



## CHAIRMAN'S STATEMENT

### **ECONOMIC OVERVIEW**

The projected growth rate of the global economy was 5.1 percent for 2006 compared to 4.9 percent recorded in 2005. This growth was led by the United States of America, Japan and Europe. Emerging markets like China and India have also continued to record dynamic growth in recent years. Much of the global economic buoyancy in 2006 was the result of high export commodity prices coupled with increases in oil prices due to increased demand and uncertainties in some major oil producing countries.

In 2006, Zambia has continued the successes scored through various economic policies put in place by the Government. The economy recorded a real Gross Domestic Product (GDP) growth of 5.8 percent from 5.2 percent recorded in 2005. The inflation rate has been progressively reduced and stood at 8.2 percent as at end December 2006.

At the same time interest rates continued to be on retreat while the Central Bank continued with its policy of cautious monetary easing. The exchange rate witnessed a sharp depreciation against the US dollar during the first half of the year and stabilized during the second half.

### **FINANCIAL PERFORMANCE**

The year 2006 can best be described as another year of marvelous success for Investrust bank plc. It has indeed proved to be a milestone year with a remarkable growth in the assets, deposits and profits. The Bank recorded an after-tax profit of **ZK9.1 billion**. This is a 49% increase on 2005 results. Total assets plus contingencies rose to **ZK295 billion** from K210 billion in 2005 while customer deposits grew by 49% to **ZK243 billion**

This growth has been recorded against the backdrop of stiff competition and changes in the Zambian economy as highlighted in the Managing Director's review.

The outstanding result stands testimony to our dedication, drive and efficiency; in light of the challenging economic backdrop of Zambian banking sector. The Bank acquired new customers and the existing ones showed an upbeat trend with increased business. This amongst other factors contributed to a remarkable increase in the deposit base. The loyalty and expression of confidence from our esteemed clients, depositors and borrowers spurred the Bank to increase its loan portfolio (including leases) by 80%.

During the year, our shares traded very actively in the capital market, indicating discernible investors' preference for our stock. We are gratified by this trend and will therefore endeavor to maintain a friendly dividend policy. The Board is therefore pleased to recommend a dividend of **ZK0.77** per share as contained in the Director's report.



In terms of expansion of the operational activities, the Bank commenced operations in Luangwa at the confluence of the Zambezi and Luangwa rivers in September 2006.

### **CUSTOMER SERVICE**

We believe that our commitment to provide high class service, tailored to our customers' needs, is an important differentiator in a financial services market. It offers the Bank a real competitive advantage in a sector dominated by many players.

### **BRANCH NETWORK**

In tune with our strategic intent to remain a superior, local and reputable financial institution, we have stepped up our drive to open more branches in strategic locations within the country in the foreseeable future.

### **CORPORATE SOCIAL RESPONSIBILITY**

The Bank continued in its efforts to improve the social and economic well being of the communities in which it operates. Several contributions were made during 2006 to support various socially responsible causes.

### **BASEL II COMPLIANCE**

The Bank considers Basel II as a business imperative and not as a compliance issue. The Bank has already initiated steps to implement it through the recruitment of personnel dedicated to focus on Credit Risk Management, Operational Risk Management and Basel II implementation.

### **CORPORATE GOVERNANCE**

The Bank has adopted a highly effective system of Corporate Governance to ensure continued growth of shareholder value keeping in view the interests of all stakeholders. Details are covered in a separate report on Corporate Governance in this annual report.

### **BOARD OF DIRECTORS**

In the third quarter, there was an additional Non-executive member of the Board, Mrs. Eva Jhala. The Board continued to provide excellent governance and clear direction to the Bank's management.

### **THE FUTURE**



The future will bring major challenges and opportunities for the Bank. The financial services sector is ever more competitive and regulation continues apace.

Accordingly it is vital that we do not become complacent. We will continue to review our strategy to ensure that we identify profitable niches in which to operate. We will also strive for efficiencies wherever possible. We will concentrate our resources in those areas which we believe will offer the best returns in the medium to long term. The future of the Bank is not only assured but also very bright. This optimism is predicated on our excellent track record as well as the overall improvement of the *Zambian* economy – a reality that has translated into improved country risk ratings for the nation.

Looking ahead, we are confident that the bank's belief in its ethical values combined with its investment in our people, customer focus and product innovation, will continue to serve us well.

#### **ACKNOWLEDGEMENTS**

I take this opportunity to thank the members of the Board for their valuable guidance, the members of the staff and the top management team for their excellent co-operation in achieving corporate objectives, our valued customers for their continued patronage and our shareholders for the confidence that they have reposed in us.

I have no doubt that the enthusiasm of our staff, and their commitment and determination, will ensure that the success enjoyed in 2006 is replicated next year.

I invite you to enter the new era with even greater enthusiasm so that we can work together to build Investrust bank into a leading financial institution in *Zambia*.

**Dr. J.B. Zulu**  
**CHAIRMAN**