrecognised transactions and disclosed as contingent liabilities.

Notes to the financial statements *(continued)*
for the year ended 31 December 2015

33 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

1 January 2016	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. The impact of the adoption of the standard on the financial statements for the Group has not yet been quantified.
1 January 2018	IFRS 9 Financial Instruments	On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The impact of the adoption of the standard on the financial statements for the Group has not yet been quantified.
1 January 2017	IFRS 15 Revenue from contracts with customers	This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The impact of the adoption of the standard on the financial statements for the Group has not yet been quantified.

STATEMENT ON CORPORATE GOVERNANCE

Indo Zambia Bank is committed to ethical practices in the conduct of its business while striving to enhance the Shareholder's values as well as protecting the best interest of all its stakeholders in consonance with the guidelines laid down by the regulator, Bank of Zambia.

The Board of Directors of Indo Zambia Bank are also committed to maintaining the highest standards of integrity and professional conduct in its business operations.

BOARD OF DIRECTORS

The general superintendence, direction and management of the affairs and business of the Bank is vested in the Board of Directors. The Board of Directors of the Bank presently comprises of seven Directors out of which six are Non-Executive Directors including the Chairperson of the Board. The composition of Board ensures that the powers are well spread out and not concentrated in one individual/group. The depth of experience of each of the Director ensures quality and prompt decision-making as well as effective supervision over the affairs of the Bank.

The Chairperson is responsible for leading and managing the affairs of the Board to ensure that it operates effectively and discharges the fiduciary responsibility to shareholders and all other stakeholders. The other Non-Executive Directors supplement the efforts of the Chairperson, while assessing various operational and policy related recommendations of the Management/ other sub-Committees of Board. The performance of the Bank is reviewed by Board on a regular ongoing basis.

BOARD MEETINGS

The Board of Directors comprises of seven members including Chairperson. Mrs. Orlean Y. Moyo, a non-executive Director is the Chairperson of the Board of Indo-Zambia Bank. The composition of the Board of Directors is given in the Director's report on page 2. Mr. Shankardas Gupta is the Managing Director and Mr. Godwin C. Ngoma is the Board Secretary. The Board of Indo Zambia Bank meets on quarterly intervals.

During the financial year ended 31st December 2015, the Board met four times as per details given below:

Board Meeting held on	Number of Directors attending the Board Meeting	Number of Directors absent during the Board Meeting
20th Feb 2015	-7-	NIL
20th May 2015	-7-	NIL
19th Sept 2015	-7-	1
4th Dec 2015	-7-	1

The Board is vested with the powers of overall supervision of management and is also responsible for the formulation of policies of the Bank. The Board is assisted by a number of Sub-Committees in discharging its obligations in an effective manner. The Sub-Committees that are accountable to the Board are Audit, Loans Review, Risk Management Committees and Remunerations Committee. The Chairman of the Audit Committee, Loans Review Committee, Risk Management Committee and Remunerations Committee regularly report to the Board. In addition there are three (3) Management Committees namely; Assets Liability Management Committee (ALCO), Credit and Operational Risk Management Committees. The decisions taken at these Management Committee meetings are reported to the Board.

AUDIT COMMITTEE OF THE BOARD

The Audit Committee is constituted in accordance with section 67 of the Banking and Financial Services Act, 1994 (as amended). The Audit Committee comprises of six members including Chairman. Mr. Deepak Malik, a non-executive Director is the Chairman of the Audit Committee. The committee assists the Board in the discharge of its duties relating to audit and financial reporting to the stakeholders of the Bank, Risk Management and formulating the policy guidelines on the adequacy of internal controls, systems and procedures. The Committee also interacts with the Internal and External Auditors of the Bank.

The Audit Committee of the Board as on 31st December 2015 comprised of the following members:

1. **Mr D. Malik**
2. **Mrs V. R. Iyer** (up to 20th May, 2015)
3. **Mr R. Rishi**
4. **Mr B.B. Joshi**
5. **Mr S. Mukupa**
6. **Mr S. Gupta**

The Audit Committee of Indo Zambia Bank meets on quarterly intervals. During the financial year ended 31st December 2015, the Committee met four times as per details given below:

Audit Committee Meeting held on	Number of Members attending the Meeting	Number of Members absent during the Meeting
20th Feb 2015	-6-	NIL
20th May 2015	-6-	NIL
19th Sept 2015	-6-	1
14thDec 2015	-6-	1

LOANS REVIEW COMMITTEE OF THE BOARD

The Loans Review Committee is constituted pursuant to section 6 of the Statutory Instrument no. 142 of 1996 of the Banking and Financial Services Act, 1994 (as amended). The Loans Review Committee comprises of six members including the Chairman. Mrs V. R. Iyer, a non-executive Director was the Chairperson of Loans Review Committee up to 20th May, 2015 when she resigned from the Board of Directors following her superannuation after which Mr R Rishi a non executive Director was appointed Chairman of the Committee. The committee reviews the quality and collectability of loans at quarterly intervals and reports to the Board.

The Loans Review Committee of the Board as on 31st December 2015 comprised of the following members:

7. **Mrs V. R. Iyer** (up to 20th May, 2015)
8. **Mr D Malik**
9. **Mr R. Rishi**
10. **Mr B.B. Joshi**
11. **Mr S. Mukupa**
12. **Mr S. Gupta**

The Loans Review Committee of Indo Zambia Bank meets on quarterly intervals. During the financial year ended 31st December 2015, the Committee met four times as per details given below:

Loans Review Meeting held on	Number of Members attending the Meeting	Number of Members absent during the Meeting
20th Feb 2015	-6-	NIL
20th May 2015	-6-	NIL
19th Sept 2015	-6-	1
14th Dec 2015	-6-	1

RISK MANAGEMENT COMMITTEE OF THE BOARD

Risk Management committee was constituted in compliance of the Risk Management Guidelines issued by the Bank of Zambia in the year 2008. The Committee comprises of six members including the Chairman. Mr.B.B.Joshi, a non-executive Director is the Chairman of the Risk Management Committee. The committee formulates policies and strategies for integrated risk management, monitors bank's exposures – both credit as well as investment, reviews adequacy of risk management processes and internal control systems and ensures compliance of the regulatory framework. The committee reports its observations and actions taken to the board.

The Risk Management Committee of the Board as on 31st December 2015 comprised of the following members:

1. **Mr B.B. Joshi**
2. **Mrs V. R. Iyer** (up to 20th May, 2015)
3. **Mr D. Malik**
4. **Mr R. Rishi**
5. **Mr S. Mukupa**
6. **Mr S. Gupta**

The Risk Management Committee of the Bank meets on quarterly intervals. During the financial year ended 31st December 2015, the Committee met four times as per details given below:

Risk Management Committee Meeting held on	Number of Members attending the Meeting	Number of Members absent during the Meeting
20th Feb 2015	-6-	NIL
20th May 2015	-6-	NIL
19th Sept 2015	-6-	1
14th Dec 2015	-6-	1

REMUNERATIONS COMMITTEE

The Remunerations Committee was constituted in compliance with the Bank of Zambia Corporate Governance Directives of 2014. The Committee comprises of six members including the Chairman Mr Samuel Mukupa, a non

– executive Director is the Chairman of the Remunerations Committee. The Committee provides oversight of remuneration and compensation of Directors, Senior Management and other key personnel. The Committee provides it's recommendations to the Board of Directors.

The Remunerations Committee of the Board as on 31st December, 2015 comprised of the following members:-

1. **Mr S Mukupa**
2. **Mr D Malik**
3. **Mr R Rishi**
4. **Mr B B Joshi**
5. **Mr S Gupta**

The Remunerations Committee of the Bank meets on annual basis. During the financial year ended 31st December, 2015 the Committees met as per details given below:-

Remunerations Committee Meeting held on	Number of Members attending the Meeting	Number of Members absent during the Meeting
19th Sept, 2015	-6-	1

MANAGEMENT COMMITTEES

There are three Management Committees namely Asset Liability Management Committee, Credit and Operational Risk Management Committees.

Asset Liability Management Committee (ALCO)

The Committee reviews the liquidity position of the Bank based on the maturity profile of Bank's assets and liabilities so as to ensure adequate liquidity and to plan the maturity of assets and liabilities in such a manner that mismatch levels are within the manageable limits, evaluate, monitor and control various risks arising from day-to-day operations, viz Interest Rate Risk, Liquidity Risk, Market Risk etc., reviews the interest rate scenario, transfer price mechanism, service charges for various products etc. and takes necessary decisions to maximise the earnings as well as to attain a healthy Capital Adequacy Ratio. The deliberations of ALCO are subsequently reported to the Board. Mr. Shankardas Gupta, the Managing Director is the Chairman of this committee.

The Asset Liability Management committee as on 31st December 2015 comprised of following members:

1. **Mr. Shankardas Gupta,** Managing Director
2. **Mr. Godwin C. Ngoma,** General Manager
3. **Mr. Ramesh Gopalaratman,** Chief Manager (Finance)
4. **Mr. Rajesh Mehra,** Chief Manager (Risk Management & Inspection)
5. **Mr. C. C. Banda,** Chief Manager (Branch Operations & Admin.)
6. **Mr. M, Pathak** Chief Manager (Credit)
7. **Mr. C. Wakung'uma,** Chief Manager (Human Resources)
8. **Mr. B. Singh,** Chief Manager (IT)
9. **Mr. R. Singh,** Chief Manager (Forex)
10. **Mr. S. Ghosh,** Chief Manager (Lusaka Main)

Credit Risk Management Committee (CRMC)

The Committee reviews and recommends Credit Risk Management Policies, Procedures and Strategies for approval by the Board. The Committee also reviews the Bank's credit functioning as well as monitoring the overall credit portfolio for identification, assessment, monitoring and management of credit risks, monitors large NPA accounts, besides reviewing the existing credit products and consider/ approve new credit products from time to time. Mr. Shankardas Gupta, the Managing Director is the Chairman of this committee.

The Credit Risk Management committee as on 31st December 2015 comprised of following members:

1. **Mr. Shankardas Gupta,** Managing Director
2. **Mr. Godwin. C. Ngoma,** General Manager
3. **Mr. Rajesh Mehra,** Chief Manager (Risk Management & Inspection)
4. **Mr. M. Pathak,** Chief Manager (Credit)
5. **Mr. Ramesh Gopalaratnam,** Chief Manager (Finance)
6. **Mr. C. C. Banda,** Chief Manager (Branch Operations & Admin.)
7. **Mr. R. Singh,** Chief Manager (Forex)
8. **Mr. S. Ghosh,** Chief Manager (Lusaka Main)

Operational Risk Management Committee (ORMC)

The committee reviews the systems and procedures of the bank to identify operational weaknesses and suggests measures to rectify the same. The committee also reviews the functioning of application software of the bank and suggests measures to ensure smooth and flawless performance of the application software. The committee also deliberates on housekeeping issues and devises mechanisms to ensure that all operational issues related to housekeeping are in order. The committee also reviews various reports on cash shortages, ATM cash shortages, revenue leakages, frauds outstanding, etc. Mr. Shankardas Gupta, the Managing Director is the Chairman of this committee.

As on 31st December 2015, the Operational Risk Management committee comprised of the following members:

1. **Mr. Shankardas Gupta,** Managing Director
2. **Mr. Godwin C Ngoma,** General Manager
3. **Mr. Rajesh Mehra,** Chief Manager, (Risk Mgmt. & Inspection)
4. **Mr. Ramesh Gopalaratnam,** Chief Manager, (Finance)
5. **Mr. C C Banda,** Chief Manager, (Branch Operation & Admn.)
6. **Mr. Christopher Wakung'uma,** Chief Manager, (Human Resources)
7. **Mr. B. Singh, Chief Manager,** (IT)
8. **Mr. S. Ghosh,** Chief Manager, (Lusaka Main)

Audit Committee for Closure of Audit Reports

Management has constituted a committee of senior management officials which meets at regular intervals to discuss audit reports alongwith replies/rectification done by the branches/H O departments. Based on the observations of the inspectors in the audit reports and replies from the branches/H O departments, the committee decides to either close the Audit Report or advises to get the irregularities rectified and then discusses the report for closure.

The following senior management officials are the members of the committee:

1. Managing Director
2. General Manager
3. Chief Manager – Risk Management & Inspection
4. Chief Manager – Credit
5. Chief Manager – Branch Operations

BANK'S COMMITMENT ON CORPORATE GOVERNANCE

Indo Zambia Bank is fully committed to upholding the principles of Corporate Governance, as this is central to our Core Values. It is the objective of the Board and Management to scrupulously adhere to the fundamentals of Corporate Governance with a view to protect the interest of all stakeholders and to adopt the best possible practices on Corporate Governance.

The Bank strives to ensure the adoption of integrity with a professional approach towards business policy and towards practising the methods of doing the business, leading towards development of business of clients as well as meeting their entrepreneurship requirements by benchmarking the level of customer service, built on foundation of Service, Trust and Partnership, thereby fulfilling the Bank's Brand promise of "SUPPORTING YOU, DEVELOPING ZAMBIA" in letter and spirit.

SHAREHOLDERS

Industrial Development Corporation

Industrial Development Corporation (Zambia) Limited
Lusaka South Multi-Facility Economic Zone (LSMFEZ)
Plot F10723 Chifwema Road, New Kasama
P.O. Box 37232, Lusaka, Zambia
Tel: +260 211 843568 or +260 211 843567 or +260 211 234684
Email: info@idc.co.zm

Bank of Baroda
(A Government of India Undertaking)

Bank of Baroda
Baroda Corporate Centre
C-26, G-Block, Bandra Kurla Complex
Bandra (East), Mumbai 400051, India
Phone: +91-22 66985010-11
Fax: +91-22 2652 3500
E-mail: gm.international.bcc@bankofbaroda.com

बैंक ऑफ़ इंडिया
Bank of India
(A Government of India Undertaking)

Bank of India
Star House, C-5, G-Block,
Bandra Kurla Complex
Bandra (East), Mumbai 400051, India
Phone: +91-22 6668 4444
Fax: +91-22 6668 4422
E-mail: cmdboi@bom5.vsnl.net.in

Central Bank of India
(A Government of India Undertaking)

Central Bank of India
Central Office, Chandermukhi, Nariman point
Mumbai 400 021, India
Phone: +91-22 6638 7777
Fax: +91-22 2204 4336
E-mail: info@centralbankofindia.co.in

CONTACTS

Name of Branch	Address	Tel No.	Fax. No	Email Address
LUSAKA PROVINCE				
1. **Lusaka Main**	Plot No. 6907, Cairo Road P. O. Box 35411, Lusaka	0211 222622/222614 0211 225078/237125	0211 222618	cmlusm@izb.co.zm
Foreign Department		0211 238924/225039 0211 228245/220348	0211 222613	cmfgn@izb.co.zm
2. Northend	Plot 830, Malasha Junction P. O. Box 35411, Lusaka	0211 222616 0211 232219/235076	0211 223972	bmnend@izb.co.zm
3. Kamwala	Plot 228 (A) Chilumbulu Road P. O. Box 35411, Lusaka	0211 235717/238863 0211 234058	0211 238571	cmkamwala@izb.co.zm
4. Industrial	Plot 284, Mumbwa Road P. O. Box 35411, Lusaka	0211 286218/286223 0211 846070	0211 286219	cmindl@izb.co.zm
5. Chandwe Musonda	Prinx Park Chandwe Musonda Road P. O. Box 35411, Lusaka	0211 223552 0211 223553	0211 221589	bmchandwe@izb.co.zm
6. Manda Hill	Plot No. 1860B, Manda Hill Shopping Mall P. O. Box 35411, Lusaka	0211 250867 0211 250882/250885	0211 250869	bmmandahill@izb.co.zm
7. Crossroads	Crossroads Shopping Mall Leopards Hill Road P. O. Box 35411, Lusaka	0211 268490 0211 268492	0211 268491	bmcrossroads@izb.co.zm
8. Chawama	Plot 27/100 Spar Chawama Shopping Mall P. O. Box 35411, Lusaka	0211 840537/840538 0211 840539	0211 840541	bmchawama@izb.co.zm
9. Chilanga	S/D 1880, Kafue Road P. O. Box 35115, Chilanga	0211 278464 0211 278448	0211 278443	bmchilanga@izb.co.zm
10. Chilenje	Plot No. 22/25 New Chilenje, Lusaka	0211 267667	0211 267668	abmchilenje@izb.co.zm
11. Kafue	Plot No. 1076, Lusaka Road	0211 311617	0211311600	bmkafue@izb.co.zm
CENTRAL PROVINCE				
12. Kabwe	Great North Road P. O. Box 8025, Kabwe	0215 222104/222105 0215 221133	0215 224823	bmkabwe@izb.co.zm
13. Mulungushi University Agency	Mulungushi University, Kabwe	0215 222104/222105 0215 221133	0215 224823	bmkabwe@izb.co.zm
14. Serenje	Stand 19, Convent Road Serenje	0215 382033 0215 382036	0215 382035	bmserenje@izb.co.zm
COPPERBELT PROVINCE				
15. Ndola	Plot No. 30 Independence Avenue P. O. Box 73283, Ndola	0212 621347 0212 611126/611124 0212 610779	0212 615421	cmndola@izb.co.zm
16. Ndola Jacaranda	Plot No. 3539, Corner Mushili /Kabwe Road, Jacaranda Mall Industrial Area, P.O. Box 73283 Ndola	0212 650711 0212 650712	0212 650713	bmjacaranda@izb.co.zm

Name of Branch	Address	Tel No.	Fax. No	Email Address
COPPERBELT PROVINCE				
17. Kitwe	Kaunda Square P. O. Box 20500, Kitwe	0212 226624/226088 0212 230904	0212 226369	cmkitwe@izb.co.zm
18. Copperhill	Copperhill Shopping Mall Plot No. 634, Chingola Road Kitwe	0212 216501 0212 216502	0212 216503	bmcopperhill@izb.co.zm
19. Chingola	Plot No. 1860, Kwacha Street P. O. Box 11225, Chingola	0212 314410/314411 0212 314430	0212 314412	cmchingola@izb.co.zm
20. Kasumbalesa	Kasumbalesa Border Post P.O. Box 210194 Chililabombwe	0212 643005 0212 643004	0212 643006	bmkasumbalesa@izb.co.zm
NORTH-WESTERN PROVINCE				
21. Solwezi	Plot No. 408/409, Town Centre P.O. Box 110476, Solwezi	0218 821767 0218 821757	0212 821834	bmsolwezi@izb.co.zm
NORTHERN PROVINCE				
22. Kasama	Stand No. 9, Independence Av. P.O. Box 410217, Kasama	0214 221105	0214 221108	bmkasama@izb.co.zm
14. Mungwi	Plot 1031, Mungwi	0214 245018	0214 245024	bmmungwi@izb.co.zm
MUCHINGA PROVINCE				
24. Chinsali	Plot No. 2008, Victor Ng'andu Road P.O. Box 480273, Chinsali	0214 565054 0214 565010	0214 565057	bmchinsali@izb.co.zm
LUAPULA PROVINCE				
25. Mansa	Stand No. 170 Corner Mulenshi/Chembe Rds P. O. Box 710291, Mansa	0212 821524 0212 821525	0212 821510	bmmansa@izb.co.zm
EASTERN PROVINCE				
26. Nyimba	Plot NYI 1700, Great East Road P. O. Box 570034, Nyimba	0216 374022/374023 0216 374024	0216 374025	bmnyimba@izb.co.zm
27. Chipata	Plot S/D 2310A, Hospital Road P. O. Box 511054, Chipata	0216 221579/221574 0216 221744/221746	0216 221576	bmchipata@izb.co.zm
28. Lundazi	Plot No. Lund/2553, Chama Road Lundazi	0216 480212 0216 480213	0216 480214	bmlundazi@izb.co.zm
SOUTHERN PROVINCE				
29. Choma	Stand 79A, Livingstone Road P. O. Box 630577, Choma	0213 220115 0213 220114	0213 220116	bmchoma@izb.co.zm
30. Livingstone	Plot No. 122/A, Mosi O Tunya Rd P. O. Box 60399, Livingstone	0213 322625/322626 0213 322695	0213 322627	bmlstone@izb.co.zm
31. Zimba	Stand No. 03, Plot No. 26 Lusaka Road, Zimba	0213344430	0213344429	abmzimba@izb.co.zm
WESTERN PROVINCE				
32. Mongu	Plot No. 3255 Independence Avenue P. O. Box 910089 Mongu	0217 221409 0217 221422	0217 221434	bmmongu@izb.co.zm

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