INVESTRUST BANK Plc

CHAIRMAN'S STATEMENT

ECONOMIC OVERVIEW

Global Economy

Much has and will be written about the global economic downturn in financial and credit markets. The crisis led major economies, especially the developed economies of North America and Western Europe, to formulate strategies that focused on maintaining market liquidity through massive injection of funds. The financial services sector was the prime beneficiary because of its central role in the credit creation process. By mid 2009, the global economy began to pull out of the recession and exhibited signs of recovery. The IMF projections were that advanced economies as a group were yet to show a sustained pickup in activity until the second half of 2010. The downward drag exerted by the financial shock, the sharp fall in global trade, the general increase in uncertainty and the collapse of confidence have gradually diminished. However, the supportive forces remain weak as many housing markets have yet to bottom out. Financial markets remain impaired and bank balance sheets need to be cleaned and institutions restructured.

At the same time, commodity prices have rebounded ahead of the general economic recovery. In the oil market, prices have responded strongly to the perceptions that market dynamics are shifting from significant oversupply, to more balanced conditions.

In this setting economic activity and credit growth are likely to remain subdued in many economies. It remains unclear how structurally weaker private consumption in the United States and emerging economies that suffered asset price collapse will be compensated for by stronger demand elsewhere. Currently expansionary macroeconomic policies and an inventory adjustment are supporting global activity but these are not medium or long term factors.

African economy

The global financial crisis impacted the continent in different ways. Commodity importers have borne the brunt a lot less than exporters. However, recourse to structural reforms by a number of economies ahead of the crisis meant that the continent responded to this particular shock more adequately unlike in the past. Enhanced private sector contribution to the domestic value creation process, and improved public expenditure management frameworks were vital in this process.

Overall, Africa seems to have generally avoided the major macroeconomic instabilities that followed previous global downturns. While the financial sectors in many African countries came under pressure they largely escaped the large contractions and losses witnessed in other parts of the world. Foreign exchange reserve levels, while lower than when the crisis began, remained close to historic highs. This has been attributed to prudent macroeconomic policies and benevolent external conditions.

Zambian Economy

2009 opened on a negative note during the height of the global financial crisis, the worst since the great depression. There was however, rapid recovery of the Zambian economy in the later part of the year, mainly due to copper prices that had risen to levels that were unexpected in such a financial crisis. The early part of the year was characterized by company closures and heavy job losses. The mining sector was the first to experience the brunt of the global financial crisis. Luanshya Copper Mines and the country's sole nickel mine, Munali, were closed. In total close to 12,000 jobs were believed to have been lost.

The year opened with an inflation rate at a double digit of 16 percent, while it closed with a single digit of 9.9 percent.

Zambia recorded a surplus in major food crops such as maize. Output for the 2008/2009 season for maize was estimated at 1.8 million tonnes, above the 1.7 million tonnes of the national requirement.

As at December 2009, preliminary data indicated that the country's gross domestic product (GDP) was expected to grow by 6.3 percent. The mining and construction sectors had strongly contributed to the growth rate of the Zambian economy in 2009.

Financial Sector

In the financial sector, several more banks entered the market: First National Bank of South Africa, United Bank of Africa Zambia Limited, ECO Bank Limited, International Commercial Bank Zambia limited and Access Bank Zambia Limited. This brought the total number of banks in the country to 18.

Despite this development the sector suffered an increase in gross non-performing loans, from 7.2 percent at the beginning of the year to 12.9 percent at the end of the year. The industry cost of funds also increased from 2.01 percent in 2008 to 3.02 percent in 2009.

HIGHLIGHTS OF THE BANK'S BUSINESS PERFORMANCE

At Investrust Bank plc, the right strategy and a dedicated workforce have shown that growth can be sustained even in a tough economic environment. The Bank has ended the year with solid earnings, and a strong balance sheet and capital position, which have allowed the Bank to emerge from the financial crisis with its business model intact and momentum sustained.

Earnings

Having witnessed the turbulent times in the global financial markets and against this economic landscape, Investrust Bank plc achieved a steady performance in 2009 both in terms of financial and operating results. Profit attributable to shareholders was **ZK10.07** billion an increase of 3 percent compared to 2008.

The results were negatively impacted by an increase in loan loss impairment provisions, and an increase in operating costs, they grew by 25 percent and 24 percent respectively.

With a strong balance sheet at **ZK471 billion** total assets**,** we believe the Bank is in a vantage position to face upcoming market difficulties in the near term and take full advantage of opportunities for continued growth.

Capital and reserves

The Bank's regulatory capital continued to grow reaching **ZK56 billion** at end of 2009 above the ZK12 billion minimum requirement of the Central Bank. The shareholders' funds grew by 17 percent over the 2008 figure to **ZK47.6 billion**.

Share market performance and dividends

It is disappointing that the shareholder returns were flat for the year. This was a consequence of the ongoing instability in the prices of listed securities triggered by the turmoil in world financial markets, the substantial escalation in the cost of debt, and investor concerns regarding availability of capital to support corporate refinancing requirements.

The Board deemed it prudent to maintain the annual distributions of dividends at **ZK1.14 per share.** This will create space for the capital required in response to the Bank's branch expansion programme, technological enhancements, and new product development needs.

Corporate Governance

One of the keys to corporate success in good and bad times is corporate governance. The Board regularly reviews and updates the bank's governance practices and continues to represent the best interest of shareholders through a strong focus on transparency and accountability.

Board of directors

There were no changes in the membership of the Investrust Board of Directors. However, in order to enhance the Bank's corporate governance, an additional Board committee was formed, namely, the Board Assets and Liabilities committee (ALCO).

Risk Management

The events that beset the financial services industry in 2008/2009 put risk management policies and procedures under considerable scrutiny and strain, and highlighted the importance of board oversight. Investrust Bank's risk management objective is to ensure that the bank is taking on risks it can understand and manage within acceptable limits. And on account of this disciplined approach, Investrust risk policies passed the test during the financial crisis.

Branch network

Despite the global downturn, the Bank remained committed to its strategy of producing long-term growth by expanding its branch network and delivering value to its customers, shareholders and communities. In 2009, the Bank opened four additional branches (namely Lumwana, Livingstone, Lusaka Industrial and Ody's Head office) and one agency at the Lusaka International Airport. This strategy did not change in 2009 and it will not change in 2010.

Human Resources

Our success is underpinned by people. The best strategy in the world means nothing without a talented team to execute the chosen business strategy. The Bank worked hard to create a workplace that attracts people who are passionate about customer needs. The Governing Board is extremely proud of the 250+ employees for their hard work and professionalism over the past year.

Corporate Social Responsibility

The Bank has continued with its corporate social responsibility by providing support to the communities in which it operates. The Bank contributed **ZK115 million** to socially responsible causes representing 2% of the profits after tax.

Confidence in the Future

The underlying economic conditions are expected to remain challenging for the foreseeable future. However, the Board is confident that the Investrust strategy is bearing results and the Bank is in a position of strength. The conservative risk profile which has protected the Bank from the worst of the economic and financial market challenges, through investing for long-term growth, will allow the Bank to better capitalize on opportunities in an increasingly competitive market.

Acknowledgements

On behalf of the Board of Directors, I would like to thank Mr. Friday Ndhlovu, his management team and every one of the Bank's outstanding employees for their exemplary contribution and commitment, to the strong performance of the Bank in 2009.

Dr. J.B. Zulu
CHAIRMAN – INVESTRUST BANK Plc