Bank Of Zambia

ANNUAL REPORT 2011

TABLE OF CONTENTS

Political stability, a growing democracy and continued infrastructural development have been critical ingredients in Zambia's strong investment record and the robust growth recorded in the recent past.

Bank Of Zambia

MISSION STATEMENT

The mission of the Bank of Zambia is to formulate and implement monetary and supervisory policies that achieve and maintain price stability and promote financial system stability in the Republic of Zambia

REGISTERED OFFICES

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Tel: +260 212 611633-52
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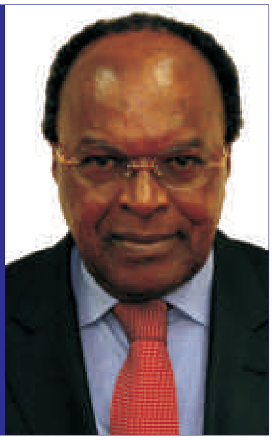
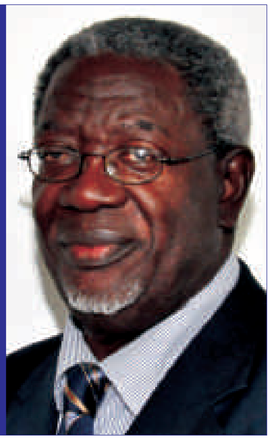
E-mail:pr@boz.zm
Website: www.boz.zm

BOARD OF DIRECTORS[1]

DR. MICHAEL GONDWE
GOVERNOR AND CHAIRMAN



DR. KASUKA MUTUKWA
VICE CHAIRMAN



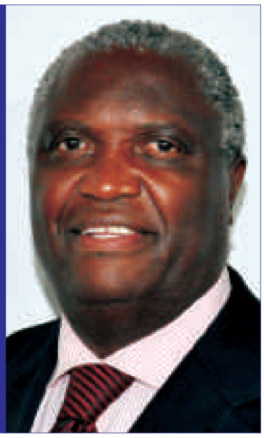
MRS. ALICE JERE TEMBO

MR. FREDSON YAMBA

MS. K. MONICA MUSONDA

MR. ESAU NEBWE

MR. GILBERT K. TEMBA



HIS ROYAL HIGHNESS MWATA ISHINDI KAZANDA CHANYIKA III

[1]The Board of Directors was fully constituted by December 2011, replacing the previous one which served until 3rd October 2011. The previous Board comprised:

1. Dr. Caleb M. Fundanga;
2. Mr. Likolo Ndalamei;
3. Chief Anang'anga Imwiko;
4. Dr. Judith C. N. Lungu;
5. Dr. Mwene Mwinga;
6. Mrs Grace Bwanali; and
7. Dr. Dennis Chiwele

DR. BWALYA NGANDU
DEPUTY GOVERNOR - OPERATIONS

DR. MICHAEL GONDWE
GOVERNOR

DR. MULENGA EMMANUEL PAMU
DIRECTOR - ECONOMICS

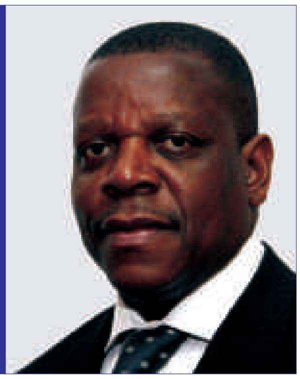
MR. PETER BANDA
DIRECTOR - FINANCIAL MARKETS

MR. CHISHA MWANAKATWE
DIRECTOR - NON-BANK FINANCIAL INSTITUTIONS SUPERVISION

MRS. EDNA MUDENDA
DIRECTOR - BANKING, CURRENCY AND PAYMENT SYSTEMS

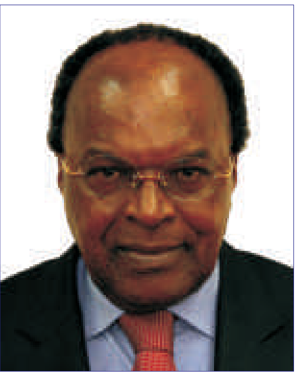
MR. WILSON KALUMBA
ACTING DIRECTOR - BANK SUPERVISION

MR. MORRIS MULOMBA
DIRECTOR - REGIONAL OFFICE



MR. SIMON SAKALA
DIRECTOR - RISK MANAGEMENT

Note:
This is the list of Senior Management as at 31st December 2011. There were changes in the positions on 1 (Dr. Caleb Fundanga), 2 (Dr Austin Mwape), and 3 (Mr. Lameck Zimba) through the course of the year.



DR. TUKIYA KANKASA-MABULA
DEPUTY GOVERNOR-ADMINISTRATION

MR. CHISHIMBA YUMBE
DIRECTOR - FINANCE

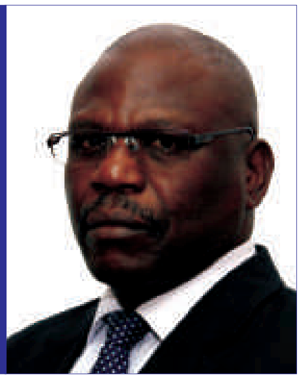
MR. MATHEW CHISUNKA
BANK SECRETARY

MS. PENELOPE MAPOMA
ACTING DIRECTOR - HUMAN RESOURCES

MR. DAVID MWAPE
DIRECTOR - INFORMATION AND COMMUNICATIONS TECHNOLOGY

MS. PRUDENCE MALILWE
DIRECTOR - INTERNAL AUDIT

MR. DAVID NKATA
DIRECTOR - PROCUREMENT AND MAINTENANCE



1.0 GOVERNOR'S OVERVIEW

1.0 GOVERNOR'S OVERVIEW

DR. MICHAEL GONDWE
GOVERNOR

The global economy experienced a slowdown in 2011, growing by 4.0% compared to 5.1% recorded in 2010. This development was largely explained by uncertainty in the sovereign debt markets in the Eurozone, increasing commodity prices, and social-geopolitical unrest in the Middle East and North Africa. Growth in advanced economies fell to 1.6% in 2011 from 3.1% in 2010. Similarly, the pace of growth in Latin America and Sub-Saharan Africa slowed down owing to weak export demand from advanced economies.

Inflation increased in all regions of the world during the year, as energy prices rose. In advanced economies, this was also reflective of expansionary monetary policies aimed at stimulating private demand. With respect to the external sector, the current account deficit widened for advanced economies, while emerging and developing economies recorded a positive balance.

In the domestic economy, Government policy was aimed at sustaining economic growth through the diversification of the economy and development of infrastructure. Growth in real Gross Domestic Product was registered at 6.5%, which was broadly in line with the target of 6.8%. This was largely driven by the transport, storage and communications; agriculture, forestry and fisheries; construction; and wholesale and retail trading sectors.

Annual overall inflation at 7.2% was broadly in line with the end-year target of 7.0%, on account of the reduction in both annual non-food and food inflation. Similarly, external sector performance was favourable, as the overall balance of payments surplus rose to US $243.8 million from US $83.3 million. Further, gross international reserves accumulation increased significantly to US $270.4 million compared with US $138.1 million recorded in 2010. However, the overall fiscal deficit at K3,358.5 billion was 16.6% higher than programmed.

In the financial sector, the overall financial condition of the banking sector was satisfactory. The sector's capital adequacy position remained satisfactory, with eighteen out of the nineteen operating banks having met the minimum nominal capital requirements. The banking sector's earnings performance improved in 2011, with the sector's liquidity position remaining satisfactory. Similarly, the overall financial performance and condition of the non-bank financial institutions sector was fair. The leasing and finance companies, bureaux de change, microfinance sub-sectors and the development finance institution registered satisfactory performance. Further, building societies registered an improvement in earnings performance.

In the fourth quarter of 2011, the Bank of Zambia implemented measures to reduce the cost of borrowing. These included the reduction in the statutory reserve ratio and the core liquid assets ratio.

Therefore, the key challenge for the Bank of Zambia in 2012 will be to ensure that commercial bank interest rates respond sufficiently to the measures and thereby enhance growth of the economy, particularly in the small and medium sized enterprises sector. Other challenges include maintaining single digit inflation in the wake of exchange rate pressures arising from continued uncertainty in global financial markets and rising global oil prices.

DR. MICHAEL GONDWE
GOVERNOR

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

Overview

The global economy experienced a slowdown in 2011, growing by 4.0% compared to 5.1% recorded in 2010 (see Table 1). This development was largely explained by uncertainty in the sovereign debt markets in Europe, increasing commodity prices and social-geopolitical unrest in some regions of the world. Growth in advanced economies fell to 1.6% in 2011 from 3.1% in 2010. Similarly, the pace of growth in Latin America and Sub-Saharan Africa, which had previously been strong, also slowed down owing to weak export demand from advanced economies.

Inflation increased in all regions of the world during the year, as energy prices rose. In advanced economies, this was also reflective of expansionary monetary policies aimed at stimulating private demand to grow the economies.

With respect to the external sector, the current account deficit widened in advanced economies, while emerging and developing economies recorded positive current account balances.

Table 1: World Real GDP, Inflation and Current Account Positions, 2009-2011 ***(Annual % change unless otherwise stated)***

	Real GDP			Inflation			Current Account Positions (% of GDP)		
	2009	**2010**	**2011***	**2009**	**2010**	**2011***	**2009**	**2010**	**2011***
World	-0.7	5.1	4.0	n/a	n/a	n/a	n/a	n/a	n/a
Advanced Economies	-3.7	3.1	1.6	0.1	1.6	2.6	-0.3	-0.2	-0.3
United States	-3.5	3.0	1.5	-0.4	1.6	3.0	-2.7	-3.2	-3.1
Euro Area	-4.3	1.8	1.6	0.3	1.8	1.6	-0.6	-0.4	0.1
Japan	-6.3	4.0	-0.5	-1.1	-0.7	-0.4	2.8	3.6	2.5
Commonwealth of Independent States	-6.4	4.6	4.6	11.2	7.2	10.3	2.5	3.8	4.6
Russia	-7.8	4.0	4.3	11.7	6.9	8.9	4.0	4.8	5.5
Excluding Russia	-3.2	6.0	5.3	10.6	7.2	9.6	0.6	7.5	9.2
Middle East and North Africa (MENA)	2.6	4.4	4.0	6.7	6.8	9.9	2.4	7.7	11.2
Emerging and Developing Countries	2.8	7.3	6.4	5.2	6.1	7.5	1.6	2.0	2.4
Sub-Saharan Africa	2.6	5.4	5.2	10.4	7.5	8.4	-2.3	-1.2	0.6

Source: IMF: World Economic Outlook, September 2011, Zambia Budget Speech 2011.
World Economic Outlook UPDATE, January 2012
*Preliminary numbers; n/a = not applicable

Advanced Economies

Real Gross Domestic Product (GDP) growth in advanced economies fell to 1.6% in 2011 from 3.1% in 2010, largely due to the sluggish recovery in the US economy. The combination of sluggish economic growth, policy uncertainty, rising social obligations, and persistently high unemployment rate slowed the US economy to 1.5% in 2011 from 3.0% in 2010. Similarly, the Eurozone economies were weighed down by the sovereign debt crisis that engulfed Greece and the slow response by Eurozone countries to formulate a concrete and credible solution to the crisis. This pushed up the borrowing costs inof European countries, as investors demanded higher interest rates to buy government securities, thus negatively impacting countries with large public debts such as Italy, Spain and Portugal.

Inflation in Advanced economies increased to 2.6% in 2011 from 1.6% in 2010, largely on account of an increase in oil and commodity prices. In the US, inflation jumped to 3.0% in 2011 from 1.6% in 2010. However, Japan continued to experience deflation, although inflation increased slightly to minus 0.4% in 2011 from minus 0.7% in 2010.

The current account deficit (as a percentage of GDP) for advanced economies deteriorated to 0.3% in 2011 from 0.2% in 2010. However, Japan recorded a current account surplus of 2.5% in 2011 compared to 3.6% in 2010. Current account deficits in advanced economies highlighted the trade imbalances between advanced economies and the emerging and developing economies.

Emerging and Developing Economies

Emerging and developing economies experienced a decline in economic performance, as the effects of economic stagnation in advanced economies and increasing oil prices slowed economic activity. Overall, real GDP growth fell to 6.4% in 2011 from 7.3% in 2010. China and India continued to be the main drivers of growth in this group, although their real GDP growth rates slowed down to 9.5% and 7.8% from 10.3% and 10.1% in 2010, respectively. This was largely attributed to continued weakness in advanced economies which led to a drop in demand for exports from developing and emerging economies. Despite this slowdown, emerging and developing economies still recorded the highest real GDP growth in the world.

Inflation continued its upward trend in emerging and developing economies, rising to 7.5% in 2011 from 6.1% in 2010, mainly due to higher oil prices. In the Asian region, inflation increased to 7.0% from 5.7%. China's inflation increased to 5.5% from 3.3% whilst the inflation rate in India slowed down to 10.6% from 12.0% during the same period. Similarly, Sub-Saharan Africa recorded an increase in inflation to 8.4% from 7.5%.

With regard to external sector performance, current account balances for emerging and developing countries improved slightly in 2011. China's current account surplus remained unchanged at 5.2% of GDP whilst India's current account deficit improved slightly to 2.2% from 2.6% in 2010. The Sub-Saharan Africa region posted a current account surplus of 0.6% in 2011 from a deficit of 1.2% in 2010. This outturn was attributed to higher oil and other commodity prices, which improved the current account positions of countries such as Angola and Nigeria.

Asian Economies

Asian economies, with the exception of Japan, continued to lead the global economic recovery though most countries succumbed to weak demand for goods and services from advanced economies. Fiscal tightening in the Eurozone resulted in a slowdown in growth for export driven countries such as Singapore, Korea, and Taiwan. In addition, high oil prices, a decline in FDI and supply chain disruptions due to natural disasters such as floods in India and Australia and tsunami in Japan contributed to this development. As a region, Asia's real GDP growth fell to 6.2% in 2011 from 8.2% in 2010 .

Inflation in the region increased slightly to 5.3% in 2011 from 4.1% in 2010. Vietnam posted the largest increase in inflation to 18.8% from 9.2%. This outturn was attributed to soaring food and energy prices. However, India's double digit inflation declined slightly to 10.6% from 12.0%, owing mainly to a decline in food prices.

The region's current account surplus declined to 2.9% in 2011 from 3.3% in 2010, mainly as a result of weak demand for Asian goods in advanced economies coupled with the appreciation of regional currencies, particularly the Australian dollar and the Malaysian ringgit. Vietnam's current account deficit deteriorated the most in the region to 4.7% from 3.8%. However, Taiwan bucked the trend as its current account surplus improved to 11.0% from 9.3%.

Commonwealth of Independent States

The Commonwealth of Independent States (CIS) region sustained positive economic growth, as real GDP growth remained unchanged at 4.6% in 2011. This was mainly driven by increasing oil and commodity prices, the region's major exports. Growth in both net energy exporters (Russia, Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan) and net energy importers (Armenia, Belarus, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan and Ukraine) remained unchanged at 4.5% and 5.1%, respectively. Russia, the region's biggest economy, grew by 4.3% from 4.0% in 2010, despite a reduction in investment inflows.

Inflation in the region increased to 10.3% in 2011 from 7.2% in 2010. Both net energy importers and exporters recorded a rise in inflation to 9.0% and 16.8% from 6.9% and 8.7%, respectively. Russia's inflation rose to 8.9% from 6.9% while Belarus' inflation rate soared to 41.0 % from 7.7%.

The region's current account surplus improved to 4.6% in 2011 from 3.8% in 2010. This outturn was largely attributed to increasing oil and commodity prices which benefited most of the region's oil and commodity exporting countries. The net energy exporting countries' current account surplus improved to 6.0% from 5.2%, while net energy importing countries' current account deficit deteriorated to 7.1% in 2011 from 6.5% in 2010.

Latin America and Caribbean Countries (LAC)

Latin American and Caribbean countries continued to register positive economic growth, largely owing to prudent fiscal reforms in the wake of unfavourable effects of the weakness in advanced economies. This growth was mainly driven by improved performance in Central America. However, growth slowed down in Argentina, Brazil and Mexico.

Inflation developments in the region were generally unfavourable. In South America, inflation increased to 7.9% in 2011 from 6.7% in 2010 while in North America, it rose to 3.0% in 2011 from 1.9% in 2010. Similarly, Central America and the Caribbean region registered an increase in inflation to 6.0% and 7.8% from 3.9% and 7.1%, respectively. Venezuela continued to register the highest level of inflation in the region at 25.8%, although it declined from 28.2%. Equally, Argentina continued to register double digit inflation in 2011 at 11.5% from 10.5% whilst Bolivia's inflation jumped to 9.8% from 2.5%.

Generally, the region recorded an adverse current account position, with South America's current account deficit increasing to 1.3% from 1.1% in 2010 while Central America's current account deficit deteriorated to 6.3% from 5.2%. However, this was moderated by the current account surpluses of 7.3%, 0.1% and 4.2% recorded in Venezuela, Chile and Bolivia, respectively as the countries benefitted from high commodity prices.

Middle East and North African Countries

Economic growth in the Middle East and North African region slowed down slightly to 4.0% from 4.4% in 2010, largely as a result of a decline in economic activity in the region's net oil importing countries. Further, the Arab spring uprising adversely affected the economic growth of the region. The region's net oil exporters recorded an increase in real GDP growth to 4.9% from 4.4% while the net oil importers' real GDP growth fell to 1.4% from 4.5%.

Inflation surged to 9.9% in 2011 from 6.8% in 2010 with oil exporters recording the highest rate of inflation at 10.8% from 6.6%. Inflation in Iran and Sudan, for instance, surged to 22.5% and 20.0%, from 12.4% and 13.0%, respectively. Nonetheless, inflation in the region's net oil importers was virtually unchanged at 7.5% from 7.6%.

The current account surplus for the region increased to 11.2% in 2011 from 7.7% in 2010, with the oil exporters recording an improved surplus of 15.0% compared to 10.6%. Saudi Arabia, Qatar and Kuwait recorded surpluses which rose to 20.6%, 32.6% and 33.5% from 14.9%, 25.3%, and 27.8%, respectively. This outturn was attributed to increasing oil prices during 2011 which, in turn, adversely affected oil importers. Thus, the current account deficits for oil importers deteriorated to 4.8% from 3.9%.

African Economies

Sub–Saharan African (SSA) economies posted a modest growth rate of 5.2% in 2011, lower than 5.4% recorded in 2010. The slowdown in economic activity in the SSA region was attributed to: a fall in exports and remittances; lower foreign direct investment and donor aid; and an increase in oil prices. In the Maghreb region (Algeria, Libya, Mauritania, Morocco, and Tunisia), economic growth fell to 2.9% from 3.5% in 2010, largely explained by the Arab spring uprising in the region.

Inflation in the SSA region increased to 8.4% in 2011 from 7.5% in 2010. This outturn was attributed to an increase in oil and energy prices that pushed up the cost of both food and non-food items.

The SSA region registered a current account surplus of 0.6% in 2011 from a deficit of 1.2% in 2010. This outturn was driven by the region's oil exporting countries whose current account surplus surged to 11.1% from 6.0%. Angola and Nigeria's current account surpluses increased to 12.0% and 13.5% from 8.9% and 8.4%, respectively. Zambia recorded a lower current account surplus of 3.2% compared with 3.8%. The rest of the region recorded current account deficits (see Table 2).

Table 2: Selected African Countries GDP, Inflation and Current Account Positions, 2009 - 2011 ***(Annual % change unless otherwise stated)***

	Real GDP			Inflation			Current Account Positions (% of GDP)		
	2009	**2010**	**2011***	**2009**	**2010**	**2011***	**2009**	**2010**	**2011***
Angola	0.7	3.4	3.7	13.7	14.5	15.0	-10.0	8.9	12.0
Kenya	2.4	5.6	5.3	10.6	4.1	12.1	-5.8	-7.0	-8.9
Nigeria	7.0	8.7	6.9	12.5	13.7	10.6	13.0	8.4	13.5
South Africa	-1.8	2.8	3.4	7.1	4.3	5.9	-4.1	-2.8	-2.8
Tanzania	6.0	6.4	6.1	11.8	10.5	7.0	-10.2	-8.8	-8.8
Uganda	7.2	5.2	6.4	14.2	9.4	6.5	-7.8	-8.8	-4.0
Zambia	6.4	7.6	6.7	9.9	7.9	7.2	4.2	3.8	3.2
Sub-Saharan Africa	2.6	5.4	5.2	10.6	7.5	8.4	-2.3	-1.2	0.6

Source: IMF: World Economic Outlook, September 2011, Zambia Budget Speech 2011. World Economic Outlook UPDATE, January 2012
*Preliminary numbers

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Overview

The Government's macroeconomic goals in 2011 were to sustain economic growth through the diversification of the economy and development of infrastructure. In this regard, the major macroeconomic objectives were to:

(i) achieve at least 6.8% growth in real GDP;

(ii) reduce end-year inflation to 7.0%;

(iii) limit domestic borrowing to 1.3% of GDP;

(iv) attain gross international reserves of 3.4 months of prospective imports; and

(v) limit growth in reserve and broad money to -5.6% and 9.3%, respectively.

The overall performance of the economy was favourable in 2011, with real Gross Domestic Product growing by 6.5%, which was broadly in line with the target. The growth in GDP was largely driven by the transport, storage and communications; agriculture, forestry and fisheries; construction; and wholesale and retail trading sectors. Annual overall inflation at 7.2% was broadly in line with the end-year target, on account of the reduction in both annual non-food and food inflation. Similarly, external sector performance was favourable, as the overall balance of payments surplus rose to US $243.8 million from US $83.3 million. Further, gross international reserves accumulation nearly doubled to US $270.4 million from US $138.1 million recorded in 2010. In this regard, gross international reserves ended 2011 at US $2,322 million from US $2,093.7 million at the close of 2010. However, the overall fiscal deficit at K3,358.5 billion was 16.6% higher than the programmed deficit.

3.1 MONETARY DEVELOPMENTS AND INFLATION

Monetary Policy Objectives

The main focus of monetary policy in 2011 was to achieve end-year inflation target of 7.0%. Consistent with this objective, the Bank of Zambia principally relied on Open Market Operations (OMO) to maintain reserve money within the programmed growth path. This was to be supported by the primary auction of Government securities and complemented by prudent fiscal management.

Challenges to Monetary Policy

During 2011, the major challenge to monetary policy implementation was high liquidity in the banking system related to expenditures on the tripartite elections and maize marketing. Other challenges emanated from the depreciation in the exchange rate of the Kwacha against major foreign currencies, particularly in the fourth quarter of the year, which led to further inflationary pressures.

Monetary Policy Outcomes

The outcome of monetary policy in 2011 was favourable, with end-year inflation falling to 7.2% from 7.9% in 2010. This outturn was broadly in line with the target of 7.0%. The fall in inflation was on account of declines in both food and non-food inflation. Annual overall inflation, which was at 7.9% in December 2010 rose to 9.2% in March 2011, however, the rate of inflation declined to 9.0% in June 2011 before falling further to 8.8% in September 2011 and finally closing the year at 7.2% in December 2011 (see Table 3).

Table 3: Actual Performance against Projections, 2009 - 2011 (%)

	End-December 2009		End-December 2010		End-December 2011*	
Description	Projection	Actual	Projection	Actual	Projection	Actual
Overall Inflation	10.0	9.9	8.0	7.9	7.0	7.2
Non-food Inflation	9.0	11.8	10.5	11.3	5.5	10.2
Food Inflation	11.0	8.0	6.1	4.4	9.7	-3.9
Reserve Money	19.0	4.9	8.0	54.1	-5.6	6.3
Broad Money*	19.0	8.0	23.5	30.8	9.3	22.4
Domestic Credit*	-	0.7	-	22.9	-	19.0
Government	-	7.6	-	46.3	-	-6.3
Public Enterprises	-	147.7	-	-34.8	-	70.8
Private Sector Credit	-	-1.2	-	13.4	-	30.8
Domestic Financing (% of GDP)	2.2	2.5	1.9	2.0	3.0	3.6

Source: Central Statistical Office and Bank of Zambia
- Indicates no target under the economic programme
*** Preliminary estimates for December 2011**

In addition, to a significant contribution to real GDP in 2011, the construction sector posted a stronger growth of 8.5% in 2011, higher than the 8.1%, the previous year

LEVY BUSINESS PARK, LUSAKA

LEVY BUSINESS PARK, LUSAKA

ELUNDA PARK OFFICE BLOCK, LUSAKA

Monetary Developments

Reserve Money Developments

Reserve money for 2011 was programmed to decline by 5.6% to K4,891.0 billion. The target factored in the reduction of the liquidity overhang, which was carried over from the previous year's maize purchases by Government.

During 2011, reserve money grew by 6.3% to K5,385.4 billion, mainly on account of net foreign currency purchases and net maturities of OMO funds. The Bank of Zambia purchased foreign currency equivalent to K44,522.0 billion. This influence was partly offset by net revenue collections amounting to K43,203.0 billion.

In the fourth quarter of 2011, the Bank of Zambia eased its monetary stance to influence a reduction in the cost of credit and support lending to productive sectors. To this effect, both the statutory and core liquid asset ratios were lowered by 3 percentage points to 5.0% and 6.0%, respectively. Further, the margin on the Overnight Lending Facility was reduced to 200 basis points from 400 basis points. In addition, OMO maturities of K14,778.0 billion compared with withdrawals of K12,737.0 billion, added about K2 trillion to base money. Thus, average reserve money grew by an annual rate of 2.1% to K4,993.5 billion, thereby exceeding the target of K4,891.0 billion by K102.5 billion (see Table 4).

Table 4: Sources of Reserve Money Growth, 2010 - 2011 (K'billion)

	2010	**2011**
Reserve Money Target	4,891.0	4,891.0
Average Reserve Money	4,891.0	4,993.5
Reserve Money Stock	5,064.0	5,385.4
Change in:		
1/ Net Foreign Assets (a+b+c+d)	**607**	**44,522**
a) Net Purchases from Govt	-24	44,392
b) Net Purchases from non-Government	619	315
c) Bank of Zambia own use of forex	0	6
d) Change in stat. reserve deposits forex balances	12	-192
2/ Net Domestic Credit (a+b)	**25,407**	**-44,203**
a) Autonomous influences	**25,838**	**-31,440**
Maturing Open Market Operations	23,448	14,778
Direct Govt Transactions	3,092	-43,200
TBs and Bonds Transactions	-478	-2,832
Claims on non-banks (Net)	-224	-55
b) Discretionary influences	**-430**	**-12,883**
Open Market Operations	-430	-12,867
i. Short term loans	0	0
ii. Repos/Outright TB sales	-230	-3,005
iii. Term Deposits Taken	-201	-9,862
Treasury bill Rediscounts	0	0
Other claims (Floats, Overdrafts)	0	-26
Change in Reserve Money	**26,014.39**	**318.49**

Source: Bank of Zambia

In undertaking OMO, the Bank of Zambia mainly relied on term deposits. Of the total withdrawal of K12,867.0 billion, 76.6% was withdrawn through term deposits, while the remainder was mostly withdrawn through the use of repurchase agreements (repos). During the year, the average rates for term deposits and repos increased to 6.5% and 5.7% from the 2010 average rates of 4.9% and 3.9%, respectively (see Table 5).

Table 5: OMO Interventions, 2010 - 2011

	2010				**2011**			
Instrument Used	**Amounts Withdrawn K'bn**	**Average Rate %**	**Amount Supplied K'bn**	**Average Rate %**	**Amounts Withdrawn K'bn**	**Average Rate %**	**Amount Supplied K'bn**	**Average Rate %**
Term Deposits	19,642.5	4.9	0.0	0.0	9,862.0	6.5	0.0	0.0
Repos	4,586.9	3.9	0.0	0.0	3,005.4	5.7	0.0	0.0
Outright Sales of Treasury Bills	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a
Secured Loans	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a

Source: Bank of Zambia

Domestic Credit

Domestic credit grew by 19.0% in 2011 compared with 22.9% growth in 2010. This outturn was largely due to lending to private enterprises. In absolute terms, domestic credit increased to K17,745.2 billion in 2011 from K14,915.1 billion in 2010 (see Table 6). Excluding foreign currency denominated credit, which edged up by 44.8%, annual domestic credit growth slowed down to 12.1% from 22.8% registered in 2010.

Credit to private enterprises rose by 30.8%, contributing 11.2 percentage points to domestic credit expansion. In addition, credit to households and the Government increased by 24.3% and 4.1%, contributing 4.9 and 1.6 percentage points, respectively. Expansion in credit to public enterprises and non-bank financial institutions contributed 1.1 and 0.1 percentage points, respectively.

The share of credit to Government declined to 34.4% in 2011 from 39.4% recorded in 2010. Similarly, the share of credit to non-bank financial institutions declined to 2.2% from 3.2%, the previous year. However, the share of credit to private enterprises, households and public enterprises, all increased to 40.1%, 21.1% and 2.3%, from 36.4%, 20.2% and 1.6%, respectively.

Table 6: Developments in Domestic Credit, 2009 - 2011

Description	2009				2010				2011			
	K' bn	%			K' bn	%			K'bn	%		
		a	b	c		a	b	c		a	b	c
Domestic Credit	10,611.1	0.7	0.7	100	14,915.1	22.9	**22.9**	100	17,745.2	19.0	19.0	100
Government	2,486.9	7.6	1.7	23.4	5,870.3	46.3	15.3	39.4	6,324.5	4.1	1.6	34.4
Public Enterprises	365.5	147.7	2.1	3.4	238.1	-34.8	-1.0	1.6	406.78	70.8	1.1	2.3
Private Enterprises	4,867.8	-10.8	-5.6	45.9	5,436.4	11.7	4.7	36.4	7,108.8	30.8	11.2	40.1
Households	2,540.7	1.9	0.5	23.9	3,009.2	18.4	3.9	20.2	3,740.1	24.3	4.9	21.1
Non-bank Fin. Inst.	350.2	171.0	2.1	3.3	361.0	3.1	0.1	2.4	378.2	4.8	0.1	2.1

Source: Bank of Zambia
Notes: a: Change; b: Contribution to credit growth; c: Share
K'bn: Kwacha billion

During 2011, commercial banks' total loans and advances[2] increased by 30.3% compared with an increase of 13.8% recorded in 2010. Strong expansion in credit was recorded in the following sectors: Financial Services, 147% [-34.0%][3]; Mining and Quarrying, 73.7% [-11.5%]; Transport Storage and Communications, 50.0% [-10.5%]; Restaurants and Hotels, 45.2% [-52.1%]; Personal loans, 42.6% [38.2%] and Agriculture, Forestry, Fishing and Hunting 30.8% [18.4%]. However, credit to the following sectors declined; Real Estate, - 48.2% [-15.3%]; Community, Social and Personal Services, -24.0% [21.0%] and Construction -5.6%, -5.6% [106.0%] (see Table 7 and Chart 1).

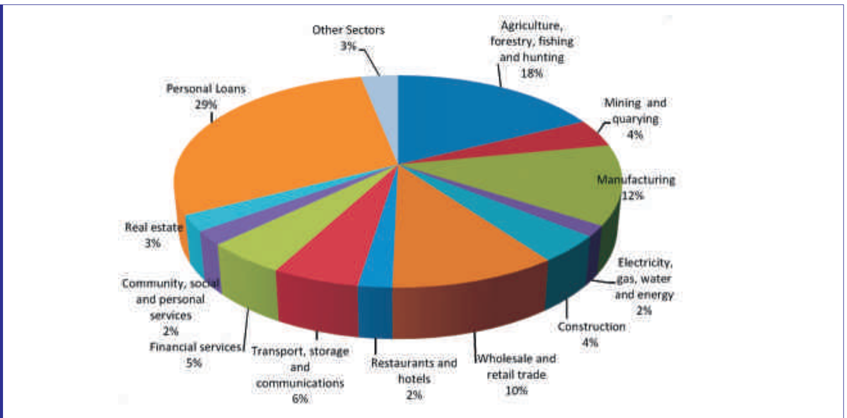
Table 7: Loans and Advances by Sector, Dec 2009 – Dec 2011 (%)

Sectors	2009			2010			2011		
	K'bn	a	b	K'bn	a	b	K'bn	a	b
Agriculture	1,565.1	19.3	18.4	1,623.7	17.6	3.7	2,124.40	17.7	30.8
Mining & Quarrying	338.2	4.2	-11.5	293.5	3.2	-13.2	509.7	4.2	73.7
Manufacturing	994.2	12.3	13.2	1,172.1	12.7	17.9	1,461.60	12.2	24.7
Electricity, Gas, Water & Energy	137.8	1.7	-28.9	151.4	1.6	9.9	196.8	1.6	30.0
Construction	259.1	3.2	-20.1	533.8	5.8	106.0	504	4.2	-5.6
Wholesale and Retail Trade	829.9	10.2	5.1	994.3	10.8	19.8	1,248.30	10.4	25.5
Restaurants & Hotels	122.7	1.5	-52.1	174.6	1.9	42.3	253.5	2.1	45.2
Transport, Storage And Communications	508.7	6.3	-10.5	433.8	4.7	-14.7	650.6	5.4	50.0
Financial Services	422.0	5.2	-34.0	243.7	2.6	-42.3	603.5	5	147.6
Community, Social And Personal Services	280.5	3.5	160.2	339.5	3.7	21.0	257.9	2.1	-24.0
Real Estate	678.7	8.4	68.7	575.0	6.2	-15.3	297.8	2.5	-48.2
Personal Loans	1,789.7	22.1	-13.6	2,472.6	26.8	38.2	3,526.10	29.4	42.6
Others	171.7	2.1	-17.3	211.4	2.3	23.1	375.1	3.1	77.4

Source: Bank of Zambia
Notes: a: shares; b: percentage change

CHART 1:

DISTRIBUTION OF LOANS AND ADVANCES[4] AS AT END-DEC 2011



Broad Money

Broad money (M3)[5] growth in 2011 declined to 22.4% from 29.7% in 2010, and was 13.1 percentage points above the end-year target of 9.3%. This was on account of increases in both the Net Foreign Assets (NFA) and Net Domestic Assets (NDA). NFA increased by 40.4%, compared with the rise of 37.1% in 2010, thereby contributing 15.3 percentage points to M3 growth. The increase in the NFA was largely attributed to the

[2]Credit in this section does not include lending by the Bank of Zambia.
[3]Square brackets represent previous year.
[4]Includes mortgages.
[5]Includes foreign currency deposits.

depreciation of the Kwacha. However, NDA growth slowed down to 11.4% from 25.6% in 2010. The rise in the NDA mainly reflected an increase in lending to public and private enterprises (see Table 8 and Chart 2). Excluding foreign currency deposits which rose by 13.8% (2010: 32.7%), money supply growth decreased to 25.7% from 29.8% in 2010.

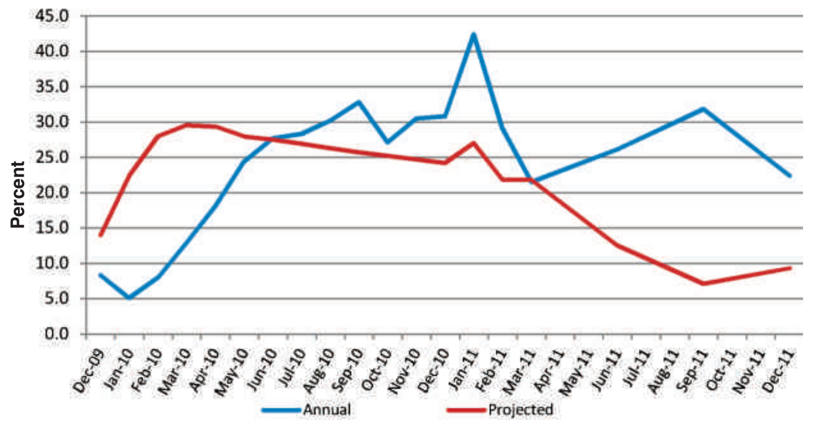
Table 8: Sources of Growth in Broad Money, 2009 – 2011 (%)

Description	2009	2010	2011	Contributions to change in M3 (2011)
Broad Money (M3)	8.3	30.8	22.4	
of which				
Net Foreign Assets	-9.8	40.1	40.4	15.3
Net Domestic Assets	21.9	25.6	11.4	7.1
Domestic Credit	15.2	22.9	19.0	15.4
Net Claims on Govt.	73.6	46.3	4.1	1.3
Public Enterprises	147.7	-34.8	70.8	0.9
Private Enterprises	-10.8	11.7	30.8	9.1
Households	1.9	18.4	24.3	4.0
NBFIs	171.0	3.1	4.8	0.1

Source: Bank of Zambia

CHART 2:

ANNUAL BROAD MONEY GROWTH, DEC 2009 – DEC 2011



Interest Rates Developments

Commercial Banks' Nominal Interest Rates

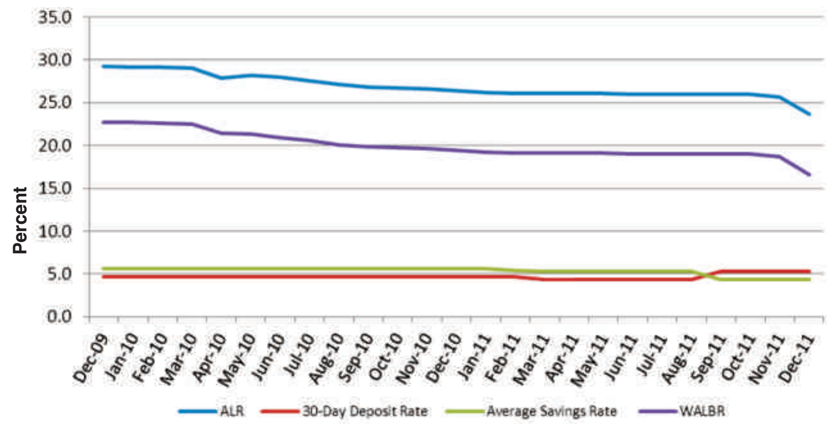
During much of 2011, commercial banks' nominal interest rates remained relatively unchanged. However, towards the end of the fourth quarter interest rates declined. The weighted average lending base rate (WALBR) and the average lending rate (ALR) decreased to 16.6% and 23.6% as at end-December 2011 from 19.6% and 26.6% at end-December 2010, respectively. The Average Savings Rate (ASR) for amounts above K100,000 and the 30-day deposit rate for amounts exceeding K20 million also declined marginally to 5.3% and 4.3% from 5.6% and 4.7%, respectively (see Chart 3).

Development of office, shopping and entertainment structures were key in boosting the construction industry during 2011

NEW ELUNDA PARK OFFICE BLOCK, LUSAKA

CHART 3:

NOMINAL INTEREST RATES, DEC 2009 – DEC 2011



Commercial Banks Real Interest Rates

During 2011, developments in real annual interest rates were mixed. The real WALBR and the real ALR edged downwards to 9.4% and 16.4% at end-December 2011 from 11.5% and 18.5% at the end of 2010, respectively. However, the real ASR for amounts above K100,000 and real 30-day deposit rate for amounts above K20 million increased to negative 1.9% (negative 2.3%) and negative 2.9% (negative 3.2%)[6] (see Chart 4 and Table 9).

CHART 4:

REAL INTEREST RATES DEC 2009 – DEC 2011

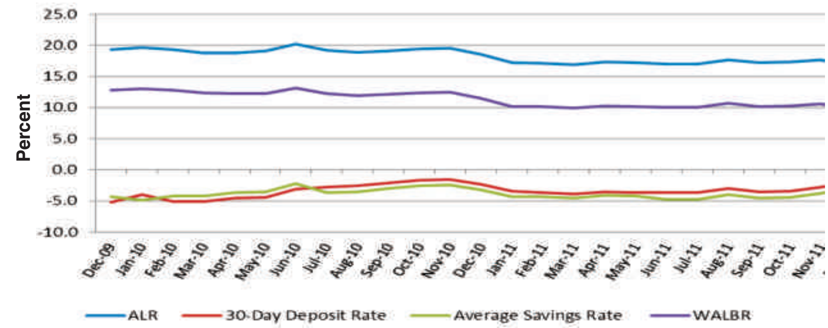


Table 9: Annual Average Interest and Yield Rates, 2009 – 2011 (%)

	Nominal			Real		
Description	2009	2010	2011	2009	2010	2011
91-day Treasury bill	5.7	4.6	6.7	-4.2	-2.6	-0.5
182-day Treasury bill	7.9	5.9	9.4	-2.0	0.4	2.2
273-day Treasury bill	10.7	6.8	10.7	0.8	-0.4	3.5
364-day Treasury bill	11.6	7.6	11.6	1.7	0.4	4.4
Weighted Average Treasury bill Rate	9.5	6.7	10.4	-0.4	-0.5	3.2
24-month Bond	9.2	8.0	12.6	4.5	-0.5	5.4
3-year Bond	10.3	9.0	12.7	5.9	1.1	5.5
5-year Bond	12.3	12.5	15.3	7.2	4.6	8.1
7-year Bond	15.2	14.0	14.3	8.0	6.1	7.1
10-year Bond	16.1	15.0	15.4	9.0	7.1	8.2
15-Year Bond	16.6	15.5	16.7	9.0	7.6	9.5
Composite Yield Rate on Bonds	15.9	12.3	15.0	6.0	4.4	7.8
Commercial banks' Weighted Average Lending Base Rate	22.7	19.4	16.6	12.8	11.5	9.4
Commercial banks' Average Lending Rate	29.2	26.4	24.0	19.3	18.5	16.8
Commercial banks' Average Savings Rate	4.7	4.7	4.3	-5.2	-3.2	-2.9
Deposit >K20 m (30 days)	5.6	5.6	5.3	-4.3	-2.3	-1.9

Source: Bank of Zambia

[6]Numbers in the brackets are for the previous year

Overall Inflation

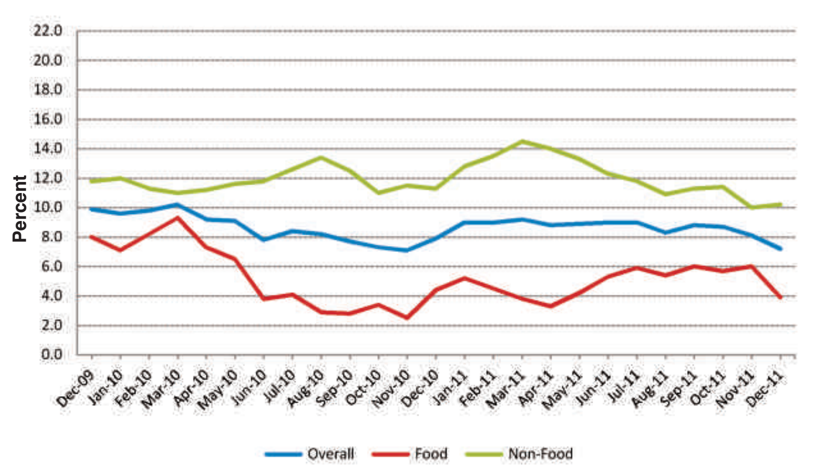
Price developments in 2011 were favourable as the annual overall inflation rate was broadly in line with the 7.0% end-year target. Annual overall inflation slowed down by 0.7 percentage points to 7.2% at end-December 2011 from 7.9% in December 2010 (see Chart 5 and Table 10). This outturn was attributed to the reduction in both annual non-food and food inflation.

Non-Food Inflation

Annual non-food inflation rose by 3.2 percentage points to 14.5% in March 2011 from 11.3% in December 2010 mainly on account of an increase in the price of petroleum products, which translated into higher transportation and production costs. However, during the last three quarters of 2011, non-food inflation declined progressively to 12.3%, 11.3% and 10.2%, respectively. Accounting for this favourable outturn was the relative stability of the Kwacha against major foreign currencies on the back of strong external sector performance coupled with reductions in domestic pump prices of petroleum products in the fourth quarter.

CHART 5:

ANNUAL INFLATION, DEC 2009 - DEC 2011



Food Inflation

After declining to 3.8% in March 2011 from 4.4% in December 2010, annual food inflation edged upwards to 5.2% and 6.0% in June and September 2011, respectively. It then slowed down to 3.8% at end-December 2011. The reduction in annual food inflation during the first and fourth quarters of 2011 was due to improved seasonal supply of various vegetables on the market coupled with Government's maize price stabilisation. However, the adverse global and regional food supply conditions put pressure on domestic food prices during the second and third quarters despite an increase in food supply following a bumper crop harvest of an estimated 3.0 million metric tons (mt) of maize in the 2010/11 agricultural season.

Growth in the country's export earnings continued to be strong. Reflecting sustained diversification in exports, NTEs increased by 35.1% in 2011

FRESHPIKT, LUSAKA

Table 10: Inflation Outturn, Dec 2009 - Dec 2011 (%)

	Monthly			Annual			Year-to-date		
	Overall	Food	Non-Food	Overall	Food	Non-Food	Overall	Food	Non-Food
Dec-09	1.0	0.8	1.1	9.9	8.0	11.8	9.9	8.0	11.8
Jan-10	1.0	1.5	0.4	9.6	7.1	12.0	1.0	1.5	0.4
Mar-10	0.7	0.3	1.0	10.2	9.3	11.0	2.5	2.6	2.5
Jun-10	-0.1	-1.6	1.3	7.8	3.8	11.8	3.6	0.8	6.2
Sep-10	-0.3	-0.6	-0.1	7.7	2.8	12.5	5.3	0.8	9.6
Dec-10	1.7	2.7	0.9	7.9	4.4	11.3	7.9	4.4	11.3
Jan-11	2.0	2.3	1.8	9.0	5.2	12.8	2.0	2.3	1.8
Feb-11	0.9	0.0	1.6	9.0	4.5	13.5	2.9	2.4	3.4
Mar-11	0.8	-0.4	1.9	9.2	3.8	14.5	3.8	2.0	5.4
Apr-11	0.0	-0.5	0.5	8.8	3.3	14.0	3.8	1.5	5.9
May-11	0.7	0.7	0.8	8.9	4.2	13.3	4.6	2.2	6.7
Jun-11	0.0	-0.5	0.4	9.0	5.3	12.3	4.6	1.7	7.2
Jul-11	1.0	1.0	1.1	9.0	5.9	11.8	5.7	2.7	8.4
Aug-11	0.3	-0.4	0.9	8.3	5.4	10.9	6.0	2.3	9.3
Sep-11	0.1	0.0	0.3	8.8	6.0	11.3	6.2	2.3	9.7
Oct-11	0.1	0.3	-0.1	8.7	5.7	11.4	6.2	2.6	9.6
Nov-11	0.0	0.6	-0.5	8.1	6.0	10.0	6.3	3.2	9.0
Dec-11	0.9	0.7	1.1	7.2	3.9	10.2	7.2	3.9	10.2

Source: Central Statistical Office and Bank of Zambia

3.2 MONEY AND CAPITAL MARKETS

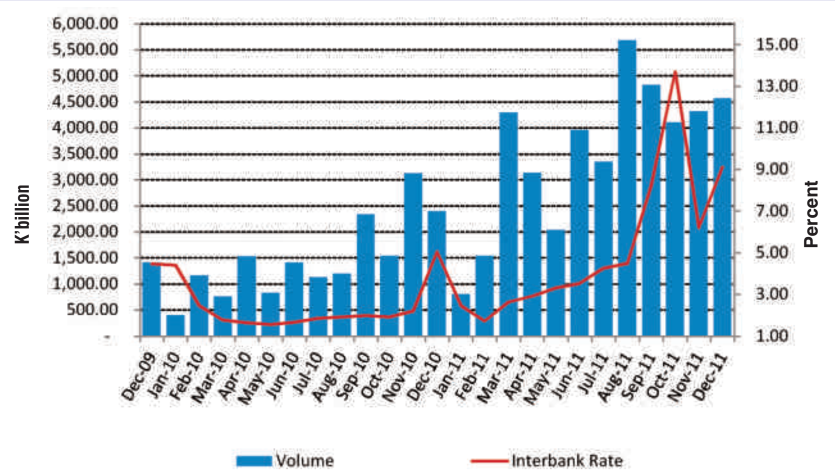
Developments in the Money Market

Inter-bank Money Market

The volume of funds traded in the interbank market increased by 141.0% to K42,897.2 billion in 2011 from K17,835.3 billion in 2010. This was largely attributed to a rise in overnight lending following a concentration of liquidity in a few banks, particularly towards the close of the year. Of the total loans created, three banks accounted for 57.2% of the total funds traded. On the demand side, the funds obtained by the two largest borrowers amounted to K24,269.4 billion, representing more than half of the total market demand. Borrowers collateralized 75.0% of the funds traded, compared with 63.0% in the previous year. The heightened concentration pushed the interbank rate 320 basis points higher to a weighted average of 5.6% from 2.4% in 2010 (see Chart 6).

CHART 6:

INTERBANK MONEY MARKET DEVELOPMENTS DEC 2009 - DEC 2011



Government Securities Market

Market Bidding Behaviour

The volume of Government securities auctioned in 2011 was determined by increased Government domestic financing needs. To this end, the average weekly tender offer of Treasury bills increased to K231.9 billion from K108.1 billion, with over 40.0% of the tender invitation offered on the 364-day paper. Similarly, the average monthly bond tender size was adjusted upwards to K291.7 billion from K127.5 billion in 2010, with over 90.0% of the aggregate bond tender invitation being on the 2-, 3- and 5-year securities.

The demand for Government securities in 2011 generally remained strong. High money market liquidity levels drove the demand for Treasury bills during the first half of the year. However, demand in the second half of the year slackened as non-resident investors cut their purchases of Government securities. This reduction in demand was nevertheless insufficient to counter the surge recorded earlier in the year, thus placing the average bid amount for 2011 at K228.4 billion, 32.0% higher than the previous year's average demand of K172.6 billion. Against, the higher tender invitation, the average subscription rate declined to 99.0% from 160.0% in 2010. Similarly, demand for Government bonds increased on average, with the strongest demand registered on the 5-year paper. Investors' bids averaged K312.1 billion against an invitation of K211.3 billion, which represented an average subscription rate of 107.0% compared with 166.0% in 2010 (see Table 11).

Table 11: Government Securities Transactions, 2010 - 2011

	2010			2011		
	Average Offers (K' bn)	Average Bids (K' bn)	Average Subscription Rate (%)	Average Offers (K' bn)	Average Bids (K' bn)	Average Subscription Rate (%)
91-day bills	21.3	32.0	149.8	41.1	37.9	92.4
182-day bills	21.3	28.2	132.3	46.3	37.2	80.3
273-day bills	21.3	36.6	171.6	51.2	46.6	91.0
364-day bills	44.0	75.8	172.0	93.4	106.7	114.3
TOTAL	**108.1**	**172.6**	**159.7**	**231.9**	**228.4**	**98.5**
2-year bond	28.8	61.3	213.2	74.2	70.8	95.5
3-year bond	35.4	68.0	192.1	90.8	84.0	92.4
5-year bond	43.8	63.3	144.6	106.7	140.1	131.4
7-year bond	7.1	9.6	135.9	6.7	10.1	150.8
10-year bond	7.1	5.7	80.2	6.7	5.6	84.4
15-year bond	5.4	3.4	62.8	6.7	1.5	22.2
TOTAL	**127.5**	**211.3**	**165.7**	**291.7**	**312.1**	**107.0**

Source: Bank of Zambia

On a cumulative basis, total tender offers for Treasury bills in 2011 amounted to K12,060.0 billion, up from K5,650.0 billion offered in 2010. The total cumulative Government bond offer for the year amounted to K3,500.0 billion compared with an invitation of K1,530.0 billion made in 2010. A total of K7,412.0 billion worth of Treasury bills were sold, compared with K4,854.1 billion sold in 2010. For Government bonds, the amount accepted stood at K2,007.1 billion, compared with K1,077.8 billion sold in 2010.

Stock of Government Securities

The stock of Government securities at the end of the review period stood at K13,122.4 billion (at face value) compared with K9,941.0 billion recorded at end-December 2010, representing a growth of 32.0%. The increase in total securities outstanding was mainly attributed to growth in the stock of Treasury bills by 42.1% to K6,398.4 billion while Government bonds increased by 23.6% to K6,724.0 billion. Commercial banks continued to dominate investment in Treasury bills, accounting for 70.4% of the total stock of Treasury bills. Non-bank holding of Treasury bills was 18.1% while the Bank of Zambia held 11.6%. With regard to Government bonds, commercial banks also accounted for the bulk of the stock outstanding with holdings at 44.1%. Non-bank holding of bonds, which was dominated by institutional investors, stood at 35.0% while the Bank of Zambia held 19.8%.

Foreign Investments in Government Securities

During the review period, non-residents shifted their demand away from short-term paper in favour of Government bonds. Non-residents' participation in the Treasury bills market increased in 2011 resulting in peak holdings of K852.0 billion in August 2011. However, in the latter part of the year, they reduced their participation as national elections approached. Consequently, their holdings of Treasury bills declined by 3.5% to K479.9 billion (7.5% of total stock of Treasury bills holdings) from K497.5 billion.

In contrast, non-residents increased their Government bond holdings by K99.2 billion through the purchase of K222.6 billion against outright sales and maturities of K123.4 billion. This class of investors mostly sought after the 2-year paper and purchased bonds worth K130.0 billion, compared to a collective purchase of K92.6 billion on the other tenors. Despite the increase in the stock of longer-term Government papers in the portfolio of non-residents, their share as a percentage of total marketable Government securities outstanding declined to 4.1% from 6.2% at end-2010 (see Charts 7 and 8).

CHART 7:

EXTERNAL INVESTORS' TREASURY BILL HOLDINGS JAN 2009 - DEC 2011

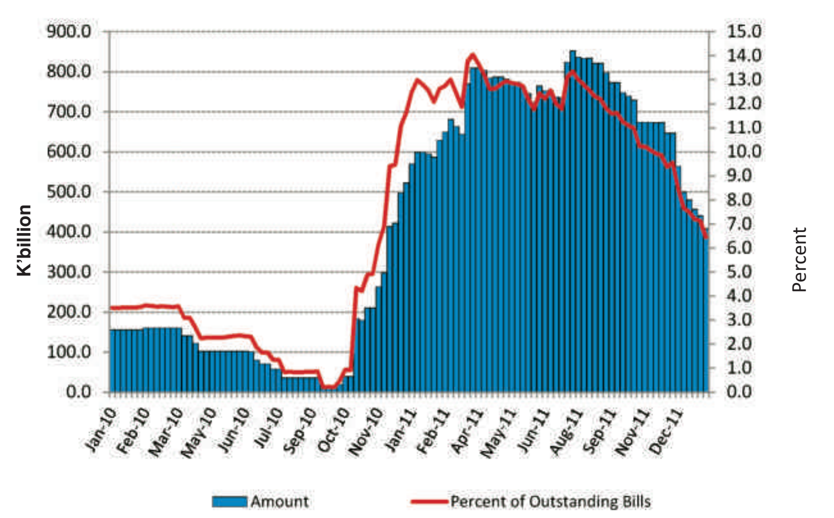
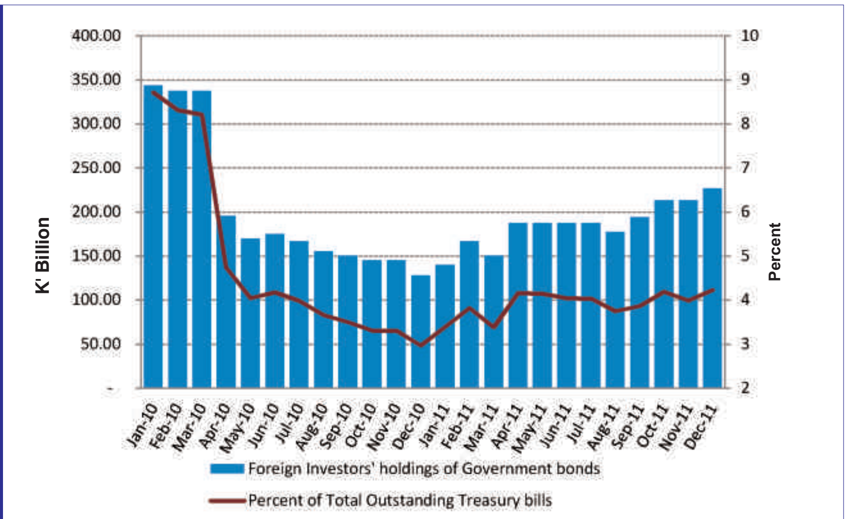


CHART 8:

FOREIGN INVESTORS' HOLDINGS OF GOVERNMENT BONDS JAN 2009 - DEC 2011

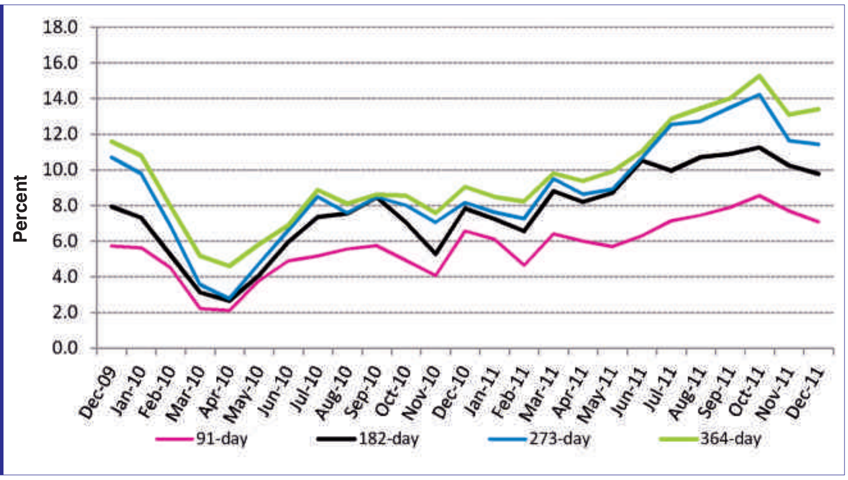


Government Securities Interest Rates

The decline in demand for Government securities in the second half of the year resulted in yield rates trending upwards towards the end of the year. In the Treasury bills market, the most notable increases were recorded on the 364-day and 273-day securities, which gained 437 and 327 basis points to averages of 11.4% and 13.4%, respectively. The yield rates for the 182-day and 91-day tenors rose to averages of 9.8% and 7.1% from the December 2010 averages of 7.8% and 6.6%, respectively. Consequently, the weighted average composite yield rate edged upwards to 11.7% from 8.2% in 2010 (see Chart 9).

CHART 9:

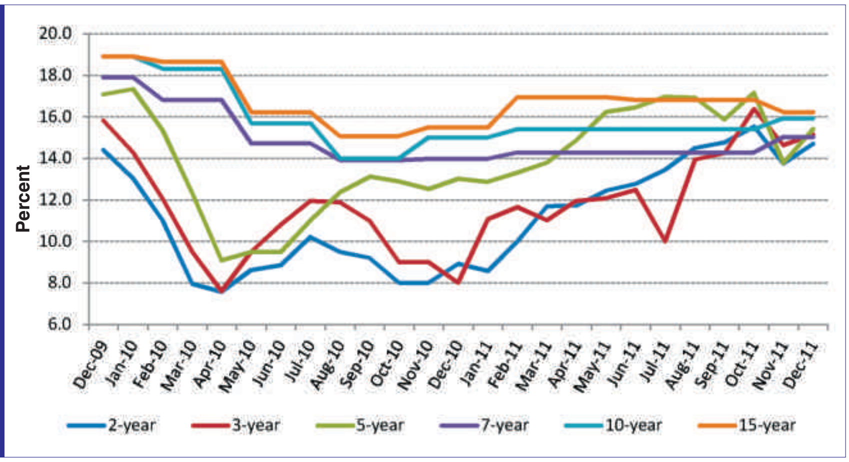
TREASURY BILL YIELD RATES DEC 2009 - DEC 2011



With regard to Government bonds, the largest movements were recorded on the 2, 3 and 5-year tenors which all rose by more than 200 basis points to 14.7%, 15.2% and 15.4% from 8.9%, 8.0% and 13.0%, respectively. Further, yield rates on the 7, 10 and 15-year bonds edged up by 104, 92 and 74 basis points to end the year at 15.0%, 15.9% and 16.2%, respectively. These movements placed the end-2011 composite weighted average yield rate higher at 15.0% from 11.3% recorded in 2010 (see Chart 10).

CHART 10:

GOVERNMENT BOND YIELD RATES
DEC 2009 - DEC 2011



Foreign Exchange Market

In 2011, uncertainties regarding the Eurozone debt crisis resolution depressed international currency markets. Lack of political consensus in the Eurozone further fueled market fears of global economic frailties and eminent recession. This was, however, mitigated by favourable economic performance in emerging markets and signs of recovery in the US.

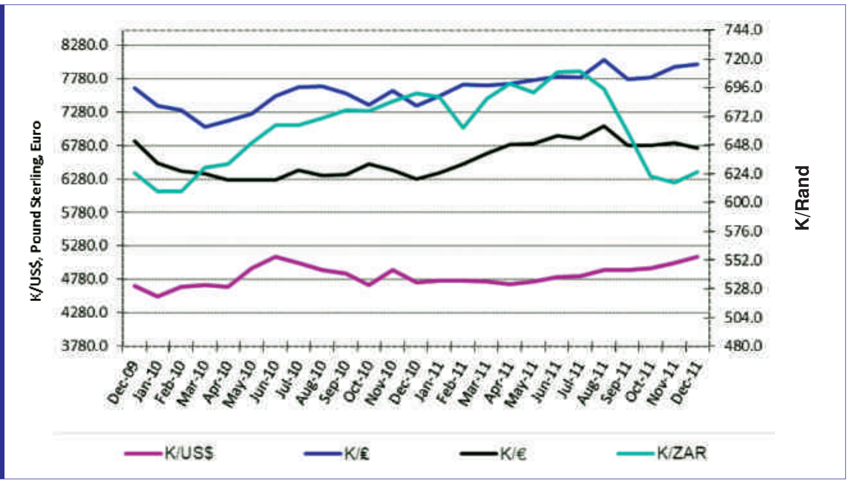
In the domestic market, sufficient supply of foreign exchange, strong macroeconomic fundamentals, coupled with the upgrade to middle-income status, provided a favourable environment to the foreign exchange market. The main source of foreign exchange during the year was the mining sector. Nonetheless, the Kwacha depreciated against major currencies with the exception of the South African rand. This depreciation was largely on account of uncertainties associated with the euro debt crisis and the tripartite elections.

Developments in the Nominal Exchange Rate

During the period under review, the Kwacha depreciated against the major trading currencies. Against the US dollar, the Kwacha depreciated by 8.1% to an annual average of K5,117.29/US$ from K4,732.51/US$ in December 2010 (see Chart 11). Similarly, the Kwacha depreciated against the pound sterling and euro by 8.3% and 7.5% to monthly averages of K7,991.61/£ and K6,745.69/€, respectively. However, the Kwacha appreciated against the South African (SA) rand by 9.5% to K625.45/ZAR in December 2010 as the ZAR was weakened by the Eurozone crisis. The Eurozone is SA's major export destination.

CHART 11:

KWACHA EXCHANGE RATE LEVELS AGAINST MAJOR FOREIGN CURRENCIES
DEC 2009 - DEC 2011



Foreign Exchange Transactions

In 2011, the supply of foreign exchange to the market, denoted by commercial banks' purchases of foreign exchange from various sectors, was recorded at US $4,105.3 million compared with US $4,436.1 million in

2010. The market demand for foreign exchange as reflected by commercial banks' sales to various sectors was at US $3,161.3 million compared with US $4,172.0 million. In this regard, commercial banks recorded net purchases of US $943.9 million compared with net purchases of US $264.1 million recorded in 2010. The Bank of Zambia purchased US $227.0 million from commercial banks compared with US $213.5 million. Over the same period, the Bank of Zambia sold US $152.5 million to commercial banks, up from US $84.5 million. Effectively, the Bank of Zambia made net purchases of US $74.5 million compared with net purchases of US $129.0 million in 2010, mainly aimed at building international reserves.

The main suppliers of the foreign exchange were mining companies and foreign financial institutions, with placements of US $1,190.6 million (29.0% of market total) and US $1,184.4 million (28.8%), respectively. In terms of demand, foreign financial institutions dominated with purchases of US $1,037 million (32.8%) compared with US $1,139.7 million in 2010. On a net basis, supply of foreign exchange by foreign banks and financial institutions was US $147.1 million in 2011 compared with US $632.9 million in the previous year. This fall signifies the reduced prominence of foreign banks in the supply of foreign exchange to the market in 2011.

In the interbank foreign exchange market, commercial banks traded a total of US $3,246.7 million in 2011 compared with US $4,037.0 million in the previous year. The commercial banks' net sales to bureaux stood at US $358.6 million compared with US $297.5 million in 2010. Retail market foreign transactions involving other major currencies recorded net sales of £41.0 million by commercial banks while net sales of the South African rand amounted to ZAR4,156.0 million in 2011, which was higher than the net sales of ZAR3,020.2 million recorded in 2010. The continued increase in net rand sales to the market underscores the high demand for the South African currency by the Zambian public, driven mainly by trading activities between the two countries. Commercial banks made net purchases amounting to €66.9 million compared with €25.3 million in the previous period.

Real Effective Exchange Rate

The end-period real effective exchange rate (REER) index declined by 1.9% to 105.87 in December, 2011 from 107.93 recorded in December 2010 (see Chart 12). The fall was largely driven by a 3.7% decline in relative prices (foreign prices/domestic prices) which was however, moderated by a 1.9% depreciation of the nominal effective exchange rate. The annual average REER index, however, increased by 2.5% in 2011 compared with a decrease of 4.2% recorded in 2010 (see Table 12).

CHART 12:

REAL EFFECTIVE EXCHANGE RATE INDEX, DEC 2009 - DEC 2011

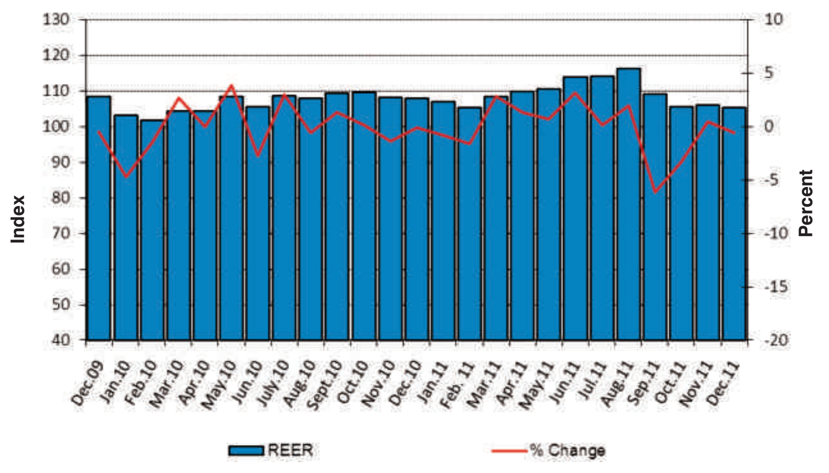


Table 12: End Period Real Effective Exchange Rate, 2009 – 2011

	2009	2010	2011	Percentage Change (2011/2010)
Domestic CPI (2005=100)	145.1	157.5	171.0	8.6
Weighted Foreign CPI (2005=100)	114.6	117.2	120.4	2.8
NEER Index	1,838.2	1,868.0	2,024.8	8.4
REER Index (2005=100)	111.3	106.6	109.3	2.5

Source: Bank of Zambia

Gross International Reserves

In 2011, Zambia's international reserves performed well despite the gloomy global economic climate during the year. The level of reserves rose by 10.9% to end the year at US $2,322.0 million from US $2,093.7 million at the end of 2010 (see Chart 13). The growth in reserves emanated from inflows comprising mainly tax receipts from the mines (US $795.9 million), net purchases from the market (US $227.0 million) and other receipts (US $325.9 million). A further US $165.0 million was received through balance of payments support. However, these foreign exchange inflows were mitigated by foreign exchange outflows of US $685.2 million through is was despite the Bank of Zambia's sales of foreign exchange amounting to US $685.2 million for procurement of oil imports and market support.

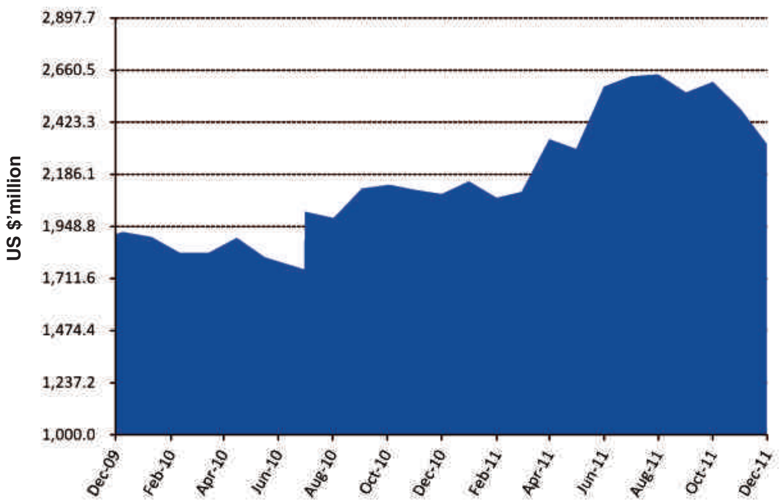
During the 2011, infrastructural development aimed at attracting increased investment, facilitating trade and improved service delivery continued

KASAMA – MPOROKOSO ROAD UNDER CONSTRUCTION

MUTANDA – CHAVUMA ROAD UNDER CONSTRUCTION

CHART 13:

GROSS INTERNATIONAL RESERVES, DEC 2009 - DEC 2011



Developments in the Capital Markets

Stock Market

During the year under review, trading activity at the Lusaka Stock Exchange (LuSE) increased, reflecting continued investor confidence in the economy. Market capitalisation soared to a record high of K48,929.2 billion at end-2011 from K30,911.6 billion at end-2010, reflecting a 58.3% growth. Most company shares registered significant capital gains in the year, placing the LuSE All-Share index 22.3% higher at 4,040.4 by end-December 2011. This was despite reduced participation of non-resident investors in the local bourse, as reflected in the decline of net capital inflows to US $13.5 million from US $100.5 million in 2010 (see Chart 14 and Table 13).

CHART 14:

INDICATORS OF LuSE ACTIVITY DEC 2009 - DEC 2011

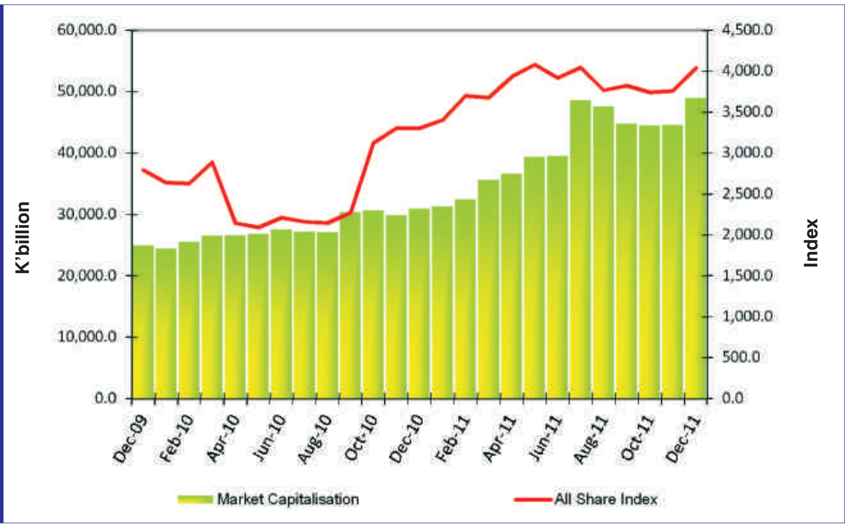


Table 13: Listed Companies' Share Price Changes on the Lusaka Stock Exchange

Listed Company	Closing Share Price in 2010	Closing Share Price in 2011	Share Price change (%)
African Explosive (Z) Ltd	1,810.00	4,000.00	121.0
BATA	80.00	200.00	150.0
British American Tobacco	1,650.00	1,590.00	-3.6
British Petroleum	321.00	1,145.00	256.7
Cavmont Capital Holding Zambia Plc	4.00	5.00	25.0
Copperbelt Energy Corporation	615.00	700.00	13.8
Celtel	710.00	710.00	0.0
Lafarge	6,815.00	7,600.00	11.5
Farmers House	3,000.00	3,100.00	3.3
Investrust Bank Ltd	19.00	20.00	5.3
National Breweries	6,800.00	7,200.00	5.9
Pamodzi Hotel	365.00	658.00	80.3
Standard Chartered Bank	278.00	90.10	-67.6
Shoprite	32,000.00	60,000.00	87.5
Zambeef	3,700.00	2,901.00	-21.6
Zamefa	600.00	650.00	8.3
Zambia Breweries	2,500.00	2,500.00	204.5
ZCCM-IH	10,000.00	10,000.00	300.0
Zanaco	821.00	1,350.00	-86.5
Zambia Sugar	310.00	309.00	-0.3

Source: Lusaka Stock Exchange

Bond Market

In the bond market, secondary trading of Government bonds registered robust growth in 2011 as the market continued to deepen. Bonds worth K744.4 billion (at face value) were traded in at the LuSE, up from K567.1 billion in 2010. Similarly, the number of trades improved to 143 from 89 in the previous year.

3.3 BALANCE OF PAYMENTS

Zambia continued to record favourable balance of payments (BoP) performance in 2011. Preliminary data show that the overall balance of payments surplus rose to US $243.8 million from US $83.3 million recorded in 2010 (see Table 14). In line with this development, gross international reserves accumulation nearly doubled to US

Table 14: Balance of Payments, 2009- 2011 (US $' million)

	2009	2010	2011*
Current Account	**538.4**	**1,143.6**	**236.1**
Balance on goods	905.7	2,703.7	2,228.3
Exports , f.o.b	**4,242.8**	**7,261.7**	**8,535.0**
Metal sector	3,343.1	6,071.7	6,926.9
Copper	3,179.3	5,767.9	6,660.2
Cobalt	163.9	303.8	266.7
Non-traditional	899.7	1,190.0	1,608.1
Imports, f.o.b	**-3,413.4**	**-4,709.9**	**-6,454.2**
Metal sector	-866.0	-1,029.3	-1,567.3
Non-metal sector	-2,547.4	-3,680.6	-4,887.0
Fertilizer	-197.8	-215.3	-330.0
Petroleum	-535.8	-618.1	-530.5
Maize	0.0	0.0	0.0
Others	-1,813.9	-2,847.2	-4,026.5
Goods Procured in ports by carriers	39.6	42.0	44.5
Nonmonetary Gold	36.6	109.9	103.0
Services (Net)	**-464.5**	**-628.8**	**-807.7**
Services Receipts	240.9	310.9	375.2
Services Payments	-705.4	-939.7	-1,182.9
Balance on goods and services	441.2	2,074.9	1,420.6
Income (Net)	**-418.7**	**-1,363.0**	**-1,562.6**
Income Receipts	5.5	8.4	11.1
Income Payments	-424.2	-1,371.4	-1,573.7
Of which: Income on Equity Payments	-265.4	-1,302.7	-1,499.8
Interest payments	-131.2	-39.8	-44.8
General government	-12.7	-9.3	-13.9
Private sector	-118.4	-30.5	-30.9
Current Transfers (Net)	**516.0**	**431.8**	**378.0**
Private	211.6	194.4	231.8
Official	304.3	237.4	146.2
Commodity, SWAP & Global Fund	105.9	89.1	11.9
Budget Grants	198.4	148.3	134.3
Capital and Financial Account	**64.8**	**-926.7**	**-310.9**
Capital Account	**237.3**	**149.7**	**119.0**
Capital Transfers	237.3	149.7	119.0
General Government	237.3	149.7	119.0
Project Assistance grants	237.3	149.7	119.0
Financial Account	**-172.5**	**-1,076.4**	**-429.9**
Direct Investment	425.2	633.9	831.5
Portfolio Investment	-74.9	73.6	57.3
Liabilities	-74.9	73.6	57.3
Financial Derivatives	219.6	225.7	124.2
Other Investment	-742.4	-2,009.6	-1,442.9
Assets	-1,579.3	-3,500.6	-1,109.6
Increase in NFA - banks(-)	-63.2	-172.9	0.0
Other Short term Assets	-1,516.1	-3,327.7	-1,109.6
Liabilities	836.8	1,491.0	-333.3
Government	76.7	121.9	371.1
Disbursement of Loans	76.7	161.0	397.3
Project	86.6	91.8	367.3
Budget	32.8	69.2	30.0
Amortization of loans(-)	-42.8	-39.1	-26.2
Monetary Authorities	627.3		-704.4
Private Foreign Borrowing(net)	132.9	1,369.1	318.7
Errors and Omissions	-63.2	-133.6	243.8
Overall balance	**540.1**	**83.3**	**-243.8**
Financing of Overall balance	-540.1	-83.3	-243.8

Source: Bank of Zambia
*Preliminary

Zambia's economic liberalisation which began in the early 1990s has created business opportunities for the majority of the people. Trade is one of those businesses which has flourished

$270.4 million compared with US $138.1 million recorded in 2010. The rise in the overall BoP surplus was largely driven by an improvement in the capital and financial account balance which more than compensated for the decline in the current account balance.

Manufacturing continues to be one of the country's priorities for economic diversification, growth and employment creation. It's 7.7% growth in 2011, was mainly driven by Food, Beverages and Tobacco subsector

Current Account

During 2011, the current account surplus at US $236.1 million was 79.4% lower than US $1,143.6 million recorded the previous year. This was mainly explained by a decline in the balance on goods surplus, the widening of the services deficit and lower inflows in form of current transfers.

The balance on goods surplus at US $2,228.3 million was 17.6% lower than US $2,703.7 million recorded in 2010, as a result of higher increase in merchandise imports relative to merchandise exports. Merchandise imports grew by 37.0% to US $6,454.2 million from US $4,709.9 million recorded in the previous year. This was largely explained by an increase in import bills associated with commodity groups, such as, electrical machinery and equipment by 113.8%, fertiliser (87.8%), motor vehicles (82.8%), iron and steel and items thereof (63.7%), industrial boilers and equipment (62.5%), plastic and rubber products (53.4%), food items (44.6%), paper and paper products (44.0%), and chemicals (25.3%). The surge in imports was largely attributed to increased economic activity associated with higher foreign direct investment inflows coupled with higher expenditures on infrastructure development.

Merchandise export earnings grew by 17.5% to US $8,535.0 million from US $7,261.7 million in 2010, driven largely by a rise in both copper and non-traditional exports. Copper export earnings grew by 15.5% to US $6,660.2 million from US $5,767.9 million, following a rise in both realised prices and copper export volumes. The average realised price of copper, at US $8,002.98 per mt, was 15.1% higher than US $ 6,951.33 per mt recorded in 2010, while copper export volumes marginally increased to 832,215.6 mt from 829,749.7 mt recorded the previous year. Buoyant global demand for base metals supported the rise in copper prices on the international market.

Similarly, non-traditional export earnings (NTEs) grew by 35.1% to US $1,608.1 million in 2011 from US $1,190.0 million in 2010 (see Chart 15 and Table 15). This was on account of higher earnings from the export of cane sugar, cotton lint, gasoil/petroleum products, maize seed, cement and lime, and nickel. The favourable exchange rate developments and an improvement in international commodity prices coupled with increased production for some products contributed to this favourable performance).

Cobalt export earnings, however, declined by 12.2% to US $266.7 million from US $303.8 million recorded the previous year, due to a decline in both export volumes and realised prices. Cobalt export volumes at 7,830.66 mt, were 9.4% lower than 8,640.91 mt recorded the previous year. Similarly, the realised price of cobalt fell by 7.0% to US $32,693.17 per mt from US $35,160.39 per mt in 2010.

In order to attract export based manufacturing and support mining activities, Zambia embarked on the establishment of Multi-Facility Economic Zones (MFEZ)

CHAMBISHI MFEZ, KITWE

CHART 15:

EXPORT EARNINGS, 2009 – 2011

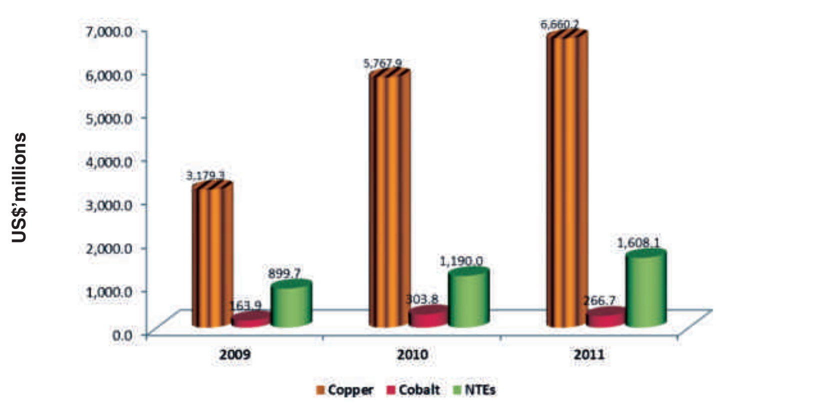


Table 15: Major Non-Traditional Exports (C.I.F.), 2009 – 2011 (US $' million)

Product	2009	2010	2011*	% change 2011/2010
Copper Wire	110.4	170.2	169.7	-0.3
Cane Sugar	98.1	148.1	165.0	11.3
Burley Tobacco	89.6	117.5	100.6	-14.4
Cotton Lint	45.7	49.4	118.2	139.1
Electrical Cables	38.2	41.7	41.7	0.0
Fresh flowers	22.7	22.0	20.8	-5.8
Fresh Fruit & Vegetables	22	11.2	9.2	-17.1
Gemstone	38.9	49.8	35.8	-28.2
Gas Oil	30.7	27.6	36.8	33.2
Electricity	10.5	23.3	16.9	-27.5

Source: Bank of Zambia
*Preliminary

Capital and Financial Account

During the year 2011, the capital and financial account deficit narrowed substantially to US $310.9 million from US $926.7 million recorded in 2010. This favourable performance was on account of a notable decline in the financial account deficit following a decline in assets held abroad by the private sector and a rise in foreign direct investment inflows.

Direction of Trade

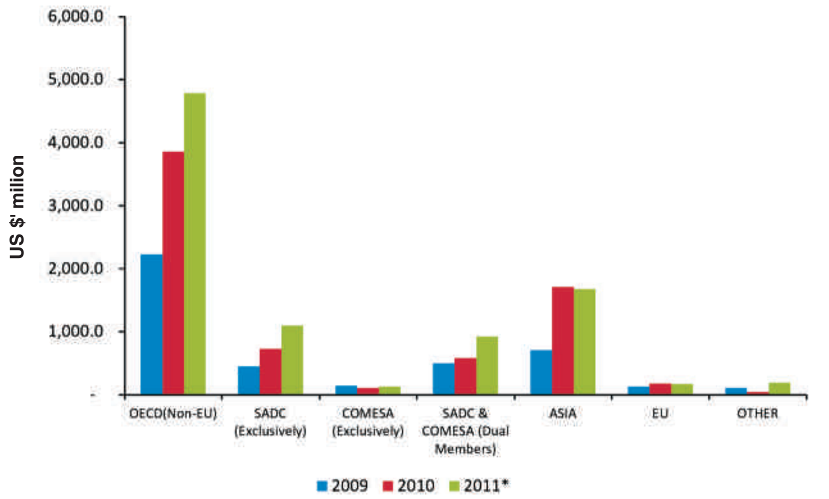
Major Export Markets by Region

Preliminary data show that in 2011, Zambia's exports to all regional markets increased apart from the European Union (EU) and Asia. The non-European Union (EU) Organisation for Economic Cooperation and Development (OECD) region continued to be Zambia's top ranked export market, accounting for 53.4% of total exports (see Chart 16). Exports to the region grew by 24.0% to US $4,778.4 million in 2011 from US $3,854.3 million recorded in 2010, largely on account of an increase in metal exports to Switzerland. The sustained high metal prices on the international market explained this outturn. The second major export region during the period under review was Asia which accounted for 18.7% share of the country's exports, although exports to that region declined by 2.0% to US $1,674.5 million from US $1,708.9 million. This outturn was explained by a decline in metal exports to the United Arab Emirates and Saudi Arabia and a decline in export of food items to China.

The Southern African Development Community (SADC) (exclusively) maintained its third position with Zambia's exports to the region accounting for 12.2%. Export earnings to the region increased by 50.9% to US $1,095.0 million from US $725.6 million registered in 2010. Higher exports of copper and articles thereof to South Africa and Tanzania as well as food items to Namibia explained this outturn. SADC and Common Market for Eastern and Southern Africa (COMESA) (dual members) ranked fourth as exports to the region accounted for 10.3%. Exports to this region increased by 58.4% to US $917.8 million from US $579.6 million in 2010. This outturn was explained by increased exports of cane sugar, food items, processed wood, cement and chemical products to the Democratic Republic of Congo (DRC) and food items, maize and maize seed to Zimbabwe. The EU retained the fifth position although exports to that region declined by 4.8% to US $165.1 million in 2011 from US $173.4 million in 2010. The decline was largely driven by lower exports of copper and articles thereof to the Netherlands. Exports to COMESA (exclusively) region increased by 20.5% and accounted for 1.5% of Zambia's total exports, largely due to a rise in exports of copper and articles thereof to Kenya.

CHART 16:

EXPORTS (F.O.B.) BY REGION, DEC 2009 – DEC 2011



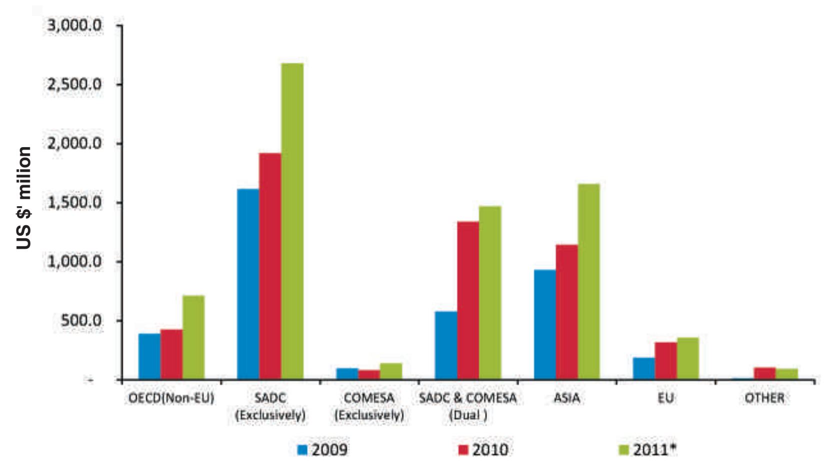
Major Sources of Imports by Region

During the period under review, SADC (exclusively) continued to be Zambia's top ranked major source of imports accounting for 37.7% of the country's total imports. This was largely driven by a 39.7% increase in imports to US $2,677.3 million from US $1,916.4 million registered in 2010 following a rise in imports of food items, chemicals, motor vehicles, machinery and equipment and manufactured goods from South Africa. Asia ranked second with a 23.4% share of the country's total imports, on account of a 45.0% rise in imports to US $1,658.3 million in 2011 from US $1,143.4 million registered the previous year. This was reflective of increased imports of machinery and equipment, prefabricated building materials, transformers, motor vehicles and manufactured goods from China, pharmaceutical products from India and petroleum products from the United Arab Emirates. The SADC & COMESA (dual members) region ranked third, accounting for 20.7% of the country's total imports. The imports from this region grew by 9.9% to US $1,469.5 million from US $1,337.6 million recorded the previous year, following an increase in imports of copper and cobalt ores and concentrates from DRC (see Chart 17).

The non-EU OECD region maintained fourth position as imports rose by 66.9% to US $709.3 million in 2011 from US $424.9 million in 2010, representing 10.0% of the total imports. This was reflective of increased imports of motor vehicles from Japan, and industrial equipment and pharmaceutical products from the United Kingdom. This was followed by the EU as imports from the region grew by 12.3% to US $354.2 million from US $315.3 million due to a rise in imports of industrial boilers and equipment from Finland, machinery and chemical products from France and the Netherlands. The COMESA (exclusively) region ranked sixth, with imports from the region accounting for 1.9% of Zambia's total imports. The imports from the region grew by 69.4% to US $136.0 million from US $80.8 million following an increase in imports of mineral fuels and oils from Kenya.

CHART 17:

IMPORTS (C.I.F.) BY REGION, DEC 2009 – DEC 2011



3.4 EXTERNAL DEBT

Government[7] Debt Stock

Preliminary data indicate that the Government's total stock of disbursed and outstanding external debt increased by 18.7% to US $1,980.0 million at end-December 2011 from the US $1,667.6 million recorded at end-December 2010 (see Table 16). The increase in the debt stock was as a result of disbursements from various creditors, notably the World Bank.

An analysis of the structure of Government's external debt stock, as at end-December 2011, indicates that 64.7% of the total stock was owed to multilateral creditors; 22.6% to supplier creditors and 12.7% to bilateral creditors. The supplier creditors debt stock more than tripled to US $418.6 million at end-December 2011 from US $142.3 million at end-December 2010. The increase was largely attributed to credit from the Export Import Bank of China. The stock of debt owed to the World Bank Group increased by 11.5% to US $575.8 million as at December 2011 from US $516.6 million in December 2010 due to disbursements for various projects.

The stock of International Monetary Fund (IMF) debt under the Extended Credit Facility increased slightly to US $416.5 million as at end-December 2011 from the previous year's level of US $394.5 million due to some disbursements while the debt stock owed to the African Development Bank Group reduced to US $215.2 million at end-December 2011 from US $229.6 million at end-December 2010 mainly due to maturity repayments on loans. External debt owed to bilateral creditors at end-December 2011 went down to US $250.6 million from US $298.5 million due to some repayments following conclusion of bilateral agreements under the Paris Club framework.

Table 16: Government External Debt Stock by Creditor, 2009- 2011

	2009		2010		2011*	
Creditor	**US $'million**	**% share**	**US $'million**	**% share**	**US $'million**	**% share**
Bilateral	320.0	21.0	298.5	18.1	250.6	12.7
Paris Club	226.4	7.8	224.6	13.5	180.0	9.1
Non Paris Club	93.6	2.6	73.9	4.6	70.6	3.6
Multilateral	1,061.5	69.8	1,226.8	73.3	1,280.7	64.7
IMF	344.8	22.7	394.5	23.6	416.5	21.0
World Bank Group	501.1	33.0	516.6	31.0	575.8	29.1
African Development Bank Group	119.6	7.8	229.6	13.7	215.2	10.9
Others	96.0	6.3	86.1	5.0	73.2	3.7
Suppliers/ Bank	139.7	9.2	142.3	8.6	448.7	22.6
Total Govt. Debt	**1,521.2**	**100.0**	**1,667.6**	**100.0**	**1,980.0**	**100.0**

Source: Ministry of Finance and National Planning, and Bank of Zambia
**Note: ***Data for 2011 is preliminary

[7]Public and publicly guaranteed debt.

Government External Debt Service

In 2011, Government external debt service amounted to US $87.4 million, representing an increase of 70.7% from US $51.2 million recorded in 2010 (see Table 17). Principal maturities during the year amounted to US $65.5 million while interest and other charges amounted to US $21.9 million. Of the total debt service for 2011, US $43.9 million was paid to bilateral creditors, US $29.9 million to multilateral creditors and US $13.6 million to supplier creditors.

Table 17: Zambia's Official External Debt Service by Creditor, 2009 - 2011 (US $'million)

Creditor	2009	2010	2011
Bilateral	28.6	21.4	43.9
Paris Club	7.3	0.5	33.4
Others	21.3	20.9	10.5
Multilateral	26.4	22.8	29.9
IDA	3.7	5.1	7.1
IMF	2.0	1.5	5.8
ECU/EIB	16.2	10.1	10.8
Others	4.5	6.1	6.2
Suppliers/Bank	0.5	7.0	13.6
Total	55.5	51.2	87.4

Source: Bank of Zambia

Private and Parastatal Non-Guaranteed Debt Stock

Preliminary data show that total external debt owed by the private sector and non-guaranteed parastatal debt to various creditors was US $1,682.8 million, as at the end of September 2011 compared with US $1,721.0 million at end-December 2010 (see Table 18). This decline was mainly due to principal maturity repayments to multilateral creditors.

Table 18: Private and Non-Guaranteed Parastatal External Debt Stock, 2009 - 2011

	2009		2010		2011*	
Creditor	**US $'million**	**% Share**	**US $'million**	**% Share**	**US $'million**	**% Share**
Private	**2,227.0**	**99.0**	**1,704.7**	**99.0**	1,668.6	99.0
Multilateral	214.8	9.5	82.6	4.8	74.6	4.4
Financial Institutions	420.9	18.7	611.3	35.5	579.8	34.4
Parent Company	1,432.7	63.7	852.2	49.5	855.6	50.8
Other	158.6	7.1	158.6	9.2	158.6	9.4
Parastatal	**23.4**	**1.0**	**16.3**	**1.0**	14.2	1.0
Total Private and Parastatal Debt	**2,250.4**	**100.0**	**1,721.0**	**100.0**	**1,682.8**	**100.0**

Source: Ministry of Finance and National Planning, and Bank of Zambia
***As at end - September 2011

3.5 FISCAL SECTOR DEVELOPMENTS

Overview

Preliminary data indicate that the overall fiscal deficit was recorded at K3,358.5 billion, on cash basis, 16.6% higher than the programmed deficit of K2,765.5 billion. This performance was mainly attributed to higher expenditure than programmed during the period. As a proportion of GDP, the deficit was 3.6%, thus 0.6 percentage points higher than the programmed level of 3.0% of GDP (see Table 19).

Zambia continues to attract significant and broad-based FDI due to a favourable investment climate. In 2011, Hitachi Corporation commenced the construction of an earth moving assembly plant

HITACHI PLANT, LUSAKA

Table 19: Central Government Fiscal Operations, 2009 – 2011

	2009 (Actual)		2010 (Actual)		2011 (Target)		2011 (Preliminary)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Revenue and Grants	12,182.4	18.9	15,344.7	19.7	17,356.8	19.1	20,233.0	21.5
Domestic Revenue	10,315.2	16.0	13,766.6	17.7	15,769.1	17.3	19,519.0	20.8
Of which:								
Tax Revenue	9,660.9	15.0	12,909.6	16.6	15,230.1	16.7	18,885.9	20.1
Non-tax Revenue	654.3	1.0	857.0	1.1	539.0	0.6	633.1	0.7
Grants	1,867.2	2.9	1,578.1	2.0	1,587.7	1.7	714.0	0.8
Total Expenditure	13,847.5	21.5	17,562.9	22.6	20,122.3	22.1	22,385.3	23.8
Of which:								
Current Expenditure	11,556.9	18.0	15,099.5	19.4	14,901.3	16.4	18,364.4	19.5
Capital Expenditure	1,842.3	2.9	2,161.4	2.8	2,952.1	3.2	3,961.8	4.2
Change in balances & Stat. discrepancy	21.9	0.0	534.8	0.7	0.0	0.0	-1,206.2	-1.3
o/w Change in balances	21.9	0.0	-87.8	-0.1	0.0	0.0	-1,206.2	0.0
Overall bal including grants (Cash)	-1,643.2	-2.6	-1,683.4	-2.2	-2,765.5	-3.0	-3,358.5	-3.6
Of which:								
Overall bal. excluding grants (Cash)	-3,510.4	-5.5	-3,261.5	-4.2	-4,353.2	-4.8	-4,072.5	-4.3

Source: Ministry of Finance and National Planning

Revenue and Grants

Total revenues and grants were K20,233.0 billion, 16.6% higher than the programmed amount of K17,356.8 billion. This outturn was mainly explained by higher collections of domestic revenues, particularly tax revenues. As a percentage of GDP, total revenues and grants at 21.5% were 2.5 percentage points above the programmed level of 19.1% of GDP.

Tax Revenue

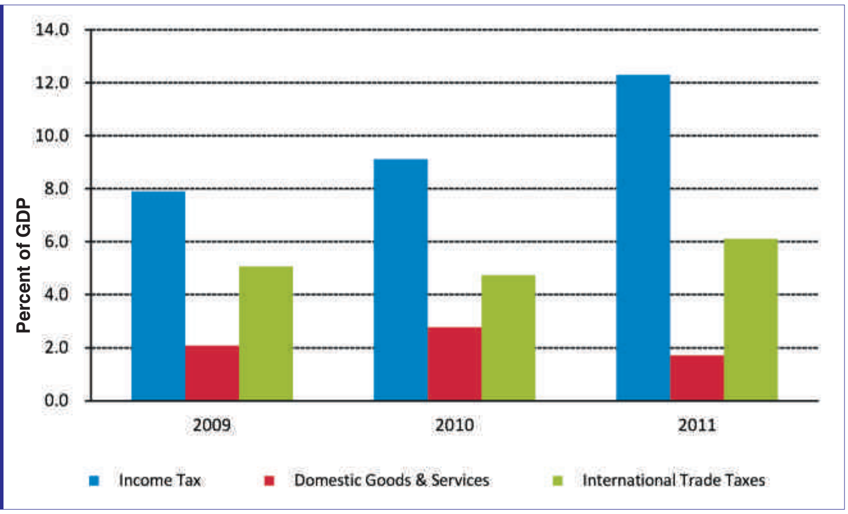
Tax revenue performance in 2011 remained buoyant, as it was 24.0% higher than the programmed amount. Total tax revenue was K18,885.9 billion compared with the programmed amount of K15,230.1 billion. This performance was mainly attributed to higher than programmed income taxes. Income taxes were K11,522.7 billion, 47.7% above the programmed level, mainly due to higher corporate income tax, especially from mining companies. Windfall tax arrears and mineral extraction royalties were also significantly above the programmed levels. Mining taxes mainly benefitted from favourable commodity prices on the world market coupled with increased copper production.

Income tax was also boosted by higher international trade taxes, which at K5,738.1 billion were 18.4% higher than the programmed level of K4,844.8 billion. This performance was mainly attributed to a strong outturn in import Value Added Tax (VAT), following a rise in imports.

However, tax on domestic goods and services at K1,625.1 billion was 37.1% below the programmed level of K2,584.5 billion. The accumulation of debt by some companies in the energy sector and generally low compliance among tax payers, largely explained this outturn. As a proportion of GDP, tax revenue at 20.1% was 3.4 percentage points above the target of 16.7% while income tax at 12.3% of GDP was 3.7 percentage points higher than programmed (see Chart 18).

CHART 18:

DEVELOPMENTS IN TAX REVENUE, 2009 - 2011



Non-Tax Revenue

The performance of non-tax revenue was strong in 2011, at K633.1 billion compared to the target of K539.0 billion. As a percentage of GDP, non-tax revenue was 0.7% compared with the programmed level of 0.6%.

Grants

Total grants in 2011 remained below the programmed level of K1,587.7 billion at K714.0 billion, mainly on account of delayed disbursements of project support. Accordingly, disbursed project support stood at K46.6 billion against the programmed amount of K1,001.1 billion. Programme support, however, performed favourably at K667.4 billion against the target of K586.6 billion. As a proportion of GDP, total grants at 0.8% were 0.9 percentage points lower than programmed level (see Table 20).

Table 20: Central Government Revenue, 2009 - 2011 K' billion)

	2009 (Actual)		2010 (Actual)		2011* (Target)		2011* (Preliminary)	
Revenue and Grants	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Domestic Revenue	12,182.4	18.9	15,344.7	19.7	17,356.8	19.1	20,233.0	21.5
Tax Revenue	10,315.2	16.0	13,766.6	17.7	15,769.1	17.3	19,519.0	20.8
Income Tax	9,660.9	15.0	12,909.6	16.6	15,230.1	16.7	18,885.9	20.1
Personal Tax	5,072.9	7.9	7,086.9	9.1	7,800.8	8.6	11,522.7	12.3
Company Tax	3,462.4	5.4	n/a	n/a	3,710.6	4.1	4,522.4	4.8
Extraction Royalty	1,375.6	2.1	n/a	n/a	2,236.0	2.5	3,643.6	3.9
Other taxes/Arrears	234.9	0.4	n/a	n/a	404.7	0.4	868.0	0.9
Domestic Goods & Services	n/a	n/a	n/a	n/a	1,449.5	1.6	2,488.7	2.6
Excise Taxes	1,331.0	2.1	2,143.7	2.8	2,584.5	2.8	1,625.1	1.7
Domestic VAT	1,024.0	1.6	1,362.3	1.8	1,756.0	1.9	1,664.7	1.8
Extraction Royalty	307.0	0.5	781.4	1.0	828.5	0.9	-39.6	0.0
International Trade Taxes	3,257.0	5.1	3,679.0	4.7	4,844.8	5.3	5,738.1	6.1
Import Tariffs	1,088.6	1.7	1,269.7	1.6	1,674.5	1.8	1,725.4	1.8
Import VAT	2,168.4	3.4	2,409.3	3.1	3,170.3	3.5	4,012.7	4.3
Non-tax Revenue	654.3	1.0	857.0	1.1	539.0	0.6	633.1	0.7
Fees and Charges	378.9	0.6	337.6	0.4	n/a	n/a	n/a	n/a
Dividends	6.8	n/a	23.0	n/a	n/a	n/a	n/a	n/a
Other Receipts	268.6	0.4	496.4	0.6	539.0	0.6	633.1	0.7
Grants	1,867.2	2.9	1,578.1	2.0	1,587.7	1.7	714.0	0.8
Programme	879.4	1.4	1,196.9	1.5	586.6	0.6	667.4	0.7
Projects	987.8	1.5	381.2	0.5	1,001.1	1.1	46.6	0.0

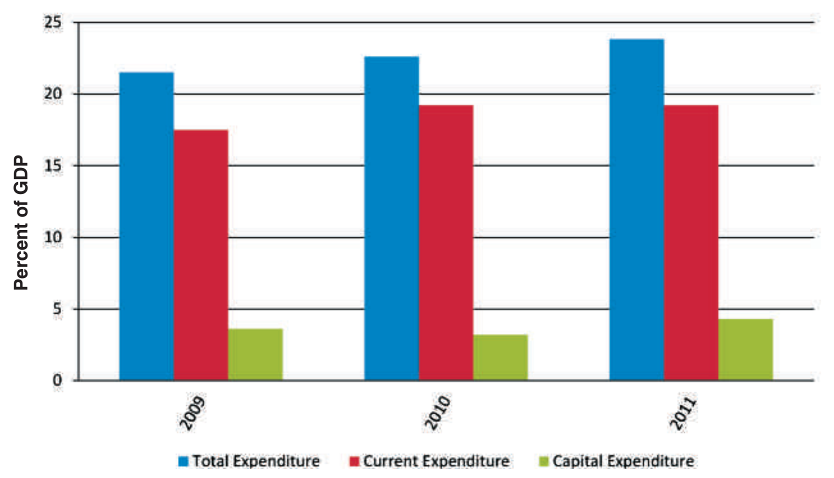
Source: Ministry of Finance and National Planning

Total Expenditure

Total expenditure exceeded target in 2011, mainly as a result of expenditures related to maize marketing and tripartite elections. Total expenditure at K22,385.3 billion was 11.2% above the programmed level of K20,122.3 billion, mainly attributed to higher than programmed current expenditure. As a proportion of GDP, total expenditure at 23.8% was 1.7 percentage points higher than the programmed level of 22.1% of GDP (see Chart 19 and Table 21).

CHART 19:

DEVELOPMENTS IN EXPENDITURE , 2009 - 2011



Current Expenditures

Total current expenditure at K18,364.4 billion was 23.3% above the programmed level of K14,901.3 billion. This was largely attributed to higher than programmed spending on: other expenses; grants and other payments; use of goods and services; and social benefits. These were above programmed levels by K1,535.6 billion, K788.3 billion, K756.8 billion and K523.5 billion, respectively.

Maamba Collieries Open Cast Mine, the largest coal mine in Zambia recently received an investment boost through a 60% acquisition by Nava Bharat of Singapore. This development has raised coal output and should cut back on imports of coal for local use

PRODUCED COAL, MAAMBA COLLIERIES OPEN CAST MINE, MAAMBA

Expenditure in the other expenses category was above target due to higher than programmed expenditure on maize marketing while higher expenditure on grants and other payments was mainly driven by spending on the Farmer Input Support Programme. Similarly, expenditure in the use of goods and services category was above target, largely explained by higher expenditures on voter registration, bye-elections, and the tripartite elections. Higher expenditure on social benefits was largely driven by financing to the pension fund. As a percentage of GDP, current expenditure at 19.2% was higher than the programmed level of 16.0% of GDP by 3.1 percentage points.

Table 21: Central Government Expenditure, 2009 - 2011

	2009		2010		2011 (Target)		2011 (Preliminary)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Total Expenditure	13,847.5	21.5	17,562.9	22.6	20,122.3	22.1	22,385.3	23.8
Current Expenditure	11,556.9	17.5	15,099.5	19.2	14,901.3	16.0	18,364.4	19.2
Wages and Salaries	5,251.0	8.2	6,238.1	8.0	7,405.2	8.1	7,391.7	7.9
PSRP	23.2	0.0	5.0	0.0	15.0	0.0	10.0	0.0
Use of Goods and Services	2,656.9	4.1	3,039.6	3.9	3,343.1	3.7	4,099.9	4.4
Interest on Public Debt	1,032.6	1.6	1,521.2	2.0	1,250.2	1.4	1,082.5	1.2
Domestic Debt	974.6	1.5	1,280.3	1.6	1,170.8	1.3	1,013.4	1.1
Foreign Debt	58.0	0.1	240.9	0.3	79.4	0.1	69.1	0.1
Grants and Other Payments	1,729.7	2.7	1,807.1	2.3	1,781.2	2.0	2,569.5	2.7
Social Benefits	253.5	0.4	159.6	0.2	438.1	0.5	961.6	1.0
Other Expenses	332.5	0.5	2,130.3	2.7	352.2	0.4	1,887.8	2.0
Liabilities	277.5	0.4	198.6	0.3	316.3	0.3	361.4	0.4
Capital Expenditure	2,290.6	3.6	2,463.4	3.2	5,221.0	5.7	4,020.9	4.3
Domestically Financed	1,842.3	2.9	2,161.4	2.8	2,952.1	3.2	3,961.8	4.2
Foreign Financed	448.3	0.7	302.0	0.4	2,268.9	2.5	59.1	0.1

Source: Ministry of Finance and National Planning

Capital Expenditure

Preliminary data indicate that capital expenditure at K4,020.9 billion was 23.0% below the programmed amount of K5,221.0 billion. This performance was mainly explained by delays in disbursements of donor support, thereby leading to cutbacks on spending on foreign financed projects, as significant amounts were not received from cooperating partners. In relation to GDP, total capital expenditure at 4.3% was 1.4 percentage points below the programmed level of 5.7% of GDP.

Budget Financing

Consistent with the overall deficit, total financing was K3,358.5 billion, which was 21.4% above the programmed level of K2,765.5 billion. Total financing comprised domestic financing of K2,321.8 billion and net external financing of K1,036.7 billion against targets of K1,219.8 billion and K1,545.7 billion, respectively.

As a proportion of GDP, total budget financing at 3.6% was 0.6 percentage points above the target of 3.0% of GDP. Of this financing, domestic financing at 2.5% of GDP was higher than the programmed level of 1.3% while net external financing at 1.1% of GDP was below the target of 1.7% (see Table 22).

Table 22: Budget Deficit Financing, 2009 - 2011 (K' billion)

	2009		2010		2011 (Target)		2011 (Preliminary)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Total Financing	1,643.2	2.6	1,683.4	2.2	2,765.5	3.0	3,358.5	3.6
Domestic	1,676.3	2.6	1,520.8	2.0	1,219.8	1.3	2,321.8	2.5
Bank	1,429.0	2.2	984.4	1.3	n/a	n/a	n/a	n/a
Non-bank	247.3	0.4	536.4	0.7	n/a	n/a	n/a	n/a
External	-33.1	-0.1	162.6	0.2	1,545.7	1.7	1,036.7	1.1
Programme Loans	158.8	0.2	193.7	0.2	198.8	0.2	1,136.1	1.2
Project Loans	18.8	0.0	53.2	0.1	1,762.0	1.9	n/a	n/a
Amortisation	-210.7	-0.3	-84.3	-0.1	-415.1	-0.5	-99.4	-0.1

Source: Ministry of Finance and National Planning

3.6 REAL SECTOR DEVELOPMENTS

National Output

During the year, Government continued with measures to diversify the economy through the development of infrastructure, livestock, irrigation projects, tourism, and the provision of various tax incentives in the agricultural and mining sectors.

The overall performance of the economy was favourable in 2011. Preliminary data indicate that the real Gross Domestic Product (GDP) grew by 6.6% compared to 7.6% in 2010. The growth in GDP was largely driven by the following sectors: transport, storage and communications; agriculture, forestry and fisheries; construction; and wholesale and retail trading (see Tables 23 and 26a).

Table 23: Sectoral Percentage Contribution to Real GDP, 2009 - 2011 (In Constant 1994 Prices)

	2009	2010	2011
Growth in Real GDP (%)	6.4	7.6	6.6
Agriculture, Forestry and Fisheries	0.9	0.8	1.0
Mining and Quarrying	1.7	1.4	-0.5
Manufacturing	0.2	0.4	0.7
Electricity, Gas and Water	0.2	0.2	0.2
Construction	1.1	0.9	1.0
Wholesale and Retail trade	0.4	0.7	1.1
Restaurants, Bars and Hotels	-0.4	0.2	0.2
Transport, Storage and Communications	0.7	1.4	1.3
Financial Institutions and Insurance	0.4	0.4	0.3
Real Estate and Business services	0.2	0.2	0.2
Community, Social and Personal Services	0.7	0.5	0.7
Financial Intermediary Services Indirectly Measured	-0.1	-0.1	-0.1
Taxes on products	0.4	0.5	0.5

Source: Central Statistical Office

Agriculture, Forestry and Fisheries

The agriculture, forestry and fisheries sector grew by 7.7% compared with 6.6% recorded in 2010 and contributed 1.0 percentage points to the national output. Growth in the agriculture sub-sector increased to 13.3% up from 12.9% in 2010. This outturn was largely explained by increased output of maize which rose by 8.0% to a record 3.0 million mt during the 2010/11 agricultural season (see Table 24). Favourable weather conditions coupled with an increase in the number of beneficiaries under the Farmer Input Support Programme (FISP) to 890,000 from 500,000 farmers and the guaranteed high producer prices by the Food Reserve Agency (FRA) contributed to the favourable outturn. Other crops such as wheat, soybeans, irish potatoes and tobacco also contributed to this growth.

Table 24: Comparative Summary Results of 2008/ 2009 - 2010/2011 Crop Output Estimates

Crop	2008/09	2009/10	2010/11	Growth (%)
Maize	1,887,010	2,795,483	3,020,380	8.0
Cassava	1,151,700	1,179,657	1,132, 156	-4.0
Wheat	195,456	172,256	237,336	37.8
Sorghum	21,829	27,732	18,458	-33.4
Rice	41,929	51,656	49,410	-4.3
Sunflower	33,657	26,420	21,954	-16.9
Ground nuts	120,564	163,733	139,388	-14.9
Soy Beans	118,799	111,888	116,539	4.2
Mixed Beans	46,729	65,265	47,070	-27.9
Irish Potatoes	19,974	22,940	27,563	20.2
Sweet Potatoes	200,450	252,867	146,614	-42.0
Virginia Tobacco kg)	18,487,000	22,074,000	27,146,000	23.0
Burley Tobacco (kg)	8,758,000	9,809,000	11,141,000	13.6

Source: Ministry of Agriculture and Co-operatives

Mining and Quarrying

Growth in the mining sector and quarrying sector declined by 5.2% compared with the growth of 15.2 % in 2010. The sector contributed negative 0.5 percentage points to real GDP, down from 1.4 percentage points the previous year. This outturn was largely on account of low grade copper ore coupled with a fall in the output and price of cobalt by 10.9% and 7.0%, respectively. Cobalt output fell to 7,701.6 mt from 8,782.0 mt However, copper output rose by 7.6% to 881,106 mt from 819,159.0 mt.

Nevertheless, the other mining and quarrying sub-sectors grew by 7.4% compared with a 48.7% contraction, in 2010, mainly accounted for by higher construction activities.

Manufacturing

During the year, the manufacturing sector performance remained favourable, recording a growth rate of 7.7% compared with 4.1% in 2010. This increased the sector's contribution to the growth in national output to 0.5 percentage points from 0.4 percentage points. This growth was mainly driven by the following sub-sectors: food, beverages and tobacco; paper and paper products; wood and wood products; and non-metallic mineral products. However, unfavourable performance continued to characterise the textile and leather sub-sector which contracted by 58.1% on account of competition from cheaper imports.

Tourism

The tourism sector (the restaurants, bars and hotels) continued to record positive growth during the year under review, in part reflected in higher tourist arrivals and tourist entries into national parks[8]. The sector grew by 7.0 % in 2011 compared with 9.6% in 2010, thereby contributing 0.2 percentage points to real GDP growth. Total international arrivals through Harry Mwaanga Nkumbula and Mfuwe international airports were 85,318 passengers, 6.5% higher than 80,088 passengers recorded in 2010. Further, tourist entries into the country's national parks increased by 10.0% to 63,807 tourists from 57,990 (see Table 25). Continued promotional activities coupled with an increase in air passenger transport boosted tourism.

Table 25: Tourist Entries into Zambia's National Parks by Origin, 2009 - 2011

Origin	2009	2010	2011	% Change
North America	9,886	8,138	9,930	22.0
Europe	22,117	20,020	19,689	-1.7
Australasia	3,302	3,463	3,857	11.4
South America	765	768	1,000	30.2
Zambia	23,010	18,129	22,186	22.4
Rest of Africa	5,681	7,472	7,145	-4.4
Total	**64,761**	**57,990**	**63,807**	**10.0**

Source: Zambia Wildlife Authority

Construction

The construction industry continued to register positive growth at 8.5% in 2011, compared with 8.1% recorded in 2010. The development in this sector continued to be driven by public and private infrastructure projects[9] across the country, reflecting high demand for growth supportive infrastructure. This partly contributed to increased production of cement at Lafarge Cement Zambia Plc, Oriental Quarries Ltd and Zambezi Portland Plc. Cement output rose by 26.8% to 1,428,854.9 mt from 1,126,728 mt in 2010.

[8] South Luangwa, Mosi-oa-Tunya, Lower Zambezi, Kafue, North Luangwa, Blue Lagoon
[9] Roads, bridges, schools, health centres, hydro-power stations, residential and commercial structures, etc.

Transport, Storage and Communications

The transport, storage and communication sector continued with its double digit growth at 12.9% compared with 15.8% in 2010. The sector contributed 1.3 percentage points to real GDP in 2011, down from 1.4 percentage points the previous year. The favourable performance in the sector was largely explained by growth in road, air and communications sub-sectors. Rail transport grew by 17.8% largely on account of increased operations by the country's railway system. The communications sub-sector grew by 16.0% largely driven by strong investment activities by mobile service providers and a rise in the subscriber base in the mobile phone industry. Value added in air transport rose by 12.8% mainly on account sustained growth in the tourism industry coupled with increased number of tourists and business activities. Further, the road transport sub-sector remained strong, growing at 9.3% in line with overall economic growth.

Electricity, Gas and Water

During the reviewed period, the sector grew by 8.2% compared with 7.4% in 2010. This was due to strong domestic demand for electricity, spurred by heightened economic activities, particularly in the mining and construction sectors. This was complemented by completion of rehabilitation works at some hydro power stations.

Increased activities in mining and construction continue to contribute to employment creation in the country

LUSAKA STADIUM UNDER CONSTRUCTION, LUSAKA

KANSANSHI COPPER AND GOLD MINE, SOLWEZI

Table 26a: GDP by Kind of Economic Activity at Constant 1994 Prices, 2009 – 2011 (K' billion)

KIND OF ECONOMIC ACTIVITY	2009	2010	2011	Growth (%)
Agriculture, Forestry and Fishing	506.1	539.5	580.8	7.7
Agriculture	236.6	268.8	304.5	13.3
Forestry	186.7	193.6	200.8	3.7
Fishing	82.8	77.0	75.5	- 2.0
Mining and Quarrying	371.3	427.7	405.5	- 5.2
Metal Mining	366.6	425.3	403.0	5.3
Other mining and quarrying	4.7	2.4	2.6	7.4
PRIMARY SECTOR	**877.4**	**967.2**	**986.3**	**2.0**
Manufacturing	380.1	396.0	426.3	7.7
Food, Beverages and Tobacco	260.7	280.0	305.1	9.0
Textile, and leather industries	23.7	10.3	4.3	- 58.1
Wood and wood products	31.6	35.8	38.1	6.5
Paper and Paper products	13.6	16.7	19.6	17.5
Chemicals, Rubber and Plastic products	33.8	34.7	37.0	6.8
Non-metallic mineral products	7.8	8.8	10.9	23.1
Metal products	1.6	1.6	1.5	-1.4
Fabricated metal products	7.3	8.2	9.8	18.9
Electricity, Gas and Water	95.4	102.4	110.6	8.2
Construction	469.4	507.4	550.7	8.5
SECONDARY SECTOR	**944.9**	**1,005.8**	**1,087.8**	**8.2**
Wholesale and Retail trade	632.9	659.6	707.4	7.2
Restaurants, Bars and Hotels	92.5	101.9	109.9	7.8
Transport, Storage and Communications	370.4	425.5	480.4	12.9
Rail Transport	4.5	5.1	4.2	17.8
Road Transport	131.7	140.0	153.1	9.3
Air Transport	55.2	65.8	74.2	12.8
Communications	178.9	214.6	284.9	16.0
Financial Intermediaries and Insurance	290.9	308.3	323.3	4.9
Real Estate and Business services	323.6	333.2	342.8	2.9
Community, Social and Personal Services	350.7	369.4	400.3	8.4
Public Admin. & Defence; Public & Sanitary services	125.6	121.7	134.7	10.6
Education	163.0	182.2	195.9	7.5
Health	20.0	21.4	24.2	13.3
Recreation, Religious, Culture	25.1	26.4	27.1	2.8
Personal Services	17.1	17.7	18.3	3.5
TERTIARY SECTOR	**2,061.0**	**2,197.9**	**2,363.9**	**7.6**
Less: FISIM	-153.7	-157.2	-160.8	2.3
TOTAL GROSS VALUE ADDED	**3,729.6**	**4,013.8**	**4,277.3**	**6.6**
Taxes on Products	278.1	299.3	318.6	6.6
TOTAL G.D.P. AT MARKET PRICES	**4,007.7**	**4,313.0**	**4,596.2**	**6.6**
Real Growth Rates	**6.4**	**7.6**	**6.6**	**6.6**

Source: Central Statistical Office

Mining continues to attract significant FDIs and therefore has been important for economic growth, export earnings and Government revenue. The new Muliashi Open Pit Mine under the CNMC Luanshya Copper Mines was due to commence copper production in 2012

MULIASHI MINE, LUANSHYA

Zambia's regional centrality and its strong economic growth have attracted increased airline operators including major international carriers.

EMIRATES AIR, KENNETH KAUNDA INTERNATIONAL AIRPORT, LUSAKA

NAMIBIA AIRLINES, KENNETH KAUNDA INTERNATIONAL AIRPORT, LUSAKA

DEVELOPMENT WORKS AT HARRY MWAANGA NKUMBULA INTERNATIONAL AIRPORT, LIVINGSTONE

Table 26b: Gross Domestic Product by Kind of Economic Activity at Current Prices, 2009 – 2011, (K' billion).

KIND OF ECONOMIC ACTIVITY	2009	2010	2011	Growth (%)
Agriculture, Forestry and Fishing	13,461.4	15,642.26	18,072.4	15.5
Agriculture	2,344.3	2,801.39	3,329.4	18.8
Forestry	10,528.8	12,265.55	14,151.6	15.4
Fishing	588.2	575.32	591.5	2.8
Mining and Quarrying	1,682.1	2,837.77	3,346.3	17.9
Metal Mining	1,669.3	2,828.15	3,333.4	17.9
Other Mining and Quarrying	12.9	9.62	12.8	33.6
PRIMARY SECTOR	**15,143.5**	**18,480.0**	**21,418.7**	**15.9**
Manufacturing	6,016.9	6,770.8	7,769.1	14.7
Food, Beverages and Tobacco	3,859.0	4,358.1	4,982.6	14.3
Textile, and Leather Industries	445.2	214.5	98.7	(54.0)
Wood and Wood Products	621.6	791.9	937.7	18.4
Paper and Paper products	426.4	587.7	768.2	30.7
Chemicals, rubber and plastic products	519.1	613.2	700.5	14.2
Non-metallic mineral products	95.1	123.7	162.8	31.7
Basic metal products	6.2	8.9	11.0	22.6
Fabricated metal products	44.2	72.8	107.7	47.9
Electricity, Gas and Water	1,779.8	2,201.8	2,910.4	32.2
Construction	11,819.5	15,703.6	20,737.3	32.1
SECONDARY SECTOR	**19,616.2**	**24,676.1**	**31,416.8**	**27.3**
Wholesale and Retail trade	9,908.2	11,204.2	13,056.3	16.5
Restaurants, Bars and Hotels	1,545.2	1,838.6	2,141.2	16.5
Transport, Storage and Communications	2,355.2	3,076.5	3,553.0	15.5
Rail Transport	66.2	105.9	96.6	(8.8)
Road Transport	1,052.6	1,242.6	1,467.9	18.1
Air Transport	453.6	611.0	737.8	20.8
Communications	782.7	1,117.0	1,250.6	12.0
Financial Intermediaries and Insurance	5,534.6	6,745.2	7,568.8	12.2
Real Estate and Business services	3,671.6	4,306.1	5,326.3	23.7
Community, Social and Personal Services	6,649.0	8,148.6	9,695.3	19.0
Public Administration and Defence	1,647.3	1,732.8	2,082.4	20.2
Education	3,890.8	4,694.2	5,542.0	18.1
Health	690.9	1,246.2	1,522.9	22.2
Recreation, Religious, Culture	147.4	167.1	188.6	12.9
Personal services	272.7	308.3	359.3	16.5
TERTIARY SECTOR	**29,663.9**	**35,319.1**	**41,340.9**	**17.0**
Less: FISIM	-2,922.4	-3,876.3	(4,349.6)	12.2
TOTAL GROSS VALUE ADDED	**61,501.2**	**74,599.0**	**89,826.7**	**20.4**
Taxes less subsidies on Products	3,114.3	3,067.6	3,527.5	15.0
TOTAL G.D.P. AT MARKET PRICES	**64,615.6**	**77,666.6**	**93,354.2**	**20.2**

Source: Central Statistical Office

Investment Pledges

Total investment pledges increased by 0.1% to US $4,798.7 million in 2011 from US $4,791.6 million recorded in the previous year. This outturn partly reflected continued investor confidence as a result of the favourable macroeconomic environment. Further, investment pledges were broad-based with potential for job creation. A total of 36,298 jobs were expected to be generated from investments pledged compared with 50,321 in 2010 (see Table 27).

Table 27: Sectoral Investment Pledges and Expected Employment, 2009 – 2011

SECTOR	2009		2010		2011	
	US $' million	Expected Jobs	US $' million	Expected Jobs	US $' million	Expected Jobs
Manufacturing	585.2	7,365	1,907.1	20,504	718.4	14,140
Mining	182.3	2,015	986.4	3,678	992.5	4,767
Energy	92.1	17	570.2	213	1,098.6	165
Real Estate	433.5	3,318	413.6	1,478	375.1	7,155
Education	14.7	178	214.6	152	3.6	63
Agriculture	45.6	1,849	194.3	6,449	466.2	4,391
ICT	3.9	51	161.7	281	20.5	235
Tourism	198.5	1,127	130.5	1,903	747.0	1,408
Service	100.1	1,945	99.8	13,649	161.3	2,071
Construction	11.4	948	86.8	1,916	44.8	1,060
Health	58.4	158	22.5	78	2.5	51
Transport	59.6	935	4.1	20	26.6	313
Financial Institutions	38.0	37	-	-	141.8	479
TOTAL	**1,823.3**	**19,943**	**4,791.6**	**50,321**	**4,798.7**	**36,298**

Source: Central Statistical Office

Zambia boosts of numerous tourist attractions which if fully exploited can significantly contribute to employment creation and poverty reduction

NTUMBACUSHI FALLS, KAWAMBWA

SOUTH LUANGWA NATIONAL PARK, MFUWE

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.1 BANKING SECTOR

Overview

The overall financial condition of the banking sector in 2011 was rated as satisfactory. The sector's capital adequacy position remained satisfactory. As at 31 December 2011, eighteen out of the nineteen operating banks met the minimum nominal capital requirements. The banking sector's primary regulatory capital to total risk-weighted assets as well as total regulatory capital to total risk-weighted assets closed at 16.8% and 19.2% as at end-December 2011 from 19.9% and 22.1%, as at end-December 2010, respectively.

The gross non-performing loans (NPL) ratio[10] decreased to 10.4% at end-December 2011 from 14.8% at end-December 2010. This was on account of a fall in the gross NPL by 8.5% to K1,243.0 billion from K1,358.5 billion in 2010, coupled with 30.7% increase in gross loans which closed at K11,979.1 billion compared with K9,164.2 billion.

Relative to 2010, the sector's financial performance improved significantly on account of reduced provisions for loan losses coupled with an increase in net-interest income. The banking sector's earnings performance improved in 2011, as profit-before-tax increased by 80.9% to K942.1 billion from K520.7 billion in 2010. Further, the banking sector's overall net profitability, as measured by the return on assets and return on equity increased to 3.7% and 25.5% from 2.3% and 11.6% at end-December 2010, respectively.

In the year under review, the banking sector's liquidity position remained satisfactory with the liquidity ratio of 48.6% compared with 52.4% in 2010. The banking sector's core deposit ratio decreased to 76.7% from 79.7% in 2010 while the deposit concentration ratio decreased to 40.8% from 42.8% in 2010.

Performance Rating[11]

As at end-December 2011, the overall performance of the banking sector was satisfactory. The number of banks in the sector increased to nineteen from eighteen in 2010. Of the total operating banks, Ten had a composite rating of 'satisfactory' (nine banks; 2010) while seven banks were rated 'fair' (five banks; 2010). One bank was rated 'marginal' (two banks; 2010) while another was rated 'unsatisfactory' (two banks; 2010) (see Table 28).

Table 28: Performance Rating for Banks

Performance	Capital Adequacy			Asset Quality			Earnings			Liquidity			Composite		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Strong	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Satisfactory	12	13	14	14	11	13	7	7	10	8	11	11	10	9	10
Fair	2	3	3	0	4	4	3	6	4	4	5	7	4	5	7
Marginal	1	1	1	0	0	1	2	3	3	3	1	1	1	2	1
Unsatisfactory	1	1	1	2	3	1	4	2	2	1	1	0	1	2	1
Unrated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**16**	**18**	**19**	**16**	**18**	**19**	**16**	**18**	**19**	**16**	**18**	**19**	**16**	**18**	**19**

Source: Bank of Zambia

The banks that were rated satisfactory continued to account for the largest share of the banking sector's total assets, total loans and total deposits while those rated marginal and unsatisfactory continued to be insignificant (see Table 29).

Table 29: Performance Rating for Banks and their Market Share

	Total Assets			Total Loans			Total Deposits		
Performance Rating	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**
Satisfactory	76.6	57.0	86.8	67.8	67.8	84.5	79.8	56.7	87.3
Fair	21.1	34.0	8.2	28.7	28.7	9.9	18.7	36.4	7.0
Marginal and Unsatisfactory	2.3	9.0	5.0	3.5	3.5	5.6	1.5	6.9	5.7
Total	**100.0**	**100.0**	100.0	**100.0**	**100.0**	100.0	**100.0**	**100.0**	100.0

Source: Bank of Zambia

[10] This is the ratio of 'gross non-performing loans to total gross loans' and is a key indicator of the banks' asset quality.

[11] The financial condition and performance of banks is assessed based on several ratios on four main components; which are Capital Adequacy, Asset quality, Earnings performance and Liquidity position (CAEL). There are five component and composite ratings as follows:-

Strong- Excellent performance and sound in every respect, limited supervisory response is required, **Satisfactory**- Above average performance and fundamentally sound with modest correctable weakness, **Fair**-Average performance with a combination of weaknesses if not redirected will become severe, **Marginal**-below average performance, immoderate weaknesses unless properly addressed could impair future viability of the bank. **Unsatisfactory**- Poor performance in most parameters, high risk of failure in the near term. The bank is under constant supervision and BoZ possession is most likely.

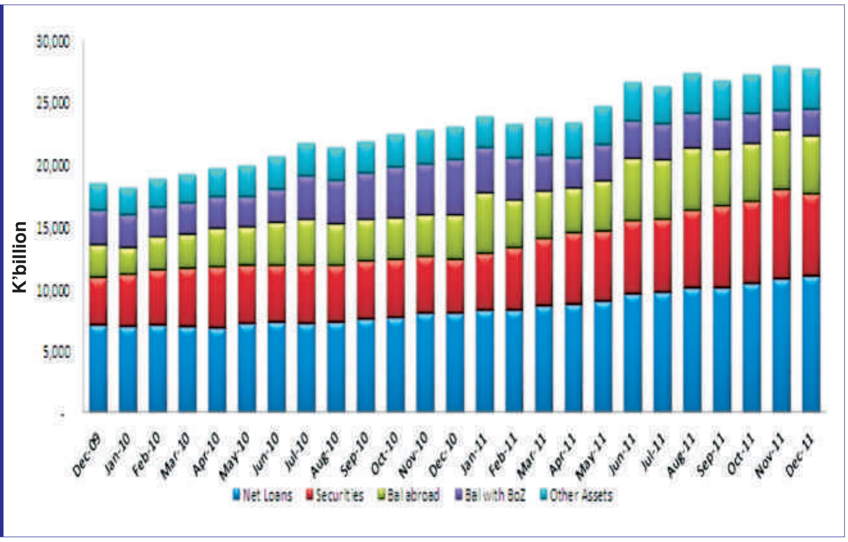
Balance Sheet Composition[12]

Asset Structure[13]

During the year under review, the total assets in the banking sector grew by 20.5% to K27,764.7 billion in 2011 from K23,038.0 billion in 2010. This growth was largely noted in investments in securities, balances with financial institutions abroad and net loans and advances (see Chart 20) and was largely funded by deposits.

CHART 20:

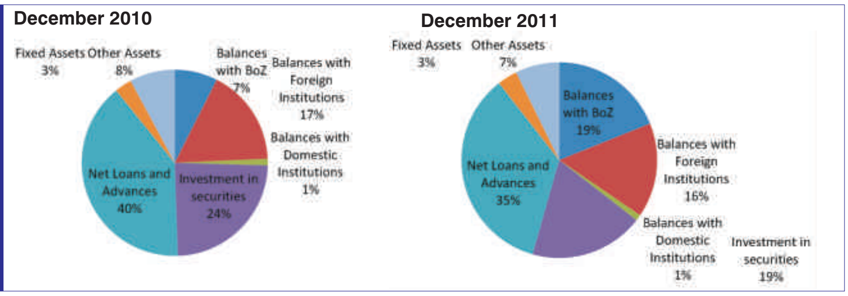
DEVELOPMENTS IN TAX REVENUE, DEC 2009 - DEC 2011



The asset structure of the banking sector continued to be dominated by net loans and advances which accounted for 39.7% of the total assets as at end-December 2011 compared with 35.0% as at end-December 2010. However, there was a shift in the structure of assets with investments in Government securities increasing to 24.0% of total assets from 18.9%. Other significant assets were the balances with foreign institutions and the Bank of Zambia. The balances with foreign institutions increased to 16.8% from 15.6% while those with the Bank of Zambia decreased to 7.5% from 18.9% during the period under review (see Chart 21).

CHART 21:

INDUSTRY ASSET STRUCTURE, DEC 2010 AND DEC 2011



Deposits and Other Liabilities

In the year under review, the banking sector's total liabilities increased by 20.2% to K25,033.2 billion from K20,818.0 billion at end-December 2010 with the funding structure remaining fairly unchanged. The growth in total liabilities was largely on account of total deposits, which increased by 21.6% to K20,976.7 billion from K17,244.0 billion over the same period.

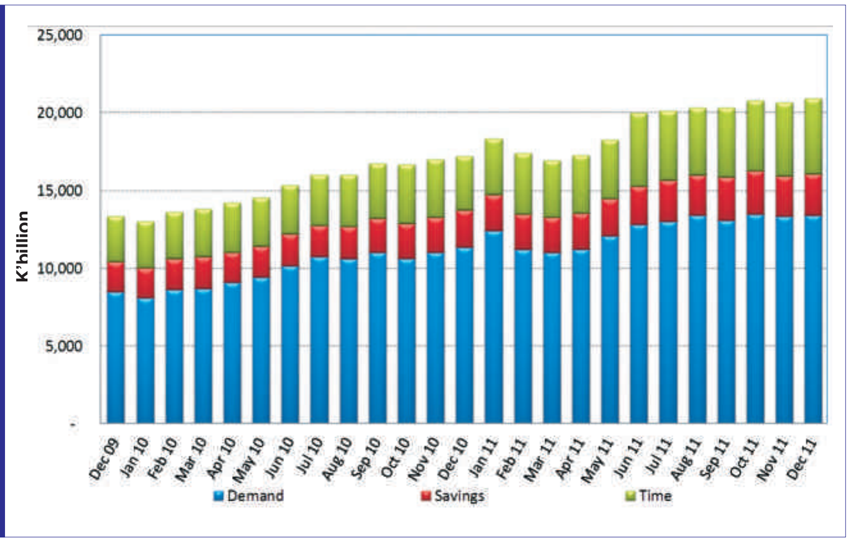
The banking sector recorded a positive growth trend in total deposits over the last three years. Demand deposits continued to be the largest component of total deposits, accounting for 63.9% despite a slight decrease, in comparison to 65.8% at end-December 2010. This was followed by time and savings deposits at 23.3% (2010; 20.3%) and 12.8% (13.9%), respectively (see Chart 22).

[12]The composition of the balance sheet is analysed to determine the type and spread of bank's business activities, as well as to consider the impact of changes thereto on the risk profile of the banking sector. The composition of a bank's balance sheet is normally a result of asset-liability and risk management decision.

[13]The banking sector's assets comprise items that are a reflection of individual banks' balance sheets, although the structure of balance sheets may vary significantly depending on business orientation, market environment, customer mix, or economic environment.

CHART 22:

STRUCTURE OF TOTAL DEPOSITS, DEC 2009 - DEC 2011



Capital Adequacy[14]

The banking sector's primary regulatory capital increased by 19.6% to K2,475.4 billion at end-December 2011 while total regulatory capital increased by 18.5% to K2,830.5 billion. The growth in regulatory capital was largely on account of the increase in share premium account, paid-up share capital, and retained earnings. The sector's total risk-weighted assets increased by 36.2% to K14,758.7 billion on account of a shift in the assets' risk profile towards assets of high - credit risk. The banking sector's primary regulatory capital to total risk-weighted assets declined to 16.8% from 19.9% while the total regulatory capital to total risk-weighted assets reduced to 19.2% from 22.1% over the reviewed period (see Chart 23, 24 and Table 30a).

On a bank by bank basis, 18 of the 19 operating banks in the sector met the minimum nominal capital requirement of K12.0 billion while 17 banks met the minimum capital adequacy ratios of 5% for primary regulatory capital and 10% for total regulatory capital.

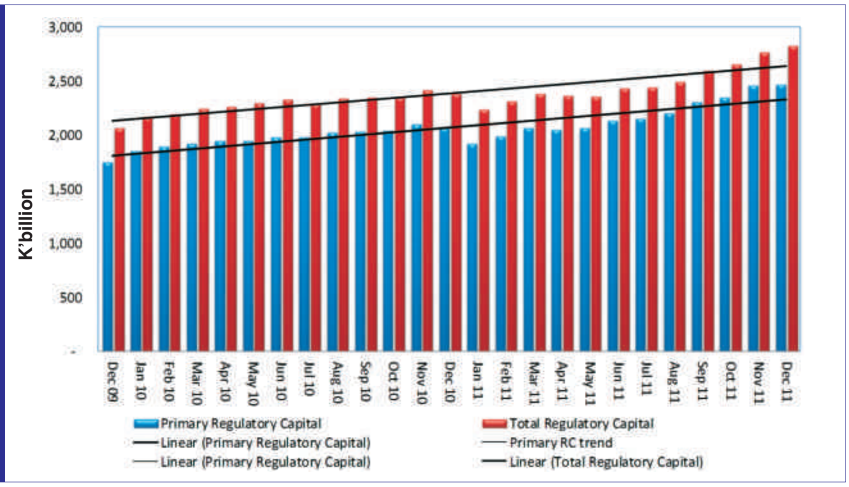
The ratio of net NPLs to total regulatory capital decreased to 10.2% at end-December 2011 from 11.2% at end-December 2010. However, in the event of an adverse migration in the NPLs, at 10.2% of total regulatory capital, the impact of the net NPLs on capital would be minimal[15].

Capital Adequacy Ratios

The nominal value of the banking sector's primary and total regulatory capital increased in 2011. However, the increase in total risk-weighted assets outweighed the increase in regulatory capital and consequently, the capital adequacy ratios declined during the year (see Charts 23, 24 and Table 30a).

CHART 23:

REGULATORY CAPITAL, DEC 2009 - DEC 2011



[14]Capital remains the most critical indicator of the relative strength of a bank. It provides a cushion against any losses that may be incurred by a bank. A bank's capital should be commensurate with the level of risk a bank takes to protect depositors as well as other providers of funds

[15]For example, if the entire portfolio of the substandard loans (with the required provision for loan losses at only 20% of the total) and the entire portfolio of doubtful loans (with the required provision for loan losses at only 50% of the total) adversely migrate to the loss category (with the required provision for loan losses at 100% of the total), the capital adequacy ratios as at end-December 2009, would decline by 1.4 percentage points to 17.5% and 20.9% for primary regulatory capital and total regulatory capital, respectively.

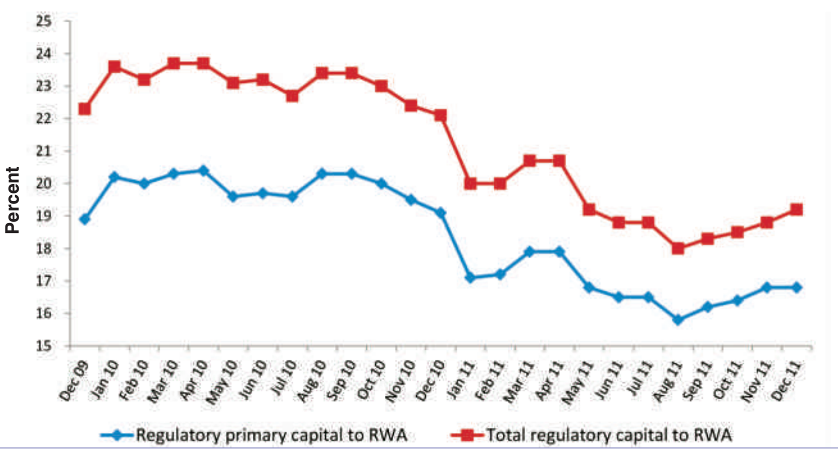
Table 30a: Capital Adequacy Ratios, 2009 - 2011 (%)

Key Ratios	2009	2010	2011
Primary regulatory capital to total risk-weighted assets	18.9	19.1	16.8
Total regulatory capital to total risk-weighted assets	22.3	22.1	19.2
Total regulatory capital to total assets plus off-balance sheet items	10.6	9.6	9.1
Net Non-performing loans to total regulatory capital	6.5	11.2	10.2

Source: Bank of Zambia

CHART 24:

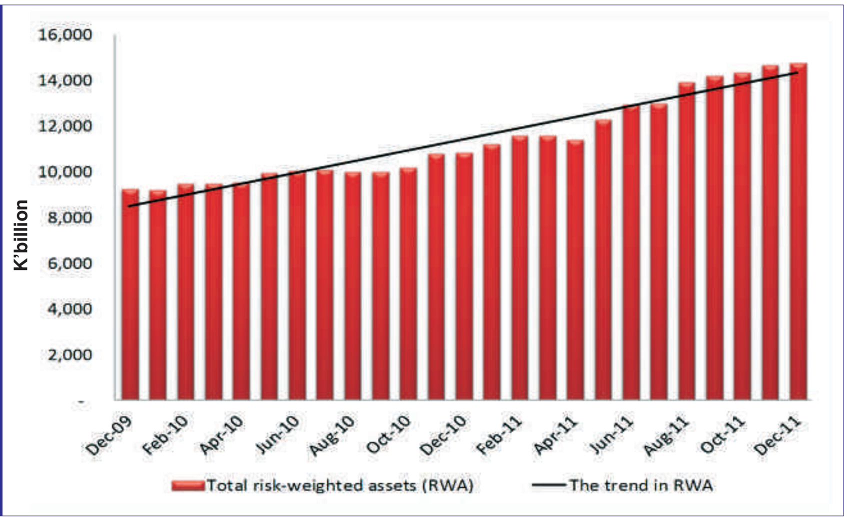
CAPITAL ADEQUACY RATIOS, DEC 2009 - DEC 2011



An increasing trend in total risk-weighted assets (RWA) was observed during the year under review. This was largely due to a shift in the risk profile of the banking sector's total assets to assets of higher-credit risk as banks repositioned their balance sheets and increased investments in high yielding assets (see Chart 25 and Table 30b).

CHART 25:

TOTAL RISK-WEIGHTED ASSETS, DEC 2009 - DEC 2011



During 2011, the financial sector continued on a growth path with entry of new institutions. AB Bank became the 19th commercial bank.

AB BANK ZAMBIA LTD, LUSAKA

Table 30b: Asset Profile, 2009 – 2011 (%)

Asset Type and Risk-weight Categories	2009	2010	2011
20 percent risk-weight (% of RWA)	9.9	10.6	10.1
Balances with banks	59.3	66.1	66.3
Investments in Government bonds	36.5	32.7	31.2
Inter-bank loans and advances	3.9	1.0	2.4
Assets in transit	0.3	0.3	0.1
Sub-total	**100.0**	**100.0**	**100.0**
50 percent risk-weight (% of RWA)	**5.9**	**6.7**	5.5
Loans and advances	96.1	98.2	97.1
Assets in transit	3.9	1.8	2.9
Sub-total	**100.0**	**100.0**	**100.0**
100 percent risk-weight (% of RWA)	**78.7**	**75.1**	75.5
Loans and advances	79.8	77.4	80.6
Inter-bank loans and advances	0.0	0.0	0.0
All other assets	20.2	22.5	19.4
Sub-total	**100.0**	**100.0**	**100.0**
Off-balance sheet items (% of RWA)	**5.5**	**7.5**	8.8
20 percent risk-weight	4.9	7.4	14.6
50 percent risk-weight	7.6	21.0	29.8
100 percent risk-weight	**87.5**	**71.7**	55.6
Sub-total	**100.0**	**100.0**	**100.0**
Total risk-weighted assets (RWA)	100.0	100.0	100.0
Total risk-weighted assets to total assets	50.0	47.0	53.2

Source: Bank of Zambia

Asset Quality[16]

The banking sector recorded an improvement in asset quality during the year under review. The gross non-performing loans (NPL) ratio decreased to 10.4% at end-December 2011 from 14.8% at end-December 2010. This was on account of a fall in the gross NPL by 8.5% to K1,243.0 billion from K1,358.5 billion in 2010, coupled with a 30.7% increase in gross loans which closed at K11,979.1 billion compared with K9,164.2 billion. The net NPL ratio also improved to 2.6% from 3.3% at end-December 2010. Similarly, the improvement in the net NPL ratio was on account of the decrease in the level of gross NPLs. The allowance for loan losses decreased by 12.5% to K953.9 billion at end-December 2011 from K1,090.7 billion at end-December 2010. Consequently, there was a decrease in the NPL coverage ratio[17] to 76.7% from 80.3% at end-December 2010 (see Tables 31 and 32, and Chart 26).

Table 31: Key Asset Quality Ratios, 2009 – 2011(%)

Key Ratios	2009	2010	2011
NPL ratio[18]	12.6	14.8	10.4
Net NPL ratio[19]	1.9	3.3	2.6
ALL/ NPL[20]	86.6	80.3	76.7
ALL[21]	101.4	96.8	90.3

Source: Bank of Zambia

Table 32: Classification of Loans, 2009 - 2011

	2009		2010		2011	
Loan Category	**K' billion**	**% Share**	**K' billion**	**% Share**	**K' billion**	**% Share**
Standard Loans	7,032.1	87.4	7,805.7	85.2	10,736.1	89.6
Non-Performing Loans						
Substandard	115.8	1.5	179.8	2.0	81.4	0.7
Doubtful	110.4	1.4	175.2	1.9	242.7	2.0
Loss	784.0	9.7	1003.5	10.9	918.8	7.7
Sub-total	1,010.2	12.6	1358.5	14.8	1,242.9	10.4
Total Loans	8,042.3	100.0	9,164.2	100.0	11,979.0	100.0

Source: Bank of Zambia

[16]The asset quality refers to the amount of risk or "probable" loss in a bank's assets and the strength of management processes to control credit risk. The greatest concern is the loss associated with credit quality in the bank's loan portfolio. This is because loans typically constitute a majority of a bank's assets, and interest earned on loans is an important source of a bank's revenue. [Credit risk is the risk that borrowers are unable or unwilling to repay the principal and interest associated with their debt obligations to the bank. Credit risk is generally measured by the ratio of gross non-performing loans to total loans].

[17]This is the ratio of the 'allowance for loan losses to gross non-performing loans'.

[18]NPL ratio – Non Performing Loans to Total Loans Ratio

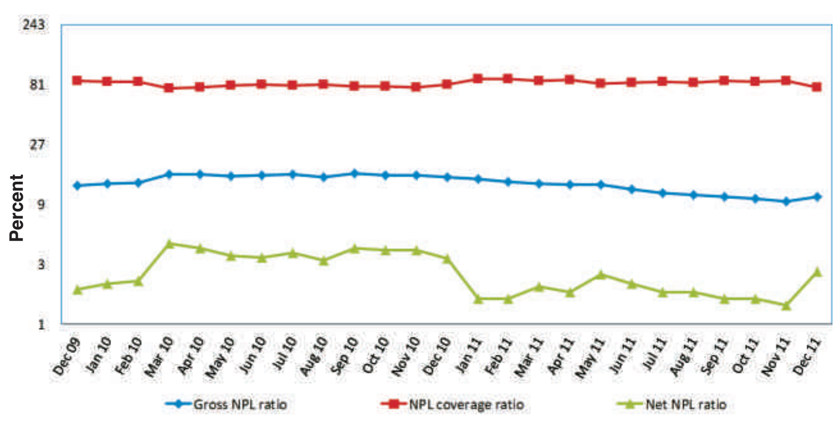
[19]Net NPL ratio – (Non-performing Loans – Allowance for Loan Losses)/(Loans – Allowance for Loan Losses)

[20]ALL/NPL – Allowance for loan Losses to Non-Performing Loans

[21]ALL – Allowance for Loan Losses to minimum regulatory requirements

CHART 26:

ASSET QUALITY RATIOS, DEC 2009 – DEC 2011



Sectoral Distribution of Non-Performing Loans

The distribution of NPLs in 2011 showed that the construction sector accounted for the largest share of the total banking sector's gross NPLs at 15.8% compared to 6.1% in 2010 followed by agriculture, forestry, fishing and hunting sector at 15.7%, down from 25.3% in 2010. The personal loans were at 15.0% from 15.1% in 2010. However, the distribution of NPLs within individual sectors indicated that the construction sector continued to account for the highest intra-sector NPL ratio[22] at 37.8% from 42% in 2010. This was followed by the restaurants and hotels sector at 17.3%, and mining and quarrying sector at 16.3% (see Tables 33 and 34).

Table 33: Distribution of the Total NPLs by Economic Sectors, 2009 - 2011 (%)

Sector	2009	2010	2011
1. Agriculture, forestry, fishing and hunting	33.4	25.3	15.7
2. Mining and quarrying	3.3	5.6	6.8
3. Manufacturing	8.6	9.1	14.7
4. Electricity, gas, water and energy	0.2	0.1	0.2
5. Construction	7.8	16.7	15.8
6. Wholesale and retail trade	8.3	6.1	7.4
7. Restaurants, bars and hotels	2.3	4.3	4.3
8. Transport, storage and communication	7.1	6.4	6.4
9. Financial services	0.3	0.2	0.2
10. Real estate	1.6	2.2	2.2
11. Personal Loans	-	15.1	15.1
12. Other sectors (in 2008 & 2009 largely comprised personal loans)	27.1	9.0	9.0
Total	**100**	**100**	100

Source: Bank of Zambia

Table 34: The Intra Sector NPL Ratios, 2009 - 2011 (%)

Sector	2009	2010	2011
1. Agriculture, forestry, fishing and hunting	22.7	21.8	9.1
2. Mining and quarrying	10.2	25.9	16.3
3. Manufacturing	8.9	10.7	12.3
4. Electricity, gas, water and energy	1.4	0.9	1.0
5. Construction	31.0	42.4	37.8
6. Wholesale and retail trade	10.4	8.5	7.3
7. Restaurants, bars and hotels	19.3	36.3	17.3
8. Transport, storage and communication	14.7	20.5	10.6
9. Financial services	0.7	1.2	2.4
10. Real estate	2.4	5.3	9.7
11. Other sectors (largely personal loans)	12.4	23.0	8.4

Source: Bank of Zambia

Earnings Performance[23]

Profitability and Earnings Composition

The banking sector's earnings performance improved in 2011. Profit before tax increased by 80.9% to K942.1 billion from K520.7 billion in 2010 due to higher non-interest income and a reduction in the charge for loan loss

[22]The intra-sector NPL ratio represents the amount of gross non-performing loans within the sector itself.
[23]Earnings are an important source for capital formation. An evaluation of a bank's earnings performance involves an assessment of the quality of income and the long term sustainability of the activities that generate the income.

expenses. However, the net operating profit margin[26] declined to 26.6% from 32.9% in 2010 on account of an increase in non-interest expenses by 15.2%. The banking sector's overall earnings performance as measured by the return on assets and return on equity increased to 2.2% (2.0%; 2010) and 11.2% (8.9%; 2010), respectively (see Charts 27, 28 and 29, and Tables 35 and 36).

Table 35: Earnings Performance Indicators, 2009 - 2011 (%)

Key Ratios	2009	2010	2011
Return on Assets	2.0	2.3	4.5
Return on Equity	8.9	11.6	30.0
Net Interest Margin	10.7	8.1	9.8
Efficiency[27] Ratio	82.6	71.8	69.4
Earning Assets Ratio	83.7	78.7	81.8

Source: Bank of Zambia

CHART 27:

BANKING SECTOR KEY EARNINGS RATIOS, DEC 2009 - DEC 2011

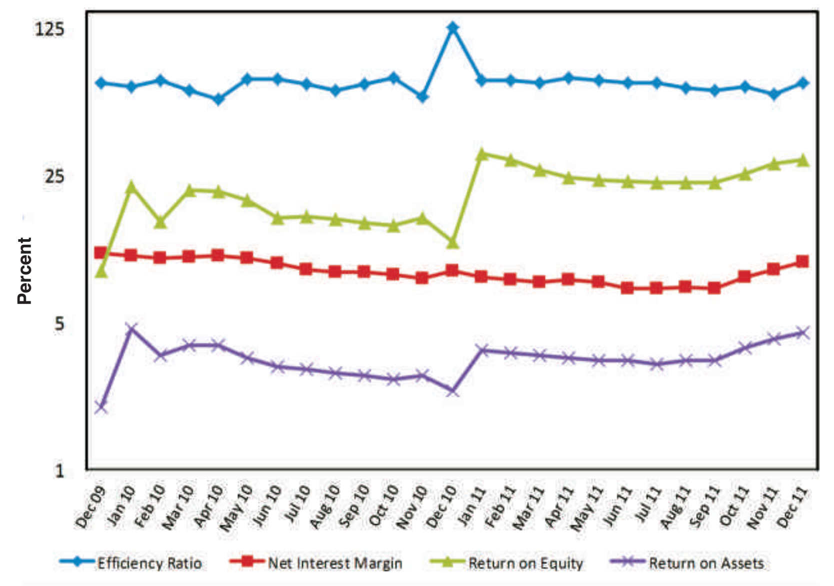
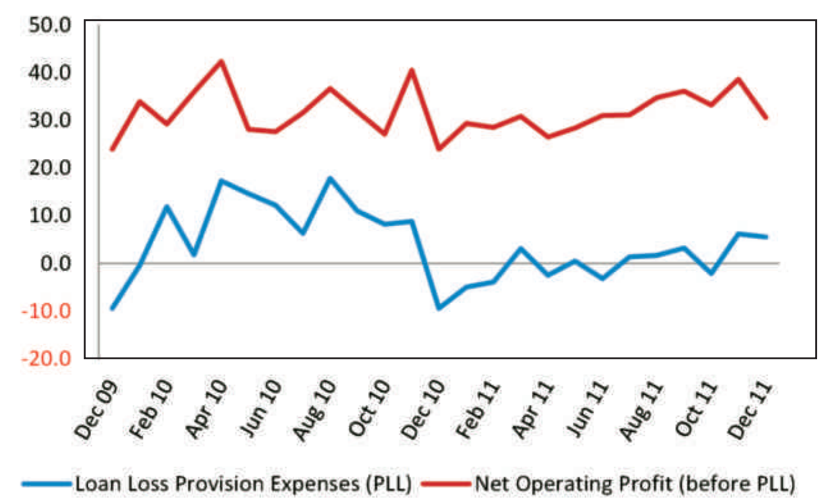


CHART 28:

NET OPERATING PROFIT AND LOAN LOSS PROVISIONS, DEC 2009 – DEC 2011



[24]Before accounting for taxes and PLL

[25]The "overhead efficiency ratio" gives a measure of how effectively a bank is operating. An increase in the efficiency ratio means that the bank is losing a larger percentage of its income to overhead expenses. However, if it is getting lower, it is a good measure of improving profitability. The international benchmark for the efficiency ratio is normally 60%.

CHART 29:

PROFIT BEFORE TAX,
DEC 2009 – DEC 2011

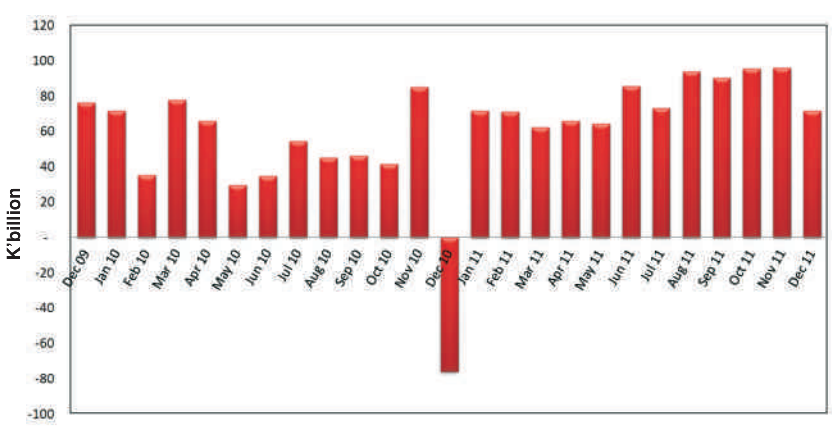


Table 36: Summarised Income Statement, 2009 - 2011 (K' billion)

Particulars	2009	2010	2011
Interest Income	1,995.7	1,848.6	2,144.7
Interest Expenses	482.7	384.6	450.2
Net Interest Income	**1,513.0**	**1,464.5**	**1,694.5**
Non-Interest Income	1,075.9	1,306.2	1,327.4
Net Operating Income	**2,588.9**	**2,770.7**	**3,021.9**
Loan Loss Provisions	484.8	261.2	21.0
Gross Operating Profit	**2,104.1**	**2,509.54**	**3,000.9**
Non-Interest Expenses	1,737.0	1,988.7	2,058.7
Profit Before Taxation	**367.1**	**520.7**	**942.2**
Taxation	201.4	260.7	330.9
Net Profit	**165.7**	**260.0**	**611.3**

Source: Bank of Zambia

Loan interest income continued to account for the highest proportion of total income at 40.9% compared to 37.3% in 2010. Income from commissions, fees and service charges was second at 23.5% up from 21.3% in the previous year. Other sources of income included earnings from foreign exchange transactions and from interest on government securities at 11.7% and 16.9% compared with 13.8% and 17.4% in 2010, respectively. On the cost front, total non-interest expenses, largely comprising salaries and employee benefits, accounted for 52.7% compared with 50.6%.

Liquidity and Funds Management

During 2011, the banking sector's liquidity position remained satisfactory. However, the liquidity ratio[26] at end–December 2011 was 48.6% compared with 52.4% at end-December 2010, while the ratio of net loans to deposits[27] increased to 57.1% from 53.1%. The banking sector's core deposit ratio[28] decreased to 76.7% from 79.7% while the deposit concentration ratio[29] decreased to 40.8% from 42.8% (see Table 37 and Chart 30).

[26] The liquidity ratio gives a rough indication of a bank's ability to meet its short-term payment obligations, with short-term liquid assets (with at least a maturity of six months). However, the liquidity ratio takes a more conservative approach by assuming that no loan proceeds expected in the coming six months.
[27] The "net loans to deposits" shows how much of loans are funded by deposits, rather than inter-bank or other borrowings. A smaller ratio, less than 100%, is better. Preferably, loans are funded by deposits which are generally low cost.
[28] The 'Core deposits' shows how much of the asset base is funded by core deposits (Demand plus Savings Deposits). A larger ratio is better and suggests less liquidity risk.
[29] The 'Deposit Concentration ratio' (an indication of funding risk) is measured by the aggregate of each bank's twenty largest deposits. A larger ratio suggest high liquidity risk.,

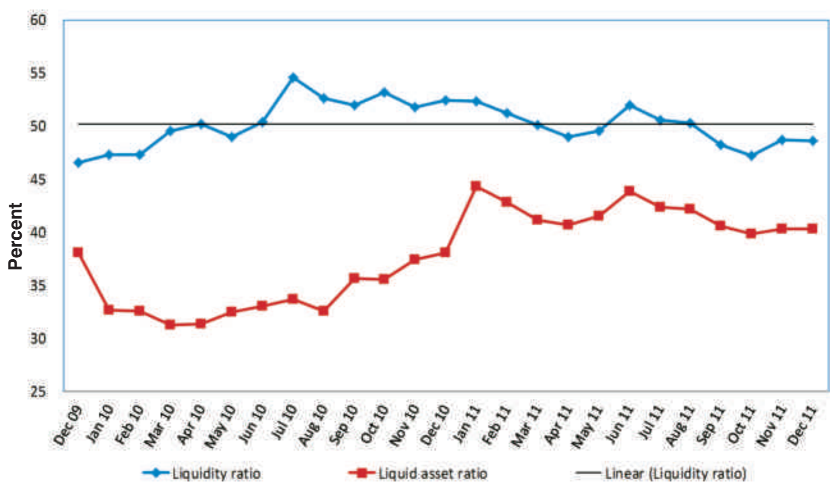
Table 37: Banking Sector Liquidity, 2009 - 2011 (K'billion)

Details	2009	2010	2011
Cash and Balances with Domestic Institutions	1,660.4	1,842.1	2,013.8
Balances with Foreign Institutions	2,603.5	3,594.4	4,673.2
OMO deposits	659.0	1,945.5	-
Treasury bills	2,108.3	2,426.1	4,330.9
Government Bonds (With Maturity up to 180 days)	**-**	**261.7**	**160.7**
Total Liquid Assets	7,031.2	10,069.8	11,178.6
Deposits & Short-term liabilities	15,109.9	19,249.0	23,010.0
Total Deposits	13,377.8	17,244.0	20,976.7
Total Net Loans and Advances	7,167.7	8,073.4	11,025.2
Key Liquidity Ratios (%):			
Liquid Assets to Total Assets (liquid asset ratio)	38.0	43.8	40.3
Liquid assets to deposits & short-term liabilities (liquidity ratio)	46.5	52.4	48.6
Net Loans to Deposits Ratio	53.7	53.1	57.1
Core deposits/ total deposits ratio	78.3	79.7	76.7
Deposit concentration ratio	31.7	42.8	40.8

Source: Bank of Zambia

CHART 30:

LIQUIDITY RATIOS, DEC 2009 – DEC 2011



Market Share and Performance Indicators

Based on the proportion of total assets, loans and deposits held, Barclays Bank, Standard Chartered Bank, Zambia National Commercial Bank, Stanbic and Bank of China dominated the banking sector's market share. In terms of asset size, these five banks largely accounted for 71.2% of the industry's total assets compared with 72.1% in 2010. The banks that accounted for the largest portion of the industry's total profit before tax, in order of significance, were Zambia National Commercial Bank, Standard Chartered Bank, Finance Bank, Citibank and Stanbic Bank (see Table 38).

With a stable and growing economy, Zambia has also joined other countries as a source of FDI, with investments abroad by locally-based companies on the rise. One such company is Zambeef Products Plc, a Zambian-based publicly quoted company which has extended its operations to West Africa

ZAMBEEF MEAT PRODUCTS ON SHELVES, GHANA RETAIL OUTLET

Table 38: Commercial Banks' Market Share and Performance Indicators as at 31 December 2011

Bank	Percentage of assets	Percentage of loans	Percentage of deposits	Percentage of profit before tax[30]	Return on Assets (%)	Return on Equity (%)	Total Regulatory Capital
Barclays	16.4	16.1	17.3	29.9	4.9	55.5	21.8
ZNCB	16.6	16.4	16.1	20.0	4.8	28.4	18.9
Stanchart	16.5	15.7	17.0	22.6	5.2	43.6	16.2
Stanbic	15.1	17.7	16.1	12.5	3.6	37.3	12.9
Citibank	5.3	4.1	4.3	6.4	4.9	10.3	45.9
Indo Zambia	4.7	5.0	4.7	5.2	4.6	15.0	31.9
Finance Bank	4.1	4.7	4.8	5.9	5.8	139.2	5.6
Bank of China	5.5	1.3	6.3	2.9	1.2	23.3	22.1
First Alliance	1.3	1.2	1.1	1.8	6.7	14.1	40.6
ABC	2.3	3.3	1.0	3.6	3.1	63.1	14.9
Investrust	3.3	3.7	3.4	1.3	1.7	15.8	19.9
Cavmont	1.2	1.3	1.4	-1.6	-5.9	-52.4	13.1
Intermarket	0.9	0.9	0.9	1.0	0.4	26.4	-1.3
Access	1.4	0.9	1.6	-1.4	-2.4	-30.9	16.6
FNBZ	2.1	2.5	2.1	-6.2	-7.9	-50.1	14.6
ECO	1.3	1.6	1.0	-2.1	-3.3	-37.7	11.3
UBA	1.7	3.3	0.4	-1.2	-1.8	-13.9	12.7
ICB	0.4	0.3	0.5	-0.4	-2.3	-12.6	19.8
AB Bank	0.1	0.0	0.0	-0.3	-19.2	-45.8	155.8
Total/Weighted average	**100.0**	**100.0**	**100.0**	**100.0**	**4.5**	**30.0**	**19.2**

Source: Bank of Zambia

Market Share: Assets, Loans and Deposits by Ownership

Subsidiaries of foreign banks[31] continued to dominate the banking sector's market share in terms of assets, loans and deposits followed by banks with Government stake[32] and local private banks[33] (see Table 39).

Table 39: Distribution of the Banking Sector's Assets, Loans and Deposits by Ownership Type, 2009 - 2011 (%)

	2009			2010			2011		
	Assets	Loans	Deposits	Assets	Loans	Deposits	Assets	Loans	Deposits
Subsidiaries of foreign banks	65.8	64.2	64.2	70.1	62.5	71.1	69.0	67.7	68.5
Banks with Government stake	21.2	19.4	22.5	19.5	24.5	19.8	19.5	24.5	19.8
Local private banks	13.0	16.4	13.3	10.4	13.0	9.2	10.4	13.0	9.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Market Share: Profit before Tax by Ownership

The distribution of 'profit before tax' by type of ownership indicated that subsidiaries of foreign banks accounted for the largest share of the sector's total profit before tax at 67.4% in 2011 followed by the banks with government stake (25.2%) and local private banks (7.4%) (see Table 40).

Table 40: Distribution of the Banking Sector's Profit before Tax by Type of Ownership, 2009 – 2011 (%)

	2009	2010	2011
Subsidiaries of foreign banks	13.9	59.2	67.4
Banks with Government stake	46.1	38.5	25.2
Local private banks	40.0	2.3	7.4
Total	**100.0**	**100.0**	**100**

Source: Bank of Zambia

Regulation and Supervision

On-Site Inspections

The Bank of Zambia inspected three commercial banks in 2011 as scheduled. The objectives of the inspections included evaluation of the overall financial condition of the banks and evaluation of the risk management

[30] This represents the percentage share of each bank's profit/ (loss) contribution to the net banking industry's net profit or loss. Hence in some cases the percentages are above 100%.
[31] These are locally incorporated subsidiaries of foreign banks (Ten)
[32] Banks which are partly owned by the Government of the Republic of Zambia (Two).
[33] Other banks incorporated locally which are neither subsidiaries of foreign banks nor partly owned by Government (Four).

systems with emphasis on credit and operational risks. The inspections further assessed the bank's compliance with the various regulations.

The BoZ also conducted compliance inspections to assess adherence to the Provision of Credit Data and Utilisation of Credit Reference Services Directive of 2008 by credit providers and the Anti-Money Laundering Directives of 2004. Arising from the assessments, the Bank took remedial measures aimed at improving compliance.

Branchless Banking

The Bank of Zambia has financial inclusion as one of its strategic objectives. This is partly borne out of the need to expand access to formal financial services in the country, which is currently estimated at 37.3%. Branchless banking is one of the initiatives that has been identified as having potential to expand outreach for financial services, particularly in rural areas. It relies on the use of existing infrastructure such as trading outlets which banks and financial institutions can leverage on to provide financial services in areas where they have no physical presence. The Bank of Zambia is developing a formal framework to guide the operations of financial service providers in contracting third parties (agents) to deliver financial services on their behalf. The framework is expected to be completed and to become operational in 2012 once the consultations with all key stakeholders have been finalised. Although the development of a framework for branchless banking is still on-going, the Bank of Zambia has continued to grant approvals to commercial bank initiatives aimed at increasing access to financial services. Consequently, during 2011 Zambia National Commercial Bank Plc partnered with the Zambia Postal Services Corporation in the provision of banking services.

Review of the Banking and Financial Services Act

The Banking and Financial Services Act (BFSA), which is the principle legislation governing the regulation and supervision of the financial sector in Zambia has been subject of review since the first quarter of 2011. The law review exercise is intended to, among other things, provide for a prompt corrective action regime to ensure financial system stability and to bring the BFSA in line with global developments in regulation and supervision in the aftermath of the global financial crisis. The BFSA was last reviewed in 2005 and has therefore lagged behind in its responsiveness to current trends in the industry. The revised BFSA is expected to be presented to Government later in 2012.

Licencing

During the year, AB Bank Zambia Limited commenced operations following the granting of a banking license by the Bank of Zambia. The shareholders of AB Bank Zambia Limited include: Access Holding Microfinance AG (Access Holding), the International Finance Corporation (IFC), Netherlands Development Finance Company (FMO), Rural Impulse Fund II SA and Kreditanstalt fur Wiederaufbau (KFW).

Islamic Banking Framework for Zambia

The Bank of Zambia finalized consultations with the Islamic Financial Services Board (IFSB) on the framework for Islamic banking in Zambia in 2011, and was subjected to wider consultations with key stakeholders. The framework is intended to facilitate the offering of Islamic banking products and services in Zambia. The initiative is part of the Bank of Zambia strategy to increase access to banking services.

Consumer Protection and Empowerment

In 2011, the Bank of Zambia scaled-up activities around consumer protection and empowerment in accordance with its regulatory mandate in the bank and non-bank financial institutions sector. As part of this effort, the Bank of Zambia introduced a new chapter on consumer protection in the revised Banking and Financial Services Act. The expectation is that such legal backing will facilitate a coordinated approach to consumer protection and necessitate the setting up of appropriate institutional arrangements for consumer protection within the Bank of Zambia.

Bank Branch Network and Agencies[34]

During the year, the Bank of Zambia authorised the opening of 19 branches and two agencies. Consequently, the number of commercial bank branches increased to 247 from 229 recorded in 2010 while commercial banks' Agencies increased to 39 from 37 recorded in 2010. (see Table 41).

[34] A bank agency falls under a branch and does not offer the full range of products and services which are provided at the branch. Further, depending on the bank, an agency may not open on all the working days of the week.

Table 41: Commercial Banks' Branch Network and Agencies, 2009 - 2011

	2009	2010	2011	Status in 2011
AB Bank Zambia Limited	-	-	1	New Player
Access Bank Zambia Limited	3	5	5	Unchanged
African Banking Corporation (Z) Ltd	2	2	6	Increased
Bank of China Zambia Limited	1	1	2	Increased
Barclays Bank Zambia Plc	54	54	54	Unchanged
Cavmont Capital Bank Limited	12	12	15	Increased
Citibank Zambia Limited	2	2	2	Unchanged
Ecobank Zambia Limited	1	4	4	Unchanged
Finance Bank Zambia Limited	48	49	49	Unchanged
First Alliance Bank (Z) Limited	3	3	4	Increased
First National Bank Zambia Limited	3	5	6	Increased
Indo-Zambia Bank Limited	13	14	15	Increased
Intermarket Banking Corporation (Z) Ltd	4	4	4	Unchanged
International Commercial Bank (Z) Ltd	0	1	2	Increased
Investrust Bank Plc	14	16	18	Increased
Stanbic Bank Zambia Limited	13	15	18	Increased
Standard Chartered Bank Zambia Plc	20	20	19	Declined
United Bank for Africa Zambia Ltd	0	2	3	Increased
Zambia National Commercial Bank Plc	54	57	59	Increased
Total	247	266	286	Increased

Source: Bank of Zambia

Banks in Liquidation

In the year under review, the Bank of Zambia continued to oversee the liquidation processes of the 10 banks under liquidation and terminated the liquidations of the following banks:

- Zambia Export Import Bank Zambia Limited (In Liquidation);
- Manifold Investment Bank Zambia Limited (In Liquidation); and,
- Prudence Bank Zambia Limited (In Liquidation).

4.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

Overview

In 2011, the overall financial performance and condition of the non-bank financial institutions (NBFIs) sector was fair. The leasing and finance companies, bureaux de change, microfinance sub-sectors and the development finance institution registered satisfactory performance. Similarly, the performance of building societies continued to improve.

The number of NBFIs rose to 102 as at 31 December 2011 from 91 as at 31 December 2010. This development was mainly due to a rise in the number of bureaux de change and microfinance institutions to 55 (50; 2010) and 32 (24; 2010), respectively (see Table 42).

Table 42: Structure of NBFIs, 2009 – 2011

Type of Institution	Number of Institutions		
	2009	2010	2011
Leasing finance institutions[35]	12	11	9
Building societies	3	3	3
Bureaux de change	44	50	55
Savings and credit institutions[36]	1	1	1
Microfinance institutions	25	24	32
Development finance institutions[37]	1	1	1
Credit reference bureaux	1	1	1
Total	87	91	102

Source: Bank of Zambia

[35]One leasing company, Executive Financial Services Limited, had its licence revoked on 30 August 2011.
[36]One bureau de change, Presans Bureau de Change Limited, had its licence revoked on 26 March 2011.
[37]One microfinance institution, Capital Solutions Limited, was merged with Madison Premier Finance Limited on 26 January 2011.

Regulation and Supervision

During the year, 13 licences for NBFIs were granted. These comprised 5 bureaux de change and 8 microfinance institutions (see Tables 43 and 44).

Table 43: Bureau de Change Licences Issued in 2011

Name of Bureau de Change	Date Licensed
Amachi Bureau de Change Limited	18 March 2011
Binary Bureau de Change Limited	19 May 2011
Vermak Bureau de Change Limited	21 November 2011
Chibuyu Bureau de Change Limited	22 December 2011
Pacific Bureau de Change Limited	22 December 2011

Source: Bank of Zambia

Table 44: Microfinance Institutions Licences Issued in 2011

Name of Microfinance Institution	Date Licensed
Graypages Financial Solutions Limited	22 July 2011
Nu-Bridge Financial Solutions Limited	22 July 2011
Sigma Financial Solutions Limited	17 January 2011
Agora Microfinance Zambia Limited	18 March 2011
Christian Empowerment Microfinance Limited	9 August 2011
Vision Fund Limited	20 December 2011
Kwacha Finsupport Limited	21 November 2011
Chibuyu Financing Limited	30 December 2011

Source: Bank of Zambia

In addition, ten bureaux de change and 10 microfinance institutions branch applications were approved in the year 2011 (see Tables 45 and 46).

Table 45: Approved Bureau de Change Branches

Name of Institution	No. of Branches	Date Approved
Supreme Bureau de Change Limited – Great North Road, Nakonde.	1	10 February 2011
Zampost Bureau de Change Limited - Nakonde, Chipata, Kabwe and Lusaka	4	10 May 2011
JIT Bureau de Change Limited- Kitwe	1	8 April 2011
Gobena Bureau de Change Limited	1	19 July 2011
A-Plus - Great North Road, Nakonde	1	16 July 2011
C & A Bureau de Change Limited – Levy Junction	1	28 September 2011
Struts Bureau de Change Limited-Levy Junction	1	21 October 2011
Total	**10**	

Source: Bank of Zambia

Table 46: Microfinance Institutions Branches Approved in 2011

Name of Institution	No. of Branches	Date Opened
Pulse Financial Services - Chipata Branch	1	28 August 2011
Agora Microfinance Zambia Limited - Mumbwa and Mongu	2	18 October 2011
Madison Finance Company Limited (MFinance)	7	15 December 2011
- Kabwe		
- Chingola		
- Ndola		
- Solwezi		
- Mansa		
- Lusaka (Kalingalinga)		
- Livingstone		
Total	**10**	

Source: Bank of Zambia

Performance of the Non-Bank Financial Institutions Sector

The overall financial performance and condition of the NBFIs was fair . The number of institutions rated fair or better were 77 while six were rated marginal and five unsatisfactory. The five institutions rated unsatisfactory comprised two leasing companies, two microfinance institutions and a savings and credit institution (see Table 47). Measures to address the capital deficiencies of these institutions continued to be undertaken during the year under review.

Table 47: Performance and Financial Condition of the NBFIs Sector, 2009 - 2011

Performance Rating	Licence Type	Number of Institutions			% of Total
		2009	2010	2011	Assets for 2011
Strong	Deposit-taking	0	0	2	5.5%
	Non-Deposit-taking	0	5	7	22.1%
Satisfactory	Deposit-taking	2	2	3	17.1%
	Non-Deposit-taking	35	26	29	5.2%
Fair	Deposit-taking	3	5	6	8.6%
	Non-Deposit-taking	22	26	30	26.0%
Marginal	Deposit-taking	1	1	1	1.4%
	Non-Deposit-taking	7	11	5	0.1%
Unsatisfactory	Deposit-taking	4	1	1	1.3%
	Non-Deposit-taking	3	5	4	12.8%
Total		**77**	**82**	**88**[38]	**100%**

Source: Bank of Zambia

Leasing and Finance Institutions Sub-Sector

During the year, the overall performance of the leasing finance sub-sector was fair[39] compared with the marginal rating in the previous year. This was on account of the fair rating of capital position, earnings performance and asset quality of the sub-sector as the liquidity position was rated marginal.

Two institutions, accounting for 13% of the sub-sector's total assets, were rated unsatisfactory on account of regulatory capital deficiencies. In this regard, the Bank of Zambia put in place measures to compel the shareholders of these institutions to address the capital deficiencies (see Table 48).

Table 48: Composite Rating for the Leasing and Finance Companies Sub-Sector, 2009-2011

Performance Category	Composite Rating Scale	Number of Leasing companies			Proportion of Industry Assets (%)		
		2009	2010	2011	2009	2010	2011
Strong	1.0 - 1.5	1	0	1	0	0	33
Satisfactory	1.6 - 2.4	3	1	1	0	2	2
Fair	2.5 - 3.4	3	3	4	66	12	52
Marginal	3.5 - 4.4	1	2	1	1	65	0
Unsatisfactory	4.5 - 5.0	2	4	2	33	21	13
Total		10	10	9	100	100	100

Source: Bank of Zambia

The hospitality industry has over the last few years attracted notable investments with the construction of new hotels, motels, lodges and guest houses. Livingstone, the country's tourist capital has had its share of investments in world class tourist accommodation

NEWLY CONSTRUCTED COURTYARD HOTEL, LIVINGSTONE

[38]The financial condition and performance of the NBFIs was evaluated on the basis of their performance in the parameters of **C**apital Adequacy, **A**sset Quality, **E**arnings Performance and **L**iquidity (CAEL). The composite rating averages the effects of the individual ratings in each of the above parameters. A five-tier rating system was utilised as follows:

Strong (rating 1)	:	Excellent performance in all components
Satisfactory (rating 2)	:	Satisfactory performance and meets minimum statutory requirements
Fair (rating 3)	:	Average performance and meets minimum statutory requirements
Marginal (rating 4)	:	Below average performance in some of the components
Unsatisfactory (rating 5)	:	Poor performance in most components and violates minimum statutory requirements

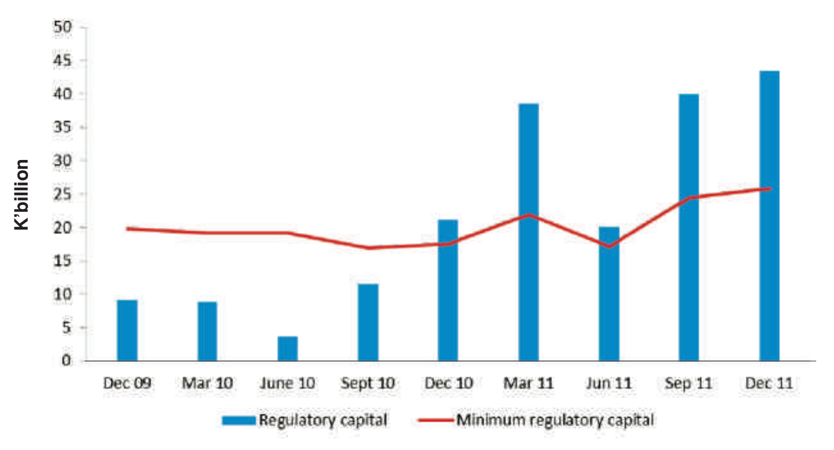
[39]The total number of licensed NBFIs was 102. However, six MFIs and seven bureaux de change have not yet started submitting prudential returns while one NBFI is a credit reference bureau that is not required to submit prudential returns.

Capital Adequacy

During the year under review, the regulatory capital of the subsector increased to K43.5 billion from K21.2 billion as at end-December 2010, and was above the aggregate subsector minimum capital requirement of K25.9 billion. The increase in regulatory capital was largely attributed to profit after tax amounting to K9.5 billion and additional paid-up capital amounting to K8.3 billion. The capital position as at end-December 2011 represented a regulatory capital adequacy ratio of 22.0% which was 12 percentage points above the minimum required prudential regulatory capital ratio of 10% for individual institutions (see Chart 31).

CHART 31:

LEASING SUB-SECTOR REGULATORY CAPITAL, DEC 2009 – DEC 2011

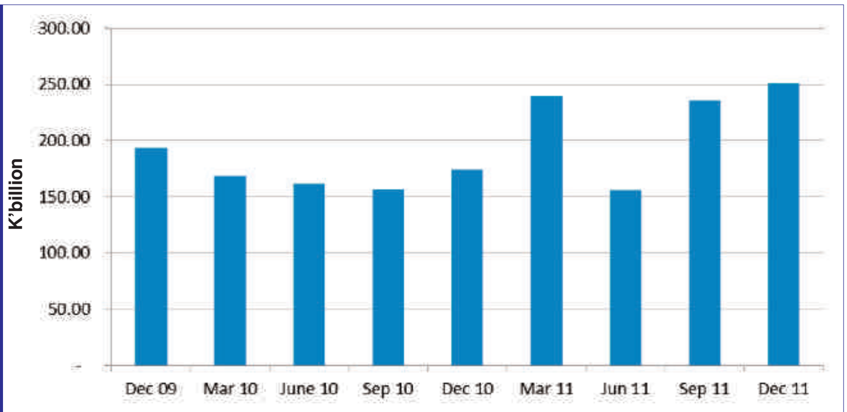


Asset Quality

As at end-December 2011, the total assets of the leasing sub-sector increased by 44.0% to K250.9 billion from K174.2 billion the previous year (see Chart 32a). The increase was largely attributed to a 103.5% increase in the sub-sector's net loans and leases to K195.2 billion from K96 billion at end-December 2010.

CHART 32a:

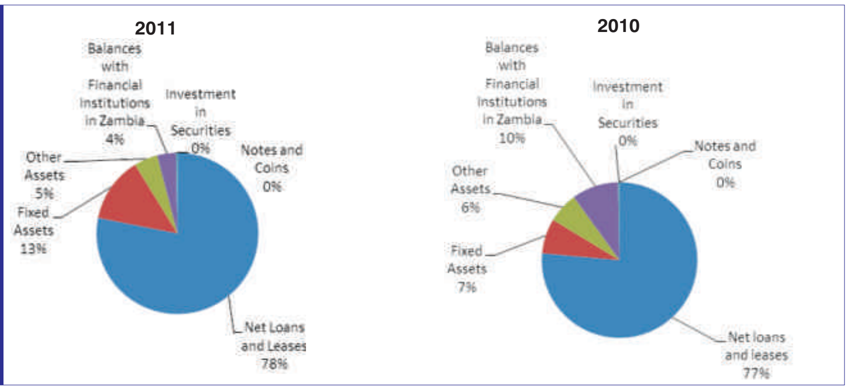
LEASING SUB-SECTOR TOTAL ASSETS, DEC 2009 – DEC 2011



Net loans and leases of K195.2 billion constituted the largest proportion of total assets at 78.0% (see Chart 32b). During the year under review, non-performing loans and leases decreased by 68.0% to K20.2 billion from K63.0 billion, accounting for 9.4% of the sub-sector's total gross loans and lease portfolio of K215.5 billion. The decrease in non-performing loans and leases was largely on account of loan and lease write- offs at one leasing company, which accounted for 58.0% of the sub-sector's total non-performing loans and leases, resulting in a fall in the loan book by K31.4 billion to K40.7 billion as at end-December 2011 from K72.0 billion the previous year. However, the non-performing loans and leases were adequately provided for. On account of the relatively low proportion of non-performing loans and leases, the leasing sub-sector's asset quality was rated fair.

CHART 32b:

LEASING SUB-SECTOR ASSETS, DEC 2010 AND DEC 2011



As at end-December 2011, total earning assets amounted to K205.2 billion and accounted for 82.0% of total assets. Balances with financial institutions in Zambia accounted for 4.6 % of total earning assets while loans and leases accounted for 95.0%.

Earnings

The earnings performance of the leasing subsector was fair and was an improvement over the previous year. The subsector reported a profit-before-tax of K12 billion compared with a loss-before-tax of K7.4 billion recorded in 2010 (see Table 49 and Chart 33). The improvement in profitability was largely attributed to an increase in interest income to K57.8 billion from K34.7 billion in 2010 and a reduction in the provision for loan and lease losses of K3.2 billion in 2011 compared with K30.7 billion in 2010.

Interest income increased in the year under review and contributed 86.0% to total income compared with 55.0% in 2010.

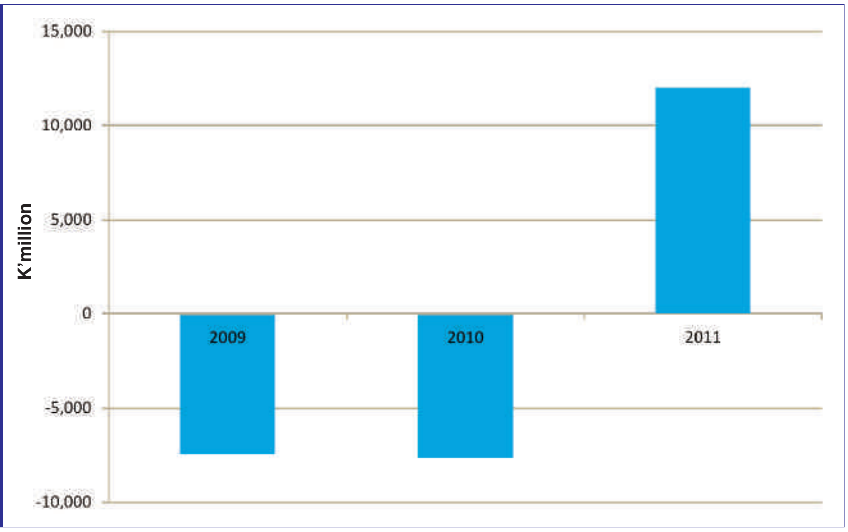
Table 49: Earnings Performance, 2009 – 2011 (K'million)

	2009	2010	2011
Interest income	45,592	34,725	57,838
Interest expenses	16,739	11,956	14,854
Net interest income	28,853	22,769	42,984
Provisions/(Provisions reversals)	9,013	30,690	3,165
Net interest income after provisions	19,840	(7,921)	39,819
Non-interest income	6,122	28,632	9,479
Total net income	25,962	20,711	49,298
Non-interest expenses	33,274	28,156	37,300
Profit before tax	(7,312)	(7,445)	11,998
Tax	118	193	2,460
Profit after tax	(7,430)	(7,638)	9,538

Source: Bank of Zambia

CHART 33:

LEASING SUB-SECTOR PROFIT BEFORE TAX, DEC 2009 – DEC 2011



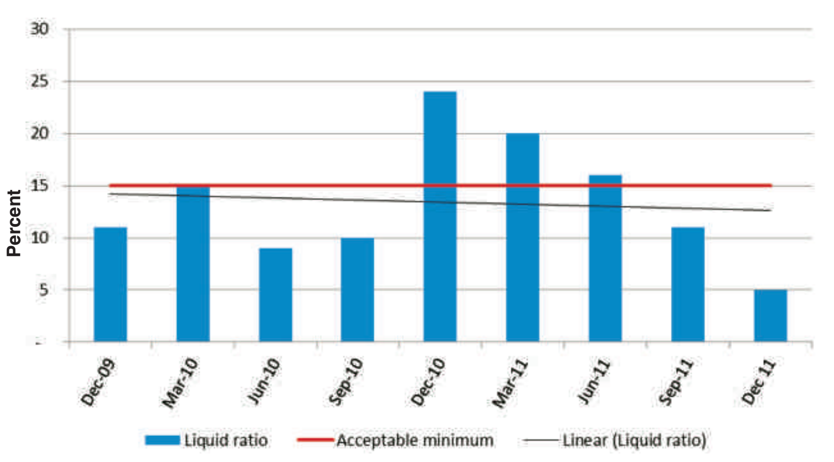
Liquidity

The level of liquidity in the leasing sub-sector, as measured by the ratio of liquid assets to total deposits and short-term liabilities, averaged 12.6% during the year and was below the acceptable ratio of 15.0%. As at end-December 2011, the liquidity ratio was 5.0%, a decrease of 19-percentage points from the ratio of 24.0% at the end of the previous year (see Chart 34).

The decrease in the liquidity ratio largely arose from a fall in balances with financial institutions at two leasing companies. Although a number of leasing companies were characterised by low balance sheet liquidity, they relied on standby lines of credit with commercial banks to meet their liquidity requirements. Overall, the liquidity of the sub-sector was designated marginal as at end-December 2011.

CHART 34:

LEASING SUB-SECTOR LIQUIDITY TREND, DEC 2009 – DEC 2011



Building Societies Sub-Sector

During the year, the overall performance of the building societies sub-sector was satisfactory (see Table 50). The sub-sector maintained adequate capital and reserves relative to its risk profile.

Table 50: Composite Rating for the Building Society Sub-Sector, 2009 - 2011

Performance Category	Composite Rating Scale	Number of Building Societies			Proportion of Industry Assets (%)		
		2009	2010	2011	2009	2010	2011
Strong	1.0 - 1.5	0	0	0	0	0	0
Satisfactory	1.6 - 2.4	1	1	1	33	27	72
Fair	2.5 - 3.4	0	1	1	0	65	20
Marginal	3.5 - 4.4	1	1	1	8	8	8
Unsatisfactory	4.5 - 5.0	1	0	0	59	0	0
Total		**3**	**3**	**3**	**100**	**100**	**100**

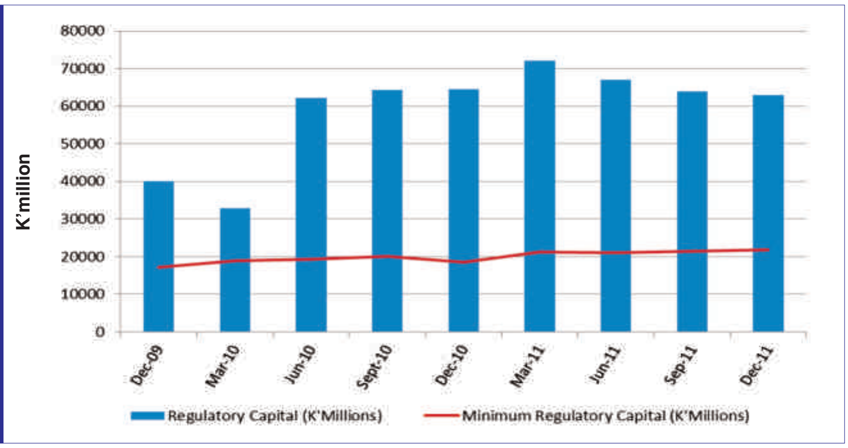
Source: Bank of Zambia

Capital Adequacy

As at end-December 2011, the building society sub-sector's aggregate regulatory capital marginally declined by 3.3% to K62.9 billion from K64.5 billion at the end of 2010 (see Chart 35). The decrease was on account of an adjustment relating to intangible assets at one building society amounting to K2.1 billion that are not allowable in the calculation of regulatory capital. However, all the three building societies met their statutory minimum regulatory capital requirements.

CHART 35:

BUILDING SOCIETY SUB-SECTOR REGULATORY CAPITAL TREND, DEC 2009 – DEC 2011



Asset Quality

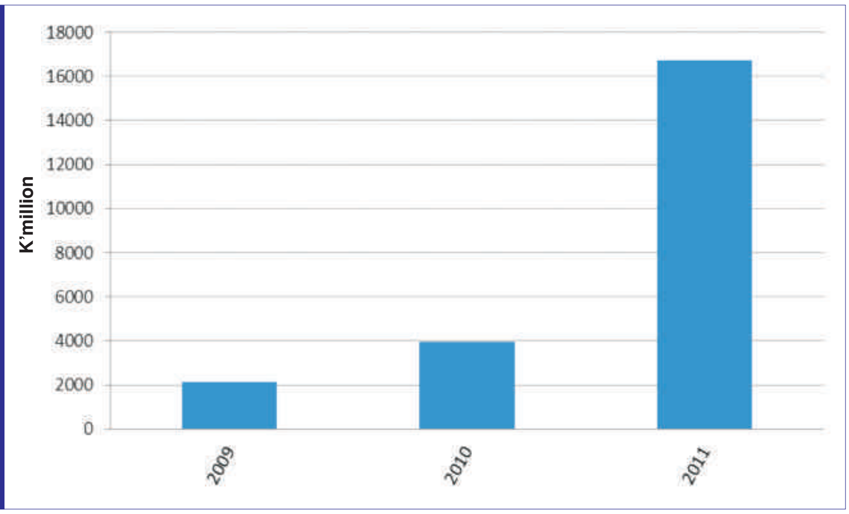
The asset quality of the building society sub-sector was rated satisfactory during the year. The proportion of net non-performing assets to total assets was 1.8% in 2011, representing a decrease of 1.9 percentage points from the previous year's performance. However, total assets of the sub-sector increased by 4.6% to K364 billion as at end-December 2011 from K347.9 billion at the end of December 2010. This development was largely due to increases in net mortgage advances and fixed assets of K29.7 billion and K8.7 billion, respectively.

Earnings Performance

During 2011, the earnings performance of the building society sub-sector was rated satisfactory. Profit before tax increased by 323% to K16.7 billion from K4 billion in 2010. However, the building society sub-sector's aggregate regulatory capital marginally declined by 3.3% to K62.9 billion from K64.5 billion at the end of 2010 (see Chart 36). The decrease was on account of an adjustment relating to intangible assets at one building society amounting to K2.1 billion that are not allowable in the calculation of regulatory capital. However, all the three building societies met their statutory minimum regulatory capital requirements. The increase was mainly on account of a rise in interest income by 115% to K100.8 billion in 2011 from K46.9 billion in 2010 as well as an increase in non-interest income of K42.4 billion.

CHART 36:

BUILDING SOCIETY SUB-SECTOR PROFIT BEFORE TAX, DEC 2009 – DEC 2011

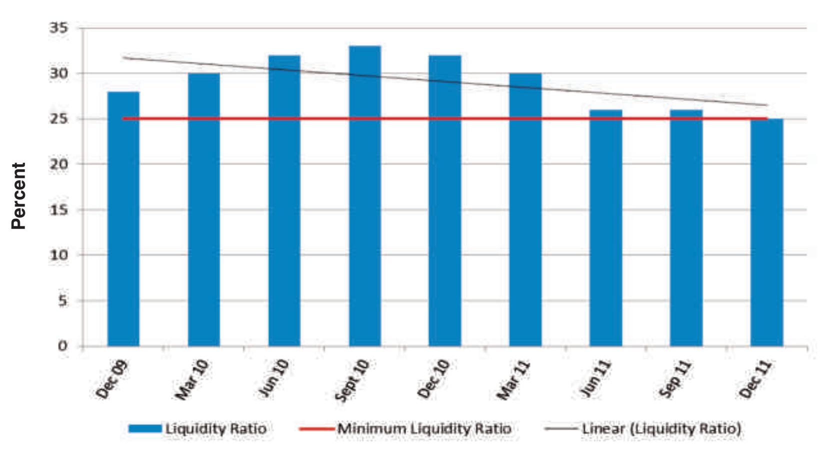


Liquidity

The average liquidity of the building societies sub-sector was 27.3% in 2011 compared with 32.0% in 2010. This was above the prudential minimum ratio of 25.0% for the subsector and was, therefore, rated satisfactory (see Chart 37).

CHART 37:

BUILDING SOCIETIES SUB-SECTOR LIQUIDITY RATIO, DEC 2009 – DEC 2011



Microfinance Institutions

The overall financial condition and performance of the microfinance institutions subsector was satisfactory. The subsector was adequately capitalised and had satisfactory asset quality and earnings performance. The aggregate capital increased by 35.9% to K362.2 billion at end-December 2011 from K266.5 billion at end-December 2010. The increase was mainly due to the after-tax-profit of K61.8 billion.

Total assets of the subsector increased by 44.4% to K809.2 billion in 2011 from K560.3 billion in 2010. This was largely due to an increase in the microfinance loan book to K578.9 billion from K367 billion during the review period. Earning assets amounted to K614.1 billion, representing 75.9% of total assets, up from K390.9 billion (69.8%; 2010).

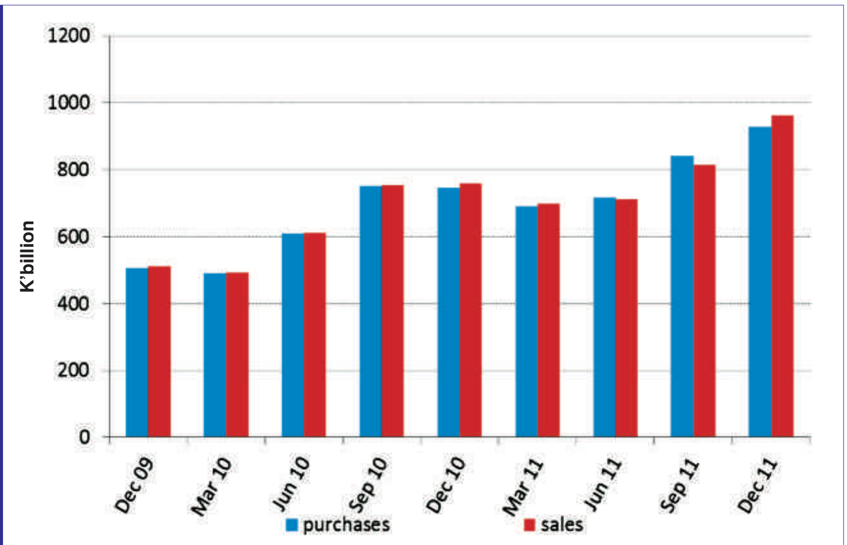
Bureaux de Change

As at end-December 2011, the bureau de change sub-sector was adequately capitalised. All the 54 bureaux de change which were in operation met their minimum paid-up capital requirement of K40 million. The aggregate capital and reserves increased by 7.7% to K36.8 billion in 2011 from K34.2 billion at the end of 2010. However, the subsector's total assets decreased to K48.3 billion in 2011 from K49 billion the previous year.

The volume of purchases and sales of foreign currency, denominated in local currency, increased by 15.4% and 13.2% to K3,000.9 billion and K2,968.9 billion from K2,600 billion and K2,623 billion in 2010, respectively (see Chart 38).

CHART 38:

BUREAU DE CHANGE VOLUMES OF TRANSACTIONS, DEC 2009 – DEC 2011



4.3 FINANCIAL SECTOR DEVELOPMENT PLAN

During the year, the Government continued to implement reforms under the second phase of the Financial Sector Development Plan (FSDP), 2010 – 2012 focusing on (i) enhancing market infrastructure, (ii) increasing competition, and (iii) increasing access to finance. Among the major activities that were undertaken in 2011 included:

a) Modernisation and Harmonisation of Financial Sector Laws

The law review exercise continued while the Insurance and the Securities (Amendment) Bills were drafted during the review period.

b) Development of a Draft National Strategy for Financial Education

The strategy on financial education for Zambia was submitted to the Government for approval. This followed technical review and broad consultative meetings with financial sector stake holders.

c) Practice Note for the Risk-Based Know Your Customer (KYC) Guidelines

The review of the KYC guidelines was concluded and a Practice Note on Anti-Money Laundering Customer Due Diligence was developed. The main objective of the Practice Note was to create an environment that was more permissive for enhancing financial inclusion by making the KYC requirements less stringent.

d) Presentation of the Model Board Charter

The Corporate Governance Model Board Charter was finalised and presented to the financial sector stakeholders. It is expected that all institutions in the financial sector will strengthen their corporate governance frameworks through the use of the Charter.

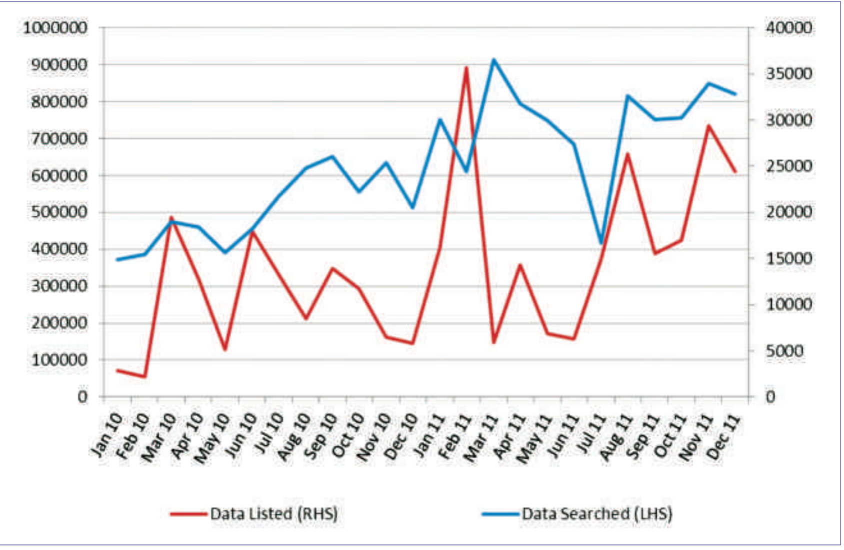
Operations of Credit Reference Bureau Africa Limited

During the year, Credit Reference Bureau Africa Limited (CRBAL) continued to register increases in both searches for credit data and submission of credit data during 2011. The total number of credit reports searched increased by 59.9% to 32,778 as at 31 December 2011 from 20,492 as at 31 December 2010. Similarly, the total number of credit files submitted increased by 321.7% to 611,380 as at 31 December 2011 from 144,996 at the end of December 2010. In addition, the total number of credit reports searched increased by 59.9% to 32,778 as at end-December 2011 from 20,492 as at end-December 2010 (see Chart 39).

The increase in credit data submissions and searches was mainly attributed to the continued and increased sensitisation on the benefits of credit reporting to various stakeholders by the CRBAL, and the Bank of Zambia as a regulatory entity. During the year, the CRBAL also continued making improvements to its operations.

CHART 39:

TRENDS IN USE OF CREDIT REFERENCE SYSTEM BY FINANCIAL SERVICE PROVIDERS, JAN 2010 - DEC 2011



5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

Overview

In 2011, the banking, currency and payment systems operated favourably. The Zambia Interbank Payment and Settlement System (ZIPSS)'s operations were satisfactory. The Bank continued to pursue the Clean Note Policy, and the management and oversight of the National Payment Systems.

5.1 BANKING

Operations of Commercial Bank Current Accounts

The Bank monitored account operations of commercial banks as per requirement, to ensure that all transactions were covered with adequate liquidity and that sufficient funds were available to meet all clearing obligations. The performance of commercial banks was generally satisfactory despite some commercial banks having failed to maintain sufficient funds on their settlement accounts to meet their clearing obligations on time. Generally, all the commercial banks that accessed the intraday credit facility (repo) were able to repay the funds by close of business. A total of nine banks accessed the overnight lending facility (OLF) on 117 instances with the total amount accessed amounting to K2,392.6 billion during the year.

Further, the Bank continued to perform its role as banker to the Government by providing banking services for efficient revenue collections and transfer of Government funds from Control accounts to Mirror accounts at commercial banks to facilitate Government spending.

5.2 CURRENCY

Currency in Circulation

As at end 2011, currency in circulation (CIC) increased by 23.9% to K3,408.00 billion (426.1 million pieces) from K2,750.25 billion (338.1 million pieces) in the previous year. The increase was particularly high during the crop marketing season (April to October 2011) on account of increased demand for cash to pay farmers (see Charts 40a, 40b and 40c).

CHART 40a:

CURRENCY IN CIRCULATION, DEC 2009 - DEC 2011

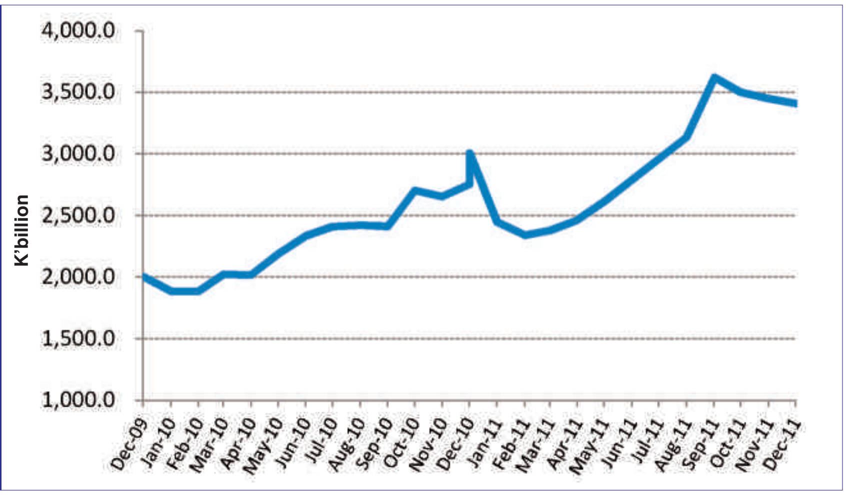


CHART 40b:

CURRENCY IN CIRCULATION, DEC 2009 - DEC 2011

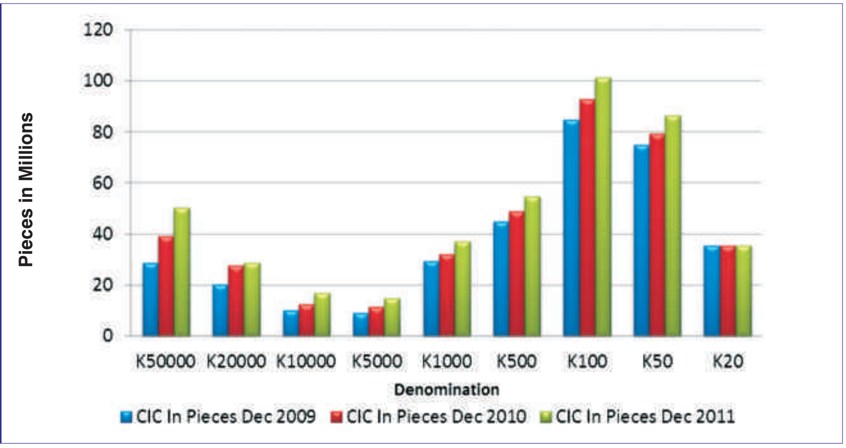
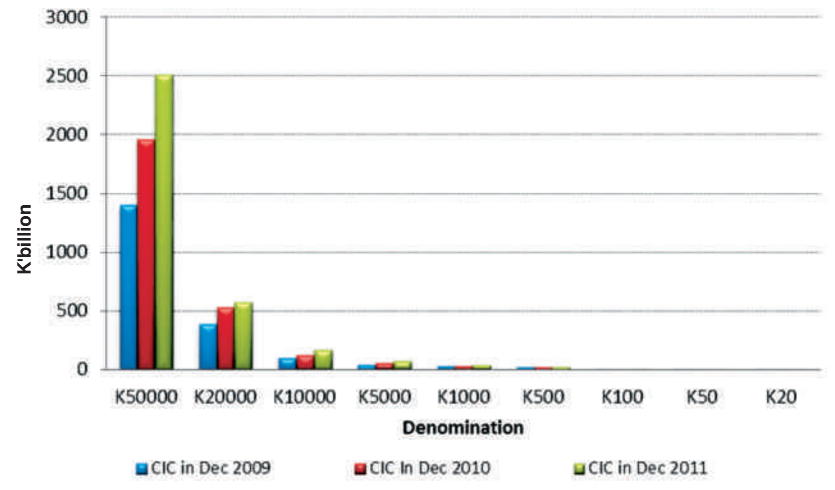


CHART 40c:

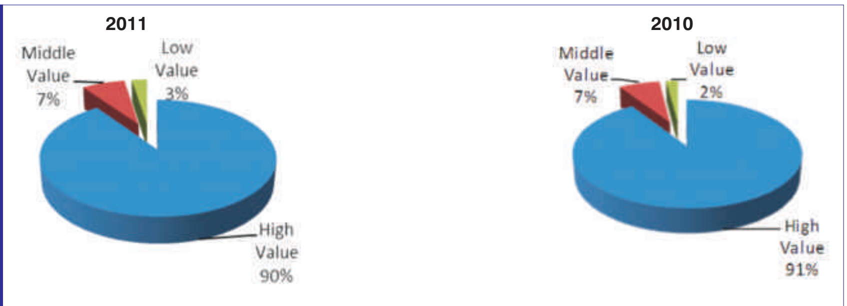
CURRENCY IN CIRCULATION DEC 2009 - DEC 2011



A breakdown of CIC, in value terms shows that the high value banknotes (K50,000 and K20,000) accounted for 73.7% and 16.8%, respectively, of the total CIC (see Chart 41).

CHART 41:

CURRENCY IN CIRCULATION 2010 and 2011



In continued pursuance of the Clean Note Policy, the Bank withdrew from circulation a total of 132.5 million pieces valued at K966.5 billion compared with 136.0 million pieces with a value of K712.0 billion in 2010. Of the total banknotes withdrawn, 32.0 million pieces with a value of K23.9 billion were unfit polymer banknotes. However, the total number of mutilated banknotes exchanged by members of the public for clean banknotes decreased by 4.9% to 37,216 pieces valued at K210.4 million. Of this total, 36,314 mutilated banknotes with a value of K 195.6 million were paid out at full face value while 902 mutilated banknotes valued at K14.7 million were paid out at half face value.

Accordingly, the Bank destroyed a total of 162.7 million pieces with a face value of K1,004.0 billion unfit banknotes compared with a total of 93.6 million pieces valued at K698.5 billion that were destroyed in the previous year.

During the year under review, the Bank issued into circulation a total of 200.1 million pieces of new banknotes, with a value of K2,210.5 billion, an increase of 29.3% over the 2010 figure. The bulk of the banknotes issued in 2011 were low value banknotes (K50 - K1,000), which accounted for 52.3% of the total new banknotes issued in the year. The high value banknotes (K20,000 and K50,000) and middle value banknotes (K5,000 and K10,000) accounted for 23.8% and 23.9%, respectively (see Table 51).

Table 51: Banknotes Withdrawn Against Issuance of New Banknotes, 2011

Denomination	Banknotes Withdrawn (K' billion)	Banknotes Withdrawn (Pieces)	New Banknotes Issued (K' billion)	New Banknotes Issued (Pieces)
K50,000	500.7	10,014,740	1,415.9	28,317,000
K20,000	219.6	10,981,351	387.1	19,356,000
K10,000	153.4	15,338,674	267.5	26,751,000
K5,000	64.7	12,930,500	105.1	21,011,000
K1,000	15.8	15,849,599	20.2	20,213,000
K500	8.1	16,126,811	9.4	18,899,000
K100	3.3	33,033,000	4.1	40,736,000
K50	0.9	18,177,500	1.2	24,837,000
K20	0.0	5,500	-	-
Total	**966.5**	**132,457,675**	**2,210.5**	**200,120,000**

Source: Bank of Zambia

5.3 PAYMENT SYSTEMS

Zambian Interbank Payment and Settlement System (ZIPSS)

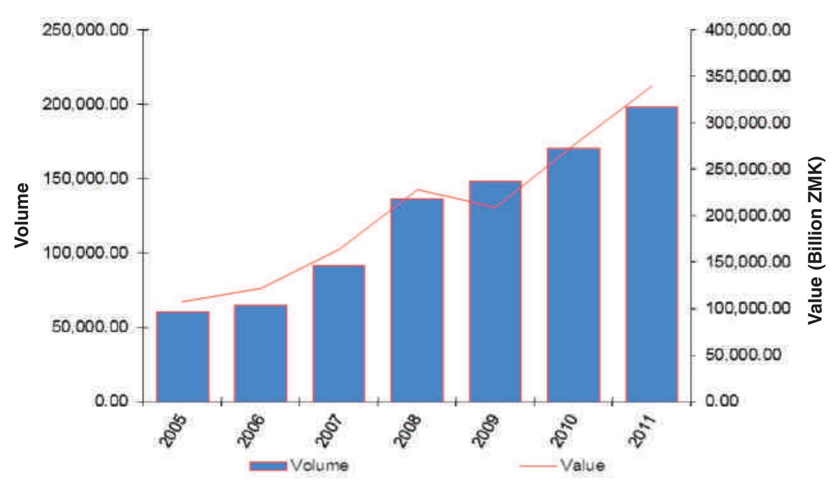
During the year under review, ZIPSS operated satisfactorily with all commercial banks transacting actively. One additional bank, i.e. AB Bank, commenced operations on ZIPSS following successful licensing and designation by the Bank of Zambia.

The volume of transactions processed on in ZIPSS increased by 16.0% to 198,586 from 170,513 in 2010. Similarly, the value of transactions increased by 22.0% to K339,770.84 billion from K279,160.32 billion reported in 2010.

The increase in both volume and value of transactions in 2011 was attributed to the increase in the number of players on the ZIPSS. Further, increased interventions for OMO by the Bank of Zambia and the increased use of the OLF by the commercial banks led to an increase in transaction volumes and values (see Chart 42).

CHART 42:

ZIPSS VOLUMES AND VALUES – DEC 2005 – DEC 2011



Physical Interbank Clearing System

In 2011, the volume of cheques cleared through the Physical Interbank Clearing (PIC) system decreased marginally by 0.4% to 2,623,169 from 2,632,969 cheques in 2010 while the value increased by 11.1% to K25,960.87 billion from K23,360.00 billion (see Table 52).

Table 52 - Volume and Value of Cheques Cleared, 2009 – 2011

Month	Volumes				Values (K'billion)			
	2009	2010	2011	% change (2010 to 2011)	2009	2010	2011	% change (2010 to 2011)
January	210,005	197,032	205,181	4.1%	1,817	1,643	1,871	4.1%
February	199,691	199,884	204,140	2.1%	1,635	1,652	1,837	2.1%
March	209,503	225,215	228,364	1.4%	1,736	1,864	2,131	1.4%
April	208,038	208,075	199,069	-4.3%	1,747	1,751	1,910	-4.3%
May	199,201	212,945	226,516	6.4%	1,655	1,808	2,131	6.4%
June	217,898	224,092	222,145	-0.9%	1,813	1,945	2,116	-0.9%
July	224,151	218,502	215,626	-1.3%	1,928	1,974	2,137	-1.3%
August	203,819	223,034	238,608	7.0%	1,744	2,047	2,446	7.0%
September	226,102	227,713	204,907	-10.0%	1,924	2,098	2,179	-10.0%
October	222,573	241,020	226,677	-6.0%	1,914	2,261	2,375	-6.0%
November	216,296	231,060	230,777	-0.1%	1,876	2,152	2,450	-0.1%
December	221,528	224,397	221,159	-1.4%	1,998	2,165	2,376	-1.4%
Total	**2,558,805**	**2,632,969**	2,623,169	-0.4%	**21,787**	**23,360**	25,961	-0.4%
Monthly Average	**213,234**	**219,414**	**218,597**	**-0.3%**	**1,816**	**1,947**	**2,163**	**-0.3%**

Source: Zambia Electronic Clearing House Limited

Direct Debit and Credit Clearing System

The volume of transactions processed through the Direct Debit and Credit Clearing (DDACC) payment stream increased by 38.6% to 3,024,080 in 2011 from 2,182,545 the previous year. Similarly, the value of DDACC transactions increased by 37.8% to K8,751 billion in 2011 from K6,351 billion in 2010 (see Table 53). The increase in the volume and value of transactions was attributed to customer's increased preference for electronic payment methods.

Table 53 – Volume and Value of Direct Debit and Credit Clearing, 2009 – 2011

Month	Volumes				Values (K'billion)			
	2009	2010	2011	% change (2010 to 2011)	2009	2010	2011	% change (2010 to 2011)
January	104,544	116,090	202,672	74.6%	321	378	556	47.1%
February	127,029	124,475	208,510	67.5%	330	390	602	54.4%
March	132,362	173,404	240,981	39.0%	389	468	704	50.4%
April	115,499	152,030	209,142	37.6%	353	428	650	51.8%
May	117,493	148,399	257,268	73.4%	395	454	751	65.4%
June	138,038	196,372	232,349	18.3%	360	539	761	41.2%
July	127,794	211,333	245,921	16.4%	367	576	775	34.5%
August	116,058	204,692	249,425	21.9%	365	584	763	30.7%
September	116,490	182,972	238,848	30.6%	367	575	700	21.7%
October	127,437	197,926	318,404	60.9%	387	579	755	30.5%
November	128,696	219,607	288,458	31.4%	370	627	799	27.4%
December	159,205	255,245	332,102	30.1%	499	753	935	24.1%
Total	**1,510,645**	**2,182,545**	**3,024,080**	**38.6%**	**4,503**	**6,351**	**8,751**	**37.8%**
Monthly Average	**125,887**	**181,879**	**252,007**	**41.8%**	**375**	**529**	**729**	**39.9%**

Source: Zambia Electronic Clearing House Limited

Automated Teller Machines

The volume of transactions processed through the automated teller machine (ATM) payment stream increased by 15.5% to 27,506,714 in 2011 from 23,866,329 in 2010. Similarly, the value of ATM transactions increased by 23.6% to K13,209 billion during the year from K10,684 billion in 2010 (see Table 54).

Table 54 – Automated Teller Machines, 2009 – 2011

Month	Volumes				Values (K'billion)			
	2009	2010	2011	% change (2010 to 2011)	2009	2010	2011	% change (2010 to 2011)
January	1,469,162	1,720,202	2,235,416	30.0%	604	472	990	109.8%
February	1,380,383	1,594,856	2,023,479	26.9%	499	664	909	36.9%
March	1,544,573	1,866,084	2,136,868	14.5%	587	758	1047	38.1%
April	1,511,975	1,831,088	2,153,708	17.6%	531	765	999	30.6%
May	1,566,417	1,897,028	2,284,541	20.4%	631	832	1080	29.8%
June	1,515,434	1,969,006	2,202,639	11.9%	579	901	1037	15.1%
July	1,721,385	2,101,938	2,401,663	14.3%	669	939	816	-13.1%
August	1,653,636	2,155,465	2,529,467	17.4%	641	978	1229	25.7%
September	1,538,811	2,075,670	2,381,201	14.7%	662	981	1220	24.4%
October	1,648,984	2,163,156	2,422,897	12.0%	705	993	1504	51.4%
November	1,545,155	2,010,325	2,079,658	3.4%	655	1,218	1147	-5.8%
December	1,823,389	2,481,511	2,709,177	9.2%	802	1,183	1229	3.9%
Total	**18,919,304**	**23,866,329**	**27,560,714**	**15.5%**	**7,567**	**10,684**	**13,209**	**23.6%**
Monthly Average	**1,576,609**	**1,988,861**	**2,296,726**	**15.5%**	**630.417**	**890.333**	**1100.74**	**23.6%**

Source: Zambia Electronic Clearing House Limited

Point of Sale Machines

The volume of transactions processed through the point of sale payment stream increased by 50.3% to 1,210,436 in 2011 from 805,358 in 2010. Similarly, the value of point of sale transactions increased by 50.8% to K507 billion in 2011 from K338 billion in 2010 (see Table 55). The increase in the volume and value of transactions was partly attributed to infrastructure rollout.

Table 55 - Point of Sale Machines 2009 – 2011

Month	Volumes				Values (K'billion)			
	2009	2010	2011	% change (2010 to 2011)	2009	2010	2011	% change (2010 to 2011)
January	38,491	48,095	93,800	95.0%	17	19	36	88.6%
February	35,400	46,509	69,742	50.0%	16	20	29	45.2%
March	53,312	53,186	79,504	49.5%	24	23	32	40.7%
April	39,611	53,940	94,120	74.5%	19	23	41	76.2%
May	69,998	59,316	94,141	58.7%	19	25	40	61.6%
June	42,148	60,350	90,759	50.4%	19	27	38	39.0%
July	42,151	60,927	93,224	53.0%	21	27	40	47.9%
August	42,651	66,672	111,253	66.9%	22	30	45	49.6%
September	43,941	72,218	123,171	70.6%	20	29	46	57.5%
October	43,773	88,706	100,069	12.8%	20	34	44	28.9%
November	45,083	86,178	128,026	48.6%	21	34	56	64.3%
December	46,064	109,261	132,627	21.4%	22	45	61	35.1%
Total	**542,623**	**805,358**	**1,210,436**	**50.3%**	**240**	**336**	**507**	**50.8%**
Monthly Average	**45,219**	**67,113**	**100,870**	**50.3%**	**20**	**28**	**42**	**50.8%**

Source: Bank of Zambia

National Switch Project

Progress on the National Switch continued to be slow. However, the project is expected to pick up pace in 2012, as the Bank of Zambia will now spearhead the project. The National Switch will allow interoperability of payment infrastructure, thereby improving convenience for consumers as well as reducing inefficiencies in payment processing by maximiszing the use of payment infrastructure.

Cheque Truncation Project

The Bank of Zambia continued collaborating with Zambia Electronic Clearing House Limited (ZECHL) and commercial banks in the implementation of a Cheque Truncation system. Cheque truncation is the conversion of physical cheques into electronic form for transmission to the paying bank. Cheque Truncation eliminates cumbersome physical presentation of cheques, thereby substantially reducing clearing time. It also provides for increased operational efficiency by cutting down on costs incurred during physical clearing.

In 2011, stakeholders made considerable progress in finalising functional specifications for the project. The final phase of the project is expected to be implemented in 2012.

Designation of Payment System Participants and Businesses

In 2011, the Bank of Zambia designated one payments system business providing money transmission services as well as one payment system participant which was a new commercial bank that applied to participate on DDACC, ZIPSS and the Cheque systems.

Settlement of Cash Leg of Lusaka Stock Exchange Trades on ZIPSS

The Bank of Zambia and Lusaka Stock Exchange (LuSE) continued to work towards facilitating the settlement of the cash leg of LuSE trades on the ZIPSS. The LuSE and the banking industry concluded the rules for the guarantee fund for the system. Implementation of the system is expected to pick up pace in 2012 with implementation being targeted during mid-2012.

6.0 RISK MANAGEMENT

6.0 RISK MANAGEMENT

During the period under review, the Bank's risk management strategy focused on integrating risk management in various operations of the bank so as to contribute to the achievement of its strategic objectives.

The Bank-wide Risk Management Framework

Operational Risk Profile

The Bank's overall Operational Risk Profile remained high on average. This was largely attributable to operational constraints and the continued weak financial position of the Bank. With respect to the Business Continuity Management (BCM) programme, the Bank continued to enhance business continuity capabilities with the view of improving operational resilience to ensure effective response, recovery and continuity of the Bank's mission-critical business processes. Additionally, the Bank developed a mechanism for monitoring and reporting on business continuity activities to provide assurance to Executive Management and the Board of Directors on the adequacy of the Bank's BCM Programme.

Project Risks Management Framework

In 2011, the Bank established a Project Management Office (PMO) to coordinate the prioritisation and management of projects across the Bank. The project management methodology shall incorporate, among other things, a framework for managing project risks.

Financial Risk Management Framework

During the period under review, the Bank made significant strides towards the implementation of the Financial Risk Management (FRM) framework. Accordingly, the Bank continued to align the foreign exchange intervention, the reserves management, and the OMO frameworks with the recommendations from the FRM framework. The Bank also implemented the Lender of Last Resort Policy through the advancement of emergency liquidity to some banks.

Financial System Stability Framework

The Bank continued to develop a framework for conducting Financial System Stability Assessment (FSSA) in Zambia. To this end, the Bank made progress towards completion of the following activities:

a. Designing a proposed framework for conducting Financial System Stability Assessment;
b. Establishing governance structure to underpin the Financial System Stability Framework;
c. Establishment of a Financial System Stability Unit at the Bank; and
d. Development of a framework for reporting on Financial System Stability.

The establishment of the FSSA framework would provide a mechanism for early warning and intervention to ensure overall stability of the financial system in Zambia.

7.0 REGIONAL OFFICE

7.0 REGIONAL OFFICE

During the period under review, the Regional Office continued providing banking, currency and other support services to Government departments, commercial banks and the general public in the Northern Region of Zambia. In this regard, it facilitated implementation of the Clean Note Policy and carried out on-sight inspections of commercial bank branches as well as pre-inspections of non-bank financial institutions.

Further, the Regional Office undertook several surveys that included the Quarterly Survey of Business Opinion and Expectations, Quarterly Private Sector External Debt Reconciliation Survey, and the Real Sector Survey. In addition, the Regional Office attended to queries from the public regarding investment in Government Securities.

8.0 ADMINISTRATION AND SUPPORT SERVICES

8.0 ADMINISTRATION AND SUPPORT SERVICES

8.1 HUMAN RESOURCE MANAGEMENT

Structure and Staffing

As at end-December 2011, the total staff strength of the Bank was 538 against the establishment of 693 of which 365 (68%) were male and 173 (32%) were female. The composition of the staff establishment was as follows: 396 (74%) employees were on Permanent and Pensionable Service and 142 (26%) on Fixed-Term Employment Contracts. The Fixed-Term Employment Contracts included 29 security officers seconded from the Zambia Police Service (see Tables 56 and 57).

Table 56: Staffing Levels, 2009 - 2011

No.	Functions	2009			2010			2011		
		Estab	Actual	Diff	Estab	Actual	Diff	Estab	Actual	Diff
1	**Executive**	10	11	1	10	11	1	10	11	1
	Subtotal	*10*	*11*	*1*	10	11	1	10	11	1
2	**Core Departments**									
	Economics	49	40	-9	49	38	-11	49	34	-15
	Bank Supervision	37	32	-5	37	30	-7	37	24	-13
	Non-Bank Financial Institutions Supervision	34	27	-7	34	26	-8	34	29	-5
	Financial Markets	47	29	-18	47	29	-18	47	28	-19
	Banking, Currency and Payment Systems	93	79	-14	93	77	-16	93	68	-25
	Risk Management	11	5	-6	11	5	-6	11	5	-6
	Subtotal	***380***	***318***	***-62***	**380**	**316**	**-64**	271	188	-83
3	**Support Services**									
	Finance	44	36	-8	44	37	-7	44	32	-12
	Procurement & Maintenance Services	73	58	-15	73	52	-21	73	51	-22
	Human Resources	38	30	-8	38	27	-11	38	20	-18
	Information & Communications Technology	39	30	-9	39	30	-9	39	30	-9
	Bank Secretariat	19	15	-4	19	16	-3	19	17	-2
	Security	53	40	-13	53	60	7	53	56	3
	Internal Audit	26	18	-8	26	17	-9	26	16	-10
	Risk Management	11	5	-6	11	5	-6	292	222	-70
	Regional Office	***120***	111	-9	120	109	-11	120	117	-3
	Subtotal	***303***	***232***	***-71***	**303**	**244**	**-59**	**120**	**117**	**-3**
	TOTAL	**693**	**561**	**-132**	**693**	**542**	**-151**	**693**	**538**	**-155**

Source: Bank of Zambia

Table 57: Distribution of Staff, 2011

Office	Permanent & Pensionable			Contract Staff			TOTAL
	Male	Female	Total	Male	Female	Total	
Lusaka	208	95	303	77	43	120	423
Ndola	61	32	93	19	3	22	116
Subtotal	**296**	**127**	**396**	**96**	**46**	**142**	**538**

Source: Bank of Zambia

Staff Movements

During the year 2011, the Bank hired 11 employees of which two executive appointments were made. These were Dr Michael Gondwe and Dr Bwalya Ng'andu who replaced Dr Caleb Fundanga as Governor and Dr Austin Mwape as Deputy Governor – Operations, respectively.

There were 26 separations, which were as follows:

- Two executive separations;
- One dismissal;
- Four resignation;
- Six statutory retirements;
- Twelve Voluntary Early Separation Scheme (VESS); and
- One death.

The cumulative total separations through VESS, (since its inception in 1999) increased to 162 at end-December 2011 from 150 at the end-December 2010 (see Table 58).

Table 58: Monthly Staff Movements, 2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Movement	2	0	1	2	0	1	2	1	0	0	0	0	S
Recruitments	0	0	0	0	0	0	0	0	0	1	0	1	9
Reinstatements	2	0	1	2	0	1	2	1	0	1	0	1	2
Total Inward Staff Movements	0	0	0	0	0	0	0	0	1	1	0	0	11
Dismissals	0	0	0	0	0	0	1	0	0	0	0	0	2
Resignations	0	0	0	0	1	2	0	1	0	0	0	0	1
Statutory Retirements	1	0	2	0	1	0	0	0	1	1	0	0	4
VESS	4	0	0	3	0	1	1	0	1	1	1	0	6
Death	0	0	0	0	0	0	0	0	0	0	1	0	12
Total Outward Staff Movements	5	0	2	3	2	3	2	1	3	3	2	0	1
Net Staff Movements	-3	0	-1	-1	-2	-2	0	0	-3	-2	-2	1	26
													-15

Source: Bank of Zambia

Capacity Building Programmes

The Bank continued to provide support towards capacity building through short-term courses and long-term programmes. A total of 39 employees completed various long-term training programmes in 2011 pursued under full-time, distance and part-time basis (see Table 59).

Table 59: Study Programmes: 2005 – 2011

Programme	YEAR							TOTALS
	2005	2006	2007	2008	2009	2010	2011	
PhD	1	2	3	0	1	1	1	9
Masters Qualifications; MBA, LLM, MSc etc	9	7	8	5	8	10	26	72
Bachelors Degrees in Laws, Banking & Financial Services, Public Administration & Computing	2	1	3	3	4	3	7	27
Professional Qualifications; Chartered Financial Analyst, Certified Internal Auditors & Association of Certified Chartered Accountants	0	1	1	2	5	6	2	16
Diplomas in Business Management, Public Administration, Treasury & International Banking, Computing, Banking, Purchasing & Supply & accounting	3	5	8	1	3	0	3	23
TOTAL	**15**	**16**	**23**	**11**	**21**	**20**	**39**	**147**

Source: Bank of Zambia

Support to Public Universities

The Bank continued to provide support to the University of Zambia (UNZA) and Copperbelt University (CBU) in accordance with the Memorandum of Understanding (MoU) signed between the Bank and the two universities. The support was largely in form of salary supplementation for staff in the Department of Economics at UNZA and School of Business at CBU, funding of research, and student scholarships.

Staff Welfare

Industrial Climate

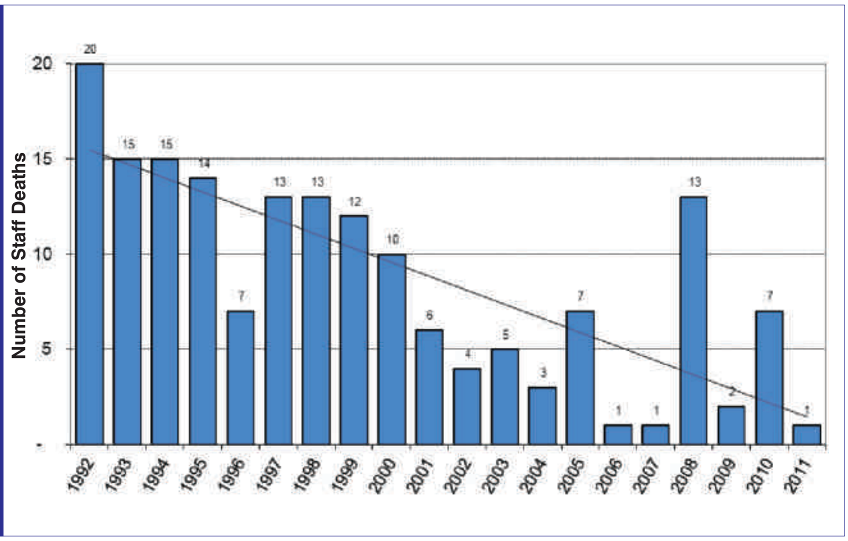
During the year under review, the Bank's industrial relations remained cordial. Management and the Union continued to hold monthly and quarterly meetings aimed at nurturing dialogue between employees and Management.

Staff Mortality

In the year under review, the Bank recorded one staff death compared to seven employee deaths in 2010 (see Chart 43).

CHART 43:

STAFF MORTALITY TREND FROM 1992 - 2011



Employee Welfare Programs

The Bank of Zambia joined the rest of the world in commemorating World AIDS day on 1st December 2011. The Bank's HIV/AIDS Workplace Awareness week took place from 25th to 30th November 2011, and the following activities were undertaken:

(i) Voluntary Counselling and Testing which was conducted by New Start Centre;

(ii) Sensitization on HIV/AIDS and living positively; and

(iii) A donation by Peer Educators to an orphanage of people living with HIV/AIDS.

Gender Activities

The Bank participated in various gender-based activities including fora with the International Labour Organisation (ILO) and the Division of Gender in Development. The Bank also participated in activities related to 16 Days of Activism against Gender-Based Violence at which speakers from the Ministry of Gender and the Victim Support Unit discussed issues pertaining to Gender-based Violence.

Chinese Language Lessons

In accordance with the Memorandum of Understanding (MoU) signed between the Bank and the Chinese International School in Zambia, the Bank sponsored interested employees to undertake the Chinese Mandarin language lessons. A total of 12 employees completed the first stage of the course during the year under review.

8.2 INTERNAL AUDIT

During the year 2011, the internal audit services, continued to evaluate the adequacy and effectiveness of internal controls, risk management and governance processes over the accounting, information and communications technology, operational and administrative functions of the Bank in order to provide independent assurance to the Board and Management. As part of the assurance process, internal audit services continued to engage and agree with management on the corrective actions or improvements needed and tracked these on a regular basis for timely resolution.

8.3 BANK SECRETARIAT

Board Activities

During the review period, the Bank of Zambia Board of Directors held three regular Board meetings and five special Board meetings at which some important issues were considered. Among others, the Board approved the following:

- Audited Financial Statements for 2010;
- Board Self-Evaluation Forms;
- Revised BOZ Delegation of Authority Document;
- Bank of Zambia Community Involvement Policy; and
- Law Review

As part of the law review exercise under the Financial Sector Development Plan (FSDP), a draft revised Banking and Financial Services Act was initiated and was subjected to internal review.

Public Relations

The Bank continued to disseminate information through quarterly media briefings, press releases and statements.

8.4 INFORMATION AND COMMUNICATIONS TECHNOLOGY

During 2011, the Bank of Zambia accomplished several objectives in the area of Information and Communications Technology (ICT). The following projects were undertaken:

Temenos T24 Retail Banking Application Upgrade

The Bank successfully re-implemented T24 from R05 to Model Bank R10. Prior to the start of the project, SOFGEN performed a system audit aimed at identifying issues with the Bank's T24 R05 system. Acting upon the recommendations outlined in the audit report, the Bank realigned its business processes and extended the footprint of the T24 solution via the acquisition of new modules in the areas of Money Market, Nostro Reconciliation and Foreign Exchange. In addition, the RGTS, SWIFT and ACH interfaces were redesigned. The project was completed within the programmed six-month duration and within costs. With the upgraded system, users in the Bank were able to perform tasks that were previously carried out manually.

Regional Office Video Link

A video conferencing link to the Regional Office was installed during the review period which allowed various departments to hold meetings that were previously not possible. It is hoped that the coverage of the system will be broadened in future to include other sites that are strategic to the Bank's operations.

Power Protection Project

During the review period, the Bank overhauled its clean power distribution systems by replacing all disparate UPS systems with a managed consolidated power supply system that has auto-switching functions. This guaranteed continuous power to mission critical systems.

8.5 SECURITY ACTIVITIES

During the year under review, the Bank continued to enhance awareness on counterfeit notes. To this effect, sensitisation programmes were held with members of the general public in Serenje, Kapiri Mposhi and Mkushi as well as with members of staff at Pick n Pay Lusaka and Ndola. Further, the bank continued to support state law enforcement agencies and other stakeholders in the investigation and prosecution of counterfeit cases, resulting in increased convictions. With regard to investigations, 269 cases were handled reflecting an increase of 32.3% (182; 2010). Of these, 237 were counterfeit cases.

8.6 PROCUREMENT AND MAINTENANCE

Refurbishment of Boardroom and Toilets

In late 2010, the Bank commenced major refurbishment works for the Boardroom and all the bathroom facilities at Head office. Most of the works were completed by December 2011.

Procurement of Bullion Trucks

In order to improve the distribution of currency, the Bank acquired two armoured bullion trucks in 2011.

9.0 FINANCIAL STATEMENTS

Bank of Zambia
Financial Statements
for the year ended 31 December 2011

Contents

Directors' responsibilities in respect of the annual financial statements

The Bank of Zambia Act, No. 43 of 1996 requires the Directors to keep proper books of accounts and other records relating to its accounts and to prepare financial statements for each financial year which present fairly the state of affairs of the Bank of Zambia and of its profit or loss for the period.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Bank of Zambia Act, No. 43 of 1996. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements

The financial statements of the Bank set out on pages 77 to 119 were approved by the Board of Directors on 24 May 2012 and signed on their behalf by:

Governor

Director

pwc

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF BANK OF ZAMBIA

Report on the financial statements

We have audited the accompanying financial statements of Bank of Zambia set out on pages 77 to 119. These financial statements comprise the statement of financial position as at 31 December 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Bank of Zambia Act, No. 43 of 1996 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion the financial statements give a true and fair view of the financial position of Bank of Zambia at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Bank of Zambia Act, No. 43 of 1996.

PricewaterhouseCoopers

Chartered Accountants **7 June 2012**
Lusaka

Nasir Ali
Partner signing on behalf of the firm

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A list of Partners is available from the address above

Bank of Zambia

Statement of comprehensive income
for the year ended 31 December 2011

In millions of Zambian Kwacha

	Notes	**2011**	2010 Restated
Interest income	*5*	**223,276**	227,340
Interest expense	*5*	**(32,657)**	(52,405)
Net interest income		**190,619**	174,935
Fee and commission income	*6*	**73,469**	48,918
Fee and commission expense	*6*	**(2,654)**	(2,900)
Net fee and commission income		**70,815**	46,018
Net income from foreign exchange transactions		**28,187**	11,893
Other gains/(losses)	*7*	**387,716**	(89,416)
		415,903	(77,523)
Net income		**677,337**	143,430
Net impairment loss on financial assets	*8*	**(23,690)**	(1,055)
Employee benefits	*9*	**(292,406)**	(273,070)
Depreciation and amortisation	*23, 24*	**(17,789)**	(14,784)
Operating expenses	*10*	**(195,279)**	(57,402)
		(529,164)	(346,311)
Profit/(loss) for the year		**148,173**	(202,881)
Other comprehensive income			
Actuarial loss on defined - benefit pension plan		**(51,490)**	(40,751)
Total comprehensive income for the year		**96,683**	(243,632)

The notes on pages 81 to 119 are an integral part of these financial statements.

Bank of Zambia

Statement of Financial Position
for the year ended 31 December 2011

In millions of Zambian Kwacha

	Notes	2011	2010 Restated	2009 Restated
Assets				
Domestic cash in hand		**3,151**	2,557	2,165
Foreign currency cash and bank accounts	12	**11,968,755**	10,018,342	8,934,006
Items in course of settlement	13	**6,248**	5,737	7,505
Held-for-trading financial assets	14	**14,379**	37	660
Loans and advances	15	**258,585**	1,145,408	41,119
Held-to-maturity financial assets	16	**1,977,107**	1,950,034	1,971,110
Other assets	18	**17,914**	8,750	59,440
Available-for-sale investments	20	**4,489**	4,489	4,489
IMF funds recoverable from Government of the Republic of Zambia	21	**1,982,893**	1,888,944	1,594,878
IMF subscriptions	22,33	**3,722,005**	3,495,428	4,125,279
Property, plant and equipment	23	**288,598**	288,099	287,342
Intangible assets	24	**5,433**	4,370	1,739
Total assets		**20,249,557**	18,812,195	17,029,732
Liabilities				
Deposits from the Government of the Republic of Zambia	27	**4,398,178**	2,361,237	2,445,089
Deposits from financial institutions	28	**2,107,100**	4,371,240	2,693,604
Foreign currency liabilities to other institutions	29	**154,795**	190,488	296,593
Other deposits	30	**151,147**	27,594	24,920
Notes and coins in circulation	36	**3,408,238**	2,750,477	2,001,246
Other liabilities	31	**62,905**	60,630	35,178
Provisions	32	**81,754**	24,932	22,789
Domestic currency liabilities to IMF	22,33	**3,722,005**	3,495,428	4,125,279
Foreign currency liabilities to IMF	34	**2,153,467**	1,888,944	1,594,842
Employee benefits	35	**92,241**	40,751	-
SDR allocation	37	**3,675,998**	3,455,428	3,401,514
Total liabilities		**20,007,828**	18,667,149	16,641,054
Equity				
Capital	38	**10,020**	10,020	10,020
General reserve fund	39	**92,588**	92,588	92,588
Property revaluation reserve	39	**214,783**	219,455	224,950
Retained earnings	39	**(75,662)**	(177,017)	61,120
Total equity		**241,729**	145,046	388,678
Total liabilities and equity		**20,249,557**	18,812,195	17,029,732

The financial statements on pages 77 to 119 were approved for issue by the Board of Directors on 24 May 2012 and signed on its behalf by:

Governor

Director

The notes on pages 81 to 119 are an integral part of these financial statements.

Bank of Zambia

Statement of Changes in Equity
for the year ended 31 December 2011

In millions of Zambian Kwacha

	Share capital	General reserve fund	Property revaluation reserve	Retained earnings	Total Equity
Balance at 1 January 2010					
As previously reported	10,020	92,588	224,950	235,642	563,200
Restatement (Note 42)	-	-	-	(174,522)	(174,522)
Restated	10,020	92,588	224,950	61,120	388,678
Restated loss for the year	-	-	-	(202,881)	(202,881)
Other comprehensive income:					
Actuarial loss on defined benefit plan	-	-	-	(40,751)	(40,751)
Amortisation of revaluation surplus relating to properties	-	-	(5,495)	5,495	-
Restated total comprehensive income	-	-	(5,495)	(238,137)	(243,632)
Restated Balance at 31 December 2010	10,020	92,588	219,455	(177,017)	145,046
Balance at 1 January 2011					
As previously reported	**10,020**	**92,588**	**219,455**	**51,419**	**373,482**
Restatement (Note 42)	**-**	**-**	**-**	**(228,436)**	**(228,436)**
Restated	**10,020**	**92,588**	**219,455**	**(177,017)**	**145,046**
Profit for the year	**-**	**-**	**-**	**148,173**	**148,173**
Other comprehensive income:					
Actuarial loss on defined benefit plan	**-**	**-**	**-**	**(51,490)**	**(51,490)**
Amortisation of revaluation surplus relating to properties	**-**	**-**	**(4,672)**	**4,672**	**-**
Total comprehensive income	**-**	**-**	**(4,672)**	**101,355**	**96,683**
	10,020	**92,588**	**214,783**	**(75,662)**	**241,729**

The notes on pages 81 to 119 are an integral part of these financial statements.

Bank of Zambia

Statement of Cash Flows
for the year ended 31 December 2011

In millions of Zambian Kwacha

	Notes	**2011**	2010 Restated
Cash flows from operating activities			
Profit/(loss) for the year		**148,173**	(202,881)
Adjustment for:			
- Depreciation/amortisation	*23, 24*	**17,789**	14,784
- Dividend income		**-**	(262)
- Profit/loss on disposal of property, plant and equipment		**(141)**	775
- Impairment effect on other assets	*8*	**(182)**	858
- Impairment effect on amounts due from closed banks	*8*	**567**	197
- Effects of exchange-rate changes on cash and cash equivalents		**(651,991)**	90,922
- Provisions made during the year	*32*	**57,843**	3,729
- Property, plant and equipment adjustments		**113**	31
		(427,829)	(91,847)
Changes in operating assets and liabilities			
Change in items in course of settlement		**(511)**	1,768
Change in held for trading financial assets		**(14,342)**	623
Change in loans and advances		**886,823**	(1,104,290)
Change in held-to-maturity financial assets		**(27,073)**	21,076
Change in other assets		**(8,982)**	49,833
Change in amounts due from closed banks		**(567)**	(197)
Change in available-for-sale investments		**-**	-
Change in IMF funds receivable from Government of the Republic of Zambia		**(93,949)**	(294,066)
Change in IMF subscription		**(226,577)**	629,851
Change in deposits from the Government of the Republic of Zambia		**2,036,941**	(83,852)
Change in deposits from financial institutions		**(2,264,140)**	1,677,636
Change in foreign currency liabilities to other institutions		**(35,693)**	(106,105)
Change in other deposits		**123,553**	2,674
Change in other liabilities		**2,275**	25,452
Change in domestic currency liabilities to IMF		**226,577**	(629,851)
Change in foreign currency liabilities to IMF		**264,523**	294,102
Change in notes and coins in circulation		**657,761**	749,231
Change in SDR allocation		**220,570**	53,914
		1,319,360	1,195,952
Dividends received		**-**	262
Claims paid	*32*	**(1,021)**	(1,586)
Net cash from operating activities		**1,318,339**	1,194,628
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	*23, 24*	**(19,497)**	(18,983)
Proceeds from sale of property, plant and equipment		**174**	5
Net cash used in investing activities		**(19,323)**	(18,978)
Net change in cash and cash equivalents		**1,299,016**	1,175,650
Cash and cash equivalents at the beginning of year		**10,020,899**	8,936,171
Effects of exchange-rate changes on cash and cash equivalents		**651,991**	(90,922)
Cash and cash equivalents at the end of the year		**11,971,906**	10,020,899
Cash and cash equivalents at the end of the year comprise of:			
Domestic cash in hand		**3,151**	2,557
Foreign currency cash and bank accounts		**11,968,755**	10,018,342
Cash and cash equivalents		**11,971,906**	10,020,899

The notes on pages 81 to 119 are an integral part of these financial statements.

1 Principal activity

The Bank of Zambia is the central bank of Zambia, which is governed by the provisions of the Bank of Zambia Act No. 43 of 1996. The Bank's principal place of business is at Bank Square, Cairo Road, Lusaka.

In these financial statements, the Bank of Zambia is also referred to as the “Bank” or “BoZ”. The Bank's parent entity is the Government of Zambia.

The Board of Directors approved these financial statements for issue on 24 May 2012. Neither the Bank's owner nor others have the power to amend the financial statements after issue.

2 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 to all the years presented, unless otherwise stated:

2.1 Basis of preparation

The Bank's financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Changes in accounting policies and disclosures

2.2.1 New and amended standards adopted by the Bank

The amendments to existing standards below are relevant to the Bank's operations:

Standard	Title	Applicable for financial year beginning on/after
IAS 1	Presentation of financial statements	1 January 2011
IAS 24	Related party disclosures	1 January 2011
IFRS 7	Financial Instruments: Disclosures	1 January 2011

The amendment to IAS 1, 'Presentation of financial statements' is part of the 2010 Annual Improvements and clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this amendment has no significant impact as the Bank was already disclosing the analysis of other comprehensive income on its statement of changes in equity.

The amendment to IAS 24, 'Related party disclosures' clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amended definition means that some entities will be required to make additional disclosures, e.g., an entity that is controlled by an individual that is part of the key management personnel of another entity is now required to disclose transactions with that second entity. Related party disclosures have increased following adoption of this amendment.

The amendments to IFRS 7, 'Financial Instruments - Disclosures' are part of the 2010 Annual Improvements and emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendments have also removed the requirement to disclose the following:
- Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
- Fair value of collaterals; and
- Renegotiated loans that would otherwise be past due but not impaired.

The application of the above amendment simplified financial risk disclosures made by the Bank.

Other amendments and interpretations to standards became mandatory for the year beginning 1 January 2011 but had no significant effect on the Bank's financial statements.

2 Significant accounting policies *(Continued)*

2.2 Changes in accounting policies and disclosures *(Continued)*

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of new standards that are likely to be relevant to the Bank. However, the directors are yet to assess the impact on the Bank's operations.

Standard	Title	Applicable for financial year beginning on/after
IAS 1	Presentation of financial statements	1 July 2012
IAS 19	Employee benefits	1 January 2013
IFRS 9	Financial instruments	1 January 2015
IFRS 13	Fair value measurement	1 January 2013

- IAS 1, 'Presentation of financial statements' amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. Entities will be required to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

  The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income', though IAS 1 still permits entities to use other titles.

- The amendment to IAS 19, 'Employee benefits' makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to the disclosures for all employee benefits. Key features are as follows:
  - Actuarial gains and losses are renamed 'remeasurements' and can only be recognised in 'other comprehensive income' without any recycling through profit or loss in subsequent periods.
  - Past service costs will be recognised in the period of a plan amendment and curtailment occurs only when an entity reduces significantly the number of employees.
  - The amendment clarifies the definition of termination benefits. Any benefit that has a future service obligation is not a termination benefit.
  - Annual benefit expense for a funded benefit plan will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability.

- IFRS 9, 'Financial instruments' part 1: Classification and measurement and part 2: Financial liabilities and Derecognition of financial instruments

IFRS 9, part 1 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:
  - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
  - An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.
  - All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
  - While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Bank is considering the implications of the Standard, the impact on the Bank and the timing of its adoption by the Bank.

IFRS 9, part 2 was issued in October 2010 and includes guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation of financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and Measurement', without change except for financial liabilities that are designated at fair value through profit or loss.

2 Significant accounting policies *(Continued)*

2.2 Changes in accounting policies and disclosures *(Continued)*

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the BanK *(Continued)*

Under the new standard, entities with financial liabilities at fair value through profit or loss recognise changes in the liability's credit risk directly in other comprehensive income. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss, but accumulated gains or losses may be transferred within equity.

- IFRS 13, 'Fair value measurement'
  IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures; it does not say when to measure fair value or require additional fair value measurements. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

  The principal market is the market with the greatest volume and level of activity for the asset or liability that can be accessed by the entity. The guidance includes enhanced disclosure requirements that could result in significantly more work for the Bank. The requirements are similar to IFRS 7, 'Financial instruments: Disclosures' but apply to all assets and liabilities measured at fair value, not just financial ones.

2.3 Functional and presentation currency

These financial statements are presented in Zambian Kwacha, the currency of the primary economic environment in which the Bank operates. Zambian Kwacha is both the Bank's functional and presentation currency. Except where indicated financial information presented in Kwacha has been rounded to the nearest million.

2.4 Interest income and expense

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

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

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and liabilities at amortised cost calculated on an effective interest basis; and
- interest on available-for-sale investment securities calculated on an effective interest basis.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.5 Fees and commission income

Fees and commissions, including account servicing fees, supervision fees, licensing and registration fees, are generally recognised on an accrual basis when the related service has been performed.

2.6 Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Bank and the amount of revenue can be measured reliably).

2 Significant accounting policies *(Continued)*

2.7 Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.8 Foreign currency transactions and balances

In preparing the financial statements of the Bank, transactions in foreign currencies are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Foreign exchange differences arising on translation are recognised in the profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recognised directly in other comprehensive income.

2.9 Financial instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

2.9.1 Financial assets

All financial assets are recognised and derecognised on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

(a) Classification

The directors determine the appropriate classification for financial instruments on initial recognition.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.1 Financial assets *(Continued)*

(a) Classification *(Continued)*

The Bank has classified all Treasury Bills held for trading as financial assets at fair value through profit or loss except for the Treasury Bills arising from the November 2007 conversion of a portion of the Government of the Republic of Zambia (“GRZ”) consolidated bond and the staff savings Treasury Bills all of which have been designated as held-to-maturity.

Held-to-maturity

Debt securities with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity investments, other than:

- those that the Bank upon initial recognition designates as at fair value through profit or loss;
- those that the Bank designates as available-for-sale; and
- those that meet the definition of loans and receivables.

The Bank has classified the following financial assets as held-to-maturity investments:

- GRZ consolidated bond;
- Other GRZ securities; and
- Staff savings securities.

Available-for-sale investment

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

The Bank's investments in equity securities are classified as available-for-sale financial assets.

Loans and receivables

Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

(b) Recognition and measurement

Held-to-maturity investments

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income and accumulated in reserve, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is recognised in profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss, 'Other gains and losses' when the Bank's right to receive payment is established.

(c) Derecognition

The Bank de-recognises financial assets or a portion thereof when the contractual rights to the cash flows from the asset expire, or 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.

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.1 Financial assets *(Continued)*

Available-for-sale (Continued)

c) Derecognition (Continued)

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Bank writes off certain loans and investment securities when they are determined to be uncollectible.

(d) Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ('loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the loss events.

Objective evidence that financial assets are impaired can include 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 debt issuers in that group, or economic conditions that correlate with defaults in the group of assets.

The Bank first assesses whether objective evidence of impairment exists individually for loans and advances and held-to-maturity securities that are individually significant, and individually or collectively for those assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.2 Financial liabilities

(a) Classification

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL at initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

The Banks has not classified any financial liabilities as FVTPL.

2.9.3 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(a) De- recognition of financial liabilities

A financial liability is de-recognised when the Bank's contractual obligations have been discharged, cancelled or expired.

2.10 Determination of fair value

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction between knowledgeable willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, where one exists.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

2 Significant accounting policies *(Continued)*

2.10 Determination of fair value *(Continued)*

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Bank does not hold positions with its financial instruments.

2.11 Offsetting

The Bank offsets financial assets and liabilities and presents the net amount in the statement of financial position when and only when, there is a legally enforceable right to offset the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses, arising from a group of similar transactions such as the Bank's trading activity.

2.12 Property, plant and equipment

(a) Property

Properties held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Bank obtains an independent valuation of properties every five years.

Any revaluation increase arising on the revaluation of such property is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

(b) Plant and equipment

Items of plant and equipment are stated in the statement of financial position cost less accumulated depreciation and accumulated impairment losses.

(c) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the item's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are charged to the profit or loss during the financial period in which they are incurred.

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

(d) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment to write off the depreciable amount of the various assets over the period of their expected useful lives.

2 Significant accounting policies *(Continued)*

2.12 Property, plant and equipment *(Continued)*

(d) Depreciation *(Continued)*

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. A portion of the surplus equal to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred as the asset is used by the Bank. The transfers from revaluation surplus to retained earnings are not made through profit or loss.

Other assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The depreciation rates for the current and comparative period are as follows:

	2011	2010
Buildings	**2%**	2%
Fixtures and fittings	**4%**	4%
Plant and machinery	**5%**	5%
Furniture and furnishings	**10%**	10%
Security systems and other equipment	**10-20%**	10-20%
Motor vehicles	**25%**	25%
Armoured Bullion Vehicles	**10%**	10%
Armoured Escort Vehicles	**16.7%**	16.7%
Computer equipment - hardware	**25%**	25%
Office equipment	**33.3%**	33.3%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(e) De- recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(f) Capital work-in-progress

Capital work-in-progress represents assets in the course of development, which at the reporting date have not been brought into use. No depreciation is charged on capital work-in-progress.

2.13 Intangible assets - computer software

(a) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(b) Internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

2 Significant accounting policies *(Continued)*

2.13 Intangible assets - computer software *(Continued)*

(b) Internally-generated intangible assets *(Continued)*

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2.14 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets that are subject to depreciation and amortisation are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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.

Impairment losses are recognised in profit or loss otherwise in equity if the revalued properties are impaired to the extent that an equity reserve is available.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 recognised.

2.15 Employee benefits

(a) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Bank contributes to the Statutory Pension Scheme in Zambia, namely National Pension Scheme Authority (NAPSA) where the Bank pays an amount equal to the employees' contributions. Membership, with the exception of expatriate employees is compulsory.

(b) Defined benefit plan

The Bank provides for retirement benefits (i.e. a defined benefit plan) for all permanent employees as provided for in Statutory Instrument No. 119 of the Laws of Zambia. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The cost of providing the defined benefit plan is determined annually using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. The discount rate is required to be determined with reference to the corporate bond yield, however, due to the non-availability of an active developed market for corporate bonds the discount rate applicable is the yield at the reporting date on the GRZ bonds that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The defined benefit obligation recognised by the Bank, in respect of its defined benefit pension plan, is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets.

2 Significant accounting policies *(Continued)*

2.15 Employee benefits *(Continued)*

(b) Defined benefit plan *(Continued)*

When the calculations above result in a benefit to the Bank, the recognised asset is limited to the net total of any cumulative unrecognised actuarial losses and past service costs and the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Bank if it is realisable during the life of the plan or on settlement of the plan liabilities.

Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to other comprehensive income when they arise. These gains or losses are recognised in full in the year they occur. Past-service costs are recognised immediately in the profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period (the vesting period). In this case, the past-service costs are amortised on a straight line basis over the vesting period.

(c) Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(d) Short-term benefits

Short-term employee benefit obligations 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 under short-term cash bonus, gratuity or leave days if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(e) Other staff benefits

The Bank also operates a staff loans scheme for its employees for the provision of facilities such as house, car and other personal loans. From time to time, the Bank determines the terms and conditions for granting of the above loans with reference to the prevailing market interest rates and may determine different rates for different classes of transactions and maturities.

In cases where the interest rates on staff loans are below market rates, a fair value calculation is performed using appropriate market rates. The Bank recognises, a deferred benefit to reflect the staff loan benefit arising as a result of this mark to market adjustment. This benefit is subsequently amortised to the profit or loss on a straight line basis over the remaining period to maturity (see note 15).

2.16 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include notes and coins on hand, unrestricted balances held with other central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the bank in the management of its short-term commitments.

Cash and cash equivalents are carried at fair value in the statement of financial position.

2.17 Transactions with the International Monetary Fund ("IMF")

The Bank is the GRZ's authorized agent for all transactions with the IMF and is required to record all transactions between the IMF and the GRZ in its books as per guidelines from the IMF. The Bank therefore maintains different accounts of the IMF: the IMF subscriptions, securities account, and IMF No. 1 and No. 2 accounts.

The Bank revalues IMF accounts in its statement of financial position in accordance with the practices of the IMF's Treasury Department. In general, the revaluation is effected annually. Any increase in value is paid by the issue of securities (Note 33 - promissory notes recorded in the securities account) as stated above while any decrease in value is affected by the cancellation of securities already in issue. These securities are lodged with the Bank acting as custodian and are kept in physical form as certificates at the Bank and they form part of the records of the GRZ.

2 Significant accounting policies *(Continued)*

2.17 Transactions with the International Monetary Fund ("IMF") *(Continued)*

The IMF Subscriptions account represents the GRZ's subscription to the IMF Quota and is reported as an asset under the heading IMF Subscription. This Quota is represented by the IMF Securities, IMF No.1 and No. 2 accounts which appear in the books of the Bank under the heading "Domestic currency liabilities to IMF".

The Quota is fixed in Special Drawing Rights and may be increased by the IMF. Any increase in the quota is subscribed in local currency by way of non-negotiable, non-interest bearing securities issued by GRZ in favour of the IMF, which are repayable on demand. There is also a possibility that the increase in the quota maybe subscribed in any freely convertible currency, of which the value of the portion payable would be debited to the account of GRZ maintained with the Bank.

2.18 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events for which it is probable that an out-flow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.19 Currency in circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability for currency in circulation is recorded at face value in the financial statements. Currency in circulation represents the face value of notes and coins issued to commercial banks and Bank of Zambia cashiers. Unissued notes and coins held by the Bank in the vaults do not represent currency in circulation.

2.20 Currency printing and minting expenses

Notes printing and coins minting expenses which include ordering, printing, minting, freight, insurance and handling costs are expensed in the period the cost is incurred.

2.21 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as pledged assets with the counterparty liability included in Term deposits from financial institutions. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to commercial banks.

The Bank from time to time mops up money from the market ('repos') or injects money into the economy ('reverse repos'), through transactions with commercial banks, to serve its monetary objectives or deal with temporary liquidity shortages in the market. In the event of the Bank providing overnight loans ('reverse repos') to commercial banks, the banks pledge eligible securities in the form of treasury bills and GRZ bonds as collateral for this facility.

A 'repo' is an arrangement involving the sale for cash, of securities at a specified price with a commitment to repurchase the same or similar securities at a fixed price either at a specific future date or at maturity.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank's accounting policies, which are described in note 2 -'significant accounting policies', the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3 Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

Summarised below are areas were the directors applie critical accounting judgements and estimates that may have the most significant effect on the amounts recognised in the financial statements.

3.1 Impairment losses on loans and advances

During the year, the portfolio of loans and advances originated by the Bank is reviewed for recoverability to assess impairment at the reporting date. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with individual loans. This evidence may include observable data that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the group. The methodology and assumptions used for estimating both the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.2 Useful lives of property, plant and equipment

The Bank reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The directors determined that armoured escort vehicles and armoured bullion vehicles previously held in the motor vehicle class should be reclassified and their useful lives lengthened. The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to decrease the annual depreciation expense in the current financial year and for the reminder of the useful lives due to the spreading of the expense over a longer period.

3.3 Defined benefits obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the pension obligations.

4 Risk management policies

(a) Overview and risk management framework

The Bank has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk; and
- market risk which include interest rate risk, currency risk and other price risk.

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

In its ordinary operations, the Bank is exposed to various financial risks, which if not managed may have adverse effects on the attainment of the Bank's strategic objectives. The identified risks are monitored and managed according to an existing and elaborate internal control framework. To underscore the importance of risk management in the Bank, the Board has established a Risk Management Department, whose role is to co-ordinate the Bank-wide framework for risk management and establish risk standards and strategies for the management and mitigation of risks.

The Audit Committee and the Risk Management Committee oversees how Directors monitor compliance with the Bank's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Board of Directors has ultimate responsibility for ensuring that sound risk management practices are in place that enable the Bank to efficiently and effectively meet its objectives. The approach of the Board is to ensure the following conditions are enhanced:

i) Active Board and senior management oversight. Management maintains an interest in the operations and ensures appropriate intervention is available for identified risks.
ii) A business continuity strategy is in place to ensure continuity of mission critical activities in an event of a major disaster.
iii) Implementation of adequate policies, guidelines and procedures. The existing policies, procedures and guidelines are reviewed and communicated to relevant users to maintain their relevance.
iv) Maintain risk identification, measurement, treatment and monitoring as well as control systems. Management reviews risk management strategies and ensures that they remain relevant.

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(a) Overview and risk management framework *(Continued)*

v) Adequate internal controls. Improved internal control structures and culture emphasizing the highest level of ethical conduct have been implemented to ensure safe and sound practices.
vi) Correction of deficiencies. The Bank has implemented a transparent system of reporting control weaknesses and following up on corrective measures.

Following below is the description and details of exposure to the risks identified:

Financial instruments by category

Financial assets	Held for trading	Held to maturity	Loans and receivables	Available-for-sale	Total
At 31 December 2011					
Domestic cash in hand	**-**	**-**	**3,151**	**-**	**3,151**
Foreign currency cash and bank accounts	**-**		**11,968,755**	**-**	**11,968,755**
Items in course of settlement	**-**	**-**	**6,248**	**-**	**6,248**
Held-for-trading financial assets	**14,379**	**-**	**-**	**-**	**14,379**
Loans and advances	**-**	**-**	**258,585**	**-**	**258,585**
Held to maturity financial assets	**-**	**1,977,107**	**-**	**-**	**1,977,107**
Available-for- sale investments	**-**	**-**	**-**	**4,489**	**4,489**
IMF funds recoverable from the Government of the Republic of Zambia	**-**	**-**	**1,982,893**	**-**	**1,982,893**
IMF Subscriptions	**-**	**-**	**3,722,005**	**-**	**3,722,005**
	14,379	**1,977,107**	**17,941,637**	**4,489**	**19,937,612**
At 31 December 2010					
Domestic cash in hand	-	-	2,557	-	2,557
Foreign currency cash and bank accounts	-	-	10,018,342	-	10,018,342
Items in course of settlement	-	-	5,737	-	5,737
Held-for-trading financial assets	37	-	-	-	37
Loans and advances	-	-	1,145,408	-	1,145,408
Held to maturity financial assets	-	1,950,034	-	-	1,950,034
Available-for- sale investments	-	-	-	4,489	4,489
IMF funds recoverable from the Government of the Republic of Zambia	-	-	1,888,944	-	1,888,944
IMF Subscriptions	-	-	3,495,428	-	3,495,428
	37	1,950,034	16,556,416	4,489	18,510,976

Financial liabilities	Financial liabilities at amortised cost	Total
At 31 December 2011		
Deposits from the Government of the Republic of Zambia	**4,398,178**	**4,398,178**
Deposits from financial institutions	**2,107,100**	**2,107,100**
Foreign currency liabilities to other institutions	**154,795**	**154,795**
Other deposits	**151,147**	**151,147**
Other liabilities	**62,905**	**62,905**
Domestic currency liabilities to the IMF	**3,722,005**	**3,722,005**
Foreign currency liabilities to the IMF	**2,153,467**	**2,153,467**
Notes and coins in circulation	**3,408,238**	**3,408,238**
SDR allocation	**3,675,998**	**3,675,998**
	19,833,833	**19,833,833**
At 31 December 2010		
Deposits from the Government of the Republic of Zambia	2,361,237	2,361,237
Deposits from financial institutions	4,371,240	4,371,240
Foreign currency liabilities to other institutions	190,488	190,488
Other deposits	27,594	27,594
Other liabilities	60,630	60,630
Domestic currency liabilities to the IMF	3,495,428	3,495,428
Foreign currency liabilities to the IMF	1,888,944	1,888,944
Notes and coins in circulation	2,750,477	2,750,477
SDR allocation	3,455,428	3,455,428
	18,601,466	18,601,466

4 Risk management policies *(Continued)*

Financial instruments by category *(Continued)*

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a counterparty to a financial instrument fails to meet its obligations and arises principally from the Bank's receivables from staff, GRZ, foreign exchange deposits and investment securities.

The Bank has two major committees that deal with credit risk. The Investment Committee deals with risk *arising from foreign currency denominated deposits while the Finance and Budget Committee handles risks* arising from all other assets. The details of policy and guidelines are passed on to relevant heads of departments to implement on a day-to-day basis.

The major issues covered in the credit risk assessment include establishing criteria to determine choice of counter parties to deal with, limiting exposure to a single counter party, reviewing collectability of receivables and determining appropriate credit policies.

The key principle the Bank enforces in the management of credit risk is the minimizing of default probabilities of the counterparties and the financial loss in case of default. As such, the Bank carefully makes consideration of credit and sovereign risk profiles in its choice of depository banks for deposit placements. Currently, the Bank's choice of depository banks is restricted to international banks that meet the set eligibility criteria of financial soundness on long-term credit rating, short-term credit rating, composite rating and capital adequacy. The current approved depository banks holding the Bank's deposits have their performance reviewed periodically, based on performance ratings provided by the international rating agency, Moody's. Deposit placement limits are allocated to individual banks based on their financial strength. To minimize the sovereign risk exposure, the eligible banks are distributed among several countries around the world under the set criteria mentioned above

Exposure to credit risk

The Bank is exposed to credit risk on all its balances with foreign banks, investments and its loans and advances portfolios. The credit risk on balances with foreign banks and investments arise from direct exposure on account of deposit placements, direct issuer exposure with respect to investments including sovereigns, counterparty exposure arising from repurchase transactions, and settlement exposure on foreign exchange or securities counterparties because of time zone differences or because securities transactions are not settled on a delivery versus payment basis.

The Bank invests its reserves in assets that are deemed to have low credit risk such as balances at other central banks, or balances at highly rated supranational such as the Bank for International Settlement (BIS) and other typically triple a rated institutions.

The Bank is exposed to varying degrees of credit risk. The maximum exposure to credit risk for financial assets is similar to the carrying amounts shown on the statement of financial position.

(i) GRZ bonds and Treasury Bills

The Directors believe the *credit* risk of such instruments is low due to the fact that they are issued by the Government of the Republic of Zambia. The Government is rated B+ by Fitch.

(ii) Fixed term deposits

The directors believe that the credit risk of such instruments is also low as the policy is to deal with only triple A rated institutions.

The table below provides credit risk rating information, obtained from Moody's, on institutions where the Bank invests its funds:

Currency	Country/Location	Correspondent Bank	Bank short term	Bank long term
EUR	European Union	BIS Basle account	-	-
EUR	European Union	Deutsche Bundes bank	-	-
GBP	United Kingdom	Bank of England	-	-
GBP	European Union	BIS Basle account	-	-
SDR	USA	IMF	-	-
USD	European Union	BIS Basle account	-	-
USD	USA	Federal Reserve Bank and Citi New York	-	-
ZAR	South Africa	Reserve Bank of South Africa	-	-
USD	USA	Citibank New York	P-1	A1

4 Risk management policies *(Continued)*

Financial instruments by category *(Continued)*

Exposure to credit risk *(Continued)*

Neither past due nor Impaired - Institutional credit risk exposure analysis

The table below shows the credit ratings and concentration by nature, of foreign currency cash and bank accounts. The ratings were obtained from Moody's.

Financial Asset	Ratings - 2011			
	Aaa	**Aa1**	**A1**	**Total**
Cash balances	**384,578**	**-**	**-**	**384,578**
Deposits	**5,866,390**	**-**	**-**	**5,866,390**
Securities	**2,563,798**	**-**	**-**	**2,563,798**
Special drawing rights	**3,153,989**	**-**	**-**	**3,153,989**
Total	**11,968,755**	**-**	**-**	**11,968,755**

Financial Asset	Ratings - 2010			
	Aaa	**Aa1**	**A1**	**Total**
Cash balances	304,686	-	3,385	308,071
Deposits	4,375,202	-	-	4,375,202
Securities	2,328,583	14,430	-	2,343,013
Special drawing rights	2,992,056	-	-	2,992,056
Total	10,000,527	14,430	3,385	10,018,342

(iii) Neither past due nor Impaired - Staff loans

The credit risk on staff housing loans is mitigated by security over property and mortgage protection insurance. The risk on other staff loans is mitigated by security in the form of terminal benefits payments.

The Bank holds collateral against certain staff loans and advances to former and serving staff in form of mortgage interest over property and endorsement of the Bank's interest in motor vehicle documents of title. Estimates of the fair values of the securities 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.

(iv) Staff loans

An estimate of the fair value of collateral held against financial assets is shown below:

	Loans and advances (Note 15)	
	2011	2010
Against neither past due nor impaired	**-**	-
- Property	**17,638**	16,371
- Gratuity and leave days	**12,929**	19,762
- Motor vehicles	**10,181**	8,825
	40,748	44,958

The policy for disposing of the properties and other assets held as collateral provides for sale at competitive market prices to ensure the Bank suffers no or minimal loss.

All staff loans are neither past due nor impaired.

The Bank monitors concentration of credit risk by the nature of the financial assets. An analysis of the concentration of credit risk at the reporting date is shown below:

4 Risk management policies *(Continued)*

Financial instruments by category *(Continued)*

Exposure to credit risk*(Continued)*

(iv) Staff loans *(Continued)*

	Loans and advances (Note 15)	
	2011	2010
Carrying amount	**39,620**	38,247
Concentration by nature		
- House loans	**17,700**	16,371
- Multi-purpose loans	**7,531**	9,532
- Motor vehicle loans	**10,181**	8,825
- Other advances	**2,694**	1,794
- Personal loans	**1,514**	1,725
	39,620	38,247

(v) Advances to Government and commercial banks

All advances to Government are considered risk free while the advances extended to commercial banks were fully collaterised. As at 31 December 2011, All amounts were neither past due nor impaired.

(vi) Impaired loans and investment debt securities

Impaired loans and securities are loans and advances and investment securities (other than those carried at fair value through profit or loss) for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / investment security agreement(s).

As shown in Note 15 impaired loans and advances amounting to **K 23,305 million** (2010: nil) have been fully provided for. Additionally amounts shown in Note 19 as due from closed banks of **K 130,946 million** (2010: K 130,379 million) were also fully provided for. No collateral was held against these assets.

(vii) Allowances for impairment

The Bank establishes a specific allowance for impairment losses on assets carried at amortised cost or classified as available-for-sale that represents its estimate of incurred losses in its loan and investment security portfolio. The only component of this allowance is a specific loss component that relates to individually significant exposures.

(viii) Write-off policy

The Bank writes off a loan or investment security balance, and any related allowances for impairment losses, when the Bank's Investment Committee or the Budget and Finance Committee determines that the loan or security is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

(c) Liquidity risk

This is the risk of being unable to meet financial commitments or payments at the correct time, place and in the required currency. The Bank as a central bank does not face Zambian Kwacha liquidity risks.

In the context of foreign reserves management, the Bank's investment strategy ensures the portfolio of foreign reserves is sufficiently liquid to meet external debt financing, GRZ imports and interventions in the foreign exchange market when need arises. The Bank maintains a portfolio of highly marketable foreign currency assets that can easily be liquidated in the event of unforeseen interruption or unusual demand for cash flows.

The following table provides an analysis of the financial assets held for managing liquidity risk and liabilities of the Bank into relevant maturity groups based on the remaining period to repayment from 31 December 2011.

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(c) Liquidity risk *(Continued)*

Financial assets and liabilities held for managing liquidity risk

	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 – 5 years	Total carrying amounts
31 December 2011					
Non-derivative liabilities					
Deposits from the GRZ	**4,398,178**	**-**	**-**	**-**	**4,398,178**
Deposits from financial institutions	**2,107,100**	**-**	**-**	**-**	**2,107,100**
Foreign currency liabilities to other institutions	**154,795**	**-**	**-**	**-**	**154,795**
Other deposits	**151,147**	**-**	**-**	**-**	**151,147**
Other liabilities	**-**	**-**	**62,905**	**-**	**62,905**
Domestic currency liabilities to IMF	**3,722,005**	**-**	**-**	**-**	**3,722,005**
Foreign currency liabilities to IMF	**2,153,467**	**-**	**-**	**-**	**2,153,467**
Notes and coins in circulation	**3,408,238**	**-**	**-**	**-**	**3,408,238**
SDR allocation	**3,675,998**	**-**	**-**	**-**	**3,675,998**
Total non-derivative liabilities	**19,770,928**	**-**	**62,905**	**-**	**19,833,833**
Assets held for managing liquidity risk					
Domestic cash in hand	**3,151**	**-**	**-**	**-**	**3,151**
Foreign currency cash and bank accounts	**11,968,755**	**-**	**-**	**-**	**11,968,755**
Held-to-maturity financial assets	**-**	**62,060**	**824,499**	**1,507,151**	**2,393,710**
Held-for-trading financial assets	**-**	**548**	**16,024**	**-**	**16,572**
IMF Funds recoverable from the Republic of Zambia	**1,982,893**	**-**	**-**	**-**	**1,982,893**
IMF Subscriptions	**3,722,005**	**-**	**-**	**-**	**3,722,005**
Total Assets held for managing liquidity risk	**17,676,804**	**62,608**	**840,523**	**1,507,151**	**20,087,086**
Net Exposure	**(2,094,124)**	**62,608**	**777,618**	**1,507,151**	**253,253**

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(c) Liquidity risk *(Continued)*

	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 – 5 years	Total carrying amounts
31 December 2010					
Non-derivative liabilities					
Deposits from the GRZ	2,361,237	-	-	-	2,361,237
Deposits from financial institutions	4,371,240	-	-	-	4,371,240
Foreign currency liabilities to other institutions	190,488	-	-	-	190,488
Other deposits	27,594	-	-	-	27,594
Other liabilities	-	-	60,630	-	60,630
Domestic currency liabilities to IMF	3,495,428	-	-	-	3,495,428
Foreign currency liabilities to IMF	1,888,944	-	-	-	1,888,944
Notes and coins in circulation	2,750,477	-	-	-	2,750,477
SDR allocation	3,455,428	-	-	-	3,455,428
Total non-derivative liabilities	18,540,816	-	60,630	-	18,601,466
Assets held for managing liquidity risk					
Domestic cash in hand	2,557	-	-	-	2,557
Foreign currency cash and bank accounts	10,018,342	-	-	-	10,018,342
Held-to-maturity financial assets	-	62,060	811,956	1,740,862	2,614,878
Held-for-trading financial assets		51	-	-	51
IMF Funds recoverable from the Republic of Zambia	1,888,944	-	-	-	1,888,944
IMF Subscriptions	3,495,428	-	-	-	3,495,428
Total Assets held for managing liquidity risk	15,405,271	62,111	811,956	1,740,862	18,020,200
Net Exposure	(3,135,565)	62,111	751,326	1,740,862	(581,266)

Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality highly-liquid balances to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and foreign currency balances with central banks and other foreign counterparties; and
- GRZ bonds and other securities that are readily acceptable in repurchase agreements with commercial banks;

Sources of liquidity are regularly reviewed by the Investment Committee to maintain a wide diversification by currency, geography, provider, product and term.

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices and foreign exchange rates will affect the Bank's income or the value of its holding of financial instruments.

The Bank sets its strategy and tactics on the level of market risk that is acceptable and how it would be *managed* through the Investment Committee. The major thrust of the strategy has been to achieve a sufficiently diversified portfolio of foreign currency investments to reduce currency risk and induce adequate returns.

(e) Exposure to currency risk

Currency risk is the risk of adverse movements in exchange rates that will result in a decrease in the value of foreign exchange assets or an increase in the value of foreign currency liabilities.

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(e) Exposure to currency risk *(Continued)*

The Bank's liabilities are predominately held in Kwacha, while the foreign currency assets have been increasing, resulting in large exposure to foreign exchange risk. This position coupled with substantial exchange rate fluctuations is primarily responsible for the Bank recording large realised and unrealised exchange gains/ (losses) over the years. The Bank is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, British Pound and Euro. The Investment Committee is responsible for making investment decisions that ensure maximum utilisation of foreign reserves at minimal risk.

The Bank as a central bank by nature holds a net asset position in its foreign currency balances. The Directors have mandated the Investment Committee to employ appropriate strategies and methods to minimise the eminent currency risk. Notable among useful tools used by the Investment Committee is the currency mix benchmark, which ensures that the foreign currency assets that are held correspond to currencies that are frequently used for settlement of GRZ and other foreign denominated obligations. All benchmarks set by the Committee are reviewed regularly to ensure that they remain relevant.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows and the net exposure expressed in Kwacha as at 31 December 2011 was as shown in the table below:

	USD	**GBP**	**EUR**	**SDR**	**Other**	**Total Kwacha**
At 31 December 2011						
Foreign currency assets						
Foreign currency cash and bank accounts	**3,341,702**	**2,598,969**	**2,874,051**	**3,153,988**	**45**	**11,968,755**
IMF Subscriptions	**-**	**-**	**-**	**3,722,005**	**-**	**3,722,005**
Total foreign currency assets	**3,341,702**	**2,598,969**	**2,874,051**	**6,875,993**	**45**	**15,690,760**
Foreign currency liabilities						
Foreign currency liabilities to other institutions	**127,868**	**114**	**26,349**	**464**	**-**	**154,795**
Foreign currency liabilities to IMF	**-**	**-**	**-**	**2,153,467**	**-**	**2,153,467**
SDR allocation	**-**	**-**	**-**	**3,675,998**	**-**	**3,675,998**
Total foreign currency liabilities	**127,868**	**114**	**26,349**	**5,829,929**	**-**	**5,984,260**
Net exposure	**3,213,834**	**2,598,855**	**2,847,702**	**1,046,064**	**45**	**9,706,500**

	USD	GBP	EUR	SDR	Other	Total Kwacha
At 31 December 2010						
Foreign currency assets						
Foreign currency cash and bank accounts	2,941,847	1,563,361	2,520,998	2,992,056	80	10,018,342
IMF Subscriptions	-	-	-	3,495,428	-	3,495,428
Total foreign currency assets	2,941,847	1,563,361	2,520,998	6,487,484	80	13,513,770
Foreign currency liabilities						
Foreign currency liabilities to other institutions	9,165	2,594	25,372	153,357	-	190,488
Foreign currency liabilities to IMF	-	-	-	1,888,944	-	1,888,944
SDR allocation	-	-	-	3,455,428	-	3,455,428
Total foreign currency liabilities	9,165	2,594	25,372	5,497,729	-	5,534,860
Net exposure	2,932,682	1,560,767	2,495,626	989,755	80	7,978,910

4 Risk management policies *(Continued)*

(e) Exposure to currency risk *(Continued)*

The following are exchange rates for the significant currencies applied as at the end of the reporting period:

	Spot rate	
	2011	2010
	ZMK	ZMK
SDR 1	**7,835.65**	7,365.49
GBP 1	**7,869.97**	7,382,06
EUR 1	**6,599.16**	6,351.42
USD 1	**5,120.00**	4,782.69

Foreign currency sensitivity

The following table illustrates a **12%** (2010: 12%) strengthening of the Kwacha against the relevant foreign currencies. 12% is based on observable trends, presented to key management personnel, in the value of Kwacha to major foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items outstanding at reporting date and adjusts their translation for a 12% change in foreign currency rates. This analysis assumes all other variables; in particular interest rates remain constant.

Effect in millions of Kwacha

	Equity	Profit or loss
	ZMK	ZMK
31 December 2011		
SDR	**-**	**(566,653)**
USD	**-**	**(385,660)**
EUR	**-**	**(341,724)**
GBP	**-**	**(311,863)**
31 December 2010		
SDR	-	(533,432)
USD	-	(351,922)
EUR	-	(299,475)
GBP	-	(187,292)

A 12 % weakening of the Kwacha against the above currencies at 31 December would have had an equal but opposite effect to the amounts shown above.

(f) Exposure to interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or the future cash flows will fluctuate due to changes in market interest rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors approves levels of borrowing and lending that are appropriate for the Bank to meet its objective of maintaining price stability at reasonable cost.

Foreign currency balances are subject to floating interest rates. Interest rate changes threaten levels of income and expected cash flows. The Bank holds a net asset position of foreign exchange reserves and interest income far outweighs interest charges on domestic borrowing and staff savings.

Substantial liabilities including currency in circulation and balances for commercial banks and GRZ ministries attract no interest.

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(f) Exposure to interest rate risk *(Continued)*

Foreign currency deposits are the major source of interest rate risk for the Bank. The Directors have established information systems that assist in monitoring changes in the interest variables and other related information to ensure the Bank is in a better position to respond or take proactive action to meet challenges or opportunities as they arise. The Directors have also set performance benchmarks for income to arising from balances with foreign banks, that are evaluated monthly through the Finance and Budget Committee and the Executive Committee. The Board reviews the performance against budget on a quarterly basis.

The table below shows the extent to which the Bank's interest rate exposures on assets and liabilities are matched. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date or maturity date. This effectively shows when the interest rate earned or charged on assets and liabilities are expected to change. The table can therefore be used as the basis for an assessment of the sensitivity of the Bank's net income to interest rate movements.

At 31 December 2011	Less than 3 months	Between 3 months and one year	Over 1 year	Non-interest bearing	Total
Assets					
Domestic cash in hand	-	-	-	3,151	3,151
Foreign currency cash and bank accounts	11,966,662	-	-	2,093	11,968,755
Items in course of settlement	-	-	-	6,248	6,248
Held-for-trading financial assets	14,379	-	-	-	14,379
Loans and advances	-	1,447	254,450	2,688	258,585
Held-to-maturity financial assets	-	638,318	1,338,789	-	1,977,107
Available-for-sale investments	-	-	-	4,489	4,489
IMF funds receivable from Government	-	-	-	1,982,893	1,982,893
IMF Subscriptions	-	-	-	3,722,005	3,722,005
Total financial assets	11,981,041	639,765	1,593,239	5,723,567	19,937,612
Liabilities					
Deposits from the GRZ	-	-	-	4,398,178	4,398,178
Deposits from financial institutions	-	-	-	2,107,100	2,107,100
Foreign currency liabilities to other institutions	-	-	-	154,795	154,795
Other deposits	151,147	-	-	-	151,147
Other liabilities	-	-	-	62,905	62,905
Domestic currency liabilities to IMF	-	-	-	3,722,005	3,722,005
Foreign currency liabilities to IMF	-	-	-	2,153,467	2,153,467
Notes and coins in circulation	-	-	-	3,408,238	3,408,238
SDR allocation	3,675,998	-	-	-	3,675,998
Total financial liabilities	3,827,145	-	-	16,006,688	19,833,833
Net exposure at 31 December 2011	8,153,896	639,765	1,593,239	-	-

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(f) Exposure to interest rate risk *(Continued)*

At 31 December 2010	Less than 3 months	Between 3 months and one year	Over 1 year	Non-interest bearing	Total
Assets					
Domestic cash in hand	-	-	-	2,557	2,557
Foreign currency cash and bank accounts	10,013,912	-	-	4,430	10,018,342
Items in course of settlement	-	-	-	5,737	5,737
Held-for-trading financial assets	37	-	-	-	37
Loans and advances	-	37,832	1,107,162	414	1,145,408
Held-to-maturity financial assets	-	625,775	1,324,259	-	1,950,034
Available-for-sale investments	-	-	-	4,489	4,489
IMF funds receivable from Government	-	-	-	1,888,944	1,888,944
IMF Subscriptions	-	-	-	3,495,428	3,495,428
Total financial assets	10,013,949	663,607	2,431,421	5,401,999	18,510,976
Liabilities					
Deposits from the GRZ	-	-	-	2,361,237	2,361,237
Deposits from financial institutions	-	-	-	4,371,240	4,371,240
Foreign currency liabilities to other institutions	-	-	-	190,488	190,488
Other deposits	26,661	-	-	933	27,594
Other liabilities	-	-	-	60,630	60,630
Domestic currency liabilities to IMF	-	-	-	3,495,428	3,495,428
Foreign currency liabilities to IMF	-	-	-	1,888,944	1,888,944
Notes and coins in circulation	-	-	-	2,750,477	2,750,477
SDR allocation	3,455,428	-	-		3,455,428
Total financial liabilities	3,482,089	-		15,119,377	18,601,466
Net exposure at 31 December 2010	6,531,860	663,607	2,431,421	-	-

(g) Fair values

The table below sets out fair values of financial assets and liabilities, together with their carrying amounts as shown in the statement of financial position. The Directors believe that the carrying amounts of the Bank's financial assets and liabilities provide a reasonable estimate of fair value due to their nature. The financial assets are subject to regular valuations while the liabilities are short term in nature, often repayable on demand.

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(g) Fair values *(Continued)*

	Carrying amount 2011	Fair value 2011	Carrying Amount 2010	Fair value 2010
Assets				
Domestic cash in hand	**3,151**	**3,151**	2,557	2,557
Foreign currency cash and bank accounts	**11,968,755**	**11,968,755**	10,018,342	10,018,342
Items in course of settlement	**6,248**	**6,248**	5,737	5,737
Held-for-trading financial assets	**14,379**	**14,379**	37	37
Loans and advances	**258,585**	**258,585**	1,145,408	1,145,408
Held-to-maturity financial assets	**1,977,107**	**1,977,107**	1,950,034	1,950,034
Available-for-sale investments	**4,489**	**4,489**	4,489	4,489
IMF funds receivable from GRZ	**1,982,893**	**1,982,893**	1,888,944	1,888,944
IMF Subscriptions	**3,722,005**	**3,722,005**	3,495,428	3,495,428
Total financial assets	**19,937,612**	**19,937,612**	18,510,976	18,510,976
Liabilities				
Deposits from the GRZ	**4,398,178**	**4,398,178**	2,361,237	2,361,237
Deposits from financial institutions	**2,107,100**	**2,107,100**	4,371,240	4,371,240
Foreign currency liabilities to other institutions	**154,795**	**154,795**	190,488	190,488
Other deposits	**151,147**	**151,147**	27,594	27,594
Other liabilities	**62,905**	**62,905**	60,630	60,630
Domestic currency liabilities to IMF	**3,722,005**	**3,722,005**	3,495,428	3,495,428
Foreign currency liabilities to IMF	**2,153,467**	**2,153,467**	1,888,944	1,888,944
Notes and coins in circulation	**3,408,238**	**3,408,238**	2,750,477	2,750,477
SDR allocation	**3,675,998**	**3,675,998**	3,455,428	3,455,428
Total financial liabilities	**19,833,833**	**19,833,833**	18,601,466	18,601,466

Fair value hierarchy

IFRS7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable on unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka Stock Exchange) and exchanges traded derivatives like futures (for example, Nasdaq, S&P 500).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the swaps and forwards. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(g) Fair values *(Continued)*

31 December 2011	Level 1	Level 2	Level 3	Total
Held for trading financial assets	**-**	**14,379**	**-**	**14,379**
Availale for sale financial instruments	**-**	**4,489**	**-**	**4,489**
	-	**18,868**	**-**	**18,868**

31 December 2010	Level 1	Level 2	Level 3	Total
Held for trading financial assets	-	37	-	37
Availale for sale financial instruments	-	4,489	-	4,489
	-	4,526	-	4,526

At 31 December 2011, the Bank did not have financial liabilities measured at fair value (2010 nil).

(h) Management of capital

The Bank's authorised capital is set and maintained in accordance with the provisions of the Bank of Zambia Act 43, 1996. The Act provides a framework, which enables sufficient safeguards to preserve the capital of the Bank from impairment (Sections 6, 7 and 8 of the Bank of Zambia Act 43, 1996). The Government of the Republic of Zambia is the sole subscriber to the paid up capital of the Bank and its holding is not transferable in whole or in part nor is it subject to any encumbrance.

The scope of the Bank's capital management framework covers the Bank's total equity reported in its financial statements. The major drivers of the total equity are the reported financial results and profit distribution policies described below.

The Bank's primary capital management objective is to have sufficient capital to carry out its statutory responsibilities effectively. Therefore, in managing the Bank's capital the Board's policy is to implement a sound financial strategy that ensures financial independence and maintains adequate capital to sustain the long term objectives of the Bank and to meet its operational and capital budget without recourse to external funding.

Distributable profits as described in the provisions of Sections 7 and 8 of the Bank of Zambia Act 43, 1996 are inclusive of unrealized gains. The Board is of the opinion that the distribution of unrealized gains would compromise the Bank's capital adequacy especially that such gains are not backed by cash but are merely book gains that may reverse within no time. The Bank has made proposals under the proposed amendments to the Bank of Zambia Act to restrict distributable profits to those that are realized.

There were no changes recorded in the Bank's strategy for capital management during the year.

The Bank's capital position as at 31 December was as follows:

	Notes	**2011**	2010
Retained earnings	*39*	**(75,662)**	(177,017)
Property revaluation reserve	*39*	**214,783**	219,455
General reserve fund	*39*	**92,588**	92,588
Capital	*38*	**10,020**	10,020
Total		**241,729**	145,046

The capital structure of the Bank does not include debt. As detailed above the Bank's equity comprises issued capital, general reserves, property revaluation reserve and the retained earnings. The Bank's management committee periodically reviews the capital structure of the Bank to ensure the Bank maintains its ability to meet its objectives.

In millions of Zambian Kwacha

5 Interest income

	2011	2010
Interest on held-to-maturity Government securities	**153,233**	173,895
Interest on foreign currency investments and deposits	**43,095**	26,469
Interest on loans and receivables	**26,948**	26,976
Total interest income	**223,276**	227,340

Interest expense

	2011	2010
Interest arising on open market operations	**31,062**	51,501
Interest arising on staff savings	**1,595**	904
Total interest expense	**32,657**	52,405

No interest is paid on deposits from financial institutions, the GRZ and foreign currency liabilities to other institutions.

6 Fee and commission income

	2011	2010
Fees and commission income on transactions with the GRZ	**34,432**	17,484
Supervision fees	**33,695**	25,899
Other	**2,817**	3,371
Penalties	**1,469**	1,208
Licences and registration fees	**1,056**	956
Fees and commission income	**73,469**	48,918

Fee and commission expense

	2011	2010
Arising on foreign exchange transactions	**2,654**	2,900

7 Other gains and losses

	2011	2010 Restated
Net realised foreign exchange (losses)/gains	**(46,550)**	53,240
Rental income	**1,677**	1,501
Other income	**1,027**	1,192
Dividend on available-for-sale investments	**-**	262
Gain/(loss) on disposal of property, plant and equipment	**141**	(775)
Net unrealised foreign exchange gains/(losses)	**431,421**	(144,836)
	387,716	(89,416)

The Kwacha recorded notable depreciation against major currencies resulting in substantial increase in net unrealised foreign exchange gains on the Bank's foreign currency denominated assets compared to those recorded in 2010. The United States Dollar closed at K5,120 as at 31 December 2011 from a closing rate of K4,783 at end of December 2010, while depreciation of similar magnitude was recorded against the Great British Pound during the same period.

In millions of Zambian Kwacha

8 Impairment of financial assets

	Amounts due from closed banks (Note 19)	Other assets (Note 18)	Loans and advances (Note 15)	Total
At 1 January 2010	130,182	1,820	-	132,002
Impairment loss for the year				
- Charge for the year	200	1,121	-	1,321
- Reversal during the year	(3)	(263)	-	(266)
	197	858	-	1,055
Balance at 31 December 2010	**130,379**	**2,678**	**-**	**133,057**
At 1 January 2011	**130,379**	**2,678**	**-**	**133,057**
Impairment loss for the year				
- Charge for the year	**567**	**-**	**23,305**	**23,872**
- Reversal during the year	**-**	**(182)**	**-**	**(182)**
	567	**(182)**	**23,305**	**23,690**
Balance at 31 December 2011	**130,946**	**2,496**	**23,305**	**156,747**

9 Employee benefits

	2011	2010
Wages and salaries	**140,599**	135,345
Other employee costs	**102,009**	107,067
Retirement benefit scheme expense	**28,792**	12,410
Employer's pension contributions	**18,158**	15,060
Employer's NAPSA contributions	**1,968**	1,929
Staff loan benefit (Note 15)	**880**	1,259
	292,406	273,070

10 Operating expenses

	2011	2010
Administrative expenses	**99,578**	44,059
Expenses for bank note production	**84,610**	2,358
Repairs and maintenance	**11,083**	10,973
Sundry banking office expenses	**8**	12
	195,279	57,402

The rise in administrative expenses is attributable to expected losses and expenses incurred by the Bank following objective evidence of the uncollectability of amounts recoverable from Finance Bank.

11 Income tax

The Bank is exempt from income tax under section 56 of the Bank of Zambia Act, No. 43 of 1996.

In millions of Zambian Kwacha

12 Foreign currency cash and bank accounts

	2011	2010
Deposits with non-resident banks	**5,866,390**	4,375,202
Special Drawing Rights ("SDRs")	**3,153,989**	2,992,057
Clearing correspondent accounts with other central banks	**1,558,076**	1,445,850
Current account balances with non-resident banks	**1,388,207**	1,200,803
Foreign currency cash with banking office	**2,093**	4,430
	11,968,755	10,018,342

13 Items in course of settlement

Items in the course of settlement represent claims on credit institutions in respect of cheques lodged with the Bank by its customers on the last business day of the year and presented to the Bank on or after the first business day following the financial year end.

14 Held-for-trading financial assets

Balances represent actual holdings of Treasury Bills acquired by the Bank through rediscounts by commercial banks. The holdings recorded as at 31 December 2011 are in respect of various Treasury Bills with tenure of 273 and 364 days.

15 Loans and advances

	2011	2010
Staff loans	**36,855**	35,374
Staff loans benefit at market value	**2,076**	2,094
Staff advances	**689**	779
Total staff loans and advances	**39,620**	38,247
Budgetary advances to the Government	**218,965**	909,967
Credit to banks	**23,305**	197,194
	281,890	1,145,408
Specific allowances for impairment (note 8)	**(23,305)**	-
Total loans and advances	**258,585**	1,145,408
Current	**4,135**	38,246
Non-current	**254,450**	1,107,162

Movement in staff loans benefit

	2011	2010
Balance at 1 January	**2,094**	2,680
Current year fair value adjustment of new loans	**862**	673
	2,956	3,353
Amortised to statement of comprehensive income (Note 9)	**(880)**	(1,259)
Balance at 31 December	**2,076**	2,094

Loans and advances to staff are offered on normal commercial terms. However, certain loans and advances disbursed in prior years were made at concessionary rates. Credit quality is enhanced by insurance and collateral demanded. Collateral will generally be in the form of property or retirement benefits.

Where staff loans are issued to members of staff at concessionary rates, fair value is calculated based on market rates. This will result in the long term staff loans benefit as shown above.

The maximum prevailing interest rates on staff loans were as follows:	2011	2010
House loans	**10%**	10%
Personal loans	**10%**	10%
Multi-purpose loans	**12.5%**	12.5%

In millions of Zambian Kwacha

16 Held-to-maturity financial assets

	2011	2010
GRZ consolidated securities (Note 17)	**1,754,652**	1,751,611
Other GRZ securities	**206,547**	198,423
Staff savings treasury bills	**15,908**	-
	1,977,107	1,950,034
Current	**638,318**	625,775
Non-current	**1,338,789**	1,324,259

17 The GRZ consolidated securities

	2011	2010
6% GRZ consolidated bond	**1,120,968**	1,120,968
364 days Treasury Bills	**633,684**	630,643
	1,754,652	1,751,611

Effective 1 December 2007 a portion of the consolidated bond was converted to Treasury Bills for the purpose of enhancing the range of instruments available for implementing monetary policy and to support the Bank's strategic objective of maintaining price stability.

The consolidated bond was issued on 27 February 2003 following an agreement signed with GRZ to consolidate all the debts owed by GRZ to the Bank. In consideration of such consolidation of debt, GRZ undertook and agreed to issue, effective 1 January 2003, in favour of the Bank a 10-year long-term bond with a face value of K1,646,743 million and a coupon rate of 6%. This reduced to K1,120,968 million after the 2006 conversion.

The following amounts owed by GRZ were included in the consolidated debt:

US$ debt service on behalf of GRZ	853,510
Kwacha loan to GRZ	467,804
Parastatal debt guaranteed by the Bank	193,515
GRZ securities held by the Bank	131,914
	1,646,743

The bond is carried at amortised cost at an effective interest rate of 6.04%. The bond is reviewed on an annual basis for any impairment.

The Treasury Bills are measured at amortised cost at an effective interest rate of 11.05%. The Treasury Bills are renewable in the short term and the rolled over values will reflect fair values. However, where objective evidence of impairment exists, a measurement of the impairment loss will be determined and recorded in the statement of comprehensive income.

18 Other assets

	2011	2010
Prepayments	**16,132**	5,832
Sundry receivables	**3,305**	4,645
Stationery and office consumables	**973**	951
	20,410	11,428
Specific allowances for impairment (note 8)	**(2,496)**	(2,678)
	17,914	8,750

Office stationery and other consumables represent bulk purchases and are held for consumption over more than one financial year.

In millions of Zambian Kwacha

19 Amounts due from closed banks

	2011	2010
Advances	**130,946**	130,379
Specific allowances for impairment (note 8)	**(130,946)**	(130,379)
	-	-

20 Available-for-sale investments

	2011	2010
Zambia Electronic Clearing House Limited	**3,550**	3,550
African Export Import Bank	**939**	939
	4,489	4,489

Zambia Electronic Clearing House Limited

The investment in Zambia Electronic Clearing House Limited ("ZECHL") represents the Bank's contribution to its set up costs and costs of K1,703 million made in 2009 for the establishment of the National Switch to enhance ZECHL functionality, more specifically to support electronic point of sale transactions to help minimise cash based transactions and their attendant costs and risks. The principal activity of ZECHL is the electronic clearing of cheques and direct debits and credits in Zambia for its member banks, including the Bank of Zambia. The ZECHL is funded by contributions from member banks. ZECHL is considered to be an available-for-sale financial asset. As there is no reliable measure of the fair value of this investment, it is carried at cost, and regularly reviewed for impairment at each reporting date. ZECHL has a unique feature of being set up as a non-profit making concern whose members contribute monthly to its operating expenses and other additional requirements. Other contributions made by the Bank during the year of **K48 million** (2010: K37 million) are included in administrative expenses.

Africa Export Import Bank

The Bank of Zambia holds an investment in the equity of Africa Export Import Bank. ("AEIB"). AEIB is a grouping of regional central banks and financial institutions designed to facilitate intra and extra African trade. AEIB is considered to be an available-for-sale financial asset. As there is no reliable measure of the fair value of this investment, it is carried at cost, and regularly assessed for impairment at the end of each reporting period.

21 IMF funds recoverable from the Government of the Republic of Zambia

	2011	2010
Poverty Reduction and Growth Facility (PRGF)*	**1,981,772**	1,886,838
Accrued charges - SDR Allocation	**1,121**	2,106
	1,982,893	1,888,944

* Formerly Enhanced Structural Adjustment Facility (ESAF) obligation.

This represents funds drawn by the Government of the Republic of Zambia against the IMF PRGF facility (Note 34).

Loans under the PRGF carry an interest rate of 0.5 percent, with repayments semi-annually, beginning five-and-a-half years and a final maturity of 10 years after disbursement.

The Extended Credit Facility (ECF) succeeded the PRGF effective 7th January 2010 as the Fund's main tool for providing support to Low Income Countries (LICs). Financing under the ECF carries a zero interest rate through 2013, with a grace period of 5½ years, and a final maturity of 10 years.

22 IMF subscriptions

The IMF subscription represents membership quota amounting to **SDR 489,100,000** (2010: SDR 489,100,000) assigned to the GRZ by the IMF and forms the basis for the GRZ's financial and organisational relationship with the IMF. The financial liability relating to the IMF subscription is reflected under note 33. The realisation of the asset will result in simultaneous settlement of the liability. The IMF Quota subscription and the related liability have the same value.

The movement on IMF subscription is on account of currency valuation adjustments between 2011 and 2010. The valuation is conducted once every 30 April of the year by the IMF and advised to member countries to effect the necessary adjustments.

In millions of Zambian Kwacha

23	**Property, plant and equipment**	Buildings	Furniture, Fittings, computer, plant, machinery and equipment	Motor vehicle, bullion truck and escort vehicle	Capital work -in progress	Total
	Cost or valuation					
	At I January 2010	238,886	85,233	13,509	11,526	349,154
	Additions	121	1,080	2,671	15,111	18,983
	Transfers (note 24)	1,450	1,519	8,163	(15,748)	(4,616)
	Disposals	(906)	(7)	-	-	(913)
	Adjustments	-	-	-	(45)	(45)
	31 December 2010	239,551	87,825	24,343	10,844	362,563
	At I January 2011	**239,551**	**87,825**	**24,343**	**10,844**	**362,563**
	Additions	**80**	**7,360**	**3,750**	**8,282**	**19,472**
	Transfers (note 24)	**4,328**	**2,043**	**3,113**	**(13,229)**	**(3,745)**
	Disposals	**-**	**(1,052)**	**(700)**	**-**	**(1,752)**
	Adjustments	**-**	**-**	**-**	**(113)**	**(113)**
	31 December 2011	**243,959**	**96,176**	**30,506**	**5,784**	**376,425**
	Accumulated depreciation					
	At I January 2010	4,885	46,180	10,747	-	61,812
	Charge for the year	4,729	6,500	1,570	-	12,799
	Disposals	(125)	(8)	-	-	(133)
	Adjustments	-	(14)	-	-	(14)
	At 31 December 2010	9,489	52,658	12,317	-	74,464
	At I January 2011	**9,489**	**52,658**	**12,317**	**-**	**74,464**
	Charge for the year	**4,754**	**6,381**	**3,948**	**-**	**15,083**
	Disposals	**-**	**(1,019)**	**(701)**	**-**	**(1,720)**
	Adjustments	**-**	**-**	**-**	**-**	**-**
	At 31 December 2011	**14,243**	**58,020**	**15,564**	**-**	**87,827**
	Carrying amounts					
	At 31 December 2011	**229,716**	**38,156**	**14,942**	**5,784**	**288,598**
	At 31 December 2010	230,062	35,167	12,026	10,844	288,099

In millions of Zambian Kwacha

23 Property, plant and equipment *(Continued)*

(a) The Bank's business premises were revalued on 1 January 2009 by registered valuation surveyors, R M Fumbeshi & Company. Due to the absence of evidence of market based fair values the basis of valuation was depreciated replacement cost. The assumption was that the buildings were of a specialised nature without an observable reference market price. At the time of revaluation, the carrying amount of premises was K167,334 million. The revaluation surplus of K86,800 million was credited to the revaluation reserve. The carrying amount of the revalued properties if carried under cost model would be **K15,827 million** (2010: K16,307million).

(b) Capital work-in-progress represents the expenditure to date on office refurbishment and software upgrade projects.

24 Intangible assets

Cost	**Purchased Software**
At 1 January 2010	24,618
Transfer from work-in-progress (note 23)	4,616
At 31 December 2010	29,234
At 1 January 2011	**29,234**
Additions	**24**
Transfer from work-in-progress (note 23)	**3,745**
At 31 December 2011	**33,003**
Amortisation and impairment	
At 1 January 2010	22,879
Amortisation charge for the year	1,985
At 31 December 2010	24,864
At 1 January 2011	**24,864**
Amortisation charge for the year	**2,706**
At 31 December 2011	**27,570**
Carrying amounts	
At 31 December 2011	**5,433**
At 31 December 2010	4,370

25 Agency relationship with Bank of China

There is an agency relationship between the Bank and Bank of China in respect of a financing arrangement between the Government of China on one hand and the Governments of Tanzania and Zambia on the other to fund certain supplies to Tanzania Zambia Railways Authority. The relationship commenced in 1998. The balances relating to this transaction were carried in the statement of financial position until 31 December 2005. However, subsequent to that date the balances are held in memorandum accounts off the statement of financial position.

In millions of Zambian Kwacha

26 Capital commitments

	2011	2010
Authorised by the directors and contracted for	**50,735**	57,813

The funds to meet the capital commitments will be sourced from internally generated funds.

27 Deposits from the Government of the Republic of Zambia

The deposits are non-interest bearing, are payable on demand and are due to the Ministry of Finance and National Planning.

28 Deposits from financial institutions

	2011	2010
Statutory minimum reserve requirements	**1,227,704**	1,703,201
Commercial bank current accounts	**878,747**	711,572
Deposits from other international financial institutions	**361**	363
Term deposits from financial institutions	**254**	1,956,070
Deposits from other central banks	**34**	34
	2,107,100	4,371,240

The deposits except for term deposits are non-interest bearing and are payable on demand. Term deposits from financial institutions arise from open market operations (OMO). These are short term instruments with maximum maturity of up to 90 days and are used as a means of implementing monetary policy. The instruments bear interest at rates fixed in advance for periods up to maturity. No collateral was held against all deposits.

29 Foreign currency liabilities to other institutions

These are from foreign governments, are non-interest bearing deposits and are repayable on demand.

30 Other deposits

	2011	2010
Staff savings, deposits and clearing accounts	**151,133**	26,661
Other savings and deposits	**14**	933
	151,147	27,594

Staff savings bear floating-interest rates compounded on a daily basis and paid at the end of the month. They are repayable on demand. All other deposits are non-interest bearing but are payable on demand.

31 Other liabilities

	2011	2010
Accrued expenses payable	**39,262**	29,544
Accounts payable	**23,643**	31,086
	62,905	60,630

Other liabilities are expected to be settled no more than 12 months after the end of the reporting period.

In millions of Zambian Kwacha

32 Provisions

	2011	2010
Balance at 1 January	**24,932**	22,789
Provisions made during the year	**57,843**	3,729
Payments made during the year	**(1,021)**	(1,586)
Balance at 31 December	**81,754**	24,932

The provisions are in respect of various claims brought against the Bank in the courts of law on which it is probable that a financial outflow will be required to settle the claims.

33 Domestic currency liabilities to IMF

	2011	2010
International Monetary Fund:		
Securities account	**3,710,330**	3,483,753
No. 1 account	**11,535**	11,535
No. 2 account	**140**	140
	3,722,005	3,495,428

The above liability arises from IMF Quota subscriptions (Note 22) and has no repayment terms and bears no interest. The decrease in value is on account of currency valuation adjustments between 2011 and 2010, as advised by the IMF.

34 Foreign currency liabilities to IMF

	2011	2010
Due to the International Monetary Fund:		
- Poverty Reduction and Growth Facility (PRGF) (a)	**2,152,346**	1,886,838
- Charges on SDR allocation (b)	**1,121**	2,106
	2,153,467	1,888,944

(a) The facility (formerly the Enhanced Structural Adjustment Facility (ESAF)) loan was obtained in 2002 and is repayable semi-annually with the last payment due in 2017. The loan bears interest at one-half per cent per annum. The balance has increased on account of additional receipt of funds and exchange rate movements during the year.

(b) The charges on the SDR allocation are levied by the IMF and repaid quarterly with full recovery from the Government of the Republic of Zambia.

35 Employee benefits

	2011	2010
Present value of defined benefit obligations	**380,397**	305,808
Fair value of plan assets	**(288,156)**	(265,057)
Recognised liability for defined benefit obligations	**92,241**	40,751

Bank provides a pension scheme for all non-contract employees administered by a Board of Trustees. The assets of this scheme are held in administered trust funds separate from the Bank's assets and are governed by the Pension Scheme Regulation Act, No. 26 of 1996.

Contributions to the defined benefit fund are charged against income based upon actuarial advice. Any deficits are funded to ensure the on-going financial soundness of the fund. The benefits provided are based on the years of membership and salary level. These benefits are provided from contributions by employees and the employer, as well as income from the assets of the scheme.

In millions of Zambian Kwacha

35 Employee benefits *(Continued)*

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method after every three years. However, the directors retain discretion to alter the timing of reviews to enable provision of reasonable estimates and more relevant information that achieves the fairest presentation. The latest actuarial review and valuation was carried out by Quantum Consultants and Actuaries on 23 March 2012 in respect of results as at 31 December 2011.

	2011	2010
Plan assets comprise:		
Corporate bonds	**4,299**	9,735
Other assets	**9,755**	34,346
Equity securities	**19,712**	11,876
Treasury bills	**61,572**	32,091
Investment properties	**85,694**	38,497
GRZ bonds	**107,124**	138,512
Total plan assets	**288,156**	265,057

Movement in the present value of the defined benefit obligations

	2011	2010
Defined benefit obligations at 1 January	**305,808**	216,555
Current service and interest costs	**63,249**	100,946
Benefits paid by the plan	**(20,080)**	(30,276)
Actuarial losses	**31,420**	18,583
Defined benefit obligations at 31 December	**380,397**	305,808

Movement in the fair value of plan assets

	2011	2010
Fair value of plan assets at 1 January	**265,057**	220,284
Contributions paid into the plan	**21,816**	40,087
Benefits paid by the plan	**(20,080)**	(30,276)
Expected return on plan assets	**34,457**	88,536
Property market valuation adjustment	**6,244**	-
Unrecognised actuarial gains/(losses)	**(19,338)**	(53,574)
Fair value of plan assets at 31 December	**288,156**	265,057

Expense recognised in statement of comphrensive income	**2011**	2010
Current service costs	**15,849**	28,611
Interest on obligation	**47,400**	72,335
Expected return on plan assets	**(34,457)**	(88,536)
Actuarial assumptions	**28,792**	12,410

	2011	2010
Principle actuarial assumptions at the reporting date were:		
Future pension increase	**3.0%**	3.0%
Salary increase (p.a)	**7.5%**	7.5%
Discount rate (p.a)	**13%**	15.5%
Expected return on plan assets	**13%**	13%

In millions of Zambian Kwacha

35 Employee benefits *(Continued)*

Three year summary:	**2011**	2010	2010
Present value of defined benefit obligation	**380,397**	305,808	216,555
Fair value of assets	**(288,156)**	(265,057)	(216,555)
Deficit in the plan	**92,241**	40,751	-

36 Notes and coins in circulation

	2011	2010
Bank notes issued by denomination		
K50,000	**2,510,354**	1,963,461
K20,000	**574,164**	533,570
K10,000	**169,790**	124,428
K5,000	**73,886**	58,182
K1,000	**37,275**	32,127
K500	**27,375**	24,493
K100	**10,124**	9,303
K50	**4,334**	3,976
K20	**711**	711
Bank notes issued	**3,408,013**	2,750,251
Coins issued	**225**	226
	3,408,238	2,750,477

37 SDR allocation

This represents Special Drawing Rights allocated by the IMF amounting to SDR 469,137,515.The purpose of the allocations is to improve an IMF member country's foreign exchange reserves assets. The amount is not repayable to IMF except in event that (a) the allocation is withdrawn or cancelled; (b) the member country leaves the IMF; or (c)the SDR department of the IMF is liquidated

38 Capital

	2011	2010
Authorised	**500,000**	500,000
Issued and fully paid up	**10,020**	10,020

The GRZ is the sole subscriber to the paid up capital of the Bank and its holding is not transferable in whole or in part nor is it subject to any encumbrance. The increase in authorised capital, during the year, is as a result of approval by the Board to uplift the balance as permitted in Section 6 of the Bank of Zambia Act No. 43 of 1996.

39 Reserves

General reserve fund

The General Reserve Fund represents appropriations of profit in terms of Section 8 of the Bank of Zambia Act No. 43 of 1996.

Under Section 8 of the Bank of Zambia Act, No 43 of 1996, if the Bank of Zambia Board of Directors certifies that the assets of the Bank are not, or after such transfer, will not be less than the sum of its capital and other liabilities then the following appropriation is required to be made to the general reserve fund:

(c) 25% of the net profits for the year, when the balance in the general reserve fund is less than three times the Bank's authorised capital; or

(d) 10% of the net profits for the year, when the balance in the general reserve fund is equal to or greater than three times the Bank's authorised capital.

In millions of Zambian Kwacha

39 Reserves *(Continued)*

The balance of the net profits after the above transfers should be applied to the redemption of any outstanding GRZ securities issued against losses incurred by the Bank.

Section 7 of the Bank of Zambia Act, provides that the remainder of the profits after the above transfers should be paid to the GRZ within sixty days following the auditor's certification of the Bank's financial statements.

Property revaluation reserve

This represents effects from the periodic fair value measurement of the Bank's properties. Any gains or losses are not recognised in the profit or loss until the property has been sold or impaired. On derecognision of an item of property, the revaluation surplus included in equity is transferred directly to retained earnings. A portion of the revaluation surplus representing the difference between depreciation based on the revalued carrying amount of the property and depreciation based on the asset's original cost as the property is used by the Bank is transferred to retained earnings.

Retained earnings

Retained earnings or losses are the carried forward income net of expenses of the Bank plus current year profit or loss attributable to equity holders. This is a holding account before the residual income is remitted to GRZ in accordance with the provisions of Section 7 of the Bank of Zambia Act, No 43 of 1996.

40 Related party transactions

The Bank is owned and controlled by the Government of the Republic of Zambia.

In the context of the Bank, related party transactions include any transactions entered into with any of the following:

- The Government of the Republic of Zambia;
- Government bodies;
- Kwacha Pension Trust Fund;
- Zambia Electronic Clearing House;
- Members of the Board of Directors including the Governor;
- Key management personnel;
- Close family members of key management personnel including the members of the Board of Directors.

The main services during the year to 31 December 2011 were:
- provision of banking services including holding the principal accounts of GRZ;
- provision and issue of notes and coins;
- holding and maintaining the register of Government securities;
- implementation of monetary policy; and
- supervision of financial institutions.

Commitments on behalf of the GRZ arising from the issue of Treasury Bills and bonds are not included in these financial statements as the Bank is involved in such transactions only as an agent.

Transactions and balances with the GRZ

During the year, the nature of dealings with GRZ included: banking services, sale of foreign currency and agency services for the issuance of securities culminating in the income and balances stated in (a) and (b) below:

a) Listed below was income earned in respect of interest, charges or fees on the transactions with GRZ for the year up to 31 December:

	2011	2010
Interest on held-to-maturity GRZ securities	**153,233**	173,895
Fees and commission income on transactions with the GRZ	**34,432**	17,484
Profit on foreign exchange transactions with GRZ	**25,138**	11,771
Interest on advances to GRZ	**13,833**	11,260
Total	**226,636**	214,410

In millions of Zambian Kwacha

40 Related party transactions *(Continued)*

a) Listed below were outstanding balances at close of business on 31 December:

	2011	2010
GRZ - year end balances		
Deposits from GRZ Institutions		
Holdings of GRZ securities	**(4,398,178)**	(2,361,237)
	1,977,107	1,950,034

The GRZ securities holdings comprise of various balances outstanding from GRZ (see note 16) secured by predetermined payments based on securities issued by the Government of the Republic of Zambia. The remuneration is market based.

Deposits from GRZ Institutions are unremunerated and attract no interest expense.

No provisions were recognised in respect of balances due from GRZ and neither was any expense recorded in respect of bad debts.

Transactions and balances with directors and key management personnel

Remuneration paid to Directors' and key management personnel during the year was as follows:

Short-term benefits

	2011	2010
Directors' fees	**470**	538
Remuneration for key management personnel		
- Salaries and allowances	**18,526**	20,892
- Pension contributions	**1,498**	1,303
	20,494	22,733
Loans and advances to key management personnel		
Balance at 31 December	**1,538**	2,177

The terms and conditions on the loans and advances to key management personnel are determined by the directors, from time to time, with reference to the prevailing market interest rates and may vary for different classes of loans and maturities.

No impairment has been recognised in respect of balances due from directors and key management personnel.

	2011	2010
b) Post-employment pension benefits	**178**	258
c) Other long-term benefits	**-**	-
d) Termination benefits	**2,608**	249

41 Contingent liabilities

The Bank is party to various litigation cases, whose ultimate resolution, in the opinion of the Directors, is not expected to materially impact the financial statements. In a majority of cases the possibility of loss is remote and where loss is likely, liability is insignificant.

42 Restatement

Prior to 2011, the Bank classified the IMF SDR allocation (Note 37) as part of equity. The Directors have reassessed this classification and have reclassified the SDR allocation from equity to financial liabilities at amortised cost. This resulted in the revaluation of the SDR allocation using the exchange rates prevailing at the end of the reporting period. The impact of the change is as follows:

In millions of Zambian Kwacha

42 Restatement *(continued)*

Statement of comprehensive income	**Year ended 31 December 2010** **Other gains/ (losses)**	**Loss for the year**
As previously reported	(35,502)	(148,967)
Impact of restatement	(53,914)	(53,914)
As restated	(89,416)	(202,881)

Statement of financial position	**Year ended 31 December 2010** SDR allocation	Retained earnings
As previously reported	3,226,992	51,419
Impact of restatement	228,436	(228,436)
As restated	3,455,428	(177,017)

	Year ended 31 December 2009 SDR allocation	Retained earnings
As previously reported	3,226,992	235,642
Impact of restatement	174,522	(174,522)
As restated	3,401,514	61,120

Statement of cashflows	Loss for the year	**Year ended 31 December 2010** Cash flows from operating activities	Net change in cash equivalents
As previously reported	(148,967)	1,140,714	1,175,650
Change in SDR allocation	(53,914)	53,914	-
As restated	(202,881)	1,194,628	1,175,650

43 Events after the reporting date

Assets and liabilities are adjusted for events that occur between the Bank's annual reporting date, and the date the Board of Directors approves the financial statements if such events provide additional information about conditions existing at the reporting date. There were no material events after reporting date requiring adjustment or disclosure in the financial statements.

10.0 2011 ANNUAL STATISTICAL REPORT

*2010 numbers may differ from those published in 2011 Annual Report as these were preliminary while 2011 Annual Report presents final numbers for all the previous years.

MONETARY SURVEY (IN MILLIONS OF KWACHA)

TABLE 1

Monetary Account/Period	2009 December	2010 December	2011 January	February	March	April	May	June	July	August	September	October	November	December
NET FOREIGN ASSETS	**4,913,221**	**6,690,056**	**8,342,188**	**6,740,934**	**6,313,913**	**7,612,948**	**7,544,761**	**8,535,837**	**9,025,719**	**10,160,263**	**9,785,428**	**10,182,279**	**9,858,562**	**9,281,339**
Foreign assets (BOZ)	9,009,660	10,026,335	10,470,772	9,894,165	9,954,576	11,110,605	10,872,151	11,447,136	11,522,563	13,119,222	12,621,129	13,011,594	12,693,374	12,144,538
Foreign assets (banks)	2,804,304	3,806,111	5,067,125	4,164,550	4,049,162	3,897,319	4,242,015	5,226,811	5,115,749	5,204,444	4,776,632	4,882,619	5,030,699	4,966,464
Foreign liabilities (BOZ)	-5,278,161	-5,385,297	-5,522,328	-5,467,129	-5,467,806	-5,558,548	-5,545,152	-5,790,007	-5,734,309	-6,039,870	-5,754,739	-5,870,195	-6,092,362	-6,115,586
o/w: IMF	-5,012,960	-5,357,253	-5,484,961	-5,432,699	-5,433,182	-5,522,698	-5,507,731	-5,754,334	-5,699,485	-5,905,987	-5,718,798	-5,832,455	-6,057,735	-6,081,612
Foreign liabilities (banks)	-1,622,582	-1,757,093	-1,673,381	-1,850,653	-2,222,018	-1,836,429	-2,024,254	-2,348,103	-1,878,285	-2,123,533	-1,857,595	-1,841,738	-1,773,148	-1,714,076
DOMESTIC ASSETS	**8,883,686**	**11,226,481**	**10,615,858**	**11,297,269**	**11,072,279**	**10,301,577**	**11,316,202**	**11,804,440**	**11,599,969**	**11,344,750**	**11,411,819**	**11,305,409**	**11,644,636**	**12,523,568**
DOMESTIC CREDIT	**11,976,020**	**14,682,910**	**14,330,658**	**15,018,406**	**15,021,470**	**14,392,025**	**15,105,839**	**14,538,719**	**14,516,728**	**15,667,565**	**15,144,648**	**17,650,097**	**16,154,442**	**16,822,626**
Net Claims on General Government	3,963,133	5,548,360	4,761,490	5,403,800	5,128,963	4,406,825	4,779,057	4,026,244	3,915,172	4,790,431	4,428,614	6,268,541	4,583,225	5,200,086
Claims on government (BOZ)	3,562,835	4,602,542	3,995,063	3,900,646	3,901,741	3,955,941	3,941,526	4,120,925	4,116,204	4,046,069	4,166,676	7,317,613	4,199,810	4,186,576
Claims on government (banks)	4,257,055	4,947,777	5,145,923	5,536,746	6,000,292	6,360,756	6,181,719	6,788,435	6,756,529	7,222,678	7,528,103	7,381,891	8,162,184	7,703,177
Government deposits at BOZ	-2,437,181	-2,369,291	-2,888,681	-2,673,107	-3,125,713	-4,273,901	-3,518,452	-4,839,472	-5,026,375	-4,619,730	-4,832,334	-5,894,801	-5,525,186	-4,404,956
Government deposits at banks	-1,419,576	-1,632,667	-1,490,815	-1,360,485	-1,647,356	-1,635,970	-1,825,737	-2,043,644	-1,931,186	-1,858,585	-2,433,831	-2,536,162	-2,253,582	-2,284,711
Claims on public enterprises	208,491	115,266	124,989	125,461	129,003	145,771	151,379	120,888	102,993	108,150	285,809	285,590	75,097	98,704
Claims on public enterprises (BOZ)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on public enterprises (banks)	208,491	115,266	124,989	125,461	129,003	145,771	151,379	120,888	102,993	108,150	285,809	285,590	75,097	98,704
Claims on private enterprises	4,891,765	5,449,469	5,942,811	5,987,530	6,465,094	6,313,782	6,525,733	6,600,164	6,710,962	6,844,391	6,469,857	7,107,904	7,093,746	7,096,591
Claims on private enterprises (BOZ)	3,978	5,212	4,330	4,728	7,820	10,612	8,581	3,057	26,749	6,708	-181,142	6,636	5,608	-26,942
Claims on private enterprises (banks)	4,887,787	5,444,258	5,938,481	5,982,802	6,457,274	6,303,170	6,517,152	6,597,106	6,684,212	6,837,683	6,650,999	7,101,268	7,088,139	7,123,533
Claims on households	2,537,473	3,003,136	2,933,266	2,954,390	2,701,787	2,941,007	3,053,487	3,207,678	3,198,016	3,306,298	3,348,624	3,362,625	3,702,833	3,736,981
Claims on households (BOZ)	38,633	37,614	36,995	37,023	37,350	37,136	36,424	36,193	35,599	37,182	37,759	37,069	35,843	36,917
Claims on households (banks)	2,498,840	2,965,521	2,896,271	2,917,368	2,664,437	2,903,871	3,017,063	3,171,485	3,162,417	3,269,117	3,310,865	3,325,556	3,666,990	3,700,064
Claims on nongovernment/nonprofit inst.	3,987	11,154	11,125	9,710	10,076	10,056	10,292	10,518	14,018	11,750	11,621	11,589	12,573	12,724
Claims on nongovernment/nonprofit inst. (BOZ)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nongovernment/nonprofit inst. (banks)	3,987	11,154	11,125	9,710	10,076	10,056	10,292	10,518	14,018	11,750	11,621	11,589	12,573	12,724
Claims on nonbank financial institutions	366,074	548,191	549,880	530,021	579,189	566,843	577,619	566,525	569,217	597,048	592,964	607,134	680,642	665,608
Claims on nonbank financial institutions (BOZ)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nonbank financial institutions (banks)	366,074	548,191	549,880	530,021	579,189	566,843	577,619	566,525	569,217	597,048	592,964	607,134	680,642	665,608
OTHER ITEMS NET	**3,092,333**	**3,456,430**	**3,714,800**	**3,721,137**	**3,949,191**	**4,090,448**	**3,789,636**	**2,734,280**	**2,916,759**	**4,322,815**	**3,732,829**	**6,344,688**	**4,509,806**	**4,299,057**
Claims on banks (BOZ)	-140,998	-335,592	-327,292	-235,696	-205,468	-197,033	-170,149	-178,983	-185,870	-173,362	-169,089	-176,797	-161,902	-163,412
Bankers deposits at BOZ	-2,728,049	-4,492,867	-3,808,147	-3,491,117	-2,998,873	-2,515,680	-3,100,053	-3,141,442	-2,946,179	-3,009,689	-2,554,984	-2,547,824	-1,744,942	-2,228,280
BOZ liabilities to banks	2,694,585	4,379,429	3,814,036	3,253,162	2,828,720	2,469,906	2,908,848	2,507,383	2,753,170	2,833,380	2,449,498	2,420,523	1,501,925	2,106,723
Credit from BOZ	55,590	219,229	219,506	119,149	78,836	48,748	35,946	24,626	24,581	30,818	70,469	25,627	168,363	24,887
Other items net (BOZ)	-273,537	-342,459	-548,949	-223,357	-205,659	-205,173	-234,184	-37,389	-264,627	-422,934	-304,557	1,909,221	-410,826	-647,254
o/w: IMF	-3,412,956	-3,465,122	-3,547,724	-3,513,921	-3,514,233	-3,574,845	-3,567,865	-3,635,277	-3,600,626	-3,731,083	-3,612,827	-3,684,629	-3,826,949	-3,842,033
Other items net (banks)	341,464	673,386	838,638	865,167	984,410	792,056	698,619	711,956	738,313	669,704	486,602	410,902	740,697	274,648
SHARES AND OTHER EQUITY	599,234	447,201	695,265	546,838	495,082	733,436	658,625	-275,277	-383,504	1,162,336	444,998	942,954	928,521	1,099,410
SHARES AND OTHER EQUITY	1,965,140	2,316,658	2,226,480	2,302,069	2,391,722	2,374,566	2,399,453	2,445,226	2,481,890	2,538,984	2,629,296	2,672,299	2,788,781	2,841,264
LOANS	532,175	544,715	558,533	538,191	533,692	542,892	545,801	631,450	652,255	646,849	633,866	641,054	652,459	944,343
DEPOSITS EXCLUDED FROM BROAD MONEY	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730
CLAIMS ON STATE AND LOCAL GOVERNMENT	5,096	7,333	7,096	7,494	7,358	7,741	8,273	6,702	6,351	9,497	7,159	6,712	6,324	11,930
BROAD MONEY	**13,796,907**	**17,916,536**	**18,958,048**	**18,038,204**	**17,386,194**	**17,914,529**	**18,860,965**	**20,340,280**	**20,625,692**	**21,505,016**	**21,197,250**	**21,487,696**	**21,503,327**	**21,804,779**
MONEY	**4,993,073**	**7,083,142**	**7,610,243**	**6,534,760**	**6,367,305**	**6,484,231**	**7,105,831**	**7,553,260**	**7,551,252**	**8,061,797**	**8,316,694**	**8,504,792**	**8,129,780**	**8,344,880**
Currency outside banks	1,579,597	2,229,498	1,968,502	1,912,272	1,887,128	1,964,701	2,092,140	2,397,758	2,461,040	2,566,211	2,945,856	2,861,785	2,772,037	2,790,337
Demand deposits at BOZ	512	1,249	1,256	1,208	1,191	1,207	1,333	1,282	1,294	1,346	1,355	1,355	14	14
Demand deposits at banks	3,412,964	4,852,395	5,640,485	4,621,281	4,478,985	4,518,323	5,012,359	5,154,220	5,088,918	5,494,240	5,369,483	5,641,651	5,357,729	5,554,530
QUASI-MONEY	**8,803,835**	**10,833,394**	**11,347,805**	**11,503,443**	**11,018,889**	**11,430,298**	**11,755,134**	**12,787,020**	**13,074,440**	**13,443,219**	**12,880,556**	**12,982,905**	**13,373,547**	**13,459,899**
Savings Deposits	2,516,085	2,891,900	2,855,935	3,148,123	2,924,720	2,975,510	2,898,821	3,098,722	3,284,053	3,311,670	3,399,710	3,533,098	3,411,781	3,517,197
Savings deposits at BOZ	20,889	19,367	19,166	18,911	19,788	19,674	20,696	18,303	17,795	18,422	16,029	15,425	15,278	19,270
Savings deposits at banks	2,495,196	2,872,534	2,836,769	3,129,212	2,904,932	2,955,836	2,878,125	3,080,418	3,266,258	3,293,248	3,383,680	3,517,673	3,396,503	3,497,927
Time deposits and other deposits	1,346,742	1,793,869	1,818,496	1,934,975	2,244,920	2,003,659	2,280,789	2,042,129	2,046,582	2,080,153	2,238,296	2,125,143	2,329,282	2,481,472
Time deposits	1,346,742	1,793,869	1,818,496	1,934,975	2,244,920	2,003,659	2,280,789	2,042,129	2,046,582	2,080,153	2,238,296	2,125,143	2,329,282	2,481,472
Acceptances payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Foreign currency deposits	4,941,008	6,147,624	6,673,375	6,420,345	5,849,249	6,451,129	6,575,524	7,646,169	7,743,806	8,051,395	7,242,550	7,324,664	7,632,485	7,461,230
Foreign currency demand deposits	4,082,772	5,173,790	5,616,465	5,365,700	5,140,955	5,522,469	5,771,679	5,985,219	6,220,696	6,393,706	5,687,372	5,768,015	6,083,963	5,972,310
Foreign currency savings deposits	264,230	219,202	261,006	246,095	236,519	248,735	236,590	282,333	293,264	316,887	282,783	356,559	349,750	344,051
Foreign currency time deposits	594,006	754,633	795,904	808,551	471,775	679,926	567,256	1,378,617	1,229,846	1,340,802	1,272,395	1,200,090	1,198,773	1,144,870
Other deposits	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bills payable	-1,499	-1,068	-1,014	-782	-965	-786	-597	-697	-559	-1,279	-819	-697	-982	-949
Vertical check:	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

ANALYTICAL ACCOUNTS OF THE BANK OF ZAMBIA (IN MILLIONS OF KWACHA)

TABLE 2

Monetary Account/Period	2009 December	2010 December	2011 January	February	March	April	May	June	July	August	September	October	November	December
NET FOREIGN ASSETS	**3,731,499**	**4,641,038**	**4,948,444**	**4,427,036**	**4,486,770**	**5,552,057**	**5,326,999**	**5,657,129**	**5,788,255**	**7,079,351**	**6,866,391**	**7,141,398**	**6,601,011**	**6,028,952**
Gross foreign assets	9,009,660	10,026,335	10,470,772	9,894,165	9,954,576	11,110,605	10,872,151	11,447,136	11,522,563	13,119,222	12,621,129	13,011,594	12,693,374	12,144,538
Monetary gold	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SDR holdings	2,959,047	2,998,758	3,070,244	3,040,559	3,040,829	3,089,035	3,078,284	3,136,446	3,106,550	3,219,105	3,117,076	3,179,026	3,301,817	3,314,831
Foreign exchange holdings	6,035,468	7,023,488	7,397,975	6,849,353	6,909,819	8,017,795	7,790,205	8,296,174	8,401,724	9,885,878	9,489,983	9,818,674	9,377,838	8,815,375
Other foreign assets	15,145	4,088	2,553	4,254	3,928	3,775	3,662	14,516	14,290	14,239	14,070	13,894	13,719	14,331
Gross foreign liabilities	-5,278,161	-5,385,297	-5,522,328	-5,467,129	-5,467,806	-5,558,548	-5,545,152	-5,790,007	-5,734,309	-6,039,870	-5,754,739	-5,870,195	-6,092,362	-6,115,586
Fund administered accounts	-1,600,004	-1,892,132	-1,937,237	-1,918,778	-1,918,949	-1,947,853	-1,939,866	-2,119,058	-2,098,859	-2,174,905	-2,105,971	-2,147,826	-2,230,786	-2,239,579
Fund charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Allocation of SDRs	-3,412,956	-3,465,122	-3,547,724	-3,513,921	-3,514,233	-3,574,845	-3,567,865	-3,635,277	-3,600,626	-3,731,083	-3,612,827	-3,684,629	-3,826,949	-3,842,033
Other foreign liabilities	-265,201	-28,044	-37,367	-34,430	-34,624	-35,850	-37,421	-35,673	-34,824	-133,883	-35,941	-37,741	-34,627	-33,974
DOMESTIC ASSETS	**894,728**	**1,933,617**	**598,758**	**1,045,933**	**615,538**	**-475,385**	**233,896**	**-716,685**	**-1,112,450**	**-952,706**	**-1,113,598**	**3,375,738**	**-1,694,752**	**-855,659**
DOMESTIC CREDIT	**1,168,265**	**2,276,076**	**1,147,707**	**1,269,290**	**821,197**	**-270,212**	**468,079**	**-679,296**	**-847,823**	**-529,772**	**-809,041**	**1,466,516**	**-1,283,926**	**-208,404**
Claims on Gen.Government (net)	1,125,654	2,233,250	1,106,383	1,227,539	776,027	-317,961	423,074	-718,546	-910,171	-573,662	-665,658	1,422,812	-1,325,377	-218,380
Claims on the central government	3,562,835	4,602,542	3,995,063	3,900,646	3,901,741	3,955,941	3,941,526	4,120,925	4,116,204	4,046,069	4,166,676	7,317,613	4,199,810	4,186,576
Central government deposits	-2,437,181	-2,369,291	-2,888,681	-2,673,107	-3,125,713	-4,273,901	-3,518,452	-4,839,472	-5,026,375	-4,619,730	-4,832,334	-5,894,801	-5,525,186	-4,404,956
Claims on nonfin. public enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on the private enterprises	3,978	5,212	4,330	4,728	7,820	10,612	8,581	3,057	26,749	6,708	-181,142	6,636	5,608	-26,942
Claims on households	38,633	37,614	36,995	37,023	37,350	37,136	36,424	36,193	35,599	37,182	37,759	37,069	35,843	36,917
Claims on nongovernment/nonprofit inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on banks	140,998	335,592	327,292	235,696	205,468	197,033	170,149	178,983	185,870	173,362	169,089	176,797	161,902	163,412
Claims on nonbank financial inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER ITEMS (NET)	**-273,537**	**-342,459**	**-548,949**	**-223,357**	**-205,659**	**-205,173**	**-234,184**	**-37,389**	**-264,627**	**-422,934**	**-304,557**	**1,909,221**	**-410,826**	**-647,254**
Other assets	382,289	413,845	426,615	436,963	410,489	337,734	378,520	79,725	374,376	375,292	442,635	365,924	408,851	292,241
Special holdings of Government securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve position in the Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/IMF Trust Fund obligations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/IMF Outstanding charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/IMF Securities account	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/ESAF & SAF obligations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Land and Fixed assets	374,932	383,549	394,063	402,095	378,802	378,632	381,318	382,585	385,380	385,539	388,811	390,093	390,983	391,172
Other investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Items in transit	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other assets	7,357	30,296	32,553	34,868	31,687	-40,898	-2,798	-302,860	-11,004	-10,247	53,824	-24,169	17,869	-98,931
Other liabilities	259,238	279,232	313,667	342,799	330,622	325,442	325,079	299,802	344,394	320,614	366,754	537,670	435,310	317,799
Provision for bad & dfll debt	154,467	157,772	159,171	161,249	162,270	162,270	162,315	161,328	161,179	161,179	161,176	161,176	161,168	161,147
Other provisions	102,301	107,169	139,486	163,649	167,502	160,970	163,565	159,213	163,782	161,277	158,802	156,405	179,689	148,534
Capital	10,020	10,020	10,020	10,020	10,020	10,020	10,020	10,020	10,020	10,020	10,020	10,020	10,020	10,020
Forex arrears accounts	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Use of Fund credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other liabilities	2,470	14,292	15,010	17,901	849	2,202	-800	-20,740	19,433	-1,842	46,776	220,089	94,453	8,119
FUND ACCOUNTS ADJUSTMENT	-150,487	-207,846	-436,001	-129,193	-125,791	-192,881	-180,743	-257,465	-234,645	-368,255	-228,676	1,737,476	-437,285	-672,812
Reserve Position in the Fund FC	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve Position in the Fund, IMF Record	134	136	139	138	138	140	140	143	141	146	142	144	150	151
Holdings of SDRs	-2,950,196	-2,991,689	-3,078,612	-3,037,277	-3,026,609	-3,093,727	-3,074,169	-3,132,266	-3,102,126	-3,219,568	-3,040,022	-3,165,676	-3,187,967	-3,153,989
SDR Holdings, IMF Record	2,958,913	2,998,623	3,070,104	3,040,421	3,040,691	3,088,895	3,078,144	3,136,303	3,106,408	3,218,959	3,116,935	3,178,881	3,301,667	3,314,680
Use of Fund Credit NC	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans from IMF NC	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans from IMF FC	1,626,631	1,915,346	1,830,336	2,073,233	2,066,178	2,107,517	2,095,880	2,265,698	2,233,425	2,311,203	2,186,076	4,329,588	2,279,608	2,247,543
Use of Fund Credit & Loans, IMF Record	-1,600,004	-1,892,132	-1,937,237	-1,918,778	-1,918,949	-1,947,853	-1,939,866	-2,119,058	-2,098,859	-2,174,905	-2,105,971	-2,147,826	-2,230,786	-2,239,579
SDR Allocations	3,226,992	3,226,992	3,226,992	3,226,992	3,226,992	3,226,992	3,226,992	3,226,992	3,226,992	3,226,992	3,226,992	3,226,992	3,226,992	3,226,992
SDR Allocations, IMF Record	-3,412,956	-3,465,122	-3,547,724	-3,513,921	-3,514,233	-3,574,845	-3,567,865	-3,635,277	-3,600,626	-3,731,083	-3,612,827	-3,684,629	-3,826,949	-3,842,033
IMF Quota	-4,125,278	-3,495,428	-3,495,428	-3,495,428	-3,495,428	-3,495,428	-3,495,428	-3,495,428	-3,495,428	-3,495,428	-3,495,428	-3,495,428	-3,495,428	-3,722,005
IMF Accounts No. 1 & Securities NC	4,125,113	3,495,288	3,495,288	3,495,288	3,495,288	3,495,288	3,495,288	3,495,288	3,495,288	3,495,288	3,495,288	3,495,288	3,495,288	3,495,288
IMF Account No. 2 NC	166	140	140	140	140	140	140	140	140	140	140	140	140	140
RESERVE MONEY	**4,714,896**	**7,147,965**	**6,277,129**	**5,608,542**	**5,224,014**	**4,950,616**	**5,540,788**	**5,469,483**	**5,774,434**	**5,979,879**	**6,083,170**	**5,927,731**	**4,958,624**	**5,531,677**
Currency in circulation:	1,999,080	2,747,920	2,442,670	2,335,261	2,374,314	2,459,829	2,609,911	2,942,515	3,002,176	3,130,393	3,619,117	3,495,244	3,444,207	3,405,670
add: notes and coins issued	2,001,246	2,750,477	2,444,346	2,337,834	2,377,409	2,462,442	2,612,151	2,945,362	3,005,334	3,133,358	3,621,359	3,496,697	3,446,098	3,408,239
less: teller's cash (BOZ)	-2,165	-2,557	-1,675	-2,574	-3,094	-2,612	-2,240	-2,847	-3,158	-2,965	-2,242	-1,453	-1,891	-2,569
Liabilities to commercial banks	2,694,415	4,379,429	3,814,036	3,253,162	2,828,720	2,469,906	2,908,848	2,507,383	2,753,170	2,829,718	2,446,668	2,415,707	1,499,125	2,106,723
Required reserves (Kwacha deps.)	594,627	1,014,210	929,933	804,958	850,424	881,524	956,657	879,393	1,029,890	1,017,031	1,058,584	1,217,008	818,670	694,613
Required reserves (Forex deps.)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Required reserves (Forex deps in US$.)	471,174	688,699	706,880	691,125	693,185	645,529	738,477	798,764	776,850	855,315	834,218	686,785	499,978	533,091
Current account balances (positive)	967,880	709,556	1,768,512	730,361	617,636	777,161	445,136	251,577	944,469	287,911	244,518	418,238	186,739	878,765
Term deposits of banks (kwacha)	659,000	1,955,501	401,000	1,027,000	667,000	160,000	767,905	575,689	0	667,500	305,400	70,512	-8,994	0
Other bank deposits (kwacha)	1,734	11,463	7,711	-281	474	5,692	673	1,961	1,961	1,961	3,949	23,164	2,733	254
Liabilities to non-banks	21,401	20,615	20,423	20,119	20,979	20,881	22,028	19,585	19,089	19,768	17,385	16,780	15,292	19,284
o/w: non government deposits	21,128	20,299	20,107	19,803	20,663	20,565	21,509	19,055	18,559	19,238	16,855	16,250	15,292	19,284
OTHER LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	169	0	0	0	0	0	0	0	0	3,663	2,830	4,816	2,800	0
Memo items:	0	0	0	0	0	0	0	0	0	0	0	0	0	0
K/USD exchange rate (end of period - BOZ mid-rate)	4,640,560	4,796,110	4,841,560	4,761,560	4,724,590	4,700,940	4,750,938	4,841,670	4,795,520	4,962,190	4,811,770	4,907,400	5,096,950	5,117,040
K/USD exchange rate (period average - BOZ mid-rate)	4,682,221	4,735,744	4,769,892	4,769,547	4,755,381	4,699,482	4,749,851	4,811,936	4,827,836	4,927,544	4,919,192	4,950,820	5,027,475	5,117,286
Reserve money (BoZ definition)	3,582,715	4,491,986	5,161,223	3,890,383	3,863,038	4,139,079	4,033,213	4,092,540	4,995,093	4,454,573	4,939,073	5,146,740	4,464,907	4,998,332
NIR in USD (estimated from MS):	797	980	1,037	928	944	1,181	1,122	1,176	1,199	1,437	1,396	1,442	1,313	1,178
Assets	1,924	2,117	2,195	2,074	2,093	2,364	2,289	2,379	2,387	2,662	2,566	2,628	2,525	2,373
Liabilities:	-1,127	-1,137	-1,158	-1,146	-1,150	-1,183	-1,167	-1,203	-1,188	-1,226	-1,170	-1,186	-1,212	-1,195
Liabilities to the Fund	-342	-400	-406	-402	-404	-414	-408	-440	-435	-441	-428	-434	-444	-438
Short-term liabilities	-57	-6	-8	-7	-7	-8	-8	-7	-7	-27	-7	-8	-7	-7
NIR reported by the BoZ in dollars:	1,146,450	1,170,450	1,172,450	1,174,450	1,176,450	1,178,450	1,180,450	1,180,450	1,180,450	1,180,450	1,180,450	1,180,450	1,180,450	1,180,450
Assets	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073
o/w Escrow a/c bal.	-16,968	-4,968	-3,968	-2,968	-1,968	-968	32	32	32	32	32	32	32	32
Liabilities:	-135,623	-111,623	-109,623	-107,623	-105,623	-103,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623
Liabilities to the Fund	-118,623	-106,623	-105,623	-104,623	-103,623	-102,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623
Short-term liabilities	-17,000	-5,000	-4,000	-3,000	-2,000	-1,000	0	0	0	0	0	0	0	0
Genral Reserve Fund	92,588	92,588	92,588	92,588	92,588	92,588	92,588	92,588	92,588	92,588	92,588	92,588	-22	92,588
Profit and loss carried over	425,800	240,748	86,769	56,540	51,965	51,899	51,925	53,482	53,482	53,482	53,482	55,039	55,432	55,830
Reserves and retained earnings	226,788	219,845	219,456	218,677	218,677	218,677	218,677	217,120	217,120	217,120	217,120	215,563	215,173	214,784
Profit and loss current year	-155,961	-116,000	286,432	169,013	121,832	360,251	285,415	-648,487	-756,714	789,126	71,788	569,744	647,917	499,611
Revaluation account (liabilities)	0	0	0	0	0	0	0	0	0	0	0	0	0	226,577
Vertical check:	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

ANALYTICAL ACCOUNTS OF THE COMMERCIAL BANKS (IN MILLIONS OF KWACHA)

TABLE 3

Monetary Account/Period	2009 December	2010 December	2011 January	February	March	April	May	June	July	August	September	October	November	December
FOREIGN ASSETS (NET)	**1,181,722**	**2,049,018**	**3,393,744**	**2,313,898**	**1,827,144**	**2,060,891**	**2,217,761**	**2,878,708**	**3,237,464**	**3,080,911**	**2,919,038**	**3,040,880**	**3,257,550**	**3,252,388**
Gross assets	2,804,304	3,806,111	5,067,125	4,164,550	4,049,162	3,897,319	4,242,015	5,226,811	5,115,749	5,204,444	4,776,632	4,882,619	5,030,699	4,966,464
Liabilities	-1,622,582	-1,757,093	-1,673,381	-1,850,653	-2,222,018	-1,836,429	-2,024,254	-2,348,103	-1,878,285	-2,123,533	-1,857,595	-1,841,738	-1,773,148	-1,714,076
RESERVES (CREDIT TO BOZ)	**3,147,533**	**5,011,289**	**4,282,316**	**3,914,105**	**3,486,060**	**3,010,808**	**3,617,825**	**3,686,199**	**3,487,314**	**3,573,871**	**3,228,245**	**3,181,282**	**2,417,112**	**2,843,613**
Cash in vaults	419,484	518,422	474,168	422,989	487,186	495,128	517,772	544,757	541,136	564,182	673,261	633,459	672,170	615,333
Other balances at BOZ	1,002,914	1,046,356	1,755,668	929,858	753,981	821,319	683,301	644,280	1,240,339	427,432	361,638	646,125	423,075	1,004,560
Statutory reserves at BOZ (kwacha and forex)	1,065,963	1,500,839	1,651,308	1,524,086	1,577,721	1,534,190	1,638,581	1,589,990	1,705,668	1,914,586	1,821,774	1,810,527	1,321,695	1,223,548
Money market placements	659,172	1,945,672	401,172	1,037,172	667,172	160,172	778,172	907,172	172	667,672	371,572	91,172	172	172
CREDIT TO DOMESTIC ECONOMY	**10,807,754**	**12,406,834**	**13,182,951**	**13,749,116**	**14,200,273**	**14,662,237**	**14,637,759**	**15,218,016**	**15,364,551**	**16,197,338**	**15,953,688**	**16,183,580**	**17,438,367**	**17,031,030**
Claims on general government (net)	2,837,479	3,315,110	3,655,108	4,176,261	4,352,936	4,724,786	4,355,982	4,744,791	4,825,343	5,364,093	5,094,272	4,845,730	5,908,602	5,418,466
Claims on general government	4,257,055	4,947,777	5,145,923	5,536,746	6,000,292	6,360,756	6,181,719	6,788,435	6,756,529	7,222,678	7,528,103	7,381,891	8,162,184	7,703,177
Treasury bills	2,118,754	2,303,992	2,495,208	2,862,816	3,272,764	3,732,958	3,553,739	3,724,971	3,763,305	4,144,846	4,187,434	4,117,076	4,473,822	4,192,625
Other assets	2,138,302	2,643,785	2,650,715	2,673,930	2,727,527	2,627,798	2,627,980	3,063,464	2,993,223	3,077,832	3,340,669	3,264,815	3,688,361	3,510,552
Dep. of general government with Donor funds	-1,419,576	-1,632,667	-1,490,815	-1,360,485	-1,647,356	-1,635,970	-1,825,737	-2,043,644	-1,931,186	-1,858,585	-2,433,831	-2,536,162	-2,253,582	-2,284,711
Dep. of general government without Donor Funds	-1,419,576	-1,604,257	-1,455,510	-1,315,706	-1,631,428	-1,627,388	-1,814,923	-1,985,525	-1,793,987	-1,843,106	-2,423,472	-2,525,554	-2,235,511	-2,262,124
Claims on parastatals & state enterpr.	208,491	115,266	124,989	125,461	129,003	145,771	151,379	120,888	102,993	108,150	285,809	285,590	75,097	98,704
Claims on private enterprises	4,887,787	5,444,258	5,938,481	5,982,802	6,457,274	6,303,170	6,517,152	6,597,106	6,684,212	6,837,683	6,650,999	7,101,268	7,088,139	7,123,533
Claims on households	2,498,840	2,965,521	2,896,271	2,917,368	2,664,437	2,903,871	3,017,063	3,171,485	3,162,417	3,269,117	3,310,865	3,325,556	3,666,990	3,700,064
Claims on nonbank fin. inst.	366,074	548,191	549,880	530,021	579,189	566,843	577,619	566,525	569,217	597,048	592,964	607,134	680,642	665,608
Claims on nongov./nonprofit inst.	3,987	11,154	11,125	9,710	10,076	10,056	10,292	10,518	14,018	11,750	11,621	11,589	12,573	12,724
CLAIMS ON STATE AND LOCAL GOVERNMENT	5,096	7,333	7,096	7,494	7,358	7,741	8,273	6,702	6,351	9,497	7,159	6,712	6,324	11,930
OTHER ITEMS (NET)	**-341,464**	**-673,386**	**-838,638**	**-865,167**	**-984,410**	**-792,056**	**-698,619**	**-711,956**	**-738,313**	**-669,704**	**-486,602**	**-410,902**	**-740,697**	**-274,648**
Assets	1,854,114	1,950,783	1,776,194	1,947,438	2,157,416	1,986,793	2,156,115	2,201,525	2,120,659	2,305,534	2,157,958	2,232,518	2,525,606	2,332,462
Balances held with comm. banks	196,434	312,309	235,653	401,180	407,114	286,245	398,023	457,786	355,866	486,384	368,626	363,370	536,928	359,251
Balances with branches	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bank premises	804,137	870,667	870,322	846,305	875,760	882,146	859,585	872,413	874,755	887,747	885,438	888,528	887,345	943,022
Other assets	853,543	767,807	670,219	699,953	874,543	818,403	898,507	871,327	890,038	931,402	903,895	980,620	1,101,333	1,030,189
Liabilities	-2,195,578	-2,624,169	-2,614,832	-2,812,605	-3,141,826	-2,778,849	-2,854,734	-2,913,481	-2,858,971	-2,975,237	-2,644,560	-2,643,420	-3,266,302	-2,607,110
Liabilities to comm. banks	-177,173	-313,747	-214,584	-345,729	-383,692	-261,413	-366,892	-410,124	-368,002	-472,279	-351,961	-405,870	-555,629	-383,132
Balances with branches	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other liabilities excluded from broad money	-2,016,906	-2,309,354	-2,399,235	-2,466,094	-2,757,168	-2,516,650	-2,487,246	-2,502,661	-2,490,410	-2,501,679	-2,291,780	-2,236,853	-2,709,691	-2,223,029
Bills payable	-1,499	-1,068	-1,014	-782	-965	-786	-597	-697	-559	-1,279	-819	-697	-982	-949
LIABILITIES TO NONGOVERNMENT SECTOR	**12,195,910**	**15,666,423**	**16,969,124**	**16,105,813**	**15,478,086**	**15,928,947**	**16,746,797**	**17,922,936**	**18,145,564**	**18,919,036**	**18,234,009**	**18,609,131**	**18,715,999**	**18,995,159**
Demand deposits in Kwacha	3,412,964	4,852,395	5,640,485	4,621,281	4,478,985	4,518,323	5,012,359	5,154,220	5,088,918	5,494,240	5,369,483	5,641,651	5,357,729	5,554,530
Demand deposits in forex	4,082,772	5,173,790	5,616,465	5,365,700	5,140,955	5,522,469	5,771,679	5,985,219	6,220,696	6,393,706	5,687,372	5,768,015	6,083,963	5,972,310
Savings deposits in Kwacha	2,495,196	2,872,534	2,836,769	3,129,212	2,904,932	2,955,836	2,878,125	3,080,418	3,266,258	3,293,248	3,383,680	3,517,673	3,396,503	3,497,927
Savings deposits in forex	264,230	219,202	261,006	246,095	236,519	248,735	236,590	282,333	293,264	316,887	282,783	356,559	349,750	344,051
Time deposits in Kwacha	1,346,742	1,793,869	1,818,496	1,934,975	2,244,920	2,003,659	2,280,789	2,042,129	2,046,582	2,080,153	2,238,296	2,125,143	2,329,282	2,481,472
Time deposits in forex	594,006	754,633	795,904	808,551	471,775	679,926	567,256	1,378,617	1,229,846	1,340,802	1,272,395	1,200,090	1,198,773	1,144,870
Acceptances payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities included in broad money	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CREDIT FROM THE BOZ	55,590	219,229	219,506	119,149	78,836	48,748	35,946	24,626	24,581	30,818	70,469	25,627	168,363	24,887
SHARES AND OTHER EQUITY	1,965,140	2,316,658	2,226,480	2,302,069	2,391,722	2,374,566	2,399,453	2,445,226	2,481,890	2,538,984	2,629,296	2,672,299	2,788,781	2,841,264
DEPOSITS EXCLUDED FROM BROAD MONEY	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730
LOANS	532,175	544,715	558,533	538,191	533,692	542,892	545,801	631,450	652,255	646,849	633,866	641,054	652,459	944,343
Vertical check	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

SOURCES OF LIQUIDITY (IN MILLIONS OF KWACHA)

TABLE 4

End of period.		Government Transactions					Foreign				Total
		Revenue	Expenditure.	Domestic. interest.	Other Govt Transactions	**Total Govt Infuence.**	Exchange influence.	Other BOZ influence.	Non- bank Bond influence	Non-bank T.B influence.	**primary influence.**
1995	December	-53,956	38,625	6,173	16,432	7,274	-13,658	-320	302	1,292	-5,110
1996	December	-59,593	65,932	8,396	-16,022	-1,287	27,340	-1,110	292	2,112	27,347
1997	December	-111,550	111,376	6,192	-5,680	338	17,424	4,233	0	831	22,826
1998	December	-199,709	103,365	4,142	122,676	30,474	1,732	3,339	0	753	36,298
1999	December	-150,550	28,223	6,815	126,124	10,612	5,750	316	-6,387	565	10,856
2000	December	-226,202	59,145	11,150	192,599	36,692	16,690	2,598	267	0	56,247
2001	December	-286,907	48,406	26,507	351,870	139,876	-63,675	-1,824	0	2,495	76,872
2002	December	-433,603	159,563	27,379	454,172	207,511	-79,609	6,476	-9,667	1,417	126,128
2003	December	-394,281	26,570	33,121	521,095	186,505	11,946	532	22,421	43,983	265,387
2004	December	-527,757	13,075	13,290	678,372	176,980	6,575	3,446	0	313	187,314
2005	December	-620,299	17,489	18,385	867,606	283,182	17,515	17,098	-8,098	617	310,314
2006	December	-617,754	22,726	3,015	835,173	243,160	-101,221	-7,780	0	0	134,159
2007	January	-873,611	19,543	51,489	653,082	-149,498	-133,382	14,245	59,872	0	-208,762
	February	-633,224	20,591	38,164	570,344	-4,124	-13,932	1,213	10,153	0	-6,690
	March	-672,220	41,320	26,547	607,020	2,668	154,622	14,490	8,367	0	180,147
	April	-1,010,794	13,758	28,739	710,903	-257,393	230,530	11,884	94,504	0	79,526
	May	-428,184	9,070	304	328,528	-90,282	63,928	3,176	13,046	0	-10,130
	June	-783,936	19,791	23,761	818,160	77,776	50,219	10,395	-37,621	-4	100,765
	July	-941,760	45,958	24,276	898,210	26,684	3,540	-531	24,523	1	54,217
	August	-869,782	39,077	30,192	867,055	66,542	-97,176	15,446	14,926	0	-262
	September	-867,012	22,668	31,206	847,699	34,561	54,943	19,108	-30,573	0	78,039
	October	-1,111,989	16,078	37,569	895,689	-162,654	18,468	19,674	0	-19,939	-144,450
	November	-819,941	19,451	35,053	1,037,409	271,972	19,293	5,748	5,348	35,946	338,307
	December	-813,360	12,127	18,036	1,186,635	403,438	3,199	1,010	0	71,265	478,913
2008	January	-1,099,751	20,114	36,995	968,953	-73,689	-43,028	-9,517	16,888	-52,266	-1163,985
	February	-881,459	7,121	54,726	878,844	59,232	10,841	19,648	20,685	76,277	186,683
	March	-854,489	13,195	35,478	924,534	118,718	41,107	4,399	-39,699	-36,455	88,070
	April	-1,103,396	9,863	56,910	858,740	-177,883	67,618	5,967	-40,354	151,000	6,348
	May	-819,688	10,994	46,738	1,092,286	330,330	-28,402	14,826	6,886	25,361	349,001
	June	-886,245	11,979	37,279	1,126,026	289,038	25,005	9,731	-16,510	-40,490	266,774
	July	-1,159,643	13,733	50,687	1,203,590	108,367	-108,112	-46,037	0	-10,122	-55,903
	August	-967,321	8,365	50,233	999,329	90,605	-15,098	38,912	-13,922	1,008	101,506
	September	-1,047,159	14,381	37,070	1,091,944	96,236	-67,244	-4,394	5,331	10,661	40,590
	October	-1,220,044	10,007	46,860	1,327,845	164,668	-197,171	-203	39,897	78,892	86,083
	November	-872,648	8,942	50,369	985,101	171,764	-48,320	-49,566	21,305	-54,799	40,384
	December	-1,120,202	18,380	46,984	1,726,680	671,841	-334,750	16,677	-20,822	14,487	347,434
2009	January	-1,182,036	18,791	39,072	891,704	-232,468	-217,503	12,491	-16,347	30,906	-406,575
	February	-759,337	9,583	27,221	1,108,591	386,057	-735,235	-21,132	7,754	0	-370,309
	March	-831,521	10,698	17,966	950,561	147,704	-189,437	8,895	9,440	0	-32,838
	April	-1,012,192	11,690	13,244	1,151,176	163,918	-148,956	6,703	-31,200	0	21,665
	May	-761,577	0	20,075	868,292	126,790	-99,576	8,641	-12,800	0	35,855
	June	-865,212	0	46,709	1,000,166	181,663	-17,640	569	22,300	0	164,592
	July	-1,199,840	6,560	14,966	1,411,946	233,632	88,414	-5,593	-42,350	0	316,453
	August	-1,095,069	6,592	50,751	1,211,568	173,842	31,502	22,644	36,200	52,734	280,722
	September	-1,014,753	11,294	34,295	1,328,827	359,663	-23,538	-2,032	-12,879	-33,395	300,698
	October	-1,140,026	12,432	48,477	1,404,412	325,295	-296,575	-3,847	54,328	74,013	98,887
	November	-880,370	8,934	54,657	1,229,953	413,174	59,554	3,319	-1,569	121,109	597,155
	December	-1,328,747	13,847	42,174	1,603,378	330,652	-132,678	33,022	0	-91,925	139,072
2010	January	-1,219,981	9,204	53,644	985,143	-171,989	41,949	4,060	-434	97,818	-28,597
	February	-1,123,048	9,076	58,020	1,173,983	118,031	-65,192	-18,847	11,604	65,282	110,878
	March	-1,082,174	10,966	46,015	1,240,997	215,804	26,032	1,721	0	202,719	446,275
	April	-1,458,032	6,662	33,380	1,114,836	-303,154	271,810	24,365	32,463	50,829	76,313
	May	-1,150,793	9,430	35,131	1,221,416	115,185	-137,850	7,112	17,077	-405	1,118
	June	-1,322,589	14,081	125,621	1,514,578	331,691	-67,758	-43,399	30,353	-35,141	215,747
	July	-1,738,736	11,737	34,548	1,752,596	60,144	849,729	-15,102	31,644	24,568	950,984
	August	-1,697,604	9,730	29,911	1,341,268	-316,695	13,198	15,862	-44,369	20,625	-311,379
	September	-1,991,392	7,088	18,636	1,846,155	-119,513	73,439	1,558	60,351	-38,484	-1,744
	October	-1,677,298	7,195	42,435	2,214,126	586,459	222,216	3,430	-48,145	-22,658	825,978
	November	-1,901,265	6,964	47,037	1,813,538	-33,726	24,746	10,267	-19,270	-88,810	-106,793
	December	-1,669,549	8,803	33,443	1,727,279	99,976	24,622	199,268	-19,799	-3,040	304,067
2011	January	-1,686,333	5,289	48,405	1,027,281	-605,358	-14,534	-5,558	-62,048	94,222	-593,275
	February	-1,560,810	4,133	41,473	1,497,834	-17,370	42,895	-86,690	-56,010	55,253	-61,922
	March	-1,591,001	3,749	44,081	1,554,559	11,388	197,352	-27,494	21,694	85,252	288,192
	April	-1,721,318	5,791	29,201	1,560,258	-126,069	386,386	-10,079	-206,942	-27,866	15,431
	May	-7,783,143	14,240	237,456	8,890,999	1,359,552	287,027	13,434	28,431	424,591	2,113,035
	June	-1,755,624	3,156	35,545	2,012,830	295,907	123,797	21,437	0	99,490	540,631
	July	-2,086,085	2,360	60,534	2,082,268	59,078	0	-622	21,797	120,926	201,179
	August	-1,875,465	3,604	64,304	2,436,842	629,286	-95,815	16,674	30,567	108,710	689,422
	September	-8,260,442	15,074	276,501	8,753,305	784,439	-636,162	-99,781	-90,402	347,584	305,677
	October	-2,361,675	4,570	68,963	2,361,531	73,389	-163,978	-48,472	-8,537	-6,247	-153,845
	November	-2,119,902	3,819	58,599	1,861,208	-196,277	-189,709	25,283	-108,644	97,530	-371,816
	December	-1,894,450	3,985	79,459	2,173,605	362,599	0	-209,780	30,086	272,964	455,869

Source: Bank of Zambia

USES OF LIQUIDITY (IN MILLIONS OF KWACHA)

TABLE 5

End of period		Total primary influence	Net currency Change	Net Bank TBs Influence.	Net change in statutory reserves	Others	Errors and Omissions	Change in current a/c bal. of banks.
1995	December	-5,110.0	-9,373.0	-17,058.0	121.0	9,676.0	-90.0	-21,834.0
1996	December	27,347.0	-1,915.0	-11,610.0	-15,994.0	386.0	161.0	-1,625.0
1997	December	22,836.0	-10,590.0	-10,488.0	347.0	2,743.0	-558.0	4,290.0
1998	December	36,298.0	-23,600.0	-29,324.0	-3,813.0	31,515.0	-2,743.0	8,333.0
1999	December	10,856.0	-33,939.0	-7,219.0	-4,698.0	-19,765.0	-1,173.0	-55,938.0
2000	December	56,247.0	-44,760.0	-13,217.0	-63,981.0	18,069.0	-1,125.0	-48,767.0
2001	December	76,872.0	-47,701.0	-20,105.0	-86,387.0	-16,611.0	4.0	-93,928.0
2002	December	126,127.0	-33,002.0	10,314.0	-79,433.0	62,919.0	-47.0	86,878.0
2003	December	265,387.0	-61,723.0	-125,568.0	-31,642.0	-27,037.0	-10.0	19,407.0
2004	December	187,314.0	-16,306.0	15,790.0	-24,223.0	-48,069.0	-6.0	114,500.0
2005	December	310,314.0	-64,838.0	-55,622.0	-31,882.0	-35,037.0	4.0	122,938.0
2006	December	134,159.0	-54,788.0	-67,769.0	-26,778.0	179,817.0	1.0	164,642.0
2007	January	-208,762.4	56,182.1	-24,606.4	35,317.8	39,569.2	-3.2	-102,303.0
	February	-6,690.1	52,298.9	8,291.5	-22,350.3	-89,068.8	-0.5	-57,519.3
	March	180,146.7	-27,587.3	-37,795.3	20,696.6	-72,812.8	-2.4	62,645.4
	April	79,526.1	-10,581.6	-225,813.7	44,571.0	3,073.0	-3.2	-109,228.3
	May	-10,130.4	-35,135.1	-60,167.0	-30,811.0	166,010.0	-0.5	29,766.0
	June	100,765.0	-102,577.0	-24,849.0	-34,374.0	-21,892.0	1.0	-82,926.0
	July	54,217.0	-49,354.0	-56,783.0	-16,989.0	99,056.0	0.0	30,147.0
	August	-262.0	-67,567.0	-42,341.0	-47,901.0	138,759.0	0.0	-19,312.0
	September	78,039.0	299.0	33,164.0	-1,100.0	-51,667.0	1.0	58,736.0
	October	-144,450.2	1,075.9	6,864.5	263,466.5	13,381.9	-3.3	140,335.3
	November	338,307.1	46,432.9	-135,948.5	-9,419.4	-194,339.6	0.7	45,033.2
	December	478,913.2	-114,557.4	32,666.4	-28,609.7	-514,501.4	0.0	-146,089.0
2008	January	-163,985.4	117,474.1	-83,257.5	20,980.7	155,482.2	-0.1	71,864
	February	186,682.9	30,359.2	-64,151.5	5,083.3	-151,804.6	1.2	6,170.5
	March	88,069.6	-41,232.0	-85,642.5	-18,256.5	26,627.2	4.8	-30,429.4
	April	6,348.1	-23,049.8	20,680.8	-71,849.4	101,151.3	-1.5	33,279.6
	May	349,001.3	-78,850.0	44,780.2	19,483.6	-317,302.0	0.6	17,113.7
	June	266,773.9	-100,225.1	-93,351.9	-8,759.0	-51,723.0	4.2	12,719.2
	July	-55,903.3	-150,190.5	8,583.1	-42,058.1	154,096.0	-2.0	-85,474.8
	August	101,505.6	697.5	41,097.7	64,019.4	-231,848.0	0.4	-24,527.4
	September	40,589.6	-11,093.6	85,904.9	-131,549.5	-11,027.5	-0.9	-27,177.1
	October	86,082.8	-135,851.3	71,166.1	106,819.7	26,757.0	-2.5	154,971.9
	November	40,384.3	65,226.3	59,497.7	-111,478.5	-64,091.9	-1.3	-10,463.4
	December	347,433.9	-92,343.2	-42,106.3	59,186.9	-68,755.0	1.7	203,418.0
2009	January	-406,574.5	160,127.9	-94,975.9	-18,088.1	208,341.8	3.5	-151,165.4
	February	-370,309.5	50,568.8	116,281.9	-10,018.7	132,019.6	-2.5	-81,460.3
	March	-32,838.0	-59,510.0	-104,634.0	3,133.0	299,921.0	-3.0	106,069.0
	April	21,665.0	-62,212.0	-43,250.0	53,948.0	257,876.0	2.0	233,348.0
	May	35,855.0	-39,481.0	-38,607.0	-16,800.0	-108,519.0	0.0	-189,001.0
	June	164,592.0	-59,476.0	37,066.0	-25,669.0	-73,527.0	1.0	-17,252.0
	July	316,453.2	-155,008.0	-74,847.0	11,534.0	-262,909.0	-1.3	-140,595.0
	August	280,722.0	59,062.0	-147,863.7	-69,138.0	-71,719.0	1.5	17,669.0
	September	300,698.0	15,763.0	-98,500.2	-38,406.0	-145,141.0	-1.3	3,444.0
	October	98,886.5	-23,691.1	-177,466.5	5,588.7	465,547.6	2.7	368,867.9
	November	597,155.2	111,085.3	-274,995.7	-10,825.0	-227,672.8	3.2	194,750.3
	December	139,071.6	-64,491.3	-109,817.6	23,915.9	136,891.1	-1.7	125,568.1
2010	January	-28,597.0	117,537.1	-15,189.2	-31,936.6	-286,334.3	-4.0	-244,524.0
	February	110,877.9	541.0	-160,341.2	-77,100.4	373,323.2	3.4	247,303.9
	March	446,275.4	-136,653.4	-203,920.6	23,342.6	-210,141.1	4.2	-81,092.8
	April	76,313.0	3,798.1	-20,876.0	26,298.0	-18,922.5	0.5	66,611.1
	May	1,118.3	-171,356.1	61,026.0	-3,711.6	-100,525.6	-5.6	-213,454.6
	June	215,746.8	-146,285.1	80,447.7	-31,300.4	-324,834.8	-3.6	-206,229.5
	July	950,983.9	-74,091.5	-106,678.4	1,437.9	-210,770.8	-0.5	560,880.6
	August	-311,378.6	-15,053.6	10,864.8	-82,717.1	-644,890.6	-0.8	-1,043,175.8
	September	-1,744.1	17,336.9	140,824.3	72,426.6	644,311.9	-3.6	873,152.0
	October	825,978.1	-290,595.0	-120,995.3	-7,178.7	-731,921.2	-1.2	-324,713.3
	November	-106,792.6	49,457.2	-58,306.4	-4,219.5	-125,915.1	4.4	-245,772.0
	December	304,066.8	-96,992.0	-184,982.1	41,193.1	141,851.9	2.8	205,140.5
2011	January	-593,274.5	306,732.6	-292,711.7	83,893.0	1,554,318.4	2.1	1,058,959.8
	February	-61,921.7	107,605.8	-529,484.5	124,625.5	-678,676.2	-300.4	-1,038,151.5
	March	288,191.5	-39,471.9	-546,404.7	-45,466.7	230,425.2	2.8	-804,379.2
	April	15,430.7	-86,525.7	-104,173.2	-34,452.4	385,704.4	-0.4	175,983.5
	May	2,113,034.7	-855,776.7	-823,636.9	-39,283.3	-868,139.1	2.0	-473,799.2
	June	540,630.8	-333,111.8	-250,755.7	78,156.9	-228,114.0	-3.4	-193,197.2
	July	201,178.5	-59,016.7	-218,512.4	-151,447.2	920,684.7	6.0	692,893.0
	August	689,421.9	-128,009.4	-463,616.1	12,861.9	-767,219.8	-1.1	-656,562.5
	September	305,677.2	-286,951.5	79,549.2	282,147.9	183,277.2	-2.4	563,697.6
	October	-153,844.9	124,842.2	107,576.4	-158,373.7	253,514.7	-0.3	173,714.3
	November	-371,816.1	48,735.9	-286,310.9	398,487.6	-20,587.4	0.9	-231,490.1
	December	455,868.9	27,174.1	180,280.6	86,086.2	-84,538.3	-2.5	664,869.1

Source: Bank of Zambia

COMMERCIAL BANKS' LIQUIDITY AND OPERATING RATIOS (PERCENT)

TABLE 6

Year	End of period	Core liquid assets (a)	Minimum required	Other liquid assets (b)	Total	Advances plus bills of exchange as percentage of total deposits
1995	December	57.1	30.0	40.6	97.7	57.2
1996	December	27.8	43.5	55.7	83.5	62.4
1997	December	33.9	30.0	26.8	60.7	52.9
1998	December	28.1	25.0	16.6	44.7	51.4
1999	December	29.6	25.0	16.9	46.4	57.9
2000	December	44.3	25.0	24.2	68.5	50.7
2001	December	48.0	35.0	48.8	96.8	47.0
2002	December	60.8	35.0	58.0	118.8	31.2
2003	December	64.2	35.0	60.8	125.0	34.3
2004	December	60.2	35.0	54.2	114.4	38.0
2005	December	63.2	35.0	63.9	127.1	45.1
2006	December	41.3	9.0	53.9	95.3	49.4
2007	December	22.7	9.0	46.6	69.3	57.7
2008	January	23.2	9.0	46.8	70.1	59.4
	February	31.9	9.0	48.6	80.5	62.0
	March	33.7	9.0	46.5	80.1	63.4
	April	0.0	9.0	45.7	45.7	63.8
	May	47.7	9.0	47.9	95.6	63.1
	June	54.1	9.0	48.7	102.9	64.4
	July	48.4	9.0	45.9	94.3	64.4
	August	49.1	9.0	44.8	93.9	66.3
	September	50.5	9.0	46.9	97.4	68.8
	October	50.8	9.0	40.5	91.3	66.0
	November	44.3	9.0	44.9	89.2	67.4
	December	47.7	9.0	45.0	92.8	66.4
2009	January	47.2	9.0	43.8	91.0	69.3
	February	44.0	9.0	40.9	84.9	71.2
	March	40.7	9.0	40.6	81.2	72.3
	April	48.2	9.0	40.4	88.6	72.2
	May	48.1	9.0	42.6	90.7	71.8
	June	44.6	9.0	42.6	87.2	69.1
	July	50.4	9.0	44.9	95.3	68.8
	August	50.4	9.0	47.5	97.9	68.0
	September	52.9	9.0	50.0	102.9	66.5
	October	41.5	9.0	47.3	88.8	64.7
	November	60.2	9.0	50.8	111.0	62.4
	December	60.5	9.0	50.8	111.3	61.4
2010	January	57.0	9.0	53.4	110.4	60.4
	February	55.5	9.0	51.8	107.3	58.8
	March	48.8	9.0	51.0	99.8	57.0
	April	53.8	9.0	50.6	104.4	55.6
	May	55.4	9.0	49.1	104.5	56.8
	June	54.0	9.0	47.3	101.3	54.5
	July	68.5	9.0	50.9	119.4	51.8
	August	59.7	9.0	53.0	112.7	52.0
	September	62.1	9.0	49.3	111.4	52.1
	October	61.7	9.0	54.3	116.0	52.8
	November	60.9	9.0	52.1	113.0	54.0
	December	57.1	9.0	52.0	109.0	53.3
2011	January	56.3	9.0	45.5	101.8	52.2
	February	51.7	9.0	50.3	102.0	54.8
	March	62.2	9.0	51.5	113.7	57.7
	April	59.0	9.0	48.8	107.8	57.1
	May	40.7	9.0	49.1	89.8	55.7
	June	43.6	9.0	46.6	90.1	53.5
	July	49.5	9.0	45.1	94.6	53.7
	August	42.1	9.0	47.4	89.5	54.5
	September	50.5	9.0	45.0	95.5	54.9
	October	55.2	9.0	44.8	100.0	54.8
	November	61.6	9.0	44.0	105.6	57.3
	December	60.5	9.0	44.4	104.9	57.2

Source: Bank of Zambia

Note: (a) Core liquid assets include Zambia notes and coins, current account balances, all Treasury Bills (reported at face value), term deposits issued under Bank of Zambia (BoZ) open market operations, repurchase agreements (Repo) under BoZ open market operations and net collateralised interbank loans (b) Other Liquid assets includes balances with Bank of Zambia, balances held with banks and other financial institutions in Zambia, Govt of Zambia securities (Treasury bills, GRZ Bonds and Other securities), plus bills of exchange.

BANKING SYSTEM CLAIMS ON GOVERNMENT (IN MILLIONS OF KWACHA)

TABLE 7

Period		Bank of Zambia Claims					Commercial Banks Claims						(a+b)
End Month		Treasury Bills	GRZ Stock	GRZ Position	Loans & Advances	(a) Total	Treasury Bills	GRZ Securities	Loans & Advances	Deposits	Tax Revenue Suspense a/c	(b) Total	TOTAL CLAIMS
1995	December	24,662.1	10,393.3	-87,647.2	248.2	-52,343.6	141,937.4	58,634.6	-17,100.9	-35,832.5	0.0	147,638.6	95,295.0
1996	December	12,243.0	37,565.0	-104,096.7	248.2	-54,040.5	164,057.2	47,156.7	-2,623.6	-49,280.0	0.0	159,310.3	105,269.8
1997	December	6,862.5	23,220.6	-83,042.2	248.2	-52,710.9	195,342.6	44,671.2	-8,438.4	-55,196.6	0.0	176,378.8	123,667.9
1998	December	17,248.9	21,297.6	428,303.5	248.2	467,098.2	154,859.4	19,715.2	-5,764.9	-70,661.0	0.0	98,148.7	565,246.9
1999	December	23,672.2	20,031.7	558,615.5	0.0	602,319.4	175,359.8	41,523.6	-4,998.0	-127,630.3	0.0	84,255.1	686,574.5
2000	December	47,695.0	44,861.7	286,785.2	0.0	379,341.9	228,138.6	137,545.0	7,210.1	115,508.1	0.0	488,401.8	867,743.7
2002	December	52,538.5	1,648,393.4	-736,781.2	0.0	964,150.7	516,251.5	395,675.7	-4,039.7	-104,018.4	0.0	803,869.1	1,768,019.8
2003	December	5,181.0	1,706,427.2	-882,562.7	261,029.2	1,090,074.7	1,091,252.1	765,558.9	-6,295.7	-193,646.1	0.0	1,669,562.2	2,759,636.9
2004	December	62,580.9	1,660,562.7	-886,086.5	409,629.2	1,246,686.3	886,979.9	841,986.6	-6,833.7	-445,692.7	0.0	1,276,440.1	2,523,126.4
2005	December	3,654.9	1,646,943.4	-866,694.5	288,986.1	1,072,889.9	913,332.1	916,851.0	-5,590.7	-478,590.7	0.0	1,346,001.7	2,418,891.6
2006	December	607,812.0	1,309,952.0	-1,103,716.7	0.0	814,047.3	1,105,947.5	992,339.7	-7,087.7	-456,726.4	0.0	1,634,473.1	2,448,520.4
2007	December	510,435.8	1,265,368.7	-2,064,174.5	0.0	-288,370.0	1,471,088.0	1,114,158.9	109,155.3	-485,644.5	0.0	2,208,757.6	1,920,387.6
2008	January	623,818.9	1,310,020.7	-2,331,967.4	0.0	-398,127.8	1,388,430.6	1,149,511.0	7,407.3	-426,314.6	0.0	2,119,034.3	1,720,906.5
	February	631,722.4	1,310,020.7	-2,387,804.4	0.0	-446,061.3	1,381,049.8	1,238,018.9	-7,579.7	-395,639.7	0.0	2,215,849.2	1,769,787.9
	March	628,158.0	1,310,020.7	-2,669,817.7	0.0	-731,639.1	1,337,775.5	1,214,690.3	-7,475.7	-453,772.4	0.0	2,091,217.7	1,359,578.7
	April	629,097.7	1,310,020.7	-3,092,200.2	0.0	-1,153,081.8	1,353,744.3	1,178,695.1	-7,767.7	-452,068.0	0.0	2,072,603.6	919,521.8
	May	127,552.2	1,310,020.7	-2,990,791.8	0.0	-1,553,218.9	1,786,050.4	1,330,602.5	-5,063.7	-452,068.0	0.0	2,659,521.2	1,106,302.3
	June	82,936.0	1,310,020.7	-2,939,196.3	0.0	-1,546,239.6	1,976,589.7	1,324,916.8	-5,063.7	-418,165.1	0.0	2,878,277.7	1,332,038.1
	July	116,998.5	1,310,020.7	-2,887,175.6	0.0	-1,460,156.5	1,918,992.3	1,301,872.3	-7,655.7	-458,481.2	0.0	2,754,727.7	1,294,571.2
	August	10,472.5	1,290,956.7	-2,630,039.4	0.0	-1,328,610.1	1,771,750.1	1,287,844.2	-7,655.7	-458,481.2	0.0	2,593,457.4	1,264,847.2
	September	12,198.0	1,237,443.5	-2,415,791.1	0.0	-1,166,149.6	1,762,996.4	1,333,966.3	-4,532.7	-718,264.0	0.0	2,374,166.0	1,208,016.5
	October	9,839.0	1,259,544.8	-2,126,197.8	0.0	-856,814.0	1,645,506.0	1,276,146.9	-6,938.7	-635,652.3	0.0	2,279,061.9	1,422,247.9
	November	6,725.2	1,166,277.9	-1,926,428.9	0.0	-753,425.8	1,487,814.2	1,385,047.2	-6,938.7	-635,652.3	0.0	2,230,270.4	1,476,844.6
	December	84,155.2	1,304,102.5	-1,436,746.9	0.0	-48,489.2	1,738,268.3	1,346,046.8	-4,967.7	-635,652.3	0.0	2,443,695.1	2,395,205.9
2009	January	75,264.5	1,222,294.7	-1,584,005.1	0.0	-286,446.0	1,820,984.8	1,397,496.5	-8,058.7	-460,126.1	0.0	2,750,296.5	2,463,850.5
	February	200,906.8	1,222,294.7	-1,310,968.9	0.0	112,232.7	1,726,980.3	1,411,084.8	-6,279.7	-428,387.7	0.0	2,703,397.7	2,815,630.4
	March	279,343.1	1,269,620.3	-1,434,373.6	0.0	114,589.8	1,709,339.1	1,354,012.0	-5,629.9	-456,740.3	0.0	2,600,980.8	2,715,570.6
	April	340,594.8	1,310,020.1	-1,461,605.3	0.0	189,009.6	1,660,861.3	1,281,329.4	-5,012.7	-487,366.8	0.0	2,449,811.2	2,638,820.8
	May	401,160.7	1,310,020.1	-1,473,347.3	0.0	237,833.5	1,687,141.2	1,347,111.2	-4,065.7	-511,757.2	0.0	2,518,429.6	2,756,263.1
	June	167,435.5	1,310,020.1	-1,426,178.2	0.0	51,277.5	1,950,858.1	1,337,987.8	-4,705.7	-620,663.5	0.0	2,663,476.6	2,714,754.1
	July	120,469.5	1,203,797.1	-1,548,965.8	0.0	-224,699.2	2,089,950.0	1,493,389.6	-7,834.7	-417,805.3	0.0	3,157,699.5	2,933,000.3
	August	103,535.5	1,149,823.7	-1,458,778.8	0.0	-205,419.6	2,235,616.9	1,595,853.7	-5,657.7	-435,355.1	0.0	3,390,457.8	3,185,038.1
	September	34,254.2	1,144,997.5	-1,518,587.5	0.0	-339,335.7	2,417,433.4	1,649,624.7	-970.7	-403,351.4	0.0	3,662,735.9	3,323,400.2
	October	383,691.6	1,310,020.1	-2,245,558.9	0.0	-551,847.2	2,186,935.9	1,598,060.1	31,182.3	-537,930.3	0.0	3,278,247.9	2,726,400.7
	November	613,063.7	1,221,836.1	-2,144,398.4	0.0	-309,498.6	2,179,316.9	1,744,452.9	31,182.3	-537,930.3	0.0	3,417,021.7	3,107,523.1
	December	455,928.6	1,309,951.5	-2,362,567.7	0.0	-596,687.7	2,417,231.3	1,656,370.7	31,182.3	-537,930.3	0.0	3,566,854.0	2,970,166.3
2010	January	480,199.0	1,309,951.5	-3,531,242.2	0.0	-1,741,091.8	2,492,494.4	1,791,867.6	38,662.2	-707,979.3	0.0	3,615,044.9	1,873,953.1
	February	425,350.9	1,309,951.5	-2,569,065.3	0.0	-833,762.9	2,712,933.2	1,886,349.1	32,618.3	-534,270.0	0.0	4,097,630.6	3,263,867.7
	March	396,864.8	1,309,951.5	-2,624,394.8	0.0	-917,578.6	2,713,104.3	1,991,109.9	32,618.3	-534,270.0	0.0	4,202,562.5	3,284,983.9
	April	637,629.4	1,309,951.5	-3,044,506.9	0.0	-1,096,926.0	2,500,103.3	1,993,254.1	10,595.3	366,528.1	0.0	4,870,480.8	3,773,554.8
	May	177,614.7	1,309,951.5	-2,817,670.5	0.0	-1,330,104.3	2,966,319.6	2,038,554.6	2,655.2	-408,369.0	0.0	4,599,160.4	3,269,056.1
	June	170,620.1	1,179,808.2	-2,257,209.0	0.0	-906,780.6	2,989,158.9	2,069,136.1	54,053.3	-415,193.7	0.0	4,705,577.5	3,798,796.9
	July	252,109.1	1,183,605.4	-2,201,991.9	0.0	-766,277.4	2,902,558.6	1,948,493.4	47,641.3	-367,990.8	0.0	4,539,125.3	3,772,847.9
	August	183,072.1	1,216,255.3	-2,159,274.6	0.0	-759,947.2	3,089,881.5	1,906,534.3	53,274.3	-367,990.8	0.0	4,698,900.7	3,938,953.5
	September	16,949.9	1,264,133.2	-2,706,526.6	0.0	-1,425,443.5	2,947,465.6	1,911,180.0	271,680.3	-420,923.3	0.0	4,717,825.5	3,292,382.0
	October	641,569.0	188,983.1	-2,463,526.4	0.0	-1,632,974.3	2,669,109.0	1,992,127.3	274,186.3	-947,449.5	0.0	3,996,395.9	2,363,421.7
	November	500,712.8	1,249,457.6	-3,034,313.6	0.0	-1,284,143.2	2,592,939.9	1,926,867.5	269,535.3	-526,173.4	0.0	4,271,592.2	2,987,448.9
	December	87,723.0	100,895.2	-2,369,565.3	0.0	-2,180,947.1	2,868,284.5	1,910,831.9	269,535.3	-526,173.4	0.0	4,530,901.2	2,349,954.1
2011	January	199,386.3	1,264,592.8	-2,837,321.6	0.0	-1,373,342.6	2,837,206.9	1,894,285.8	290,015.3	-394,969.9	0.0	4,626,538.0	3,253,195.5
	February	53,777.3	1,158,711.2	-2,655,616.7	0.0	-1,443,128.1	3,488,326.6	2,006,952.2	290,015.3	-378,172.7	0.0	5,407,121.4	3,963,993.3
	March	100,853.0	1,143,229.7	-2,954,459.2	0.0	-1,710,376.5	3,694,291.8	2,175,804.3	296,232.3	-429,811.2	0.0	5,736,517.2	4,026,140.7
	April	546,777.8	1,187,878.3	-4,258,045.0	0.0	-2,523,388.8	3,753,007.2	2,071,809.8	294,747.7	-434,686.1	0.0	5,684,878.5	3,161,489.7
	May	28,864.8	1,257,276.3	-3,530,465.4	0.0	-2,244,324.4	4,158,965.1	2,011,418.3	288,827.3	-469,622.1	0.0	5,989,588.5	3,745,264.2
	June	279,713.6	1,317,046.2	-3,449,928.4	0.0	-1,853,168.6	4,068,332.2	2,077,850.3	292,125.3	-593,257.0	0.0	5,845,050.9	3,991,882.3
	July	398,777.5	1,317,046.2	-4,986,787.8	0.0	-3,270,964.1	4,006,506.5	1,964,630.4	350,517.6	-593,257.0	0.0	5,728,397.5	2,457,433.4
	August	117,640.7	1,317,046.2	-4,887,135.7	0.0	-3,452,448.8	4,607,789.8	2,049,353.0	663,450.5	-593,257.0	0.0	6,727,336.4	3,274,887.6
	September	303,850.0	1,285,193.0	-4,824,724.2	0.0	-3,235,681.2	4,452,437.0	2,298,330.0	663,450.5	-533,154.4	0.0	6,881,063.0	3,645,381.8
	October	540,607.8	1,316,441.4	-4,787,123.7	0.0	-2,930,074.5	4,148,908.8	2,412,043.9	435,290.7	-533,154.4	0.0	6,463,089.0	3,533,014.5
	November	655,654.1	1,310,384.3	-5,224,515.7	0.0	-3,258,477.3	4,328,260.9	2,540,694.5	447,817.2	-568,999.5	0.0	6,747,773.1	3,489,295.9
	December	655,064.5	1,310,989.2	-4,154,662.0	0.0	-2,188,608.3	4,090,178.6	2,694,134.1	441,975.0	-823,616.4	0.0	6,402,671.3	4,214,063.0

Source: Bank of Zambia

CURRENCY IN CIRCULATION (IN THOUSANDS OF KWACHA) TABLE 8

End of period		Issued			At banks			Outside banks		
		Total	Notes	Coin	Total	Notes	coin	Total	Notes	Coin
1995	December	91,917,584	91,783,860	133,724	13,936,098	13,917,123	18,975	77,981,486	77,866,737	114,749
1996	December	128,053,024	127,853,508	199,516	20,290,660	19,819,475	471,185	107,762,364	108,034,033	-271,669
1997	December	157,937,077	157,709,820	227,257	21,188,415	21,149,995	38,420	136,748,662	136,559,825	188,837
1998	December	197,056,249	196,828,898	227,351	25,995,000	25,994,000	1,000	171,061,249	170,834,898	226,351
1999	December	251,662,500	251,435,622	226,878	38,894,000	38,754,000	140,000	212,768,500	212,681,622	86,878
2000	December	331,738,268	331,511,141	227,127	43,027,000	43,026,000	1,000	288,711,268	288,485,141	226,127
2001	December	432,338,205	432,111,531	226,674	58,147,000	58,147,000	0	374,191,205	373,964,531	226,674
2002	December	481,227,530	481,000,950	226,580	57,051,000	57,051,000	0	424,176,530	423,949,950	226,580
2003	December	671,236,287	671,009,873	226,414	77,690,063	77,690,063	0	593,546,224	593,319,810	226,414
2004	December	829,422,716	829,196,707	226,009	85,916,164	85,916,164	0	743,506,552	743,280,543	226,009
2005	December	964,383,652	964,157,696	225,956	138,834,164	138,834,164	0	825,549,488	825,323,532	225,956
2006	December	1,226,161,009	1,225,934,647	226,362	153,017,164	153,017,164	0	1,073,143,845	1,072,917,483	226,362
2007	December	1,515,151,601	1,514,925,245	226,356	208,399	208,399	0	1,514,943,202	1,514,716,846	226,356
2008	January	1,397,727,970	1,397,501,689	226,281	205,775	205,775	0	1,397,522,195	1,397,295,914	226,281
	February	1,367,383,936	1,367,157,655	226,281	195,099	195,099	0	1,367,188,836	1,366,962,556	226,281
	March	1,408,616,639	1,408,390,359	226,281	226,873	226,873	0	1,408,389,766	1,408,163,485	226,281
	April	1,431,673,072	1,431,446,791	226,281	213,231	213,231	0	1,431,459,841	1,431,233,560	226,281
	May	1,510,520,028	1,510,293,747	226,281	211,080	211,080	0	1,510,308,948	1,510,082,667	226,281
	June	1,610,747,193	1,610,520,912	226,281	248,844	244,245	4,599	1,610,498,349	1,610,276,667	221,682
	July	1,760,955,471	1,760,729,190	226,281	258,650	250,996	7,654	1,760,696,821	1,760,478,194	218,627
	August	1,760,254,067	1,760,027,786	226,281	236,732	236,732	0	1,760,017,335	1,759,791,054	226,281
	September	1,771,345,701	1,771,119,420	226,281	298,480	298,480	0	1,771,047,221	1,770,820,940	226,281
	October	1,907,194,703	1,906,968,422	226,281	280,438	280,438	0	1,906,914,265	1,906,687,984	226,281
	November	1,845,336,765	1,845,110,484	226,281	259,461	259,461	0	1,845,077,304	1,844,851,023	226,281
	December	1,934,425,552	1,934,199,271	226,281	314,801	314,801	0	1,934,110,751	1,933,884,470	226,281
2009	January	1,774,301,133	1,774,074,852	226,281	286,468	286,468	0	1,774,014,665	1,773,788,384	226,281
	February	1,724,092,164	1,723,865,883	226,281	255,158	255,158	0	1,723,837,006	1,723,610,725	226,281
	March	1,784,147,256	1,783,920,976	226,281	310,447	310,447	0	1,783,836,810	1,783,610,529	226,281
	April	1,846,354,231	1,846,127,951	226,281	310,474	310,474	0	1,846,043,758	1,845,817,477	226,281
	May	1,883,744,451	1,883,518,170	226,281	308,783	308,783	0	1,883,435,668	1,883,209,387	226,281
	June	1,943,938,332	1,943,712,051	226,281	354,863	354,863	0	1,943,583,469	1,943,357,188	226,281
	July	2,099,618,911	2,099,392,631	226,281	344,040	344,040	0	2,099,274,872	2,099,048,591	226,281
	August	2,039,498,246	2,039,271,965	226,281	324,688	324,688	0	2,039,173,558	2,038,947,277	226,281
	September	2,024,204,589	2,023,978,308	226,281	367,431	367,431	0	2,023,837,158	2,023,610,877	226,281
	October	2,047,774,797	2,047,548,516	226,281	371,231	371,231	0	2,047,403,566	2,047,177,285	226,281
	November	1,936,628,710	1,936,402,430	226,281	364,348	364,348	0	1,936,264,362	1,936,038,081	226,281
	December	2,001,245,543	2,001,019,262	226,281	407,085	407,085	0	2,000,838,458	2,000,612,177	226,281
2010	January	1,884,424,246	1,884,197,965	226,281	359,994	359,994	0	1,884,064,252	1,883,837,971	226,281
	February	1,883,883,303	1,883,657,022	226,281	354,236	354,236	0	1,883,529,067	1,883,302,786	226,281
	March	2,020,536,018	2,020,309,737	226,281	435,442	435,442	0	2,020,100,576	2,019,874,295	226,281
	April	2,016,875,563	2,016,649,282	226,281	383,752	383,752	0	2,016,491,811	2,016,265,530	226,281
	May	2,188,170,871	2,187,944,590	226,281	428,587	428,587	0	2,187,742,283	2,187,516,003	226,281
	June	2,334,131,160	2,333,904,879	226,281	437,973	437,973	0	2,333,693,187	2,333,466,906	226,281
	July	2,409,566,922	2,409,340,641	226,281	447,588	447,588	0	2,409,119,334	2,408,893,053	226,281
	August	2,420,072,087	2,419,845,806	226,281	458,373	458,373	0	2,419,613,714	2,419,387,433	226,281
	September	2,410,419,004	2,410,192,723	226,281	488,459	488,459	0	2,409,930,544	2,409,704,263	226,281
	October	2,701,132,423	2,700,906,142	226,281	513,983	513,983	0	2,700,618,440	2,700,392,159	226,281
	November	2,648,349,637	2,648,123,356	226,281	524,131	524,131	0	2,647,825,506	2,647,599,225	226,281
	December	2,750,476,832	2,750,250,551	226,281	506,151	506,151	0	2,749,970,681	2,749,744,400	226,281
2011	January	2,444,345,724	2,444,119,443	226,281	465,402	465,402	0	2,443,880,321	2,443,654,040	226,281
	February	2,337,834,383	2,337,608,102	226,281	414,222	414,222	0	2,337,420,161	2,337,193,880	226,281
	March	2,377,408,590	2,377,182,309	226,281	477,806	477,806	0	2,376,930,783	2,376,704,502	226,281
	April	2,462,441,734	2,462,215,453	226,281	488,499	488,499	0	2,461,953,236	2,461,726,955	226,281
	May	2,612,151,071	2,611,924,790	226,281	509,741	509,741	0	2,611,641,331	2,611,415,050	226,281
	June	2,945,361,937	2,945,135,656	226,281	537,122	537,122	0	2,944,824,816	2,944,598,535	226,281
	July	3,005,333,740	3,005,107,459	226,281	527,689	527,689	0	3,004,806,052	3,004,579,771	226,281
	August	3,133,358,319	3,133,132,038	226,281	549,873	549,873	0	3,132,808,447	3,132,582,166	226,281
	September	3,621,359,705	3,621,133,424	226,281	647,240	647,240	0	3,620,712,465	3,620,486,184	226,281
	October	3,496,698,000	3,496,471,719	226,281	587,346	587,346	0	3,496,110,654	3,495,884,373	226,281
	November	3,446,098,718	3,445,872,437	226,281	648,103	648,103	0	3,445,450,615	3,445,224,334	226,281
	December	3,408,239,731	3,408,013,450	226,281	598,213	598,213	0	3,407,641,518	3,407,415,237	226,281

Source: Bank of Zambia

COMMERCIAL BANKS' DEPOSITS BY SECTORS (IN THOUSANDS OF KWACHA)

TABLE 9

End of Period		Government	Statutory Bodies	Parastatal Bodies	Public	Individuals and households	Other Fin. institutions	Non-resident	Foreign Currency (Kwacha)	US $	Total
1996	December	49,279,680	18,675,113	47,673,139	352,768,626		6,500,015	5,667,653	160,916,463	123,453	641,480,689
1997	December	55,196,564	22,724,294	47,842,835	449,085,308		5,724,842	4,310,119	207,380,705	146,470	792,264,667
1998	December	79,233,000	40,170,000	10,300,000	180,117,000	237,764,000	12,001,000	1,746,000	393,833,000	168,398	955,164,000
1999	December	142,787,000	39,379,000	31,000,000	228,541,000	286,062,000	2,144,000	1,355,000	533,502,000	198,357	1,264,770,000
2000	December	131,636,000	76,531,000	66,921,000	302,395,000	417,291,000	1,467,000	2,435,000	1,160,621,000	273,656	2,159,297,000
2001	December	119,668,000	53,277,000	143,175,000	404,176,000	578,625,000	8,128,000	1,754,000	1,045,153,000	268,626	2,353,956,000
2002	December	121,857,000	57,601,000	247,631,000	726,643,000	582,472,000	11,513,000	2,034,000	1,429,013,000	295,127	3,178,764,000
2003	December	214,607,000	103,790,000	216,459,000	843,870,000	866,514,000	25,079,000	5,986,000	1,619,097,000	351,904	3,895,402,000
2004	December	467,357,000	153,666,000	203,059,000	1,037,899,000	980,051,000	39,234,000	5,290,000	2,439,540,000	518,320	5,326,096,000
2005	December	509,221,606	115,891,758	89,373,313	1,280,618,756	1,036,317,677	18,062,000	30,939,000	1,981,182,000	564,570	5,075,637,110
2006	December	524,870,311	230,808,168	178,133,313	1,758,044,125	1,731,624,677	27,354,000	18,977,000	2,713,997,000	655,119	7,183,808,594
2007	December	614,334,458	322,415,168	352,272,313	2,244,280,125	1,784,147,677	40,422,000	15,281,000	3,905,904,010	1,015,636	9,279,056,751
2008	January	469,881,549	284,811,168	309,496,313	2,167,631,125	1,723,248,677	40,828,000	13,449,000	4,169,869,000	1,095,762	9,179,214,832
	February	446,386,667	244,100,168	253,404,313	2,136,240,125	1,884,733,677	30,341,000	12,950,000	3,811,486,000	1,011,608	8,819,641,950
	March	512,565,294	219,680,168	274,142,313	2,117,262,125	1,850,448,677	18,434,000	11,018,000	3,633,718,000	985,252	8,637,268,577
	April	548,163,961	241,774,168	358,136,313	2,069,432,125	1,852,674,677	21,952,000	15,534,000	3,496,242,000	988,066	8,603,909,244
	May	509,648,345	290,806,168	373,461,313	2,535,968,125	1,903,389,677	34,086,000	10,384,000	3,483,422,000	1,020,335	9,141,165,628
	June	480,085,997	248,718,168	354,940,313	2,325,813,125	1,921,624,677	37,449,000	13,219,000	3,478,171,000	1,065,554	8,860,021,280
	July	671,360,563	272,714,168	193,359,313	2,297,996,125	2,197,195,677	36,771,000	11,300,000	3,703,056,000	1,087,915	9,383,752,846
	August	731,749,358	243,361,168	179,599,313	2,375,329,125	2,220,070,677	33,065,000	12,868,000	3,764,966,000	1,089,471	9,561,008,641
	September	761,047,926	290,387,168	261,362,313	2,395,725,560	2,105,563,362	33,022,000	15,367,000	3,514,253,241	990,175	9,376,728,570
	October	716,020,206	289,670,168	282,008,313	2,783,315,196	2,309,776,839	23,073,000	27,476,000	4,362,681,691	1,074,794	10,794,021,414
	November	579,416,921	447,382,168	210,949,313	2,764,072,167	2,386,560,362	42,893,000	39,655,000	4,334,340,163	1,009,619	10,805,269,094
	December	808,503,982	445,599,168	127,638,313	2,255,860,864	3,278,756,391	11,975,000	25,891,000	4,371,877,889	884,257	11,326,102,607
2009	January	523,691,623	422,251,062	185,003,235	2,867,605,013	2,924,821,444	19,527,347	76,994,910	4,808,562,967	971,014	11,828,457,601
	February	491,344,004	320,453,191	318,623,490	2,972,405,701	3,063,930,779	18,040,462	83,550,444	5,008,194,218	924,090	12,276,542,288
	March	538,035,238	389,862,000	141,091,000	2,775,232,000	3,004,041,000	34,045,000	84,896,000	5,095,259,000	911,130	12,062,461,238
	April	658,391,249	260,153,168	110,323,313	2,792,465,034	3,019,088,878	38,275,000	103,220,000	4,969,676,111	876,048	11,951,592,753
	May	617,255,341	393,363,168	222,037,313	2,655,760,323	2,953,259,974	35,072,000	58,575,000	4,577,229,982	879,115	11,512,553,101
	June	709,334,108	298,472,168	183,600,313	3,102,474,274	2,901,293,849	25,058,000	56,505,000	5,068,253,441	1,003,772	12,344,991,153
	July	555,231,171	375,051,837	209,875,874	2,980,133,492	2,978,166,816	7,101,000	93,090,000	4,974,573,375	963,878	12,173,223,564
	August	593,065,472	341,496,168	108,834,183	3,375,464,318	2,803,082,761	25,792,000	79,367,000	4,644,655,247	958,792	11,971,757,150
	September	556,639,649	432,759,168	92,070,313	3,128,519,125	2,998,490,677	58,543,000	122,170,000	4,786,231,000	1,052,716	12,175,422,932
	October	751,383,234	390,844,168	156,006,313	3,240,722,725	2,945,901,677	66,585,000	123,723,000	5,052,772,000	1,080,189	12,727,938,117
	November	955,229,901	567,170,168	159,999,313	3,521,169,066	2,824,221,040	17,376,000	116,855,000	5,005,654,723	1,072,525	13,167,675,210
	December	887,446,220	593,469,168	119,346,509	3,370,800,561	3,018,396,864	32,434,000	129,772,000	5,095,814,044	1,084,850	13,247,479,366
2010	January	826,331,976	533,806,168	239,143,703	3,495,721,895	2,949,490,899	16,950,000	157,608,000	4,756,690,927	1,047,532	12,975,743,567
	February	849,427,281	498,182,168	127,126,644	3,765,231,464	2,979,213,146	18,018,000	179,827,000	5,010,092,376	1,068,913	13,427,118,080
	March	695,637,363	574,528,168	236,787,313	4,034,671,313	2,956,277,091	20,258,000	182,003,000	5,106,450,324	1,085,058	13,806,612,573
	April	584,626,015	520,549,168	215,940,313	3,987,182,370	2,893,702,926	21,294,000	176,194,000	5,682,681,567	1,212,526	14,082,170,359
	May	608,436,540	549,359,168	197,887,313	4,216,910,717	3,168,468,500	26,050,000	304,238,000	5,356,245,837	1,079,161	14,427,596,076
	June	592,824,765	554,450,168	328,376,313	5,302,204,741	3,167,211,516	20,741,000	284,380,000	4,831,598,524	940,069	15,081,787,027
	July	645,259,775	743,359,168	353,734,733	4,906,158,320	3,294,267,320	23,702,000	191,534,000	6,194,634,596	1,229,664	16,352,649,911
	August	573,715,491	536,998,168	414,014,080	4,878,076,097	3,380,227,713	22,702,000	177,019,000	6,056,910,777	1,226,702	16,039,663,326
	September	687,441,223	562,580,168	449,424,943	4,610,339,142	3,525,435,999	31,599,000	162,188,000	6,632,722,491	1,357,791	16,661,730,966
	October	1,317,779,025	705,368,168	368,862,773	4,433,113,063	3,545,653,540	27,489,000	145,120,700	6,379,042,350	1,353,647	16,922,428,619
	November	888,709,925	631,481,168	502,495,820	4,412,641,398	3,731,075,266	30,094,000	243,512,130	6,711,982,724	1,422,518	17,151,992,432
	December	857,102,413	573,711,168	478,828,813	4,138,577,354	3,817,800,265	69,408,000	377,833,000	6,838,136,329	1,438,863	17,151,397,341
2011	January	670,552,782	538,016,168	618,558,335	4,852,352,281	3,698,702,404	65,527,366	318,536,670	7,345,789,475	1,533,710	18,108,035,481
	February	664,759,158	449,380,168	513,897,545	4,213,999,801	3,717,002,664	52,804,000	376,071,207	7,038,143,652	1,469,525	17,026,058,194
	March	866,926,829	436,102,033	422,031,808	4,252,706,615	3,853,049,193	61,821,051	310,571,955	6,644,063,999	1,391,054	16,847,273,482
	April	846,997,628	470,589,028	536,637,835	4,048,014,564	3,785,964,979	53,894,601	170,792,967	7,101,775,280	1,503,420	17,014,666,882
	May	886,791,241	549,423,422	463,299,575	5,032,024,492	3,641,122,559	53,626,985	175,259,699	7,337,104,208	1,538,499	18,138,652,180
	June	880,706,196	728,028,333	562,594,224	4,623,188,093	4,112,180,955	125,372,697	494,005,643	8,747,156,313	1,817,518	20,273,232,455
	July	954,818,382	599,768,408	605,644,774	4,808,498,764	4,164,302,368	54,126,451	575,035,054	8,756,644,912	1,809,274	20,518,839,114
	August	851,548,771	621,363,670	677,139,753	4,854,893,918	4,289,897,224	59,220,965	167,705,718	8,784,861,035	1,777,064	20,306,631,053
	September	1,209,254,743	908,455,168	685,878,752	4,847,602,241	4,290,211,260	55,288,000	247,229,356	8,492,592,203	1,720,563	20,736,511,724
	October	1,179,185,650	1,039,780,173	669,386,749	5,208,035,307	4,424,315,499	91,287,614	260,976,531	8,605,772,876	1,732,316	21,478,740,399
	November	1,178,055,413	770,400,168	703,971,389	5,001,686,235	4,458,608,003	79,605,000	308,832,000	8,684,878,886	1,720,174	21,186,037,093
	December	1,134,236,583	778,316,238	692,170,616	5,399,906,735	4,512,660,651	70,028,590	281,878,000	8,197,496,161	1,595,820	21,066,693,573

Source: Bank of Zambia

Note: (1) Data has been corrected for casting errors identified in previous series. (2) Exchange rate used is the commercial banks' monthly weighted retail average selling rate. (3) From August 2003 Exchange rate used is the Monthly Non Bank's Selling rate

COMMERCIAL BANKS' LOANS AND ADVANCES BY SECTORS (IN MILLIONS OF KWACHA)

TABLE 10

	End of Period	Government	Statutory Bodies	Parastatal Bodies	Private	Individuals and households	Other Fin. institutions	Non-resident	US$(3)	Total
1995	December	4,060,090	3,797,036	31,847,136	205,023,479	n/a	552,267	240,735	22,500	267,224,776
1996	December	6,222,388	3,635,246	46,073,520	293,324,722	n/a	2,961,623	360,605	34,327	397,322,081
1997	December	407,568	5,734,139	35,124,490	285,965,728	n/a	911,018	278,907	60,639	412,200,044
1998	December	2,658,000	15,561,000	103,504,000	320,218,000	56,295,000	3,124,000	478,000	71,437	668,902,711
1999	December	3,425,000	5,486,000	243,449,000	420,113,000	85,470,000	1,814,000	113,000	90,063	759,870,000
2000	December	3,009,000	3,321,000	286,351,000	722,509,000	60,329,000	887,000	943,000	123,912	1,077,349,000
2001	December	3,410,000	6,246,000	240,532,000	748,969,000	126,125,000	776,000	0	107,051	1,126,058,000
2002	December	4,417,000	1,781,000	61,260,000	820,790,000	126,391,000	11,568,000	0	90,717	1,026,207,000
2003	December	1,296,000	937,000	60,826,000	1,073,601,000	245,500,000	18,887,000	0	142,739	1,401,047,000
2004	December	2,115,000	1,160,000	113,430,000	1,711,617,000	275,796,000	1,941,000	309,000	185,865	2,106,368,000
2005	December	4,080,000	664,000	133,339,000	1,842,074,000	489,030,000	29,906,000	2,637,000	223,517	2,501,730,000
2006	December	3,834,381	7,982,996	216,432,400	3,017,605,320	583,679,310	89,906,868	4,254,000	324,999	3,923,695,275
2007	December	119,394,381	6,139,996	372,405,400	4,229,593,320	904,680,310	124,871,868	106,000	488,638	5,757,191,275
2008	January	1,725,381	6,056,996	347,265,400	4,120,764,320	1,331,557,310	103,956,868	106,000	493,226	5,911,432,275
	February	2,195,381	8,184,996	314,857,400	4,023,539,320	1,516,859,310	77,966,868	106,000	503,052	5,943,709,275
	March	2,386,381	8,420,996	275,589,400	4,205,259,320	1,483,660,310	121,296,868	106,000	483,830	6,096,719,275
	April	1,964,381	8,517,996	230,049,400	3,840,506,320	1,893,468,310	127,131,868	97,000	478,618	6,101,735,275
	May	4,576,381	7,656,996	199,500,400	3,930,434,320	2,019,374,310	172,559,868	97,000	471,139	6,334,199,275
	June	4,525,381	8,612,996	154,253,400	3,999,198,320	2,102,392,310	144,291,868	93,000	695,913	6,413,367,275
	July	4,983,381	7,523,996	149,007,400	4,322,855,320	2,135,027,310	154,315,868	15,312,000	711,664	6,789,025,275
	August	6,677,381	8,602,996	137,714,400	4,504,381,320	2,238,187,310	150,726,868	15,167,000	765,208	7,061,457,275
	September	7,597,381	496,996	1,479,604	4,619,198,320	2,295,634,310	123,004,868	15,306,000	746,622	7,062,717,479
	October	5,357,381	298,996	1,482,204	5,253,195,320	2,307,905,629	111,797,868	19,765,000	760,244	7,699,802,397
	November	7,389,381	298,996	1,477,364	5,204,369,492	2,450,946,755	136,320,868	19,741,000	747,777	7,820,543,856
	December	6,738,381	695,996	1,468,494	5,388,889,492	2,453,585,807	129,239,868	16,792,000	705,391	7,997,410,038
2009	January	5,137,381	608,996	154,137,400	5,654,534,436	2,487,357,881	128,527,868	3,685,000	825,076	8,433,988,962
	February	6,054,381	294,996	144,575,400	6,032,198,061	2,478,720,504	109,147,868	0	770,552	8,770,991,210
	March	7,848,000	295,000	154,524,000	5,989,298,000	2,528,744,000	105,150,000	0	814,649	8,785,859,000
	April	8,331,381	280,996	157,023,400	5,957,255,254	2,504,161,190	113,246,868	0	744,226	8,740,299,089
	May	9,127,381	285,996	149,002,400	5,599,316,580	2,509,684,852	127,322,868	0	664,872	8,394,740,077
	June	8,375,381	284,996	156,743,400	5,531,307,745	2,372,404,090	379,332,868	0	606,158	8,448,448,480
	July	4,593,381	268,996	151,623,400	5,518,993,968	2,389,733,983	402,149,868	0	611,603	8,467,363,597
	August	7,573,381	17,940,996	218,284,400	5,372,297,429	2,404,732,310	342,909,868	0	638,192	8,363,738,384
	September	11,214,381	40,469,996	197,077,400	5,117,289,320	2,485,983,310	448,409,868	0	611,853	8,300,444,275
	October	44,276,381	110,948,996	212,035,400	5,105,741,320	2,485,996,310	403,430,868	0	661,449	8,362,429,275
	November	49,310,381	140,312,996	202,734,400	5,067,701,320	2,507,450,310	357,822,868	0	665,542	8,325,332,275
	December	43,758,381	157,003,996	208,491,400	4,839,931,320	2,498,840,310	350,224,868	0	629,395	8,098,250,275
2010	January	48,528,561	153,321,996	191,748,387	4,496,765,661	2,612,825,678	401,624,432	0	592,896	7,904,814,714
	February	46,884,351	151,766,044	185,647,533	4,750,064,208	2,499,155,183	410,975,082	0	575,968	8,044,492,401
	March	25,437,381	136,011,996	148,562,864	4,666,458,471	2,557,060,915	375,129,023	0	582,543	7,908,660,650
	April	25,872,381	134,664,996	164,880,507	4,688,417,409	2,562,740,189	360,227,645	0	572,194	7,936,803,127
	May	9,828,381	136,636,996	163,790,736	5,039,634,810	2,560,272,173	388,006,583	0	589,169	8,298,169,680
	June	68,910,491	140,205,996	57,494,567	5,162,270,076	2,592,382,272	403,855,468	0	597,078	8,425,118,871
	July	61,874,381	143,091,996	91,028,201	5,014,896,572	2,617,766,038	386,111,013	0	590,167	8,314,768,202
	August	68,310,430	146,323,996	78,726,586	4,995,742,145	2,684,043,608	394,861,298	0	597,284	8,368,008,063
	September	285,497,381	149,707,996	84,328,550	5,107,803,828	2,731,473,479	390,801,245	0	618,261	8,749,612,479
	October	290,188,381	152,940,996	111,763,264	5,116,235,920	2,796,316,223	370,287,920	0	617,456	8,837,732,705
	November	285,502,381	153,376,996	121,790,721	5,278,305,447	2,962,967,873	403,675,667	0	671,010	9,205,619,086
	December	305,771,355	122,861,996	115,266,059	5,348,983,243	2,965,521,348	361,027,771	0	639,617	9,219,431,772
2011	January	311,751,444	89,989,141	124,988,907	5,837,883,480	2,896,271,288	355,197,902	267	656,888	9,616,082,430
	February	312,310,743	58,658,353	125,460,833	5,881,717,009	2,917,367,663	272,531,863	260	626,419	9,568,046,723
	March	308,931,083	48,878,120	129,003,135	6,358,109,836	2,664,437,137	311,895,793	259	682,962	9,821,255,363
	April	310,911,875	26,072,231	145,771,235	6,228,921,047	2,903,870,938	293,016,345	281	686,892	9,908,563,952
	May	305,523,572	550,996	151,378,739	6,453,242,725	3,017,062,888	299,837,544	285	705,372	10,227,596,749
	June	307,250,382	331,624,010	120,888,366	6,526,394,718	3,171,484,953	290,600,858	288	700,260	10,748,243,576
	July	365,291,468	326,127,376	102,992,547	6,586,151,059	3,162,417,222	293,088,525	287	728,150	10,836,068,484
	August	681,370,571	3,619,996	108,149,753	6,755,157,734	3,269,116,888	318,639,896	297	778,072	11,136,055,135
	September	681,863,476	5,665,996	285,808,590	6,585,220,445	3,310,864,820	314,951,955	290	788,964	11,184,375,572
	October	450,426,074	6,399,996	285,589,611	7,038,307,726	3,325,556,120	328,756,477	390	811,691	11,435,036,395
	November	462,564,277	266,621,996	75,097,447	7,026,089,824	3,666,989,937	394,672,430	429	895,126	11,892,036,340
	December	462,328,122	307,958,996	98,704,257	7,060,291,225	3,700,063,733	378,208,711	429	921,211	12,007,555,473

Source: Bank of Zambia

Notes: (1) Exchange rate used is the commercial banks' monthly weighted retail average selling rate. (2) N/A refers to data not available. (3) Column on US$ refers to loans and advances in US$ which are converted at market exchange rate and are part of the total loans and advances

STRUCTURE OF INTEREST RATES (PERCENT PER YEAR)

TABLE 11

End of period		Central Bank	Penalty rate	Treasury bill rates: 28 days	91 days	182 days	273 days	364 days	Government bond: 12 months	18 months	24 months	3 year	5 year	7 year	10 year	15 year	Savings	24 hr call	7-90 day	Weighted lending base rate	Weighted Interbank rate
1995	December	51.5	66.7	41.7	41.5	38.9	0.0		43.6	-	n/a						28.7	31.1	36.7	47.7	33.1
1996	December	70.0	82.5	57.5	60.0	61.4	0.0		37.0	-	n/a						27.1	30.5	44.6	57.4	50.4
1997	December	23.3	38.8	13.8	20.3	22.3	0.0		23.3	-	n/a						18.2	14.7	25.4	37.9	13.8
1998	December	43.4	59.2	34.2	33.4	31.4	0.0		43.9	-	n/a						9.3	7.1	16.4	37.4	16.0
1999	December	46.2	61.1	36.1	36.2	36.4	0.0		48.1	49.2	0.0						11.2	7.9	21.0	42.6	13.2
2000	December	44.1	36.5	11.5	34.1	36.7	38.6		38.7	43.3	45.8						11.5	6.5	20.0	37.5	16.4
2001	December	48.5	55.2	41.5	37.3	59.5	46.4	17.0	54.1	55.0	55.4	21.6	25.3				8.7	7.0	24.3	46.7	25.4
2002	December	36.0	55.1	25.1	34.0	33.0	34.0	17.7	44.8	46.3	43.5	22.8	25.8				8.3	7.9	22.5	43.1	9.6
2003	December	15.8	50.0	n/a	13.8	15.8	17.0	17.4	19.6	23.2	24.3	22.0	25.2				7.6	8.1	21.1	36.8	6.1
2004	December	18.3	49.3	n/a	16.5	18.5	19.8	17.0	19.9	21.3	22.2	22.2	25.0				5.6	5.3	11.1	29.8	12.6
2005	December	17.1	44.0	n/a	15.6	16.6	16.9	17.1	16.0	17.0	19.0	22.4	24.9				6.1	4.6	10.4	26.7	24.9
2006	December	10.7	38.2	n/a	9.3	9.2	9.9	10.3	n/a	n/a	10.5	12.2	13.6				6.1	4.9	10.3	21.6	7.9
2007	December	13.5	38.4	n/a	11.5	12.7	13.0	13.3	n/a	n/a	14.4	15.4	15.8	17.3	18.8	19.9	4.8	3.1	6.3	18.3	10.4
2008	January	13.2	37.0	n/a	11.2	12.5	13.0	13.6	n/a	n/a	14.6	15.4	15.7	17.3	18.8	19.9	4.8	3.1	6.3	18.4	10.4
	February	12.6	38.9	n/a	10.6	11.8	12.4	13.6	n/a	n/a	15.2	15.2	15.8	17.3	18.8	19.8	4.8	2.9	6.4	18.3	10.6
	March	12.9	39.5	n/a	10.9	12.0	12.8	13.8	n/a	n/a	15.3	15.2	15.9	17.2	18.6	19.4	4.8	2.6	6.6	18.2	11.0
	April	13.0	40.0	n/a	11.0	11.7	12.7	13.8	n/a	n/a	15.2	15.1	16.0	17.2	18.6	19.4	4.8	2.6	6.6	18.2	10.6
	May	14.1	39.1	n/a	12.1	13.0	13.4	13.6	n/a	n/a	14.6	15.6	16.5	17.2	18.5	19.4	4.8	2.6	6.6	18.2	10.7
	June	14.1	38.3	n/a	12.1	13.0	13.6	13.7	n/a	n/a	14.6	16.1	17.1	17.2	18.4	19.3	4.8	2.6	6.6	18.5	11.0
	July	14.1	40.1	n/a	12.1	12.6	13.5	13.8	n/a	n/a	14.1	15.4	16.1	17.3	18.4	19.3	4.8	2.6	6.6	18.6	11.9
	August	14.3	40.0	n/a	12.3	13.4	13.6	13.9	n/a	n/a	14.9	15.5	16.4	17.2	18.2	19.2	4.8	2.6	6.6	18.6	11.1
	September	14.5	40.5	n/a	12.5	13.5	13.8	14.4	n/a	n/a	14.9	15.6	16.5	17.3	18.4	19.3	4.8	2.6	6.6	19.6	11.7
	October	15.3	42.9	n/a	13.3	14.7	15.0	16.8	n/a	n/a	15.8	15.9	16.5	17.3	18.4	19.3	4.8	2.6	6.6	20.6	14.2
	November	12.0	43.4	n/a	13.9	15.9	16.4	18.0	n/a	n/a	16.6	16.2	17.9	17.3	18.4	19.3	4.8	2.6	6.6	20.6	16.0
	December	15.9	37.3	n/a	13.9	15.8	16.1	18.4	n/a	n/a	16.6	16.2	18.2	17.3	18.4	19.3	4.8	2.6	6.6	20.8	12.8
2009	January	15.8	40.7	n/a	13.8	15.9	17.0	18.3	n/a	n/a	17.1	16.9	19.0	17.3	18.4	19.3	4.8	2.6	6.6	20.9	9.5
	February	16.3	40.3	n/a	14.3	15.9	17.5	18.3	n/a	n/a	17.5	18.4	19.5	17.3	18.4	19.3	4.8	2.6	6.6	20.9	8.2
	March	16.0	39.2	n/a	14.0	15.9	17.2	18.2	n/a	n/a	17.3	18.4	19.5	17.2	18.4	19.2	4.8	2.6	6.6	20.9	11.4
	April	16.2	39.1	n/a	14.2	15.7	17.0	18.4	n/a	n/a	18.9	19.0	20.0	17.2	18.2	19.2	4.8	2.6	6.6	20.7	12.3
	May	15.9	41.3	n/a	13.9	15.7	16.0	18.0	n/a	n/a	17.9	18.6	19.0	17.2	18.2	19.2	4.7	2.7	6.9	21.6	12.0
	June	15.6	41.5	n/a	13.6	15.4	16.4	18.6	n/a	n/a	18.5	18.4	19.0	17.2	18.2	19.2	4.7	2.9	7.4	22.4	12.0
	July	17.1	37.9	n/a	15.1	16.4	17.3	19.5	n/a	n/a	18.5	19.4	19.9	17.2	18.2	19.2	4.7	2.9	7.4	22.4	11.9
	August	18.1	38.0	n/a	16.1	16.4	17.3	18.2	n/a	n/a	18.3	19.7	20.2	17.2	19.6	19.2	4.7	2.9	7.4	23.0	12.1
	September	17.5	37.9	n/a	15.5	16.1	17.0	18.1	n/a	n/a	18.1	19.7	20.0	17.2	19.6	19.2	4.7	2.9	7.4	23.1	11.8
	October	16.6	34.8	n/a	14.6	15.7	16.5	16.7	n/a	n/a	17.0	18.9	20.0	17.2	19.6	19.2	4.7	2.9	7.4	23.1	8.1
	November	12.0	31.3	n/a	10.0	11.9	13.5	14.6	n/a	n/a	15.9	17.1	17.6	17.9	18.9	18.9	4.7	2.9	7.4	23.1	5.1
	December	8.3	29.9	n/a	6.3	8.5	11.0	11.7	n/a	n/a	15.5	16.8	17.5	17.9	18.9	18.9	4.7	2.9	7.4	22.7	4.2
2010	January	8.4	28.1	n/a	6.4	7.4	8.5	9.1	n/a	n/a	13.0	14.3	17.3	17.9	18.9	18.9	4.7	2.9	7.4	22.7	4.6
	February	6.0	26.1	n/a	4.0	4.8	6.1	7.0	n/a	n/a	11.0	12.0	15.3	16.8	18.3	18.6	4.7	2.9	7.4	22.6	2.1
	March	4.0	23.6	n/a	2.0	3.0	2.9	5.0	n/a	n/a	8.0	9.5	12.3	16.8	18.3	18.6	4.7	2.9	7.4	22.6	1.6
	April	4.0	25.6	n/a	2.0	2.4	2.7	4.2	n/a	n/a	7.6	7.6	9.1	16.8	18.3	18.6	4.7	2.9	7.4	21.5	1.5
	May	6.3	28.1	n/a	4.3	4.0	5.2	6.3	n/a	n/a	8.6	9.5	9.5	14.7	15.7	16.2	4.7	2.9	7.4	21.3	1.5
	June	6.9	27.4	n/a	4.9	6.0	6.6	6.7	n/a	n/a	8.9	10.8	9.5	14.7	15.7	16.2	4.7	2.9	7.4	21.0	1.5
	July	6.9	27.7	n/a	4.9	7.4	7.9	8.5	n/a	n/a	10.2	12.0	11.0	14.7	15.7	16.2	4.7	2.9	7.4	20.6	1.7
	August	7.6	28.2	n/a	5.6	7.7	7.9	8.1	n/a	n/a	9.5	11.9	12.4	13.9	14.0	15.1	4.7	2.9	7.4	20.1	2.0
	September	7.6	29.7	n/a	5.6	7.5	7.4	8.2	n/a	n/a	9.2	11.0	13.1	13.9	14.0	15.1	4.7	2.9	7.4	19.9	1.8
	October	5.8	28.6	n/a	3.8	5.1	7.1	7.8	n/a	n/a	8.0	9.0	12.9	13.9	14.0	15.1	4.7	2.9	7.4	19.6	1.8
	November	6.5	29.5	n/a	4.5	6.0	7.0	8.0	n/a	n/a	8.0	9.0	12.5	14.0	15.0	15.5	4.7	2.9	7.4	19.6	2.5
	December	9.5	31.2	n/a	7.5	8.0	8.2	9.6	n/a	n/a	8.0	9.0	12.5	14.0	15.0	15.5	4.7	2.9	7.4	19.4	6.2
2011	January	7.3	-	n/a	5.3	6.7	7.2	7.9	n/a	n/a	8.6	11.1	12.9	14.0	15.0	15.5	4.7	2.9	5.6	19.1	1.7
	February	6.5	27.6	n/a	4.5	7.3	7.4	7.9	n/a	n/a	10.0	11.6	13.3	14.3	15.4	17.0	4.7	2.7	5.4	19.1	1.7
	March	7.9	30.3	n/a	5.9	9.2	10.0	9.8	n/a	n/a	11.7	11.0	13.8	14.3	15.4	17.0	4.7	2.7	5.3	19.1	2.8
	April	7.7	32.7	n/a	5.7	8.1	8.5	9.9	n/a	n/a	11.7	12.0	14.9	14.3	15.4	17.0	4.7	2.7	5.3	19.1	3.0
	May	7.7	29.5	n/a	5.7	9.2	10.0	10.3	n/a	n/a	12.4	12.1	16.2	14.3	15.4	16.8	4.7	2.7	5.3	19.1	3.3
	June	8.4	32.1	n/a	6.4	11.0	10.5	11.1	n/a	n/a	12.8	12.5	16.5	14.3	15.4	16.8	4.3	2.7	5.3	19.0	4.1
	July	9.6	34.3	n/a	7.6	10.0	13.0	13.9	n/a	n/a	13.5	10.0	17.0	14.3	15.4	16.8	4.3	2.7	5.3	19.0	3.5
	August	9.4	32.6	n/a	7.4	10.5	12.6	13.4	n/a	n/a	14.5	13.9	16.9	14.3	15.4	17.0	4.3	2.7	5.3	19.0	4.9
	September	9.9	36.0	n/a	7.9	10.7	13.5	14.8	n/a	n/a	14.8	14.2	15.9	14.3	15.4	17.0	4.3	2.7	5.3	19.0	11.4
	October	11.3	37.5	n/a	9.3	12.0	15.0	15.9	n/a	n/a	15.5	16.4	17.2	14.3	15.4	17.0	4.3	2.7	5.3	19.0	15.0
	November	9.3	35.5	n/a	7.3	9.6	10.8	12.6	n/a	n/a	13.7	14.6	13.8	15.0	15.9	16.2	4.3	2.7	5.3	18.6	5.7
	December	9.0	35.5	n/a	7.0	9.5	11.4	13.5	n/a	n/a	14.7	15.1	15.4	15.0	15.9	16.2	4.3	2.7	5.3	16.6	10.2

Source: Bank of Zambia

COMMERCIAL BANK INTEREST RATES (PERCENT PER YEAR)

TABLE 12

	End of Period	Weighted lending base rate	Weighted interbank rate	Savings rates: less than K100,000	Savings rates: more than K100,000	Deposits over K20 million: 24 hr call	7 day	14 day	30day	30day	60 day	180 day
1995	December	47.7	33.1	28.7	30.6	31.1	31.3	38.2	40.9	40.9	40.0	33.1
1996	December	57.4	50.4	27.1	30.2	30.5	31.1	40.7	47.0	47.0	47.3	32.0
1997	December	37.9	13.8	14.8	18.0	14.6	19.1	23.5	27.2	27.2	28.5	24.3
1998	December	37.4	16.0	9.3	7.1	7.1	8.3	6.0	14.9	14.9	13.6	13.3
1999	December	42.6	13.2	7.6	7.9	7.9	14.8	14.0	19.5	19.5	21.3	19.8
2000	December	37.5	16.4	10.2	11.5	6.5	11.9	18.2	17.8	17.8	18.8	12.7
2001	December	46.7	25.4	4.1	8.7	7.0	13.3	17.8	19.8	19.8	23.1	26.8
2002	December	43.1	9.6	4.1	8.0	6.6	10.9	13.5	18.3	18.3	21.3	22.3
2003	December	36.8	6.1	5.5	7.6	8.1	12.4	12.4	17.3	17.3	20.4	20.4
2004	December	29.8	12.6	3.6	5.6	5.3	4.6	5.0	8.2	8.2	10.9	10.9
2005	December	26.7	24.9	3.6	6.1	4.6	4.6	6.7	8.4	8.4	10.7	9.5
2006	December	21.6	7.9	3.6	6.1	4.9	4.6	6.7	8.4	8.4	10.6	9.4
2007	December	18.3	10.4	3.5	4.8	3.1	2.8	3.5	4.8	4.8	6.3	6.0
2008	January	18.4	10.4	3.5	4.8	3.1	2.8	3.5	4.8	4.8	6.3	6.0
	February	18.3	10.6	3.5	4.8	2.9	2.8	3.5	4.9	4.9	6.4	6.1
	March	18.2	11.0	3.5	4.8	2.6	2.8	3.5	5.0	5.0	6.5	6.4
	April	18.2	10.6	3.5	4.8	2.6	2.8	3.5	5.0	5.0	6.5	6.4
	May	18.2	10.7	3.5	4.8	2.6	2.8	3.5	5.0	5.0	6.5	6.4
	June	18.5	11.0	3.5	4.8	2.6	2.8	3.5	5.0	5.0	6.5	6.4
	July	18.6	11.9	3.5	4.8	2.6	2.8	3.5	5.0	5.0	6.5	6.4
	August	18.6	11.1	3.5	4.8	2.6	2.8	3.5	5.0	5.0	6.5	6.4
	September	19.6	11.7	3.5	4.8	2.6	2.8	3.5	5.1	5.1	6.5	6.6
	October	20.6	14.2	3.5	4.8	2.6	2.8	3.5	5.1	5.1	6.5	6.6
	November	20.6	16.0	3.5	4.8	2.6	2.8	3.5	5.1	5.1	6.5	6.6
	December	20.8	12.8	3.5	4.8	2.6	2.8	3.5	5.1	5.1	6.5	6.6
2009	January	20.9	9.5	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	February	20.9	8.2	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	March	20.9	11.4	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	April	20.7	12.3	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	May	21.6	12.0	3.5	4.7	2.7	3.1	3.7	5.3	6.9	6.9	7.0
	June	22.4	12.0	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	July	22.4	11.9	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	August	23.0	12.1	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	September	23.1	11.8	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	October	23.1	8.1	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	November	23.1	5.1	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	December	22.7	4.2	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
2010	January	22.7	4.6	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	February	22.6	2.1	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	March	22.6	1.6	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	April	21.3	1.5	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	May	21.3	1.5	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	June	20.7	1.5	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	July	20.5	1.7	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	August	20.1	2.0	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	September	19.9	1.8	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	October	19.6	1.8	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	November	19.6	2.5	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	December	19.4	6.2	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
2011	January	19.2	1.7	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	February	19.1	1.7	3.7	4.7	2.8	3.5	4.0	5.4	7.1	7.2	7.2
	March	19.1	2.8	3.7	4.7	2.7	3.5	4.0	5.3	6.8	7.0	7.0
	April	19.1	3.0	3.7	4.7	2.7	3.5	4.0	5.3	6.8	7.0	7.0
	May	19.1	3.3	3.7	4.7	2.7	3.5	4.0	5.3	6.8	7.0	7.0
	June	19.0	4.1	3.7	4.4	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	July	19.0	3.5	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	August	19.0	4.9	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	September	19.0	11.4	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	October	19.0	15.0	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	November	18.6	5.7	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	December	16.6	10.2	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8

Source: Bank of Zambia

KWACHA/US DOLLAR EXCHANGE RATES

TABLE 13

Period Monthly Average		Bank of Zambia Rates Buying	Bank of Zambia Rates Selling	Bank of Zambia Rates Mid	Bureau Rates Buying	Bureau Rates Selling	Bureau Rates Mid
1995	December	937.78	956.53	947.16	937.78	956.53	947.16
1996	December	1,272.27	1,292.62	1,282.45	1,294.97	1,328.81	1,263.38
1997	December	1,382.90	1,405.03	1,393.97	1,410.16	1,487.67	1,448.92
1998	December	2,263.34	2,299.55	2,281.45	2,329.97	2,445.95	2,387.96
1999	December	2,573.00	2,614.17	2,593.59	2,643.93	2,727.98	2,685.96
2000	December	4,079.32	4,141.36	4,110.34	4,227.64	4,418.45	4,323.05
2001	December	3,790.01	3,850.65	3,820.33	4,114.04	4,203.50	4,158.77
2002	December	4,702.43	4,777.67	4,740.05	4,897.96	5,000.82	4,949.39
2003	December	4,548.02	4,607.49	4,577.75	4,672.50	4,769.25	4,720.88
2004	December	4,621.82	4,681.36	4,651.51	4,700.06	4,794.46	4,747.26
2005	December	3,383.32	3,449.36	3,416.34	3,542.77	3,650.17	3,596.47
2006	December	4,117.86	4,137.81	4,127.83	4,123.88	4,204.66	4,164.27
2007	December	3,826.89	3,846.87	3,836.88	3,842.57	3,912.63	3,877.60
2008	January	3,782.78	3,802.77	3,792.78	3,827.45	3,899.61	3,863.53
	February	3,743.59	3,763.59	3,753.59	3,779.37	3,848.70	3,814.04
	March	3,658.93	3,678.90	3,668.91	3,707.63	3,797.10	3,752.36
	April	3,507.24	3,527.24	3,517.24	3,558.59	3,634.10	3,596.34
	May	3,389.20	3,409.20	3,397.73	3,380.16	3,450.84	3,415.50
	June	3,239.71	3,259.70	3,249.70	3,286.19	3,360.71	3,325.49
	July	3,383.37	3,403.37	3,393.37	3,397.92	3,472.84	3,435.38
	August	3,437.79	3,452.29	3,452.79	3,471.28	3,556.37	3,513.83
	September	3,528.43	3,545.57	3,539.85	3,540.94	3,623.13	3,582.04
	October	4,034.33	4,054.33	4,044.33	3,927.09	4,028.39	3,977.74
	November	4,246.98	4,266.99	4,256.98	4,211.06	4,333.22	4,272.14
	December	4,872.97	4,892.97	4,882.97	4,718.77	4,837.05	4,777.91
2009	January	5,007.32	5,027.32	5,017.32	4,965.33	5,065.85	5,015.59
	February	5,397.00	5,417.00	5,407.00	5,341.69	5,464.15	5,402.92
	March	5,587.81	5,607.81	5,597.81	5,564.98	5,672.96	5,618.97
	April	5,648.85	5,667.35	5,660.35	5,620.32	5,714.39	5,667.35
	May	5,176.38	5,196.38	5,186.38	5,197.16	5,341.67	5,269.42
	June	5,062.58	5,082.58	5,073.76	5,040.99	5,150.09	5,095.54
	July	5,124.32	5,144.18	5,134.32	5,139.30	5,239.34	5,189.32
	August	4,822.39	4,842.39	4,832.39	4,845.12	4,954.52	4,899.82
	September	4,644.90	4,664.90	4,654.91	4,655.60	4,747.29	4,701.45
	October	4,650.15	4,739.92	4,660.16	4,660.47	4,750.72	4,705.60
	November	4,641.47	4,661.46	4,651.46	4,648.94	4,722.92	4,685.93
	December	4,657.86	4,677.80	4,667.83	4,651.92	4,730.93	4,691.43
2010	January	4,504.49	4,524.49	4,513.99	4,494.14	4,587.91	4,541.03
	February	4,660.46	4,680.46	4,670.46	4,630.01	4,713.10	4,671.55
	March	4,683.15	4,700.76	4,695.53	4,665.31	4,748.15	4,706.73
	April	4,663.51	4,683.51	4,673.51	4,655.38	4,738.91	4,697.14
	May	4,956.20	4,976.35	4,966.35	4,881.84	4,971.64	4,926.74
	June	5,106.55	5,126.55	5,116.55	5,067.76	5,158.71	5,113.23
	July	5,007.00	5,027.02	5,017.02	5,006.82	5,101.00	5,053.91
	August	4,907.41	4,927.41	4,917.41	4,908.63	4,990.93	4,949.78
	September	4,856.39	4,876.39	4,866.39	4,862.69	4,945.69	4,904.19
	October	4,682.83	4,702.83	4,692.83	4,710.33	4,786.22	4,748.27
	November	4,687.71	4,707.71	4,697.71	4,675.73	4,761.95	4,718.84
	December	4,725.74	4,745.74	4,735.74	4,716.25	4,813.31	4,764.78
2011	January	4,759.89	4,779.89	4,769.89	4,747.97	4,830.64	4,789.30
	February	4,759.55	4,779.54	4,769.55	4,761.16	4,840.67	4,800.92
	March	4,745.38	4,765.38	4,755.38	4,742.75	4,842.09	4,792.42
	April	4,689.48	4,709.48	4,699.48	4,698.55	4,773.63	4,736.09
	May	4,739.85	4,759.85	4,749.85	4,728.31	4,789.31	4,758.81
	June	4,801.94	4,821.93	4,811.94	4,768.77	4,846.64	4,807.70
	July	4,817.84	4,837.84	4,827.84	4,802.46	4,882.65	4,842.55
	August	4,917.54	4,937.54	4,927.54	4,877.43	4,955.46	4,916.45
	September	4,909.19	4,929.19	4,919.19	4,892.08	4,971.94	4,932.01
	October	4,940.82	4,960.82	4,950.82	4,913.35	5,015.01	4,964.18
	November	5,017.48	5,037.48	5,027.48	4,974.94	5,060.77	5,017.85
	December	5,107.29	5,127.29	5,117.29	5,068.71	5,153.52	5,111.11

Source: Bank of Zambia

Note: Since July 2003, the Bank of Zambia has established a broad-based foreign exchange trading system as the new mechanism for determining the exchange rate in Zambia. This implies that Bank of Zambia has ceased to auction foreign exchange to the market on behalf of major foreign exchange earners. Foreign exchange earners can now transact directly with a commercial bank of their choice.

COMMERCIAL BANKS FOREIGN EXCHANGE RATES

TABLE 14

Monthly Avg.	Non Banks US$			Bureaux US$	INTERBANK US$			UK Pound			EURO			SAR			Zim Dollar		
	Buying	Selling	Mid-rate	Selling	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate
2003																			
December	4,568.78	4,600.96	4,584.87	4,650.84	4,563.79	4,598.38	4,581.08	7,950.13	8,143.45	8,046.79	5,581.91	5,710.97	5,646.44	698.34	721.86	710.10	5.54	5.86	5.70
2004																			
December	4,632.00	4,706.63	4,655.29	4,723.04	4,639.23	4,670.94	4,655.08	8,871.69	9,062.65	8,967.17	6,118.46	6,272.23	6,195.34	803.82	827.20	815.51	0.81	0.85	0.83
2005																			
December	3,400.23	3,509.19	3,454.71	3,528.19	3,407.90	3,449.49	3,428.69	5,923.89	6,160.35	6,042.12	4,098.74	4,233.91	4,166.33	534.52	560.02	547.27	0.06	0.07	0.06
2006																			
December	3,400.23	3,509.19	3,454.71	3,528.19	3,407.90	3,449.49	3,428.69	5,923.89	6,160.35	6,042.12	4,098.74	4,233.91	4,166.33	534.52	560.02	547.27	0.06	0.07	0.06
2007																			
December	3761.91	3888.67	3825.29	3896.12	3828.65	3845.77	3837.21	7624.97	7887.18	7756.07	5,395.86	5,576.06	5,485.96	578.52	600.72	589.62	0.13	0.13	0.13
2008																			
January	3741.79	3862.65	3802.22	3853.27	3789.58	3805.45	3797.51	7395.43	7631.49	7513.46	5,476.84	5,645.20	5,561.02	584.28	603.62	593.95	0.13	0.13	0.13
February	3708.13	3823.78	3765.95	3807.59	3751.11	3767.75	3759.43	7312.38	7544.29	7428.34	5544.39	5715.17	5629.78	571.47	590.51	580.99	0.12	0.13	0.13
March	3632.28	3751.04	3691.66	3731.87	3673.70	3688.11	3680.90	7291.89	7532.03	7411.96	5561.72	5709.80	5635.76	579.83	597.14	588.49	0.12	0.13	0.13
April	3475.53	3600.76	3538.14	3588.06	3519.34	3538.47	3528.90	6909.85	7155.20	7032.53	5387.69	5525.35	5456.52	570.28	587.34	578.81	0.12	0.12	0.12
May	3334.01	3467.96	3400.98	3471.30	3394.12	3414.00	3404.06	6595.67	6845.27	6720.47	5191.17	5336.40	5263.79	542.54	559.26	550.90	0.12	0.12	0.12
June	3,200.8	3,331.0	3,265.9	3,330.8	3,243.5	3,264.2	3,253.8	6,319.4	6,569.0	6,444.2	5160.39	5310.33	5235.36	540.45	557.54	549.00	0.12	0.12	0.12
July	3,314.5	3,456.8	3,385.6	3,465.6	3,385.4	3,403.8	3,394.6	6,612.7	6,895.5	6,754.1	5345.52	5498.33	5421.93	546.69	563.38	555.03	0.13	0.13	0.13
August	3,379.2	3,520.7	3,449.9	3,526.4	3,440.8	3,455.8	3,448.3	6,422.2	6,691.0	6,556.6	5397.13	5563.01	5480.07	549.28	567.83	558.55	236.54	241.32	238.93
September	3,463.2	3,604.8	3,534.0	3,612.6	3,530.3	3,549.1	3,539.7	6,269.4	6,526.0	6,397.7	5346.27	5511.11	5428.69	555.65	574.70	565.17	49.29	50.20	49.75
October	3,951.9	4,112.9	4,032.4	4,115.5	4,030.8	4,059.1	4,044.9	6,704.2	6,708.4	6,852.5	5407.09	5577.98	5492.53	552.20	573.60	562.90	17.96	18.32	18.14
November	4,151.6	4,350.9	4,251.2	4,398.5	4,253.5	4,293.0	4,273.3	6,367.1	6,708.4	6,537.8	5448.40	5623.04	5535.72	548.72	570.12	559.42	1.8	1.8	1.8
December	4,814.2	4,915.8	4,865.0	5,454.8	4,823.9	4,944.1	4,884.0	7,103.6	7,419.8	7,261.7	6,315.0	6,621.8	6,468.4	486.2	507.7	496.9	0.0	0.0	0.0
2009																			
January	4,887.8	5,025.0	4,956.4	5,179.6	4,893.6	4,952.1	4,922.9	7,095.7	7,375.0	7,235.3	6,407.3	6,691.4	6,549.3	500.2	522.4	511.3			
February	5,307.0	5,487.6	5,397.3	5,488.9	5,422.1	5,419.6	5,420.8	7,621.6	7,880.3	7,751.0	6,724.4	6,922.0	6,823.2	528.8	551.0	539.9			
March	5,479.4	5,666.0	5,572.7	5,676.9	5,525.9	5,592.2	5,559.1	7,788.1	8,051.2	7,919.7	7,169.5	7,385.6	7,277.5	549.5	573.9	561.7			
April	5,562.6	5,745.4	5,654.0	5,737.7	5,650.8	5,672.8	5,661.8	8,122.8	8,428.5	8,275.7	7,330.0	7,552.6	7,441.3	608.9	634.3	621.6			
May	5,117.3	5,321.6	5,219.5	5,305.6	5,176.3	5,206.6	5,191.5	7,849.9	8,147.2	7,998.5	6,961.2	7,200.9	7,081.0	603.9	630.8	617.3			
June	4,957.6	5,137.7	5,047.7	5,144.6	5,027.0	5,049.2	5,038.1	8,066.2	8,397.8	8,232.0	6,969.4	7,183.1	7,076.3	608.2	636.5	622.4			
July	5,060.3	5,241.7	5,151.0	5,236.0	5,134.3	5,161.0	5,147.7	8,239.4	8,536.7	8,388.1	7,108.6	7,338.5	7,223.5	628.0	654.8	641.4			
August	4,749.4	4,929.1	4,839.2	4,915.2	4,822.6	4,844.3	4,833.5	7,837.1	8,111.4	7,974.2	6,799.4	6,987.1	6,893.2	598.5	624.3	611.4			
September	4,565.8	4,735.1	4,650.5	4,719.3	4,526.6	4,546.6	4,536.6	7,301.7	7,567.6	7,434.6	6,545.3	6,773.0	6,659.1	592.9	618.0	605.4			
October	4,583.3	4,751.4	4,667.3	4,728.5	4,657.7	4,677.7	4,667.7	7,447.6	7,710.4	7,579.0	6,800.8	7,029.4	6,915.1	613.1	638.4	625.7			
November	4,566.6	4,730.7	4,648.7	4,712.5	4,645.0	4,667.2	4,656.1	7,610.6	7,859.6	7,735.1	6,819.8	7,028.6	6,924.2	606.0	632.0	619.0			
December	4,598.3	4,760.1	4,679.2	4,742.6	4,678.4	4,697.3	4,687.8	7,524.5	7,755.1	7,639.8	6,745.4	6,950.3	6,847.9	613.3	637.5	625.4			
2010																			
January	4,442.7	4,604.3	4,523.5	4,585.1	4,519.0	4,540.9	4,529.9	7,253.4	7,489.5	7,371.5	6,409.6	6,624.2	6,516.9	597.8	621.7	609.7			
February	4,569.3	4,735.3	4,652.3	4,717.0	4,665.3	4,687.1	4,676.2	7,201.2	7,422.1	7,311.6	6,291.8	6,499.2	6,395.5	598.2	621.4	609.8			
March	4,608.2	4,778.3	4,693.3	4,747.5	4,685.4	4,706.2	4,695.8	6,929.6	7,179.4	7,054.5	6,256.0	6,473.8	6,364.9	617.4	641.8	629.6			
April	4,592.0	4,757.8	4,674.9	4,723.5	4,669.1	4,686.6	4,677.9	7,014.6	7,280.2	7,147.4	6,175.0	6,367.2	6,271.1	620.0	645.0	632.5			
May	4,860.2	5,042.9	4,951.6	4,983.7	4,934.5	4,963.3	4,948.9	7,132.6	7,366.2	7,249.4	6,151.1	6,370.8	6,261.0	635.9	663.1	649.5			
June	5,008.7	5,200.6	5,097.7	5,182.1	5,106.2	5,139.6	5,122.9	7,390.5	7,646.6	7,518.6	6,145.4	6,383.0	6,264.2	651.6	677.9	664.8			
July	4,923.6	5,119.7	5,021.6	5,085.4	5,005.6	5,037.7	5,021.6	7,529.3	7,783.3	7,656.3	6,299.7	6,520.9	6,410.3	650.5	679.8	665.1			
August	4,827.4	5,019.8	4,923.6	4,975.5	4,905.7	4,937.6	4,921.6	7,551.6	7,806.9	7,679.3	6,243.6	6,445.3	6,344.5	657.2	685.0	671.1			
September	4,785.1	4,961.8	4,873.4	4,921.0	4,853.5	4,884.9	4,869.2	7,435.7	7,684.6	7,560.1	6,243.8	6,445.2	6,344.5	663.4	691.5	677.5			
October	4,619.7	4,785.4	4,702.5	4,753.1	4,682.1	4,712.5	4,697.3	7,262.1	7,515.2	7,388.7	6,393.0	6,614.9	6,504.0	662.6	690.2	676.4			
November	4,606.8	4,774.1	4,690.5	4,742.5	4,687.0	4,718.4	4,702.7	7,252.4	7,503.0	7,377.7	6,303.3	6,527.8	6,415.5	657.1	685.6	671.3			
December	4,642.9	4,816.8	4,729.9	4,788.9	4,712.6	4,752.5	4,732.5	7,247.4	7,504.6	7,376.0	6,160.2	6,395.4	6,277.8	675.9	706.6	691.2			
2011																			
January	4,685.5	4,855.5	4,770.5	4,818.5	4,757.3	4,789.6	4,773.5	7,361.9	7,625.1	7,493.5	6,242.4	6,471.3	6,356.9	675.0	706.2	690.6			
February	4,685.9	4,856.9	4,771.4	4,825.0	4,758.7	4,789.4	4,774.1	7,539.0	7,816.1	7,677.5	6,396.2	6,632.0	6,514.1	652.0	681.2	666.6			
March	4,673.4	4,846.7	4,760.1	4,805.8	4,744.6	4,776.3	4,760.5	7,530.2	7,815.8	7,673.0	6,504.1	6,750.3	6,627.2	671.7	703.2	687.5			
April	4,620.4	4,794.3	4,707.4	4,762.4	4,693.0	4,723.7	4,708.4	7,539.3	7,810.9	7,675.1	6,625.7	6,872.6	6,749.1	682.2	714.8	698.5			
May	4,660.1	4,831.3	4,745.7	4,807.9	4,737.5	4,769.0	4,753.2	7,582.1	7,873.7	7,727.9	6,662.5	6,902.8	6,782.6	676.0	709.1	692.6			
June	4,708.0	4,876.1	4,792.1	4,848.9	4,789.8	4,812.7	4,801.3	7,637.7	7,934.7	7,786.2	6,747.8	6,998.3	6,873.1	687.8	721.5	704.7			
July	4,741.5	4,888.2	4,814.9	4,881.5	4,822.2	4,839.9	4,831.0	7,633.7	7,907.6	7,770.6	6,772.3	7,008.8	6,890.6	693.2	726.8	710.0			
August	4,834.8	5,008.8	4,921.8	4,993.6	4,919.8	4,943.5	4,931.6	7,894.3	8,182.9	8,038.6	6,925.7	7,168.8	7,047.2	679.3	713.8	696.5			
September	4,826.7	5,019.8	4,923.2	4,981.2	4,912.9	4,935.9	4,924.4	7,617.2	7,924.2	7,770.7	6,654.1	6,910.5	6,782.3	639.1	677.1	658.1			
October	4,843.3	5,042.4	4,942.8	5,036.4	4,944.5	4,967.8	4,956.1	7,601.2	7,922.7	7,761.9	6,586.3	6,887.4	6,736.9	603.0	642.7	622.9			
November	4,917.2	5,116.1	5,016.7	5,351.6	5,014.7	5,048.8	5,031.8	7,766.3	8,063.7	7,915.0	6,679.4	6,939.9	6,809.7	598.5	636.7	617.6			
December	5,006.0	5,196.0	5,101.0	5,446.0	5,100.2	5,136.9	5,118.5	7,797.8	8,114.1	7,956.0	6,599.0	6,858.2	6,728.6	606.2	643.7	624.9			

Source: Bank of Zambia

FOREIGN EXCHANGE TRANSACTIONS (IN MILLIONS OF US DOLLARS) — TABLE 15

Period Monthly/Annual Totals		Bank of Zambia Inflows: Purchases from ZCCM (1)	Bank of Zambia Inflows: Other Non-GRZ	Bank of Zambia Inflows: Donor Inflows	Bank of Zambia Outflows: Dealing	Bank of Zambia Outflows: Other Non-GRZ	Bank of Zambia Outflows: GRZ Debt Servicing	Bank of Zambia Outflows: GRZ Other Uses	Gross International Reserves (2)
1995	December	393.79	43.25	302.09	458.88	51.09	330.98	72.07	210.53
1996	December	85.80	214.60	175.12	154.90	37.84	218.54	97.45	211.00
1997	December	45.05	114.20	141.21	36.96	20.49	150.06	68.72	237.88
1998	December	28.00	28.44	5.24	30.80	19.89	130.82	52.16	68.56
1999	December	16.36	9.60	199.64	25.30	23.95	153.98	40.08	45.33
2000	December	0.00	120.79	297.42	27.40	49.52	139.28	50.53	713.58
2001	December	16.66	8.35	0.91	38.90	0.23	115.22	1.46	116.46
2002	December	15.60	0.18	337.35	-33.50	0.40	113.67	2.68	489.78
2003	December	0.00	14.14	45.29	1.00	2.63	124.81	2.35	285.70
2004	December	0.00	12.41	1.60	2.00	9.67	6.55	1.00	337.23
2005	December	0.00	18.60	67.45	-5.000	17.52	138.34	1.12	450.68
2006	December	0.00	21.44	2.80	22.70	14.30	3.31	3.97	731.35
2007	December	0.00	73.51	2.20	-6.50	54.21	5.38	5.19	1,105.18
2008	January	0.00	41.51	38.51	14.00	49.44	-0.50	21.02	1,106.71
	February	0.00	33.82	17.52	0.00	24.20	8.04	3.92	1,121.89
	March	0.00	41.92	100.92	-13.00	23.73	7.04	1.22	1,245.73
	April	0.00	77.83	0.00	-19.50	24.27	5.42	7.30	1,306.06
	May	0.00	45.48	54.73	9.50	32.71	3.02	5.25	1,355.79
	June	0.00	29.99	38.16	-6.50	12.20	2.11	2.75	1,413.39
	July	0.00	58.39	43.18	33.50	23.98	3.81	18.62	1,435.05
	August	0.00	15.61	0.00	5.00	49.25	11.48	33.79	1,351.65
	September	0.00	51.63	0.86	19.00	71.26	4.53	16.57	1,292.78
	October	0.00	29.78	2.15	48.00	84.12	4.93	3.01	1,184.64
	November	0.00	28.69	10.62	11.50	44.73	5.65	4.74	4,620.84
	December	0.00	104.62	8.17	67.50	84.63	2.05	5.96	5,692.70
2009	January	0.00	50.58	0.76	46.50	56.86	3.31	-9.67	1,064.32
	February	0.00	17.48	2.45	135.50	26.31	2.99	0.38	919.07
	March	0.00	49.53	79.02	34.00	40.00	4.48	2.11	967.02
	April	0.00	47.74	0.00	26.00	33.17	3.81	4.90	946.89
	May	0.00	45.96	173.46	18.50	12.46	2.95	-0.41	1,132.80
	June	0.00	38.48	22.92	3.50	17.06	2.00	0.46	1,171.17
	July	0.00	25.67	32.01	0.00	24.29	3.45	4.31	1,196.80
	August	0.00	596.91	9.35	-1.00	27.25	13.82	3.33	1,759.66
	September	0.00	93.02	0.58	4.00	27.89	3.80	3.63	1,813.94
	October	0.00	90.76	34.09	63.50	23.38	4.46	1.53	1,845.93
	November	0.00	32.26	72.25	15.00	5.74	8.30	9.35	1,912.05
	December	0.00	53.23	171.49	28.00	69.84	2.64	87.10	1,949.18
2010	January	0.00	44.54	1.74	-9.50	39.23	3.23	35.51	1927.00
	February	0.00	12.95	41.36	25.00	51.65	2.86	49.01	1852.79
	March	0.00	41.85	30.66	-1.50	42.08	4.55	27.33	1852.84
	April	0.00	87.96	8.16	-11.50	31.39	3.98	2.14	1922.95
	May	0.00	92.91	22.06	102.50	120.69	5.04	3.09	1833.34
	June	0.00	79.59	0.78	67.00	63.14	1.92	2.72	1778.93
	July	0.00	249.64	12.75	-14.00	6.40	11.31	1.41	2036.19
	August	0.00	21.71	20.42	24.50	39.75	1.54	-0.66	2013.19
	September	0.00	183.85	4.91	38.00	12.41	3.10	1.62	2146.81
	October	0.00	76.38	0.30	-10.00	23.02	2.25	43.53	2164.69
	November	0.00	64.15	52.10	-4.00	80.50	1.85	61.76	2140.83
	December	0.00	53.97	103.40	11.00	24.75	43.87	99.86	2118.72
2011	January	0.00	140.23	0.36	43.50	19.17	1.29	5.25	2,190.11
	February	0.00	54.60	0.70	37.19	38.50	4.46	61.36	2,103.88
	March	0.00	44.67	42.36	-8.50	55.30	3.84	9.66	2,130.60
	April	0.00	252.22	0.25	-22.00	20.04	2.30	12.23	2,370.50
	May	0.00	43.24	2.02	24.00	63.47	0.85	17.94	2,326.66
	June	0.00	384.56	31.14	69.50	50.74	2.76	7.92	2,611.44
	July	95.00	33.73	14.45	60.00	29.05	2.58	6.65	2,656.34
	August	0.00	175.85	0.98	90.00	27.99	13.81	36.11	2,665.27
	September	135.79	62.17	8.13	152.50	116.89	8.95	9.28	2,583.73
	October	0.00	212.65	0.14	34.00	120.21	7.66	2.69	2,631.96
	November	0.00	72.28	76.57	38.00	188.15	5.56	40.44	2,508.66
	December	0.00	40.44	28.31	0.00	92.81	3.22	134.34	2,347.03

Source: Bank of Zambia

Note:(1) Inflows from Zambia Consolidated Copper Mines (ZCCM). ZCCM no longer exists after privatisation of the mining sector (2) Gross International Reserves are as at the end of each month

CONSUMER PRICES INDICES BY INCOME GROUP (1994 WEIGHTS) (CPI) BASE 1994 = 100

TABLE 16

	Period	TOTAL INDEX Nos (1994=100)	Non Metropolitan Group Percentage Change		Metropolitan Low-income Group Percentage Change		Metropolitan High-income Group Percentage Change		Weighted Average Percentage Change			Monthly Non-Food Inflation % Change
			Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Annualised	
1995	December	161.6	3.3	49.5	3.4	46.1	2.2	40.8	3.0	46.0	42.3	3.2
1996	December	218.5	4.2	34.8	5.1	34.6	3.7	36.4	4.3	35.2	65.5	2.5
1997	December	259.1	2.3	19.0	2.0	17.2	1.6	19.1	2.0	18.6	27.0	-0.8
1998	December	338.3	5.9	30.7	5.9	31.1	5.0	30.0	5.6	30.6	93.4	1.2
1999	December	408.1	1.5	20.0	1.6	18.5	2.1	23.6	1.7	20.6	22.3	-0.7
2000	December	531.1	2.4	28.3	2.2	27.1	3.4	35.6	2.6	30.1	36.1	2.9
2001	December	630.3	4.0	21.7	4.1	19.0	2.1	14.1	3.5	18.7	51.1	1.4
2002	December	798.3	4.6	26.2	5.5	31.5	3.8	23.2	4.6	26.7	71.5	2.5
2003	December	935.3	3.5	16.3	3.0	15.8	2.0	19.8	2.9	17.2	40.9	2.2
2004	December	1,099.0	2.6	17.8	2.7	16.7	1.1	17.8	2.2	17.5	29.8	1.3
2005	December	1,273.2	1.5	16.4	1.7	16.6	-0.4	14.4	1.0	15.9	12.7	-0.6
2006	December	1,378.1	1.3	7.6	1.3	5.6	0.9	11.6	1.2	8.2	15.4	1.0
2007	December	1,501.2	1.5	8.4	1.8	7.9	0.8	10.7	1.3	8.9	16.8	0.8
2008	January	1,527.9	1.7	8.5	1.9	8.9	1.8	10.9	1.8	9.3	23.9	1.9
	February	1,566.4	3.0	9.4	2.9	9.3	1.6	9.9	2.5	9.5	34.5	1.1
	March	1,582.7	1.2	9.7	0.8	9.3	1.0	10.2	1.0	9.8	12.7	0.8
	April	1,587.2	0.1	10.2	0.6	10.2	0.2	10.0	0.3	10.1	3.7	0.4
	May	1,594.1	0.0	10.6	0.7	11.4	0.9	10.8	0.4	10.9	4.9	0.5
	June	1,615.3	1.4	11.9	2.0	13.9	0.7	10.9	1.3	12.1	16.8	-0.1
	July	1,628.7	0.4	12.0	0.6	13.9	1.7	12.5	0.8	12.6	10.0	2.3
	August	1,643.0	0.6	12.1	1.1	15.4	1.1	13.2	0.9	13.2	11.4	0.3
	September	1,664.2	1.1	12.7	1.1	16.4	1.8	14.7	1.3	14.2	16.8	2.3
	October	1,684.1	1.3	14.6	0.4	16.0	1.7	15.4	1.2	15.2	15.4	1.5
	November	1,708.3	1.6	14.5	1.7	16.7	1.0	15.3	1.4	15.3	18.2	0.7
	December	1,749.8	2.8	16.0	3.0	18.1	1.4	16.0	2.4	16.6	32.9	1.2
2009	January	1,773.0	2.1	16.6	1.1	17.1	0.3	14.3	1.3	16.0	16.8	0.3
	February	1,785.0	0.6	13.9	0.0	13.9	1.3	14.0	0.7	14.0	8.7	1.6
	March	1,789.9	0.3	13.0	-0.5	12.4	0.8	13.8	0.3	13.1	3.7	1.3
	April	1,813.7	1.0	13.9	2.5	14.4	1.0	14.7	1.3	14.3	16.8	0.8
	May	1,828.0	0.5	14.6	1.2	15.1	0.8	14.5	0.8	14.7	10.0	1.0
	June	1,847.9	1.2	14.4	0.9	13.9	1.1	14.9	1.1	14.4	14.0	1.2
	July	1,856.5	0.4	14.4	0.6	13.9	0.4	13.4	0.5	14.0	6.2	0.8
	August	1,877.4	1.2	15.1	1.2	14.0	0.9	13.2	1.1	14.3	14.0	1.0
	September	1,879.9	0.3	14.2	0.2	13.0	-0.1	11.2	0.1	13.0	1.2	0.7
	October	1,890.8	0.7	13.5	0.3	12.8	0.6	10.0	0.6	12.3	7.4	1.2
	November	1,905.1	0.8	12.6	0.7	11.7	0.7	9.7	0.8	11.5	10.0	0.4
	December	1,923.5	1.1	10.8	1.2	9.7	0.6	8.9	1.0	9.9	12.7	1.1
2010	January	1,942.4	1.2	9.7	1.0	9.7	0.7	9.2	1.0	9.6	12.7	0.4
	February	1,959.3	0.8	9.9	0.6	10.3	1.2	9.2	0.9	9.8	11.4	1.0
	March	1,972.2	0.5	10.1	0.6	11.5	0.9	9.2	0.7	10.2	8.7	1.0
	April	1,981.0	0.3	9.3	0.6	9.5	0.5	8.8	0.4	9.2	4.9	0.9
	May	1,994.0	0.4	9.2	0.2	8.4	1.4	9.5	0.7	9.1	8.7	1.4
	June	1,992.4	-0.4	7.5	-0.4	6.9	0.7	9.0	-0.1	7.8	-1.2	1.3
	July	2,013.0	0.8	7.9	1.2	7.6	1.2	9.9	1.0	8.4	12.7	1.6
	August	2,031.5	0.8	7.5	0.1	6.5	1.7	10.8	0.9	8.2	11.4	1.7
	September	2,024.9	-0.4	6.8	-0.5	5.7	-0.1	10.8	-0.3	7.7	-3.5	-0.1
	October	2,028.7	0.4	6.4	0.4	5.8	-0.2	9.9	0.2	7.3	2.4	-0.1
	November	2,040.2	0.5	6.0	0.4	5.6	0.8	9.9	0.6	7.1	7.4	0.8
	December	2,075.7	1.9	6.9	2.4	6.8	1.0	10.3	1.7	7.9	22.4	0.9
2011	January	2,117.9	1.9	7.7	2.1	8.0	2.1	11.9	2.0	9.0	26.8	1.8
	February	2,136.2	0.4	7.3	0.6	8.0	1.8	12.5	0.9	9.0	11.4	1.6
	March	2,154.1	0.9	7.7	0.5	7.9	1.0	12.6	0.8	9.2	10.0	1.9
	April	2,154.9	-0.1	7.3	-0.1	7.1	0.3	12.3	0.4	8.8	4.9	0.5
	May	2,171.0	0.7	7.6	0.9	7.9	0.7	11.5	0.7	8.9	8.7	0.8
	June	2,171.0	-0.3	7.7	0.1	8.5	0.4	11.2	0.0	9.0	0.0	0.4
	July	2,193.6	1.0	8.0	1.2	8.5	0.9	10.8	1.0	9.0	12.7	1.1
	August	2,200.3	0.2	7.3	0.1	8.4	0.6	9.7	0.3	8.3	3.7	0.9
	September	2,203.5	0.0	7.7	0.1	9.1	0.3	10.1	0.1	8.8	1.2	0.3
	October	2,205.4	0.2	7.6	-0.1	8.6	0.0	10.4	0.1	8.7	1.2	-0.1
	November	2,205.7	0.1	7.2	0.4	8.5	-0.3	9.1	0.0	8.1	0.0	-0.5
	December	2,226.0	0.8	6.0	1.0	7.1	1.0	9.1	0.9	7.2	11.4	1.0

Source: Central Statistical Office

TREASURY BILL TRANSACTIONS (IN MILLIONS OF KWACHA) (FACE VALUE UNLESS OTHERWISE INDICATED) — TABLE 17

Period		Treasury Bills Tender Sales						Settlement value	Maturites	Special Taps & Off-Tender Sales	Re-discounts	Total Outstanding Bills
		28 Days	91 Days	182 Days	273 Days	364 Days	Total Sales					
1995	December	947,454.8	133,789.5	32,563.5	N/a		1,113,807.8	1,067,059.6	1,111,683.1	113,222.0	93,620.3	211,403.3
1996	December	1,460,360.5	321,309.4	46,956.8	n/a		1,828,626.4	1,597,371.6	1,790,302.5	97,341.5	178,153.8	231,802.0
1997	December	586,437.0	564,869.5	154,802.0	n/a		1,306,108.5	1,217,575.8	1,346,526.2	54,276.0	70,101.9	248,032.5
1998	December	481,595.0	403,860.0	35,075.0	n/a		920,530.0	837,764.4	1,010,197.4	57,231.7	49,805.0	217,360.9
1999	December	1,040,240.0	414,286.0	47,970.0	n/a		1,502,496.0	1,440,115.7	1,558,906.6	102,462.9	46,518.0	263,413.2
2000	December	255,340.0	586,940.0	311,120.0	28,210.0		1,181,610.0	1,074,191.2	1,182,147.8	81,778.9	106,054.0	4,016,755.9
2001	December	28,825.0	70,350.0	43,250.0	23,270.0	20,100.0	165,695.0	142,233.9	160,514.0	13,717.0	4,260.0	676,701.6
2002	December	19,080.0	61,270.0	33,035.0	36,220.0	141,365.0	149,605.0	132,868.3	185,017.0	10,878.0	12,650.0	817,612.8
2003	December	0.0	85,070.0	93,875.0	89,920.0	131,653.0	268,865.0	243,720.6	197,585.0	0.0	0.0	1,325,561.0
2004	December	0.0	85,530.0	83,360.0	51,455.0	169,315.0	220,345.0	203,454.6	241,337.0	31,000.0	4,050.0	1,438,873.0
2005	December	0.0	87,601.0	98,410.0	97,595.0	154,166.9	437,772.9	381,954.5	319,604.0	0.0	0.0	2,088,647.9
2006	December	0.0	64,169.0	90,208.0	71,448.0	808,352.0	1,033,897.9	325,182.6	437,583.0	0.0	0.0	3,261,990.8
2007	December	0.0	27,548.0	39,860.0	22,230.0	75,034.0	164,672.0	148,513.4	203,679.0	0.0	0.0	3,437,014.9
2008	January	0.0	53,114.0	56,215.0	66,844.0	138,700.0	314,873.0	283,728.2	289,204.0	0.0	0.0	3,484,330.8
	February	0.0	62,889.2	93,448.4	70,659.0	215,480.0	442,476.6	403,001.6	418,929.0	0.0	0.0	3,507,878.4
	March	0.0	20,256.0	43,915.0	65,280.0	138,700.0	268,151.0	237,309.2	165,126.0	0.0	0.0	3,610,902.5
	April	0.0	27,735.0	81,810.0	30,790.0	132,195.0	272,530.0	247,648.4	383,367.0	0.0	0.0	3,500,065.5
	May	0.0	57,638.0	63,765.0	76,585.0	178,489.0	376,477.0	337,760.6	523,553.2	0.0	0.0	3,352,989.3
	June	0.0	34,277.0	72,400.0	64,514.0	205,695.0	376,886.0	331,577.5	146,020.0	0.0	0.0	3,583,855.3
	July	0.0	18,619.0	45,434.0	60,679.0	148,710.0	273,442.0	226,980.3	314,443.0	0.0	0.0	3,542,854.3
	August	0.0	57,291.0	49,002.0	44,680.0	160,950.0	311,923.0	283,042.1	391,966.4	0.0	0.0	3,462,810.9
	September	0.0	49,184.0	36,355.0	20,522.0	55,836.0	161,897.0	145,469.8	206,252.0	0.0	0.0	3,418,455.9
	October	0.0	27,936.0	25,430.0	10,000.0	91,007.0	154,373.0	134,269.5	364,125.0	0.0	0.0	3,208,703.9
	November	0.0	54,651.0	53,938.0	37,629.0	137,566.0	283,784.0	248,769.8	281,893.0	0.0	0.0	3,210,594.9
	December	0.0	46,560.0	40,277.0	21,149.0	899,796.1	1,007,782.1	227,808.7	969,121.9	0.0	0.0	3,249,255.1
2009	January	0.0	62,700.0	65,960.0	49,680.0	247,148.0	425,488.0	369,026.2	310,379.0	0.0	0.0	3,364,364.1
	February	0.0	69,270.0	44,243.0	29,949.0	153,944.0	297,406.0	263,387.2	328,199.0	0.0	0.0	3,333,571.1
	March	0.0	74,901.0	78,327.0	67,844.0	219,158.0	440,230.0	384,710.4	286,129.0	0.0	0.0	3,487,672.1
	April	0.0	57,170.0	65,059.0	44,929.0	150,180.0	317,338.0	280,345.8	257,875.0	0.0	0.0	3,547,135.1
	May	0.0	108,555.0	86,489.0	69,990.0	303,463.0	568,497.0	502,436.8	404,565.0	0.0	0.0	3,669,083.1
	June	0.0	72,432.0	27,729.0	19,413.0	254,886.0	374,460.0	310,025.2	381,246.0	0.0	0.0	3,662,297.1
	July	0.0	82,467.0	61,795.0	41,925.0	220,211.0	406,398.0	342,651.1	303,230.0	0.0	0.0	3,765,465.1
	August	0.0	95,580.0	80,232.0	65,438.0	217,679.0	458,929.0	405,088.8	330,510.0	0.0	0.0	3,893,884.1
	September	0.0	77,249.0	48,401.0	69,146.0	166,448.0	361,244.0	320,965.7	222,171.0	0.0	0.0	4,032,957.1
	October	0.0	84,100.0	82,297.0	85,390.0	178,680.0	430,467.0	381,642.9	253,364.0	0.0	0.0	4,210,060.1
	November	0.0	83,162.0	87,014.0	88,288.0	187,308.0	445,772.0	400,254.7	305,795.0	0.0	0.0	4,350,037.1
	December	0.0	102,184.0	105,042.0	98,063.0	916,244.6	1,221,533.6	474,266.9	408,194.0	0.0	0.0	4,423,113.6
2010	January	0.0	61,799.5	64,018.0	87,270.0	177,947.0	391,034.5	353,379.0	399,802.0	0.0	0.0	4,414,346.1
	February	0.0	83,859.0	82,370.0	84,615.0	174,006.0	424,850.0	400,145.3	341,968.0	0.0	0.0	4,497,228.1
	March	0.0	80,497.0	61,129.0	78,935.0	142,285.0	362,846.0	346,184.7	371,376.0	0.0	0.0	4,488,698.1
	April	0.0	64,477.0	96,223.0	81,689.0	183,250.0	425,639.0	414,363.1	428,863.5	0.0	0.0	4,485,473.6
	May	0.0	46,614.0	54,425.0	71,128.0	172,290.0	344,457.0	331,437.3	416,797.0	0.0	0.0	4,413,133.6
	June	0.0	95,857.0	68,081.0	60,380.0	150,470.0	374,788.0	359,758.7	435,925.0	0.0	0.0	4,351,996.6
	July	0.0	92,808.0	93,538.0	85,005.0	192,491.0	463,842.0	441,988.2	530,322.0	0.0	0.0	4,285,516.6
	August	0.0	77,435.0	63,315.0	84,990.0	173,460.0	399,200.0	380,605.1	385,721.0	0.0	0.0	4,298,995.6
	September	0.0	30,160.0	20,135.0	36,295.0	166,285.0	252,875.0	237,351.2	414,246.0	0.0	0.0	4,137,624.6
	October	0.0	107,109.0	121,254.0	100,090.0	259,700.0	588,153.0	556,708.7	511,463.0	0.0	0.0	4,214,314.6
	November	0.0	73,492.0	76,991.0	91,421.0	222,744.0	464,648.0	431,291.2	403,783.0	0.0	0.0	4,275,179.6
	December	0.0	108,714.0	131,846.0	134,845.0	306,995.0	682,400.0	644,989.3	424,009.0	0.0	0.0	4,533,570.6
2011	January	0.0	105,336.0	100,949.0	117,340.0	287,396.0	611,021.0	576,033.2	425,778.0	0.0	0.0	4,718,813.6
	February	0.0	162,910.0	185,595.0	152,601.0	284,809.8	785,915.8	751,846.6	381,941.0	0.0	0.0	5,122,788.4
	March	0.0	78,364.0	64,765.0	195,135.0	188,990.0	649,004.0	760,681.3	325,534.0	0.0	0.0	5,446,258.4
	April	0.0	209,346.0	239,845.0	256,321.0	437,529.0	1,143,041.0	1,074,976.1	500,825.0	0.0	0.0	6,088,474.4
	May	0.0	65,769.0	53,870.0	75,970.0	111,070.0	306,679.0	287,913.7	497,181.0	0.0	0.0	5,897,972.4
	June	0.0	57,675.0	135,150.0	81,600.0	189,241.0	463,666.0	431,322.9	356,371.0	0.0	0.0	6,005,267.4
	July	0.0	134,911.0	170,224.0	117,040.0	341,260.0	763,435.0	704,063.2	628,857.3	0.0	0.0	6,139,845.1
	August	0.0	178,322.0	85,111.0	145,965.0	453,617.0	863,015.0	789,537.7	503,745.0	0.0	0.0	6,499,115.1
	September	0.0	66,566.0	61,254.0	109,455.0	353,468.0	590,743.0	533,866.5	580,100.0	0.0	0.0	6,509,758.1
	October	0.0	33,170.0	65,660.0	121,115.0	355,586.0	575,531.0	508,521.7	646,216.0	0.0	0.0	6,439,073.1
	November	0.0	96,096.0	110,515.0	215,423.0	426,297.0	848,331.0	771,216.8	608,137.0	0.0	0.0	6,679,268.1
	December	0.0	87,065.0	110,015.0	164,723.0	335,239.0	697,042.0	638,117.7	471,047.0	0.0	0.0	6,919,518.1

Source: Bank of Zambia

GRZ BONDS OUTSTANDING (IN MILLIONS OF KWACHA)

TABLE 18

End of period		By Holder		Total Outstanding
		Commercial banks	Others(c)	
1995	December	3,949.6	10,810.6	14,760.2
1996	December	17,324.2	14,371.0	31,695.2
1997	December	30,176.0	6,165.2	36,341.2
1998	December	19,714.0	5,680.2	25,394.2
1999	December	44,835.0	19,090.0	63,925.0
2000	December	126,033.1	75,671.9	201,705.0
2001	December	289,366.5	113,219.5	402,586.0
2002	December	395,675.7	237,887.3	633,563.0
2003	December	721,380.5	412,723.5	1,134,104.0
2004	December	841,986.6	287,995.6	1,129,982.2
2005	December	916,851.0	552,026.3	1,468,877.3
2006	December	992,339.7	1,120,618.5	2,112,958.1
2007	December	1,069,506.9	1,705,733.2	2,775,240.0
2008	January	1,127,534.7	1,713,370.0	2,840,904.7
	February	1,238,018.9	1,711,881.3	2,949,900.2
	March	1,207,500.1	1,810,602.5	3,018,102.6
	April	1,230,523.6	1,882,687.4	3,113,211.0
	May	1,330,602.5	1,856,145.9	3,186,748.4
	June	1,330,946.8	1,915,950.5	3,246,897.3
	July	1,179,503.7	1,907,949.6	3,087,453.4
	August	1,287,844.2	1,979,624.2	3,267,468.4
	September	1,313,387.8	2,030,697.8	3,344,085.7
	October	1,276,146.9	1,987,541.2	3,263,688.1
	November	1,385,047.2	1,854,013.3	3,239,060.6
	December	1,367,620.8	1,853,220.7	3,220,841.6
2009	January	1,397,496.5	1,891,921.5	3,289,418.0
	February	1,411,084.8	1,860,262.5	3,271,347.4
	March	1,351,874.8	1,806,337.5	3,158,212.3
	April	1,308,927.7	1,787,246.9	3,096,174.7
	May	1,347,111.2	1,773,213.8	3,120,325.0
	June	1,339,455.7	1,827,428.3	3,166,884.0
	July	1,493,389.6	1,785,439.3	3,278,829.0
	August	1,574,389.5	1,757,078.0	3,331,467.6
	September	1,677,673.6	1,705,463.2	3,383,136.7
	October	1,596,128.9	1,672,444.2	3,268,573.1
	November	1,713,458.8	1,612,752.5	3,326,211.3
	December	1,656,370.7	1,745,471.0	3,401,841.7
2010	January	1,791,867.6	1,673,897.0	3,465,764.6
	February	1,886,349.1	1,675,889.2	3,562,238.3
	March	1,959,823.5	1,661,668.2	3,621,491.7
	April	1,999,141.0	1,666,711.5	3,665,852.5
	May	1,988,955.9	1,735,796.0	3,724,751.9
	June	1,930,874.4	1,808,159.7	3,739,034.1
	July	1,918,974.1	1,816,794.2	3,735,768.3
	August	1,879,872.1	1,889,712.1	3,769,584.2
	September	1,877,052.1	1,953,868.8	3,830,920.9
	October	1,992,127.3	1,958,121.7	3,950,248.9
	November	1,903,622.1	2,048,989.0	3,952,611.1
	December	1,910,831.9	1,958,121.7	3,854,022.0
2011	January	1,892,409.7	2,057,020.4	3,949,430.1
	February	2,006,952.2	2,061,835.0	4,068,787.2
	March	2,129,374.3	2,045,728.0	4,175,102.3
	April	2,040,452.3	2,174,683.2	4,215,135.5
	May	2,020,416.5	2,323,629.9	4,344,046.4
	June	2,063,121.8	2,303,875.0	4,366,996.8
	July	1,934,980.7	2,407,264.5	4,342,245.2
	August	2,089,236.1	2,415,700.1	4,504,936.3
	September	2,286,236.2	2,403,578.1	4,689,814.3
	October	2,412,042.9	2,364,306.5	4,776,349.5
	November	2,518,356.7	2,468,022.1	4,986,378.8
	December	2,694,134.1	2,343,186.3	5,037,320.3

Source: Bank of Zambia