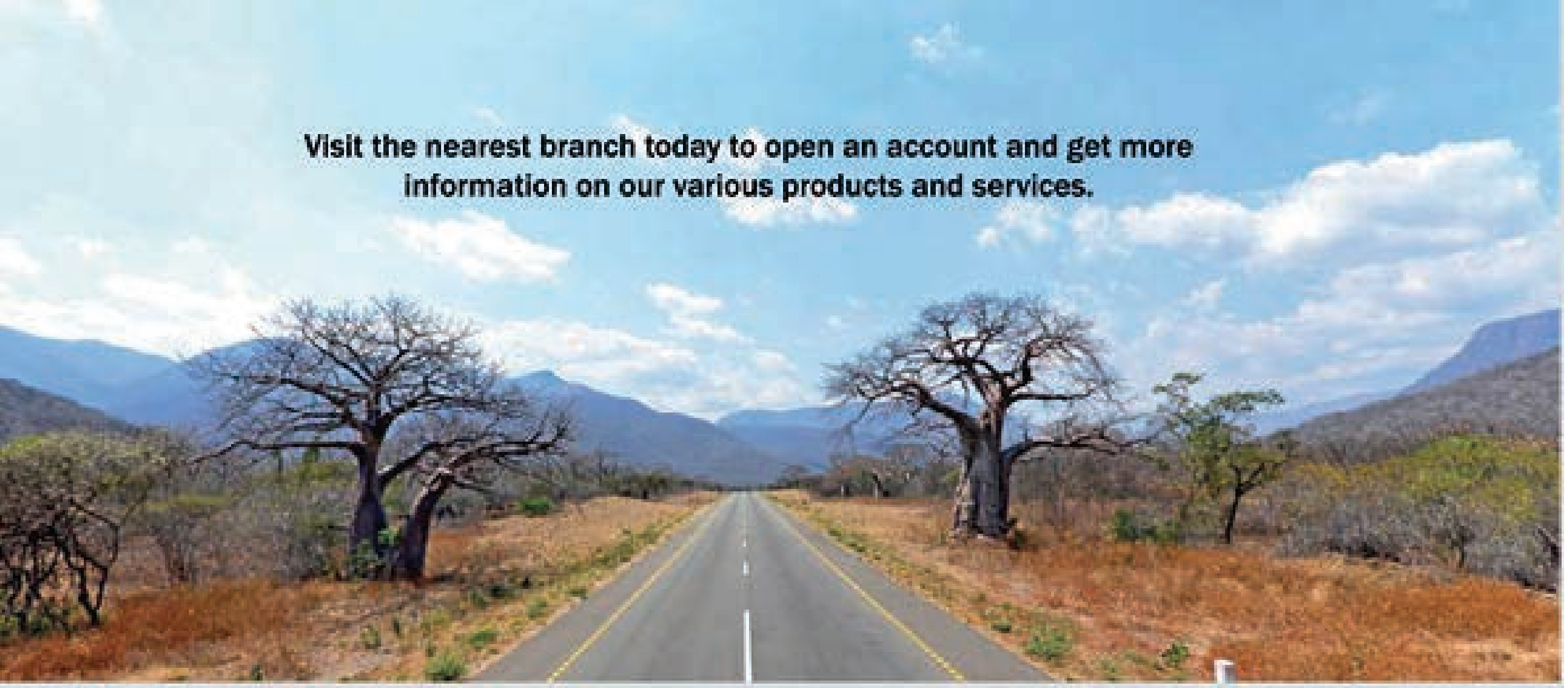
INDO ZAMBIA BANK

Supporting You. Developing Zambia.

ANNUAL REPORT
2017



BRANCH NETWORK

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CRA
CREDIT RATING AGENCY LIMITED

CREDIT RATING CERTIFICATE

Issued for : **Indo- Zambia Bank Limited**

Long-Tearm Bank Rating(LTR): **AA**

Short-Tearm Bank Rating(STR) : **1**

Validity: 30th September 2017 to 30th September 2018

Signed on behalf of the Board of CRA:

MWIZA MBEWE
CHIEF EXECUTIVE OFFICER

Regulated by: SEC SECURITIES AND EXCHANGE COMMISSION

Member of: EACRA EUROPEAN ASSOCIATION OF CREDIT RATING AGENCIES

www.creditratingagency.net

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ANNUAL REPORT 2017

About us

Vision

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

Mission

To act as a catalyst for the economic development of Zambia.

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 a customer centric bank focused on satisfying and delighting every customer. We want to remain approachable by our customers 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 corporate 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 organisational culture which promotes the highest standard of professionalism and corporate governance.

Our emblem

Our brief timeline

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: K0.106mn
Advances: K0.49mn
Net Profit: K0.007m

1987
Deposits: K0.189mn
Advances:K0.69mn
Net profit: K0.004mn

Opening of the 2nd branch at Ndola.

1988
Deposits: K0.292mn
Advances: K0.108mn
Net profit: K0.003mn

1989
Change of FY ending from Dec. to March

Opening of the third branch at Kitwe.

1990
Deposits: K0.539mn
Advances: K0.316mn
Net profit: K0.023mn

1991
Deposits: K1.051mn
Advances: K0.496mn
Net profit: K0.036mn

1992
Deposits: K2.305mn
Advances: K0.755mn
Net profit: K0.105mn

1993
Deposits: K3.696mn
Advances: K0.991mn
Net profit: K0.409mn

Opening of 4th branch at Kabwe
Opening of 5th branch at Chilanga

1994
Deposits: K5.21mn
Advances: K1.23mn
Net profit: K1.55mn

1995
Deposits: K10.12mn
Advances: K1.87mn
Net profit: K1.32mn

Opening of 6th Branch at Kamwala, Lusaka

1996
Deposits: K14.79mn
Advances: K5.02mn
Net profit: K1.74mn

Opening of 7th branch at Northend, Lusaka

1997
Deposits: K20.84mn
Advances: K6.05mn
Net profit: K2.71mn

1998
Deposits: K33.08mn
Advances: K7.98mn
Net profit: K1.45mn

1999
Deposits: K51.22mn
Advances:K15.19mn
Net profit: K1.70mn

2000
Deposits: K69.60mn
Advances:K12.84mn
Net profit: K4.06mn

2001
Deposits: K84.30mn
Advances: K16.18mn
Net Profit: K10.04mn

2002
Deposits: K150mn
Advances: K18mn
Net profit: K14mn

2003
Deposits: K273mn
Advances: K25mn
Net profit: K21mn

2004
Deposits: K292mn
Advances: K31mn
Net profit: K21mn

Opening of 8th branch at Chingola
Opening of 9th branch at Livingstone

2005
Deposits: K299mn
Advances: K45mn
Net profit: K10mn

2006
Deposits: K309mn
Advances: K72mn
Net profit: K21mn

2007
Deposits: K452mn
Advances: K130mn
Net profit: K22mn

2008
Deposits: K554mn
Advances: K186mn
Net profit: K23mn

Opening of 10th branch Industrial Area, Lusaka

Opening of 11th branch (agency) Mulungushi University Agency

2009
Deposits: K680mn
Advances: K289mn
Net profit: K24mn

Opening of branches:
12th Branch-Chipata
13th Branch-Chawama

2010
Deposits: K766mn
Advances: K337mn
Net profit: K22mn

Opening of 14th branch at Mandahill, Lusaka

2011
Deposits : K833mn
Advances: K416mn
Net Profit: K24mn

Opening of branches:
15th Branch-Nyimba
16th Branch-Chandwe Musonda

2012
Change of FY ending from March to December

Deposits : K1,228mn
Advances: K766mn
Net Profit: K24mn

Opening of branches:
17th Branch - Chililabombwe
18th Branch-Choma

2013
Deposits: K1,512mn
Advances: K864mn
Net profit: K37mn

Opening of branches:
19thBranch-Solwezi
20th Branch-Kasama
21st Branch-Chinsali

2014
Deposits: K1,645mn
Advances: K779mn
Net profit: K46mn

Launch of Visa Card

Opening of branches:
22nd Branch-Jacaranda
23rd Branch-Crossroads
24th Branch-Mansa
25th Branch-Copperhill

2015
Deposits : K1,993mn
Advances: K986mn
Net Profit : K80mn

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
Deposits : K2,068mn
Advances: K1,013mn
Net Profit : K84mn
Upgradation of IT Software
Launch of full – fledged Internet Banking
Enhancement of Mobile Banking facility
Operationalisation of Zambia Revenue Authority (ZRA) Tax Online facility

Opening of branches:
30th Branch-Serenje
31st Branch-Lundazi
32nd Branch-Mungwi

2017
Deposits : K2,603mn
Advances: K1,256mn
Net Profit: K109mn
Launch of Point of Sale Terminals Network
An ATM Network of 54 countrywide.
Operationalisation of Napsa Pension Payments Online facility. At present the Bank has 28 branches and 2 agencies.

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

Chairperson's statement

Mrs Orlean Y. Moyo, Board Chairperson

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 2017 before our valuable shareholders, stakeholders and partners.

I am pleased to have this opportunity to report on our accomplishments and on the bank's underlying business strengths along with measured strategies employed which successfully navigated the Bank through the dynamic operating environment which characterised 2017 to deliver on our unwavering commitments to Shareholders, Customers, Team members and Communities in which we operate. The outcome of the solid financial performance for our Shareholders in 2017 is a clear demonstration of the strength and buoyancy of Indo Zambia Bank's distinct brand.

In 2017, the Board of Directors decided to subject the bank to its first Credit Rating exercise by Moody's Certified Credit Rating Agency Limited which awarded the bank AA Credit Rating. According to the detailed rating report submitted by Credit Rating Agency Zambia "Bank's assigned with a long term Credit Rating of AA are classified as a very strong bank. These banks possess exceptional financial strength and have considerable strengths in other areas such as highly valuable and defensible business franchise in the country and an outstanding Management Team". This rating outcome attests to the bank's achievements and strengths which I will discuss in greater detail throughout this report.

The Bank's outstanding performance in 2017 was anchored an strict adherence to our core values and a growth strategy which leverages the bank's strong balance sheet to grow Revenues, Meet Customer's expectations, Manage risk and substantially invest in the bank's Capabilities and Human Capital.

For the financial year ended 31st December, 2017, the bank's aggregate deposits have grown from K2,067.87 million as at 31st December 2016 to k2,603.01 million recording growth of 25.88%

The Banks aggregate Gross credit Portfolio increased to K1,292.62 million as at 31st December, 2017 as against K1,040.00 million as at 31st December, 2016 representing a raise of 24.29%

The Chairman of Credit Rating Agency Limited, Mr. Wilson Kalumba handing over the Credit Rating Certificate to the Board Chairperson, Mrs. Orlean Y. Moyo and the Managing Director, Mr. Maheshkumar M. Bansal.

The performance of the bank in 2017 is therefore a reflection of the successful strategic focus rendered by the Board of Directors and indeed the hard work, passion and resolve of the entire staff in executing our winning strategy which has ensured that the bank continues with its distinguished track record of delivering against set objectives year after year.

I am delighted to report that for the financial year ended 31st December, 2017, the Bank's core building blocks of long term value creation continued to grow in a broad based manner as the aggregate Deposits have grown from K2,067.87 Million as at 31st December 2016 to K2,603.01 Million recording growth of 25.88%. The Bank's aggregate Gross Credit Portfolio increased to K1,292.62 Million as at 31st December, 2017 as against K1,040.00 million as at 31st December, 2016 representing a rise of 24.29%. This Credit growth is essentially capital which the bank has deployed in the Zambian economy to drive economic development and job creation. The total Business Mix of the Bank as at 31st December, 2017 was K3,895.63 Million as against K3,107.87 Million in December, 2016 imparting considerable financial strength to the bank to play a significant role in the country's economic development. The investment portfolio of the bank grew by 72.76% to stand at K1, 344.70 Million against K778.37 Million in December, 2016.

The quality of the credit portfolio continued to be strong as the Net NPA outstanding as on 31st December 2017 stood at K2.22 million from a level of K5.48 million as at 31st December 2016. However, Net NPA including provision for suspended interest stood at NIL from a level of K3.43 million as at 31st Descember 2016. The gross NPA as at 31st December 2017 stood at K33.25 million compared to K28.00 million as at 31st December 2016. Consequently, the Gross NPA to Gross Advances and Net NPA (including provision for suspended interest) to Net Advances have been at 2.57% and NIL respectively as at 31st December 2017 compared to 2.69% and 0.34% as at 31st December

The Profit before provisions and taxes of the bank has grown to K182.12 million as on 31st December, 2017

The Net Profit earned by the bank has increased from K 83.61 million to K108.92 million

His Excellency The President of the Republic of Zambia , Mr Edgar Chagwa Lungu at State House with the Board of Directors following a courtesy call on him. Also Present during the courtesy call was the Minister of Presidential Affairs Hon. Freedom Sikazwe, MP, on the far right.

2016. Provision coverage ratio (including provision for suspended interest) is at 100.00% in December 2017 compared to 97.88% in December 2016.

The total Income of the bank increased to K589.68 million as at 31st December, 2017 from K478.64 million for the same period last year recording a growth rate of 23.20% while the total interest income touched K470.65 million compared to K375.65 million during the 12 months last year. The total Non-Interest income reached the level of K119.03 million compared to K102.98 Million in 2016.

I am therefore pleased to report to the Shareholders and all Stakeholders that the bank delivered against its target to increase profitability as the bank recorded an Profit before provisions and taxes of K182.12 million as at 31st December, 2017 against K128.98 Million in 2016. This growth of 41.20% in operating profit is a clear measure of the outcome of the bank's operational excellence along with its strength and sustainability. The Net Profit earned by the bank has increased from K83.61 million to K108.92 million over the previous year representing growth of 30.27% in the bottom line.

The bank has paid an amount of K61.51 million as corporate taxes. Subsequently, in view of the bank's continued outstanding performance achieved growth of 30.27% in Net Profit, strong capital adequacy ratio and consistent with the bank's dividend policy, the Shareholders resolved at the 33rd Annual General Meeting to declare and pay dividend to the Shareholders at the rate of 13.35% on Share Capital. What is most pertinent to note is that we have continued to reward our shareholders while ensuring that the bank remains strong, prudently managed and sustainably profitable.

From a Capital and sustainability stand point, we ended 2017 with total equity of K776.18 million and with a formidable Capital Adequacy Ratio of 49.50% as at 31st December, 2017 both parameters remain well above the regulatory requirement. These strong fundamentals and our National wide network foot print of 32 Branches and Retail Outlets enabled the Bank to continue playing its dutiful role in fostering Zambia's economic growth and supporting the Government's developmental initiatives and programmes.

In 2017, we continued to put impetus behind our work to sustain and invest in our operational efficiency. This business strategy is succeeding evidenced by our enhanced productivity and service quality along with notably effectively managed risk with 100% provisioning of our entire Credit portfolio and sustained bottom line growth.

Further as part of our focus on innovation and deployment of digital technology to enhance overall customer experience the bank has during the year under review continued to harness the benefits of technology by investing in digitisation which has seen the enhancement of the bank's Digital and Mobile capabilities with the successful launches of the Point of Sale Terminals, NAPSA Online facility enabling employers to remit NAPSA Pension Contribution Online, enhancement of bank's Mobile Banking and Internet features and the implementation of Verified by VISA additional authentication measures to facilitate the convenience of e-commerce for our customers. The bank has also continued to expand its ATM presence with the provision of ATM facilities at all major shopping and trading centres across the country.

Bank of Zambia Governor, Dr Denny Kalyalya conferring with the Board Chairperson during a Governor's Interactive session with Chairpersons of Commercial Banks hosted by Indo Zambia Bank.

It should be appreciated that the bank has continued to attain significant milestones because its workings have remained firmly grounded in our culture which embraces the concept of shared values. This has been the major contributor to our long term successful performance and stability. Our culture is founded on the value of forging relationships which capture 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 our fundamental beliefs and culture of pursuing a Customer Centric business model which puts our customers at the center of everything we do, prudent risk management which keep our workings within our defined risk framework and focus on growing a strong balance sheet while ensuring that the bank's customers and all stakeholders are served consistent with our brand promise of "Supporting You, Developing Zambia". I am therefore convinced that this foundation is what will support and sustain the long term success of Indo Zambia Bank.

It is also gratifying to report that the bank has kept up the thrust of supporting the Bank of Zambia call for the promotion of financial inclusion and this important effort will continue in 2018. The bank also remains fully committed to supporting the Government's employment creation efforts by 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 especially women in Society.

I am very proud of the countless ways our 300 workforce delivered on our strategic objectives in 2017 and therefore recognise that an important component of the bank remaining sustainable rests in our Human Capital thus the Bank has continued to build and invest in a strong foundation for future growth by continuously working on enhancing human resource capabilities. Taking into account the critical fact that our people are a rich source of competitive advantage as they have accomplished extraordinary performance during often challenging circumstances thus the need to develop and nurture their skills, talents and competences. To achieve this the bank has continued to impart training in general banking operations and specialised functions to the 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.

> The Bank has continued to build and invest in a strong foundation for future growth by continuously working on enhancing human resource capabilities.

On the vital aspect of Corporate Governance, the bank adheres to high standards of corporate governance and acts under the highest ethical standards and ensures strict compliance to the best practice as well as to comply with all the stipulated regulator's guidelines. The Board of Directors has a strong independent perspective in superintending over the affairs of the bank and is also constantly taking steps to strengthen it's oversight and governance capabilities to ensure that Indo Zambia Bank solidifies its bond of trust with all stakeholders and gets even stronger in the years ahead.

The Board Chairperson Mrs Orlean Moyo at the Taj Mahal in Agra, India with a delegation of the local Shareholder. M/S Industrial Development Corporation (IDC) and officials from the Bank of Baroda Agra Region. The visit to Agra was following a shareholders meeting held in India.

The bank has a long standing commitment 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. In 2017 for example, our branches across the country undertook various social responsibility initiatives aimed at supporting the communities in their localities. We remain firmly committed to helping address challenges facing our society through a sustained commitment to our financial inclusion and Corporate Social Investment programmes.

I also wish to take this opportunity to acknowledge the support and the guidance rendered to the Bank throughout the year by all the Shareholders, the three (3) Indian shareholding banks, Bank of Baroda, Bank of India and Central Bank of India, the Industrial Development Corporation Zambia (IDC) 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 2018.

Looking forward, I am encouraged by the fact that the experience and knowledge of our Board of Directors was instrumental in guiding the bank through the dynamic conditions we faced in 2017. Therefore, even if the road ahead will not always be easy we are now in a very firm position to scale new performance heights. I strongly believe that Indo Zambia Bank will continue to excel driven by our effective strategic focus anchored on solid fundamentals and proven operational excellence.

In 2018 we will continue on the path of responsible growth by pursuing customer centric strategies which will enable the bank to respond to Customer's needs under each of our business segments. The bank will also continue to enhance it's risk management and remain agile and adaptive, but what will never change are the principles upon which Indo Zambia Bank was founded and has thrived for 34 years. Our Customers and indeed all our Stakeholders can therefore trust that we are here for them for the long term, that we value and care about the individual relationship we have with them.

Finally, on behalf of the Board of Directors and the Management team, I thank you all for choosing Indo Zambia Bank as your bank of choice. I remain very confident in the direction the bank is going and believe that the bank is well positioned to drive growth and Shareholder returns for many years to come. I am therefore positive about 2018 and look forward to your continued most valuable support.

Mrs Orlean Y Moyo
Board Chairperson

Board of directors

Mrs. Orlean Y. Moyo, Board Chairperson

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 36 years of rich experience in the Banking and Financial Industry. Mrs Moyo is a Fellow of the Zambia Institute of Banking and Financial Services. 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. Mrs Moyo Chaired the National Economic and Business Conference Forum in 2017, organised by the Ministry of Trade & Industry, the Zambia Association Chambers of Commerce & Industry and Black Dot.

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 31 years with extensive exposure in Corporate Finance and Credit, Risk Management, Business Process Re-engineering, Technology Management, Information System Security and MIS.

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 legislator 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 and he is serving as the Board Chairperson of the Road Development Agency in Zambia.

Board of directors

Mr. Mayank K. Mehta, Director

Mr Mayank K Mehta is Executive Director of Bank of Baroda. Prior to assuming his position, Mr Mehta served as General Manager at Union Bank of India. Mr Mehta is a graduate with B. Sc. Degree and a Certified Associate of Indian Institute of Bankers (CAIIB). Having joined the bank in 1977, he brings with him more than three decades of experience in Commercial banking with extensive exposure in International Banking and Technological Management and Development.

Mr. Maheskumar M. Bansal, Managing Director

Mr. Bansal took over as the Managing Director of Indo Zambia Bank in June 2016. He holds a Bachelor Degree of Science and Laws respectively.

He is also a Certified Associate of Indian Institute of Bankers (CAIIB). Mr. Bansal is a seasoned Banker who has held several distinguished positions in the Bank of Baroda in India with a career spanning 33 years which includes international experience managing branches of Bank of Baroda in Uganda.

Mr. Godwin C. Ngoma, Board Secretary & General Manager

Mr. Godwin C. Ngoma took over as the General Manager of Indo Zambia Bank in April, 2011. He holds a Masters in Business Administration (MBA) and Bachelor of Business Administration (BBA) Degrees and a Diploma in HRM. He had held several positions in the Bank's hierarchy in a career spanning over 26 years in the areas of General Banking, Administration and Services, Marketing and Public Relations.

Executive management

Sitting left to right : Mr. Maheshkumar Bansal, Managing Director and Mr. Godwin C. Ngoma, General Manager.

Standing from left to right: Mr Ravender Singh Chief Manager- Foreign Business, Mr. Deepak Wahal, Chief Manager- Risk Management & Inspections, Mr. Bomareddy Harikrishna Chief Manager- Finance, Mr. Jyoti Sinha, Chief Manager- Information Technology , Mr Chenjelani C Banda, Chief Manager- Corporate Services & Admin., Mr. Jagdish Prasad, Chief Manager – Operations , Mr. Christopher Wakung'uma, Chief Manager- Human Resources, Mr. Ravi Shanker, Chief Manager – Credit.

Others

Santosh Anand
Chief Manager
(Lusaka Main)

Pascalina Mwenso
Chief Manager
(North End)

Munider Pathak
Chief Manager
(Ndola Main)

Debjit B Mitra
Chief Manager
(Kitwe)

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 as stipulated in the, Bank of Zambia Banking and Financial Services Corporate Governance Directives of 2016.

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 Board of Directors has the overall responsibility for the bank, including approving and overseeing the implementation of the bank's strategic objectives, risk strategy, governance framework and corporate values and culture. The Board is also responsible for providing oversight to senior Management.

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 independent 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 Board of Directors undertakes an evaluation of its performance in accordance with the Bank of Zambia Banking and Financial Services Corporate Governance Directives.

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 independent
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 14 and 15.
Mr. Maheshkumar Bansal 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 31 st December 2017, 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
25th February 2017	-6-	*
27th May 2017	-5-	*
22nd August 2017	-5-	*
5th December 2017	-5-	*

*Pending appointment of 2 replacement Directors by Shareholders.

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) and as per section 9 of the Bank of Zambia, Corporate Governance Directives of 2016. The Audit Committee comprises of three members including Chairman. Mr. Mayank Mehta, 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 2017 comprised of the following members:

1. Mr M.K Mehta, Chairman
2. Mr R. Rishi
3. Mr S. Mukupa

The Audit Committee of Indo Zambia Bank meets on quarterly intervals. During the financial year ended 31st December 2017 the Committee met four times as per details given above:

Audit Committee meeting held on	Number of members attending the meeting	Number of members absent during the meeting
25th February 2017	-3-	Nil
27th May 2017	-3-	Nil
22nd August 2017	-3-	Nil
5th December 2017	-3-	Nil

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) and as per section 9 of the Bank of Zambia, Corporate Governance Directives of 2016. The Loans Review Committee comprises of four members including the Chairman. Mr R. Rishi, a non-executive Director is the Chairman of the Loans Review Committee. The committee reviews the quality and collect-ability of loans at quarterly intervals and reports to the Board.

The Loans Review Committee of the Board as on 31 st December 2017 comprised of the following members:

1. Mr R. Rishi, Chairman
2. Mr M.K Mehta
3. Mr M.M. Bansal

The Loans Review Committee of Indo Zambia Bank meets on quarterly intervals. During the financial year ended 31st December 2017, 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
25th February 2017	-3-	Nil
27th May 2017	-3-	Nil
22nd August 2017	-3-	Nil
5th December 2017	-3-	Nil

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 and as per section 9 of the Bank of Zambia Corporate Governance Directives of 2016. The Committee comprises of four members including the Chairman. Mr. Samuel Mukupa, 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 31 st December 2017 comprised of the following members:

1. Mr S. Mukupa, Chairman
2. Mr R. Rishi
3. Mr M.M. Bansal

The Risk Management Committee of the Bank meets on quarterly intervals. During the financial year ended 31 st December 2017, the Committee met four times as per details given above:

Risk management committee meeting held on	Number of members attending the meeting	Number of members absent during the meeting
25th February 2017	-3-	Nil
27th May 2017	-3-	Nil
22nd August 2017	-3-	Nil
5th December 2017	-3-	Nil

Remunerations committee

The Remunerations Committee was constituted in compliance with section 9 Bank of Zambia Corporate Governance Directives of 2016. The Committee comprises of three 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 31 st December, 2017 comprised of the following members:-

1. Mr S Mukupa, Chairman
2. Mr M K Mehta
3. Mr M.M. Bansal

During the financial year ended 31 st December, 2017 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
27th May 2017	-3-	Nil

Management committees

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

• Asset liability management committee (ALMO)

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 maximize the earnings as well as to attain a healthy Capital Adequacy Ratio. The deliberations of ALCO are subsequently reported to the Board. Mr. Maheshkumar Bansal, the Managing Director is the Chairman of this committee.

The Asset Liability Management committee as on 31 st December 2017 comprised of following members:

1. Mr. Maheshkumar Bansal, Managing Director
2. Mr. Godwin C. Ngoma, General Manager
3. Mr. Harikrishna Bommareddy, Chief Manager (Finance)
4. Mr. Deepak Wahal, Chief Manager (Risk Management & Inspection)
5. Mr. C. C. Banda, Chief Manager (Corporate Services & Administration)
6. Mr. Ravi Shanker Chief Manager (Credit)
7. Mr. C. Wakung'uma, Chief Manager (Human Resources)
8. Mr. J. Sinha, Chief Manager (IT)
9. Mr. R. Singh, Chief Manager (Forex)
10. Mr. S. Anand, Chief Manager (Lusaka Main)
11. Mr. J. Prasad, Chief Manager (Operations)

• 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. Maheshkumar Bansal, the Managing Director is the Chairman of this committee. The Credit Risk Management committee as on 31 st December 2017 comprised of following members:

1. Mr. Maheshkumar Bansal, Managing Director
2. Mr. Godwin. C. Ngoma, General Manager
3. Mr. Deepak Wahal, Chief Manager (Risk Management & Inspection)
4. Mr. Ravi Shankar, Chief Manager (Credit)
5. Mr. Harikrishna Bommareddy, Chief Manager (Finance)
6. Mr. C. C. Banda, Chief Manager (Corporate Services & Admin.)
7. Mr. R. Singh, Chief Manager (Forex)
8. Mr. S. Anand, Chief Manager (Lusaka Main)
9. Mr J. Prasad, Chief Manager (Operations)

• Operations 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. Maheshkumar Bansal, the Managing Director is the Chairman of this committee.

As on 31 st December 2017, the Operational Risk Management committee comprised of the following members:

1. Mr. Maheshkumar Bansal, Managing Director
2. Mr. Godwin C Ngoma, General Manager
3. Mr. Deepak Wahal, Chief Manager, (Risk Mgmt. & Inspection)
4. Mr. Harikrishna Bommareddy, Chief Manager, (Finance)
5. Mr. C C Banda, Chief Manager, (Corporate Services & Admin.)
6. Mr. Christopher Wakung'uma, Chief Manager, (Human Resources)
7. Mr. Jyotinath Sinha, Chief Manager, (IT)
8. Mr. S. Anand, Chief Manager, (Lusaka Main)
9. Mr. J. Prasad, Chief Manager (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 to ensure safety and soundness of the bank while enhancing Shareholder value, protecting the best interest of depositors and other stakeholders. 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.

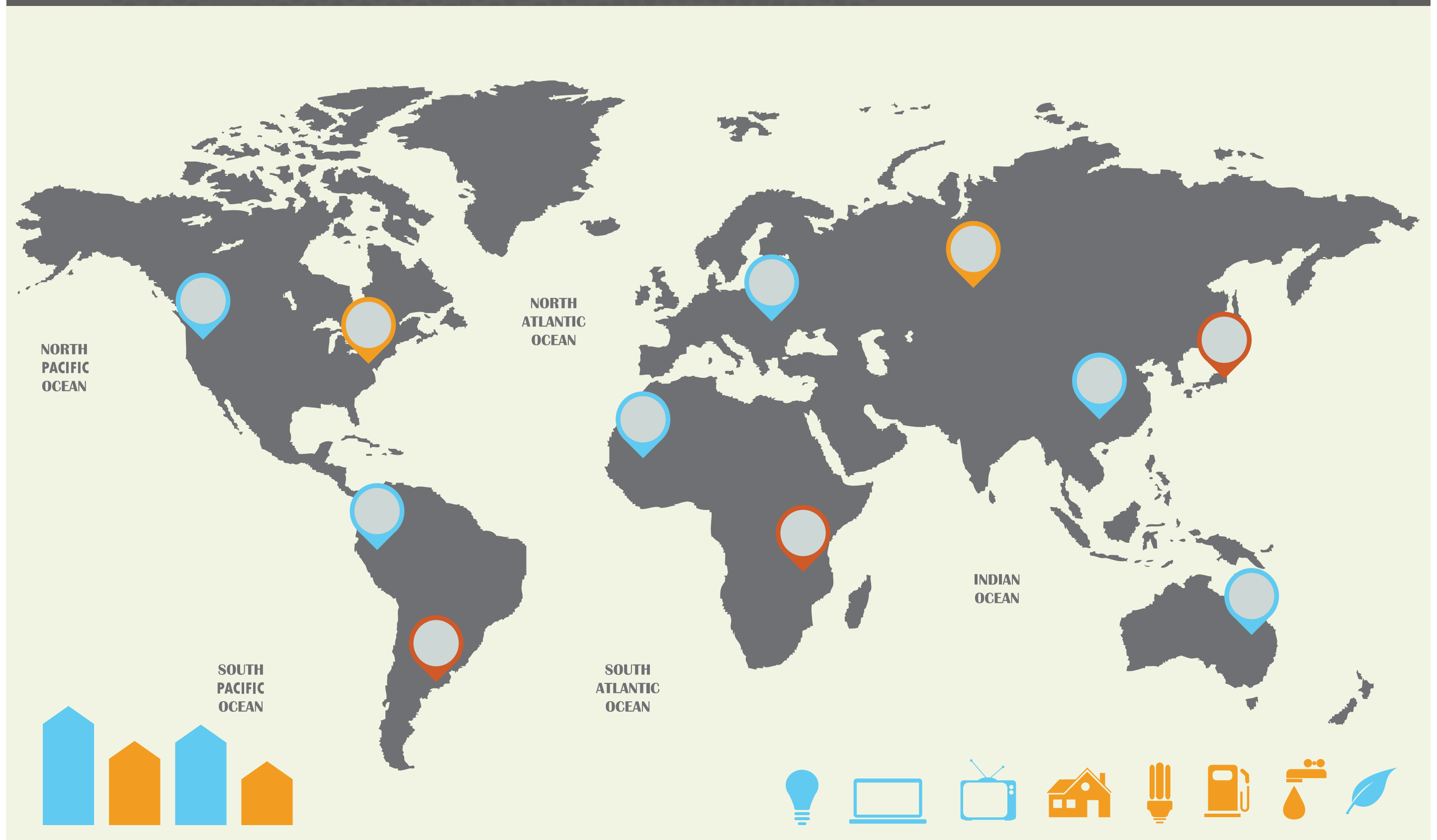
The Bank strives to ensure the adoption of integrity with a professional approach towards business policy and towards practicing the methods of doing the business, leading towards development of business of clients as well as meeting their entrepreneurship requirements by benchmarking the level of customer 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.

Fostering economic development

SUPPORTING YOU. DEVELOPING ZAMBIA.

Global economic developments

In 2017, Global economic activity continued to firm up. Global output is estimated to have grown by 3.7 percent in 2017, which is 0.1 percentage point faster than projected in the fall and ½ percentage point higher than in 2016. The pickup in growth has been broad base, with notable upside surprises in Europe and Asia.



The global economy is expected to continue strengthening and to remain robust in the medium term as commodity prices increase and global trade expands. In 2018 and 2019, global growth projection has been revised upward to 3.9% from 3.6% and 3.7%, respectively from a preliminary out turn of 3.7% in 2017. The upward revision is mainly attributed to the better growth prospects in advanced economies, favorable global financial conditions, and strong sentiments that are expected to help maintain the recent growth in global demand and the expected impact of the recently approved U.S. Tax Policy changes.

In 2018 and 2019, global growth projection has been revised upward to 3.9%

Development in the Zambian economy

Real sector developments

In the domestic economy, real GDP growth was projected at 4.2 percent in 2017, up by 0.6% compared to 3.6 percent in 2016. The increase was largely aided by improved production in agriculture, mining, manufacturing and trade. Further, improved electricity supply also supported increased production in all sectors of the economy.

Preliminary data for 2017 indicate that the Government's fiscal deficit (on cash basis) at 6.1% of GDP was below the 2017 Budget target of 7.0% of GDP.

Inflation developments

The goal of the monetary policy in 2017 was anchored on maintaining single digit inflation. As at end of December 2017, the inflation rate had reduced to 6.1% from 7.5% in December, 2016.

This downward movement in annual inflation rate was mainly attributed to the pass through from the appreciation of the Kwacha against the US Dollar and the price movements in both food and nonfood items.

The January 2018 annual inflation rate has however increased by 0.1% to 6.2% from 6.1% recorded in December 2017.

Exchange rate developments

Year-on-year, the Kwacha depreciated by 0.97% against US dollar, closing 2017 at K9.99 per US dollar compared with K9.89 at the close of 2016. The kwacha also closed the year weaker against the British Pound, the Euro and the South African Rand by 10.76%, 14.91% and 11.98% to K13.51 per pound, K11.99 per Euro and K0.81 per Rand, respectively.

The depreciation of the Kwacha by 6.8% against US dollar during the fourth quarter of 2017 was mainly on account of sustained demand for Petroleum products and adverse Market sentiments in part due to delays in concluding an IMF programme. However for the year as a whole, the exchange rate remained relatively stable supported by improved foreign exchange earnings due to higher commodity prices.

In January 2018, the Zambian Kwacha appreciated against the US dollar by 1.7% to close at a monthly average of K9.8572 per US dollar. However, the local currency depreciated against the Pound Sterling by 1.3% at a monthly average of K13.6151.

Balance of payments developments

Preliminary data indicate that the current account deficit narrowed to US$237.5 million in the third quarter from US$274.4 million in the previous quarter as export earnings rose more than imports. Total exports grew by 11.6% to US$2,108.5 million while imports increased by 9.5% to US$2,044.4 million. Higher realized copper prices have continued to support exports.

Sources: Bank of Zambia, International Monetary Fund, World economic outlook report

Performance of the Bank

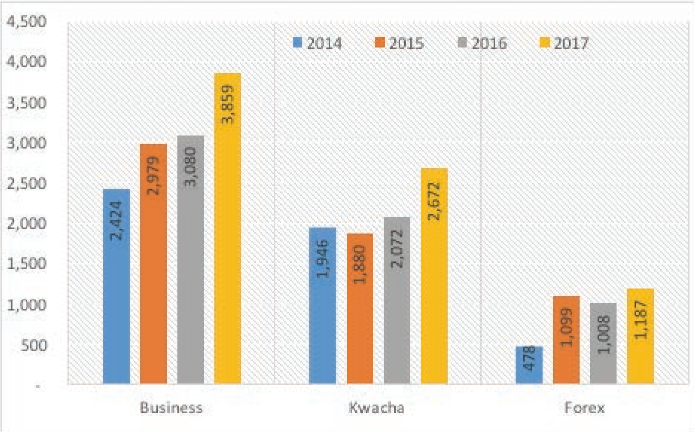
The Board of Directors (seated) with Branch Heads of the 2017 Top Performing Branches Award receiptants. The Award receiptants standing from Left to right are Mr. Oscar Ndalama-Chawama Branch, Mr. Fred Mshanga-Kabwe Branch, Mr. Pretoria Chikwamba-Kafue Branch, Mr. Mwamba Mbolela-Kasama Branch, Mr. Samu Ocean-Chilenje Branch, Mrs. Annette Haangala-Mandahill Branch, Ms. Tabo Simona-Crossroads Branch.

	Position as on 31-12-2015 (K Millions)	Position as on 31 - 12 - 2016 (K Millions)	Position as on 31 - 12 - 2017 (K Millions)
Business Mix	2,980	3,081	3,859
Deposits	1,993	2,068	2,603
Advances (Net)	987	1,013	1,256
Net Profit	81	84	109
Capital Adequacy Ratio	50.76	58.56	49.50

Business mix

The Bank's total business grew by 25.25% to reach K3,859 million as at 31st December, 2017 from K3,081 million as at 31st December, 2016 despite several constraints in the financial sector.

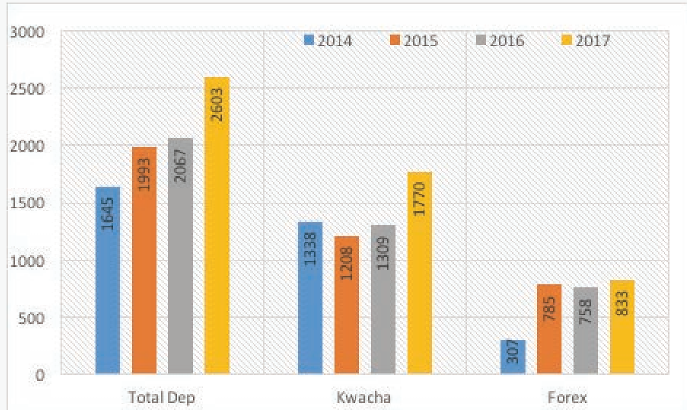
Total business



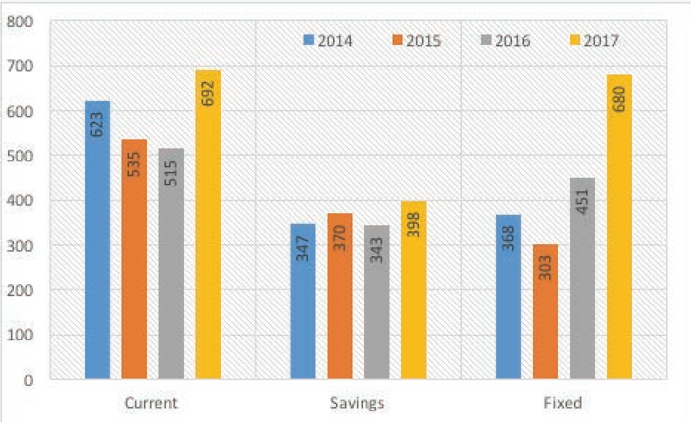
Deposits

Bank's total deposits increased from K2,068 million as at 31st December, 2016 to K2,603 million as at 31st December, 2017 recording a growth of 25.88%. The Kwacha deposits as at 31st December, 2017 stood at K1,770 million and Forex deposits at K 833 million (approx $82.84 million).

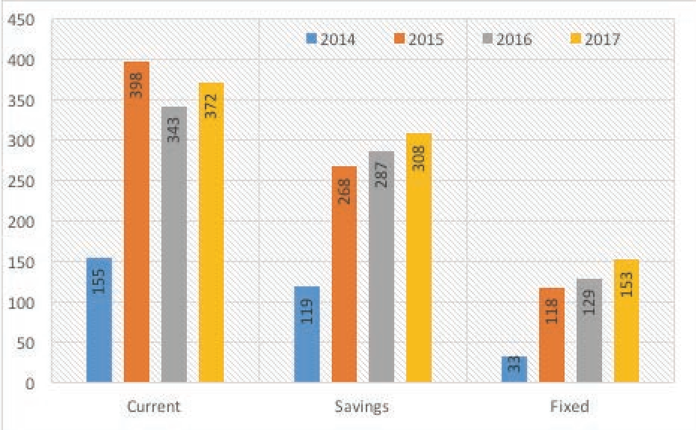
Total deposits



Kwacha deposits



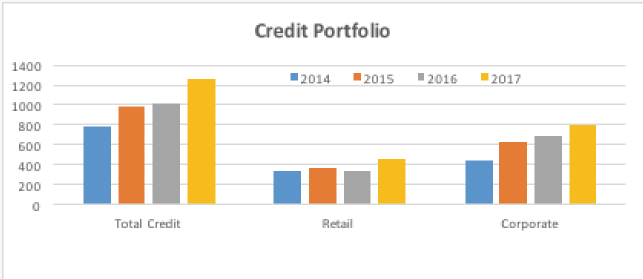
Forex deposits



Advances

The Gross Advances of the Bank stood at K1,293 million as at 31st December, 2017 as against K1,040 million as at 31st December, 2016. 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, 2017 was K36.91 million as against K27.41 million as at 31st December, 2016.

Credit portfolio

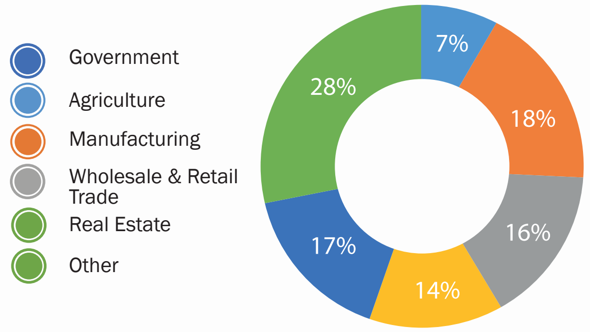


Non performing advances

The total non-performing advances as at 31st December, 2017 was K33.25 million as against K28.00 million as at 31st December, 2016. The bank has been consistently classifying its non-performing assets pro-actively to ensure compliance with IFRS in full. As against the gross non performing advances, the bank has made an overall provision of K36.91 million which consist of K31.03 million towards specific impairment as at 31st December 2017 and K5.88 million towards collective impairment. The Gross and net NPA (including provision for suspended interest) as at 31st December, 2017 was 2.55% (2016-2.69%) and 0.00% (2016-0.34%) respectively. The provision coverage ratio as at 31st December, 2017 was 100% (2016-97.88%).

Sectoral distribution in % terms

The Advances portfolio is diversified to Wholesale and Retail to the extent of 16%, Real estate to 14%, Manufacturing to 18%, Agriculture to 7%, and Others (including Personal Loans) to 45%.



The General Manager, Mr. Godwin C. Ngoma with bank and Tata Zambia officials handing over a Tata Bus to Mr. and Mrs. Bwalya of Chile Academy School who availed a facility under the Indo Zambia Bank/Tata Auto Finance Scheme.

Investments

The banks investments are in Government Treasury Bills and Government Bonds. The Investment portfolio reached K1,345 million as at 31st December, 2017 from K778 million as at 31st December, 2016.

Profitability

The Bank achieved the profit before provisions and taxes of K182 million for the year ended 31st December, 2017 as against K129 million for the year ended 31st December, 2016, a growth of 41.19%. The net profit grew by 30.27% from K83.61 million for year ended 31st December, 2016 to K108.92 million for the year ended 31st December, 2017.

Impact assessment of implementation of International Financial Reporting Standard – 9 (IFRS 9)

The Bank has appointed Price Waterhouse Coppers (PWC) for impact assessment, gap analysis and implementation under IFRS - 9 Financial Instruments. The assessment made by PWC on behalf of the Bank to date of this report is a preliminary as not all transition work requirements have been finalised and therefore may be subject to adjustment. The new standard will require the entity to revise its accounting processes and internal controls, and these changes are not yet complete.

The bank is yet to assess the impact on capital adequacy. The Bank will account for the IFRS 9 requirement impact on retained earnings by spreading it across the three years, for regulatory capital purposes as per Bank of Zambia guidelines.

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 overall Risk level of the Bank was low during 2017.

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 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.

Basel II framework implementation

Following the decision of the Bank of Zambia to implement BASEL II framework in the banking industry in Zambia, the Bank is required to make submissions for the Pillar 3 and Internal Capital Adequacy Assessment Process (ICAAP) documents to the Bank of Zambia which it has complied on the following dates:

ICAAP Documents - 31st December 2016 for figures as at 30th June 2016
Pillar 3 documents - 31st March 2017 for figures as at 31st December 2016

As regards to Internal Capital Adequacy Assessment Process (ICAAP) document submission, the Bank submitted its ICAAP document as on 30.06.2016 to the Bank of Zambia on 30.12.2016 for the review. This document was placed before the Board of Directors for discussion, challenging and approval as part of Board's effort to enhance the Bank's risk management capabilities.

Bank's digital business platform

The Bank's technology initiatives are clearly focused on the customer. The Business Transformation Programme, encompassing technology, is being implemented by the Bank with a view to providing the customer, convenience banking on 24 X 7 basis through deployment of Core Banking Solution with integrated delivery channels like ATM/Visa Debit Cards, POS, Internet, Mobile, SMS, e-Statements etc. The Bank's ultimate objective is to reorient itself as a highly technology enabled Bank and Bank of first choice for its customers in order to emerge as a leader in the market place on every single parameter including technology.

The Bank has built and commissioned its own State-of-the-Art Data Centre (DC) for running its centralised banking solution and other applications for all branches. The Data Centre is functioning as a central data hub of the Bank. The Bank is also having full-fleshed Disaster Recovery site with real time data replication.

Upgrade of core banking solution & it infrastructure

- The Bank has upgraded Core Banking System, being a modern and robust system tailored to meet your needs and to accord you superior & efficient banking services with enhanced customer experience.
- Data Centre & Disaster Recovery Centre have been commissioned towards hosting of Bank's Core Banking & critical IT infrastructure including security, meeting High Availability & uptime as per 99.9% standards.

Internet banking

- The Bank has a fully-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 including international fund transfer. Corporate customers have the facility of direct salary uploads, etc.
- To protect our customers from phishing attempts Bank has a 2nd factor authentication (2FA) for online transactions along with beneficiary registration for third party fund transfer activities.
- Our esteemed customers are enabled to initiate International Transfer using our Internet Banking.

Mobile banking

- The Bank has a featured rich Mobile Banking solution which can perform banking tasks such as fund transfer-domestic/international, DSTv / GoTv, ZESCO, airtime payment, online fixed deposits, etc from the palm of hand, from anywhere and at anytime!
- Bank's Mobile Banking provides access to banking services at 24x7 through Apps (Android,IOS,Blackberry,Windows,J2ME) or USSD i.e. with no internet required (*232#)

Point of sale

- The Bank has gone live with Point of Sale Terminal networks on 26th September 2017. A point-of-sale (POS) terminal is a computerised replacement for a cash register. The POS system can include the ability to record and track customer orders, process credit and debit cards, connect to other systems in a network, and manage inventory.

The Managing Director, Mr. Maheshkumar M. Bansal handing over a Point of Sale Terminal to Ms. Tembo of Tilo Agro Dealers at the official launch held in Nyimba.

Verified by VISA authentication

- Visa Consumer Authentication Service (VCAS / VBV) - Bank has an additional VISA authentication measure for e-commerce transactions.

NAPSA online pension payments facility

- The Bank has gone LIVE for NAPSA payments towards online Pension Contribution by employers (Bank's customers) as on 10th August'2017.

ZRA tax - online

- Zambia Revenue Authority (ZRA) Tax online facility has been operationalised for online tax/duties assessment and payments.
- With Indo Zambia Bank e-Payment System (epay.izb.co.zm) our customers are able to: View ZRA Tax Obligations, Pay for Taxes Online, View Tax historical payments, Print Tax Obligations & Payment Receipts.

Teller POS

- With the use of the Bank's Teller POS, customers can get their PIN's for debit card instantly. There is no waiting time for ATM PIN. This functionality is available in case of both, New PIN and Old PIN.

Visa debit cards

- Bank's Debit Card holders can use their card at all VISA ATMs around the world. Bank's Debit Cards are also accepted at Points of Sale (POS) terminals world-wide.
- Enhanced security on Visa Debit chip and Customers had facilitated with enhanced benefits of VISA network.
- Verified by Visa for better security feature over e-commerce transaction, is being put in place.

ATM network

- Our total ATMs network was 54 as on 31st December 2017.
- The Bank's has been extending it's ATM network on an ongoing basis for customer convenience.
- The Bank is also a member of National Financial Switch (NFS). This shall ultimately enable our customers to use ATMs of other banks who are members of NFS.

SMS banking , SMS alerts, e - statements:

- Our SMS Alerts include various customer awareness along with instant alerts on transactions.
- With frequency based sending of e-statements to registered customer's mail-ids, customers get the statements on-demand through our mobile banking/e-banking channels as well.
- Our SMS Banking has featured such as: Balance Enquiry, Mini Statement, Cheque Status, online Debit Card Blocking facility.

Real time gross settlement system (RTGS) & electronic fund transfer (EFT)/DDACC:

- Bank has straight through processing for RTGS transfers and hence effectively reducing the turn-around time with efficient operational controls
- All our 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 RTGS/EFT transfers online using Internet banking and mobile banking.

SWIFT

- SWIFT facility for worldwide inter-bank financial communication is also being provided through Straight through Process (STP) implementation.
- Bank has put in place robust Information Security Management System to ensure confidentiality, integrity, and availability of its IT resources.
- Bank has an upgraded IT Security infrastructure with our CBS upgrade to address the evolving threat landscape and Bank's endeavour to provide safe technology enabled services to its customers.

Further, the Bank is striving towards continuous improvement in customer experience by offering digital enabled products and services for the convince of our Customers in a secure manner.

Human resources

The total staff strength as at December 2017 was:

Gender	Male	Female	Grand Total
Management Staff	82	36	118
Unionized staff	88	95	183
Sub-Total	170	131	301

Staff professional development

In accordance with the Bank's Policy on supporting and enhancing professional development, below is a summary of fifteen (15) qualifications that twenty (20) members of staff have attained in 2017 with the support of the Bank as per provisions contained in the prevailing Conditions of Service:

Qualifications	Number of staff who attained this qualification in 2017
Masters Degree : Business Administration / Human Resources	2
Bachelors Degree: Banking & Finance / Commerce / Devt Studies / Admin / Library Studies / It	7
Cima	1
Professional Diploma-Banking And Finance	3
Diploma : Banking & Finance / Sme Relationship Management / Actuarial Sciences	5
Certificate : Aci Dealing / Banking And Finance	2
Total	**20**

Inter-company relay

The First Lady meets our staff

The First Lady, Mrs Esther Lungu interacting with members of staff during the Inter- Company relay at the Lusaka Show grounds.

#	Promotion process	Number promoted
1	Promotion from MS8 to MS7	1
2	Promotion from MS9 to MS8	4
3	Promotion from MS10 to MS9	3
4	Promotion from MS11 to MS10	8
5	Promotion from Supervisor to MS11	1
6	Promotion from Clerk to MS11	14
	TOTAL	**31**

Audit / Inspection

Bank's Inspection & Audit Department 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 categorisation of the branches is reviewed by Audit Committee of the Board on quarterly basis. The audit calendar for 2017 was completed as per schedule within given time frame.

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 customer relationship management

Marketing and Customer Relationship Management 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.

In 2017, the bank deployed a product and marketing development strategy yielding significant outcomes. Further, the IT enabled products like ATMs, Visa cards, Point of Sales Terminals, Mobile banking, SMS alerts, e-statements were also been promoted. Other E-Banking services and Digital Channels such as internet banking and ZRA Tax online and NAPSA Online payments facilities the bank launched in 2017. On the Credit products, we have intensified promotions of newly developed and launched products such as the IZB Ultimate Housing Loan, IZB Auto Finance and IZB Business Finance products. The ATM network of the bank has grown to 54 and they have been attractively cladded with Bank's brand colours and they are located at all branches and other off-site centres like Shopping Malls/University campus/hospitals etc. The bank also ran several multi-media corporate campaigns using the channels of print media, radio, stalls at malls and participation at various business events, etc.

Indo Zambia Bank ATM at Waterfalls Shopping Mall, Lusaka

Fostering financial inclusion

Bank of Zambia Governor, Dr Denny Kalyalya interacting with staff at the Indo Zambia Bank counter at an exhibition held during financial literacy week.

Promoting financial literacy

Promoting Financial Literacy The Bank has been actively involved in activities aimed at promoting financial literacy recognising that is fosters financial inclusion in Zambia.

The bank is fully committed to supporting the Government's and the Bank of Zambia strategies of having a financially educated Zambian population with knowledge and skills to help them secure positive financial outcomes. Consistent with our Brand Promise of "SUPPORTING YOU, DEVELOPING ZAMBIA" the Bank has been playing its due role in this regard by upholding the value of approachability in its workings and by creating a product array, which inculcates a culture of savings across the demographics of the country's population, therefore, accelerating the achievements of Government's and Bank of Zambia's aspirations on financial inclusion.

Awards and Accolades:

1. **Visa Managing Risk Award 2017** | VISA
2. **Best Performing Entity Corporate Social Resposibility 2017** | Kabwe Chamber of Commerce & Industry
3. **Most Supportive Employer 2017** | Zambia Union of Financial Institutions and Allied Workers (ZUFIAW)
4. **2nd Position - Excellency in Financial Support to Micro, Small & Medium Enterprises** | Bankers Association of Zambia (BAZ)
5. **3rd Position - Excellency in support to Academic Research Activities** | Bankers Association of Zambia (BAZ)
6. **3rd Position - Commercial Bank** | Intercompany Relay 2017

Corporate social responsibility

The Managing Director, Mr. Maheshkumar Bansal and the General Manager, Mr. Godwin C. Ngoma at Mother Teresa, Lusaka undertaking a Corporate Social responsibility session.

Kamwala Branch staff with students from Kamwala Secondary School after a familiarization tour of the branch operations held to mark the World's Savings Day.

Indo Zambia Bank Limited
Financial statements
for the year ended 31 December 2017

Directors' report
for the year ended 31 December 2017

The directors of Indo Zambia Bank Limited (the "Bank") are pleased to submit their report and the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of 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 the Government of Zambia through Industrial Development Corporation holding 40% and Bank of India, Bank of Baroda and Central Bank of India holding 20% each. 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 23 of the financial statements.

Operating results

	2017	2016
Net interest income	**343,328,196**	277,883,763
Profit before income tax	**170,427,418**	128,183,024
Income tax expense	**(61,509,324)**	(44,576,501)
Profit for the year	**108,918,094**	83,606,523

Dividends

During the year, K 33,353,413 was paid as dividends to the shareholders for the year ended 31 December 2017 (2016: K32,203,303). After the reporting date, a dividend of K 44,209,632 was proposed (2016: K 33,353,413). This dividend is subject to approval by the shareholders at the Annual General Meeting.

Reserves

	2017	2016
Statutory reserve	**15,000,000**	15,000,000
Fidelity reserve	**126,369**	126,369
Revaluation reserves	**19,538,840**	19,968,460
Retained earnings	**325,515,356**	249,289,721
	360,180,565	284,384,550

Developments during the year

During the year, the Bank merged Copperhill with Kitwe branch. At 31 December 2017, the Bank had a total of 28 branches and 2 agencies.

Directors

The Directors who held office during the year were:

Mrs O Y Moyo	Chairperson
Mr D Malik	Director – Retired 25 February 2017
Mr S Mukupa	Director
Mr R Rishi	Director
Mr M O Rego	Director – Retired 25 February 2017
Mr M K Mehta	Director – appointed 25 February 2017
Mr M M Bansal	Managing Director

Board secretary

Mr G 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 (2016: Nil).

Directors' emoluments paid during the year ended 31 December 2017 were K 2.55 million (2016: K3.19 million) as disclosed in note 13 of the financial statements.

Directors' fees paid during the year ended 31 December 2017 were K 4.11 million (2016: K5.06 million) as disclosed in notes 12 and 27(e) of the financial statements.

Property and equipment

During the year, the Bank purchased property and equipment amounting to K 8.80 million (2016: K20.87 million) which included K 0.22 million (2016: K0.64 million) on leasehold improvements as disclosed in note 19 of the financial statements.

Research and developments

During the year, the Bank did not conduct any research and development activities (2016: Nil).

Related party transactions

As required by the Banking and Financial Services Act, related party transactions are disclosed in note 27 of the financial statements.

Employees

The average number of employees for each month during the period amounted to 302 (2016: 292).

The total remuneration to employees during the year amounted to K170.49 million (2016: K151.13 million) as disclosed in note 13 of the financial statements and the total number of employees was as follows:

January	305	July	302
February	303	August	302
March	303	September	303
April	303	October	302
May	301	November	302
June	303	December	301

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.

Gifts and donations

The Bank made donations during the year amounting to K0.39 million (2016: K0.59 million) in order to support various charitable organisations and events.

Other material facts, circumstances and events

The directors are not aware of any material fact, circumstance or event which occurred between the reporting date and the date of this report which might influence an assessment of the Bank's financial position or the results of its operations.

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 Bank has put in place measures and process to ensure that the Bank is in compliance with the Corporate Governance Directives as issued by the Bank of Zambia which were effective 1 November 2017. The Board of Directors hereby confirm that the Bank has complied with all aspects of the principles of good Corporate Governance.

Board of Directors

The Board of Directors has been appointed by and is responsible to the shareholders for the performance and direction of Indo Zambia Bank Limited through the establishment of strategic objectives and key policies as well as approving major business decisions in accordance with its mandate.

Board of Directors roles and responsibilities

The Bank has the following committees established with committee-wise responsibilities as follows:

Board Audit Committee

- Provide oversight over the bank's financial reporting process;
- Provide oversight of the institutions internal and external auditors, approving their appointment, compensation and dismissal;
- Review and approve audit scope and frequency;
- Receive audit reports and ensuring that senior management is taking appropriate corrective actions in a timely manner to address control weaknesses, non-compliance with laws and regulations and other problems identified auditors.
- Satisfy itself that accounting principles, policies and practices are adequate to ensure resources are safeguard; laws are followed; reliable data is disclosed; and internal control systems are adequate.
- The appointment or dismissal of external auditors should only be made by a decision of the independent, non-executive audit committee members.

Board Risk Management Committee

- Provide oversight on senior management in the management of credit risk, market risk, liquidity risk, operational risk, legal risk, compliance risk reputational risk, strategic risk and other risk that the institution is exposed to.
- Advising board on the institutions overall current and future risk tolerance/appetite and strategy and for overseeing senior management's implementation of that strategy. This should include strategies for capital and liquidity management as well as credit, market, operational, compliance, reputational and other risks of the bank.
- In order to enhance effectiveness of the committee, it should receive formal and informal communication from the risk management function and the Chief Risk Officer and should, where appropriate receive external expert advice, particularly in relation to proposed strategic transactions such as mergers and acquisitions.

Directors' report *(continued)*
for the year ended 31 December 2017

Corporate governance *(continued)*

Loans Review Committee

- Review and approve lending strategies and policies including appropriate loan limits;
- Approve asset quality standards with respect to all lending areas and monitor concentration of credit by product, industry and geographic areas;
- Approve appropriate general underwriting guidelines with respect to all lending areas and ensure institutional adherence to such guidelines;
- Review institution's lending activities and ensure compliance with approved internal policies and all applicable laws;
- Review and if appropriate, approve all loans recommended by the management credit committee and where appropriate approve exceptions to defined policies;
- Review compliance exceptions matters arising from supervisory, internal audit and external audit findings that pertain to the banks credit portfolio and monitors how they are being addressed;
- Review the bank's credit quality including but not limited to trends in loan quality, classification of loans, charge-offs and delinquencies.

Nominations and Remuneration Committee

- Identify and assist with the recruitment of competent and qualified candidates for board membership, chairpersons of the board, and of the boards committees and of committee members and members of senior management;
- Establish a formal selection criteria for prospective directors and participate in the evaluation of board and senior management effectiveness;
- Assess the effectiveness of the board and direct the process of renewing and replacing board members;
- Recommend to the board to accept or decline any tendered resignation of a director;
- Ensure a review at least annually of incumbent directors' performance and attendance at board and committee meetings;
- Ensure that the board members receive thorough orientation on board governance and key strategic issues facing the institution;
- Review and reassess the adequacy of the institution's corporate governance principles and practices for the board of directors at least annually and recommend proposed changes to the board;
- Provide oversight of remuneration and compensation of directors, senior management and other key personnel;
- Provide oversight of the remuneration system's design and operation and ensure that it is consistent with the institution's culture, long-term objectives, business and risk strategy, performance and control environment; and
- Make recommendations to the board regarding the use of incentive compensation plans and equity bases remuneration plans.

Board of Directors evaluation

The Directors are yet to conduct a board performance evaluation of the performance of the various committees. This exercise has been scheduled to take place during the first quarter of 2018.

Directors' report *(continued)*
for the year ended 31 December 2017

Corporate governance *(continued)*

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 notes 5 and 28.

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.

The Board is satisfied with adequacy of accounting records and effectiveness of the system of governance and risk management.

Code of ethics

The Bank has developed the code of ethics that stipulate the specific guidelines, ethical values or standards guiding the Bank in the interaction with its internal and external stakeholders. The Bank is in compliance with Code of ethics and there is no instances of unethical behaviour during the period under review.

Stakeholder's interest

The Bank has served the interests of the shareholders by ensuring the following:

- Compliance with all the regulatory requirements of Bank of Zambia, Zambia Revenue Authority, Companies Act and other requirements.
- Performance beyond budget projections.
- Good corporate governance.
- Timely reporting to the shareholders on quarterly financials and other returns.
- Reporting to the Board on instances of fraud and action taken.

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

The financial statements set out on pages 51 to 104 have been approved by the Board of Directors.

Auditors

In accordance with the provision of the Articles of Association of the Bank, the auditors Messrs KPMG Chartered Accountants ("KPMG") will retire at the forthcoming 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

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 ("the Bank"), which comprise the Statement of financial position as at 31 December 2017, and the Statement of profit or loss and other comprehensive income, Statement of changes in equity and Statement of 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 Annual 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 as 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 28 February 2018 and are signed on its behalf by:

O Y Moyo
Chairperson

R Rishi
Director

S Mukupa
Director

M K Mehta
Director

M M Bansal
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 shareholders of Indo Zambia Bank Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Indo Zambia Bank Limited ("the Bank") set out on pages 51 to 104, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Indo Zambia Bank Limited as at 31 December 2017, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and have fulfilled our other responsibilities under these ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

<table>
<tr><th colspan="2">Impairment of loans and advances to customers</th></tr>
<tr><td colspan="2">Refer to note 4 use of estimates and judgements, note 17 loans and advances to customers, note 5 (a(i)) credit risk section of the financial risk review, and note 30(g) financial assets and financial liabilities accounting policy.</td></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>The impairment of loans and advances is estimated by Management through the exercise of judgement and use of highly subjective assumptions.

The banking sector in Zambia has experienced significant growth in non-performing loans in the last few years due to a number of economic challenges faced by their customers such as depreciation of the Kwacha, an increase in interest rates (following the Central Bank's removal of interest rate capping), power shortages, weak global demand and low prices of copper, poor rainfall patterns and low market liquidity.

While the economy has performed better in the current year, these challenges still have a lag effect on customers' ability to meet their loan commitments resulting in an increase in loan write-offs and impairments in the sector.

The impairment calculation is considered separately on a specific and collective basis as follows:
- Specific impairment provisions take into account the projected cash flows which are based on management's best estimate of the present value of the cash flows that are expected to be received and collateral values of the specific customer. Judgement is required to determine when an impairment event has occurred and to estimate the likely timing and extent of recovery, and whether an impairment provision is required.
- Collective impairment provisions are predominantly determined using a methodology which incorporates observable data, assumptions and estimates. Management applies judgement in determining the appropriateness of the methodology, analysing the observable data, determining appropriate assumptions and formulating estimates.

Due to the significance of the impairment of loans and advances and the related estimation and judgment involved by Management, this matter was considered to be a key audit matter.</td>
<td>Our audit procedures included, among others:
• We tested the controls over:
  - Management's approval of credit origination of the loans and advances; and
  - monitoring of facilities issued (i.e. early identification of impaired accounts and approval of manual impairments/write-offs).
• Where specific impairments had been made, we assessed the expected cash flows and the valuation of the collateral held, and challenged Management as to whether the valuation of collateral was up-to-date and appropriate for the purpose of the impairment calculation.
• Where collective impairments had been made, we obtained an understanding and critically assessed the provisioning models by testing the assumptions and inputs based on our knowledge of the industry and understanding obtained during the audit.
• For all impairment provisions:
  - We considered the appropriateness of accounting policies and assessed the loan impairment methodologies across the Bank and compared these to the requirements of IAS 39: Financial Instruments: Recognition and Measurements; and
  - We compared the Bank's assumptions to externally available information.
  - We assessed the reasonableness of key inputs such as historical default rates, recovery rates, collateral valuation, discount rates and economic factors and considered the sensitivity of these inputs on the assessment of impairment.
• We also assessed whether the financial statement disclosures, appropriately reflect the Bank's exposure to credit risk.</td></tr>
</table>

The directors are responsible for the other information. The other information comprise the information contained in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the 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.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

Report on other legal and regulatory requirements

In accordance with Section 173(3) of the Companies Act of Zambia, we report that, in our opinion, the required accounting records, and registers 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 Bank's regulatory capital.

KPMG

KPMG Chartered Accountants

28 February 2018

Jason Kazilimani, Jr
Partner

AUD/F000336

Statement of financial position
as at 31 December 2017

In Zambian Kwacha

	Notes	2017	2016
Assets			
Cash balances at Bank of Zambia	15	**256,703,252**	425,357,405
Cash and cash equivalents	15	**525,716,248**	490,951,305
Held-to-maturity investment securities	16	**1,344,702,485**	778,365,960
Loans and advances to customers	17	**1,255,716,151**	1,012,592,884
Other assets	18	**92,613,888**	96,033,328
Property and equipment	19	**133,537,616**	145,545,498
Deferred tax asset	14d	**3,051,180**	-
Total assets		**3,612,040,820**	2,948,846,380
Liabilities			
Deposits from customers	20	**2,603,013,122**	2,067,870,636
Deposits from banks	21	-	596,592
Other liabilities	22	**213,515,541**	177,137,214
Current tax liabilities	14c	**19,331,592**	574,014
Deferred tax liabilities	14d	**-**	2,283,374
Total liabilities		**2,835,860,255**	2,248,461,830
Equity			
Share capital	23	**416,000,000**	416,000,000
Statutory reserve		**15,000,000**	15,000,000
Fidelity reserve		**126,369**	126,369
Revaluation reserve		**19,538,840**	19,968,460
Retained earnings		**325,515,356**	249,289,721
Total equity attributable to the equity holders of the bank		776,180,565	700,384,550
Total liabilities and equity		**3,612,040,820**	2,948,846,380

These financial statements were approved by the board of directors on 28 February, 2018 and were signed on its behalf by:

O Y Moyo
Chairperson

R Rishi
Director

S Mukupa
Director

M K Mehta
Director

M M Bansal
Managing Director

G C Ngoma
General Manager

B Harikrishna
Chief Financial Officer

The notes on pages 56 to 104 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2017

In Zambian Kwacha

	Note	2017	2016
Interest income	7	**470,652,350**	375,654,758
Interest expense	8	**(127,324,154)**	(97,770,995)
Net interest income		**343,328,196**	277,883,763
Fee and commission income	9	**78,347,893**	69,069,172
Net trading income	10	**32,032,717**	23,899,946
		110,380,610	92,969,118
Revenue		**453,708,806**	370,852,881
Other income	11	**8,644,508**	10,014,874
Administrative expenses	12	**(70,949,874)**	(65,890,193)
Operating expenses	13	**(209,288,498)**	(185,901,597)
Loan impairment recoveries	17b	**11,410,553**	9,756,479
Impairment loss on loans and advances	17c	**(23,098,077)**	(10,649,420)
Profit before income tax		**170,427,418**	128,183,024
Income tax expense	14a	**(61,509,324)**	(44,576,501)
Profit for the year		**108,918,094**	83,606,523
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Amortisation of revaluation surplus		**(660,954)**	(660,954)
Deferred tax on amortisation of revaluation	14d	**231,334**	231,334
Other comprehensive income net of tax		**(429,620)**	(429,620)
Total comprehensive income for the year		**108,488,474**	83,176,903

The notes on pages 56 to 104 are an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2017

In Zambian Kwacha

	Share capital	Statutory reserves	Fidelity reserves	Revaluation reserves	Credit risk reserves	Retained earnings	Total
Balance at 1 January 2016	**416,000,000**	**15,000,000**	**126,369**	**20,398,080**	**10,424,349**	**186,801,198**	**648,749,996**
Total comprehensive income							
Profit for the year	-	-	-	-	-	83,606,523	83,606,523
Other comprehensive income							
Amortisation of revaluation surplus	-	-	-	(660,954)	-	660,954	-
Deferred tax on amortisation of revaluation surplus	-	-	-	231,334	-	-	231,334
Total comprehensive income for the year, net of tax	-	-	-	(429,620)	-	84,267,477	83,837,857
Transfer to retained earnings	-	-	-	-	(10,424,349)	10,424,349	-
Transactions with owners recorded directly in equity							
Dividend paid	-	-	-	-	-	(32,203,303)	(32,203,303)
Balance at 31 December 2016	416,000,000	15,000,000	126,369	19,968,460	-	249,289,721	700,384,550
Balance at 1 January 2017	**416,000,000**	**15,000,000**	**126,369**	**19,968,460**	-	**249,289,721**	**700,384,550**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	**108,918,094**	**108,918,094**
Other comprehensive income							
Amortisation of revaluation surplus	-	-	-	**(660,954)**	-	**660,954**	-
Deferred tax on amortisation of revaluation surplus	-	-	-	**231,334**	-	-	**231,334**
Total comprehensive income for the year, net of tax	-	-	-	**(429,620)**	-	**109,579,048**	**109,149,428**
Transactions with owners, recorded directly in equity							
Dividend paid	-	-	-	-	-	**(33,353,413)**	**(33,353,413)**
Balance at 31 December 2017	**416,000,000**	**15,000,000**	**126,369**	**19,538,840**	-	**325,515,356**	**776,180,565**

Statement of changes in equity *(continued)*
for the year ended 31 December 2017

Statutory reserve

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

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 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 56 to 104 are an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2017

In Zambian Kwacha

	Note	**2017**	2016
Cash flow from operating activities			
Profit for the year		**108,918,094**	83,606,523
Adjustment for			
Profit on sale of property, plant and equipment	*11*	**(146,446)**	-
Depreciation	*19*	**20,797,656**	17,189,837
Adjustment to depreciation		**-**	725,131
Exchange rate movement		**(1,089,266)**	3,368,372
Tax expense	*14(a)*	**61,509,324**	44,576,501
Interest expense	*8*	**127,324,154**	97,770,995
Interest income	*7*	**(470,652,350)**	(375,654,758)
		(153,338,834)	(128,417,399)
Change in:			
- Loans and advances to customers		**(243,123,267)**	(26,001,823)
- Other assets		**3,419,440**	(7,861,476)
- Customer deposits		**535,142,486**	74,967,550
- Derivative financial instrument		**-**	5,348,959
- Deposits from banks		**(596,592)**	596,592
- Other liabilities		**36,378,327**	28,415,702
		177,881,560	(52,951,895)
Tax paid	*14(c)*	**(47,854,966)**	(48,394,565)
Interest paid	*8*	**(127,324,154)**	(97,770,995)
Interest received	*7*	**470,652,350**	375,654,758
Net cash generated from operating activities		**473,354,790**	176,537,303
Cash flows from investing activities			
Acquisition of property and equipment	*19*	**(8,796,484)**	(20,870,767)
Acquisition of investment securities		**(566,336,525)**	(164,648,022)
Proceeds from disposal of property and equipment		**153,156**	-
Proceeds from redemption of investment securities		**-**	-
Net cash utilised in investing activities		**(574,979,853)**	(185,518,789)
Cash flows from financing activities			
Dividends paid		**(33,353,413)**	(32,203,303)
Net cash flows utilised in financing activities		**(33,353,413)**	(32,203,303)
Net decrease in cash and cash equivalents		**(134,978,476)**	(41,184,789)
Cash and cash equivalents at 1 January		**916,308,710**	960,861,871
Effect of exchange rate fluctuation on cash held		**1,089,266**	(3,368,372)
Cash and cash equivalents at 31 December	*15*	**782,419,500**	916,308,710
Represented by:			
Cash and cash equivalents		**555,645,084**	530,697,682
Statutory reserves*	*15*	**226,774,416**	385,611,028
		782,419,500	916,308,710

*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 56 to 104 are an integral part of these financial statements.

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. In addition, the Bank is 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 (IFRS), 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 28 February 2018.

Details of the Bank's significant accounting policies are included in note 30.

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 when 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 2017 is set out below in relation to the impairment of financial instrument and in the following notes in relation to other areas:

- Note 14(d) – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used; and
- Notes 30(g)(vii) – Financial assets identification and measurement of impairment.

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 5a(i) and 30(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.

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 investment securities	
	2017	2016	**2017**	2016
Carrying amount	**1,255,716,151**	1,012,592,884	**1,344,702,485**	778,365,960
Individually impaired:				
Corporate loans	**22,736,436**	15,430,332	-	-
Retail loans	**10,510,557**	12,573,004	-	-
Allowance for specific impairment	**(31,027,196)**	(22,523,083)	-	-
Carrying amount	**2,219,797**	5,480,253	**-**	-
Past due but not impaired:				
Corporate loans	**150,349,849**	360,555,689	-	-
Retail loans	**98,772,675**	83,323,865	-	-
Carrying amount	**249,122,524**	443,879,554	-	-
Past due but not impaired comprises :				
01 – 30 days	**233,724,095**	393,575,268	-	-
31 – 60 days	**10,325,549**	27,510,843	-	-
61 – 90 days	**5,072,880**	22,793,443	-	-
Carrying amount	**249,122,524**	443,879,554	-	-
Neither past due nor impaired:				
Corporate loans	**664,718,246**	322,240,135	-	-
Retail loans	**345,536,691**	245,880,194	-	-
Held-to-maturity investment securities	**-**	-	**1,344,702,485**	778,365,960
	1,010,254,937	568,120,329	**1,344,702,485**	778,365,960
Allowance for collective portfolio impairment	**(5,881,107)**	(4,887,252)	**-**	-
Carrying amount	**1,255,716,151**	1,012,592,884	**1,344,702,485**	778,365,960

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 have 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.

Specific impairment provisions take into account the projected cash flows and collateral values of the specific customer. Judgement is required to determine when an impairment event has occurred and to estimate the likely timing and extent of recovery, and whether an impairment provision is required.

Collective impairment provisions are predominantly determined using a methodology which incorporates observable data, assumptions and estimates. Management applies judgement in determining the appropriateness of the methodology, analysing the observable data, determining appropriate assumptions and formulating estimates.

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's 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-offs 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 2017.

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:

In Zambian Kwacha

5 Financial risk review *(continued)*

a) Credit risk *(continued)*

iii) Concentration of credit risk *(continued)*

		Loans and advances to customers		Held to maturity investment securities	
		2017	2016	**2017**	2016
1	Agriculture,	**86,531,329**	71,595,753	-	-
2	Mining and quarrying	**2,113,302**	1,980,140	-	-
3	Manufacturing	**216,341,480**	146,305,741	-	-
4	Electricity, gas, water and energy	**5,656,125**	3,701,779	-	-
5	Construction	**16,764,838**	28,498,194	-	-
6	Wholesale and retail trade	**188,918,237**	157,697,612	-	-
7	Restaurants and hotels	**5,968,680**	3,719,991	-	-
8	Transport, storage and communications	**27,119,708**	24,163,463	-	-
9	Financial services	**3,687,554**	29,265,468	-	-
10	Community, social and personal services	**13,530,234**	13,413,960	-	-
11	Real estate	**161,257,806**	167,078,605	-	-
12	Government	**195,788,010**	146,242,407	**1,344,702,485**	778,365,960
13	Others	**332,038,848**	218,929,771	-	-
	Carrying amount	**1,255,716,151**	1,012,592,884	**1,344,702,485**	778,365,960

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 17.

b) Liquidity risk

For the definition of liquidity risk and information on how liquidity risk is managed by the Bank, see note 28c.

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:

	2017	2016
At 31 December	**72.85%**	65.50%
Average for the period	**78.15%**	63.10%
Maximum for the period	**87.61%**	65.50%
Minimum for the period	**66.31%**	60.92%

The minimum required by Bank of Zambia for core liquid assets is 6% (2016: 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 2017

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:

2017

	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	256,703,252	256,703,252	29,928,836	-	-	226,774,416	-
Cash and cash equivalents	525,716,248	525,716,248	525,716,248	-	-	-	-
Held-to- maturity investment securities	1,344,702,485	1,344,702,485	115,643,591	152,804,133	854,634,175	101,101,791	120,518,795
Loans and advances to customers	1,255,716,151	1,292,624,454	134,362,065	95,750,630	199,504,085	727,304,106	135,703,568
Other assets	92,613,888	92,613,888	92,613,888	-	-	-	-
Total financial assets	3,475,452,024	3,512,360,327	898,264,628	248,554,763	1,054,138,260	1,055,180,313	256,222,363
Financial liabilities							
Deposits from customers	(2,603,013,122)	(2,603,013,122)	(1,771,125,062)	(100,844,951)	(683,189,962)	(47,853,148)	-
Other liabilities	(213,515,541)	(213,515,541)	(213,515,541)	-	-	-	-
Total financial liabilities	(2,816,528,663)	(2,816,528,663)	(1,984,640,603)	(100,844,951)	(683,189,962)	(47,853,148)	-
Net liquidity gap	658,923,361	695,831,664	(1,086,375,975)	147,709,812	370,948,298	1,007,327,165	256,222,363

Notes to the financial statements *(continued)*

for the year ended 31 December 2017

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:

2016

	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	425,357,405	425,357,405	39,746,377	-	-	385,611,028	-
Cash and cash equivalents	490,951,305	490,951,305	490,951,305	-	-	-	-
Held-to- maturity investment securities	778,365,960	778,365,960	105,397,288	102,515,902	533,623,357	9,521,045	27,308,368
Loans and advances to customers	1,012,592,884	1,029,578,870	40,837,589	3,088,246	457,380,693	392,737,995	135,534,347
Other assets	96,033,328	96,033,328	96,033,328	-	-	-	-
Total financial assets	2,803,300,882	2,820,286,868	772,965,887	105,604,148	991,004,050	787,870,068	162,842,715
Financial liabilities							
Deposits from customers	(2,067,870,636)	(2,109,275,850)	(1,529,030,572)	(53,959,051)	(519,236,400)	(7,049,827)	-
Balance due to Banks	(596,592)	(596,592)	(596,592)	-	-	-	-
Other liabilities	(177,137,214)	(177,137,214)	(177,137,214)	-	-	-	-
Total financial liabilities	(2,245,604,442)	(2,245,604,442)	(1,529,627,164)	(53,959,051)	(519,236,400)	(7,049,827)	-
Net liquidity gap	461,663,112	574,682,426	(933,798,491)	51,645,097	471,767,650	780,820,241	162,842,715

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 28(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 re-price 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 re-pricing 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, categorised by earlier of contractual re-pricing or maturity dates.

5 Financial risk review *(continued)*

c) Market risk *(continued)*

i) Interest rate risk *(continued)*

Exposure of interest rate risk – non trading portfolio contained

2017				**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	256,703,252	256,703,252	-	-	-	-
Cash and cash equivalents	525,716,248	405,716,248	-	120,000,000	-	-
Held-to-maturity investment securities	1,344,702,485	-	-	268,447,724	854,634,175	221,620,585
Loans and advances to customers	1,255,716,151	-	971,508,588	5,687,668	7,507,517	271,012,378
Total financial assets	**3,382,838,136**	**662,419,500**	**971,508,588**	**394,135,393**	**862,141,692**	**492,632,964**
Financial liabilities						
Deposits from customers	(2,603,013,122)	(932,595,000)	(707,452,000)	(227,633,122)	(115,959,000)	(619,374,000)
Total financial liabilities	**(2,603,013,122)**	**(932,595,000)**	**(707,452,000)**	**(227,633,122)**	**(115,959,000)**	**(619,374,000)**
Interest rate gap position	**779,825,014**	**(270,175,500)**	**264,056,588**	**166,502,270**	**746,182,692**	**(126,741,036)**

2016				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	425,357,405	425,357,405	-	-	-	-
Cash and cash equivalents	490,951,305	490,951,305	-	-	-	-
Held-to-maturity investment securities	778,365,960	-	-	207,913,190	533,623,357	36,829,413
Loans and advances to customers	1,012,592,884	-	1,012,592,884	-	-	-
Total financial assets	2,707,267,554	916,308,710	1,012,592,884	207,913,190	533,623,357	36,829,413
Financial liabilities						
Deposits from customers	(2,067,870,636)	-	(2,067,870,636)	(1,541,584,409)	(519,236,400)	(7,049,827)
Balance due to Banks	(596,592)	(596,592)	-	-	-	-
Total financial liabilities	(2,068,467,228)	(596,592)	(2,067,870,636)	(1,541,584,409)	(519,236,400)	(7,049,827)
Interest rate gap position	638,800,326	915,712,118	(1,055,277,752)	(1,333,671,219)	14,386,957	29,779,586

Interest rate sensitivity analysis

	2017		2016	
	ZMW	**US$**	ZMW	US$
Increase in basis points	**0.50**	**0.50**	0.50	0.50
Sensitivity of annual net interest income	**(3.18)**	**(2.42)**	1.16	(2.44)
Decrease in basis points	**0.50**	**0.50**	0.50	0.50
Sensitivity of annual net interest income	**3.18**	**2.42**	(1.16)	2.44

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 2017

In Zambian Kwacha

5 Financial risk review *(continued)*

c) Market risk *(continued)*

ii) Currency risk *(continued)*

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 and are as follows (in Zambian Kwacha terms).

2017	US dollar	Pound	Euro	Rand	Rupee	Kwacha	Total
Monetary assets	634,319,695	16,046,998	6,571,350	4,270,393	252,976	2,813,990,612	3,475,452,024
Monetary liabilities	(666,999,934)	(15,172,159)	(3,211,347)	(4,178,100)	(106,290)	(2,143,141,245)	(2,832,809,075)
Net recognised position	**(32,680,239)**	**874,839**	**3,360,003**	**92,293**	**146,686**	**670,849,367**	**642,642,949**

Maximum exposure to currency risk is as follows:

2016	US dollar	Pound	Euro	Rand	Rupee	Kwacha	Total
Monetary assets	766,032,768	10,765,602	7,171,954	10,405,821	745,728	1,901,721,332	2,696,843,205
Monetary liabilities	(762,976,061)	(10,719,558)	(7,772,075)	(6,897,617)	(237,361)	(1,457,001,771)	(2,245,604,443)
Net recognised position	3,056,707	46,044	(600,121)	3,508,204	508,367	444,719,561	451,238,762

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 2017

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 2017 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 2017				
USD	**(3,268,024)**	**(3,268,024)**	**3,268,024**	**3,268,024**
GBP	**87,484**	**87,484**	**(87,484)**	**(87,484)**
Euro	**336,000**	**336,000**	**(336,000)**	**(336,000)**
ZAR	**9,229**	**9,229**	**(9,229)**	**(9,229)**
Rupee	**14,669**	**14,669**	**(14,669)**	**(14,669)**
31 December2016				
USD	305,707	305,707	(305,707)	(305,707)
GBP	4,604	4,604	(4,604)	(4,604)
Euro	(60,012)	(60,012)	60,012	60,012
ZAR	350,820	350,820	(350,820)	(350,820)
Rupee	50,837	50,837	(50,837)	(50,837)

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.

In Zambian Kwacha

5 Financial risk review *(continued)*

d) Capital management *(continued)*

i) Computation of capital position

	2017	2016
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	325,515,356	249,289,721
(e) General reserves	126,369	126,369
(f) Statutory reserves	15,000,000	15,000,000
(g) Minority interests (common shareholders' equity)	-	-
(h) Sub-total A (items a to g)	756,641,725	680,416,090
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)]	756,641,725	680,416,090
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)	7,815,536	7,987,384
(f) Other	-	-
(f) Total secondary capital	7,815,536	7,987,384
III Eligible secondary capital	7,815,536	7,987,384
(The maximum amount of secondary capital is limited to 100% of primary capital)		
IV Eligible total capital (I(p) + III) (Regulatory capital)	764,457,261	688,403,474
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)	244,457,261	168,403,474

Notes to the financial statements *(continued)*

for the year ended 31 December 2017

In Zambian Kwacha

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:

2017	*Note*	**Loans and receivables**	**Amortised cost**	**Total carrying amounts**	**Fair value**
Cash balances at Bank of Zambia	*15*	**256,703,252**	**-**	**256,703,252**	**256,703,252**
Cash and cash equivalents	*15*	**525,716,248**	**-**	**525,716,248**	**525,716,248**
Held-to-maturity investment securities	*16*	**-**	**1,344,702,485**	**1,344,702,485**	**1,344,702,485**
Loans and advances to customers	*17*	**1,255,716,151**	**-**	**1,255,716,151**	**1,255,716,151**
Other assets	*18*	**92,613,888**	**-**	**92,613,888**	**92,613,888**
Total financial assets		**2,130,749,539**	**1,344,702,485**	**3,475,452,024**	**3,475,452,024**
Financial liabilities					
Deposits from customers	*20*	**-**	**2,603,013,122**	**2,603,013,122**	**2,603,013,122**
Other liabilities	*22*	**-**	**213,515,541**	**213,515,541**	**213,515,541**
Total		**-**	**2,816,528,663**	**2,816,528,663**	**2,816,528,663**

2016	*Note*	Loans and Receivables	Amortised cost	Total carrying amounts	Fair value
Cash balances at central Bank	*15*	425,357,405	-	425,357,405	425,357,405
Cash and cash equivalents	*15*	490,951,305	-	490,951,305	490,951,305
Held-to-maturity investment securities	*16*	-	778,365,960	778,365,960	778,365,960
Loans and advances to customers	*17*	1,012,592,884	-	1,012,592,884	1,012,592,884
Other assets	*18*	96,033,328	-	96,033,328	96,033,328
Total financial assets		2,024,934,922	778,365,960	2,803,300,882	2,803,300,882
Financial liabilities					
Deposits from customers	*20*	-	2,067,870,636	2,067,870,636	2,067,870,636
Deposits from Banks	*21*	-	596,592	596,592	596,592
Other liabilities	*22*	-	177,137,214	177,137,214	177,137,214
Total		-	2,245,604,442	2,245,604,442	2,245,604,442

Notes to the financial statements *(continued)*

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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 at the reporting date that would have been determined by market participants acting at arm's length.

6 Fair values of financial instruments *(continued)*

b. Financial instruments not measured at fair value

	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31 December 2017						
Assets						
Cash and cash equivalents	15	-	**525,716,248**	-	**525,716,248**	**525,716,248**
Held to maturity investment securities	16	-	**1,344,702,485**	-	**1,344,702,485**	**1,344,702,485**
Loans and advances to customers	17	-	-	**1,255,716,151**	**1,255,716,151**	**1,255,716,151**
Liabilities						
Deposits from customers	20	-	-	**2,603,013,122**	**2,603,013,122**	**2,603,013,122**

	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31 December 2016						
Assets						
Cash and cash equivalents	15	-	490,951,305	-	490,951,305	490,951,305
Held to maturity investment securities	16	-	778,365,960	-	778,365,960	778,365,960
Loans and advances to customers	17	-	-	1,012,592,884	1,012,592,884	1,012,592,884
Liabilities						
Deposits from customers	20	-	-	2,067,870,636	2,067,870,636	2,067,870,636
Deposit with other banks		-	-	596,592	596,592	596,592

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 2017 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

7 Interest income

See accounting policies in note 30 b

	2017	2016
Loans and advances to customers	**258,314,833**	213,760,633
Held-to-maturity investment securities	**202,090,367**	146,149,427
Other	**10,247,150**	15,744,698
	470,652,350	375,654,758

8 Interest expense

See accounting policies in note 30 b

	2017	2016
Deposits from customers	**126,789,267**	97,452,842
Other	**534,887**	318,153
	127,324,154	97,770,995

9 Fee and commission income

See accounting policies in note 30 c

	2017	2016
Retail banking customer fees	**72,697,256**	65,690,814
Loans and advances fees	**5,650,637**	3,378,358
	78,347,893	69,069,172

10 Net trading income

See accounting policies in note 30 d

	2017	2016
Foreign currency transaction gains	**32,032,717**	23,899,946

11 Other income

	2017	2016
Gain on disposal of property and equipment	**146,446**	-
Cheque book charges	**1,147,259**	970,369
Swift charges recovered	**3,762,881**	3,873,919
Correspondent banking charges receivable	**2,835,649**	2,435,672
Other income	**752,273**	2,734,914
	8,644,508	10,014,874

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12 Administrative expenses

	2017	2016
Audit fees	**727,924**	587,924
Non audit services	**601,369**	113,237
Directors fees	**4,110,195**	5,060,003
Depreciation	**20,797,656**	17,189,837
Stationery	**3,397,168**	2,958,134
Swift and telephone	**6,166,844**	4,394,262
Security charges	**6,460,521**	5,203,145
BOZ charges	**11,423,704**	6,227,730
Repairs and maintenance	**5,825,912**	6,316,943
Other administrative expenses	**11,438,581**	17,838,978
	70,949,874	65,890,193

13 Operating expenses

	2017	2016
Staff costs	**167,582,726**	148,458,293
National Pension Scheme Authority contributions	**2,903,810**	2,671,467
Directors' emoluments	**2,548,013**	3,188,706
Property related expenses	**9,278,393**	9,748,124
Office expenses	**26,975,556**	21,835,007
	209,288,498	185,901,597

14 Income taxes

See accounting policies in note 30 e

a) Current tax expense

	2017	2016
Current year	**66,612,544**	45,294,140
Deferred tax (note 14(d))	**(5,103,220)**	(717,639)
Total income tax expense	**61,509,324**	44,576,501

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

b) Reconciliation of effective tax rate

		2017		2016
Profit before income tax		**170,427,418**		128,183,024
Tax calculated at the tax rate of	*35%*	**59,649,596**	*35%*	44,864,058
Non-deductible expenses	*0%*	**1,876,414**	*0%*	(266,619)
Timing differences	*0%*	**(16,686)**	*0%*	(20,938)
Total income tax expense in profit or loss	*35%*	**61,509,324**	*35%*	44,576,501

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

	2017	2016
Current tax liability/(asset) at the beginning of the year	**574,014**	3,674,439
Charge for the year	**66,612,544**	45,294,140
Tax paid	**(47,854,966)**	(48,394,565)
Current tax liability at the end of the year	**19,331,592**	574,014

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14(d) Deferred tax assets and liabilities

See accounting policies in note 30 e

i) Recognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2017	2016	**2017**	2016	**2017**	2016
Property and equipment	**(2,100,570)**	(1,407,579)	-	-	**(2,100,570)**	(1,407,579)
Bad debts provision	**(12,357,871)**	(8,267,238)	-	-	**(12,357,871)**	(8,267,238)
Clearing account provision	**(569,334)**	(249,738)	-	-	**(569,334)**	(249,738)
Revaluation	**-**	-	**12,705,570**	12,705,570	**12,705,570**	12,705,570
Amortisation of revaluation surplus	**(728,975)**	(497,641)	-	-	**(728,975)**	(497,641)
	(15,756,750)	(10,422,196)	**12,705,570**	12,705,570	**(3,051,180)**	2,283,374

ii) Movement in temporary differences during the year

	Balance at 1 January 2016	Recognised in profit or loss	Recognised in equity	Balance at 31 December 2016	Recognised in profit or loss	Recognised in equity	Balance at 31 December 2017
Property and equipment	(1,296,418)	(111,161)	-	(1,407,579)	**(692,991)**	-	**(2,100,570)**
Bad debts provision	(7,910,498)	(356,740)	-	(8,267,238)	**(4,090,633)**	-	**(12,357,871)**
Clearing account provision	-	(249,738)	-	(249,738)	**(319,596)**	-	**(569,334)**
Revaluation	12,705,570	-	-	12,705,570	-	-	**12,705,570**
Amortisation of revaluation surplus	(266,307)	-	(231,334)	(497,641)	-	**(231,334)**	**(728,975)**
	3,232,347	(717,639)	(231,334)	2,283,374	**(5,103,220)**	**(231,334)**	**(3,051,180)**

There were no unrecognised deferred tax assets and liabilities during the year (2016: nil).

Notes to the financial statements *(continued)*

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15 Cash balances at Bank of Zambia

See accounting policies in note 30 h

	2017	2016
Balances at Bank of Zambia	**29,928,836**	39,746,377
Bank of Zambia statutory reserve	**226,774,416**	385,611,028
Total	**256,703,252**	425,357,405

Cash and cash equivalents

	2017	2016
Cash on hand	**98,131,368**	153,590,710
Placements with other banks	**120,000,000**	-
Balance due from other banks	**307,584,880**	337,360,595
Total	**525,716,248**	490,951,305
Grand total	**782,419,500**	916,308,710

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 2017 the required percentage was 8.5% (2016: 18%).

16 Held-to-maturity investment securities

See accounting policies in note 30 j

	2017	2016
Treasury bills	**1,118,104,034**	736,463,474
Government bonds	**155,155,367**	41,902,486
Euro Bonds	**71,443,084**	-
	1,344,702,485	778,365,960

	2017			2016		
Maturity analysis	**Treasury bills**	**Government bonds**	**Euro bonds**	**Treasury bills**	**Government bonds**	**Euro bonds**
Within one year	**1,118,104,034**	**4,982,005**	**-**	736,463,474	5,073,072	-
Within one to five years	**-**	**150,173,362**	**71,443,084**	-	36,829,414	-
	1,118,104,034	**155,155,367**	**71,443,084**	736,463,474	41,902,486	-

Included in investment securities are treasury bills with a total face value of K 25 million (2016: K 25 million) pledged as security by the Bank for transactions with various counter parties and the Zambia Electronic Clearing House.

During the year the Bank invested in a 7 year Euro bond with the government of Zambia at an coupon rate of 8.50% p.a.

Notes to the financial statements *(continued)*

for the year ended 31 December 2017

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17 Loans and advances to customers

See accounting policies in note 30i

	2017			2016		
	Gross amount	**Impairment allowance**	**Carrying amount**	Gross amount	Impairment allowance	Carrying amount
Retail customers:						
Mortgage lending	**97,660,139**	**(2,891,242)**	**94,768,897**	93,591,807	(3,228,214)	90,363,593
Personal loans	**310,556,123**	**(5,867,146)**	**304,688,977**	201,503,921	(7,871,333)	193,632,588
Term loans	**46,603,661**	**(2,295,747)**	**44,307,914**	46,681,335	(1,571,769)	45,109,566
Total	**454,819,923**	**(11,054,135)**	**443,765,788**	341,777,063	(12,671,316)	329,105,747
Corporate customers:						
Term loans	**458,461,954**	**(17,135,771)**	**441,326,183**	413,026,205	(7,629,208)	405,396,897
Overdrafts	**379,342,577**	**(8,718,397)**	**370,624,180**	285,199,951	(7,109,811)	278,090,240
Total	**837,804,531**	**(25,854,168)**	**811,950,363**	698,226,156	(14,739,019)	683,487,137
Total loans	**1,292,624,454**	**(36,908,303)**	**1,255,716,151**	1,040,003,219	(27,410,335)	1,012,592,884

Notes to the financial statements *(continued)*

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17 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.

	2017	2016
Maturing within one year	**392,708,475**	473,896,193
Maturing after 1 year but less than 5 years	**727,304,106**	403,162,344
Maturing after 5 years	**135,703,570**	135,534,347
	1,255,716,151	1,012,592,884

b) Allowances for impairment

See accounting policies in note 30q (iii)

	2017	2016
Specific allowances for impairment		
Balance at beginning of the year	**22,523,083**	22,000,485
Charge for the year	**22,104,222**	10,555,302
Write-offs previously provided for	**(2,545,157)**	(241,403)
Exchange differences	**355,601**	(34,822)
Recoveries	**(11,410,553)**	(9,756,479)
Balance at end of the year	**31,027,196**	22,523,083
Collective allowances for impairment		
Balance at beginning of the year	**4,887,252**	4,793,134
Charge for the year	**993,855**	94,118
Balance at end of the year	**5,881,107**	4,887,252
Total impairment allowance	**36,908,303**	27,410,335

c) Total impairment losses in profit or loss

	2017	2016
Specific impairment	**22,104,222**	10,555,302
Collective impairment	**993,855**	94,118
Impairment loss recognised in profit or loss	**23,098,077**	10,649,420

18 Other assets

	2017	2016
Interest receivable	**30,656,388**	25,855,361
Inter branch accounts receivable	**451,095**	82,925
Prepaid expenses	**2,122,731**	2,187,155
Visa settlement receivables	**2,430,538**	6,159,950
Staff loan receivables	**45,178,605**	50,445,837
Other assets	**11,774,531**	11,302,100
	92,613,888	96,033,328

Notes to the financial statements *(continued)*

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19 Property and equipment

See accounting policies in note 30p

	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 2016	67,240,606	29,396,240	2,950,427	36,095,456	33,249,368	27,880,959	196,813,056
Additions	6,095,619	644,134	2,415,808	8,298,768	2,737,223	679,215	20,870,767
Transfer	18,221,254	540,393	-	3,321,150	5,354,296	(27,437,093)	-
Adjustments	-	-	-	(111,030)	(614,101)	-	(725,131)
Balance at 31 December 2016	91,557,479	30,580,767	5,366,235	47,604,344	40,726,786	1,123,081	216,958,692
At 1 January 2017	**91,557,479**	**30,580,767**	**5,366,235**	**47,604,344**	**40,726,786**	**1,123,081**	**216,958,692**
Additions	**863,341**	**215,853**	**1,018,584**	**4,132,971**	**1,339,638**	**1,226,097**	**8,796,484**
Transfers	**74,750**	**249,500**	**-**	**411,251**	**972,246**	**(1,707,747)**	**-**
Disposals	**-**	**-**	**(416,802)**	**(131,918)**	**(238,352)**	**-**	**(787,072)**
At 31 December 2017	**92,495,570**	**31,046,120**	**5,968,017**	**52,016,648**	**42,800,318**	**641,431**	**224,968,104**
Depreciation							
Balance at 1 January 2016	577,952	8,832,041	2,325,187	21,865,695	20,622,482	-	54,223,357
Charge for the year	1,436,289	2,801,371	274,095	6,644,385	6,033,697	-	17,189,837
At 31 December 2016	2,014,241	11,633,412	2,599,282	28,510,080	26,656,179	-	71,413,194
Balance at 1 January 2017	**2,014,241**	**11,633,412**	**2,599,282**	**28,510,080**	**26,656,179**	**-**	**71,413,194**
Charge for the year	**1,834,671**	**2,840,414**	**763,542**	**8,980,902**	**6,378,127**	**-**	**20,797,656**
Disposals	**-**	**-**	**(416,802)**	**(130,342)**	**(233,218)**	**-**	**(780,362)**
At 31 December 2017	**3,848,911**	**14,473,825**	**2,946,022**	**37,360,641**	**32,801,089**	**-**	**91,430,488**
Carrying amounts							
At 31 December 2016	89,543,238	18,947,355	2,766,953	19,094,264	14,070,607	1,123,081	145,545,498
At 31 December 2017	**88,646,659**	**16,572,295**	**3,021,995**	**14,656,008**	**9,999,229**	**641,431**	**133,537,616**

Included in property and equipment are fully depreciated assets with a cost of K 20.73 million (2016: K 24.79 million). In 2015, 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. In the opinion of the directors, the carrying value of land and buildings at 31 December 2017 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.

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19 Property and equipment *(continued)*

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

	2017	2016
Cost	**33,531,069**	33,531,069
Accumulated depreciation	**(3,750,410)**	(3,079,789)
Net book value	**29,780,659**	30,451,280

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 (2015: K92.35 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 as a basis for determining the fair value

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20 Deposits from customers

See accounting policies in note 30l

	2017	2016
Demand deposits	**692,403,606**	514,417,162
Savings deposits	**397,928,048**	342,926,897
Term deposits	**679,809,300**	451,544,934
Foreign currency deposits	**832,872,168**	758,981,643
	2,603,013,122	2,067,870,636
Repayable on demand	**1,771,125,062**	1,487,625,358
Repayable with agreed maturity dates or periods of notice, by residual maturity:		
- Three months or less	**100,844,951**	53,959,051
- Between three months and one year	**683,189,962**	519,236,400
- Between one year and three years	**47,853,147**	7,049,827
	2,603,013,122	2,067,870,636

21 Deposits from banks

See accounting policies in note 30l

Standard Chartered	-	596,592
	-	596,592

22 Other liabilities

See accounting policies in note 30m

Bills payable	**5,338,560**	4,916,358
Interest payable	**55,126,364**	41,405,214
Withholding tax payable	**600,088**	1,608,150
Accrued expenses	**20,495,303**	9,655,681
Employee provisions	**112,859,417**	85,799,527
Other liabilities	**19,095,809**	33,752,284
	213,515,541	177,137,214

23 Share capital

See accounting policies in note 30 l

	Number of ordinary shares 2017	**Ordinary share capital 2017**	Number of ordinary shares 2016	Ordinary share capital 2016
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

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23 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 K 43,806,605 (2016:K33,353,413) was proposed. The dividends have not been recognised as liabilities, therefore, there are no tax consequences.

24 Contingent liabilities

There were contingent liabilities as at 31 December 2017 amounting to K52.49 million (2016: K42.80 million). These are financial guarantees and letters of credit, which are not recognised in the statement of financial position.

25 Subsequent events

Apart from the dividend of K43,806,605 (2016: K33,353,413 million) which was proposed after the reporting date, there were no events after the reporting date requiring disclosure in, or adjustment of, these financial statements.

26 Capital commitments

There were no capital commitments as at 31 December 2017 (2016: Nil).

27 Related party transactions

All the transactions with related parties were at arm's length.

(a) Balances due to other banks

	2017	2016
Bank of Baroda	**64,399,299**	35,533,159
Bank of India	**17,263,577**	12,887,883
	81,662,876	48,421,042

b) Interest paid

Bank of Baroda	**907,995**	1,641

c) Deposits

Government of the Republic of Zambia - (Central Government)	**25,341,895**	29,208,776
Government of the Republic of Zambia - (Donor funds)	**-**	489,747
	25,341,895	29,698,523

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27 Related party transactions *(continued)*

d) Key management compensation

	2017	2016
Salaries and short term benefits	**19,742,221**	19,767,013
Terminal benefits	**2,553,611**	6,993,812
	22,295,832	26,760,825

e) Directors' remuneration

Directors' fees	**4,110,195**	5,060,003
Directors' emoluments	**2,548,013**	3,188,706
	6,658,208	8,248,709

f) Related party loans

2017	**Directors**	**Key management**
Loans outstanding at beginning of the year	**305,831**	**5,501,778**
Loan advances during the year	**-**	**3,625,403**
Loan repayments during the year	**(208,035)**	**(1,152,007)**
Loans outstanding at end of the year	**97,796**	**7,975,174**
Interest earned	**58,903**	**1,370,410**
2016		
Loans outstanding at beginning of the year	423,775	4,495,046
Loan advances during the year	-	2,192,500
Loan repayments during the year	(117,944)	(1,185,768)
Loans outstanding at end of the year	305,831	5,501,778
Interest earned	67,740	557,835

The average interest rate range for the year 2017 was 26.75% (2016: 32%).

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.

g) Related party deposits

2017	**Directors**	**Key management**
Balance at beginning of the year	**570,446**	**720,505**
(Withdraw)/deposit during the year	**(41,503)**	**(120,505)**
Balance at end of the year	**528,943**	**600,000**
2016	**Directors**	**Key management**
Balance at beginning of the year	1,422,299	428,877
(Withdraw)/deposit during the year	(851,833)	291,628
Balance at end of the year	570,446	720,505

27 Related party transactions *(continued)*

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

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

- ZESCO Limited; and
- ZAFFICO Limited.

The total cumulative deposits held by entities owned by Industrial Development Corporation as at 31 December 2017 was K 30.19 million (2016 - K66.84 million). Normal terms and conditions apply on the deposit accounts held by these entities. The transactions with the Bank were at arm's length.

The following entities that are owned by IDC did not have any deposit and loan accounts with the Bank as at 31 December 2017:

• Afrox Zambia PLC	• Zamcapital Enterprises Limited
• Kariba Minerals Limited	• Times Printpak Zambia
• Lusaka Trust Hospital	• ZANACO PLC
• Medical Stores Limited	• ZCCM-Investment Holdings PLC
• Mpulungu Harbour Corporation Limited	• Zambia Forestry and Forest Industries company
• Mukuba Hotel Limited	• Kagem Minerals Limited
• Mulungushi Village Complex Limited|	• NIEC Business School
• Mupepetwe Development Company	• Mulungushi Textiles Limited
• Nanga Farms PLC	• Mulungushi International Conference Centre
• Nitrogen Chemicals of Zambia Limited	• Zambia China Mulungushi Joint Venture
• Zambia Daily Mail Limited	• Zambia Publishing House Limited
• Zambia International Trade Fair Limited	• Zambia School of Business
• Zambia Printing Company Limited	• Zambia Airways Limited
• Engineering Services Corporation - ESCO Limited;	• Zambia Educational Publishing House
• Indeni Petroleum Refinery;	• ZAMTEL Limited;
• Lusaka South Multi Facility Economic Zone Limited;	• Zambia Railways Limited and;
	• ZSIC Life Insurance Limited.
	• ZSIC General insurance Limited

28 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 and the Bank's objectives, policies and processes for measuring and managing risk.

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 risks 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 risks 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.

28 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.

28 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 re-pricing that may be undertaken, which is monitored daily by Treasury department.

28 Financial risk management *(continued)*

ii) Interest rate risk *(continued)*

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 re-pricing or maturity dates.

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.

29 Basis of measurement

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

30 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.

30 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 losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, and foreign exchange differences.

30 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 or 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.

30 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 months pay for each completed year of service.

30 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.

30 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.

30 Significant accounting policies *(continued)*

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

vi) 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. Specific impairment provisions take into account the projected cash flows and collateral values of the specific customer. Judgement is required to determine when an impairment event has occurred and to estimate the likely timing and extent of recovery, and whether an impairment provision is required

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.

30 Significant accounting policies *(continued)*

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

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

Collective impairment provisions are predominantly determined using a methodology which incorporates observable data, assumptions and estimates. Management applies judgement in determining the appropriateness of the methodology, analysing the observable data, determining appropriate assumptions and formulating estimates. 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.

30 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.

30 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.

30 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.

30 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.

30 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.

31 Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2018; and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

IFRS 9 *Financial Instruments* (effective date I January 2018)

The Bank has appointed Price Waterhouse Coppers (PWC) for impact assessment, gap analysis and implementation under IFRS - 9 Financial Instruments. The assessment made by PWC on behalf of the Bank to date of this report is a preliminary as not all transition work requirements have been finalised and therefore may be subject to adjustment. The new standard will require the entity to revise its accounting processes and internal controls, and these changes are not yet complete.

From the preliminary assessment the following have been determined;

1. Measurement and classification

IAS 39
There are four asset classifications under IAS 39: fair value through profit or loss (FVTPL), incorporating trading and instruments designated at FVTPL; loans and receivables; held to maturity; and available-for-sale (AFS). The classification of assets into these categories was determined based on a mix of management intent and product characteristics. The Banks financial assets are currently classified as loans and advances, held to maturity and fair value through profit or loss.

IFRS 9
There are three measurement classifications under IFRS 9: amortised cost, fair value through profit or loss (FVTPL) and, for financial assets, fair value through other comprehensive income (FVOCI). The existing IAS 39 financial asset categories are removed. Financial assets are classified into these categories based on the business model within which they are held, and their contractual cash flow characteristics. The business model reflects how the financial assets of the Bank are managed to achieve a particular business objective. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flows ('hold to collect'), and where those contractual cash flows are solely payments of principal and interest (SPPI). Principal represents the fair value of the instrument at the time of initial recognition. Interest in this context represents compensation for the time value of money and associated credit risks together with compensation for other risks and costs consistent with a basic lending.

They will be no significant change in the bank's measurement and classified of its current financial instruments see details below on IAS 39 verse IFRS-9;

Classification and measurement	
IAS 39	**IFRS 9**
Held to maturity • Debt Instruments – Investment securities	**Amortized cost** Debt Instruments - Investment securities
Loans and receivables • Loans and advances to Customers • Cash and cash equivalents	**Amortized cost** • Loans and advances to Customers • Cash and cash equivalents

31 Standards issued but not yet adopted *(continued)*

2. Impairment of financial assets

IAS 39
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.

The impairment calculation is considered separately on a specific and collective basis as follows: Specific impairment provisions take into account the projected cash flows and collateral values of the specific customer. Judgement is required to determine when an impairment event has occurred and to estimate the likely timing and extent of recovery, and whether an impairment provision is required.

Collective impairment provisions are predominantly determined using statistical models, which incorporate observable data, assumptions and estimates. The models will approximate the impact of current economic and credit conditions on the portfolio of loans. Management applies judgement in designing the models, analysing the observable data, determining appropriate assumptions and formulating estimates.

IFRS -9 – Expected Credit Loss Model:

IFRS 9 provides a complete shift in terms of accounting for loan loss provisions by introducing an 'expected credit loss model' compared to the current 'incurred loss model' under IAS 39. The provisioning accounting under IFRS 9 will entail higher provisioning amounts compared to those computed under IAS 39. IFRS9 is an expected credit loss model of impairment: Essentially under this standard, impairment based on forecast of likely future credit losses using reasonable and supportable information.

Three stages under IFRS-9 and impairment recognition:

IFRS9 impairment uses a three stage approach recognising increasing credit risk:

Stages	Impairment recognition	Interest revenue recognition
Stage-1 Performing	At origination all assets have at least 12 months expected credit losses; (Accounts with no overdues and overdues upto 30 days)	EIR on gross amount (excl. loss allowance)
Stage-2 Under-Performing	Brings forward recognition of impairment when credit risk increases significantly; assets are subject to lifetime expected credit losses; (Accounts with overdues from 31 to 60 days)	EIR on gross amount (excl. loss allowance)
Stage-3 Non-Peforming	On default recognise lifetime expected credit loss as IAS-39 credit impaired assets. (Accounts with overdues above 90 days)	EIR on amortised cost (net of loss allowance)

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

31 Standards issued but not yet adopted *(continued)*

2. Impairment of financial assets *(continued)*

The expected credit losses to be arrived at after considering probability of default and loss given default. At present, Bank has fully provided for non-performing assets and collective impairment for stage1 & 2 accounts as per IAS – 39. On implementation of IFRS – 9, there is an increase in provisions under stage – 2 on account of life time expected credit losses. However, considering collateral available against the loans the impact may be low.

As per Bank of Zambia guidelines, minimum required provisions shall be higher of:

- Provisions stipulated by the Banking and Financial Services (Classification and Provisioning of Loans) Regulations or
- Accounting provisions in accordance with the requirements of IFRS-9.

Further, where the IFRS 9 accounting provisions are lower than the provisions stipulated by the Banking and Financial Services (Classification and Provisioning of Loans) Regulations, the difference between the two amounts shall be treated as appropriations of retained earnings by creating a general banking loan loss reserve on the balance sheet, and not as a charge to the income statement. Similarly, if in a subsequent reporting period, there is need to reduce the general banking loan loss reserve, such a reduction shall be added back to retained earnings and not as a credit to the current period's income statement.

The bank is yet to assess the impact on capital adequacy as explained in the introductory paragraph above. The Bank will account for the IFRS 9 requirement impact on retained earnings by spreading it across the three years, for regulatory capital purposes as per Bank of Zambia guidelines.

IFRS 15 *Revenue from Contracts with Customers* – (effective date 1 January 2018)

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 Bank, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Bank is currently in the process of performing a more detailed assessment of the impact of this standard on the Bank.

IFRS 16 *Leases* – (effective date 1 January 2018)

This standard will replace the existing standard IAS 17. The core principal of the standard is that the lessee and the lessor should recognise all rights and obligations arising from leasing arrangements on the balance sheet.

The impact of the adoption of the standard on the financial statements for the Bank is still being assessed.

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BRANCH 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	Plot No. 6907, Cairo Road P. O. Box 35411, Lusaka	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	cmnorthend@izb.co.zm
3. Kamwala	Plot 228 (A) Chilumbulu Road P. O. Box 35411, Lusaka	0211 235717/238863 0211 234058	0211 238571	bmkamwala@izb.co.zm
4. Industrial	Plot 284, Mumbwa Road P. O. Box 35411, Lusaka	0211 286218/286223 0211 846070	0211 286219	bmindl@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	bmchilenje@izb.co.zm
11. Kafue	Plot No. 1076, Lusaka Road	0211 311617	0211 311600	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	-	-	-
14. Serenje	Stand 19, Convent Road,Serenje	0215 382036	0215 382035	bmserenje@izb.co.zm
COPPERBELT PROVINCE				
15. Ndola Main	Plot No. 30, President Avenue, P. O. Box 73283, Ndola	0212 621347 0212 611126/611124 0212 610779	0212 615421	cmndola@izb.co.zm
16. Jacaranda	Jacaranda Shopping Mall, Plot No. 3539, Corner Mushili/Kabwe Road, Po Box 73283 Ndola	0212 650711 0212 650712 -	0212 650713 -	bmjacaranda@izb.co.zm -

BRANCH CONTACTS

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. Chingola	Plot No. 1860, Kwacha Street P. O. Box 11225, Chingola	0212 314410/314411 0212 314430	0212 314412	bmchingola@izb.co.zm
19. Chililabombwe	Plot No. 2100 Midway avenue chililabombwe	0212 380045/380044	0212 380043	bmchililabombwe@izb.co.in
NORTH-WESTERN PROVINCE				
20. Solwezi	Plot No. 408/409, Town Centre P.O. Box 110476, Solwezi	0218 821767 0218 821757	0212 821834	bmsolwezi@izb.co.zm
NORTHERN PROVINCE				
21. Kasama	Stand No. 9, Independence Av. P.O. Box 410217, Kasama	0214 221105	0214 221108	bmkasama@izb.co.zm
22. Mungwi	Plot No. 1031, Mungwi	0216 245018	0216 245024	bmmungwi@izb.co.zm
MUCHINGA PROVINCE				
23. 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				
24. 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				
25. Nyimba	Plot NYI 1700, Great East Road P. O. Box 570034, Nyimba	0216 374022/374023 0216 374024	0216 374025	bmnyimba@izb.co.zm
26. Chipata	Plot S/D 2310A, Hospital Road P. O. Box 511054, Chipata	0216 221579/221574 0216 221744/221746	0216 221576	bmchipata@izb.co.zm
27. Lundazi	Stand 2553, Lundazi	0216 480212 0216 480213	0216 480214	bmlundazi@izb.co.zm
SOUTHERN PROVINCE				
28. Choma	Stand 79A, Livingstone Road P. O. Box 630577, Choma	0213 220115 0213 220114	0213 220116	bmchoma@izb.co.zm
29. Livingstone	Plot No. 122/A, Mosi O Tunya Road P. O. Box 60399, Livingstone	0213 322625/322626 0213 322695	0213 322627	bmlstone@izb.co.zm
30. Zimba	Stand No. 03, Plot No. 26 Lusaka Road, Zimba	0213 344430	0213 344429	bmzimba@izb.co.zm
WESTERN PROVINCE				
31. Mongu	Plot No. 3255,Independence Avenue, P. O. Box 910089 Mongu	0217 221409 0217 221422	0217 221434	bmmongu@izb.co.zm