Bank Of Zambia

ANNUAL REPORT 2012

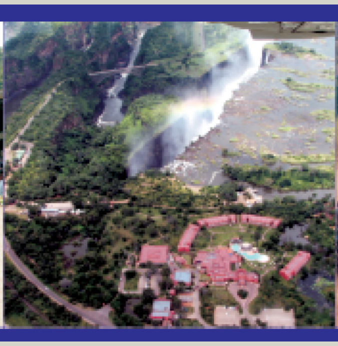




TABLE OF CONTENTS

Given its rich natural tourism resources, such as the numerous and spectacular waterfalls, world-recognised traditional ceremonies and unmatched game resource, Zambia is the opportune place to host the UNWTO General Assembly in Livingstone in August 2013.

Bank Of Zambia

MISSION STATEMENT

To achieve and maintain price and financial system stability for balanced macro-economic development.

VISION

To be a dynamic and credible central bank that adds value to the economic development of Zambia.

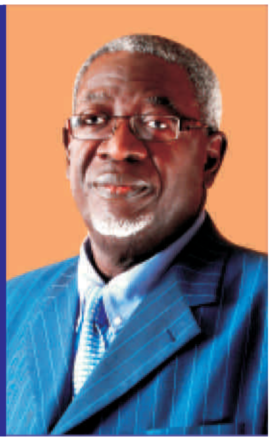
REGISTERED OFFICES

Head Office
Bank of Zambia, Bank Square, Cairo Road
P. O. Box 30080, Lusaka, 10101, Zambia
Tel: + 260 211 228888/228903-20
Fax: + 260 211 221764
E-mail:pr@boz.zm
Website: www.boz.zm

Regional Office
Bank of Zambia, Buteko Avenue,
P. O. Box 71511, Ndola, Zambia
Tel: +260 212 611633-52
Fax: + 260 212 614251
E-mail:pr@boz.zm
Website: www.boz.zm

DR. MICHAEL GONDWE
GOVERNOR AND CHAIRMAN

DR. KASUKA MUTUKWA
VICE CHAIRMAN



MRS. ALICE JERE TEMBO**

MR. FREDSON YAMBA

MS. KATEBE M. MUSONDA

MR. ESAU S.S NEBWE

MR. GILBERT K. TEMBA

HIS ROYAL HIGHNESS SENIOR CHIEF MWANTA ISHINDI KAZANDA CHANYIKA III

*All members of the Board are non-executive with the exception of the Chairman.
**Resigned in September 2012.

DR. BWALYA NGA'NDU
DEPUTY GOVERNOR - OPERATIONS

DR. MICHAEL GONDWE
GOVERNOR

DR. MULENGA EMMANUEL PAMU
DIRECTOR - ECONOMICS

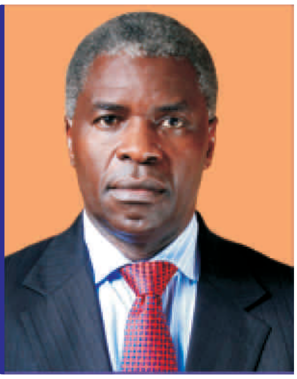
MR. PETER BANDA
DIRECTOR - FINANCIAL MARKETS

MS. GLADYS MPOSHA
ACTING DIRECTOR - NON-BANK FINANCIAL INSTITUTIONS SUPERVISION

MR FABIAN HARA
ACTING DIRECTOR - BANKING, CURRENCY AND PAYMENT SYSTEMS

MRS. NAMWANDI NDHLOVU
ACTING BOARD SECRETARY

MR. NOBERT MUMBA
ACTING DIRECTOR - BANK SUPERVISION



MR. CHISHA MWANAKATWE
DIRECTOR - REGIONAL OFFICE

MR. SIMON SAKALA
DIRECTOR - RISK AND STRATEGY

DR. TUKIYA KANKASA-MABULA
DEPUTY GOVERNOR-ADMINISTRATION

MR. CHISHIMBA YUMBE
DIRECTOR - FINANCE

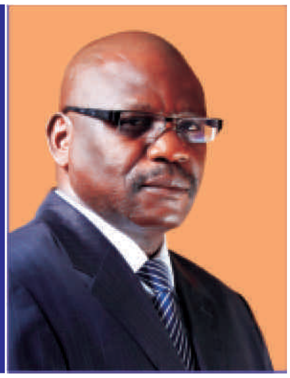
MR. MATHEW CHISUNKA
DIRECTOR - LEGAL SERVICES

MS. PENELOPE MAPOMA
ACTING DIRECTOR - HUMAN RESOURCES

MR. DAVID MWAPE
DIRECTOR - INFORMATION AND COMMUNICATIONS TECHNOLOGY

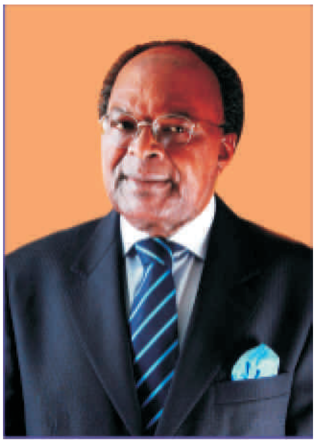
MS. PRUDENCE MALILWE
DIRECTOR - INTERNAL AUDIT

MR. DAVID NKATA
DIRECTOR - PROCUREMENT AND MAINTENANCE



1.0 GOVERNOR'S OVERVIEW

1.0 GOVERNOR'S OVERVIEW



DR. MICHAEL GONDWE
GOVERNOR

For the second consecutive year, growth in the world economy declined to 3.2% in 2012 from 3.9% in 2011. The sluggish growth was mainly explained by the continued financial and economic stress in the Euro zone coupled with lower economic activity in other advanced countries, which as a group posted a growth of 1.3% compared with 1.6% in 2011. The rest of the regions also recorded low growth rates, suggesting, in part, an important role of spill-over effects from the euro area crisis as well as weak external and domestic demand in many Asian economies.

On the inflation front, almost all regions of the world recorded lower inflation levels, with an exception of the Middle East and North Africa that recorded an increase in the inflation rate. Higher inflation was mostly on account of rising food and oil prices, driven by geopolitical risks. During most part of the year, monetary policy generally eased and remained accommodative, largely in response to low economic activity. In part reflecting the financial and economic stress in the euro area, the current account deficit of advanced economies widened, while emerging and developing economies continued to record positive current account balances.

With respect to the domestic economy, Government's consistent pro-growth measures paid off as preliminary estimates indicate that growth in real Gross Domestic Product rose to 7.3% from 6.8% in 2011. Increased activities in construction, transport, storage and communications, trade, manufacturing, agriculture, and financial institutions and insurance sectors were largely credited for this outturn in the domestic economy.

In a quest to enhance the effectiveness of monetary policy, the Bank of Zambia introduced a Policy Rate effective April 2012, a shift from targeting monetary aggregates (quantities) to interest rates (prices). Henceforth, monetary policy aimed at maintaining the overnight interbank rate around 9.0%, within a corridor of 7% to 11%. Consistent with developments in inflation, the Policy Rate was revised in November 2012 to 9.25%, within a corridor of 7.25% to 11.25%.

Annual overall inflation was 7.3% in December 2012 compared with 6.0% in December 2011, and was broadly in line with the end-year target of 7.0%. This outturn was on account of a rise in food inflation, as non-food inflation slowed down. Equally, external sector performance was favourable, as the overall balance of payments surplus more than doubled to US $694.9 million from US $243.8 million in 2011. Consistent with this development, gross international reserves rose by 31.1% to US $3,043.9 million from US $2,322.0 million in 2011, explained by a buoyant capital and financial account balance.

Preliminary data showed that the Government budget recorded an overall fiscal deficit of K660.2 billion, on cash basis, although this was 86.2% lower than the programmed deficit of K4,777.2 billion. This was mainly attributed to lower than programmed expenditure as well as higher than programmed revenues.

During 2012, the performance of the Kwacha against most major foreign currencies was mixed, as the local currency depreciated by 5.7% and 4.5% against the US dollar and Pound Sterling, respectively. The losses in the Kwacha were largely on account of increased demand for the purchase of imports in line with increased economic activity during the year coupled with increased risk aversion by foreign investors towards emerging market assets emanating from the persistent Euro-zone debt crisis. The Kwacha, however, appreciated against the euro and rand by 2.3% and 6.6%, correspondingly. This reflected benefits from the unresolved Euro-zone debt crisis, which put the euro under pressure. A slackened South African economy, as a result of investor concerns emanating from miners strikes at some mines, which led to low output of major mineral exports, induced pressure on the rand to weaken against selected currencies, including the Kwacha.

The overall financial performance and condition of the banking sector as well as the non-bank financial institutions was rated satisfactory during the year under review. The aggregate capital adequacy and asset quality of the banking sector were rated satisfactory while profitability improved. On the regulatory front, the Bank adjusted upwards the minimum primary capital requirement for commercial banks. This measure was intended to make banks more resilient to financial instability and enable them to accommodate financing needs of the growing economy. During the year, notable progress was made as banks embarked on recapitalisation to meet the new requirement.

Other notable developments during 2012 were the commencement of the currency rebasing exercise following Government approval as well as the continued development of infrastructure for the implementation of the Cheque Truncation System in Zambia.

Going forward, the Bank faces a number of challenges, which include further lowering of lending rates to support the country's growth and diversification objectives, particularly through enhanced access to credit by the small and medium-sized enterprises. Pressures on the exchange rate and rising food prices will constitute further challenges in maintaining single digit inflation.

DR. MICHAEL GONDWE
GOVERNOR

1.1 STATEMENT ON CORPORATE GOVERNANCE

1.1 STATEMENT ON CORPORATE GOVERNANCE

The Bank of Zambia Board of Directors is fully committed to upholding the principles and tenets of good corporate governance in the manner that it controls and directs the Bank.

Board of Directors

Under the Bank of Zambia Act No. 43 of 1996, the Bank of Zambia Board of Directors is vested with all the powers of the Bank and is responsible for the formulation of policy of the Bank. The Board is composed of 8 members, who include the Governor as Chairperson, 6 Non-executive directors and 1 ex-officio member, the Secretary to the Treasury. The Governor is appointed by the President for a renewable period of up to 5 years and the non-executive directors are appointed by the Minister of Finance for a renewable period of 3 years.

The non-executive directors are independent and are not officials or employees of the Bank.

Board Meetings

In 2012, a total of 4 statutory and 10 Special Board meetings were held, during which a number of significant resolutions were passed, including the following:

i. Upward revision of the minimum capital requirements for commercial banks;
ii. Rebasing of the Zambian Kwacha; and
iii. Introduction of the Bank of Zambia Policy Rate.

Board Committees

The Board Committees are: Audit and Finance Committee, Appointments and Remuneration Committee, Governance Committee and Risk Management Committee.

The Committee functions are set out in the Committee charters and the membership is composed of independent non-executive Directors.

The Board of Directors also establishes the Monetary Policy Committee (MPC) which, subject to the oversight of the Board, is mandated to facilitate consultation, promote transparency and provide advice to the Bank on monetary policy with a view to achieving macroeconomic stability. This Committee approves the Bank's bi-annual Monetary Policy Statement.

The MPC membership is comprised of the Governor as Chairperson, a Non-executive director, the Deputy Governors, a representative each from the Ministry of Finance, University of Zambia and Copperbelt University and 4 members drawn from various economic sectors with professional and academic experience in business or financial matters and competent in matters relating to monetary policy.

Board Induction and Training

During the review period the Board underwent induction, through a retreat, on the role and functions of the Bank. The Board also received training in corporate governance principles and practices.

Corporate Social Responsibility

The Bank of Zambia commits itself to contribute to the social and collective well-being of the Zambian people by supporting various humanitarian, community, educational, environmental, sporting and health-related activities.

During the year 2012, the Bank disbursed a total of Sixty Million Kwacha (K60,000,000-00) to support various activities like the 2012 Education Awards under the Ministry of Education, Science, Vocational Training and Early Childhood Education and the operations of Our Lady's Hospice in Kalingalinga.

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

Overview

Global growth declined to 3.2% in 2012 from 3.9% in 2011 (see Table 1). The slowdown was largely explained by the continued financial and economic stress in the Euro zone coupled with slow growth in other advanced countries, particularly, the United States of America, as well as in major emerging and developing markets. Growth in advanced economies declined to 1.3% in 2012 from 1.6% in 2011. The rest of the regions also recorded low growth rates suggesting, in part, an important role of spill-over effects from the euro area crisis as well as weak external and domestic demand in many Asian economies, including China and India, Latin America (notably Brazil), and Europe.

Growth in Asia was estimated to have weakened, particularly in the first half of 2012, as activity in China slowed down due to tightening credit conditions and weaker external demand. In addition, growth in Sub-Saharan African was lower because of the regions' economic and financial integration with advanced economies. This lowered commodity prices, thus affecting commodity exporters.

Regarding inflation developments, almost all regions of the world recorded declines in inflation rates, with an exception of the Middle East and North Africa (MENA) that recorded an increase mostly because of rising food prices and a rise in oil prices driven by geopolitical risks.

Monetary policy however eased and remained accommodative during most part of 2012. The European Central Bank (ECB) for instance launched its Outright Monetary Transactions programme and broadened collateral requirements whilst the Federal Reserve purchased mortgage-backed securities and employed its other policy tools. The Bank of England expanded its quantitative easing program and employed other measures to encourage bank lending and ease access to wholesale credit, while various advanced economies (Australia, Czech Republic, Israel, Korea)cut policy rates or postponed rate hikes. The Emerging market and developing economies also launched a variety of easing measures in response to low economic activity.

With respect to the balance of payments, the current account deficit widened in advanced economies, while emerging and developing economies continued to record positive current account balances. Within the euro area, current account imbalances were experienced with large surpluses in Germany and the Netherlands whilst deficits were recorded in most periphery economies. The current account positions of the United States and Japan were weak whilst the current account positions of many Asian economies remained positive, resulting in large-scale official accumulation of foreign exchange reserves.

Global food markets were characterised by supply shortfalls, particularly for cereals due to various trade restrictions and high energy input costs. Trade restrictions were partially on account of low cereal output in US and parts of Europe, due to unfavourable weather conditions. This resulted in rising prices, which had adverse effects on headline inflation, especially for low and middle income countries where the share of food in the consumption basket was high and eroded the fiscal balance through higher government subsidies.

World Bank estimates show that average prices of soyabean meal on the international market increased by 49.7% to US $587.0 per mt in quarter four of 2012 from US $393.0 per mt in the corresponding quarter of 2011. Soybean meal, maize bran and wheat bran are among key livestock feeds. International average maize prices rose by 14.2% to US $317.2 per mt in the fourth quarter of 2012 from US $277.7 per mt in the fourth quarter of 2011. Rising food prices also had a negative effect on trade balances of food importing countries and exacerbated food insecurity among the majority of households, with social consequences and destabilised already fragile post conflict political systems in some cases.

Table 1: World Real GDP, Inflation and Current Account Positions, 2010-2012 ***(Annual % change unless otherwise stated)***

	Real GDP			Inflation			Current Account Positions (% of GDP)		
	2010	2011	2012*	2010	2011	2012*	2010	2011	2012*
World	5.1	3.9	3.2	n/a	n/a	n/a	n/a	n/a	n/a
Advanced Economies	3.0	1.6	1.3	1.5	2.7	1.9	0.0	-0.2	-0.4
United States	2.4	1.8	2.3	1.6	3.1	2.0	-3.0	-3.1	-3.1
Euro Area	2.0	1.4	-0.4	1.6	2.7	2.3	0.4	0.4	1.1
Japan	4.5	-0.8	2.2	-0.7	-0.3	0.0	3.7	2.0	1.6
Commonwealth of Independent States	4.8	4.9	3.6	7.2	10.1	6.8	3.6	4.6	4.2
Russia	4.3	4.3	3.6	6.9	8.4	5.1	4.7	5.3	5.3
Excluding Russia	6.0	6.2	3.9	7.9	14.0	10.8	0.4	2.2	1.3
Middle East and North Africa (MENA)	5.0	3.5	5.2	6.9	9.7	10.4	7.7	14.2	12.2
Emerging and Developing Countries	7.4	6.3	5.1	6.1	7.2	6.1	1.5	1.9	1.3
Sub-Saharan Africa	5.3	5.3	4.8	7.5	8.7	9.1	-1.2	-1.7	-3.2

Source: IMF: World Economic Outlook, October 2012, Zambia Budget Speech 2013.
World Economic Outlook UPDATE, January 2013
*Preliminary numbers; n/a = not applicable

Advanced Economies

Growth slowed down in advanced countries to 1.3% in 2012 from 1.6% in 2011, largely due to the sluggish recovery in the Euro area coupled with fiscal consolidation and a still-weak financial system. In the United States, a modest recovery with weak job creation continued, consistent with the broad evidence of significant effects of financial crises and housing busts. Weaker external conditions and global spill-overs discussed above, however, explained much of the slowing, with unfavourable weather conditions that affected growth during the year under review. Despite the above conditions, the US recorded a growth rate of 2.3% in 2012 compared with 1.8% in 2011.

The crisis in the euro area intensified in 2012 even with the policy actions and interventions that were put in place to resolve it. Economic activity in the euro area contracted mainly due to a cutback in domestic credit explained in turn by tight financial and fiscal conditions that prevailed in the periphery economies. Most banks relied on the ECB for funding as they struggled to attract investors and depositors. The rising uncertainty about the viability of the Economic and Monetary Union (EMU) was another hindrance on the region. The Euro area contracted by about 0.4% during 2012 compared with a growth of 1.4% in 2011.

Inflation in advanced economies declined to 1.9% in 2012 from 2.7% in 2011. This was largely due to lower commodity prices. In US and Japan, inflation declined to 2.0% and 2.3% in 2012 from 3.1% and 2.7% in 2011, respectively. However, disruption of oil supply remained a major concern.

The current account deficit (as a percentage of GDP) for advanced economies widened to 0.4% in 2012 from 0.2% in 2011, mainly on account of a deficit recorded in the USA. However, Japan and the Euro area recorded current account surpluses of 1.6% and 1.1 % in 2012 compared to 2.0% and 0.4% in 2011, respectively.

With the objective of stimulating global growth, monetary policy by most world central banks was eased and remained accommodative in 2012. For instance, the European Central Bank launched its Outright Monetary Transactions programme and broadened collateral requirements

Peoples' Bank of China, Beijing

European Central Bank, Brussels

Emerging and Developing Economies

Emerging and developing economies experienced a decline in economic performance mainly on account of sluggish exports from major exporters in the region. Exports were adversely affected by continued uncertainty in advanced economies. The region recorded a decline in real GDP to 5.1% in 2012 from 6.3% in 2011.

Growth is estimated to have weakened in developing Asia to 6.6% in 2012, as activity in China slowed sharply, owing to tightening in credit conditions and weaker external demand. India's economic activity suffered from lack of business confidence, sluggish structural reforms, policy rate hikes designed to reduce inflation, and weakening external demand. Notwithstanding this, China and India continued to be the main drivers of growth in this group, although their real GDP growth rates slowed down to 7.8% and 4.5% from 9.3% and 7.9% in 2011, respectively. Despite this slowdown, emerging and developing economies recorded the highest real GDP growth in the world.

Inflation slowed down in the region, to 6.1% in 2012 from 7.2% in 2011, mainly due to lower commodity prices. In the Asian region, inflation declined to 3.9% from 5.0%, with China's inflation declining to 3.0 % from 5.4%. However, the inflation rate in India rose to 10.2% from 8.9% during the same period.

With regard to external sector performance, the current account surplus for emerging market and developing countries declined to 1.3% of GDP in 2012 from 1.9% in 2011. In line with this, China's current account surplus declined to 2.3% from 2.8%., Similarly, India's current account deficit widened to 3.8% from 3.4% in 2011. The Sub-Saharan Africa region also posted a wider current account deficit of 3.2% in 2012 from a deficit of 1.7% in 2011.

Asian Economies

Slowing growth in China affected activity in the rest of Asia, reflecting strong linkages of different economies in the region. In other parts of Asia, however, activity was boosted by recovery from natural disasters, such as floods in India and Australia, and reconstruction, notably in Japan.

Inflation in the region declined to 3.9% in 2012 from 5.0% in 2011. This outturn was largely due to decline in commodity prices as well as lagged effects of the policy tightening in 2010/11 put in place to contain inflationary pressures. Almost all economies in the region recorded declines in the inflation rate with an exception of India that recorded an increase to 10.2% in 2012 from 8.9% in 2011, owing mainly to an increase in both energy and food prices.

With regard to the current account balance, the current account positions for a number of Asian economies remained positive. The region's current account surplus, however, declined to 1.2% from 1.9%, mainly as a result of weak demand for Asian goods in advanced economies.

Commonwealth of Independent States

Growth in the Commonwealth of Independent States (CIS) region declined to 3.6% in 2012 from 4.9% in 2011. The slow growth was attributed to increasing capital outflows, declining investment growth, weaker external demand and terms of trade losses that resulted from a slight decline in commodity prices. In addition, financial conditions in the three largest CIS economies (Kazakhstan, Russia, Ukraine) deteriorated with increased financial stress in the Euro area coupled with a higher global risk aversion.

The CIS region remained vulnerable to advanced economies, given its economic and financial linkages with the Euro area. Russia's growth rate stood at 3.6% in 2012, a drop from 4.3% in 2011. Further, growth moderated in the region's other energy-exporting economies, mainly owing to weaker growth in the energy sector. Furthermore, the global growth slowdown had a larger impact on some of the region's energy importing economies.

Inflation in the region declined to 6.8% in 2012 from 10.1% in 2011, reflecting favourable harvests in many economies of the region, monetary policy tightening in some, and a slight decline in commodity prices. Russia's inflation also declined to 5.1% from 8.4%.

The region's current account balance declined to 4.2% in 2012 from 4.6% in 2011. The net energy exporting countries' current account surplus also declined to 5.6% from 6.1%, while net energy importing countries' current account deficit narrowed to 6.8% from 7.9%.

Latin America and Caribbean Countries

The real GDP growth rate in Latin America and the Caribbean (LAC) declined to 3.0% in 2012 from 4.5% in 2011. This was largely due to a decline in Brazil's growth rate to 1.0% from 2.7% due to past policy tightening to contain inflationary pressures and moderate credit growth. In addition, activity outside the LAC region slowed down, thus weakening external demand for the region's goods and services and lowering commodity prices for commodity exporters in the LAC region.

The LAC countries recorded a decline in inflation to 6.0% from 6.6%. In North America, inflation declined to 2.1% from 3.1%, while in South America, it fell to 6.8% from 7.8%. Similarly, Central America and the Caribbean region registered a drop in inflation to 5.0% and 5.5% from 5.6% and 7.2%, respectively. Inflation pressures were, however, severe in Venezuela and Argentina, where policies had not been tightened and inflation continued at high levels.

The region recorded an adverse current account position, with South America's current account deficit increasing to 1.7% from 1.3%, while Central America's current account deficit widened to 7.2% from 6.9%. However, this was moderated by the current account surpluses of 6.7% and 1.8% recorded in Venezuela and Bolivia, respectively, as the countries continued to benefit from high commodity prices.

Middle East and North African Countries

The Middle East and North African (MENA) region recorded a growth rate of 5.2%, an increase from 3.5% in 2011, largely on account of expansionary fiscal policies facilitated by high oil revenues. Growth in oil exporters accelerated to 6.5% from 4.0% largely as a result of a strong rebound of activity in Libya since late 2011.

Inflation in the MENA region rose to 10.4% in 2012 from 9.7% in 2011 with most oil exporters recording low inflation of less than 5%. However, other countries such as Libya, Sudan and Yemen recorded higher inflation in the region of 20%, mainly on account currency depreciations and shortages of non-food commodities. Higher inflation in Iran largely stemmed from the temporary price effects of subsidy reform. In contrast, the region's net oil importers recorded an increase in inflation to 7.7% from 7.1%. This mainly followed higher global food and energy prices.

The MENA region's current account surplus declined to 12.2% from 14.2%, with the oil exporters recording a decline to 16.4% from 18.7%. Iran and Iraq recorded the largest deterioration in the current account surplus to 3.4% and 0.3% from 12.5% and 8.0%, respectively. The current account deficit for oil importers, as a group, deteriorated to 6.9% in 2012 from 5.2% in 2011.

African Economies

The economic conditions in Sub-Saharan African (SSA) have remained generally robust, recording a growth rate of 4.8% in 2012 from 5.3% in 2011, despite a sluggish global economy. Improved policy frameworks and use of policy space in responding to adverse shocks played an important part in improving performance in the region.

The region's economic growth in 2012, was however, affected by an escalation of the Euro area crisis. In particular, commodity exporters in the region were negatively affected by unstable international prices. For instance, average international copper prices fell by 19.5% to US $6,038.45 per tonne in December 2012 from US $7,500.88 per tonne in December 2011.

In the SSA region, inflation declined to 9.1% in 2012 from 9.7% in 2011 on account of a sharp tightening of monetary policies in most economies.

The SSA region's current account deficit widened to 3.2% in 2012 from 1.7% in 2011. This outturn was driven by the deterioration in the terms of trade for most of the region's oil importing countries. However, oil exporting countries, notably Angola and Nigeria recorded current account surpluses (see Table 2).

Table 2: Selected African Countries GDP, Inflation and Current Account Positions, 2010 - 2012 (Annual % change unless otherwise stated)

	Real GDP			Inflation			Current Account Positions (% of GDP)		
	2010	2011	2012*	2010	2011	2012*	2010	2011	2012*
Angola	3.4	3.9	6.8	14.5	13.5	10.8	8.9	9.8	8.5
Kenya	5.6	4.4	5.1	4.1	14.0	10.0	-7.0	-10.6	-8.5
Nigeria	8.7	7.4	7.1	13.7	10.8	11.4	8.4	3.6	3.5
South Africa	2.8	3.1	2.6	4.3	5.0	5.6	-2.8	-3.3	-5.5
Tanzania	6.4	6.4	6.5	10.5	12.7	15.6	-8.8	-13.7	-15.4
Uganda	5.2	5.1	4.2	9.4	18.7	14.6	-8.8	-11.4	-11.0
Zambia	7.6	6.7		7.9	6.0	7.3	7.1	3.2	-0.3
Sub-Saharan Africa	5.3	5.3	4.8	7.5	9.7	9.1	-1.2	-1.7	-3.2

Source: IMF: World Economic Outlook, October 2012, Zambia Budget Speech 2013.
World Economic Outlook UPDATE, January 2013
*Preliminary numbers

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Overview

In 2012, the broad macroeconomic objectives of the Government included the following:

(i) Attaining real GDP growth of at least 7.0%;

(ii) Achieving end-year inflation of no more than 7.0%;

(iii) Limiting domestic financing to 1.3% of GDP; and

(iv) Increasing gross international reserves to at least 4.0 months of import cover.

Preliminary data indicate that the overall performance of the economy was favourable in 2012, as real Gross Domestic Product growth at 7.3% was higher than 6.8% in 2011. This was mainly driven by growth in construction, manufacturing, and wholesale and retail trade, sectors. In addition, fiscal developments were supportive of the positive economic performance, as the Government overall budget deficit declined to 0.6% of GDP from 3.6% of GDP in 2011. Consistent with these developments, inflation was generally favourable and broadly in line with the end-year target of 7.0%.

In the external sector, the overall balance of payments surplus more than doubled to US $694.9 million from US $243.8 million in 2011. Accordingly, gross international reserves grew by 31.1% to close the year at US $3,043.9 million from US $2,322.0 million in 2011.

3.1 MONETARY DEVELOPMENTS AND INFLATION

Monetary Policy

The main objective of monetary policy in 2012 was to sustain single digit annual inflation by achieving the end-year inflation target of no more than 7.0%. Following a shift in the conduct of monetary policy from targeting monetary aggregates to targeting interest rates, the Bank of Zambia was to mainly use its monthly policy rate to influence the interbank rate. Since 2012 was a transition period, the Bank also continued to use other market-based instruments to influence both reserve and broad money towards the set targets of 5.7% and 12.2%, respectively. These targets were consistent with the Government's end-year inflation target.

The Policy Rate

In order to enhance monetary policy effectiveness, the Bank of Zambia introduced a Policy Rate in April 2012. Following this, the operational target of monetary policy changed from reserve money to the overnight interbank rate. This was a shift in the monetary policy framework from targeting monetary aggregates (quantities) to interest rates (prices). In this regard, monetary policy was aimed at maintaining the overnight interbank rate around 9.0%, within a corridor of 7% to 11%. In line with developments in inflation, this was revised in the third quarter with monetary policy targeting the overnight interbank rate at about 9.25%, thus with a corridor of 7.25% to 11.25%.

Zambia's growth has continued to been broad-based with construction being one of the key contributors to the 7.3% growth recorded in 2012. The Dangote Group of Companies commenced the construction of the Zambia's fourth cement plant in Ndola

Dangote Cement Plant under construction, Masaiti, Ndola

Challenges to Monetary Policy

The main challenge to monetary policy in 2012 was the rise in food inflation. This was driven mainly by increases in prices of maize, and maize products such as mealie-meal, occasioned largely by low region and global supplies of maize. Consequently, food inflationary pressures were the main source of inflation during the year. Developments in the US with respect to the 'fiscal cliff' and the continued debt crisis in the Euro area, threatened stability in the country's external sector with some pressure exerted on the Kwacha.

Monetary Policy Outcomes

In spite of the above challenges, monetary policy performance in 2012 was satisfactory, as annual overall inflation was maintained in single digits. Moreover, annual inflation was broadly in line with the end-year target of 7.0%. This favourable outturn was mainly attributed to stability in the prices of most non-food items, including petroleum products, electricity and communication. In addition, the exchange rate of the Kwacha against major foreign currencies was broadly stable, particularly in the second half of the year, thus contributing to the favourable inflation outturn for 2012 (see Table 3).

Table 3: Actual Performance against Projections, 2010-2012 (%)

	December 2010		December 2011		December 2012	
Description	**Projection**	**Actual**	**Projection**	**Actual**	**Projection**	**Actual**
Overall Inflation	8.0	7.9	7.0	7.2	7.0	7.3
Non-food Inflation	10.5	11.3	9.7	10.2	-	6.1
Food Inflation	6.1	4.4	7.0	3.9	-	8.4
Interbank Rate	-	2.4	-	5.6	9.25	8.20
Reserve Money	8.0	54.1	-5.6	6.3	19.5	53.0
Broad Money*	23.5	30.8	9.3	21.7	14.7	17.9
Domestic Credit*	-	22.9	-	14.6	-	17.3
Government	-	46.3	-	-6.3	-	-37.7
Public Enterprises	-	-34.8	-	-14.4	-	602.6
Private Sector Credit	-	13.4	-	28.2	-	39.2
Domestic Financing (% of GDP)	1.9	2.0	3.0	4.2	7.2	2.3

Source: Central Statistical Office and Bank of Zambia
- Indicates no target under the economic programme
* Preliminary estimates for December 2012

Monetary Developments

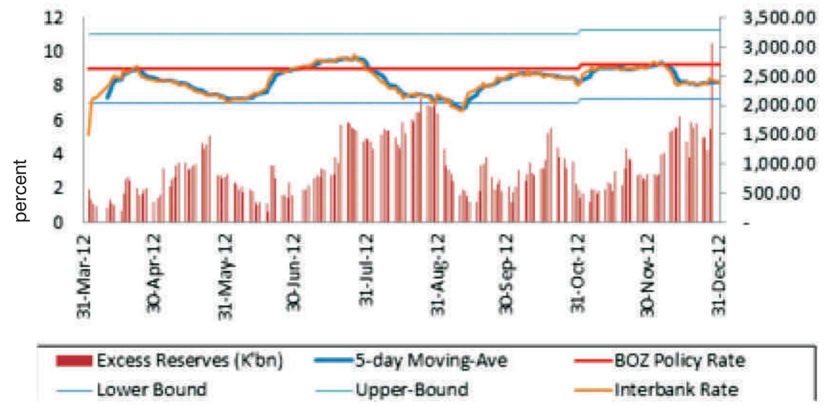
The Interbank Rate

In order to align the interbank rate with the BoZ Policy Rate, the Bank offered repos and term deposits worth K83,047.0 billion through Open Market Operations (OMO). In response to OMO invitations, the market tendered in bids worth K27,731.6 billion out of which K17,851.3 billion was accepted at tenors ranging between 1 to 60 days.

The average interbank rate remained within the corridor from inception in April but momentarily fell below the lower bound of the corridor in September 2012, attributed to increased liquidity. The net Government spending, OMO maturities and net purchases of foreign currency by BoZ contributed to an increase in money market liquidity and consequently, the decline in the interbank rate. The interbank rate peaked at 9.7% in July 2012 and reached the lowest rate of 6.7% in September 2012. Increased foreign exchange sales in December helped withdraw some liquidity, which contributed to the increase in the interbank rate towards the Policy Rate. At end-December, the interbank rate closed at 8.2% (see Chart 1).

CHART 1:

BOZ POLICY RATE MAR 2012 - DEC 2012



Reserve Money

Reserve money grew by 53.0% to K8,234.9 billion at end-December 2012 from K5,385.4 billion at end-December 2011, mainly influenced by net Government spending of K3,414.5 billion and net OMO maturities amounting to K509.3 billion. These influences were partially offset by sales of Government securities amounting to K698.2 billion and net sales of foreign exchange worth K490.5 billion. The average reserve money grew by 33.2% to K6,653.0 billion (see Table 4).

Table 4: Sources of Reserve Money Growth (K' billion)

	2010	2011	2012
Reserve Money Target	**4,891.0**	**4,891.0**	**5,845.0**
Average Reserve Money	**4,891.0**	**4,993.5**	**6,653.0**
Reserve Money Stock	**5,064.0**	**5,385.4**	**8,234.9**
Change in:			
1/ Net Foreign Assets (a+b+c+d)	607	44,522	-490.5
a) Net Purchases from Govt	-24	44,392	1,066.6
b) Net Purchases from non-Government	619	315	-1,449.5
c) Bank of Zambia own use of forex	0	6	-89.5
d) Change in stat. reserve deposits forex balances	**12**	**-192**	**-18.0**
2/ Net Domestic Credit (a+b)	**25,407**	**-44,203**	**3,343.0**
a) Autonomous influences	25,838	-31,440	21,232.3
Maturing Open Market Operations	23,448	14,778	18,361.1
Direct Govt Transactions	3,092	-43,200	3,414.5
TBs and Bonds Transactions	-478	-2,832	-698.2
Claims on non-banks (Net)	-224	-185	157.9
b) Discretionary influences	**-430**	**-12,763**	**-17,892.3**
Open Market Operations	**-430**	**-12,737**	**-17,851.3**
i. Short term loans	0	0	0
ii. Repos/Outright TB sales	-230	-2,877	-2,639.0
iii. Term Deposits Taken	-201	-9,860	-15,212.9
Treasury bill Rediscounts	**0**	**0**	**0**
Other claims (Floats, Overdrafts)	**0**	**-26**	**-40.4**
Change in Reserve Money	**26,014.39**	**318.49**	**2,852.5**

Source: Bank of Zambia

Domestic Credit

Domestic credit rose by 17.3% in 2012 compared to 14.6% growth recorded in 2011. In absolute terms, domestic credit increased to K19,726.8 billion in 2012 from K16,822.6 billion in 2011 (see Table 5). This outturn was largely due to lending to private enterprises and households. Excluding foreign currency denominated credit, which went up by 5.9%, annual domestic credit grew by 21.4% from 6.4% registered in 2011.

Credit to private enterprises rose by 31.3%, contributing 13.2 percentage points to domestic credit expansion. In addition, credit to households and public enterprises rose by 54.2% and 602.6%, contributing 12.0 and 3.5 percentage points, respectively. However, credit to the Government fell by 37.7% contributing negative 11.6 percentage points to the domestic credit outturn.

The share of credit to private enterprises, households and public enterprises, increased to 47.2%, 29.2% and 3.5%, from 42.2%, 22.2% and 0.6%, respectively. However, the share of credit to Government declined to 16.4% in 2012 from 30.9% recorded in 2011. Similarly, the share of credit to non-bank financial institutions declined to 3.5% from 4.0%, the previous year.

Table 5: Developments in Domestic Credit, 2010 – 2012

Description	2010				2011				2012			
	K' bn	%			K' bn	%			K'bn	%		
		a	b	c		a	b	c		a	b	c
Domestic Credit	14,682.9	22.6	22.6	100	16,822.6	14.6	14.6	100	19,726.8	17.3	17.3	100
Government	5,548.4	40.0	13.2	37.8	5,200.1	-6.3	-2.4	30.9	3,242.1	-37.7	-11.6	16.4
Public Enterprises	115.3	-44.7	-0.8	0.8	98.7	-14.4	-0.1	0.6	693.5	602.6	3.5	3.5
Private Enterprises	5,449.5	11.4	4.7	37.1	7,096.6	30.2	11.2	42.2	9,316.4	31.3	13.2	47.2
Households	3,003.1	18.4	3.9	20.5	3,737.0	24.4	5.0	22.2	5,761.6	54.2	12.0	29.2
Non-bank Fin. Inst.	548.2	49.7	1.5	3.7	665.6	21.4	0.8	4.0	684.7	2.9	0.1	3.5

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

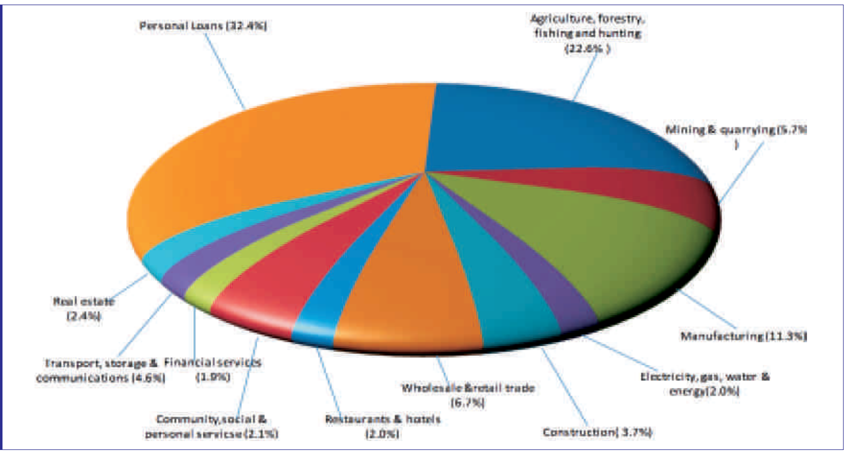
Table 6: Loans and Advances by Sector, Dec 2010 – Dec 2012 (%)

Sectors	2010			2011			2012		
Sectors	K'bn	a	b	K'bn	a	b	K'bn	a	b
Agriculture	1,623.7	17.6	3.7	2,124.4	17.7	30.8	3,749.5	23.2	76.5
Mining and Quarrying	293.5	3.2	-13.2	509.7	4.2	73.7	940.4	5.8	84.5
Manufacturing	1,172.1	12.7	17.9	1,461.6	12.2	24.7	1,874.1	11.6	28.3
Electricity, Gas, Water and Energy	151.4	1.6	9.9	196.8	1.6	30.0	338.7	2.1	72.1
Construction	533.8	5.8	106	504.0	4.2	-5.6	619.3	3.8	22.9
Wholesale and Retail Trade	994.3	10.8	19.8	1,248.3	10.4	25.5	1,104.3	6.8	-11.5
Restaurants and Hotels	174.6	1.9	42.3	253.5	2.1	45.2	322.3	2.0	27.1
Transport, Storage and Communications	433.8	4.7	-14.7	650.6	5.4	50.0	758.5	4.7	16.7
Financial Services	243.7	2.6	-42.3	603.5	5.0	147.7	308.7	1.9	-48.8
Community, Social and Personal Services	339.5	3.7	21.0	257.9	2.1	-24.6	342.6	2.1	32.8
Real Estate	575.0	6.2	-15.3	297.8	2.5	-48.2	400.6	2.4	34.5
Personal Loans	2,472.6	26.8	38.2	3,526.1	29.4	42.6	5,559.2	34.4	57.7
Others	211.4	2.3	23.1	375.1	3.1	77.5	404.0	2.5	7.7

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

CHART 2:

DISTRIBUTION OF LOANS AND ADVANCES[1] AS AT END-DECEMBER 2012

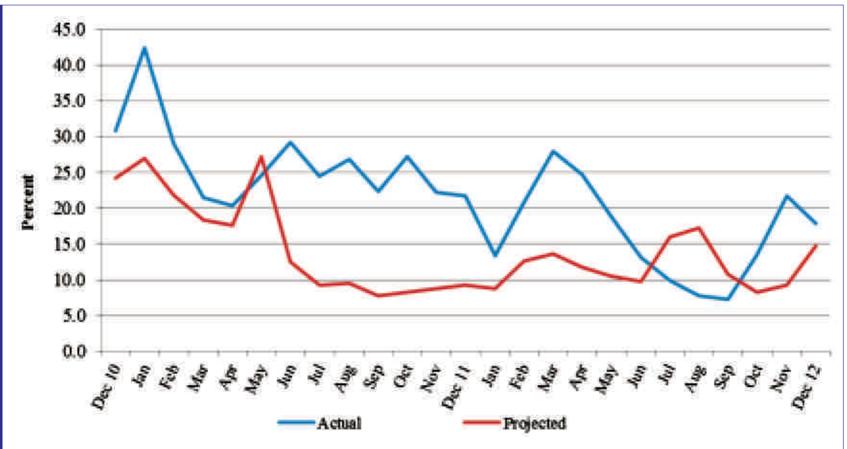


Broad Money

Broad money (M3)[2] growth slowed down to 17.9% in 2012 from 21.7% in 2011, but was 3.2 percentage points above the end-year target of 14.7% (see Chart 3). The M3 outturn was attributed to lower growth in both the Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of 28.3% and 10.1% compared with 38.7% and 11.6% in 2011, respectively. NFA contributed 12.0 percentage points to the M3 outturn following an increase in gross international reserves, while NDA contributed 5.8 percentage points largely on account of lending to private enterprises and households (see Table 7). Excluding foreign currency deposits, which fell by 8.6%, money supply growth rose to 32.3% from 26.5% in 2011.

CHART 3:

ANNUAL BROAD MONEY GROWTH, DEC 2010- DEC 2012



[1]Includes mortgages.
[2]Includes foreign currency deposits

Table 7: Sources of Growth in Broad Money, 2010 – 2012 (%)

Description	2010	2011	2012	Contributions to change in M3 (2012)
Broad Money	29.9	21.7	17.9	17.9
of which:				
Net Foreign Assets	36.2	38.7	28.3	12.0
Net Domestic Assets	26.4	11.6	10.1	5.8
Domestic Credit	22.6	14.6	17.3	13.3
Net Claims on Gov't.	40.0	-6.3	-37.7	-9.0
Public Enterprises	-44.7	-14.4	602.6	2.7
Private Enterprises	11.4	30.2	31.3	10.2
Households	18.4	24.4	54.2	9.3
NBFIs	49.7	21.4	2.9	0.1

Source: Bank of Zambia

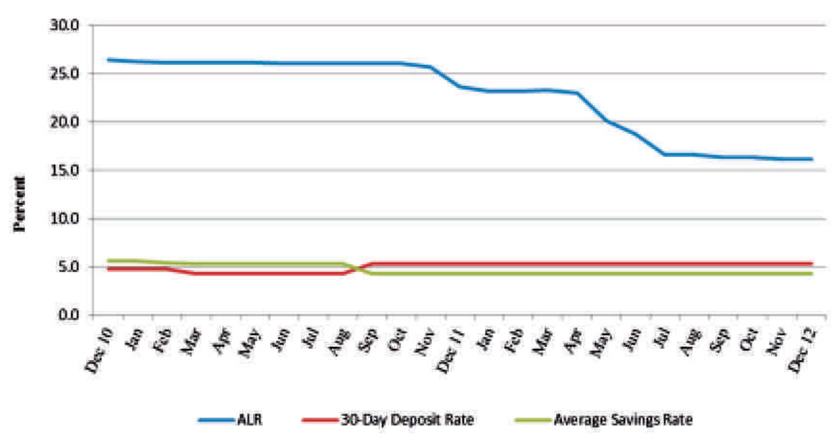
Interest Rates Developments

Commercial Banks' Nominal Interest Rates

The Commercial banks' nominal average lending rate (ALR) decreased to 16.1% at end-December 2012 from 23.6% at end-December 2011.The fall in the lending rate was mainly attributed to the introduction of the BoZ Policy Rate, reduction of corporate tax for banks and statutory reserve ratio. However, the average savings rate (ASR) for amounts above K100,000 and the 30-day deposit rate for amounts exceeding K20 million remained unchanged at 4.3% and 5.3%, respectively (see Chart 4).

CHART 4:

LENDING AND SAVINGS RATES, DEC 2010 – DEC 2012

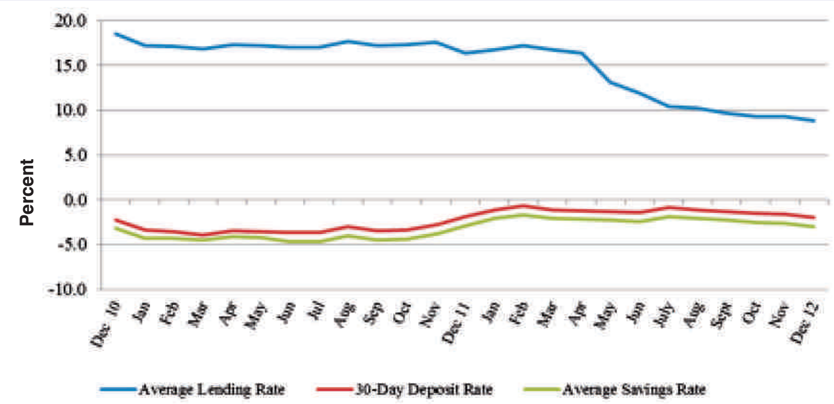


Commercial Banks Real Interest Rates

All the monitored commercial bank real interest rates declined, with the rise in annual inflation to 7.3% in December 2012 from 6.0% in December 2011. The real ALR fell to 8.8% from 17.6 % in December 2011. Similarly, the real ASR for amounts above K100,000.00 and real 30-day deposit rate for amounts above K20 million decreased to negative 3.0% (negative 1.7%)[3] and negative 2.0 % (negative 0.7%), respectively (see Chart 5).

CHART 5:

REAL INTEREST RATES, DEC 2010 – DEC 2012



[3]Numbers in brackets are for the previous year

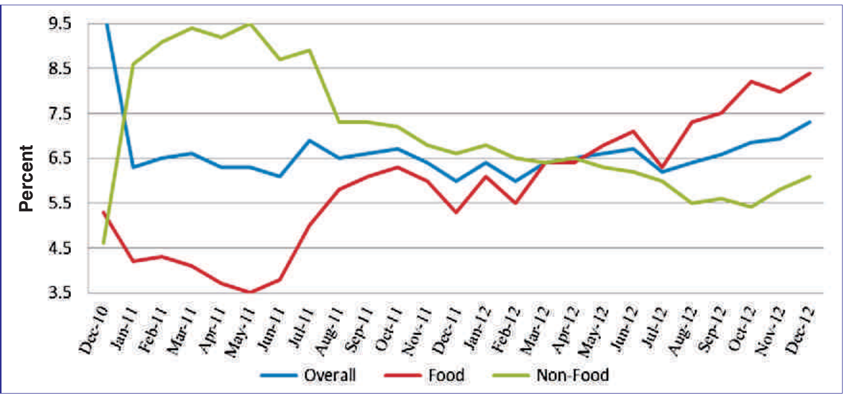
Inflation Developments

Overall Inflation

Inflation developments in 2012 were generally favourable and broadly in line with the end-year target of 7.0%. This was despite annual overall inflation rising to 7.3% in December 2012 from 6.0% in December 2011. This outturn was on account of a rise in food inflation, as non-food inflation slowed down (see Chart 6 and Table 8).

CHART 6:

ANNUAL INFLATION, DEC 2010 - DEC 2012



Non-Food Inflation

Annual non-food inflation declined to 6.1% in December 2012 from 6.6% at the close of 2011. This favourable outturn was on account of stability in the costs of most non-food items such as petroleum products, electricity and communications over the year. In addition, the lower increases in costs of education, health and recreation contributed to the lower outturn in non-food inflation. Further, the relative stability of the Kwacha against major foreign currencies in the second half of the year contributed to the moderation in prices of imported items and services indexed to the US dollar.

Food Inflation

Annual food inflation progressively rose for most parts of the year and peaked at 8.4% at the close of the year from 5.3% at the close of 2011. The rise in food inflation was driven mainly by increases in prices of maize and maize products, meat, fish and selected vegetables. The increase in the price of maize and maize products, particularly in the fourth quarter of the year, was attributed to supply shortages in some parts of the country, coupled with the unfavourable regional and global maize supply. In addition, prices of meat went up mainly due higher cost of stock feed (maize bran, soyabean meal), reflecting higher prices of these commodities globally.

Despite a decline in maize production to 2.9 million metric tons in 2012 from 3.0 million metric tons in 2011, Zambia's agricultural sector continued to play an important role in provision of food, such as maize to the domestic population as well as selected countries in the region

Maize Field, Central Province

Table 8: Inflation Outturn, Dec 2010 – Dec 2012 (%)

	Monthly			Annual			Year-to-date		
Month	Overall	Food	Non-Food	Overall	Food	Non-Food	Overall	Food	Non-Food
Dec-10	1.7	2.7	0.9	7.9	4.4	11.3	7.9	4.4	11.3
Mar-11	1.1	1.0	1.1	2.4	2.6	2.2	6.6	4.1	9.4
Jun-11	0.0	-0.6	0.6	3.3	2.5	4.2	6.1	3.8	8.7
Sep-11	0.4	0.4	0.3	5.5	4.5	6.7	6.6	6.1	7.3
Dec-11	0.5	0.6	0.3	6.0	5.3	6.6	6.0	5.3	6.6
Jan-12	1.1	1.9	0.2	1.1	1.9	0.2	6.4	6.1	6.7
Feb-12	0.3	-0.1	0.7	1.4	1.8	0.9	6.0	5.5	6.5
Mar-12	1.4	1.9	1.1	2.8	3.7	2.0	6.4	6.4	6.4
Apr-12	0.7	0.5	0.7	3.5	4.2	2.7	6.5	6.4	6.5
May-12	0.4	0.3	0.6	3.9	4.6	3.3	6.6	6.8	6.3
Jun-12	0.0	-0.4	0.5	4.0	4.1	3.8	6.7	7.1	6.2
Jul-12	0.7	0.8	0.7	4.8	4.9	4.5	6.2	6.3	6.0
Aug-12	0.9	1.1	0.6	5.7	6.1	5.2	6.4	7.3	5.5
Sep-12	0.5	0.5	0.4	6.2	6.6	5.6	6.6	7.5	5.6
Oct-12	0.1	0.4	-0.3	6.3	7.0	5.3	6.8	8.2	5.4
Nov-12	0.2	0.2	0.1	6.4	7.3	5.5	6.9	8.0	5.8
Dec-12	0.8	1.0	0.6	7.3	8.4	6.1	7.3	8.4	6.1

Source: Central Statistical Office and Bank of Zambia

3.2 MONEY AND CAPITAL MARKETS

Developments in the Money Market

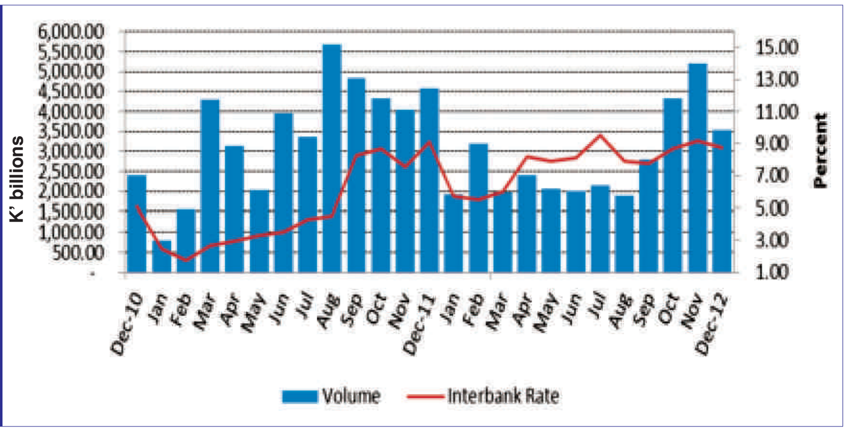
Inter-bank Money Market

The volume of funds traded in the interbank market declined by 21.4% in 2012 to K33,488.1 billion from K42,605.4 billion in 2011. The decline in overnight loans was mainly attributed to the high levels of liquidity, particularly towards the close of the year. Of the total loans created, four banks accounted for K19,159.6 billion, or 57.0% of the total funds traded. On the demand side, the funds obtained by the three largest borrowers amounted to K17,683.8 billion, representing 52.2% of the total market demand. Of the total funds traded, 79.5% were collateralised compared to 75.0% the previous year.

Money market activity continued to be concentrated at the tenor of overnight lending at which K24,844.4 billion was traded, representing 73.8% of the total volume of funds. Adjustment funds were traded at a higher average rate of 8.0% for the overnight tenor and 7.7% for periods greater than one day, compared to 5.8% and 5.7%, previously. This increase in the interbank rate follows the introduction of the Policy Rate and consequent interventions by the Bank of Zambia to maintain the interbank rate around the Policy Rate of 9.0% (revised to 9.25% in November 2012) (see Chart 7).

CHART 7:

INTERBANK MONEY MARKET DEVELOPMENTS, DEC 10 - DEC 12



Government Securities Market

In 2012, the Bank of Zambia continued to support the development of the secondary market for Government securities. In this regard, in the first quarter, the Bank of Zambia reduced the frequency of auctions for Treasury Bills from weekly to fortnightly in order to provide block issuances of securities to the market and encourage intra-auction trading in the secondary market. In April 2012, this initiative was extended to Government bonds, in which the auction frequency was revised from monthly to quarterly for all bond tenors. Furthermore, in the third quarter, the 3-year, 5-year, and 10-year maturity categories were assigned benchmark status while the pricing mechanism in the primary market was changed for all securities from multiple pricing to single pricing. These measures were intended to improve secondary trading of Government bonds.

Market Bidding Behaviour

In the primary market for Treasury bills, a total of K9,140.0 billion was placed on offer, lower than K12,060.0 billion in 2011. Similarly, the total volume of Government bonds on offer was lower at K2,400.0 billion from K3,500.0 billion, previously.

Total demand for both Treasury bills and Government bonds increased in 2012, against a background of high liquidity in the money market (see Table 9). The total bid amount submitted at the Treasury bills auctions amounted to K12,339.8 billion, representing an oversubscription of 35.0% compared with 6.5% previously. Individually, the 273- and 364- day bills attracted the strongest demand, with bids of K3,146.6 billion and K5,988.7 billion against offers of K2,080.0 billion and K2,830.0 billion, respectively, while the 182-day bills were oversubscribed by 18.5%. In contrast, the 91- day bills were undersubscribed by 28.7%.

With regard to Government bonds, investors placed bids worth K3,486.3 billion in 2012, representing a subscription rate of 45.3% compared to an under-subscription of 5.4% in the previous year. Investors showed strong preference for the 2-, 3- and 7-year bonds, as reflected by the oversubscription rates of 99.4%, 86.3% and 130.4% in 2012 from under-subscription rates of 11.4%, 22.9% and 47.1% in 2011, respectively. The 10- and 15-year papers continued to be undersubscribed by 23.4% and 56.3% compared with under-subscription rates of 38.4% and 80.4% in 2011, underlining investors' risk aversion and preference for short term papers.

Table 9: Government Securities Transactions, 2011 and 2012

	2011			2012		
	Amount Offered (K'billion)	Bid Amts (K'billion)	Subscription Rate (%)	Amount Offered (K'billion)	Bid Amts (K'billion)	Subscription Rate (%)
91-day bills	2,135.0	2,004.8	-6.1	1,320.0	941.1	-28.7
182-day bills	2,400.0	2,022.1	-16.1	1,910.0	2,263.4	18.5
273-day bills	2,660.0	2,630.7	-1.1	2,080.0	3,146.6	51.3
364-day bills	4,855.0	6,191.3	27.5	3,830.0	5,988.7	56.4
TOTAL	**12,060.0**	**12,848.8**	**6.5**	**9,140.0**	**12,339.8**	**35.0**
2-year bond	890.0	788.6	-11.4	300.0	598.2	99.4
3-year bond	1,090.0	840.6	-22.9	580.0	1,080.6	86.3
5-year bond	1,280.0	1,500.0	17.2	980.0	1,212.4	23.7
7-year bond	80.0	117.7	47.1	150.0	345.6	130.4
10-year bond	80.0	49.3	-38.4	240.0	183.9	-23.4
15-year bond	80.0	15.7	-80.4	150.0	65.6	-56.3
TOTAL	**3,500.0**	**3,311.9**	**-5.4**	**2,400.0**	**3,486.3**	**45.3**

Source: Bank of Zambia

Stock of Government Securities

The stock of Government securities in circulation at the end of the review period stood at K14,357.7 billion (at face value) from K13,122.4 billion recorded in 2011, representing a growth of 9.4%. This rise was attributed to increases in both the stock of Government bonds and Treasury bills by 11.8% to K7,517.0 billion and 6.9% to K6,840.8 billion, respectively. Commercial banks continued to dominate investment in Treasury bills, accounting for K4,817.1 billion, which was 70% of the total Treasury bills in circulation. Treasury bill holdings by the non-bank public amounted to K1,422.1 billion, while Bank of Zambia holdings were K601.6 billion, representing 20.8% and 8.8% of the total Treasury bills in circulation, respectively.

In the Bond market, the non-bank public, which is dominated by institutional investors, accounted for the bulk of Government bonds outstanding, with holdings of K3,264.3 billion at face value. Commercial bank holdings were K2,934.9 billion, while the BoZ held K1,317.3 billion. Proportionally, non-bank public holdings stood at 43.0% of the total Government bonds outstanding while commercial banks and Bank of Zambia holdings were at 39.0% and 18.0%, respectively.

Foreign Investments in Government Securities

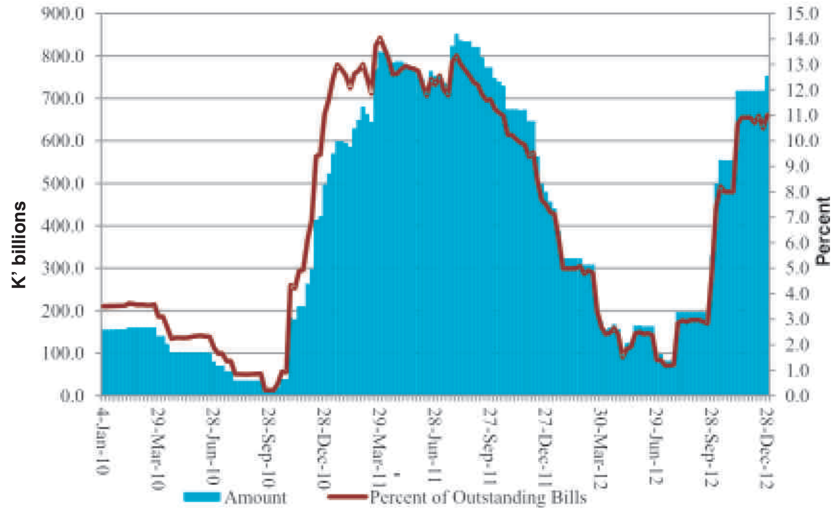
The non-residents' holdings of Government securities in 2012 was mixed, with their Treasury bill holdings increasing while their Government bond holdings declined. Non-residents participation in the Treasury bills market trended downwards in early 2012, declining to the lowest level at K82.3 billion in July 2012 from

K479.9 billion at end-2011. This was in part driven by the gloomy global economic outlook as the euro-debt crisis and the US fiscal cliff remained unresolved while the Chinese economy slowed down.

However, non-residents increased their investment in the last quarter of 2012 as their holdings rose to K717.8 billion at end-December 2012. The increase in holding was attributed to an improvement in the global economic outlook on the back of euro zone authorities' commitment to resolve the debt crisis and some progress in resolving the US fiscal cliff. Non-residents' holdings were concentrated in the 364 day tenor paper, which accounted for 62.0% of their total Treasury bill holdings. The net maturity of Treasury bills amounted to K273.4 billion, compared to a year-to-year net purchase of K821.6 billion. Consequently, non-resident holdings of Treasury bills increased by K237.9 billion to K717.8 billion or 11.0% of the total Treasury bills in circulation worth K6,840.8 billion (see Chart 8).

CHART 8:

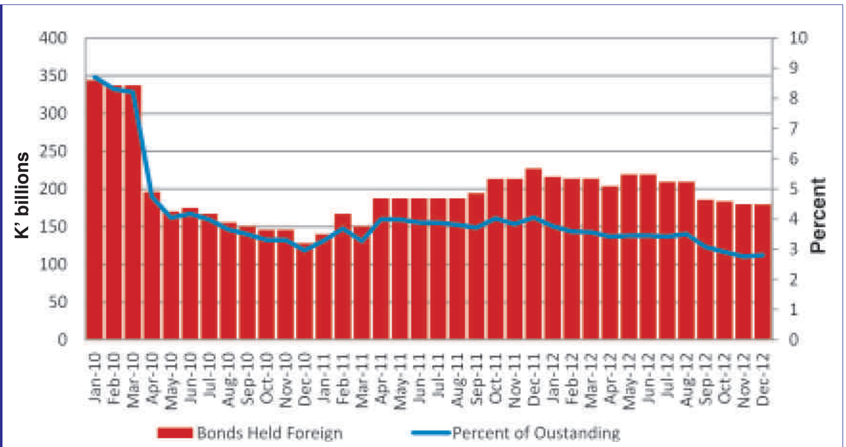
EXTERNAL INVESTORS' TREASURY HOLDINGS, JAN 2010 - DEC 2012



In contrast, foreign investment in Government bonds declined by K47.7 billion to K179.4 billion. This was on account of outright sales and maturities of K113.3 billion against purchases of K65.6 billion. The investment was mostly in the 2-year paper, which at end-2012 accounted for 86% of K179.4 billion total Government bond holdings. As a proportion of total stock of outstanding Government bonds in circulation, non- residents' holdings accounted for 2.8% compared to 4.1% at the close of 2011 (see Chart 9).

CHART 9:

CHART 9: FOREIGN INVESTORS HOLDINGS OF GOVERNMENT BONDS JAN 2010 - DEC 2012



Yield Rates on Government Securities

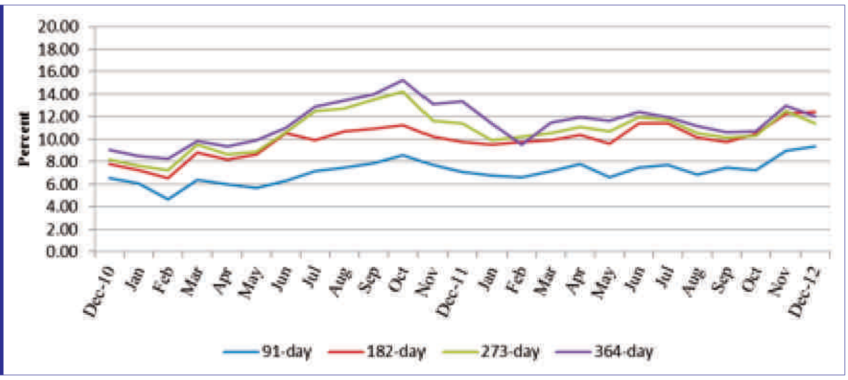
The performance of yield rates on Government securities was mixed during 2012. Yield rates on Treasury bills trended upwards, particularly in the latter half of 2012 while yield rates on bonds declined. The relative movements in the yield rates reflected increased appetite for Government bonds as investors chose to lock in the high yields.

The weighted average composite yield rate for Treasury bills closed at 10.7% in 2012 from 10.2% in 2011. The yield rates on the 91- and 182-day securities rose to averages of 7.5% and 10.5% in December 2012 from 6.8%

and 9.4% in December 2011. The yield rate for the 273-day security also rose marginally to an average of 10.8% from 10.7%. However, the 364-day tenor yield rate declined to an average of 11.4% from 11.6% (see Chart 10).

CHART 10:

TREASURY BILLS YIELD RATES, DEC 2010 – DEC 2012



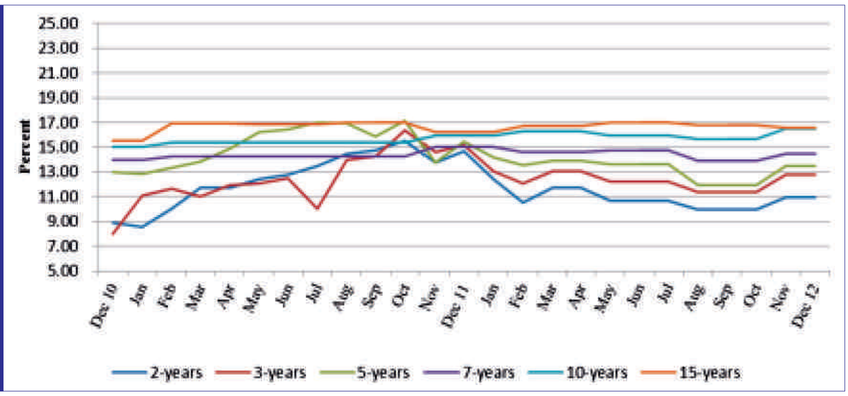
The mining and quarrying sector continued to be the main recipient of FDI in 2012. New mines were under development in the year such as the Lubambe and Kalumbila Mines


Stockpile Feed Conveyor, Lubambe Mine, Chingola

With regard to Government bonds, the average 2-, 3- and 5- year bond rates fell to 10.9%, 12.3% and 12.9% in 2012 from 12.8%, 12.9% and 15.9% recorded in the previous year, respectively. In contrast, the yield rates on the 7-, 10- and 15-year bonds remained relatively stable at 14.5%, 16.0% and 16.6 % from 14.4%, 15.5% and 16.7%, respectively. Following the fall in yield rates on the short tenors, the weighted average bond yield rate declined to 13.5% from 15.2% at end-2011 (see Chart 11).

CHART 11:

GOVERNMENT BOND YIELD RATES, DEC 2010 – DEC 2012

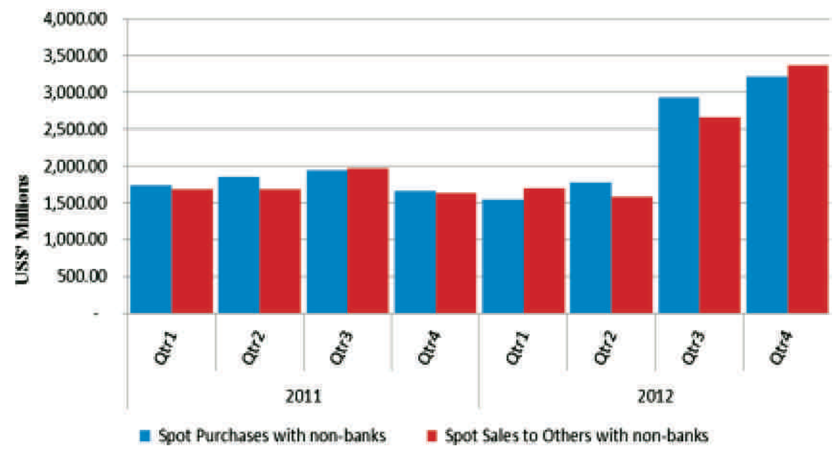


Foreign Exchange Market

Foreign exchange market liquidity tremendously increased in part due to the enactment of legislation (Statutory Instrument No. 33 of 2012) barring the settlement of domestic transactions in foreign currency. The advent of this legislation implied that all domestic transactions that had hitherto been settled in foreign exchange were converted to kwacha-based. As a result, the year's volume of foreign exchange swapped for Kwacha increased in order to comply with the legislation. In particular, commercial banks' spot sales of foreign exchange rose to US $9,311 million from US $6,977 million recorded in 2011 whereas the purchases increased to US $9,469 million from US $7,202 million over the same period (see Chart 12).

CHART 12:

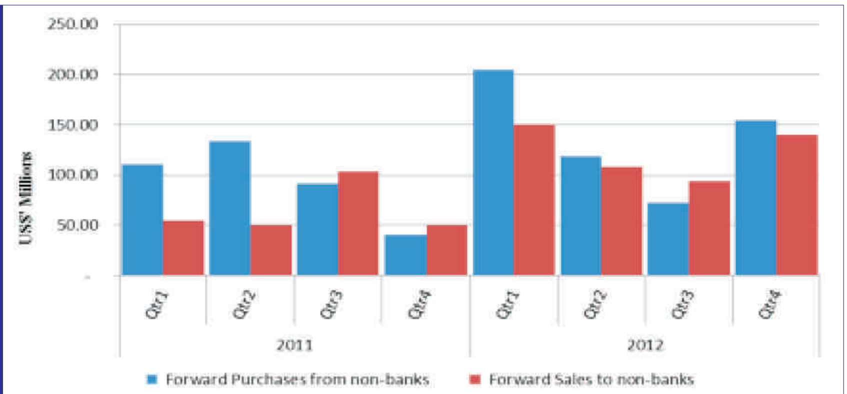
COMMERCIAL BANKS' FOREIGN EXCHANGE SPOT TRANSACTIONS QUARTER 1, 2011 - QUARTER 4, 2012



Although on a relatively subdued scale, forward transactions of foreign exchange followed the same trend, suggesting increasing need for exchange rate risk management. However, with no discernible trend in the immediate aftermath of SI 33 legislation, it was expected that corporate demand for forward cover of its exchange rate exposures would steadily increase. The volume of forward purchase transactions amounted to US $550 million in 2012 compared with US $250 million in 2011 while forward sale transaction increased to US $ 491 million to US $257 million (see Chart 13).

CHART 13:

COMMERCIAL BANKS' FOREIGN EXCHANGE FORWARD TRANSACTIONS QUARTER 1, 2011 - QUARTER 4, 2012



Despite the steady growth of foreign exchange forward transactions during the year, efficient pricing remained a major challenge largely due to high degree of asymmetrical sources of market information, particularly with regard to the short-term money market yield curve. Consequently, the price variability of forward transactions with similar features remained wide during the year.

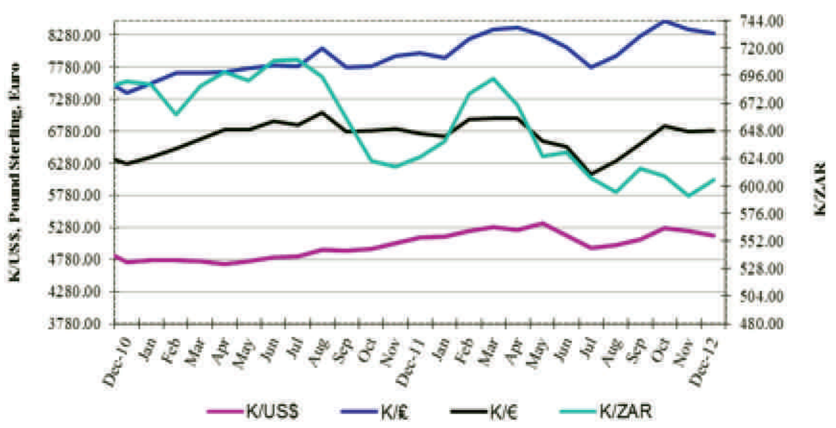
Developments in the Nominal Exchange Rate

The Kwacha performance against most of the major currencies was mixed in 2012. The Kwacha depreciated by 5.7% against the US dollar to an annual average of K5,141.52/US$ in 2012 from K4,861.24/US$ in 2011. The Kwacha closed the year at K5,146.61/US$ compared to K5,117.04/US$ at end of 2011, underlining the depreciation trend in 2012. The Kwacha also depreciated against the Pound Sterling by 4.5% to an annual averages of K8,149.14/£ from K7,797.90/£. The Kwacha, however, appreciated against the euro and rand by 2.3% and 6.6% to an annual averages of K6,611.95/€ and K627.05/ZAR from K6,764.56/€ and K671.60/ZAR, respectively (see Chart 14).

The local currency depreciated against the US dollar and Pound Sterling largely on account of increased demand for the purchase of petroleum and other non-petroleum products in line with increased economic activity during the year under review. In addition, increased risk aversion by foreign investors towards emerging market assets emanating from the persistent euro-zone debt crisis had adverse effect on the domestic currency's exchange rate. The Kwacha appreciated against the euro which was under pressure on the back of the unresolved euro-zone debt crisis and the rand which tracked the under pressure euro. The rand was also under pressure as the South African economy slackened as a result of the negative fallout emanating from wide workers strikes across the mining sector that led to low production of major exports (minerals).

CHART 14:

KWACHA EXCHANGE RATE LEVELS AGAINST MAJOR FOREIGN CURRENCIES DEC 2010 - DEC 2012



Foreign Exchange Transactions

Supply to the market, denoted by commercial banks' purchases of foreign exchange from various sectors in 2012 improved to US $9,662.8 million from US $8,815.3 million in 2011. The demand for foreign exchange as reflected by commercial banks' sales to various sectors increased to US $8,651.9 million from US $7,894.8 million in 2011. In this regard, commercial banks recorded net purchases of US $1,010.8 million in 2012, compared with net purchases of US $920.4 million recorded previously.

During the year under review, the Bank of Zambia recorded net sales of US $247.0 million to commercial banks compared with net purchases of US $74.5 million in 2011. The net sales of foreign exchange were aimed at market support to boost liquidity and moderate volatility.

The mining companies were the main suppliers of foreign exchange with a placement of US $2,736.9 million, representing 42.8% of the total market funding. This was followed by foreign financial institutions with US $1,713.2 million, accounting for 26.8%. However, foreign financial institutions dominated the demand for foreign exchange with purchases of US $1,099.7 million in 2012 compared with US $1,037.0 million in 2011. On a net basis, supply of foreign exchange by foreign banks and financial institutions stood at US $643.5 million in 2012 compared with US $147.1 million in the previous year.

In the interbank foreign exchange market, commercial banks traded a total of US $4,708.0 million in 2012, compared with US $3,246.9 million in the previous period. Retail market foreign currency transactions showed that the net sales of £149.9 million were made by commercial banks, while net sales of South African Rand amounted to ZAR6,549.3 million in 2012, which was much higher than the net sales of ZAR4,156.0 million recorded in 2011. The increase in net Rand sales to the market underscored the continued high demand for the South African currency by the Zambian public, driven mainly by trading activities between the two countries.

Real Effective Exchange Rate

The end-period real effective exchange rate (REER) index appreciated by 4.9% to 100.84 in December 2012, from 106.00 recorded in December 2011 (see Chart 15). The appreciation was largely driven by a 4.8% decline in relative prices (foreign prices/domestic prices) which was however, coupled with a 0.1% appreciation of the nominal effective exchange rate. Similarly, the annual average REER index appreciated by 6.1% to 103.03 in 2012 from 109.33 recorded in 2011 (see Table 10).

CHART 15:

REAL EFFECTIVE EXCHANGE RATE INDEX, DEC 2010 - DEC 2012

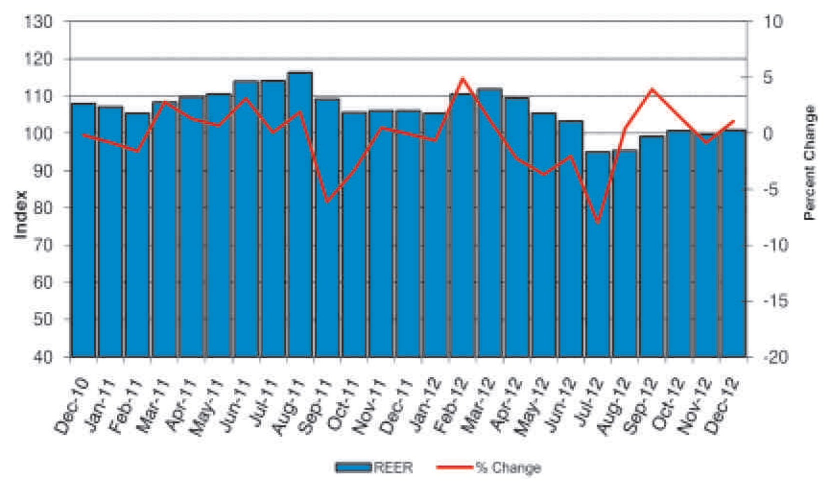


Table 10: Annual Average Real Effective Exchange Rate, 2010 - 2012

	2010	2011	2012	Percentage Change(2012/2011)
Annual Average Domestic CPI (2005=100)	157.5	171.0	181.8	6.3
Annual Average Weighted Foreign CPI (2005=100)	117.2	120.4	123.2	2.3
Annual Average NEER Index	1,868.0	2,024.8	1,982.7	-2.1
Annual Average REER Index (2005=100)	**106.6**	**109.3**	**103.0**	**-6.1**

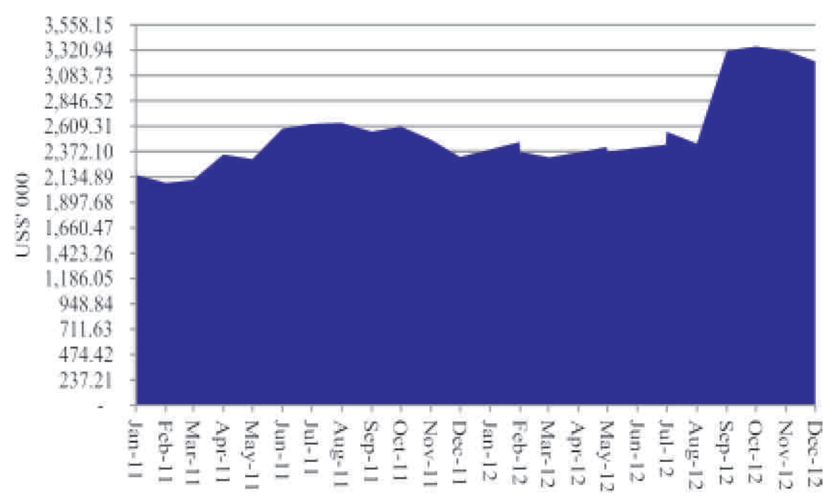
Source: Bank of Zambia

Gross International Reserves

The level of reserves rose by 31.1% to end the year at US $3,043.9 million from US $2,322.0 million in 2011 (see Chart 16). The growth in reserves emanated from net inflows comprising mainly sovereign bond proceeds (US $734.5 million), tax receipts from the mines (US $556.3 million), balance of payments support (US $176.2 million) and other receipts (US $46.1 million). However, the growth in reserves was slowed down largely by the Bank of Zambia's net sales of foreign exchange totalling US $247.0 million for procurement of oil imports and market support. In terms of import cover, unencumbered gross international reserves, which stood at US $2,460 million represented 2.8 months of imports.

CHART 16:

GROSS INTERNATIONAL RESERVES JAN 2011 - DEC 2012



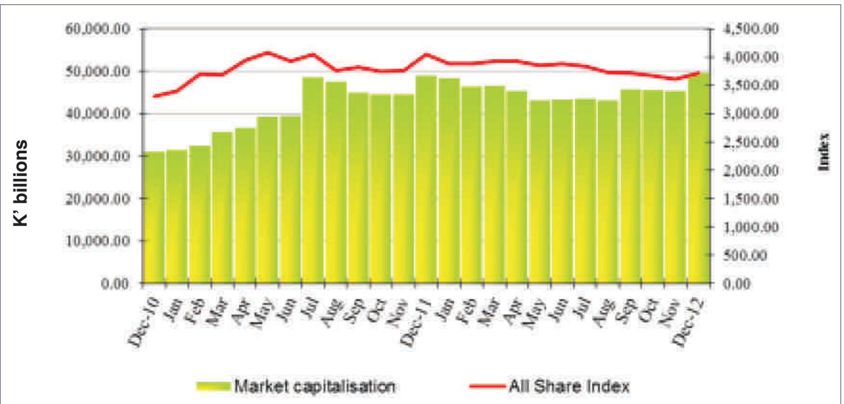
Developments in the Capital Markets

Stock Market

Trading activity at the Lusaka Stock Exchange (LuSE) continued to increase, albeit at a lower rate. Total Market capitalisation in 2012 increased by 1.4% to K49,624.7 billion from K48,929.2 billion at end-2011. Non-resident investors however, reduced their participation in the local bourse, as reflected in the net capital outflows of US $7.4 million compared to net inflows amounting to US $13.5 million in 2011. This was attributed to the pessimistic global economic outlook which reduced investors risk appetite. Most company shares registered capital losses in the year. Consequently, LuSE All Share index declined by 8.1% to 3,714.6 at end-December 2012 from 4,040.3 at close of 2011 (see Chart 17 and Table 11).

CHART 17:

INDICATORS OF LuSE ACTIVITY FEB 2010 - DEC 2012



Reflective of Zambia's attractive investment climate, was the commencement of the development of US $1 billion Trident Mining project (Kalumbila) by First Quantum Minerals

Kalumbila Mine under construction, 140 kilometres west of Solwezi

Table 11: Listed Companies Share Price Changes on the Lusaka Stock Exchange, 2011 - 2012

Listed Company	Closing Share Price in 2012	Closing Share Price in 2011	Share Price change (%)
AELZ	3,404.00	4,000.00	-14.9
BATA	180.00	200.00	-10.0
BATZ	1,600.00	1,590.00	0.6
PUMA	1,205.00	1,145.00	5.2
CCHZ	4,500.00*	5.00	89900.0
CCHZ RIGHTS	0.10	-	N/A**
CEC	680.00	700.00	-2.9
CELTEL	675.00	710.00	-4.9
LAFARGE	8,004.00	7,600.00	5.3
REIZ	3,343.00	3,100.00	7.8
REIZ PREF	4,700.00	-	N/A**
INVESTRUST	14,900.00*	20.00	74400.0
NATBREW	8,000.00	7,200.00	11.1
PAMODZI	595.00	658.00	-9.6
SCZ	797.00	90.10	784.6
SHOPRITE	62,000.00	60,000.00	3.3
ZAMBEEF	3,000.00	2,901.00	3.4
ZAMEFA	400.00	650.00	-38.5
ZAMBREW	2,800.00	2,500.00	12.0
ZCCM-IH	12,500.00	10,000.00	25.0
ZANACO***	181.00	1,350.00	-86.6
ZSUG	254.00	309.00	-17.8

Source: Lusaka Stock Exchange
* Stock Price consolidated in view of Kwacha rebasing- Price consolidation implies increasing the price of the share while diluting the number of shares so that the value of the company remains the same.
**Stock issued in 2012
*** Share split

Bond Market

In the bond market, secondary trading of Government bonds continued to register growth in 2012, as reflected in the number of trades which increased to 182 from 143 in the previous year. Bonds worth K1,659.2 billion (at face value) were traded at the LuSE, up from K744.4 billion recorded in 2011. The high rate of trading activity manifested increased awareness of the importance of secondary market in Government paper and was consistent with the Bank's efforts to develop this segment of the debt market.

3.3 BALANCE OF PAYMENTS

In 2012, Zambia recorded a favourable Balance of Payments (BoP) performance. The overall BoP surplus more than doubled to US $694.9 million from US $243.8 million in 2011 (see Table 12). Consistent with this development, gross international reserves accumulation grew by 7.2% to US $289.8 million from US $270.4 million in 2011. The growth in the overall BoP surplus was on account of a buoyant performance in the capital and financial account balance which compensated for the unfavourable performance in the current account balance.

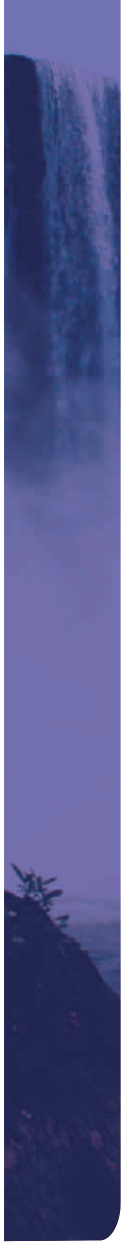


Table 12: Balance of Payments, 2010 – 2012 (US $ million)

	2010	2011	2012*
Current Account	**1,205.5**	**704.7**	**-53.1**
Balance on goods	2,703.7	2,205.6	1,452.7
Exports, f.o.b	7,261.7	8,512.3	9,242.0
Metal sector	6,071.7	6,915.7	6,529.8
Copper	5,767.9	6,659.7	6,294.5
Cobalt	303.8	256.0	235.3
Non-traditional	1,190.0	1,596.6	2,712.2
Imports, f.o.b	-4,709.9	-6,454.2	-7,960.8
Metal sector	-1,029.3	-1,567.3	-2,083.7
Non-metal sector	-3,680.6	-4,887.0	-5,877.1
Fertilizer	-215.3	-330.0	-304.3
Petroleum	-618.1	-530.5	-930.6
Others	-2,847.2	-4,026.5	-4,642.2
Goods Procured in ports by carriers(Bunker Oil)	42.0	44.5	47.2
Nonmonetary Gold	109.9	103.0	124.3
Services (Net)	-567.0	-723.6	-770.1
Services Receipts	310.9	374.5	468.0
Services Payments	-877.9	-1,098.1	-1,238.1
Balance on goods and services	2,136.7	1,482.0	682.6
Income (Net)	-1,363.0	-1,155.3	-1,126.8
Income Receipts	8.4	11.1	10.1
Income Payments	-1,371.4	-1,166.4	-1,136.9
Of which: Income on Equity Payments	-1,302.7	-1,092.5	-1,032.6
Interest payments	-39.8	-44.8	-74.1
General government	-9.3	-13.9	-43.6
Private sector	-30.5	-30.9	-30.5
Current Transfers (Net)	431.8	378.0	391.1
Private	194.4	231.8	244.9
Official	237.4	146.2	146.3
Commodity, SWAP & Global Fund	89.1	11.9	22.4
Budget Grants	148.3	134.3	123.9
Capital and Financial Account	-1,075.8	-400.5	789.5
Capital Account	149.7	119.0	280.5
Capital Transfers	149.7	119.0	280.5
General Government	149.7	119.0	280.5
Project Assistance grants	149.7	119.0	280.5
Financial Account	-1,225.5	-519.5	509.0
Direct Investment	633.9	1,109.9	1,066.8
Portfolio Investment	73.6	70.7	813.0
Liabilities	73.6	70.7	813.0
Financial Derivatives	225.7	-154.3	-44.4
Other Investment	-2,158.7	-1,545.8	-1,326.4
Assets	-2,085.5	-2,183.9	-1,491.3
Increase in NFA - banks(-)	-172.9	0.0	490.4
Other Assets	-1,912.6	-2,183.9	-1,981.7
Liabilities	-73.2	638.1	164.9
Government	121.9	371.1	185.0
Disbursement of Loans	161.0	397.3	420.5
Project	91.8	367.3	355.0
Budget	69.2	30.0	65.5
Amortization of loans (-)	-39.1	-26.2	-235.5
Private Foreign Borrowing(net)	-195.1	267.0	-20.1
Errors and Omissions	-46.4	-60.4	-41.4
Overall balance	**83.3**	**243.8**	**694.9**
Financing	**-83.3**	**-243.8**	**-694.9**

Source: Bank of Zambia
*Preliminary

Zambia's external sector performance has been assisted by the country's food self-sufficiency in recent years, which has lowered importation of most key food items. During 2012, the country posted a surplus in wheat production of 146,839 mt compared with a surplus of 92,271 mt in 2011

Wheat Sausages (Storage Tubes), Agri-Options, Mkushi

Current Account

During the period under review, the current account recorded a deficit of US $53.1 million compared with a surplus of US $704.7 million in 2011, following a decline in the merchandise trade surplus and the widening of the services deficit. The merchandise trade surplus at, US $1,452.7 million, was 34.1% lower than US $2,205.6 million registered in 2011 on account of a higher increase in merchandise imports bill relative to merchandise export earnings.

Merchandise imports bill, at US $7,960.8 million in 2012, was 23.3% higher than US $6,454.2 million recorded in the previous year. This was largely attributed to an increase in import bills associated with commodity groups, such as, petroleum products by 75.4%, vehicles (42.6%) and food items (32.3%). Other increases were in imports of plastic and rubber products (24.0%), iron and steel and items thereof (19.6%), industrial boilers and equipment (16.0%), chemicals (16.0%), paper and paper products (18.4%), and electrical machinery and equipment (6.6%). Increased economic activity largely due to increased expenditure on infrastructure development explained the growth in imports.

During the same period, merchandise export earnings, at US $9,242.0 million were 8.6% more than US $8,512.3 million in 2011. This outturn was largely driven by a growth in non-traditional exports (NTEs) earnings. NTEs at US $2,712.2 million were 69.9% higher than US $1,596.6 million in 2011. The surge in NTEs was driven by increased earnings from the export of copper wire, burley tobacco, cotton lint, fresh flowers, fresh fruits and vegetables, gemstones, petroleum products, electricity, maize and wheat, and meslin (see Table 13). This favourable performance was attributed to continued increase in production of the products, favourable exchange rate developments and an improvement in international commodity prices.

Table 13: Major Non-Traditional Exports (C.I.F.), 2010 – 2012 (US$' million)

	2010	2011	2012	% Change 2012/2011
Copper Wire	170.2	169.7	151.4	-10.8
Cane Sugar	148.1	165.0	141.9	-14.0
Burley Tobacco	117.5	100.6	156.6	55.6
Cotton Lint	49.4	118.2	129.1	9.3
Electrical Cables	41.7	41.7	50.9	22.0
Fresh Flowers	22.0	20.8	23.7	14.1
Fresh Fruits & Vegetables	11.2	9.2	15.7	69.9
Gemstones	49.8	35.8	232.3	549.3
Gasoil/Petroleum Oils	27.6	36.8	97.1	164.1
Electricity	23.3	16.9	42.7	152.7

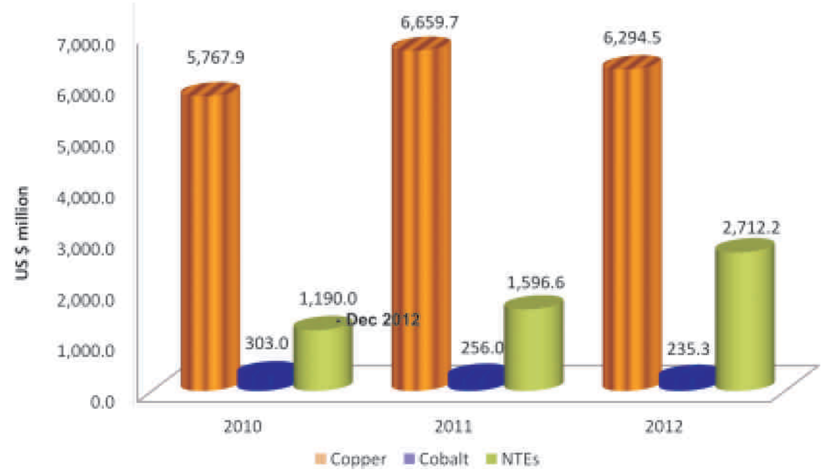
Source: Bank of Zambia
*Preliminary

Over the same period, metal export earnings declined by 5.6% to US $6,529.8 million from US $6,915.7 million registered in 2011, following a decline in both copper and cobalt export earnings. Copper export earnings, at US $6,294.5 million were 5.5% lower than US $6,659.7 million in 2011, driven by a decline in realised prices (see Chart 18). The realised average copper price declined by 10.8% to US $7,135.84 per tonne in 2012 from US $8,003.67 per tonne in 2011. Copper prices were dampened on the international market on account of a slowdown in global demand driven by the effects of the euro debt crisis. Copper export volumes at 882,095.1 metric tons (mt), however, were 6.0% higher than 832,144.2 mt recorded in 2011.

Cobalt export earnings marginally declined to US $235.3 million from US $256.0 million in 2011, on account of a decline in the realised prices. The realised average prices of cobalt slid by 28.2% to US $23,459.42 per tonne from US $32,693.2 per tonne in 2011. Cobalt export volumes, however, increased by 6.6% to 8,350.4 mt, compared with 7,830.7 mt recorded the previous year.

CHART 18:

EXPORT EARNINGS, 2010 - 2012



Capital and Financial Account

During the year 2012, the capital and financial account recorded a surplus of US $789.5 million compared with a deficit of US $400.5 million registered in 2011. The favourable performance in the capital and financial account was largely attributed to inflows in form of sovereign bond proceeds, project assistance grants and a draw down on assets held abroad by the private sector.

Direction of Trade

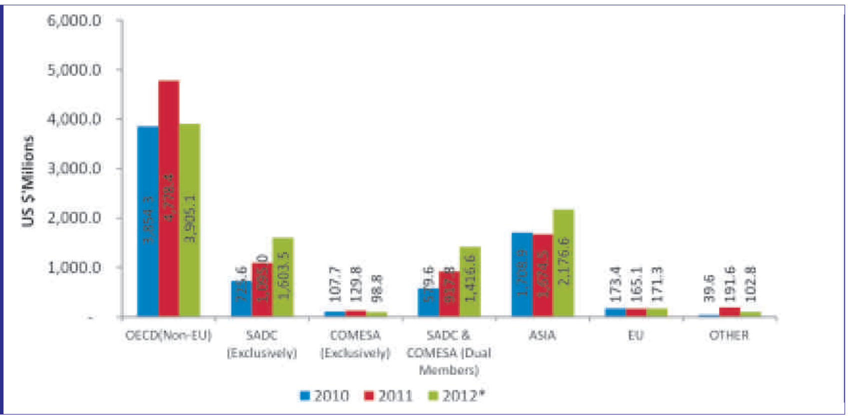
Export Markets by Region

Preliminary data indicate that in 2012, Zambia's exports to four regional markets, namely Asia, the European Union (EU), Southern African Development Community (SADC) (exclusively) and SADC and Common Market for Eastern and Southern Africa (COMESA) (dual members) increased, while exports to two other regional markets, namely, the Non-European Union (EU) Organisation for Economic Cooperation and Development (OECD) and COMESA (exclusively) declined. Notwithstanding, the OECD (Non-EU) region continued to be Zambia's top ranked major export market, accounting for 41.2% of total exports, despite the exports to the region declining by 18.3% to US $3,905.1 million in 2012 from US $4,778.4 million registered in 2011 (see Chart 19). The decline in exports was largely driven by a decline in metal export earnings to Switzerland, on account of low metal prices on the international market. Asia was the second major export market, accounting for 23.0% share of the country's exports, following an increase in exports to that region by 30.0% to US $2,176.6 million from US $1,674.5 million registered the previous year. This outturn was explained by an increase in base metal exports to China and the United Arab Emirates.

SADC (exclusively) remained in third position, with exports to the region accounting for 16.9% of Zambia's exports, following an increase by 46.4% to US $1,603.5 million from US $1,095.0 million registered in 2011. Increased exports of cotton and brans, sharps and other residues of maize to South Africa and food items to Tanzania, explained the outturn. SADC and COMESA (dual members) ranked fourth, with exports to the region accounting for 15.0% as exports grew by 54.4% to US $1,416.6 million from US $917.8 million registered in 2011. This outturn was attributed to an increase in exports of food items, processed wood, cement and chemical products to Congo (DR) and exports of wood and articles of wood, as well as candles and tapers to Malawi. The EU ranked fifth, following an increase in exports to that region by 3.8% to US $171.3 million in 2012 from US $165.1 million in 2011, largely driven by increased exports of fresh flowers to the Netherlands. The COMESA (exclusively) region ranked sixth, following a decline in exports to the region by 23.9% to US $98.8 million from US $129.8 million recorded in 2011, accounting for 1.0% of Zambia's total exports. This outturn was largely driven by a decline in exports of cereals to Kenya.

CHART 19:

DIRECTION OF EXPORTS BY REGION, 2010 - 2012



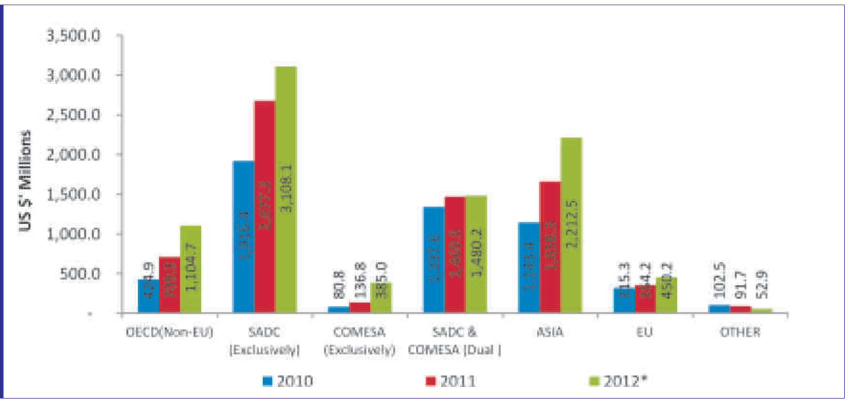
Major Sources of Imports by Region

During the period under review, SADC (exclusively) maintained the top position as Zambia's major source of imports accounting for 35.3% of the country's total imports, following a 16.1% increase in imports to US $3,108.1 million from US $2,677.3 million registered in 2011 (see Chart 20). Increased imports of food items, manufactured goods and machinery, electrical equipment and fertilisers from South Africa, explained this outturn. The second ranked region was Asia, accounting for a 25.2% share in the country's total imports, as imports from that region increased by 33.4% to US $2,212.5 million in 2012 from US $1,658.3 million recorded in 2011. This was reflective of increased imports of machinery and equipment, and manufactured goods and other imports from China, pharmaceutical products from India, and petroleum products from Kuwait. The SADC and COMESA (dual members) region ranked third, accounting for 16.8% of the country's total imports, largely explained by a marginal increase in imports from the region to US $1,480.2 million from US $1,469.5 million recorded the previous year. This outturn was explained by increased imports of copper and cobalt ores and concentrates from Congo DR.

The non-EU OECD region continued in fourth position, with imports from that region accounting for 12.6% of Zambia's total imports, as imports from the region, grew by 55.8% to US $1,104.7 million in 2012 from US $709.3 million in 2011. This was attributed to increased imports of motor vehicles from Japan and industrial boilers and other imports from the United States of America. In fifth position was the EU with the imports from the region accounting for 5.1% of total imports, driven by a 27.1% growth in imports to US $450.2 million from US $354.2 million in 2011. This outturn was explained by increased imports of industrial boilers and equipment from Germany, chemical products and rubber and articles thereof from the Netherlands. The COMESA (exclusively), ranked sixth, with imports from the region accounting for 4.4% of Zambia's total imports, as they more than doubled to US $385.0 million from US $136.8 million in 2011. A surge in mineral fuels and oils from Kenya explained this outturn.

CHART 20:

IMPORTS BY REGION, 2010 - 2012



3.4 EXTERNAL DEBT

Government[4] Debt Stock

Preliminary data indicate that the Government's total stock of outstanding external debt increased by 60.6% to US $3,179.6 million at end-December 2012 from the US $1,980.0 million at end-December 2011 (see Table 14). The increase in the debt stock was as a result of disbursements from various creditors, notably commercial and export credits.

[4]Public and publicly guaranteed debt.

An analysis of the structure of Government's external debt stock, as at end-December 2012, indicated that 49.0% of the total stock was owed to commercial, export and supplier creditors, 43.5% to multilateral creditors and 7.5% to bilateral creditors. The commercial and supplier credits debt stock increased by 247.2% to US $1,557.9 million, at end-December 2012, from US $448.7 million at end-December 2011. The increase was largely attributed to the issuance of the euro bond and disbursements from export creditors. The stock owed to the World Bank group increased by 15.3% to US $663.9 million as at December 2012 from US $575.8 million in December 2011 while the stock owed to the African Development Bank Group increased by 14.8% to US $247.0 million, at end-December 2012, from US $215.2 million at end-December 2011, due to disbursements for various projects. The debt to International Monetary Fund (IMF) under the Extended Credit Facility declined to US $405.6 million, as at end-December 2012, from the previous year's level of US $416.5 million, due to principal repayments. External debt owed to bilateral creditors at end-December 2012 went down to US $238.9 million from US $250.6 million due to some repayments following conclusion of bilateral agreements under the Paris Club framework.

Table 14: Government External Debt Stock by Creditor, 2010 - 2012

	2010		2011		2012*	
Creditor	**US $'million**	**% share**	**US $'million**	**% share**	**US $'million**	**% share**
Bilateral	**298.5**	**18.1**	**250.6**	**12.7**	**238.9**	**7.5**
Paris Club	224.6	13.5	180.0	9.1	169.8	5.3
Non Paris Club	73.9	4.6	70.6	3.6	69.2	2.2
Multilateral	**1,226.8**	**73.3**	**1,280.7**	**64.7**	**1,382.8**	**43.5**
IMF	394.5	23.6	416.5	21.0	405.6	12.7
World Bank Group	516.6	31.0	575.8	29.1	663.9	20.9
African Development Bank Group	229.6	13.7	215.2	10.9	247.0	7.7
Others	86.1	5.0	73.2	3.7	66.3	2.1
Suppliers/ Bank/Export	**142.3**	**8.6**	**448.7**	**22.6**	**1,557.9**	**49.0**
Total Govt. Debt	**1,667.6**	**100.0**	**1,980.0**	**100.0**	**3,179.6**	**100.0**

Source: Ministry of Finance and Bank of Zambia
Note: * Data for 2012 is preliminary

Government External Debt Service

In 2012, Government external debt service amounted to US $286.4 million, representing an increase of 227.7% from US $87.4 million debt service recorded in 2011 (see Table 15). Principal maturities during the year amounted to US $226.7 million while interest and other charges amounted to US $59.6 million. Of the total debt service for 2012, US $76.3 million was paid to bilateral creditors, US $36.2 million to multilateral creditors and US $173.9 million to financial creditors.

Table 15: Zambia's Official External Debt Service by Creditor, 2010 – 2012 (US $'million)

Creditor	**2010**	**2011**	**2012**
Bilateral	**21.4**	**43.9**	**76.3**
Paris Club	0.5	33.4	56.7
Others	20.9	10.5	19.6
Multilateral	**22.8**	**29.9**	**36.2**
IDA	5.1	7.1	7.8
IMF	1.5	5.8	12.0
ECU/EIB	10.1	10.8	9.8
Others	6.1	6.2	6.6
Suppliers/Bank/Export	**7.0**	**13.6**	**173.9**
Total	**51.2**	**87.4**	**286.4**

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 sector to various creditors was US $921.2 million at end-December 2012 compared to US $1,682.8 million at end-December 2011 (see Table 16). This decline of 45.2% in the stock was mainly due to principal repayments to parent companies and financial institutions among other creditors.

Table 16: Private and Non-Guaranteed Parastatal External Debt Stock, 2010 - 2012

	2010		2011		2012*	
Creditor	**US $'million**	**% Share**	**US $'million**	**% Share**	**US $'million**	**% Share**
Private	**1,704.7**	**99.0**	**1,668.6**	**99.0**	915.5	99.4
Multilateral	82.6	4.7	74.6	4.4	58.6	6.4
Financial Institutions	611.3	35.5	579.8	34.4	250.0	27.1
Parent Company	852.2	49.5	855.6	50.8	448.3	48.7
Other	158.6	9.2	158.6	9.4	158.6	17.2
Parastatal	**16.3**	**1.0**	**14.2**	**1.0**	5.7	0.6
Total Private and Non-Guaranteed	**1,721.0**	**100.0**	**1,682.8**	**100.0**	**921.2**	**100.0**

Source: Bank of Zambia
Note: * Data for 2012 is preliminary

3.5 FISCAL SECTOR DEVELOPMENTS

Overview

Fiscal performance in 2012 was favourable. Preliminary data show that the Government budget recorded an overall fiscal deficit of K660.2 billion, on cash basis thus was 86.2% lower than the programmed deficit of K4,777.2 billion. Explaining this outturn was mainly the lower than programmed expenditure. Although fiscal performance continued to be supportive of the end-year inflation objective, it remained unfavourable as it was mainly attained at the expense of lower than programmed expenditures on capital projects such as roads and rural electrification programme. As a proportion of GDP, the overall fiscal deficit was 0.6%, which was 3.9 percentage points lower than the programmed level of 4.5% of GDP (see Table 17 and Chart 21).

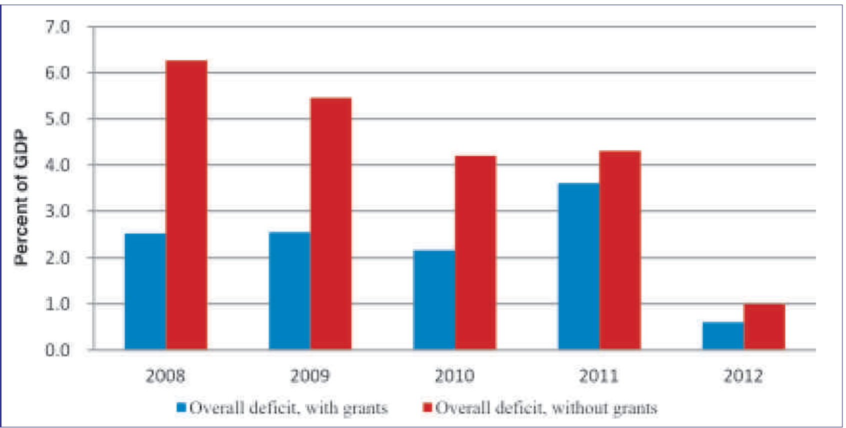
Table 17: Central Government Fiscal Operations, 2010 – 2012

	2010		2011		2012 (Target)		2012 (Preliminary)	
	K'billion	**% of GDP**	**K'billion**	**% of GDP**	**K'billion**	**% of GDP**	**K'billion**	**% of GDP**
Revenue and Grants	**15,344.7**	**19.7**	**20,233.0**	**21.5**	**21,938.7**	**20.8**	**22,449.0**	**20.2**
Domestic Revenue	**13,766.6**	**17.7**	**19,519.0**	**20.8**	**20,172.8**	**19.2**	**22,043.4**	**19.8**
Of which:								
Tax Revenue	12,909.6	16.6	18,885.9	20.1	19,558.0	18.6	20,953.3	18.9
Non-tax Revenue	857.0	1.1	633.1	0.7	614.8	0.6	1,090.1	1.0
Grants	**1,578.1**	**2.0**	**714.0**	**0.8**	**1,765.9**	**1.7**	**405.6**	**0.4**
Total Expenditure	**17,562.9**	**22.6**	**22,385.3**	**23.8**	**29,227.4**	**27.8**	**23,629.7**	**21.3**
Of which:								
Current Expenditure	15,099.5	19.4	18,364.4	19.5	19,038.1	18.1	21,028.0	18.9
Capital Expenditure	2,161.4	2.8	3,961.8	4.2	7,542.2	7.2	2,601.7	2.3
Change in balances & Stat. discrepancy	534.8	0.7	-1,206.2	-1.3	0.0	0.0	0.0	0.0
o/w Change in balances	-87.8	-0.1	-1,206.2	0.0	0.0	0.0	0.0	0.0
Overall bal including grants (Cash)	**-1,683.4**	**-2.2**	**-3,358.5**	**-3.6**	**-4,777.2**	**-4.5**	**-660.2**	**-0.6**
Of which:								
Overall bal. excluding grants (Cash)	**-3,261.5**	**-4.2**	**-4,072.5**	**-4.3**	**-6,543.1**	**-6.2**	**-1,065.8**	**-1.0**

Source: Ministry of Finance

CHART 21:

OVERALL BUDGET PERFORMANCE



Revenue and Grants

Total revenue and grants at K22,449.0 billion were 2.3% above the programmed level of K21,938.7 billion. Accordingly, domestic revenue at K22,043.4 billion was 9.3% higher than the programme level of K20,172.8 billion. As a percentage of GDP, however, total revenue and grants were 20.2%, thus 0.6 percentage points lower than the programmed level of 20.8% of GDP.

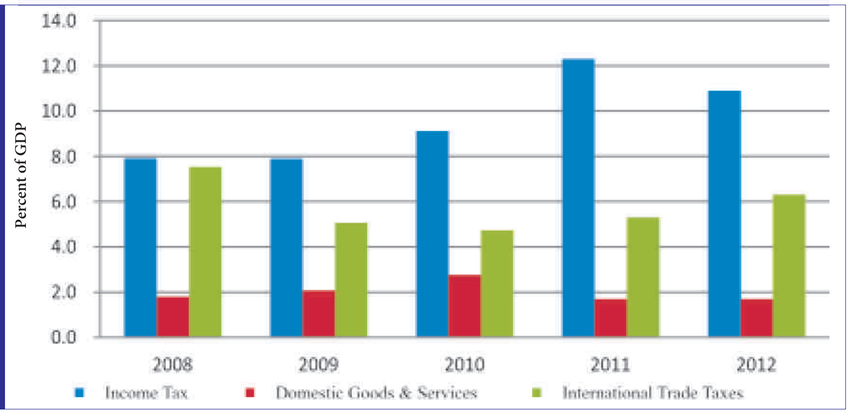
Tax Revenue

Tax revenues at K20,953.3 billion were 7.1% above the projection of K19,558.0 billion in 2012. This performance was mainly attributed to higher than programmed income and international trade taxes. Income taxes at K12,061.4 billion, were 13.1% above the programmed level, mainly due to higher corporate income tax, especially from mining companies. Similarly, international trade taxes at K7,011.6 billion were 9.3% higher than the programmed level of K6,416.2 billion. This performance was mainly attributed to a strong outturn in import Value Added Tax, following a rise in imports. Taxes on domestic goods and services, however, were below target by 24.1%. This was mainly due to lower than programmed collection of domestic value added tax on account of relatively low compliance.

As a proportion of GDP, tax revenue at 18.9% was 0.3 percentage points above the target of 18.6% while income tax at 10.9% of GDP was 0.8 percentage points higher than programmed (see Chart 22).

CHART 22:

DEVELOPMENTS IN TAX REVENUES, 2008 - 2012



Non-Tax Revenue

Non-tax revenue at K1,090.1 billion was 77.3% above the programmed level of K614.8 billion. As a percentage of GDP, non-tax revenue was 1.0% compared with the target of 0.6%. This outturn was mainly explained by the favourable performance in dividends, user fees and charges.

Grants

In 2012, total grants were K405.6 billion, 77.0% lower than the programmed level of K1,765.9 billion. As a proportion of GDP, total grants at 0.4% were 1.3 percentage points lower than programmed (see Table 18). This outturn was mainly due to non-receipt of programmed projects support of K1,133.7 billion.

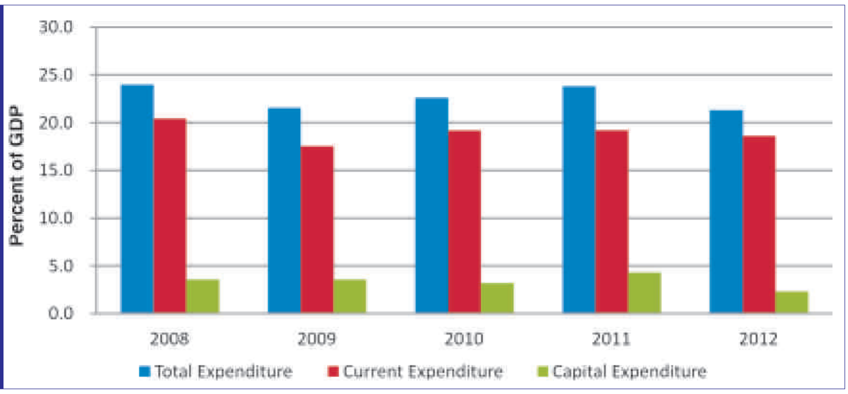
Delivering the Zambia Budget Speech for 2013, Parliament, Lusaka

Total Expenditure

Total expenditure in 2012 was below target largely due to lower expenditure on capital projects. Total expenditure at K23,629.7 billion was 19.2% below the programmed level of K29,227.4 billion. As a proportion of GDP, total expenditure at 21.3% was 6.5 percentage points lower than the programmed level of 27.8% of GDP (see Chart 23 and Table 18).

CHART 23:

DEVELOPMENTS IN EXPENDITURE, 2008 - 2012



Current Expenditures

During the year under review, total current expenditure at K21,028.0 billion was 10.5% above the programmed level of K19,038.1 billion. This was largely attributed to higher than programmed spending on use of goods and services; other expenses; and social benefits, which were above programmed levels by K1,164.9 billion, K709.6 billion and K285.2 billion, respectively. As a percentage of GDP, current expenditure at 18.6% was 0.8 percentage points higher than the programmed level of 17.8% of GDP.

Expenditure in the use of goods and services category was above target, largely explained by higher expenditures on ordinary uses of goods and services, public affairs and summit meetings, compensation and awards, and bye-elections. Similarly, expenditure in the other expenses category was above target due to higher than programmed expenditure on financial restructuring (assistance to non-performing government departments) and maize marketing while higher expenditure on social benefits was largely driven by pension benefits.

Table 18: Central Government Expenditures, 2010 – 2012

	2010		2011		2012 (Target)		2012 (Preliminary)	
	K'billion	% of GDP	K'billion	% of GDP	K'billion	% of GDP	K'billion	% of GDP
Total Expenditure	**17,562.9**	**22.6**	22,385.3	23.8	29,227.4	27.8	23,629.7	
Current Expenditure	15,099.5	19.2	18,364.4	19.2	19,038.1	17.8	21,028.0	21.3
Wages and Salaries	6,238.1	8.0	7,391.7	7.9	9,384.4	8.9	9,321.2	18.6
PSRP	5.0	0.0	10.0	0.0	15.0	0.0	2.5	8.4
Use of Goods and Services	3,039.6	3.9	4,099.9	4.4 1.2	3,508.1	3.3	4,673.0	0.0
Interest on Public Debt	1,521.2	2.0	1,082.5	1.1	2,072.2	2.0	1,817.9	4.2
Domestic Debt	1,280.3	1.6	1,013.4	0.1	1,537.2	1.5	1,436.6	1.6
Foreign Debt	240.9	0.3	69.1	2.7 1.0	535.0	0.5	381.3	1.3
Grants and Other Payments	1,807.1	2.3	2,569.5	2.0	2,379.6	2.3	2,451.9	0.3
Social Benefits	159.6	0.2	961.6	0.4	545.0	0.8	830.2	2.2
Other Expenses	2,130.3	2.7	1,887.8	4.3	817.5	0.0	1,527.1	0.7
Liabilities	198.6	0.3	361.4	4.2	316.3	0.3	404.2	1.4
Capital Expenditure	2,463.4	3.2	4,020.9	0.1	10,189.3	9.7	2,601.7	0.4
Domestically Financed	2,161.4	2.8	3,961.8		7,542.2	7.2	2,601.7	2.3
Foreign Financed	302.0	0.4	59.1		2,647.1	2.5	0.0	2.3

Source: Ministry of Finance

Capital Expenditure

In contrast to the outturn in current expenditure, total capital expenditure at K2,601.7 billion was 74.5% below the target of K10,189.3 billion. As a percentage of GDP, total capital expenditure at 2.3% was below the projection of 9.7%. This performance was largely on account of no expenditure on ZESCO power rehabilitation, lower expenditure on rural electrification, and road rehabilitation and maintenance. This was partly on account of delays in completing tendering procedures through Zambia Public Procurement Authority and the continued investigations in the road procurement process. Further, low absorption by Ministries, Provinces and other Spending Agencies also contributed to the slow pace of implementation of projects.

Budget Financing

Total financing of the overall fiscal deficit in 2012 was K1,014.0 billion against the projection of K4,846.4 billion. This comprised domestic financing of K2,058.8 billion and net foreign debt amortisation of K1,044.8 billion against targets of K1,519.8 billion and external borrowing of K3,326.6 billion, respectively.

As a proportion of GDP, total budget financing at 0.9% was 3.7 percentage points below the target of 4.6% of GDP. Of this financing, domestic financing at 1.9% of GDP was higher than the programmed level of 1.4% while net external financing at negative 0.9% of GDP was below the target of 3.2% (see Table 19).

Table 19: Budget Deficit Financing, 2010 - 2012

	2010		2011		2012 (Target)		2012 (Preliminary)	
	K'billion	% of GDP	K'billion	%of GDP	K'billion	% of GDP	K'billion	% of GDP
Total Financing	1,683.4	2.2	3,358.5	3.6	4,846.4	4.6	1,014.0	0.9
Domestic	1,520.8	2.0	2,321.8	2.5	1,519.8	1.4	2,058.8	1.9
Bank	984.4	1.3	1,036.7	0.0	-	-	-	-
Non-bank	536.4	0.7	1,136.1	0.0	-	-	-	-
External	162.6	0.2	0.0	1.1	3,326.6	3.2	-1,044.8	-0.9
Programme Loans	193.7	0.2	-99.4	1.2	2,278.7	2.1	163.0	0.1
Project Loans	53.2	0.1	-	-	697.9	-	0.0	0.0
Amortisation	-84.3	-0.1	-	-	350.0	-	-1,207.8	1.1

Source: Ministry of Finance
Key: - not available

3.6 REAL SECTOR DEVELOPMENTS

National Output

During the year under review, Government continued with measures to diversify the economy through the development of infrastructure and support to productive sectors, in particular agriculture, manufacturing and tourism.

Preliminary data indicate that the overall performance of the economy was favourable in 2012, as real Gross Domestic Product grew by 7.3% from 6.8% in 2011. This was mainly driven by growth in construction, manufacturing, and wholesale and retail trade sectors (see Tables 20, 23a and 23b).

Table 21: Sectoral Percentage Contribution to Real GDP, (In Constant 1994 Prices) 2010 - 2012

	2010	2011	2012
Growth in Real GDP (%)	7.6	6.8	7.3
Agriculture, Forestry and Fisheries	0.8	1.0	0.9
Mining and Quarrying	1.4	-0.5	-1.2
Manufacturing	0.4	0.7	1.0
Electricity, Gas and Water	0.2	0.2	0.1
Construction	0.9	1.1	1.8
Wholesale and Retail trade	0.7	1.1	1.2
Restaurants, Bars and Hotels	0.2	0.2	0.1
Transport, Storage and Communications	1.4	1.4	1.2
Financial Institutions and Insurance	0.4	0.3	0.8
Real Estate and Business services	0.2	0.2	0.2
Community, Social and Personal Services	0.5	0.7	0.7
Financial Intermediary Services Indirectly Measured	-0.1	-0.1	-0.1
Taxes on products	0.5	0.5	0.5

Source: Central Statistical Office

Agriculture, Forestry and Fisheries

Growth in the agriculture, forestry and fisheries sector slowed down to 7.1% from 7.7% in 2011 and contributed 0.9 percentage points to national output. Growth in the agriculture sub-sector decreased to 11.6% from 13.3% in 2011. This outturn was largely explained by a decline of 5.6% in maize output to 2.9 million mt during the 2011/12 agricultural season from 3.0 million mt the previous season (see Table 21). Further, output of tobacco, groundnuts, sorghum and rice declined. Poor rainfall in Southern, Eastern, Lusaka, Central and Western provinces largely explained this outturn. However, output of wheat, soya beans and sweet potatoes rose by 6.8%, 74.2% and 11.5%, respectively.

Significant headway has been made in the diversification of the agricultural sector away from maize, to production of livestock, poultry and eggs


Egg Hatchery, Lusaka

Table 21: Comparative Summary Results of 2009/10 – 2011/12 Crop Forecast (mt)

Crop	2009/10	2010/11	2011/12	Growth (%)
Maize	2,795,483	3,020,380	2,852,687	-5.6
Cassava	4,718,629	1132156	1,106,292	-2.3
Wheat	172,256	237,336	253,522	6.8
Sorghum	27,732	18,458	15,379	-16.7
Rice	51,656	49,410	45,321	-8.3
Sunflower	26,420	21,954	20,468	-6.8
Ground nuts	163,733	139,388	113,026	-18.9
Soy Beans	111,888	116,539	203,038	74.2
Mixed Beans	65,265	47,070	55,301	17.5
Irish Potatoes	22,940	27,563	32,066	16.3
Sweet Potatoes	252,867	146,614	163,484	11.5
Virginia Tobacco kg)	22,074	27,146	24,250	-10.7
Burley Tobacco (kg)	9,809	11,141	7,067	-36.6

Source: Ministry of Agriculture and Co-operatives

Mining and Quarrying

Output in mining and quarrying sector declined by 13.2% compared with a contraction of 5.2% in 2011. The sector contributed negative 1.2 percentage points to real GDP compared to negative 0.5 percentage points the previous year. This was largely on account of a fall in production of copper. Copper output fell by 6.4% to 824,976.6 mt from 879,445.0 mt while cobalt output grew by 6.9% to 8,123.38 mt from 7,701.57 mt. Lower copper output was largely attributed to low grade ore and low copper prices.

However, the other mining and quarrying sub-sector grew by 4% compared with 1.3% in 2011, mainly driven by higher construction activities.

Manufacturing

The performance of the manufacturing sector remained favourable, recording a growth of 11.2% compared with 7.7% in the previous year, contributing 1.0 percentage points to growth in real GDP. Growth in the sector was mainly driven by the following sub-sectors: food, beverages and tobacco; paper and paper products; wood and wood products; non-metallic mineral products; chemicals, rubber and plastic products; and fabricated metal products. However, unfavourable performance continued to characterise the textile and leather sub-sector, which contracted by 9.1% on account of inability to compete with cheaper imports.

Tourism

The growth in the tourism sector (restaurants, bars and hotels) slowed down to 2.1% in 2012 from 7.8% posted the previous year, contributing 0.1 percentage points to growth in real GDP. The slowdown, in part, reflected lower tourist arrivals mainly attributed to the weak global economy.

Total international arrivals through Harry Mwaanga Nkumbula and Mfuwe international airports were 74,170 passengers, 13.0% lower than 85,318 passengers recorded in 2011. Further, tourist entries into the country's national parks[5] decreased by 2.2% to 62,434 tourists from 63,807 tourists recorded in 2011 (see Tables 23).

[5]South Luangwa, Mosi-oa-Tunya, Lower Zambezi, Kafue, North Luangwa, Blue Lagoon

Zambia's tourism is among the most diverse in the world boasting of “The Victoria Falls – One of the Seven Wonders of the World”, “The Likumbi Lya Mize declared "Masterpiece of the Oral and Intangible Heritage of Humanity" by UNESCO and a rich game resource. No wonder, in 2013, the country will co-host the United Nation World Tourism Organisation General Assembly

Arial View of the Mighty Victoria Falls, Livingstone

Annual Likumbi Lya Mize, North-western province

A Herd of Buffalo and Giraffe, South Luangwa National Park,

However, this slowdown was moderated by aggressive marketing and promotional strategies coupled with increased investments in supportive infrastructure, such as roads, airport and telecommunication facilities.

Table 22: Tourist Entries in the Zambia's National Parks, 2010 - 2012

Country	2010	2011	2012	% Change
North America	8,138	9,930	10,727	8.0
Europe	20,020	19,689	21,062	7.0
Australasia	3,463	3,857	4,572	18.5
South America	768	1,000	1,951	95.1
Rest of Africa	7,472	7,145	6,778	-5.1
Zambian	18,129	22,186	17,344	-21.8
Total	**57,990**	**63,807**	**62,434**	**-2.2**

Source: Zambia Wildlife Authority

Construction

The construction industry registered a positive growth of 15.3% in 2012, up from 8.5% in 2011. This was partly reflected in increased production of cement at Lafarge Cement Zambia Plc, Oriental Quarries Ltd and Zambezi Portland Plc. Cement output rose by 10.3% to 1,575,771.1 mt from 1,428,854.9 mt in 2011. Growth in this sector continued to be driven by public and private infrastructure projects[6] across the country.

Transport, Storage and Communications

The transport, storage and communications sector continued with strong performance, growing by 11.3% compared with 12.9% in 2011, thus contributing 1.2 percentage points to real GDP, down from 1.3 percentage points the previous year. Favourable performance in the sector was largely reflected by growth in road, air and communications sub-sectors.

The communications sub-sector grew by 13.0%, largely driven by strong investment by mobile service providers and a subsequent rise in the subscriber base. Road transport grew by 10.9% in line with increased economic activity. However, rail transport contracted by 34.1%, largely on account of operational challenges coupled with stiff competition from road transport.

Electricity, Gas and Water

During the reviewed period, the sector grew by 2.3% compared to 8.2% in 2011. The positive growth in the sector was sustained by continued increase in economic activities.

In 2012, the Zambian Government aimed at boosting livestock production, through enhanced livestock restocking; scaled up animal disease research and development, and implementation of the disease free zones

Smallholder Rural Livestock Farm

[6]Roads, bridges, schools, health centres, hydro-power stations, residential and commercial structures, etc.

Table 23a: GDP by Kind of Economic Activity at Constant Prices, 2010 – 2012 (K' billion)

KIND OF ECONOMIC ACTIVITY	2010	2011	2012*	Growth (%)
Agriculture, Forestry and Fishing	539.5	582.8	624.2	7.1
Agriculture	268.8	306.5	342.0	11.6
Forestry	193.6	200.8	208.2	3.7
Fishing	77.0	75.5	74.0	-2.0
Mining and Quarrying	**427.7**	**405.6**	**352.0**	**-13.2**
Metal Mining	425.3	403.0	349.3	-13.3
Other mining and quarrying	2.4	2.6	2.7	4.0
PRIMARY SECTOR	**967.2**	**988.4**	**976.2**	**-1.2**
Manufacturing	396.0	427.7	475.4	11.2
Food, Beverages and Tobacco	280.0	305.9	341.9	11.8
Textile, and leather industries	10.3	4.6	4.2	-9.1
Wood and wood products	35.8	38.0	39.4	3.7
Paper and Paper products	16.7	19.7	22.9	16.2
Chemicals, Rubber and Plastic products	34.7	37.2	41.9	12.8
Non-metallic mineral products	8.8	11.0	12.9	16.9
Basic metal products	1.6	1.5	1.7	12.0
Fabricated metal products	8.2	9.6	10.3	7.7
Electricity, Gas and Water	102.4	110.8	113.4	2.3
Construction	507.4	552.8	637.1	15.3
SECONDARY SECTOR	**1,005.8**	**1,091.2**	**1,225.9**	**12.3**
Wholesale and Retail trade	659.6	709.2	765.0	7.9
Restaurants, Bars and Hotels	101.9	110.0	112.4	2.1
Transport, Storage and Communications	425.5	483.8	538.3	11.3
Rail Transport	5.1	5.4	3.5	-34.1
Road Transport	140.0	155.2	172.0	10.9
Air Transport	65.8	74.4	81.5	9.5
Communications	214.6	248.9	281.3	13.0
Financial Intermediaries and Insurance	308.3	323.3	362.1	12.0
Real Estate and Business services	333.2	342.8	352.6	2.9
Community, Social and Personal Services	369.4	400.3	434.0	8.4
Public Admin. & Defence; Public & Sanitary services	121.7	134.7	148.9	10.6
Education	182.2	195.9	210.7	7.5
Health	21.4	24.2	27.5	13.3
Recreation, Religious, Culture	26.4	27.1	27.9	2.8
Personal Services	17.7	18.3	19.0	3.5
TERTIARY SECTOR	**2,197.9**	**2,369.3**	**2,564.3**	**8.2**
Less: FISIM	- 157.2	- 160.8	- 164.4	2.3
TOTAL GROSS VALUE ADDED	**4,013.8**	**4,288.2**	**4,601.9**	**7.3**
Taxes on Products	299.3	319.7	343.1	7.3
TOTAL G.D.P. AT MARKET PRICES	**4,313.0**	**4,607.9**	**4,945.0**	**7.3**
Real Growth Rates	**7.6**	**6.8**	**7.3**	**7.3**

Source: Central Statistical Office
*Preliminary estimates

In its continued efforts to unlock the country growth potential and alleviate poverty particularly in rural Zambia, the Government has embarked on massive road network development under the Link Zambia 8000 project. Further, urban areas will also see facelifts under the Pave Zambia 2000 project

Road works under the Link Zambia 8000 project

COURTESY OF RDA

Table 23b: GDP by Kind of Economic Activity at Current Prices, 2010 – 2012 (K' billion)

KIND OF ECONOMIC ACTIVITY	2010	2011	2012*	Growth in 2012 (%)
Agriculture, Forestry and Fishing	15,642.3	18,094.8	20,439.1	13.0
Agriculture	2,801.4	3,351.7	3,978.2	18.7
Forestry	12,265.5	14,151.6	15,844.2	12.0
Fishing	575.3	591.5	616.7	4.3
Mining and Quarrying	2,837.8	3,144.1	2,315.3	-26.4
Metal Mining	2,828.1	3,131.9	2,304.6	-26.4
Other Mining and Quarrying	9.6	12.2	10.7	-11.7
PRIMARY SECTOR	18,480.0	21,238.9	22,754.4	7.1
Manufacturing	6,770.8	7,797.5	9,201.6	18.0
Food, Beverages and Tobacco	4,358.0	4,996.3	5,935.8	18.8
Textile, and Leather Industries	214.5	106.7	103.9	-2.6
Wood and Wood Products	791.9	934.7	1,046.8	12.0
Paper and Paper products	587.7	774.6	971.7	25.4
Chemicals, rubber and plastic products	613.2	703.2	833.3	18.5
Non-metallic mineral products	123.7	165.3	203.0	22.8
Basic metal products	8.9	11.0	10.5	-4.9
Fabricated metal products	72.8	105.6	96.6	-8.5
Electricity, Gas and Water	2,201.8	2,910.4	3,137.7	7.8
Construction	15,703.6	20,815.0	29,471.2	41.6
SECONDARY SECTOR	**24,676.1**	**31,522.8**	**41,810.5**	**32.6**
Wholesale and Retail trade	11,204.2	13,089.8	15,028.2	14.8
Restaurants, Bars and Hotels	1,838.6	2,143.8	2,290.3	6.8
Transport, Storage and Communications	3,076.5	3,578.4	4,009.1	12.0
Rail Transport	105.9	122.6	86.0	-29.9
Road Transport	1,242.6	1,467.9	1,734.5	18.2
Air Transport	611.0	737.2	844.9	14.6
Communications	1,117.0	1,250.6	1,343.8	7.4
Financial Intermediaries and Insurance	6,745.1	7,568.8	8,903.7	17.6
Real Estate and Business services	4,306.1	5,327.9	5,811.3	9.1
Community, Social and Personal Services	8,148.6	9,696.2	11,533.2	18.9
Public Administration and Defence	1,732.7	2,082.4	2,502.7	20.2
Education	4,694.2	5,542.0	6,542.9	18.1
Health	1,246.2	1,522.9	1,861.2	22.2
Recreation, Religious, Culture	167.1	188.6	212.9	12.9
Personal services	308.3	360.2	413.6	14.8
TERTIARY SECTOR	**35,319.1**	**41,404.9**	**47,575.8**	**14.9**
Less: FISIM	-3,876.3	-4,349.6	-5,116.8	17.6
TOTAL GROSS VALUE ADDED	**74,599.0**	**89,816.9**	**107,023.9**	**19.2**
Taxes less subsidies on Products	3,067.6	3,527.5	4,025.5	14.1
TOTAL G.D.P. AT MARKET PRICES	**77,666.6**	**93,344.4**	**111,049.4**	**19.0**

Source: Central Statistical Office
*Preliminary estimates

Investment Pledges

Total investment pledges increased to US $10,089.1 million in 2012 from US $4,798.7 million recorded in the previous year. This outturn partly reflected continued favourable macroeconomic performance. Investment pledges were broad based and targeted at the growth sectors of the economy with potential for high job creation. The pledges when fully executed were expected to generate 30,908 jobs compared to 36,298 jobs in 2011 (see Table 24).

Table 24: Sectoral Investment Pledges and Employment, 2010 – 2012

SECTOR	2010		2011		2012	
	Pledges US $'million	Expected Jobs	Pledges US $'million	Expected Jobs	Pledge US $'million	Expected Jobs
Manufacturing	1,907.1	20,504	718.4	14,140	1,242.04	10,263
Mining	986.4	3,678	992.5	4,767	4,235.8	5,277
Energy	570.2	213	1,098.6	165	1,752.9	381
Real Estate	413.6	1,478	375.1	7,155	1,858.3	3,963
Education	214.6	152	3.6	63	-	-
Agriculture	194.3	6,449	466.2	4,391	379.0	3,595
ICT	161.7	281	20.5	235	20.7	105
Tourism	130.5	1,903	747.0	1,408	184.0	814
Service	99.8	13,649	161.3	2,071	218.9	3,553
Construction	86.8	1,916	44.8	1,060	85.6	1,729
Health	22.5	78	2.5	51	2.6	70
Transport	4.1	20	26.6	313	108.3	1,144
Financial Institutions	-	-	141.8	479	0.9	9
TOTAL	**4,791.6**	**50,321**	**4,798.7**	**36,298**	**10,089**	**30,903**

Source: Central Statistical Office

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.1 BANKING SECTOR

As at end-December, 2012, the banking sector had 19 operating banks and of these, 13 were locally incorporated subsidiaries of foreign banks, two were partially owned by the Government of the Republic of Zambia and four were locally owned.

Overview of the Banking Sector

The overall financial performance and condition of the banking sector in the year ended 31 December 2012 was rated satisfactory with 10 out of the 19 operating banks being rated 'satisfactory' while the remaining nine were rated 'fair'.

The satisfactory performance of the sector was largely on account of high capital adequacy ratios, and industry liquidity, satisfactory asset quality and earnings performance as indicated by the key performance ratios (see Tables 25, 26 and 27).

Table 26: Banking Sector Composite Ratings[7], Dec 2010 - Dec 2012

	Number of Banks			% of Total Assets			% of Total Deposits		
Performance Rating	**Dec-10**	**Dec-11**	**Dec-12**	**Dec-10**	**Dec-11**	**Dec-12**	**Dec-10**	**Dec-11**	**Dec-12**
Satisfactory	9	10	10	57.4	87.0	85.3	56.8	87.3	84.3
Fair	5	7	9	34.0	8.1	14.7	36.4	6.9	15.7
Marginal	2	1	0	2.3	4.1	0.0	1.7	4.8	0.0
Unsatisfactory	2	1	0	6.3	0.9	0.0	5.1	0.9	0.0
Total	**18**	**19**	**19**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Table 27: Banking Sector Component Ratings, Dec 2010 - Dec 2012

Performance	Capital Adequacy			Asset Quality			Earnings			Liquidity		
	Dec-10	**Dec-11**	**Dec-12**	**Dec-10**	**Dec-11**	**Dec-12**	**Dec-10**	**Dec-11**	**Dec-12**	**Dec-10**	**Dec-11**	**Dec-12**
Satisfactory	13	14	18	11	13	13	7	10	12	11	11	10
Fair	3	3	1	4	4	5	6	4	0	5	7	6
Marginal	1	1	0	0	1	1	3	3	3	1	1	3
Unsatisfactory	1	1	0	3	1	0	2	2	4	1	0	0
Total	**18**	**19**	**19**	**18**	**19**	**19**	**18**	**19**	**19**	**18**	**19**	**19**

Source: Bank of Zambia

The buoyant Zambia economy has attracted increased investment in the financial sector, with commercial banks investing in new products and physical infrastructure, with the view to improving on service delivery

New Stanbic Head Office, Lusaka

[7]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). Each of these performamnce indicators is rated according to the following criteria:-
Strong- Excellent performance and sound in every respect, no supervisory response 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.

Table 27: Financial Performance Indicators of the Banking Sector, Dec 2010 - Dec 2012 (in percent)

Indicator	Dec-10	Dec-11	Dec-12
Primary capital adequacy ratio	19.1	16.8	19.4
Total regulatory capital adequacy ratio	22.1	19.2	21.3
Net non-performing loans to regulatory capital	11.2	10.2	8.7
Gross non-performing loans to total loans	14.8	10.4	8.1
Net non-performing loans to total loans	2.9	2.4	2.1
Net non-performing loans to net loans	3.3	2.6	2.3
Provisions to non-performing loans	80.3	76.7	73.5
Earning assets to total assets	78.7	81.8	77.7
Net operating income to total assets	12.0	10.9	11.2
Non-interest expense to total assets	8.6	7.4	7.3
Provision for loan losses to total assets	1.1	0.1	0.4
Net interest income total assets	6.4	6.1	6.1
Return on assets	2.5	3.7	3.9
Return on equity	12.1	25.5	20.8
Efficiency ratio	71.8	68.1	65.5
Liquid assets to total assets	43.7	40.3	36.0
Liquid assets to deposits and short-term liabilities	52.3	48.6	44.4

Source: Bank of Zambia

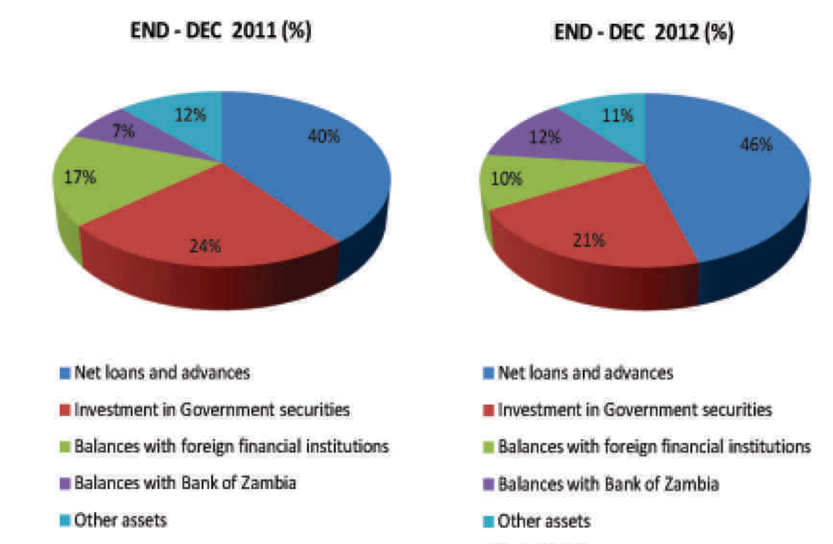
Industry Balance Sheet Composition

Asset Structure[8]

Net loans and advances accounted for 45.6% of the industry's total assets as at end-December 2012 compared to 39.7% of total assets as at end-December 2011. Whilst Investment in Government securities accounted for 21.1% of total industry assets, Balances with the Bank of Zambia accounted for 12.4% of total assets and Balances with financial institutions accounting for 10.1% of total assets compared to 24.0%, 7.5% and 16.8% as at end-December 2011, respectively (see Chart 24).

CHART 24:

BANKING SECTOR ASSET STRUCTURE END-DEC 2011 AND END-DEC 2012



In the year under review, the sector's total assets increased by 23.5% to K34,276 billion as at end-December 2012 from K27,765 billion as at end-December 2011 (see Chart 25). The increase in total assets was mainly on account of an increase in net loans and advances, balances with the Bank of Zambia and investments in Government securities, which rose by 41.7%, 104.6% and 8.8%, respectively and these were largely funded by deposit liabilities and balances with financial institutions abroad. Overall, the banking sector's total assets depicted a positive growth trend over the year .

[8]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.

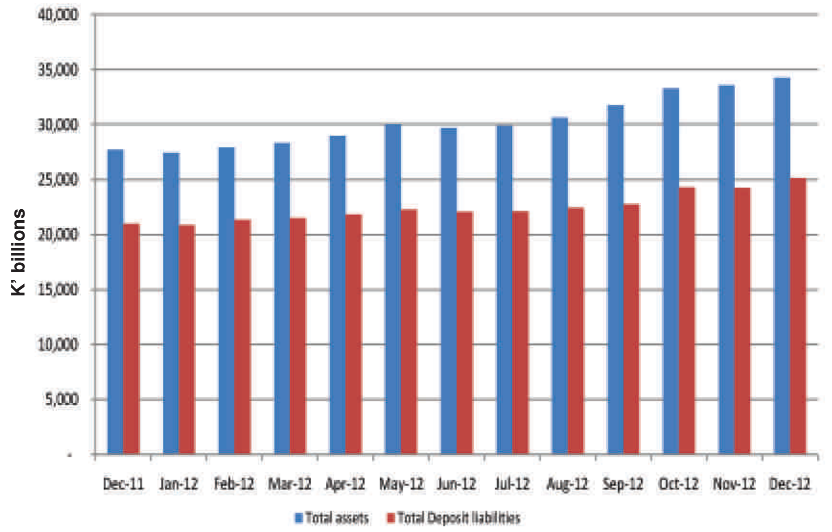
Deposits and Other Liabilities

In the year under review, the banking sector's total liabilities increased by 21.1% to K30,311 billion from K25,033 billion as at end-December 2011. This outturn was mainly on account of a rise in total deposits by 20.0% to K25,162 billion and balances due to financial institutions abroad by 45.0% to K2,030 billion.

Total deposits continued to account for the largest share of the banking sector's total liabilities, and accounted for 83.0% of total liabilities compared to 83.3% as at end-December 2011. In terms of the composition of the banking sector's total deposits, demand deposits accounted for the largest share at 63.3% compared to 63.9% as at end-December 2011 while time deposits accounted for 23.1% as at end-December 2012 compared to 23.3% as at end-December, 2011. Savings deposits accounted for 13.6% as at end-December, 2012 compared to 12.8% as at end-December 2011.

CHART 25:

BANKING SECTOR ASSET STRUCTURE DEC 2010 - DEC 2012



Performance of the Banking Sector

Capital Adequacy[9]

The banking sector was adequately capitalised and primary regulatory capital increased by 51.9% to K3,761 billion as at end-December 2012 from K2,475 billion as at end-December 2011. The increase in regulatory capital was mainly on account of an increase in paid-up common shares and in the current year retained earnings.

Paid-up common shares which accounted for 71.1% of primary regulatory capital, increased by 600.8% to K2,673 billion from K381 billion at end-December 2011. This increase was on account of fresh capital injections of K510 billion, conversion from Tier 2 capital of K90 billion, conversion from share premium account of K317 billion, and capitalisation of prior periods retained earnings of K1,374 billion. Further, eligible secondary capital (Tier 2) also increased on account of new subordinated term debt amounting to K97 billion. As a result, the banking sector's total regulatory capital increased by 45.6% to K4,120 billion from K2,830 billion as at end-December 2011.

As at end-December 2012, the banking sector's aggregate capital adequacy position was satisfactory. The sector's aggregate capital adequacy ratios edged upwards to 19.4% and 21.3% for the primary regulatory capital and total regulatory capital, respectively from 16.8% and 19.2%, respectively as at end-December 2011 (see Table 28 and Chart 26). The capital adequacy ratios were above the minimum prudential requirements of 5% for primary regulatory capital and 10% for total regulatory capital.

The ratio of net non-performing loans to total regulatory capital, decreased to 8.7% as at end-December 2012 from 10.2% as at end-December 2011.The decline indicated the sectors increased capacity to absorb unexpected losses.. The impact of the net NPLs on regulatory capital, even if they were to be fully provided for, remained insignificant.

Overall, all banks met the minimum capital requirements (based on old minimum requirements) and the sector remained adequately capitalised.

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

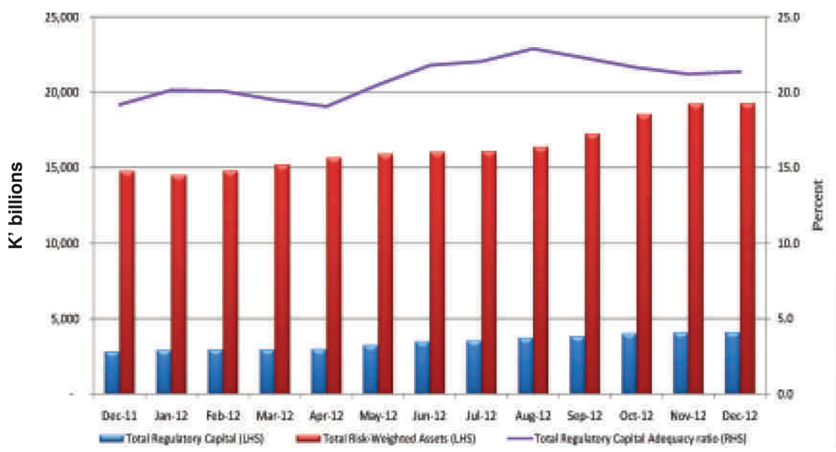
Table 28: Capital Adequacy Ratios, Dec 2010 – Dec 2012 (%)

Key Ratios	Dec 2010	Dec 2011	Dec 2012
Primary regulatory capital to total risk-weighted assets	19.1	16.8	19.4
Total regulatory capital to total risk-weighted assets	22.1	19.2	21.3
Total regulatory capital to total assets plus off-balance sheet items	9.6	9.1	11.0
Net non-performing loans to total regulatory capital	11.2	10.2	8.7

Source: Bank of Zambia

CHART 26:

REGULATORY CAPITAL, RISK-WEIGHTED ASSETS AND CAPITAL ADEQUACY RATIO DEC 2011 - DEC 2012



Asset Quality

Classification of loans

The banking sector asset quality was satisfactory with 91.9% of total industry loans classified pass as at 31 December 2012 compared to 89.6% as at end-December 2011. In addition, 0.7% doubtful, 0.7% was classified sub-standard and 6.7% was classified loss, compared to 0.7%, 2.0% and 7.7% respectively as at end-December 2011.

Industry gross NPL also improved to 8.1% as at end-December 2012 from 10.4% as at end-December 2011. In addition, the net NPL ratio[10] improved to 2.3% as at end-December 2012 from 2.6% as at end-December 2011.

The allowance for loan losses (ALL) against the NPLs also increased by 4.0% to K992 billion as at end-December 2012 from K954 billion as at end-December 2011 (see Table 29).

Table 29: Classification of Loans and the Allowance for Loan Losses, Dec 2010 - Dec 2012

	Dec 2010		Dec 2010		Dec 2012	
Loan Category	**K'billion**	**%**	**K'billion**	**%**	**K'billion**	**%**
Pass	7,805	85.2	10,736	89.6	15,267	91.9
Substandard	180	2.0	81	0.7	123	0.7
Doubtful	175	1.9	243	2.0	120	0.7
Loss	1,004	10.9	919	7.7	1,107	6.7
Total Gross Loans	9,164	100	11,979	100	16,617	100
Allowance for Loan Losses	**1,091**		**954**		**992**	

Source: Bank of Zambia

The NPL coverage ratio[11] however, decreased to 73.5% as at end-December 2012 from 76.7% as at end-December 2011, indicating deterioration in the banking sector's reserve for expected loan losses (see Table 30).

[10]The Net NPL ratiorefers to the NPL ratio which does not take into account NPLs that have been fully provisioned and have potential to negatively impact the overall quality of the loan book NPL Coverage ratio is the proportion of the gross NPLs covered by the allowance for loan losses [i.e., ALL/ NPLs]. A ratio of 100% or more implies full compliance with the minimum provisioning requirements.
[11]NPL Coverage ratio is the proportion of the gross NPLs covered by the allowance for loan losses [i.e., ALL/ NPLs]. A ratio of 100% or more implies full compliance with the minimum provisioning requirements.

Table 30: Banking Sector Key Asset Quality Ratios, Dec 2010 - Dec 2012 (%)

Key Ratios	Dec 2010	Dec 2011	Dec 2012
Gross non-performing loans to gross loans (Gross NPL ratio)	10.4	10.4	8.1
Net non-performing loans to net loans (Net NPL ratio)	3.3	2.6	2.3
Allowance for loan losses to non-performing loans (NPL Coverage ratio)	80.3	76.7	73.5
Regulatory allowance for loan losses to minimum provisioning requirements	96.8	90.3	83.3

Source: Bank of Zambia

Sectoral Distribution of Loans and Non-performing Loans[12]

The 'personal loans' sector accounted for the largest share of the banking sector's total loans and advances at 34.4% compared to 29.0% as at end-December 2011. This was followed by the 'agriculture, forestry, fishing and hunting' sector which accounted for 23.2% compared to 17.9% as at end-December 2011. The 'manufacturing' sector accounted for 11.6% of total banking sector loans as at end- December,2012 compared to 12.4% as at end-December 2011 and while the 'wholesale and retail trade' sector accounted for 6.8% compared to 10.5% as at end-December 2011 (see Table 31).

Table 31: Sectoral Distribution of Loans, Dec 2010 - Dec 2012 (%)

Sector	Dec 2010	Dec 2011	Dec 2012
1. Agriculture, forestry, fishing and hunting	17.3	17.9	23.2
2. Mining and quarrying	3.2	4.3	5.8
3. Manufacturing	12.8	12.4	11.6
4. Electricity, gas, water and energy	1.6	1.7	2.1
5. Construction	5.8	4.4	3.8
6. Wholesale and retail trade	10.6	10.5	6.8
7. Restaurants and hotels	4.6	1.9	2.0
8. Transport, storage and communication	4.9	5.4	4.7
9. Financial services	2.7	5.2	1.9
10. Personal Loans	27.2	29.0	34.4
11.A Salary backed	19.5	22.5	26.2
12.B Mortgages	7.6	6.5	8.2
13. Other sectors	9.3	7.3	3.7
Total Loans	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

The 'construction' sector recorded the highest level of NPLs at 40.3% compared to 28.0% as at end-December 2011 (see Table 32), although the sector's contribution to the industry's total loans and advances was only 3.8%. Other sectors with high levels of NPLs were 'restaurant and hotels' and 'transport, storage and communications' whose NPL ratios were 16.9% and 16.1%, respectively as at end-December 2012 compared to 19.4% and 10.5% as at end-December 2011. The 'restaurant and hotels' and the 'transport, storage and communications' sectors contribution to the banking sector's total loans and advances however were insignificant at 2.0% and 4.7%, respectively.

Table 32: The Intra-Sector NPL ratios, Dec 2010 - Dec 2012 (%)

Sector	Dec 2010	Dec 2011	Dec 2012
1. Agriculture, forestry, fishing and hunting	21.8	9.1	4.6
2. Mining and quarrying	25.9	17.5	8.4
3. Manufacturing	10.7	12.1	9.0
4. Electricity, gas, water and energy	0.9	1.9	1.0
5. Construction	42.4	28.0	40.3
6. Wholesale and retail trade	8.5	7.3	8.2
7. Restaurants and hotels	36.3	19.4	16.9
8. Transport, storage and communication	20.5	10.5	16.1
9. Financial services	1.2	3.1	8.5
10. Personal loans	15.1	7.1	4.6

Source: Bank of Zambia

[12] The prudential objective in credit risk management is to prevent banks from overexposure to a single geographical area, economic sector or loan category. This is because it makes a bank vulnerable to a weakness in an industry, economic sector or geographical region and poses a risk that a bank may suffer from simultaneous failures among several clients for similar reasons.

Earnings Performance[13]

Earnings Analysis

In the year under review, the earnings performance of the banking sector was rated satisfactory. The sector recorded a profit before tax of K1,191 billion, which was 26.4% higher than the K942 billion recorded in 2011, while profit after tax of K700 billion, was 14.6% higher than the K611 billion in 2011. The improvement in profitability was largely attributed to operating income which increased by 20.9% to K3,822 billion as at end-December 2012 and was in turn driven by an increase in both net-interest income and non-interest income which rose by 19.5% and 22.7%, respectively (see Table 33, Charts 28 and 29).

Additionally, the banking sector's non-interest expenses also increased by 21.6% to K2,505 billion in 2012 from K2,059 billion in 2011. This was mainly driven by an increase in 'salaries and employee benefits' and in 'other general overheads' which went up by 19.3% and 32.5% respectively and 'provision for loan loss' which increased by 501.1% to K126 billion in 2012 and the provision for taxation which increased by 48.3% to K491 billion in 2012 .

Table 33: Summarised Income Statement, Dec 2010 - Dec 2012 (K, billion)

Particulars	**2010**	**2011**	**2012**
Interest Income	1,849	2,145	2,724
Interest Expenses	(384)	(450)	(619)
Net Interest Income	**1,464**	**1,694**	**2,105**
Non-Interest Income	1,306	1,327	1,718
Net Operating Income	**2,771**	**3,022**	**3,822**
Non-Interest Expenses	(1,989)	(2,059)	(2,505)
Pre-Provision Operating Profit (PPP)	**782**	**963**	**1,317**
Loan Loss Provisions	(261)	(21)	(126)
Profit Before Taxation	**521**	**942**	**1,191**
Taxation	(261)	(331)	(491)
Net Profit	**260**	**611**	**700**

Source: Bank of Zambia

The sector's overall profitability, as measured by the return on assets (RoA) increased to 3.9% as at end-December 2012 from to 3.7% as at end-December 2011while the return on equity (RoE)[14] decreased to 20.8% as at end-December 2012 from 25.5% as at end-December 2011. The fall in the RoE was on account of an increase in shareholders' equity arising from the new capital requirements which came into effect in January 2012 (see Table 35).

Table 34: Earnings Performance Indicators, Dec 2010 - Dec 2012 (%)

Key Ratios	**Dec 2010**	**Dec 2011**	**Dec 2012**
Return on Assets	2.5	3.7	3.9
Return on Equity	12.1	25.5	20.8
Net Interest Margin	9.0	8.1	8.4
Efficiency[15] Ratio	71.8	68.1	65.5
Earning assets ratio	78.7	81.8	77.7

Source: Bank of Zambia

[13]In addition to capital adequacy, pre-provision profitability plays an important role for the risk-bearing capacity of commercial banks and after-tax bank profits provide an important source of internal capital formation. Therefore, 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. Bank profitability can be analysed in terms of its important constituents; net operating income (net interest income plus noninterest income), noninterest expenses and loan loss expenses.

[14]ROA and ROE are computed based on the 12 month moving average.

[15]The “overhead efficiency ratio” gives a measure of how efficiently 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 27:

EARNINGS PERFORMANCE, DECEMBER (2011-2012)

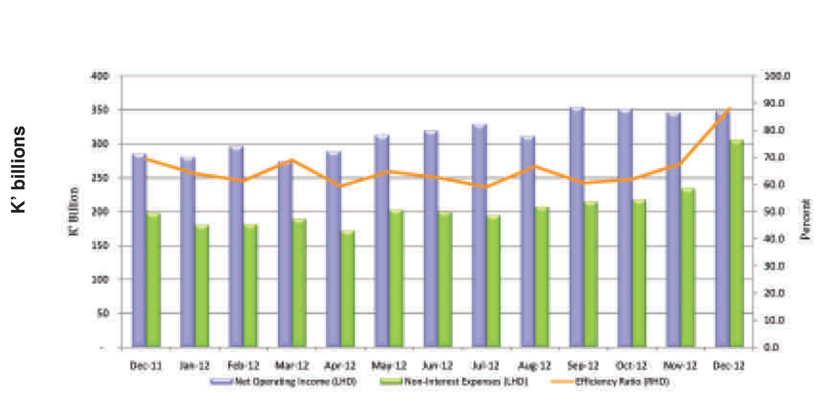
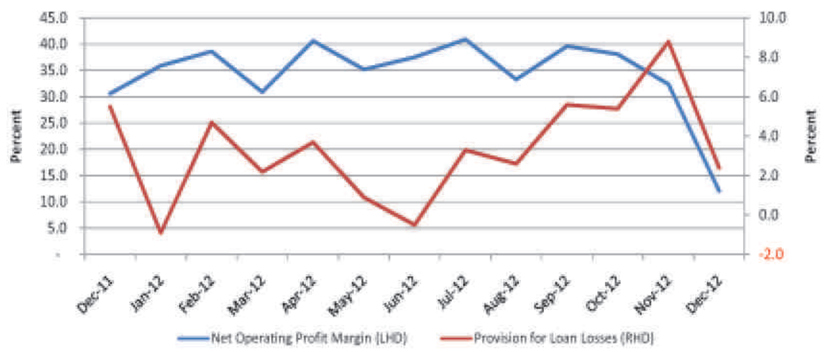


CHART 28:

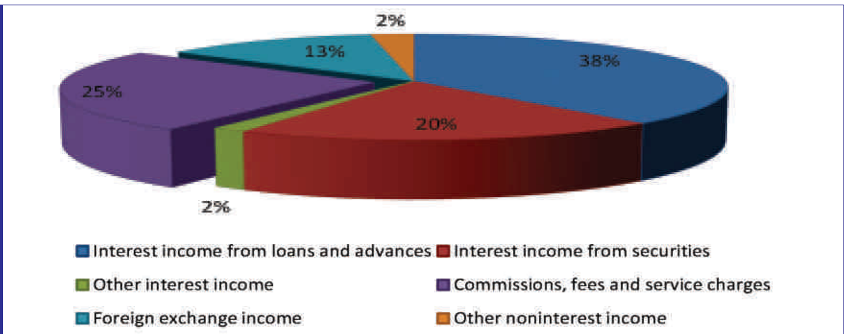
MONTH ON MONTH OPERATING PROFIT MARGIN AND PROVISION FOR LOAN LOSS EXPENSES, DEC 2011 - DEC 2012



The sector's main sources of income were interest income from loans and advances (38.3%), income from commissions, fees and service charges (25.2%) interest income from securities (20.0%) and income from foreign exchange transactions (12.5%) (see Chart 29).

CHART 29:

BANKING SECTOR SOURCES OF INCOME, DEC 2012



[16]Liquidity and Funds Management

The banking sector continued to be characterised by high levels of liquidity although, on a year to year basis, the banking sector's liquidity ratio reduced to 44.4% as at end-December 2012 from 48.6% as at end-December 2011. In addition, the proportion of liquid assets to total assets also declined to 36.0% as at end-December 2012 from 40.3% as at end-December 2011 (see Table 35 and Chart 30). Liquid assets mostly consisted of Treasury bills and balances with financial institutions abroad

Additionally, the loan-to-deposit ratio increased to 66.0% as at end-December 2012 from 57.1% as at end-December 2011. However, the ratio remained within acceptable levels (see Chart 31).

[16]Liquidity risk is the current and potential risk to earnings and market value of the shareholders' equity that results from a bank's inability to meet payment or clearing obligations in a timely and cost-effective manner. Liquidity risk is greatest when a bank cannot anticipate new loan demand or deposit withdrawals, and does not have access to new sources of cash.
Liquidity risk can be measured by the two key liquidity risk indicators: the liquid asset ratio and the liquidity ratio. The **liquid asset ratio** is the proportion of liquid assets to total assets and provides an indication of the liquidity available to meet expected and unexpected demands for cash; and **the liquidity ratio** is the proportion of liquid assets to deposits and other short-term liabilities and is intended to capture the liquidity mismatch of assets and liabilities, and provides an indication of the extent to which banks could meet a short-term withdrawal of funds without facing liquidity problems. In addition to these two ratios, the **loan-to-deposit ratio** is used to determine how much of loans are funded by deposits rather than the interbank or other borrowings (purchased liquidity) which tend to be volatile and expensive.

Table 35: Banking Sector Liquidity, K'billion

Details	Dec 2010	Dec 2011	Dec 2012
Cash and Balances with Domestic Institutions	1,946	2,014	3,974
Balances with Foreign Institutions	2,426	4,673	3,477
OMO deposits	262	0	0
Treasury bills	**10,070**	4,331	4,603
Government bonds (up to 180 days maturity)	**19,249**	161	304
Total Liquid Assets	**17,244**	**11,179**	**12,357**
Deposits & short-term liabilities	**8,073**	**23,010**	**27,793**
Total Deposits		**20,977**	**25,162**
Total Loans and Advances	**43.8**	**11,979**	**16,617**
Key Liquidity Ratios:	**52.4**		
Liquid assets to total assets (liquid asset ratio)	**53.1**	**40.3**	**36.0**
Liquid assets to deposits & short-term liabilities (Liquidity ratio)	**79.7**	**48.6**	**44.4**
Loans to Deposits Ratio	**42.8**	**57.1**	**66.0**
Core deposits/ total deposits ratio		**76.7**	**76.9**
Deposit concentration ratio		**40.8**	**40.2**

Source: Bank of Zambia

CHART 30:

LIQUIDITY RATIOS, DEC 2011- DEC 2012

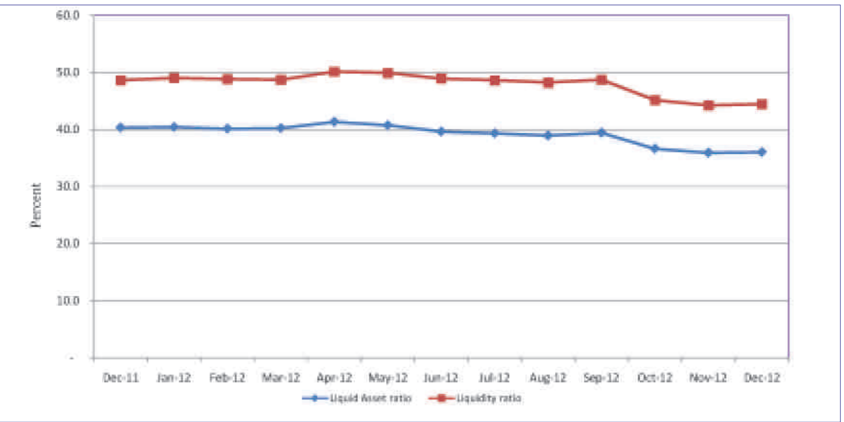
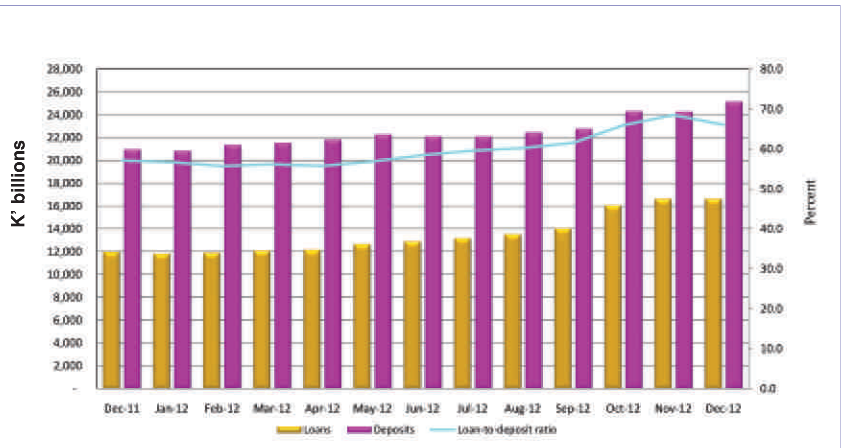


CHART 31:

DEPOSITS, LOANS AND LOAN-TO-DEPOSIT RATIO DEC 2010 - DEC 2012



Industry Market Share

Market Share by Assets, Loans and Deposits

Zanaco, Standard Chartered Bank, Barclays Bank and Stanbic Bank continued to dominate the banking sector's market share in terms of asset and deposit size. These banks accounted for 61.5% and 61.7% of the banking sector's total assets and liabilities, respectively, compared to 64.6% and 65.9% at end-December 2011.

In terms of profitability, the banks that accounted for the largest proportion of industry profitability were Standard Chartered Bank (29.5%), Zanaco (19.1%), Barclays Bank (18.1%), Stanbic Bank (12.7%) and Citibank (10.0%) (see Table 36).

Table 36: Commercial Banks' Market Share and Performance Indicators as at 31st End-Dec 2012

Bank	Percentage of assets	Percentage of loans	Percentage of deposits	Percentage of profit before tax[17]	Return on Assets (%)	Return on Equity (%)	Total Regulatory Capital Ratio
Barclays	15.0	18.6	14.8	18.1	4.7	32.0	16.5
Zanaco	16.8	16.5	16.9	19.1	3.0	27.3	16.4
Stanchart	15.0	14.0	14.6	29.5	7.2	46.2	20.2
Stanbic	14.7	17.3	15.4	12.7	3.4	20.9	20.7
Citibank	5.4	2.7	4.2	10.0	7.2	17.0	57.1
Indo Zambia	5.0	5.0	4.9	4.9	4.1	13.2	23.1
Finance Bank	5.5	5.9	6.0	9.6	7.8	55.7	16.8
Bank of China	5.8	0.9	7.0	1.8	1.2	21.4	25.6
First Alliance	1.1	1.3	0.9	2.0	6.2	15.4	36.7
ABC	2.8	4.1	1.5	3.2	4.7	34.4	17.4
Investrust	3.7	4.7	4.2	1.9	2.1	19.9	15.8
Cavmont Capital	1.1	1.2	1.4	(1.7)	(5.6)	(50.8)	18.2
Intermarket	0.9	0.9	1.0	0.8	2.9	34.0	15.0
Access	0.9	0.5	1.1	(0.7)	(2.4)	(27.3)	23.8
FNBZ	3.5	4.2	3.8	(2.8)	(4.4)	(46.1)	20.2
ECO	1.7	1.2	1.6	(5.7)	(10.6)	(70.0)	31.3
UBA	0.5	0.3	0.6	(2.5)	(16.0)	(68.6)	22.8
ICBZ	0.4	0.4	0.3	0.1	0.7	4.3	21.9
AB Bank	0.1	0.1	0.0	(0.4)	(17.1)	(21.2)	88.8
Total/Weighted average	**100.0**	**100.0**	**100.0**	**100.0**	**3.9**	**20.8**	**21.3**

Source: Bank of Zambia

Market Share: Assets, Loans and Deposits by Ownership

Subsidiaries of foreign banks[18] continued to dominate the sector's market share in terms of assets, loans and deposits; followed by banks with Government shareholding[19] and local private banks[20] (see Table 38).

Table 37: Distribution of the Banking Sector's Assets, Net Loans and Deposits by Ownership Type, Dec 2010 - Dec 2012

	Dec 2010			Dec 2011			Dec 2012		
	Assets	**Loans**	**Deposits**	**Assets**	**Loans**	**Deposits**	**Assets**	**Loans**	**Deposits**
Subsidiaries of foreign banks	70.1	62.5	71.1	69.0	67.7	68.5	66.7	65.4	65.8
Banks with Government stake	19.5	24.5	19.8	21.3	21.4	20.8	21.8	21.6	21.8
Local private banks	10.4	13.0	9.2	9.8	10.9	10.7	11.5	13.0	12.5
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

During the year under review, the distribution of 'profit before tax' by ownership type indicated that subsidiaries of foreign banks accounted for 64.1% of the sector's total profit before tax followed by banks with Government stake with 24.1% and locally owned private banks at 11.8%(see Table 39).

Table 38: Distribution of the Banking Sector's Profit Before Tax by Type of Ownership, Dec 2010 - Dec 2012 (%)

	2010	2011	2012
Subsidiaries of foreign banks	59.2	67.4	64.1
Banks with Government stake	38.5	25.2	24.1
Local private banks	2.3	7.4	11.8
Total	100.0	100.0	100.0

Source: Bank of Zambia

[17]This represents the percentage share of each bank's profit/ (loss) contribution to the net banking industry's net profit or loss.
[18]These are locally incorporated subsidiaries of foreign banks (Thirteen)
[19]Banks which are partly owned by the Government of the Republic of Zambia (Two).
[20]These are locally owned banks (Four).

Branch Network

During the year under review, the Bank of Zambia authorised opening of 21 branches and seven agencies across the country. Consequently, the number of commercial bank branches increased to 268 from 247 in 2011 while commercial bank agencies increased to 46 from 39 recorded in 2011 (see Table 39).

Bank Inspections

In the year under review, the Bank inspected four commercial banks. The objectives of these inspections were to evaluate the financial conditions of banks and assess their risk management systems.

The Bank also undertook targeted compliance inspections to assess commercial banks' adherence to the Banking and Financial Services Cost of Borrowing Regulations of 1995 that give guidance on the determination of annual rate of interest. All banks were found to be compliant with the regulation.

The Bank also conducted a survey to assess commercial banks' compliance with the Bank of Zambia Policy Rate (CB Circular No. 05/2012, Introduction of the Bank of Zambia Policy Rate). Under CB Circular No. 05/2012, all banks are required to use the policy rate as their base rate. The survey established that all commercial banks complied with the directive and were using the BoZ policy rate as the reference rate.

The Bank also conducted a survey on mobile financial services and products in Zambia. The objective of the survey was to get an understanding of the landscape of mobile financial services and assess their in contribution to financial inclusion in Zambia. The survey established that of the 19 commercial banks, only 10 banks were engaged in the provision of mobile banking.

Table 39: Commercial Bank Branch Network, Dec 2011 - Dec 2012

Bank Name	Dec 2011	Dec 2012
AB Bank Zambia Limited	1	3
Access Bank Zambia Limited	5	5
African Banking Corporation (Z) Ltd	6	11
Bank of China	2	2
Barclays Bank Zambia Plc	50	50
Cavmont Bank Limited	14	14
Citibank Zambia Limited	2	2
Ecobank Zambia Limited	4	4
Finance Bank Zambia Limited	34	34
First Alliance Bank (Z) Limited	4	4
First National Bank Zambia Limited	6	9
Indo-Zambia Bank Limited	14	17
Intermarket Banking Corporation (Z) Ltd	3	5
International Commercial Bank (Z) Ltd	2	2
Investrust Bank Plc	15	16
Stanbic Bank Zambia Limited	18	19
Standard Chartered Bank Zambia Plc	17	19
United Bank for Africa Zambia Limited	3	4
Zambia National Commercial Bank Plc	47	48
Total Branches	**247**	**268**
Barclays Bank Zambia Plc	4	4
Cavmont Bank Limited	1	1
Finance Bank Zambia Limited	15	17
Indo-Zambia Bank Limited	1	1
Intermarket Banking Corporation (Z) Ltd	1	2
Investrust Bank Plc	3	3
Standard Chartered Bank Zambia Plc	2	2
Zambia National Commercial Bank Plc	12	15
Ecobank Zambia Limited	0	1
Total Agencies	**39**	**46**
Grand Total	**286**	**314**

Source: Bank of Zambia

Regulatory Policy Matters

In the period under review, the Bank of Zambia continued to review its regulatory framework in order to strengthen its functions. Some of the initiatives undertaken during the year under review include:

Revision of the Banking and Financial Services Act

The Bank completed the review of the Banking and Financial Services Act (BFSA). The review was aimed at making the BFSA more responsive to developments in the financial sector and to provide the Bank of Zambia with powers to effectively execute its regulatory and supervisory mandate.

Revision of Minimum Capital Requirements

On 30 January 2012, the Bank of Zambia issued CB Circular No. 02/2012 (New Capital Adequacy Framework) which increased the minimum capital requirements for commercial banks. The minimum primary capital was raised from K12 billion to K104 billion (approximately US $20 million) and K520 billion (approximately US $100 million) for locally and foreign owned banks, respectively. In addition, primary capital as a proportion of total capital was increased to at least 80% in nominal paid-up common shares. The increase in minimum capital was intended to make commercial banks more resilient to financial instability and enable banks to accommodate large loan requests on the strength of their individual balance sheets. The banks were given up to 31 December 2012 to progressively build up their primary capital to the required amount. The deadline was later extended to 31 December 2013.

Introduction of the Bank of Zambia Policy Rate/ Interest Rate Adjustments in Commercial Banks

On 26 March 2012, the Bank of Zambia introduced the Bank of Zambia Policy Rate through Bank of Zambia CB Circular No. 05/2012. To this effect, the standard practice of pricing loans and similar credit products would be anchored on the BoZ Rate. The banks' lending rates would be the Policy Rate plus a margin, which would be set on the basis of their risk premium assessments and/or any other considerations, effective 30th April 2012.

Capping of Interest Rates

On 26th December 2012, the Bank of Zambia through CB Circular No. 25/2012 announced the revision of the Cost of Borrowing Regulations by introducing a cap on margins that commercial banks add on the Bank of Zambia Policy Rate. To this effect, the effective annual lending rates for commercial banks would be subject to a maximum cap not to exceed the prevailing Bank of Zambia Policy Rate plus the product of a maximum margin to be determined by the Bank of Zambia from time to time and a factor of one. This meant that with the Policy Rate of 9.25% as at end-December 2012 and a maximum margin of nine percentage points, the maximum rate was not to exceed 18.25% as computed below (see Table 41):

Table 40: Cost of Borrowing Determination

Factor	Margin	Policy Rate	Maximum Rate
(A)	**(B)**	**(C)**	**(A x B) + C)**
1.0	9.0%	9.25%	18.25%

Source: Bank of Zambia

Implementation of Basel II

The Bank of Zambia started the implementation of Basel II capital accord. The Bank will implement the accord in three phases starting with Pillar I. In phase II, the Bank will implement Pillar II and this will be followed by phase III. The implementation process will be concluded by December, 2013.

The Bank will implement the following options, credit risk, the standardised approach, operational risk, basic indicator approach and market risk, standardised approach.

Zambia recognises the importance of manufacturing in its growth, employment creation and enhancing income earning opportunities. Over the years, manufacturing has increasingly provided a market for the country's agricultural products such as soya bean

Soyola Industries (Cooking oil manufacturing plant), Lusaka

4.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

Overview

In 2012, the overall financial performance and condition of the non-bank financial institutions (NBFIs) sector was satisfactory. The leasing and finance, bureaux de change, microfinance, development finance and the building societies sub-sectors registered satisfactory performance. However, the performance of savings and credit institutions was unsatisfactory.

The number of NBFIs rose to 107 as at 31 December 2012 from 102 as at 31 December 2011. The increase was mainly due to a rise in the number of bureaux de change, microfinance institutions and building societies (see Table 41)

Table 41: Structure of NBFIs, 2010 – 2012

Type of Institution	Number of Institutions		
	2010	**2011**	**2012**
Leasing finance institutions[21]	11	9	8
Building societies	3	3	4
Bureaux de change[22]	50	55	57
Savings and credit institutions	1	1	1
Microfinance institutions[23]	24	32	35
Development finance institutions	1	1	1
Credit reference bureaux	1	1	1
Total	**91**	**102**	**107**

Source: Bank of Zambia

Licensing

During the year, 10 licences for NBFIs were granted. These comprised five bureaux de change licences, four microfinance and one Building Society (see Tables 42, 43 and 44).

Table 42: Bureau de Change Licences Issued in 2012

Name of Bureau de Change	Date Licensed
1. Dips Bureau de Change Limited	15 June 2012
2. Vistepan Bureau de Change Limited	19 September 2012
3. Superstar Bureau de Change Limited	6 November 2012
4. UAE Exchange Bureau de Change Limited	23 July 2012
5. Sigma Bureau de Change Limited	15 June 2012

Source: Bank of Zambia

[21] One leasing company, Industrial Credit Company, had its licence revoked on 5 April 2012.
[22] Three bureaux de change, Chuvic Crusade and Northmead had their licences revoked on 9 May 2012, 9 July 2012 and 20 March 2012, respectively.
[23] One microfinance institution, Credit Finance Limited, had its license revoked on 5 April 2012.

Table 43: Microfinance Institutions Licences Issued in 2012

Name of Microfinance Institution	Date Licensed
1. Development Finance Africa Limited	19 September 2012
2. Zampost Microfinance Zambia Limited	21 November 2012
3. Microfinance Zambia Limited	19 September 2012
4. Gobena Microfinance Limited	5 November 2012

Source: Bank of Zambia

Table 44: 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

Further, six bureaux de change and seven microfinance institutions branch applications were approved in the year 2012 (see Tables 45 and 46).

Table 45: Building Societies Licences Issued in 2012

Name of Microfinance Institution	Date Licensed
1.Meanwood Building Society Limited	15 June 2012

Source: Bank of Zambia

Table 46: Approved Bureau de Change Branches

Name of Institution	No. of Branches	Date Approved
Saints Bureau de change Limited, Chipata	1	9 February 2012
Kayagold Bureau de Change Limited- ChaChaCha Road, Lusaka	1	9 February 2012
Unifinance Bureau de Change – Comesa, Lusaka	1	9 May 2012
Chibuyu Bureau de Change Limited, Findeco House, Lusaka	1	6 June 2012
Zampost Bureau de Change Limited – Kasumbalesa	1	26 June 2012
Saints Bureau de Change Limited – Nakonde	1	29 June 2012
Total	**6**	

Source: Bank of Zambia

Table 47: Microfinance Institutions Branches Approved in 2012

Name of Institution	No. of Branches	Date Opened
Agora Microfinance Zambia Limited- Kaoma	1	11 December 2012
Bayport Financial Services	6	18 December 2012
- ChaChaCha Road		26 May 2012
- Lusaka		26 May 2012
- Kitwe		9 May 2012
- Monze		23 May 2012
- Petauke		23 May 2012
- Katete		
Total	**7**	

Source: Bank of Zambia

Performance of the Non-Bank Financial Institutions Sector

The overall financial performance and condition of the NBFIs was satisfactory. Seventy-three institutions were rated fair or better, seven were rated marginal while four were rated unsatisfactory (see Table 48). The four institutions rated unsatisfactory comprised two leasing companies, one building society and one savings and credit institution.

Table 48: Performance and Financial Condition of the NBFIs Sector, 2010 – 2012

Performance Rating	Licence Type	Number of Institutions			% of Total Assets
		2010	**2011**	**2012**	for 2012
Strong	Deposit-taking	0	2	2	7.3%
	Non-Deposit-taking	5	7	11	32.1%
Satisfactory	Deposit-taking	2	3	3	13.4%
	Non-Deposit-taking	26	29	29	5.7%
Fair	Deposit-taking	5	6	6	6.7%
	Non-Deposit-taking	26	30	29	20.7%
Marginal	Deposit-taking	1	1	1	3.1%
	Non-Deposit-taking	11	5	7	0.1%
Unsatisfactory	Deposit-taking	1	1	1	2.1%
	Non-Deposit-taking	5	4	3	8.8%
Total		**82**	**88**	**92**[24]	**100%**

Source: Bank of Zambia

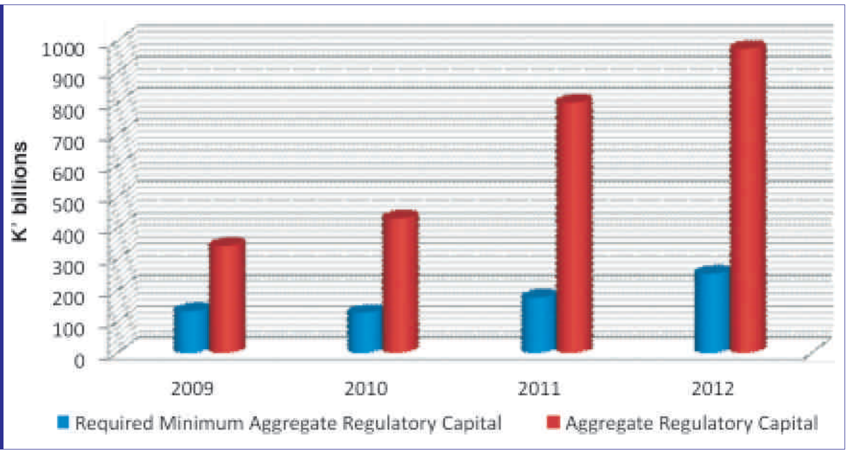
Capital Adequacy

The aggregate regulatory capital of the NBFIs sector was strong in 2012 despite four institutions not meeting the minimum capital requirement. Overall, the sector regulatory capital was 284% above the required minimum of K253.0 billion (see Chart 32). In this regard, the sector was in a position to absorb potential losses that might crystallise to the extent of the excess amount of K719.5 billion.

The aggregate regulatory capital as at 31 December 2012, was K973.3 billion compared to K802.3 billion at end-December 2011. This represented an increase of 21% mainly as a result of profit-after-tax of K110.3 billion, coupled with capital injection by newly licensed institutions.

CHART 32:

TREND IN AGGREGATE REGULATORY CAPITAL OF THE NBFIs



Asset Quality

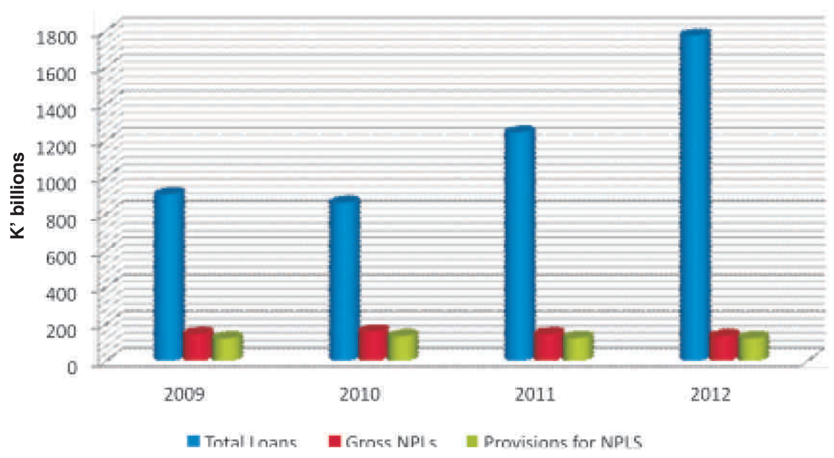
As at end-December 2012, the asset quality of the NBFI sector was satisfactory. The aggregate assets of the sector amounted to K2,924.4 billion [December 2011: K2,046.7 billion], representing an increase of K877.7 billion or 42.9%. Out of the sector total assets, net loans and advances amounted to K1,707.4 billion and accounted for 58.4%. The increase in total assets was largely due to a combined increase of K770.8 billion in the total assets of the micro-finance institutions and the leasing sub-sector, arising from increases in loan portfolios.

The proportion of gross non-performing loans to gross loans was satisfactory at 7.6% [December 2011: 9.2%] (see Chart 33). The provision for loan losses which stood at K124.3 billion was considered adequate as it covered 92.1% of gross non-performing loans of K135.6 billion. Overall, the net non-performing loans of K11.3 billion [December 2011: K25.9 billion] accounted for 0.4% [December 2011: 1.0 %] of total assets, which was well below the acceptable maximum limit of 10% for individual institutions.

[24]The total number of licensed NBFIs was 107. However, six MFIs and seven bureaux de change had not yet started submitting prudential returns while one institution had suspended operations as at the reporting date. The other institution is a credit reference bureau that is not required to submit prudential returns.

CHART 33:

TREND IN TOTAL LOANS AND NON-PERFORMING LOANS OF THE NBFIs

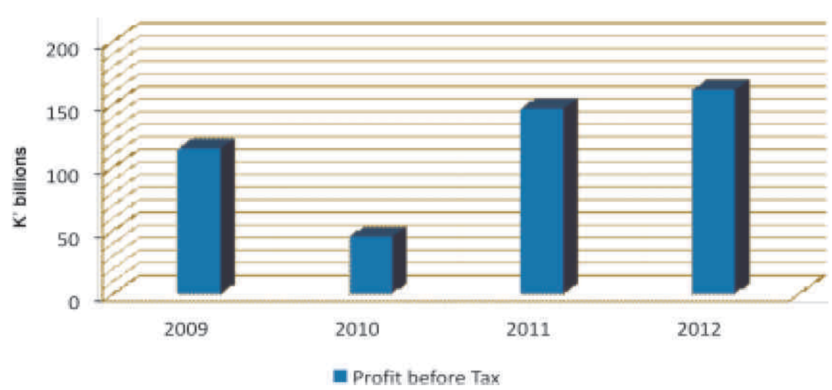


Earnings

During the year under review, the sector reported a profit before tax of K161.3 billion [2011: K148.5 billion] (see Chart 34). The increase in earnings was largely attributed to a rise in earning assets. The microfinance sub-sector profit before tax of K105.6 billion contributed the highest to the sector earnings.

CHART 34:

TREND IN EARNINGS OF THE NBFIs



Liquidity

The NBFIs sector ratio of liquid assets to total deposits and short-term liabilities stood at 296.1%, at end-December 2012 compared to a ratio of 322.6% at end-December 2011. The high liquidity ratio was mainly attributed to Government recapitalisation of one state owned financial institution by K241.3 billion.

The liquidity ratio for the rest of the NBFIs, excluding the state owned financial institution, was 28.4% compared to 30.2% as at the end of December 2012. The adjusted liquidity ratio for the NBFIs sector was characteristically low because the liquidity of most NBFIs was off-balance sheet in form of confirmed lines of credit from commercial banks. In this regard, the liquidity of the NBFIs was closely tied to commercial banks' liquidity conditions.

Further, the NBFIs depositors' funds, as at 31 December 2012, amounted to K576.1 billion and accounted for 2.3% of the total depositors' funds for the banking and NBFIs compared to a figure of K314.2 billion as at end December 2011. The vulnerability of the NBFIs sector to liquidity risk was considered low in the year under review due to the stable liquidity conditions in the banking sector.

Leasing Finance Institutions Sub-sector

The overall performance and condition of the leasing finance sub-sector was satisfactory compared to the fair rating in the previous year. This was on account of the satisfactory rating of capital position, earnings performance and asset quality of the sub-sector while the liquidity position was rated fair.

Out of the eight leasing companies, two institutions accounting for 1.3% of the sub-sector's total assets were rated unsatisfactory due to regulatory capital deficiencies (see Table 49). In this regard, the Bank of Zambia put in place measures to compel shareholders of these institutions to address the capital deficiencies.

Table 49: Composite Rating for the Leasing and Finance Companies Sub-Sector, 2010 - 2012

Performance Category	Composite Rating Scale	Number of Leasing companies			Proportion of Industry Assets (%)		
		2010	2011	2012	2010	2011	2012
Strong	1.0 - 1.5	0	1	1	0	0	39
Satisfactory	1.6 - 2.4	1	1	1	0	2	5
Fair	2.5 - 3.4	3	4	4	12	52	55
Marginal	3.5 - 4.4	2	1	0	65	0	0
Unsatisfactory	4.5 - 5.0	4	2	2	21	13	1
Total		**10**	**9**	**8**	**100**	**100**	**100**

Source: Bank of Zambia

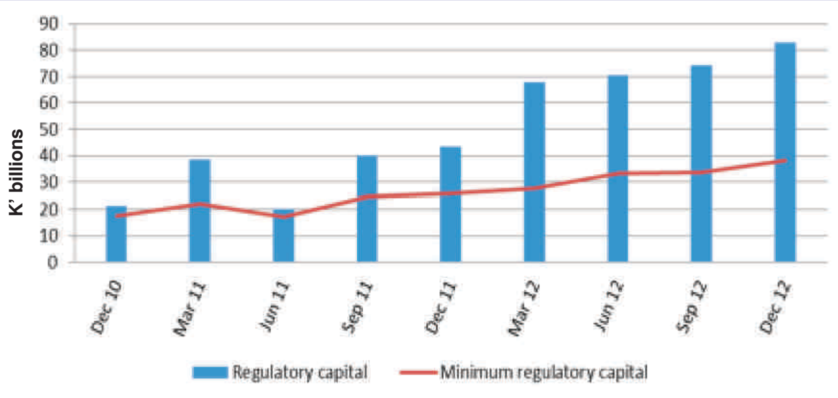
Capital Adequacy

The aggregate regulatory capital of the leasing and finance companies sub-sector in 2012 was rated satisfactory. As at end-December 2012, the regulatory capital of the sub-sector increased to K82.9 billion from K43.5 billion as at end-December 2011, and was above the aggregate sub-sector minimum capital requirement of K38.1 billion by 117.5%. The increase in regulatory capital was largely attributed to profit-after-tax amounting to K17.6 billion. In addition, the removal of negative regulatory capital of one leasing company amounting to negative K21.1 billion following its take-over by a building society contributed to the improvement.

The capital position as at 31 December 2012 represented a regulatory capital adequacy ratio of 24%, which was 14 percentage points above the minimum required prudential regulatory capital ratio of 10% for individual institutions (see Chart 35).

CHART 35:

LEASING SUB-SECTOR REGULATORY CAPITAL, DEC 2010 – DEC 2012



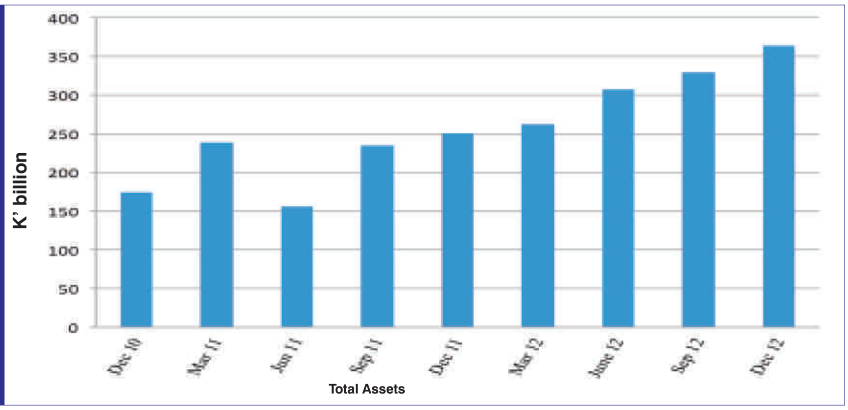
Asset Quality

The asset quality of the leasing finance sub-sector was satisfactory. Total assets increased by 44.9% to K363.8 billion from K250.9 billion as at 31 December 2011. This was largely on account of a rise in the sub-sector's net loans and leases to K287.3 billion from K195.2 billion at end-December 2011.

Net loans and advances, which stood at K287.3 billion constituted the largest proportion of total assets at 79%. Non-performing loans decreased by 51.4% to K9.8 billion from K20.2 billion at end-December 2011 and constituted 3.3% of total loans, lower than the maximum required limit of 10%. The decrease in non-performing loans and leases was largely on account of the removal of non-performing loans and leases of one leasing company, which accounted for 58% of the sub-sector's total non-performing loans and leases. The non-performing loans and leases were fully provided for as at end December 2012 (see Chart 36).

CHART 36:

LEASING SUB-SECTOR TOTAL ASSETS, MAR 2010 – DEC 2012



Earnings

Earnings performance of the leasing and finance sub-sector was satisfactory, as it improved in 2012. The sub-sector reported a profit-before-tax of K25.1 billion compared to a profit before tax of K12.0 billion for 2011 (see Chart 37 and Table 50). The improvement in profitability was largely attributed to an increase in non-interest income to K21.0 billion from K9.5 billion in 2011 coupled with a decline in non-interest expenses to K29.5 billion in 2012 from K37.3 billion in 2011.

Whereas the interest margin remained stable at 24%, the ratio of non-interest expenses to net income was lower at 70% in 2012 compared to 87% in the year 2011, indicating improved operational efficiency among institutions in the sub-sector.

CHART 37:

LEASING SUB-SECTOR PROFIT BEFORE TAX, 2010 – 2012

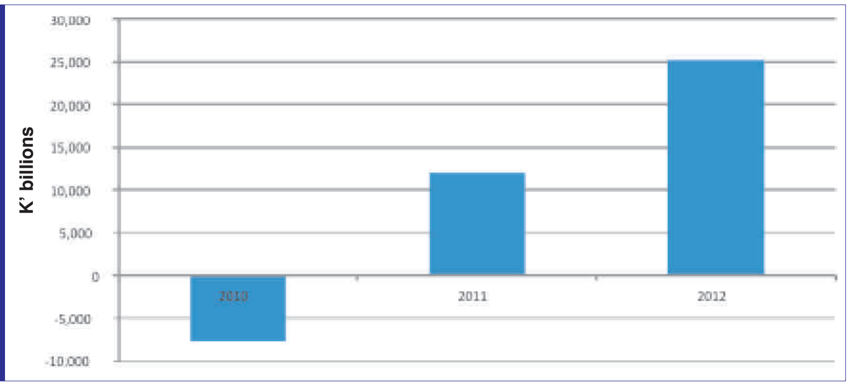


Table 50: Earnings Performance, 2010 – 2012 (K'million)

	2010	**2011**	**2012**
Interest income	34,725	57,838	56,082
Interest expenses	11,956	14,854	14,105
Net interest income	**22,769**	**42,984**	**41,977**
Provisions/(Provisions reversals)	30,690	3,165	8,291
Net interest income after provisions	(7,921)	39,819	33,686
Non-interest income	28,632	9,479	20,951
Total net income	20,711	49,298	54,637
Non-interest expenses	28,156	37,300	29,523
Profit before tax	**(7,445)**	**11,998**	**25,112**
Tax	193	2,460	8,980
Profit after tax	**(7,638)**	**9,538**	**16,132**

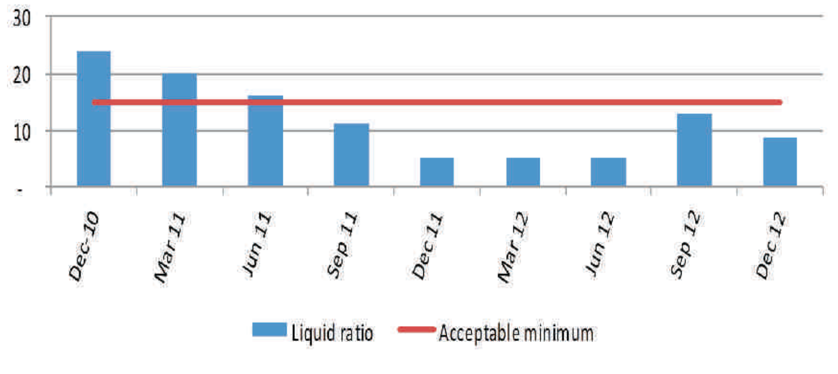
Source: Bank of Zambia

Liquidity

The liquidity condition of the sub-sector was fair[25]. 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 8.6% as at end-December 2012 and was below the minimum acceptable ratio of 15%. This position represented a decline of 4.6 percentage points from 12.6% recorded in December 2011 (see Chart 38). The decrease in the liquidity ratio largely arose from a fall in balances with financial institutions at two leasing companies.

CHART 38:

LEASING SUB-SECTOR LIQUIDITY TREND, 2010 –2012



Building Societies Sub-Sector

During 2012, the overall performance and condition of the building societies sub-sector was satisfactory (see Table 51). The building societies sub-sector maintained adequate capital, while earnings performance and liquidity condition were satisfactory. Further, asset quality was assessed as fair.

Capital Adequacy

During the year under review, the aggregate regulatory capital of the building societies sub-sector was rated satisfactory. Despite recording a profit-after-tax of K7.6 billion, the sub-sector's aggregate regulatory capital decreased by 16.1% to K52.8 billion from K62.9 billion at end-December 2011. The decrease was on account of an adjustment relating to erroneously recognised income at one building society amounting to K16.7 billion. However, two out of the three building societies met the minimum regulatory capital requirements (see Chart 39).

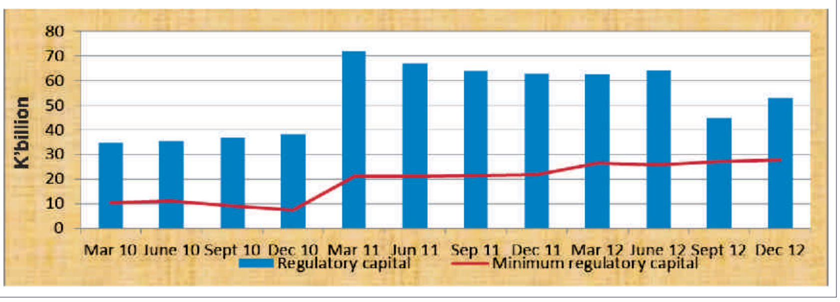
Table 51: Composite Rating for the Building Society Sub-Sector, 2010-2012

Performance Category	Composite Rating Scale	Number of Building Societies			Proportion of Industry Assets (%)		
		2010	2011	2012	2010	2011	2012
Strong	1.0 - 1.5	0	0	0	0	0	0
Satisfactory	1.6 - 2.4	1	1	1	33	72	68
Fair	2.5 - 3.4	1	1	1	0	20	17
Marginal	3.5 - 4.4	1	1	1	8	8	0
Unsatisfactory	4.5 - 5.0	0	0	0	59	0	15
Total		**3**	**3**	**3**	**100**	**100**	**100**

Source: Bank of Zambia

CHART 39:

BUILDING SOCIETY SUB-SECTOR REGULATORY CAPITAL TREND, 2010-2012



[25]The liquidity ratio for the sub-sector is low principally because most leasing companies prefer to meet their liquidity requirements through lines of credit with commercial banks rather than through own-balance sheet liquidity (liquid assets). This arrangement allows them to maximise the utilisation of acquired medium and long-term funds to finance credit.

Asset Quality

The asset quality of the building societies sub-sector was fair. As at 31 December 2012, gross non-performing loans amounted to K32.4 billion and accounted for 13.2% of total loans and was above the maximum delinquency ratio of 10%. However, the net non-performing loans and mortgages amounted to K9.1 billion and accounted for 1.9% in 2012 [December 2011: 1.8%] of total assets of K470.8 billion in 2012 [December 2011: K362.2 billion], indicating that the provision for non-performing loans and mortgages was adequate.

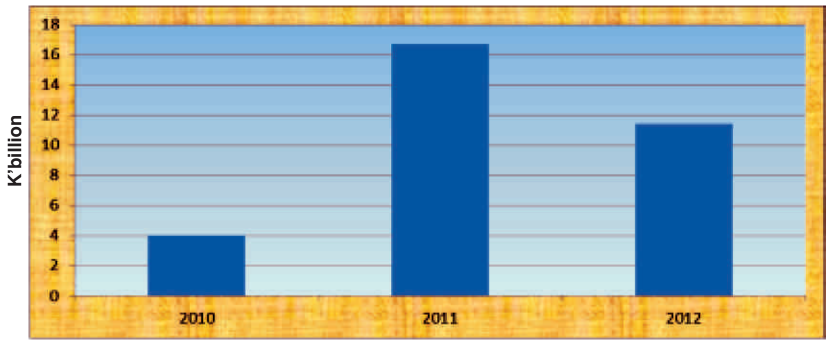
As at 31 December 2012, total assets of the sub-sector increased by 29% to K470.8 billion from K363.9 billion as at 31 December 2011. This development was largely due to increase of K55.6 billion or 29% in loans and mortgage advances to K245.5 billion as at 31 December 2012.

Earnings Performance

The earnings of the sub-sector were rated satisfactory in the year under review albeit profit-before-tax decreasing by 31.7% to K11.4 billion from K16.7 billion in 2011 (see Chart 40). The decrease in profit before tax was largely due to an increase in non-interest expenses to K81.8 billion in 2012 from K69.5 billion in 2011. None-interest expenses rose on account of increases in staff related costs following payment of un-accrued benefits at one building society.

CHART 40:

BUILDING SOCIETY SUB-SECTOR PROFIT BEFORE TAX, 2010 – 2012

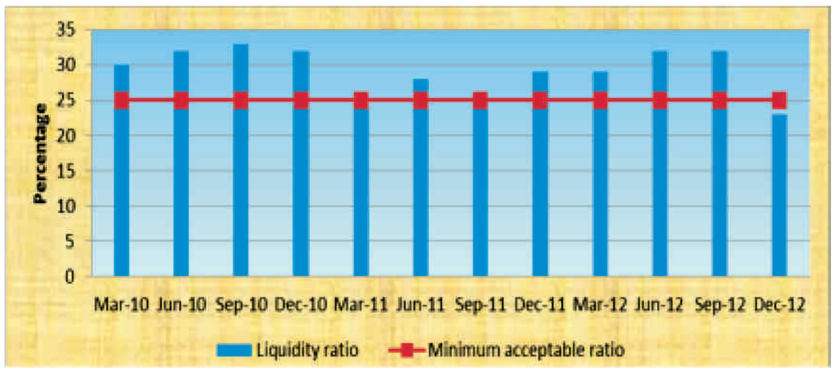


Liquidity

Liquidity was rated fair during the year under review. The average liquidity of the building societies sub-sector, as measured by the ratio of liquid assets to total deposits and short-term liabilities, was 23.0% in 2012 compared with 27.3% in 2011. This was below the prudential minimum ratio of 25.0% for building societies. The decrease in the liquidity ratio was caused by total deposits and short-term liabilities which increased proportionately more than the increase in liquid assets as a result of the 29% increase in loans and mortgages. However, the sub-sector has consistently maintained liquidity levels above the prudential minimum (see Chart 41).

CHART 41:

BUILDING SOCIETIES SUB-SECTOR LIQUIDITY RATIO, 2010 –2012



Microfinance Institutions

The overall financial condition and performance of the microfinance institutions sub-sector was satisfactory. The sub-sector was adequately capitalised and had satisfactory asset quality and earnings performance. The aggregate capital increased by 35.9% to K497.7 billion at end-December 2012 from K362.2 billion at end-December 2011. The increase was mainly due to the after-tax-profit of K68.6 billion recorded by the sub-sector during the year ending December 2012 coupled with the capital that came into the sub-sector through institutions that were licensed during the year.

Total assets of the sub-sector rose by 69.9% to K1,372.5 billion in 2012 from K809.2 billion in 2011. The increase in the asset base was largely due to an increase in the micro finance loan book to K1,019.7 billion from K578.9 billion in 2011. Earning assets amounted to K972.5 billion representing 70.9% of total assets.

The gross non-performing loans amounted to K66.2 billion [31 December 2011: K70.3 billion] and accounted for 6.5% [31 December 2011: 12.1%] of the total loans, which was below the maximum delinquency ratio of 10%.

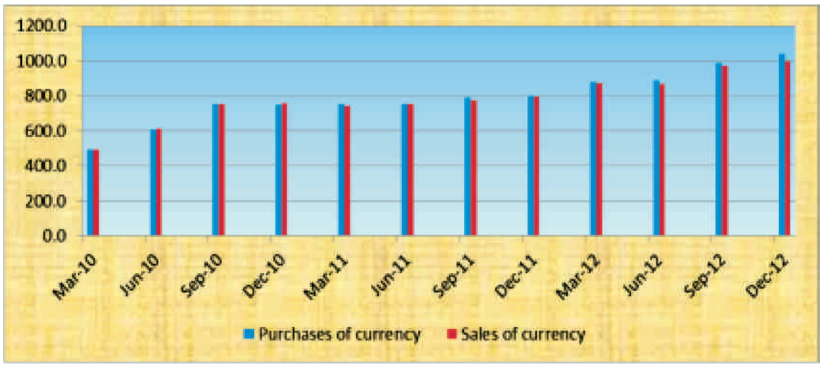
Bureaux de Change

The bureau de change subsector was adequately capitalised, as at end-December 2012. All 51 bureaux de change, which were in operation as at 31 December 2012, met their minimum paid-up capital requirement of K40 million. However, their aggregate capital and reserves declined by 8.9% to K33.5 billion in 2012 from K36.8 billion at end 2011 The decrease in aggregate capital and reserves was due to the loss after tax of K1.0 billion and prior period adjustments to reserves of K2.4 billion relating to understated operating expenses in the sub-sector.

Total assets increased to K49.3 billion in 2012 from K48.9 billion as at 31 December 2011. The volume of purchases and sales of foreign currency, increased by 17.0% and 17.2% to K3,508.9 billion and K3,491.2 billion from K3,009.9 billion and K2,968.9 billion, respectively in 2011 (see Chart 42).

CHART 42:

BUREAU DE CHANGE VOLUMES OF TRANSACTIONS, 2010 –2012



4.3 FINANCIAL SECTOR DEVELOPMENT PLAN[26]

During the year under review, a number of achievements were recorded under the Financial Sector Development Plan (FSDP), which included the following:

i. The launch of the National Strategy on Financial Education for Zambia in July 2012. Subsequently, this led to the establishment of the Financial Education Coordination Unit (FECU spearheaded by the Bank of Zambia, Pensions and Insurance Authority, and the Securities and Exchange Commission.

ii. A tax study was conducted from which selected recommendations were adopted in the 2013 National Budget; and,

iii. Extension of the FSDP Phase II.

Some of the other on-going activities under the FSDP included the following:

i. Modernisation of the financial sector laws;

ii. Development of the draft framework on agency banking;

iii. Public consumer awareness programmes in banking and non-banking financial services;

iv. Preparations for the establishment of a national switch to provide a common platform for payments; and

v. Development of the secondary market in the money and capital markets.

Operations of Credit Reference Bureau Africa Limited

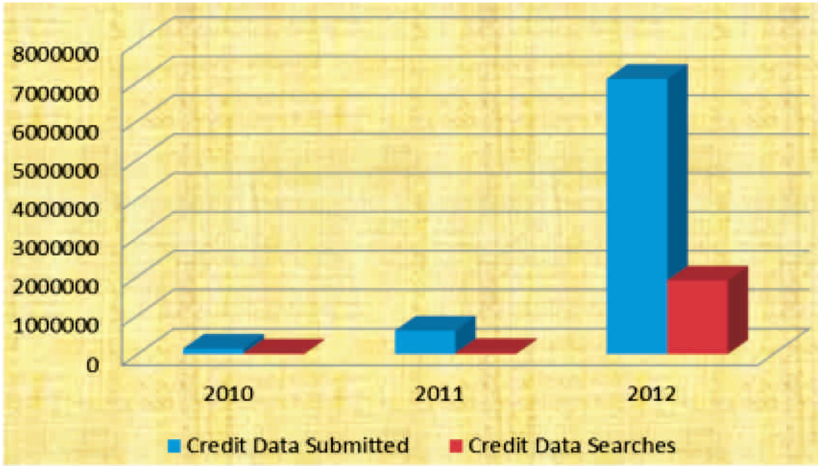
The submission of, and searches for, credit data increased significantly in the year under review. The total number of credit files submitted increased by 1,059% to 7,084,175 as at 31 December 2012 from 611,380 at the end of December 2011. Similarly, the total number of credit reports searched increased by 5,691% to 1,898,124 as at 31 December 2012 from 32,778 as at 31 December 2011(see Chart 44). The increase in credit

[26]FSDP is both a vision statement and a comprehensive strategy by the Government of the Republic of Zambia to address the various weaknesses in the Zambian financial system, and to strengthen and broaden the country's financial sector.

data submissions and searches was mainly attributed to the continued and increased sensitisation on the benefits of credit reporting to various stakeholders by the Operations of Credit Reference Bureau Africa Limited, and the Bank of Zambia.

CHART 43:

TREND OF USE OF CREDIT REFERENCE SYSTEM 2010 - 2012



5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

Overview

In 2012, operations of the banking, currency and payment systems were satisfactory with commercial banks generally operating within the guidelines. The Bank of Zambia continued to pursue the Clean Bank Note Policy as well as provision of satisfactory management and oversight of the National Payment Systems.

5.1 BANKING

The Bank of Zambia monitored account operations of commercial banks 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 of them having failed to maintain sufficient funds on their settlement accounts to meet clearing obligations on time. All commercial banks that accessed the intra-day credit facility (repo) repaid the funds within the same day. Owing to adequate liquidity conditions that prevailed in the market, only seven banks accessed the overnight lending facility (OLF) during the year compared to nine banks the previous period.

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

5.2.1 Currency in Circulation

As at end-2012, currency in circulation (CIC) increased by 12.7% to K3,841.7 billion (450.9 million pieces) from K3,408.0 billion (426.1 million pieces) in the previous year. The increase was particularly high during the crop marketing season during the months of April to October 2012 on account of increased demand for cash to pay farmers (see Charts 44a, 44b and 44c).

CHART 44a:

CURRENCY IN CIRCULATION BY VALUE, 2010 - 2012

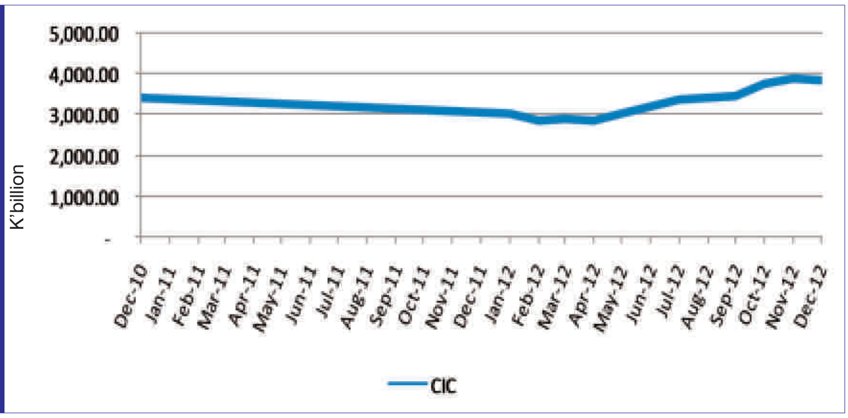


CHART 44b:

CURRENCY IN CIRCULATION, 2010-2012

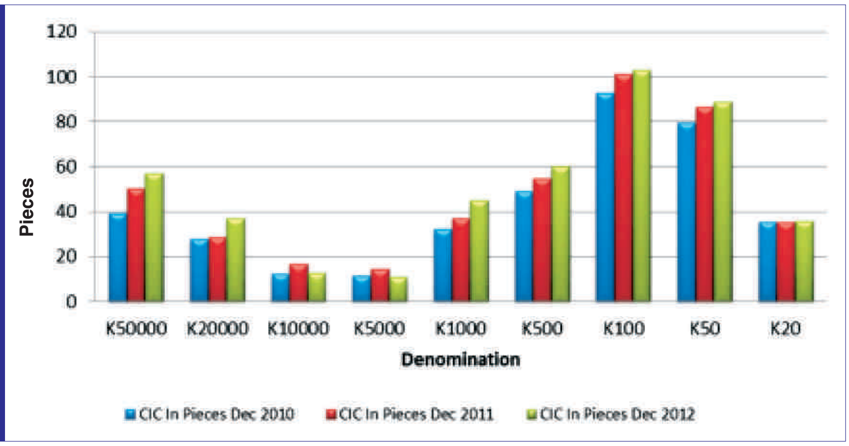
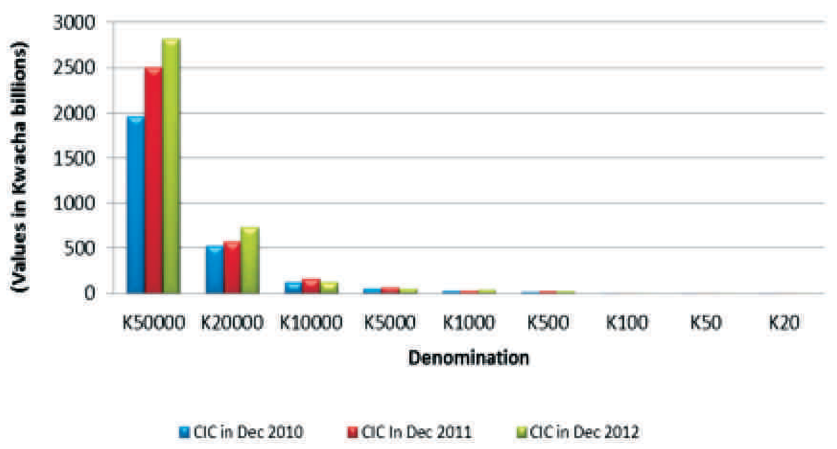


CHART: 44c

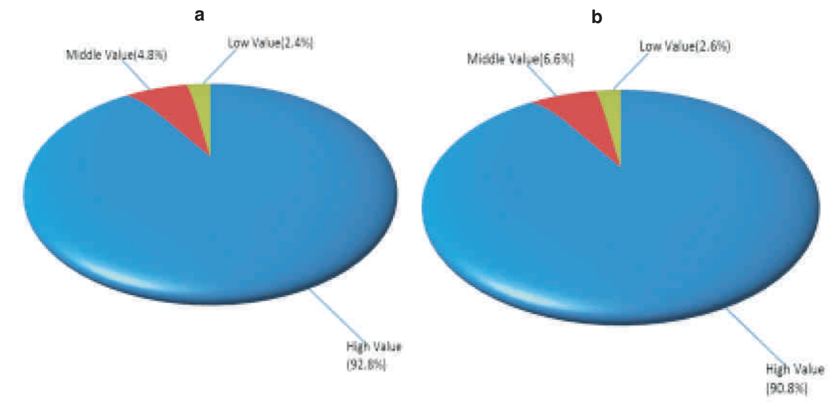
CURRENCY IN CIRCULATION, BY DENOMINATION, 2010 - 2012



In value terms, the high value banknotes (K50,000 and K20,000) accounted for 73.6% and 19.1% of the total CIC, respectively (see Charts 46a and 46b).

CHART: 45

a. CIC IN PERCENTAGES 2012
b. CIC IN PERCENTAGES 2011



With regard to the Clean Bank Note Policy, the Bank withdrew a total of 310.9 million pieces from circulation, up from 132.5 million pieces in 2011 valued at K1,275.7 billion and K966.5 billion, respectively. Of the total banknotes withdrawn, 53.0 million pieces with a value of K39.4 billion were unfit polymer banknotes. Similarly, the total number of mutilated banknotes exchanged by members of the public for clean banknotes increased by 4.7% to 38,963 pieces valued at K223.7 million from 37,216 pieces valued at K210.4 million. Of this total, 38,488 mutilated banknotes with a value of K207.5 million were paid out at full face value while 475 mutilated banknotes valued at K16.1 million were paid out at half face value. Accordingly, the Bank destroyed a total of 298.4 million pieces with a face value of K1,251.0 billion unfit banknotes compared with a total of 162.7 million pieces valued at K1,004.0 billion that were destroyed in the previous year.

During the year under review, the Bank issued into circulation a total of 273.4 million pieces of new banknotes, with a value of K1,908.1 billion, an increase of 36.6% over the 2011 figure. The bulk of the banknotes issued in 2012 were low value banknotes (K50 - K1,000), which accounted for 68.4% 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) both accounted for 31.6% (see Table 52).

Table 52: Banknotes Withdrawn Against Issuance of New Banknotes, 2012

Denomination	Banknotes Withdrawn (K' billion)	Banknotes Withdrawn (Pieces)	New Banknotes Issued (K' billion)	New Banknotes Issued (Pieces)
K50,000	629.2	12,584,994	886.9	17,737,000
K20,000	264.2	13,210,410	680.4	34,021,000
K10,000	211.5	21,150,030	200.6	20,064,000
K5,000	110.5	22,092,500	72.6	14,524,000
K1,000	32.2	32,167,000	40.2	40,244,000
K500	17.4	34,708,000	20.0	39,918,000
K100	4.1	41,089,500	4.1	40,641,000
K50	6.7	133,913,000	3.3	66,217,000
K20	0.0	26,500	-	-
Total	**1,275.7**	**310,941,934**	**1,908.1**	**273,366,000**

Source: Bank of Zambia

5.2.2 Currency Rebasing

The Bank commenced the currency rebasing exercise following Government approval. This involved dividing each unit of the Kwacha by 1,000. The rebasing was aimed at addressing the costs associated with the loss in value of the Kwacha due to high inflation between the early 1990s and early 2000s. The BoZ established a transition period of six months, from January 1, 2013 to June 30, 2013 during which both old and rebased versions of the Kwacha would be in circulation. The rebased currency was officially launched on 31st December, 2012 following a country wide sensitisation exercise.

5.3 PAYMENT SYSTEMS

The national payment systems, both systemic and non-systemic operated satisfactorily with all interbank and customer to customer transactions recording an increase in both volumes and values. The performance of the Zambian Interbank Payment and Settlement System (ZIPSS), Physical Interbank Clearing (PIC) and Direct Debit and Credit Clearing (DDACC) recorded satisfactory levels of availability. The use of electronic methods of payment, including mobile payments, registered significant growth during the year under review.

5.3.1. Zambian Interbank Payment and Settlement System

During the year under review, ZIPSS operations were satisfactory with all commercial banks transacting actively. On average, the system availability level was 98.9%. The volume of transactions processed on ZIPSS increased by 21.1% to 240,564 from 198,586 in 2011. Similarly, the value of transactions increased by 14.3% to K388,322.5 billion from K339,770.8 billion reported in 2011 (see Chart 46). The rise in both volume and value of transactions in 2012 was largely attributed to a general increase in interbank transactions on account of increased economic activity.

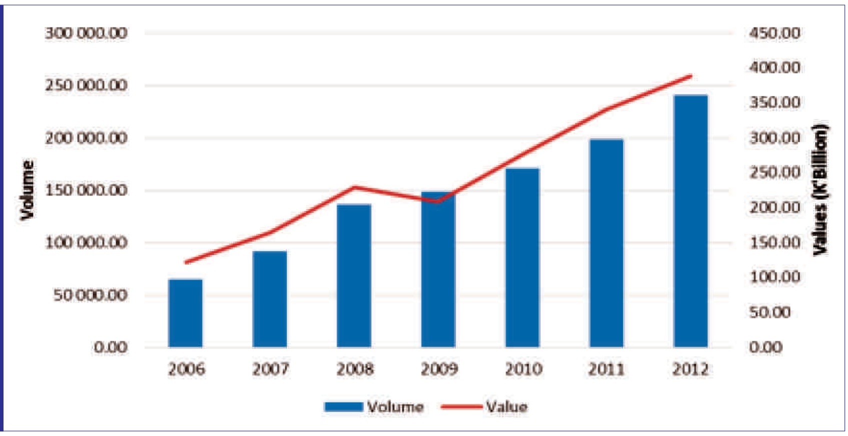
In addition, the Bank of Zambia began settling the cash leg of the capital market transactions from the LuSE using central bank money through the ZIPSS. The settlement of the cash leg of the LuSE trades enabled the market to achieve international best practice for settling in central bank money, payments that are considered systemically important.

With strong macro-economic stability over the years, in part reflected in sustained low and single-digit inflation, the Bank of Zambia undertook preparatory activities for the rebasing of the currency in 2013. Among these activities were the nationwide currency rebasing sensitisation campaigns

Currency Rebasing Sensitisation Campaign, Rural Zambia

CHART: 46

ZIPPSS VOLUMES AND VALUES, 2006 - 2012

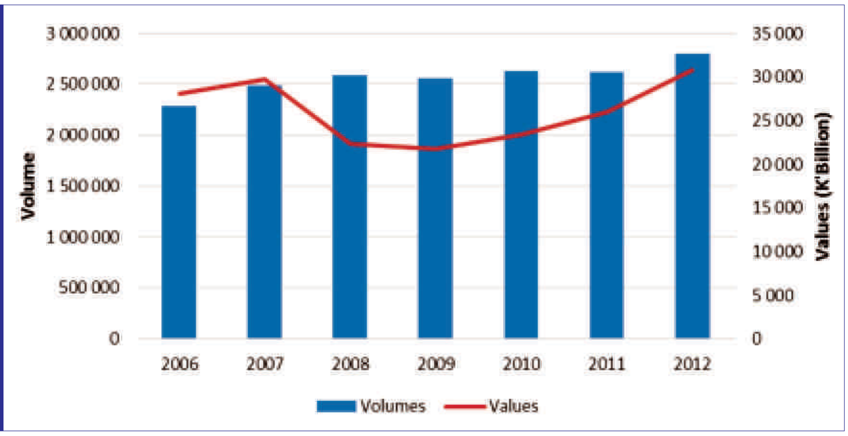


5.3.2 Physical Interbank Clearing System

In 2012, the volume of cheques cleared through the PIC system increased by 6.8% to 2,800,759 from 2,623,169 in 2011 while the value increased by 18.6% to K30,790 billion from K25,960.8 billion in 2011 (see Chart 47).

CHART: 47

VOLUME AND VALUE OF CHEQUES CLEARED, 2006 - 2012

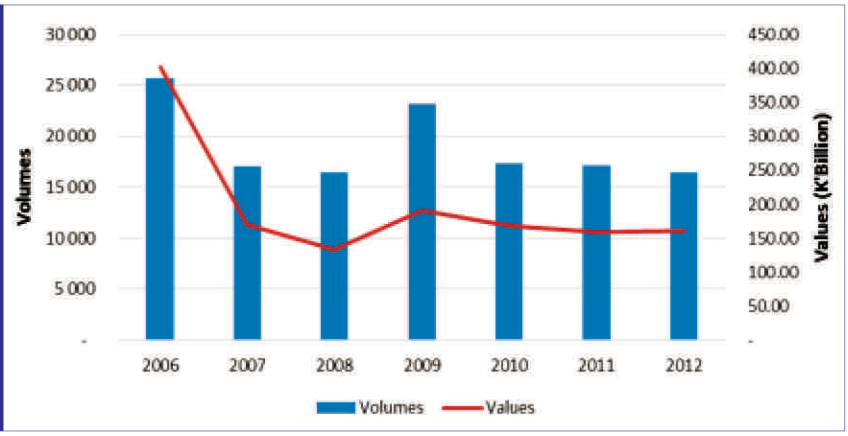


5.3.3 Cheques Returned Unpaid on Account of Insufficient Funds

The volume of cheques returned unpaid on account of insufficient funds decreased by 4.3% to 16,455 in 2012 from 17,189 in 2011 (see Chart 48). However, the value marginally increased by 1.2% to K160.8 billion from K158.9 billion in 2011.

CHART: 48

UNPAID CHEQUES, 2006 - 2012

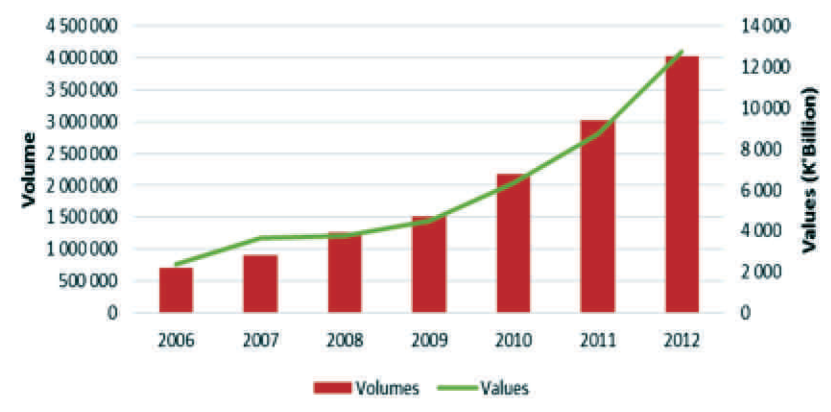


5.3.4 Direct Debit and Credit Clearing System

During the year under review, the volume of transactions processed through the DDACC payment stream increased by 33.2% to 4,027,061 in 2012 from 3,024,080 in 2011. Similarly, the value of DDACC transactions increased by 45.7% to K12,750 billion in 2012 from K8,751 billion in 2011 (see Chart 49). The increase in the volume and value of transactions was attributed to customer's increased preference for electronic payment methods.

CHART: 49

VOLUME & VALUE OF DIRECT DEBIT & CREDIT CLEARING, 2006 - 2012

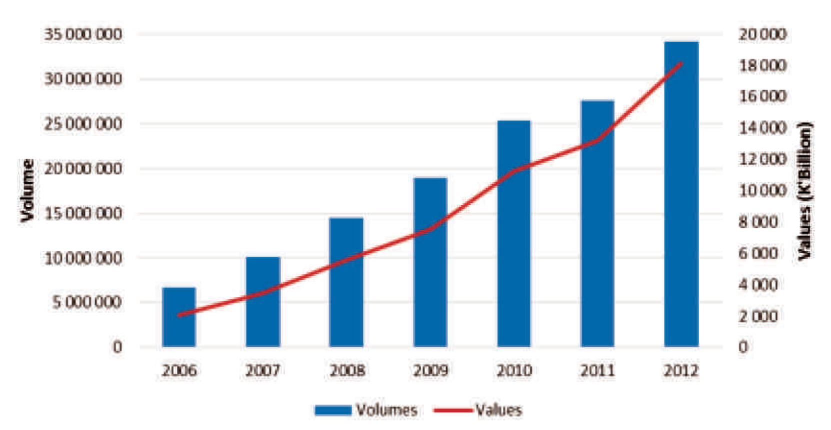


5.3.5 Transactions Processed Through the Automated Teller Machines

The volume of transactions processed through the automated teller machine (ATMs) payment stream increased by 23.9% to 34,152,340 in 2012 from 27,560,714 in 2011. Similarly, the value of ATM transactions increased by 37.3% to K18,133 billion in 2012 from K13,209 billion in 2011 (see Chart 50). The increase in the volume and value of transactions was attributed to customer's increased preference for electronic payment methods and an increase in the number of ATMs deployed countrywide to 643 in 2012 from 537 in 2011.

CHART: 50

AUTOMATED TELLER MACHINES TRANSACTIONS, 2006 - 2012

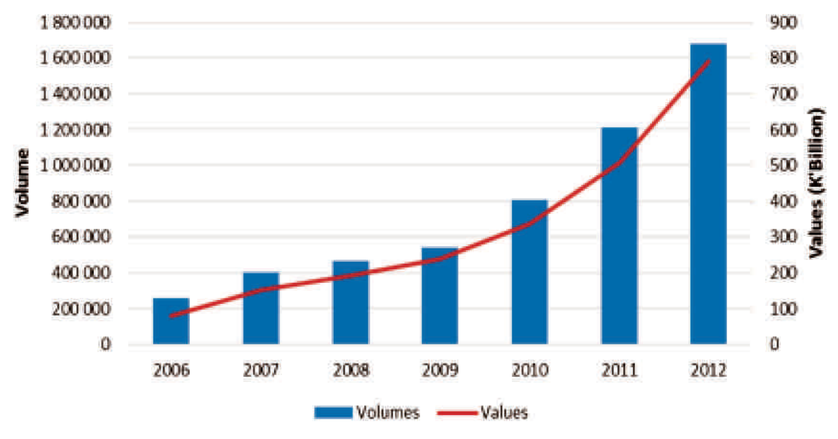


5.3.6 Transactions Processed through Point of Sale Machines

During the year under review, the volume of transactions processed through the point of sale (PoS) payment stream increased by 38.6% to 1,677,179 in 2012 from 1,210,436 in 2011. Similarly, the value of PoS transactions increased by 55.8% to K790 billion in 2012 from K507 billion in 2011 (see Chart 51). The increase in the volume and value of transactions was attributed to customer's increased preference for electronic payment methods and an increase in the number of deployed PoS machines to 2,025 from 1,784, over the reviewed year.

CHART: 51

POINT OF SALE MACHINES, 2006 - 2012

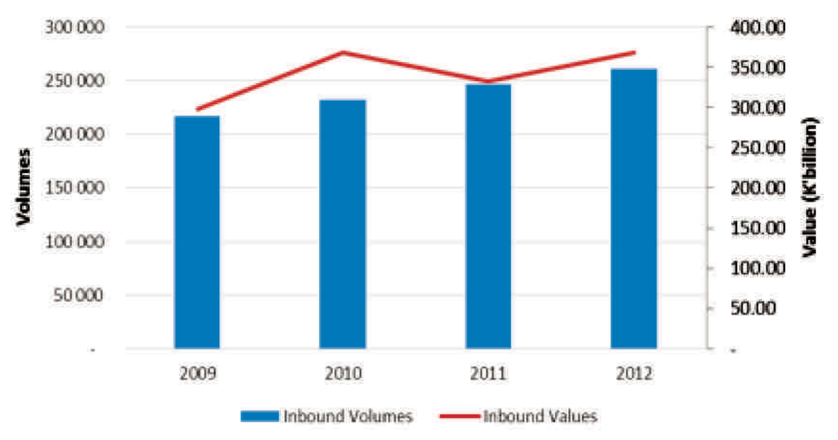


5.3.7 International Remittances

During the year under review, the volume of in-bound international transactions increased by 6.1% to 261,330 from 246,318 in 2011 while in value, the increase was by 10.8% to K368.8 billion from K332.9 billion (see Chart 52). The increase was attributed to receipts from countries such as United Kingdom, United States of America, Australia and South Africa.

CHART: 52

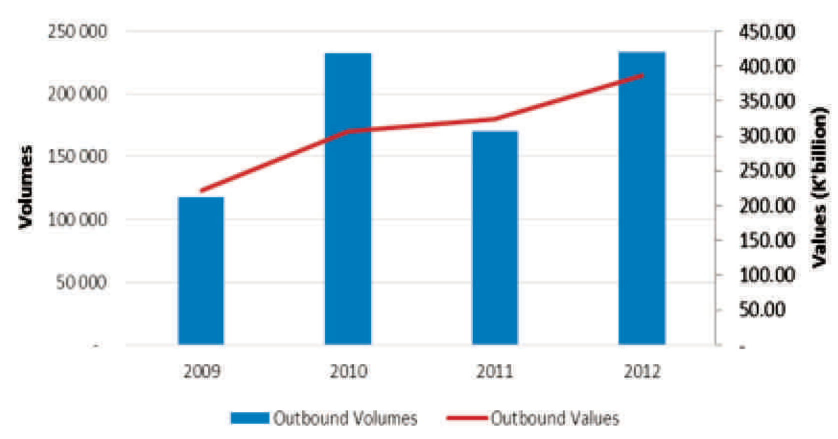
INTERNATIONAL INBOUND REMITTANCES, 2009 - 2012



Similarly, the volume of out-bound international remittances increased by 37.3% to 233,729 in 2012 from 170,174 in 2011 while the value of transactions increased by 19.3% to K385.9 billion from K323.7 billion (see Chart 53).

CHART: 53

INTERNATIONAL OUTBOUND REMITTANCES, 2009 - 2012

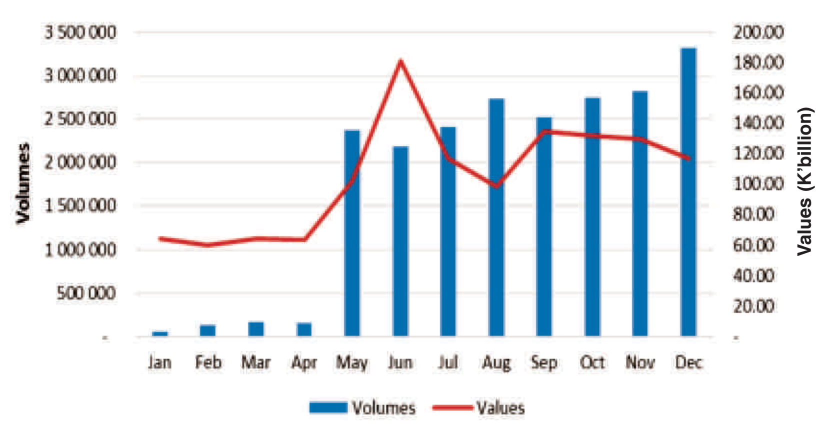


5.3.8 Mobile Money or Electronic Money (e-money) Transactions

During the year under review, the volume of transactions processed through the mobile money platform grew significantly. The volumes and values grew to 3,314,107 and K116, 602.8 billion as at end December, 2012 from 58,078 and K64,332.7 billion in January 2012 respectively (see Chart 54). The increase in both volume and value in mid-2012 was a result of the capture and inclusion of Xapit, Airtel money and MTN money transactions.[27]

CHART: 54

MOBILE MONEY TRANSACTION, 2012



5.3.9 Designation of Payment System Participants and Businesses

In 2012, the Bank of Zambia approved two conditional designations for payments system businesses to provide mobile money, switching and ATM services. The two applicants would commence full scale operations after satisfying designation conditions given by Bank of Zambia.

5.3.10 Cheque Truncation System

The Bank of Zambia in collaboration with Bankers Association of Zambia (BAZ) and the Zambia Electronic Clearing House Limited continued developing the infrastructure for the implementation of the Cheque Truncation System (CTS) in Zambia.

The CTS involves the process of clearing cheques using images between banks as opposed to using physical cheques. The system would shorten and standardise the clearing period across the country and thus facilitate early access to funds by customers. Further, it would reduce the scope for clearing related frauds and minimise the cost of clearing cheques. To this end, the Bank of Zambia and BAZ introduced new cheques with enhanced security features consistent with the new clearing system.

[27]Bank of Zambia data collection for mobile money transactions started in January 2012.

6.0 RISK AND STRATEGY

6.0 RISK AND STRATEGY

During the period under review, the Bank continued to integrate strategic and risk management processes and practices into business operations. This was with the view to entrench strategic and risk management into the corporate and management culture of the Bank. Accordingly, the Bank undertook the following activities:

(a) Operational Risk Management

The Bank's overall operational risk profile improved slightly, mainly, on account of implementation of some risk treatment measures by business units, Bank-wide. This notwithstanding, the Bank continued to face substantial operational risk exposures, occasioned, largely, by the continued weak financial position of the Bank.

Regarding business continuity, the Bank continued to focus on enhancing the operational resilience of its business continuity system to ensure that mission (time)-critical business processes were ring-fenced against major business disruptions, at all times. In this vein, the Bank put in place a number of initiatives, such as establishment of a Business Continuity Management Centre, development of business continuity strategies for all the mission (time)-critical business processes, and review of business continuity plans.

(b) Project Risk Management Framework

During the period under review, the Project Management Office continued to oversee a portfolio of projects to ensure efficient and effective implementation of projects as well as management of project risks.

The projects were:

i. Kwacha Rebasing;
ii. Bank Re-organisation Exercise;
iii. BCM Centre at Regional Office;
iv. Bank of Zambia Security Enhancement;
v. RTGS-Central Securities Depository system upgrade; and
vi. Cheque Truncation System in conjunction with the Clearing House and Bankers Association.

7.0 REGIONAL OFFICE

7.0 REGIONAL OFFICE

Regional Office provides banking, currency and other support services to Government departments, commercial banks and the general public in the Northern Region of Zambia. In 2012, it facilitated the 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. In addition, the Regional Office facilitated the renewal of licences by NBFIs and undertook a financial inclusion exercise in Mpongwe, Masaiti and Lufwanyama Districts.

In addition, Regional Office participated in the rebased currency sensitisation campaigns by covering parts of the Northern Region to educate members of the public and other stakeholders on the rebased currency that was to be introduced on 1st January 2013.

8.0 ADMINISTRATION AND SUPPORT SERVICES

8.0 ADMINISTRATION AND SUPPORT SERVICES

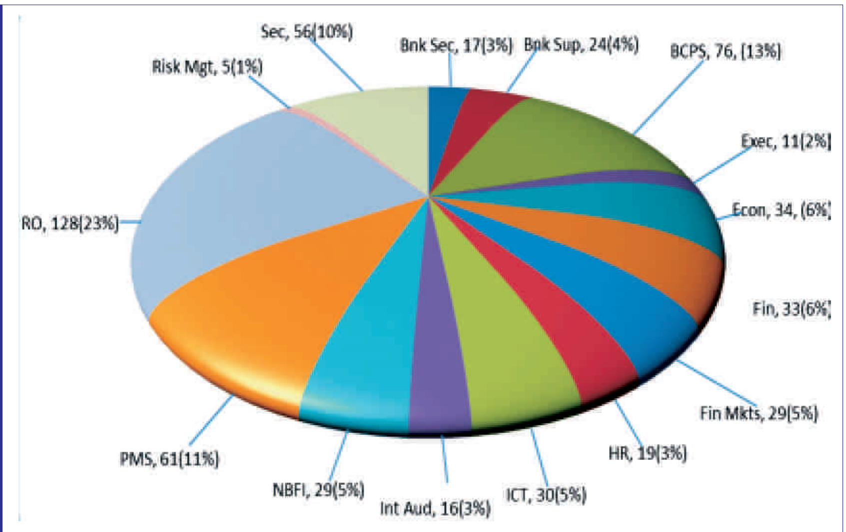
8.1 HUMAN RESOURCE MANAGEMENT

Structure and Staffing

As at 31st December 2012, the total staff strength of the Bank was 568 against the establishment of 693. The gender composition was 376 (66%) male and 192 (34%) female. Further, this complement comprised 384 (68%) employees on Permanent and Pensionable Service and 184 (32%) on Fixed-Term Employment Contracts. The break-down of staffing by department is shown in Chart 55.

CHART: 55

BOZ STAFFING LEVELS BY DEPARTMENT, END-DEC 2012



Staff Movements

During 2012, the Bank hired a total of forty-five (45) employees while 23 members of staff separated from the Bank's services. These separations were due to various reasons ranging from Voluntary Early Separation Scheme (5), statutory retirements (10), death (3), resignations (4) and medical discharge (1).

The Bank continued to offer the Voluntary Early Separation Scheme (VESS) as an option for staff who wished to leave the Bank before they reach the statutory retirement age of 55 years.

Staff Welfare

Industrial Climate

During the year, the Bank's industrial relations climate remained cordial. The Collective Bargaining Unit (BU) successfully concluded negotiations for a 2012 – 2014 Collective Agreement on 3rd October 2012. To this end, Management and the Union agreed for an 8% upward adjustment of salaries for all unionised employees effective 1st August 2012, and a further 6% increment effective 1st August 2013. Further, Management and the Union agreed that there would be no mid-stream negotiations for the duration of the Collective Agreement.

Re-organisation of the Bank of Zambia

In an effort to meet the Bank's vision of being a dynamic and credible central bank that adds value to the economic development of Zambia, much has already been accomplished. This has mainly been in re-focussing on core central banking functions, work process automation, skills base development and creation of a conducive working environment. In this respect, Management identified the need to reorganise the operations of the Bank of Zambia. This was necessitated by the fact that the Bank operated in an ever-changing local and international environment, which presented both challenges and opportunities to the attainment of the Bank's mandate. With the foregoing, and in a quest to enhance the Bank's effectiveness and streamline its operations, a Reorganisation Project was put in place which is expected to be completed in 2014. This should result in an organisation structure, business processes and staff skills-set that are aligned to the Bank's strategic priorities and direction to deliver on the Bank's mandate.

At an operational level, the Bank continued to refine and modernise its processes through enhancements on the Human Resource Information System, and the refinement of the Performance Management System.

Gender Mainstreaming

In the year under review, the Bank adopted gender mainstreaming as a strategic objective. This was with the objective of raising gender awareness across the Bank and ensure that gender mainstreaming was embedded in processes and systems in its operations.

Library Modernisation

The Bank obtained IMF supported technical assistance on the modernisation of the library from the Norges Bank. It was envisaged that the modernisation of the library would enhance operational efficiency and the quality of library services offered, while promoting research and eLearning among members of staff.

Capacity Building Programmes

The Bank continued to be an equal opportunity employer, and provided capacity building programmes through training workshops and seminars both locally and abroad. Members of staff also continued to upscale their qualifications at various levels in the Bank

Support to University Chairs

The Bank continued to provide support to the University of Zambia (UNZA) and Copperbelt University (CBU) in accordance with the Memorandum of Understanding (MoU), it signed with the two universities. The support was in form of salary supplementation for staff in the Department of Economics at UNZA and School of Business at CBU. During 2012 the Bank signed another MOU with Mulungushi University (MU) and entered discussions for similar collaboration with University of Lusaka (UNILUS).

8.2 INTERNAL AUDIT

During the year 2012, the internal audit function continued to evaluate the adequacy and effectiveness of internal controls, risk management and governance processes of the Bank in order to provide independent and objective assurance to the Board and Management. As part of the assurance process, internal audit continued to engage with management on the corrective actions or improvements needed and tracked these on a regular basis for timely resolution.

8.3 LEGAL

On the legal front, the Bank was involved in the following:

I. Redenomination of Currency legislation to support the introduction of the rebased Zambian Kwacha;

ii. Review and submission to Government on the draft constitution provisions concerning the central bank under the constitutional review exercise;

iii. Finalisation of a revised draft Bank of Zambia Act modelled on the Southern African Development Community (SADC) central bank model law;

iv. Finalisation of a revised draft Credit Reporting Act; and

v. Drafting of Statutory Instrument No. 33 of 2012 on restriction of use of foreign currency for domestic transactions.

8.4 SECURITY ACTIVITIES

During the year under review, the Bank continued to handle various cases of a security nature. In this regard, a total of 181 cases were investigated in 2012 compared to 269 cases in 2011. Out of these cases, 172 were counterfeit cases compared with 237 cases in 2011. Of the counterfeit cases, 14 suspects were found guilty and convicted.

8.5 PROCUREMENT AND MAINTENANCE

Procurement of Rebased Currency

The major procurement activities for the year were the tenders for the supply of rebased banknotes and coins, which were awarded to Giesecke and Devrient of Germany and South African Mint Company, respectively.

In order to improve efficiency in cash processing and in line with the clean note policy, a contract for the supply, delivery and installation of a High Speed Note Processing Machine was signed with De La Rue of the United Kingdom. Further, the Bank awarded a contract for installation of two Off-Line banknote disintegration systems to Kusters Engineering of the Netherlands.

8.6 INFORMATION AND COMMUNICATIONS TECHNOLOGY

In the area of ICT, the Bank focussed its efforts on the currency rebasing exercise, particularly with respect to technological adaptations within the Bank, Government and Commercial Banks and other related relevant institutions.

Within the Bank all systems were thoroughly tested and modified to work with the rebased currency. The Bank coordinated ICT adaptations in all commercial banks, successfully. Generally all commercial banks adapted their ICT systems successfully. The only serious problem experienced related to some VISA and Master Cards which could not work in Zambia because some foreign banks did not make the necessary adjustments following the changeover, but this was rectified.

Further, the Bank coordinated the ICT Adaptations in key industry sectors namely; the Zambia Revenue Authority, Ministry of Finance, Zambia Information and Communication Technology Authority, GSM Association, Energy Regulation Board, National Water and Sanitation Council, Securities and Exchange Commission, Pensions and Insurance Authority, NAPSA and Chain Stores. During the review period, most of the institutions were ready for the changeover by 31st December 2012 and had successful system conversion to the new rebased currency.

The Bank's information and network systems generally performed well during the review period with no major downtime due to system faults or security threats arising from virus attacks.

9.0 FINANCIAL STATEMENTS

Bank of Zambia

Financial Statements

for the year ended 31 December 2012

Contents

Bank of Zambia

Statement of Directors' responsibilities

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, whether due to fraud or error.

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 81 to 122 were approved by the Board of Directors on 28 February 2013 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 81 to 122. These financial statements comprise the statement of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising 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 the directors 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 2012, 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 ***7th March 2013***
Lusaka

Nasir Ali
Partner signing on behalf of the firm

PricewaterhouseCoopers, PwC Place, Stand No 2374, Thabo Mbeki Road, P.O. Box 30942, Lusaka, Zambia
T: +260 (211) 334 000 , F: +260 (211) 256 474, www.pwc.com/zm

A list of Partners is available from the address above

Bank of Zambia

Statement of comprehensive income
for the year ended 31 December 2012

In millions of Zambian Kwacha

	Notes	2012	2011
Interest income	5	**242,135**	223,276
Interest expense	5	**(63,595)**	(32,657)
Net interest income		**178,540**	190,619
Fee and commission income	6	**78,142**	73,469
Fee and commission expense	6	**(3,837)**	(2,654)
Net fee and commission income		**74,305**	70,815
Net income from foreign exchange transactions		**18,124**	28,187
Other gains	7	**216,664**	387,716
		234,788	415,903
Net income		**487,633**	677,337
Net impairment credit/(impairment charge) on financial assets	8	**4,447**	(23,690)
Employee benefits	9	**(291,634)**	(292,406)
Depreciation and amortisation	23, 24	**(18,279)**	(17,789)
Operating expenses	10	**(149,240)**	(195,279)
		(454,706)	(529,164)
Profit for the year		**32,927**	148,173
Other comprehensive income			
Actuarial gain/(loss) on defined - benefit pension plan	36	**14,269**	(51,490)
Total comprehensive income for the year		**47,196**	96,683

The notes on pages 85 to 122 are an integral part of these financial statements.

Bank of Zambia

Statement of Financial Position
for the year ended 31 December 2012

In millions of Zambian Kwacha

	Notes	2012	2011
Assets			
Domestic cash in hand		**3,509**	3,151
Foreign currency cash and bank accounts	12	**16,721,970**	11,968,755
Items in course of settlement	13	**652**	6,248
Held-for-trading financial assets	14	**1,971**	14,379
Loans and advances	15	**840,070**	258,585
Held-to-maturity financial assets	16	**1,963,517**	1,977,107
Other assets	18	**42,905**	17,914
Defined benefit surplus	36	**14,269**	-
Available-for-sale investments	20	**4,489**	4,489
IMF funds recoverable from Government of the Republic of Zambia	21	**945,985**	1,982,893
IMF subscriptions	22,34	**3,973,041**	3,722,005
Property, plant and equipment	23	**266,533**	288,598
Intangible assets	24	**4,880**	5,433
Total assets		**24,783,791**	20,249,557
Liabilities			
Deposits from the Government of the Republic of Zambia	27	**5,932,721**	4,398,178
Deposits from financial institutions	28	**4,520,871**	2,107,100
Foreign currency liabilities to other institutions	29	**94,907**	154,795
Other deposits	30	**135,566**	151,147
Notes and coins in circulation	31	**3,843,140**	3,408,238
Other liabilities	32	**79,544**	62,905
Provisions	33	**65,730**	81,754
Domestic currency liabilities to IMF	22,34	**3,973,041**	3,722,005
Foreign currency liabilities to IMF	35	**2,108,366**	2,153,467
Employee benefits	36	**-**	92,241
SDR allocation	37	**3,740,980**	3,675,998
Total liabilities		**24,494,866**	20,007,828
Equity			
Capital	38	**10,020**	10,020
General reserve fund	39	**92,588**	92,588
Property revaluation reserve	39	**197,848**	214,783
Retained earnings	39	**(11,531)**	(75,662)
Total equity		**288,925**	241,729
Total liabilities and equity		**24,783,791**	20,249,557

The financial statements on pages 81 to 122 were approved for issue by the Board of Directors on 28 February 2013 and signed on its behalf by:

Governor

Director

The notes on pages 85 to 122 are an integral part of these financial statements.

Bank of Zambia

Statement of Changes in Equity
for the year ended 31 December 2012

In millions of Zambian Kwacha

	Capital	General reserve fund	Property revaluation reserve	Retained earnings	Total Equity
Balance at 1 January 2011	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
Balance at 31 December 2011	10,020	92,588	214,783	(75,662)	241,729
Balance at 1 January 2012	**10,020**	**92,588**	**214,783**	**(75,662)**	**241,729**
Profit for the year	**-**	**-**	**-**	**32,927**	**32,927**
Other comprehensive income:					
Actuarial gain on defined benefit plan	**-**	**-**	**-**	**14,269**	**14,269**
Amortisation of revaluation surplus relating to properties and transfer at revaluation surplus relating to disposed properties	**-**	**-**	**(16,935)**	**16,935**	**-**
Total comprehensive income	**-**	**-**	**(16,935)**	**64,131**	**47,196**
Balance at 31 December 2012	**10,020**	**92,588**	**197,848**	**(11,531)**	**288,925**

The notes on page 85 to 122 are an integral part of these financial statements.

Bank of Zambia

Statement of Cash Flows
for the year ended 31 December 2012

In millions of Zambian Kwacha

	Notes	2012	2011
Cash flows from operating activities			
Profit for the year		**32,927**	148,173
Adjustment for:			
- Depreciation/amortisation	23, 24	**18,279**	17,789
- Dividend income		**(355)**	-
- Loss/(profit) on disposal of property, plant and equipment		**11,993**	(141)
- Impairment effect on other assets	8	**36**	(182)
- Impairment effect on amounts due from closed banks	8	**(4,714)**	567
- Effects of exchange-rate changes on cash and cash equivalents		**(31,445)**	(651,991)
- Provisions made during the year	32	**1,122**	57,843
- Property, plant and equipment adjustments		**1,234**	113
		29,077	(427,829)
Changes in operating assets and liabilities			
Change in items in course of settlement		**5,596**	(511)
Change in held for trading financial assets		**12,408**	(14,342)
Change in loans and advances		**(581,485)**	886,823
Change in held-to-maturity financial assets		**13,590**	(27,073)
Change in other assets		**(25,027)**	(8,982)
Change in amounts due from closed banks		**4,714**	(567)
Change in available-for-sale investments		**-**	-
Change in IMF funds receivable from Government of the Republic of Zambia		**1,036,908**	(93,949)
Change in IMF subscription		**(251,036)**	(226,577)
Change in deposits from the Government of the Republic of Zambia		**1,534,543**	2,036,941
Change in deposits from financial institutions		**2,413,771**	(2,264,140)
Change in foreign currency liabilities to other institutions		**(59,888)**	(35,693)
Change in other deposits		**(15,581)**	123,553
Change in other liabilities		**16,639**	2,275
Change in domestic currency liabilities to IMF		**251,036**	226,577
Change in foreign currency liabilities to IMF		**(45,101)**	264,523
Change in notes and coins in circulation		**434,902**	657,761
Funding of employee benefit liability		**(92,241)**	-
Change in SDR allocation		**64,982**	220,570
		4,747,807	1,319,360
Dividends received		**355**	-
Claims paid	33	**(17,146)**	(1,021)
Net cash from operating activities		**4,731,016**	1,318,339
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	23, 24	**(11,040)**	(19,496)
Proceeds from sale of property, plant and equipment		**2,152**	173
Net cash used in investing activities		**(8,888)**	(19,323)
Net change in cash and cash equivalents		**4,722,128**	1,299,016
Cash and cash equivalents at the beginning of year		**11,971,906**	10,020,899
Effects of exchange-rate changes on cash and cash equivalents		**31,445**	651,991
Cash and cash equivalents at the end of the year		**16,725,479**	11,971,906
Cash and cash equivalents at the end of the year comprise of:			
Domestic cash in hand		**3,509**	3,151
Foreign currency cash and bank accounts		**16,721,970**	11,968,755
Cash and cash equivalents excluding effects of exchange rate changes		**16,725,479**	11,971,906

The notes on page 85 to 122 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 28 February 2013. 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 (IFRS) 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

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2012 that would be expected to have a material impact on the Bank.

2.2.2 New standards and interpretations that are not yet effective and have not been early adopted by the Bank

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

Amendment to IAS 1, 'Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The application of this amendment will mainly impact the presentation of the primary statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The application of IFRS 13 may enhance fair value disclosures in a lot of circumstances.

IAS 19, 'Employee benefits', was amended in June 2012. The impact on the Bank will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The directors are yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. Issued in November 2009 and October 2011, it replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is 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. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for

2 Significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.2 New standards and interpretations that are not yet effective and have not been early adopted by the Bank (Continued)

financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The directors are yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

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).

2.7 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

2 Significant accounting policies *(Continued)*

2.8 Foreign currency transactions and balances *(Continued)*

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.

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.

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.1 Financial assets *(Continued)*

(a) Classification *(Continued)*

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.

Held-to-maturity investments

(b) Recognition and measurement

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. 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.

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.1 Financial assets *(Continued)*

(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.

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

2 Significant accounting policies *(Continued)*

2.10 Determination of fair value *(Continued)*

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.

Increases in the carrying amount arising on revaluation of property are credited to other comprehensive income and cumulated in 'revaluation surplus' in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation surplus directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from 'revaluation surplus' to retained earnings.

(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.

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.

2 Significant accounting policies *(Continued)*

2.12 Property, plant and equipment *(Continued)*

(d) Depreciation *(Continued)*

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

	2012	2011
Leasehold buildings	**2%**	2%
Fixtures and fittings	**4%**	4%
Plant and machinery	**5%**	5%
Furniture	**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.

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 Significant accounting policies *(Continued)*

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 in accordance with established pension scheme rules as well as the provisions of 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.

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.

2 Significant accounting policies *(Continued)*

2.15 Employee benefits *(Continued)*

(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 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.

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 may be 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 Significant accounting policies *(Continued)*

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.

Summarised below are areas were the directors applied 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 Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

3.2 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.

iii) Maintain risk identification, measurement, treatment and monitoring as well as control systems. Management reviews risk management strategies and ensures that they remain relevant.

iv) 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.

v) 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:

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

Financial instruments by category

Financial assets	Held for trading	Held to maturity	Loans and receivables	Available-for-sale	Total
At 31 December 2012					
Domestic cash in hand	**-**	**-**	**3,509**	**-**	**3,509**
Foreign currency cash and bank accounts	**-**		**16,721,970**	**-**	**16,721,970**
Items in course of settlement	**-**	**-**	**652**	**-**	**652**
Held-for-trading financial assets	**1,971**	**-**	**-**	**-**	**1,971**
Loans and advances	**-**	**-**	**840,070**	**-**	**840,070**
Held to maturity financial assets	**-**	**1,963,517**	**-**	**-**	**1,963,517**
Available-for- sale investments	**-**	**-**	**-**	**4,489**	**4,489**
IMF funds recoverable from the Government of the Republic of Zambia	**-**	**-**	**945,985**	**-**	**945,985**
IMF Subscriptions	**-**	**-**	**3,973,041**	**-**	**3,973,041**
	1,971	**1,963,517**	**22,485,227**	**4,489**	**24,455,204**
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

Financial liabilities	Financial liabilities at amortised cost	Total
At 31 December 2012		
Deposits from the government of the Republic of Zambia	**5,932,721**	**5,932,721**
Deposits from financial institutions	**4,520,871**	**4,520,871**
Foreign currency liabilities to other institutions	**94,907**	**94,907**
Other deposits	**135,566**	**135,566**
Other liabilities	**79,544**	**79,544**
Domestic currency liabilities to the IMF	**3,973,041**	**3,973,041**
Foreign currency liabilities to the IMF	**2,108,366**	**2,108,366**
Notes and coins in circulation	**3,843,140**	**3,843,140**
SDR allocation	**3,740,980**	**3,740,980**
	24,429,136	**24,429,136**

Financial liabilities	Financial liabilities at amortised cost	Total
At 31 December 2011	4,398,178	4,398,178
Deposits from the government of the Republic of Zambia	2,107,100	2,107,100
Deposits from financial institutions	154,795	154,795
Foreign currency liabilities to other institutions	151,147	151,147
Other deposits	62,905	62,905
Other liabilities	3,722,005	3,722,005
Domestic currency liabilities to the IMF	2,153,467	2,153,467
Foreign currency liabilities to the IMF	3,408,238	3,408,238
Notes and coins in circulation	3,675,998	3,675,998
SDR allocation		
	19,833,833	19,833,833

4 Risk management policies *(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 considers the 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 international rating agencies. The Bank's counterparties which, comprises mostly central banks continued to meet the Bank's minimum accepted credit rating criteria of A- except for the South African Reserve Bank and the Bank of Mauritius (see table below).

Counterparty	Rating agency			BoZ minimum accepted rating
	Moody's	**S & P**	**Fitch**	
Citi Bank New York	A3	**A-**	**A-**	A-
Bank New York Mellon (BNY)	Aa3	**A+**	**A-**	A-
Deutsche Bundesbank	Aaa	**AAA**	**AAA**	A-
Bank of England (BOE)	Aaa	**AAA**	**AAA**	A-
South African Reserves Bank (SARB)	Baa1	**BBB**	**BBB+**	A-
Bank of Mauritius	Baa1	**N/A**	**N/A**	A-
Bank For International Settlement (BIS)	Aaa	**AAA**	**AAA**	A-

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 counterparties meeting minimum accepted ratings criteria.

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

Having full visibility of the Government's debt obligations and its assets the Directors are satisfied with Government's ability to settle outstanding obligations. Therefore the *credit* risk of such instruments is classified as low.

(ii) Fixed term deposits

The directors believe that the credit risk of such instruments is also low as the policy is to rigorously review counterparties and accept only those that meet minimum set benchmarks.

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Neither past due nor impaired - Institutional credit risk exposure analysis

The table below shows the credit ratings of foreign currency cash and bank accounts. The ratings were obtained from Moody's and S & Poor.

Financial Asset	Ratings - 2012				
	Aaa	A3	Aa3	Baa1	Total
Cash balances	3,519,650	10,016	6,859	1,204	3,537,729
Deposits	7,379,768	-	-	-	7,379,768
Securities	2,657,543	-	-	-	2,657,543
Special drawing rights	3,146,930	-	-	-	3,146,930
Total	16,703,891	10,016	6,859	1,204	16,721,970

Financial Asset	Ratings - 2011				
	Aaa	A3	Aa3	Baa1	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

(iii) 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.

No formal credit ratings are available for staff loans. All loans to staff are performing loans.

	Loans and advances (Note 16)	
	2012	2011
Against neither past due nor impaired	**-**	-
- Property	**18,212**	17,638
- Gratuity and leave days	**14,329**	12,929
- Motor vehicles	**9,778**	10,181
	42,319	40,748

	Loans and advances (Note 15)	
	2012	2011
Carrying amount	**43,375**	39,620
Concentration by nature		
- House loans	**18,212**	17,700
- Multi-purpose loans	**10,172**	7,531
- Motor vehicle loans	**9,778**	10,181
- Other advances	**3,352**	2,694
- Personal loans	**1,861**	1,514
	43,375	39,620

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

(iv) Advances to Government and commercial banks

Government has a rating of B+ from S & Poor and advances to them are considered low risk. Advances extended to commercial banks were fully collaterised. As at 31 December 2012, All amounts were neither past due nor impaired.

The Bank's held for trading investments in treasury bills, held-to-maturity instruments, IMF subscriptions and other assets where government is the counterparty are all neither past due nor impaired.

(v) 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 19 amounts due from closed banks of **K 126,232 million** (2011: K 130,946 million) were also fully provided for. No collateral was held against these assets.

(vi) 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.

(vii) 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. For smaller balance loans, write-off decisions generally are based on a product specific past due status.

The following table breaks down the Bank's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the nature of the Bank's counterparties.

Concentration of risks of financial assets with credit risk exposure

31 December 2012	**Financial institutions**	**Government**	**Individuals**	**Others**	**Total**
Domestic cash in hand	**3,509**				**3,509**
Foreign currency cash and bank accounts	**16,721,970**				**16,721,970**
Items in course of settlement	**652**				**652**
Held-for-trading financial assets		**1,971**			**1,971**
Loans and advances		**796,699**	**43,371**		**840,070**
Held-to-maturity financial assets		**1,963,517**			**1,963,517**
Available-for-sale investments	**939**				**4,489**
IMF funds recoverable from Government				**3,550**	
of the Republic of Zambia		**945,985**			**945,985**
IMF subscriptions	**3,973,041**				**3,973,041**
Total	**20,700,111**	**3,708,172**	**43,371**	**3,550**	**24,455,204**

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

Concentration of risks of financial assets with credit risk exposure

31 December 2011

	Financial institutions	Government	Individuals	Others	Total
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		218,965	39,620		258,585
Held-to-maturity financial assets		1,977,107			1,977,107
Available-for-sale investments	939			3,550	4,489
IMF funds recoverable from Government of the Republic of Zambia		1,982,893			1,982,893
IMF subscriptions	3,722,005				3,722,005
Total	15,701,098	4,193,344	39,620	3,550	19,937,612

(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 2012.

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(c) Liquidity risk *(Continued)*

Financial assets and liabilities held for managing liquidity risk

31 December 2012	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 – 5 years	Due after 5 years	Total carrying amounts
Non-derivative liabilities						
Deposits from the GRZ	5,932,721	-	-	-	-	5,932,721
Deposits from financial institutions	4,520,871	-	-	-	-	4,520,871
Foreign currency liabilities to other institutions	94,907	-	-	-	-	94,907
Other deposits	135,566	-	-	-	-	135,566
Other liabilities	-	-	79,544	-	-	79,544
Domestic currency liabilities to IMF	3,973,041	-	-	-	-	3,973,041
Foreign currency liabilities to IMF	2,108,366	-	-	-	-	2,108,366
Notes and coins in circulation	3,843,140	-	-	-	-	3,843,140
SDR allocation	3,740,980	-	-	-		3,740,980
Total non-derivative liabilities	24,349,592	-	79,544	-	-	24,429,136
Assets held for managing liquidity risk						
Domestic cash in hand	3,509	-	-	-	-	3,509
Foreign currency cash and bank accounts	16,721,970	41,804	125,415	668,879	167,220	17,725,288
Held-to-maturity financial assets	-	-	737,162	223,800	1,120,968	2,081,930
Held-for-trading financial assets	-	2,000	-	-	-	2,000
IMF funds recoverable from the Government of the Republic of Zambia	1,963,517					1,963,517
IMF Subscription	3,973,041					3,973,041
Total assets held for managing liquidity risk	22,662,037	43,804	862,577	892,679	1,288,188	25,749,285
Net exposure	(1,687,555)	43,804	(783,033)	892,679	1,288,188	(1,320,149)

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(c) Liquidity risk *(Continued)*

Financial assets and liabilities held for managing liquidity risk

31 December 2011 **Non-derivative liabilities**	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 – 5 years	Due after 5 years	Total carrying amounts
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 Government of the Republic of Zambia	1,982,893	-	-	-	-	1,982,893
IMF Subscription	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)

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.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices and foreign exchange rates and credit spreads 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.

(b) 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.

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.

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

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

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 2012 was as shown in the table below:

At 31 December 2012	**USD**	**GBP**	**EUR**	**SDR**	**Other**	**Total Kwacha**
Foreign currency assets						
Foreign currency cash and bank accounts	**11,001,983**	**1,478,570**	**1,094,463**	**3,146,930**	**24**	**16,721,970**
IMF Subscriptions	**-**	**-**	**-**	**3,973,041**	**-**	**3,973,041**
Total foreign currency assets	**11,001,983**	**1,478,570**	**1,094,463**	**7,119,971**	**24**	**20,695,011**
Foreign currency liabilities						
Foreign currency liabilities to other institutions	**63,375**	**31**	**31,501**	**-**	**-**	**94,907**
Foreign currency liabilities to IMF	**-**	**-**	**-**	**2,108,366**	**-**	**2,108,366**
SDR allocation	**-**	**-**	**-**	**3,740,980**	**-**	**3,740,980**
Total foreign currency liabilities	**63,375**	**31**	**31,501**	**5,849,346**	**-**	**5,944,253**
Net exposure	**10,938,608**	**1,478,539**	**1,062,962**	**1,270,625**	**24**	**14,750,758**

At 31 December 2011	USD	GBP	EUR	SDR	Other	Total Kwacha
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

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	
	2012	2011
	ZMK	ZMK
SDR 1	**7,974.17**	7,835.65
GBP 1	**8,367.38**	7,869.97
EUR 1	**6,862.57**	6,599.16
USD 1	**5,173.06**	5,120.00

Foreign currency sensitivity

The following table illustrates a **12%** (2011: 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 2012		
SDR	**-**	**(854,397)**
USD	**-**	**(1,320,238)**
EUR	**-**	**(131,336)**
GBP	**-**	**(177,428)**
31 December 2011		
SDR	-	(566,653)
USD	-	(385,660)
EUR	-	(341,724)
GBP	-	(311.863)

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 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.

Whilst adhering to the key objectives of capital preservation and liquidity, the Bank continued to posture its self towards implementing return enhancing strategies which has seen a careful management of the distribution of reserves in terms of liquidity, invested and tied funds. The distribution of reserves at the close of December 2011 was in the ratio of 4.3%, 95.0% and 0.7% respectively compared with **3.6%, 73.5% and 22.9 %** at the close of December 2012.

The distribution of investment funds between Fixed Rate Investments (FIXBIS), Fixed Term deposits and externally managed funds is also carefully monitored to ensure the Bank obtains the best value from its investments. Adverse global economic factors have continued to have a tore on the interest rates applied on Bank of Zambia deposits held with various counterparties. Despite an improvement in interest outturn on US dollar denominated assets to **0.18%** during December 2012 from 0.02% in December 2011 and a marginal decline on British pound denominated assets from 0.31% December 2011 to **0.30%** in December 2012, overall remuneration on the foreign denominated assets is still poor. Interest rates applied on euro denominated assets remained flat at 0% reflecting the continued fragility in the Eurozone.

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. Due to the short-term nature of most of the financial assets the impact of interest rate changes is evident on the Bank financial performance almost immediately.

At 31 December 2012	**Less than 3 months**	**Between 3 months and one year**	**Over 1 year**	**Non-interest bearing**	**Total**
Assets					
Domestic cash in hand	-	-	-	3,509	3,509
Foreign currency cash and bank accounts	16,719,123	-	-	2,847	16,721,970
Items in course of settlement	-	-	-	652	652
Held-for-trading financial assets	1,971	-	-	-	1,971
Loans and advances	-	1,855	834,929	3,286	840,070
Held-to-maturity financial assets	-	625,775	1,337,742	-	1,963,517
Available-for-sale investments	-	-	-	4,489	4,489
IMF funds receivable from Government	-	-	-	945,985	945,985
IMF Subscriptions	-	-	-	3,973,041	3,973,041
Total financial assets	**16,721,094**	**627,630**	**2,172,671**	**4,933,809**	**24,455,204**
Liabilities					
Deposits from the GRZ	-	-	-	5,932,721	5,932,721
Deposits from financial institutions	-	-	-	4,520,871	4,520,871
Foreign currency liabilities to other institutions	-	-	-	94,907	94,907
Other deposits	135,566	-	-	-	135,566
Other liabilities	-	-	-	79,544	79,544
Domestic currency liabilities to IMF	-	-	-	3,973,041	3,973,041
Foreign currency liabilities to IMF	-	-	-	2,108,366	2,108,366
Notes and coins in circulation	-	-	-	3,843,140	3,843,140
SDR allocation	3,740,980	-	-	-	3,740,980
Total financial liabilities	**3,876,546**	**-**	**-**	**20,552,590**	**24,429,136**
Net exposure at 31 December 2012	**12,844,548**	**627,630**	**2,172,671**	**(15,618,781)**	**26,068**

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

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

	Less than 3 months	Between 3 months and one year	Over 1 year	Non-interest bearing	Total
At 31 December 2011					
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	(10,283,121)	103,779

In millions of Zambian Kwacha

4 Risk management policies *(Continued)*

(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.

	Carrying amount 2012	**Fair value 2012**	Carrying Amount 2011	Fair value 2011
Assets				
Domestic cash in hand	**3,509**	**3,509**	3,151	3,151
Foreign currency cash and bank accounts	**16,721,970**	**16,721,970**	11,968,755	11,968,755
Items in course of settlement	**652**	**652**	6,248	6,248
Held-for-trading financial assets	**1,971**	**1,971**	14,379	14,379
Loans and advances	**840,070**	**840,070**	258,585	258,585
Held-to-maturity financial assets	**1,963,517**	**1,963,517**	1,977,107	1,977,107
Available-for-sale investments	**4,489**	**4,489**	4,489	4,489
IMF funds receivable from GRZ	**945,985**	**945,985**	1,982,893	1,982,893
IMF Subscriptions	**3,973,041**	**3,973,041**	3,722,005	3,722,005
Total financial assets	**24,455,204**	**24,455,204**	19,937,612	19,937,612
Liabilities				
Deposits from the GRZ	**5,932,721**	**5,932,721**	4,398,178	4,398,178
Deposits from financial institutions	**4,520,871**	**4,520,871**	2,107,100	2,107,100
Foreign currency liabilities to other institutions	**94,907**	**94,907**	154,795	154,795
Other deposits	**135,566**	**135,566**	151,147	151,147
Other liabilities	**79,544**	**79,544**	62,905	62,905
Domestic currency liabilities to IMF	**3,973,041**	**3,973,041**	3,722,005	3,722,005
Foreign currency liabilities to IMF	**2,108,366**	**2,108,366**	2,153,467	2,153,467
Notes and coins in circulation	**3,843,140**	**3,843,140**	3,408,238	3,408,238
SDR allocation	**3,740,980**	**3,740,980**	3,675,998	3,675,998
Total financial liabilities	**24,429,136**	**24,429,136**	19,833,833	19,833,833

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 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Held for trading financial assets	**-**	**1,971**	**-**	**1,971**
Availale-for-sale financial instruments	**-**	**4,489**	**-**	**4,489**
	-	**6,460**	**-**	**6,460**

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

At 31 December 2012, the Bank did not have financial liabilities measured at fair value (2011 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 unrealised gains. The Board is of the opinion that the distribution of unrealised 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 realised.

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	**2012**	2011
Retained earnings	*39*	**(11,531)**	(75,662)
Property revaluation reserve	*39*	**197,848**	214,783
General reserve fund	*39*	**92,588**	92,588
Capital	*38*	**10,020**	10,020
Total		**288,925**	241,729

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**	**2012**	2011
	Interest on held-to-maturity Government securities	**185,500**	153,233
	Interest on foreign currency investments and deposits	**28,023**	43,095
	Interest on loans and receivables	**28,612**	26,948
	Total interest income	**242,135**	223,276

	Interest expense	**2012**	2011
	Interest arising on open market operations	**61,871**	31,062
	Interest arising on staff savings	**1,724**	1,595
	Total interest expense	**63,595**	32,657

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

6	**Fee and commission income**	**2012**	2011
	Fees and commission income on transactions with the GRZ	**32,334**	34,432
	Supervision fees	**41,224**	33,695
	Other	**3,174**	2,817
	Penalties	**421**	1,469
	Licences and registration fees	**989**	1,056
	Fees and commission income	**78,142**	73,469

	Fee and commission expense		
	Arising on foreign exchange transactions	**3,837**	2,654

7	**Other gains and losses**	**2012**	2011
	Net realised foreign exchange (losses)/gains	**175,388**	(46,550)
	Rental income	**1,655**	1,677
	Other income	**9,431**	1,027
	Dividend on available-for-sale investments	**355**	-
	Gain/(loss) on disposal of property, plant and equipment	**(1,610)**	141
	Net unrealised foreign exchange gains/(losses)	**31,445**	431,421
		216,664	387,716

The Kwacha recorded marginal depreciation against major currencies resulting in reduced net unrealised foreign exchange gains on the Bank's foreign currency denominated assets compared to those recorded in 2011. On the other hand, this depreciation was sufficient to give rise to substantial realised gains which was much improved from the realised losses incurred in 2011. This was as a result of gains arising on sale of foreign currency during the period, at rates significantly higher than that recorded at the time of purchasing the foreign currency.

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 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
At 1 January 2012	**130,946**	**2,496**	**23,305**	**156,747**
Impairment loss for the year				
- Charge for the year	**310**	**650**	**231**	**1,191**
- Reversal during the year	**(5,024)**	**(614)**	**-**	**(5,638)**
	(4,714)	**36**	**231**	**(4,447)**
Balance at 31 December 2012	**126,232**	**2,532**	**23,536**	**152,300**

9 Employee benefits

	2012	2011
Wages and salaries	**142,501**	140,599
Other employee costs	**111,771**	130,801
Employer's pension contributions	**34,563**	18,158
Employer's NAPSA contributions	**2,042**	1,968
Staff loan benefit (Note 15)	**757**	880
	291,634	292,406

10 Operating expenses

Administrative expenses	**60,256**	99,578
Expenses for bank note production	**69,263**	84,610
Repairs and maintenance	**10,068**	11,083
Kwacha rebasing expense	**9,604**	-
Sundry banking office expenses	**49**	8
	149,240	195,279

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**	**2012**	2011
	Deposits with non-resident banks	**7,382,896**	5,866,390
	Special Drawing Rights ("SDRs")	**3,146,930**	3,153,989
	Clearing correspondent accounts with other central banks	**1,567,153**	1,558,076
	Current account balances with non-resident banks	**4,622,144**	1,388,207
	Foreign currency cash with banking office	**2,847**	2,093
		16,721,970	11,968,755

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 2012 are in respect of various Treasury Bills with tenure of 91 days.

15	**Loans and advances**	**2012**	2011
	Staff loans	**40,722**	36,855
	Staff loans benefit at market value	**1,486**	2,076
	Total staff loans	**42,208**	38,931
	Budgetary advances to the Government	**796,699**	218,965
	Credit to banks	**23,536**	23,305
	Staff advances	**1,163**	689
		863,506	281,890
	Specific allowances for impairment (note 8)	**(23,536)**	(23,305)
	Total loans and advances	**840,070**	258,585

Movement in staff loans benefit

	2012	2011
Balance at 1 January	**2,076**	2,094
Current year fair value adjustment of new loans	**167**	862
	2,243	2,956
Amortised to statement of comprehensive income (Note 9)	**(757)**	(880)
Balance at 31 December	**1,486**	2,076

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:

	2012	2011
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	2012	2011
	GRZ consolidated securities (Note 17)	**1,754,295**	1,754,652
	Other GRZ securities	**192,478**	206,547
	Staff savings treasury bills	**16,744**	15,908
		1,963,517	1,977,107

17	The GRZ consolidated securities	2012	2011
	6% GRZ consolidated bond	**1,120,968**	1,120,968
	364 days Treasury Bills	**633,327**	633,684
		1,754,295	1,754,652

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 2007 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	2012	2011
	Prepayments	**40,543**	16,132
	Sundry receivables	**3,802**	3,305
	Stationery and office consumables	**1,092**	973
		45,437	20,410
	Specific allowances for impairment (note 8)	**(2,532)**	(2,496)
		42,905	17,914

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**	**2012**	2011
	Advances	**126,232**	130,946
	Specific allowances for impairment (note 8)	**(126,232)**	(130,946)
		-	-

20	**Available-for-sale investments**		
	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, bringing the total to K3,550 million, 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 **K30 million** (2011: K48 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**	**2012**	2011
	Poverty Reduction and Growth Facility (PRGF)*	**945,561**	1,981,772
	Accrued charges - SDR Allocation	**424**	1,121
		945,985	1,982,893

* 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 35).

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** (2011: 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 34. 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 2012 and 2011. 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	Leasehold 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 2011	239,551	87,825	24,343	10,844	362,563
Additions	80	7,360	3,750	8,282	19,472
Transfers	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
At I January 2012	**243,959**	**96,176**	**30,506**	**5,784**	**376,425**
Additions	**16**	**2,939**	**2,262**	**5,638**	**10,855**
Transfers	**405**	**1,928**	**-**	**(5,182)**	**(2,849)**
Disposals	**(13,493)**	**(386)**	**(3,015)**	**-**	**(16,894)**
Write-off WIP	**-**	**-**	**-**	**(1,234)**	**(1,234)**
31 December 2012	**230,887**	**100,657**	**29,753**	**5,006**	**366,303**
Accumulated depreciation					
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
At I January 2012	**14,243**	**58,020**	**15,564**	**-**	**87,827**
Charge for the year	**4,817**	**6,576**	**3,261**	**-**	**14,654**
Disposals	**(945)**	**(336)**	**(1,468)**	**-**	**(2,749)**
Adjustments	**-**	**-**	**38**	**-**	**38**
At 31 December 2012	**18,115**	**64,260**	**17,395**	**-**	**99,770**
Carrying amounts					
At 31 December 2012	**212,772**	**36,397**	**12,358**	**5,006**	**266,533**
At 31 December 2011	229,716	38,156	14,942	5,784	288,598

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 **K14,295 million** (2011: K15,827million).

(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 2011	29,234
Additions	24
Transfer from work-in-progress (note 23)	3,745
At 31 December 2011	33,003
At 1 January 2012	**33,003**
Additions	**185**
Transfer from work-in-progress (note 23)	**2,849**
At 31 December 2012	**36,037**
Amortisation and impairment	
At 1 January 2011	24,864
Amortisation charge for the year	2,706
At 31 December 2011	27,570
At 1 January 2012	**27,570**
Amortisation charge for the year	**3,625**
Adjustments	**(38)**
At 31 December 2012	**31,157**
Carrying amounts	
At 31 December 2012	**4,880**
At 31 December 2011	5,433

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

	2012	2011
Authorised by the directors and contracted for	**47,629**	50,735

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

	2012	2011
Commercial bank current accounts	**2,948,742**	878,747
Statutory minimum reserve requirements	**1,571,480**	1,227,704
Deposits from other international financial institutions	**361**	361
Term deposits from financial institutions	**254**	254
Deposits from other central banks	**34**	34
	4,520,871	2,107,100

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

	2012	2011
Staff savings, deposits and clearing accounts	**135,552**	151,133
Other savings and deposits	**14**	14
	135,566	151,147

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 Notes and coins in circulation

	2012	2011
Bank notes issued by denomination		
K50,000	**2,830,111**	2,510,354
K20,000	**735,572**	574,164
K10,000	**131,440**	169,790
K5,000	**54,910**	73,886
K1,000	**45,262**	37,275
K500	**30,128**	27,375
K100	**10,320**	10,124
K50	**4,462**	4,334
K20	**710**	711
Bank notes issued	**3,842,915**	3,408,013
Coins issued	**225**	225
	3,843,140	3,408,238

In millions of Zambian Kwacha

		2012	2011
32	**Other liabilities**		
	Accrued expenses payable	**67,976**	39,262
	Accounts payable	**11,568**	23,643
		79,544	62,905

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

		2012	2011
33	**Provisions**	**2012**	2011
	Balance at 1 January	**81,754**	24,932
	Provisions made during the year	**1,122**	57,843
	Payments made during the year	**(17,146)**	(1,021)
	Balance at 31 December	**65,730**	81,754

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.

		2012	2011
34	**Domestic currency liabilities to IMF**	**2012**	2011
	International Monetary Fund:		
	Securities account	**3,961,347**	3,710,330
	No. 1 account	**11,535**	11,535
	No. 2 account	**159**	140
		3,973,041	3,722,005

The above liability arises from IMF Quota subscriptions (Note 22) and has no repayment terms and bears no interest. The increase in value is on account of currency valuation adjustments between 2012 and 2011, as advised by the IMF.

		2012	2011
35	**Foreign currency liabilities to IMF**	**2012**	2011
	Due to the International Monetary Fund:		
	- Poverty Reduction and Growth Facility (PRGF) (a)	**2,107,942**	2,152,346
	- Charges on SDR allocation (b)	**424**	1,121
		2,108,366	2,153,467

(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.

		2012	2011
36	**Employee benefits**	**2012**	2011
	Fair value of plan assets	**416,242**	(288,156)
	Present value of defined benefit obligations	**(401,973)**	380,397
	Recognised asset/liability	**14,269**	92,241

In millions of Zambian Kwacha

36 Employee benefits *(Continued)*

The 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.

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 31 January 2013 in respect of results as at 31 December 2012.

	2012	2011
Plan assets comprise:		
Corporate bonds	**358**	4,299
Other assets	**119,965**	9,755
Equity securities	**21,101**	19,712
Treasury bills	**4,159**	61,572
Investment properties	**120,359**	85,694
GRZ bonds	**150,300**	107,124
Total plan assets	**416,242**	288,156

Movement in the present value of the defined benefit obligations

	2012	2011
Defined benefit obligations at 1 January	**380,397**	305,808
Current service and interest costs	**71,262**	63,249
Benefits paid by the plan	**(27,978)**	(20,080)
Actuarial (losses)/gains	**(21,708)**	31,420
Defined benefit obligations at 31 December	**401,973**	380,397

Movement in the fair value of plan assets

	2012	2011
Fair value of plan assets at 1 January	**288,156**	265,057
Contributions paid into the plan	**137,748**	21,816
Benefits paid by the plan	**(27,978)**	(20,080)
Expected return on plan assets	**37,460**	34,457
Property market valuation adjustment	**-**	6,244
Unrecognised actuarial gains/(losses)	**(19,144)**	(19,338)
Fair value of plan assets at 31 December	**416,242**	288,156

In millions of Zambian Kwacha

36 Employee benefits *(Continued)*

	2012	2011
Expense recognised in statement of comphrensive income		
Current service costs	**21,810**	15,849
Interest on obligation	**49,452**	47,400
Expected return on plan assets	**(37,460)**	(34,457)
Actuarial loss	**21,708**	51,490
Contribution by members	**(5,318)**	(5,454)
Actuarial assumptions	**50,192**	74,828

	2012	2011
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%**	13%
Expected return on plan assets	**13%**	13%

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

	2012	2011
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:

(a) 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

(b) 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.

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.

In millions of Zambian Kwacha

39 Reserves *(Continued)*

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 as defiuned by IAS 24.

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:

	2012	2011
Interest on held-to-maturity GRZ securities	**185,500**	153,233
Fees and commission income on transactions with the GRZ	**32,334**	34,432
Interest on advances to GRZ	**22,792**	13,833
Profit on foreign exchange transactions with GRZ	**13,484**	25,138
Total	**254,110**	226,636

All transactions with related parties were made on an arm's length basis.

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

GRZ - year end balances	**2012**	2011
Deposits from GRZ Institutions	**(4,520,871)**	(4,398,178)
Holdings of GRZ securities	**1,963,517**	1,977,107

In millions of Zambian Kwacha

40 Related party transactions *(Continued)*

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:

a) Short-term benefits

	2012	2011
Directors' fees	**661**	470
Remuneration for key management personnel		
- Salaries and allowances	**18,196**	18,526
- Pension contributions	**1,521**	1,498
	20,378	20,494

Loans and advances to key management personnel

Balance at 31 December	**1,551**	1,538

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.

	2012	2011
b) Post-employment pension benefits	**10,159**	178
c) Termination benefits	**-**	2,608

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 Events after the reporting date

The Bank successfully implemented the Kwacha rebased currency from 1 January 2013. To prepare for changeover commercial banks were allowed to draw the rebased currency before 1 January 2013. All such withdrawals issued prior to 1 January 2013 were only recorded in memorandum stock records and do not form part of these financial statements, as the rebased currency only became legal tender on 1 January 2013. The total of rebased currency drawn before changeover stood at KR1,064 million as at 31 December 2012. Currency in circulation of the rebased Kwacha as at 20 February 2013, was KR2,781million.

10.0 2012 ANNUAL STATISTICAL REPORT

*2011 numbers may differ from those published in 2012 Annual Report as these were preliminary while 2012 Annual Report presents final numbers for all the previous years.

DEPOSITORY CORPORATIONS SURVEY (IN MILLIONS OF KWACHA)

TABLE 1

	2009 December	2010 December	2011 December	2012 January	2012 February	2012 March	2012 April	2012 May	2012 June	2012 July	2012 August	2012 September	2012 October	2012 November	2012 December
NET FOREIGN ASSETS	**4,913,221**	**6,690,056**	**9,281,339**	**10,000,451**	**10,179,214**	**9,779,269**	**10,560,475**	**10,156,273**	**9,341,774**	**9,630,271**	**8,661,814**	**11,997,899**	**13,083,374**	**12,199,300**	**11,905,133**
Foreign assets (BOZ)	9,009,660	10,026,335	12,144,538	12,795,245	12,606,041	12,383,291	12,782,595	12,922,939	12,746,930	12,917,628	13,211,557	17,121,938	17,896,800	17,475,894	16,835,808
Foreign assets (banks)	2,804,304	3,806,111	4,966,464	4,811,950	5,146,966	5,186,317	5,696,780	5,436,182	4,403,226	4,389,465	3,528,082	3,253,931	3,663,328	3,366,264	3,669,241
Foreign liabilities (BOZ)	-5,278,161	-5,385,297	-6,115,586	-6,124,004	-6,262,032	-6,303,171	-6,275,633	-6,362,062	-6,176,588	-5,931,951	-5,979,864	-6,089,922	-6,308,165	-6,250,672	-6,155,382
o/w: IMF	-5,012,960	-5,357,253	-6,081,612	-6,089,480	-6,226,098	-6,267,256	-6,215,200	-6,351,771	-6,126,181	-5,897,787	-5,944,931	-6,053,552	-6,270,453	-6,205,191	-6,116,756
Foreign liabilities (banks)	-1,622,582	-1,757,093	-1,714,076	-1,482,739	-1,311,761	-1,487,168	-1,643,267	-1,840,786	-1,631,793	-1,744,870	-2,097,962	-2,288,048	-2,168,589	-2,392,186	-2,444,534
DOMESTIC ASSETS	**8,883,686**	**11,226,481**	**12,523,568**	**11,506,026**	**11,627,861**	**12,480,871**	**11,779,241**	**12,267,246**	**13,662,659**	**13,045,045**	**14,520,569**	**10,728,152**	**11,295,565**	**12,630,828**	**13,793,572**
DOMESTIC ASSETS	**12,026,966**	**14,581,784**	**17,455,315**	**16,433,918**	**16,899,691**	**17,677,829**	**16,960,905**	**17,328,552**	**18,375,977**	**17,501,787**	**19,265,343**	**15,910,099**	**16,817,494**	**17,984,572**	**19,098,266**
DOMESTIC CREDIT	**11,976,020**	**14,682,910**	**16,822,626**	**15,977,124**	**16,473,739**	**17,341,631**	**16,631,715**	**17,433,623**	**18,396,302**	**17,973,482**	**19,341,519**	**16,022,008**	**17,091,230**	**18,368,848**	**19,726,756**
Net Claims on General Government	3,963,133	5,548,360	5,200,086	4,121,912	4,422,305	5,098,757	4,274,527	4,547,234	5,155,935	4,387,436	5,390,161	1,666,027	1,227,216	1,954,928	3,242,147
Claims on government (BOZ)	3,562,835	4,602,542	4,186,576	4,240,382	4,267,416	4,273,752	3,242,533	3,242,212	3,171,060	2,886,502	3,216,125	3,536,434	3,062,118	3,259,773	3,703,657
Claims on government (banks)	4,257,055	4,947,777	7,703,177	7,660,109	7,733,745	7,823,124	7,809,302	8,079,908	7,988,486	7,815,006	7,594,892	8,133,952	8,313,663	8,224,379	8,227,575
Government deposits at BOZ	-2,437,181	-2,369,291	-4,404,956	-5,763,651	-5,499,549	-5,067,460	-4,624,092	-4,183,654	-3,856,920	-3,782,811	-3,046,919	-7,334,062	-6,853,803	-6,640,408	-5,854,756
Government deposits at banks	-1,419,576	-1,632,667	-2,284,711	-2,014,927	-2,079,307	-1,930,658	-2,153,216	-2,591,232	-2,146,691	-2,531,261	-2,373,937	-2,670,297	-3,294,762	-2,888,816	-2,834,330
Claims on public enterprises	208,491	115,266	98,704	111,538	116,399	116,591	113,538	123,550	114,362	142,106	147,569	145,148	574,438	625,991	693,512
Claims on public enterprises (BOZ)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on public enterprises (banks)	208,491	115,266	98,704	111,538	116,399	116,591	113,538	123,550	114,362	142,106	147,569	145,148	574,438	625,991	693,512
Claims on private enterprises	4,891,765	5,449,469	7,096,591	7,115,136	7,201,125	7,297,597	7,263,244	7,574,472	7,821,614	7,820,065	7,980,556	8,305,559	9,149,078	9,430,393	9,316,436
Claims on private enterprises (BOZ)	3,978	5,212	-26,942	-9,386	-9,894	-10,789	-11,458	-9,221	-12,002	-12,742	-6,416	-7,716	-3,439	-8,357	-10,543
Claims on private enterprises (banks)	4,887,787	5,444,258	7,123,533	7,124,522	7,211,019	7,308,386	7,274,703	7,583,692	7,833,616	7,832,807	7,986,972	8,313,275	9,152,517	9,438,750	9,326,979
Claims on households	2,537,473	3,003,136	3,736,981	3,917,886	4,021,638	4,077,597	4,282,037	4,415,188	4,577,068	4,885,530	5,080,784	5,164,004	5,412,154	5,628,594	5,761,574
Claims on households (BOZ)	38,633	37,614	36,917	37,681	39,027	39,133	40,521	40,064	39,622	39,892	40,065	39,631	39,398	39,680	40,001
Claims on households (banks)	2,498,840	2,965,521	3,700,064	3,880,205	3,982,611	4,038,464	4,241,516	4,375,123	4,537,446	4,845,638	5,040,719	5,124,373	5,372,755	5,588,915	5,721,573
Claims on nongovernment/nonprofit inst.	3,987	11,154	12,724	12,884	12,803	12,730	12,327	11,298	11,676	10,274	10,083	17,741	16,509	17,437	9,771
Claims on nongovernment/nonprofit inst. (BOZ)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nongovernment/nonprofit inst. (banks)	3,987	11,154	12,724	12,884	12,803	12,730	12,327	11,298	11,676	10,274	10,083	17,741	16,509	17,437	9,771
Claims on nonbank financial institutions	366,074	548,191	665,608	686,084	688,820	726,101	672,441	743,795	699,402	712,459	716,646	708,083	697,406	694,154	684,710
Claims on nonbank financial institutions (BOZ)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nonbank financial institutions (banks)	366,074	548,191	665,608	686,084	688,820	726,101	672,441	743,795	699,402	712,459	716,646	708,083	697,406	694,154	684,710
OTHER ITEMS NET	**3,092,333**	**3,456,430**	**4,299,057**	**4,471,098**	**4,845,878**	**4,860,760**	**4,852,473**	**5,166,377**	**4,733,643**	**4,928,437**	**4,820,950**	**5,293,856**	**5,795,664**	**5,738,020**	**5,933,184**
OTHER ITEMS NET	**-50,946**	**101,127**	**-632,689**	**-456,794**	**-425,953**	**-336,197**	**-329,190**	**105,071**	**20,325**	**471,695**	**76,175**	**111,909**	**273,735**	**384,276**	**628,490**
Claims on banks (BOZ)	-140,998	-335,592	-163,412	-140,388	-147,722	-151,796	-154,223	-181,383	-185,732	-165,871	-159,135	-174,804	-162,065	-161,097	-153,679
Bankers deposits at BOZ	-2,728,049	-4,492,867	-2,228,280	-1,962,616	-1,990,112	-1,991,564	-1,906,905	-2,485,752	-2,980,810	-2,885,125	-4,286,186	-3,920,994	-3,752,370	-3,980,275	-4,394,757
BOZ liabilities to banks	2,694,585	4,379,429	2,106,723	1,790,376	1,712,804	1,892,591	1,732,010	2,236,269	2,688,632	2,969,810	4,116,443	3,708,648	3,626,230	3,723,891	4,517,607
Credit from BOZ	55,590	219,229	24,887	44,923	50,022	25,049	27,816	74,711	20,288	35,698	20,288	40,288	61,458	172,822	45,257
Other items net (BOZ)	-273,537	-342,459	-647,254	-491,210	-560,547	-538,986	-498,698	-195,916	-88,540	34,137	19,477	-62,591	47,316	111,490	51,310
o/w: IMF	-3,412,956	-3,465,122	-3,842,033	-3,847,003	-3,933,311	-3,959,313	-3,926,426	-4,012,704	-3,870,189	-3,725,902	-3,755,685	-3,824,306	-3,961,333	-3,920,103	-3,864,235
Other items net (banks)	341,464	673,386	274,648	302,120	509,602	428,509	470,810	657,141	566,487	483,046	365,288	521,361	453,167	517,445	562,753
SHARES AND OTHER EQUITY	599,234	447,201	1,099,410	972,447	1,276,927	1,225,869	1,192,836	753,661	265,958	-104,910	25,100	350,304	530,905	360,676	283,668
SHARES AND OTHER EQUITY	1,965,140	2,316,658	2,841,264	2,936,476	2,981,786	2,919,410	2,944,165	3,249,882	3,440,892	3,548,543	3,721,704	3,842,350	3,971,021	4,004,953	4,040,551
LOANS	532,175	544,715	944,343	972,239	966,388	1,004,948	997,933	1,011,034	959,739	966,380	951,241	942,564	973,273	941,386	933,746
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	46,730
CLAIMS ON STATE AND LOCAL GOVERNMENT	5,096	7,333	11,930	11,683	10,649	12,258	13,601	18,087	16,244	15,612	15,720	15,446	14,429	17,352	18,606
						0	0	0	0	0	0	0	0	0	0
	0														
BROAD MONEY	**13,796,907**	**17,916,536**	**21,804,779**	**21,506,495**	**21,807,076**	**22,260,142**	**22,339,811**	**22,423,613**	**23,004,567**	**22,675,462**	**23,182,570**	**22,726,239**	**24,379,152**	**24,830,371**	**25,698,988**
MONEY	**4,993,073**	**7,083,142**	**8,344,880**	**8,105,775**	**7,954,918**	**8,029,328**	**7,425,757**	**7,700,845**	**8,744,905**	**9,292,646**	**10,432,755**	**10,165,140**	**10,716,348**	**10,891,072**	**11,252,225**
Currency outside banks	1,579,597	2,229,498	2,790,337	2,414,875	2,275,531	2,323,838	2,330,125	2,390,910	2,592,528	2,701,331	2,794,289	2,775,438	2,989,145	3,039,716	3,015,345
Demand deposits at BOZ	512	1,249	14	14	14	14	0	0	0	0	0	0	0	0	0
Demand deposits at banks	3,412,964	4,852,395	5,554,530	5,690,887	5,679,373	5,705,476	5,095,633	5,309,934	6,152,377	6,591,316	7,638,467	7,389,702	7,727,203	7,851,355	8,236,879
QUASI-MONEY	**8,803,835**	**10,833,394**	**13,459,899**	**13,400,719**	**13,852,158**	**14,230,814**	**14,914,054**	**14,722,768**	**14,259,662**	**13,382,815**	**12,749,815**	**12,561,098**	**13,662,803**	**13,939,299**	**14,446,764**
Savings Deposits	2,516,085	2,891,900	3,517,197	3,409,794	3,598,934	3,785,182	4,072,809	3,651,499	3,841,523	3,855,136	4,152,866	4,141,402	4,279,690	4,698,707	5,083,584
Savings deposits at BOZ	20,889	19,367	19,270	17,162	16,641	16,880	21,586	20,955	21,888	16,506	18,952	14,709	15,747	16,419	20,534
Savings deposits at banks	2,495,196	2,872,534	3,497,927	3,392,632	3,582,293	3,768,302	4,051,223	3,630,544	3,819,635	3,838,630	4,133,914	4,126,692	4,263,943	4,682,288	5,063,050
Time deposits and other deposits	1,346,742	1,793,869	2,481,472	2,454,010	2,450,957	2,519,871	2,291,363	2,768,575	2,554,551	2,625,560	2,664,228	2,731,765	3,004,341	3,332,196	3,207,376
Time deposits	1,346,742	1,793,869	2,481,472	2,454,010	2,450,957	2,519,871	2,291,363	2,768,575	2,554,551	2,625,560	2,664,228	2,731,765	3,004,341	3,332,196	3,207,376
Acceptances payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Foreign currency deposits	4,941,008	6,147,624	7,461,230	7,536,916	7,802,266	7,925,761	8,549,882	8,302,694	7,863,588	6,902,119	5,932,721	5,687,931	6,378,773	5,908,396	6,155,804
Foreign currency demand deposits	4,082,772	5,173,790	5,972,310	5,868,875	6,137,369	6,437,229	7,042,975	6,822,999	6,106,576	5,665,215	4,724,819	4,398,387	4,986,432	4,781,343	5,014,509
Foreign currency savings deposits	264,230	219,202	344,051	341,762	348,811	370,001	369,252	333,795	332,333	320,782	403,384	382,979	361,392	399,686	415,094
Foreign currency time deposits	594,006	754,633	1,144,870	1,326,278	1,316,086	1,118,530	1,137,655	1,145,900	1,424,679	916,122	804,518	906,565	1,030,949	727,367	726,201
Other deposits	0	0	0	0	0		0	0	0	0	0	0	0	0	0
Bills payable	-1,499	-1,068	-949	-867	-884	-1,188	-1,223	-1,127	-840	-792	-1,011	-1,011	-804	-999	-496
	0											0	0		
Vertical check:	0	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

	2009 December	2010 December	2011 December	2012 January	2012 February	2012 March	2012 April	2012 May	2012 June	2012 July	2012 August	2012 September	2012 October	2012 November	2012 December
NET FOREIGN ASSETS	**3,731,499**	**4,641,038**	**6,028,952**	**6,671,241**	**6,344,009**	**6,080,120**	**6,506,962**	**6,560,878**	**6,570,342**	**6,985,677**	**7,231,693**	**11,032,017**	**11,588,635**	**11,225,222**	**10,680,426**
Gross foreign assets	9,009,660	10,026,335	12,144,538	12,795,245	12,606,041	12,383,291	12,782,595	12,922,939	12,746,930	12,917,628	13,211,557	17,121,938	17,896,800	17,475,894	16,835,808
Monetary gold	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SDR holdings	2,959,047	2,998,758	3,314,831	3,319,120	3,393,584	3,416,018	3,387,644	3,462,083	3,339,124	3,214,636	3,240,332	3,299,536	3,417,760	3,382,189	3,333,987
Foreign exchange holdings	6,035,468	7,023,488	8,815,375	9,463,499	9,199,975	8,954,944	9,392,086	9,457,456	9,403,520	9,699,205	9,934,659	13,785,964	14,442,720	14,057,725	13,466,112
Other foreign assets	15,145	4,088	14,331	12,626	12,482	12,329	2,865	3,400	4,285	3,787	36,566	36,438	36,320	35,980	35,709
Gross foreign liabilities	-5,278,161	-5,385,297	-6,115,586	-6,124,004	-6,262,032	-6,303,171	-6,275,633	-6,362,062	-6,176,588	-5,931,951	-5,979,864	-6,089,922	-6,308,165	-6,250,672	-6,155,382
Fund administered accounts	-1,600,004	-1,892,132	-2,239,579	-2,242,477	-2,292,787	-2,307,943	-2,288,773	-2,339,066	-2,255,992	-2,171,885	-2,189,246	-2,229,246	-2,309,121	-2,285,088	-2,252,521
Fund charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Allocation of SDRs	-3,412,956	-3,465,122	-3,842,033	-3,847,003	-3,933,311	-3,959,313	-3,926,426	-4,012,704	-3,870,189	-3,725,902	-3,755,685	-3,824,306	-3,961,333	-3,920,103	-3,864,235
Other foreign liabilities	-265,201	-28,044	-33,974	-34,524	-35,934	-35,915	-60,433	-10,291	-50,407	-34,164	-34,933	-36,370	-37,712	-45,481	-38,626
DOMESTIC ASSETS	**894,728**	**1,933,617**	**-855,659**	**-1,986,184**	**-1,763,547**	**-1,304,350**	**-1,851,194**	**-1,106,514**	**-746,780**	**-835,022**	**222,333**	**-3,828,303**	**-3,708,409**	**-3,237,822**	**-2,070,331**
DOMESTIC CREDIT	**1,168,265**	**2,276,076**	**-208,404**	**-1,494,974**	**-1,203,000**	**-765,365**	**-1,352,495**	**-910,599**	**-658,240**	**-869,159**	**202,856**	**-3,765,712**	**-3,755,725**	**-3,349,312**	**-2,121,641**
Claims on Gen.Government (net)	1,125,654	2,233,250	-218,380	-1,523,270	-1,232,133	-793,709	-1,381,559	-941,442	-685,861	-896,309	169,206	-3,797,627	-3,791,685	-3,380,635	-2,151,099
Claims on the central government	3,562,835	4,602,542	4,186,576	4,240,382	4,267,416	4,273,752	3,242,533	3,242,212	3,171,060	2,886,502	3,216,125	3,536,434	3,062,118	3,259,773	3,703,657
Central government deposits	-2,437,181	-2,369,291	-4,404,956	-5,763,651	-5,499,549	-5,067,460	-4,624,092	-4,183,654	-3,856,920	-3,782,811	-3,046,919	-7,334,062	-6,853,803	-6,640,408	-5,854,756
Claims on nonfin. public enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on the private enterprises	3,978	5,212	-26,942	-9,386	-9,894	-10,789	-11,458	-9,221	-12,002	-12,742	-6,416	-7,716	-3,439	-8,357	-10,543
Claims on households	38,633	37,614	36,917	37,681	39,027	39,133	40,521	40,064	39,622	39,892	40,065	39,631	39,398	39,680	40,001
Claims on nongovernment/nonprofit inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on banks	140,998	335,592	163,412	140,388	147,722	151,796	154,223	181,383	185,732	165,871	159,135	174,804	162,065	161,097	153,679
Claims on nonbank financial inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
					0										
OTHER ITEMS (NET)	**-273,537**	**-342,459**	**-647,254**	**-491,210**	**-560,547**	**-538,986**	**-498,698**	**-195,916**	**-88,540**	**34,137**	**19,477**	**-62,591**	**47,316**	**111,490**	**51,310**
Other assets	382,289	413,845	292,241	391,965	394,064	398,361	397,450	398,529	401,752	436,766	420,592	419,576	421,292	340,621	434,121
Special holdings of Government securities	0	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	0
Gov/IMF Trust Fund obligations	0	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	0
Gov/IMF Securities account	0	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	0
Land and Fixed assets	374,932	383,549	391,172	378,800	379,429	379,088	379,425	380,323	380,854	411,114	413,951	415,686	413,507	414,810	403,186
Other investments	0	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	0
Other assets	7,357	30,296	-98,931	13,165	14,635	19,273	18,025	18,206	20,898	25,652	6,642	3,890	7,785	-74,189	30,935
Other liabilities	259,238	279,232	317,799	363,472	394,022	436,106	452,964	483,503	457,000	486,651	492,134	489,962	491,542	499,757	510,555
Provision for bad & dfll debt	154,467	157,772	161,147	188,799	218,199	218,687	218,687	225,760	224,403	224,403	224,403	224,403	224,403	219,673	219,689
Other provisions	102,301	107,169	148,534	190,258	192,439	237,074	237,780	238,285	240,601	245,740	247,412	248,646	251,318	254,811	200,657
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	10,020
Forex arrears accounts	0	0	0	0	-292	-291	-291	-291	-291	-291	-291	4,774	-291	-291	-291
Use of Fund credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit for IMF Subscript. pyt.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other liabilities	2,470	14,292	8,119	-15,585	-16,616	-19,655	-3,503	19,457	-8,005	16,508	20,319	16,913	15,822	25,273	90,209
FUND ACCOUNTS ADJUSTMENT	-150,487	-207,846	-672,812	-462,717	-560,505	-576,732	-554,213	-280,889	-143,788	-15,747	-52,064	-132,978	-22,934	-47,645	-25,124
Reserve Position in the Fund FC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve Position in the Fund, IMF Record	134	136	151	151	154	155	154	157	152	146	147	150	155	154	152
Holdings of SDRs	-2,950,196	-2,991,689	-3,153,989	-3,199,567	-3,270,937	-3,265,491	-3,249,367	-3,227,555	-3,097,120	-2,981,047	-3,025,469	-3,124,163	-3,225,345	-3,164,162	-3,146,930
SDR Holdings, IMF Record	2,958,913	2,998,623	3,314,680	3,318,969	3,393,430	3,415,863	3,387,490	3,461,926	3,338,972	3,214,490	3,240,185	3,299,386	3,417,605	3,382,035	3,333,835
Use of Fund Credit NC	0	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	0
Loans from IMF FC	1,626,631	1,915,346	2,247,543	2,280,219	2,315,954	2,313,006	2,295,718	2,275,492	2,179,528	2,087,589	2,111,217	2,178,414	2,247,821	2,199,437	2,163,595
Use of Fund Credit & Loans, IMF Record	-1,600,004	-1,892,132	-2,239,579	-2,242,477	-2,292,787	-2,307,943	-2,288,773	-2,339,066	-2,255,992	-2,171,885	-2,189,246	-2,229,246	-2,309,121	-2,285,088	-2,252,521
SDR Allocations	3,226,992	3,226,992	3,226,992	3,226,992	3,226,992	3,226,992	3,226,992	3,560,862	3,560,862	3,560,862	3,566,787	3,566,787	3,807,283	3,740,082	3,740,980
SDR Allocations, IMF Record	-3,412,956	-3,465,122	-3,842,033	-3,847,003	-3,933,311	-3,959,313	-3,926,426	-4,012,704	-3,870,189	-3,725,902	-3,755,685	-3,824,306	-3,961,333	-3,920,103	-3,864,235
IMF Quota	-4,125,278	-3,495,428	-3,722,005	-3,722,005	-3,722,005	-3,722,005	-3,722,005	-3,973,041	-3,973,041	-3,973,041	-3,973,041	-3,973,041	-3,973,041	-3,973,041	-3,973,041
IMF Accounts No. 1 & Securities NC	4,125,113	3,495,288	3,495,288	3,721,856	3,721,856	3,721,856	3,721,856	3,972,882	3,972,882	3,972,882	3,972,882	3,972,882	3,972,882	3,972,882	3,972,882
IMF Account No. 2 NC	166	140	140	149	149	149	149	159	159	159	159	159	159	159	159
					0	0	0	0	0	0	0	0	0	0	0
RESERVE MONEY	**4,714,896**	**7,147,965**	**5,531,677**	**4,835,432**	**4,572,366**	**4,779,684**	**4,614,648**	**5,274,011**	**5,920,554**	**6,350,994**	**7,546,255**	**7,150,483**	**7,410,282**	**7,561,741**	**8,377,772**
Currency in circulation:	1,999,080	2,747,920	3,405,670	3,027,880	2,842,894	2,870,186	2,861,051	3,016,788	3,210,034	3,366,991	3,413,901	3,430,226	3,774,989	3,824,773	3,839,631
add: notes and coins issued	2,001,246	2,750,477	3,408,239	3,029,362	2,845,855	2,872,459	2,864,498	3,020,103	3,213,179	3,369,805	3,416,300	3,433,683	3,778,243	3,828,122	3,843,140
less: teller's cash (BOZ)	-2,165	-2,557	-2,569	-1,482	-2,961	-2,273	-3,447	-3,316	-3,145	-2,814	-2,400	-3,456	-3,253	-3,348	-3,509
Liabilities to commercial banks	2,694,415	4,379,429	2,106,723	1,790,376	1,712,804	1,892,591	1,732,010	2,236,269	2,688,632	2,967,497	4,113,403	3,705,547	3,619,546	3,720,549	4,517,607
Required reserves (Kwacha deps.)	594,627	1,014,210	694,613	628,452	806,784	737,542	837,845	906,016	940,402	989,778	1,289,940	1,035,563	1,041,539	982,565	1,078,774
Required reserves (Forex deps.)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Required reserves (Forex deps in US$.)	471,174	688,699	533,091	496,797	446,591	463,895	475,520	512,795	496,564	446,577	450,525	456,603	488,861	451,769	489,690
Current account balances (positive)	967,880	709,556	878,765	685,193	484,175	690,900	362,409	796,295	462,964	1,437,565	1,866,014	535,519	572,989	595,462	2,946,147
Term deposits of banks (kwacha)	659,000	1,955,501	0	-20,000	-25,000	0	55,000	20,000	784,992	60,000	505,000	1,670,000	1,506,000	1,683,000	0
Other bank deposits (kwacha)	1,734	11,463	254	-66	254	254	1,236	1,162	3,711	33,576	1,924	7,862	10,157	7,753	2,996
Settlement position at clearing cntre	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities to non-banks	21,401	20,615	19,284	17,175	16,668	16,907	21,586	20,955	21,888	16,506	18,952	14,709	15,747	16,419	20,534
o/w: non government deposits	21,128	20,299	19,284	17,175	16,655	16,894	21,586	20,955	21,888	16,506	18,952	14,709	15,747	16,419	20,534
													0	0	0
OTHER LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	169	0	0	0	0	0	0	0	0	2,313	3,040	3,101	6,684	3,342	0
										0	0	0	0	0	0
Memo items:	0	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	5,117,040	5,133,150	5,238,610	5,238,610	5,238,610	5,238,610	5,238,610	5,238,610	5,238,610	5,238,610	5,238,610	5,238,610	5,238,610
K/USD exchange rate (period average - BOZ mid-rate)	4,682,221	4,735,744	5,117,286	5,128,636	5,217,070	5,217,070	5,217,070	5,217,070	5,217,070	5,217,070	5,217,070	5,217,070	5,217,070	5,217,070	5,217,070
Reserve money (BoZ definition)	3,582,715	4,491,986	4,998,332	4,358,700	4,150,508	4,315,521	4,082,891	4,740,054	4,635,288	5,810,841	6,588,807	5,016,018	5,405,264	5,419,219	7,885,086
NIR in USD (estimated from MS):	797	980	1,178	1,301	1,216	1,165	1,247	1,258	1,259	1,339	1,386	2,115	2,221	2,152	2,047
Assets	1,924	2,117	2,373	2,495	2,416	2,374	2,450	2,477	2,443	2,476	2,532	3,282	3,430	3,350	3,227
Liabilities:	-1,127	-1,137	-1,195	-1,194	-1,200	-1,208	-1,203	-1,219	-1,184	-1,137	-1,146	-1,167	-1,209	-1,198	-1,180
Liabilities to the Fund	-342	-400	-438	-437	-439	-442	-439	-448	-432	-416	-420	-427	-443	-438	-432
Short-term liabilities	-57	-6	-7	-7	-7	-7	-12	-2	-10	-7	-7	-7	-7	-9	-7
NIR reported by the BoZ in dollars:	1,146,450	1,170,450	1,180,450	1,180,450	1,180,450	1,180,450	1,180,450	1,180,450	1,180,450	1,180,450	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	1,282,073
o/w Escrow a/c bal.	-16,968	-4,968	32	32	5,032	5,032	5,032	5,032	5,032	5,032	5,032	5,032	5,032	5,032	5,032
Liabilities:	-135,623	-111,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623
Liabilities to the Fund	-118,623	-106,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623	-101,623
Short-term liabilities	-17,000	-5,000	0	0	0	0	0	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	92,588	92,588	92,588
Profit and loss carried over	425,800	240,748	55,830	478,812	425,850	374,511	374,901	-73,704	-73,363	-70,785	-70,785	-70,785	-69,587	-69,198	-58,726
Reserves and retained earnings	226,788	219,845	214,784	214,784	214,006	213,616	213,227	212,838	212,448	209,877	209,488	209,099	208,710	208,320	197,849
Profit and loss current year	-155,961	-116,000	499,611	176,243	534,464	535,134	502,100	511,919	24,265	-346,610	-216,211	109,382	289,175	118,946	41,938
Revaluation account (liabilities)	0	0	226,577	0	0	0	0	0	0	0	0	0	0	0	0
								0	0	0	0	0	0	0	0
Vertical check:	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

ANALYTICAL ACCOUNTS OF OTHER DEPOSITORY CORPORATIONS (IN MILLIONS OF KWACHA)

TABLE 3

	2009 December	2010 December	2011 December	2012 January	2012 February	2012 March	2012 April	2012 May	2012 June	2012 July	2012 August	2012 September	2012 October	2012 November	2012 December
FOREIGN ASSETS (NET)	**1,181,722**	**2,049,018**	**3,252,388**	**3,329,211**	**3,835,205**	**3,699,149**	**4,053,512**	**3,595,396**	**2,771,432**	**2,644,594**	**1,430,120**	**965,882**	**1,494,739**	**974,078**	**1,224,707**
Gross assets	2,804,304	3,806,111	4,966,464	4,811,950	5,146,966	5,186,317	5,696,780	5,436,182	4,403,226	4,389,465	3,528,082	3,253,931	3,663,328	3,366,264	3,669,241
Liabilities	-1,622,582	-1,757,093	-1,714,076	-1,482,739	-1,311,761	-1,487,168	-1,643,267	-1,840,786	-1,631,793	-1,744,870	-2,097,962	-2,288,048	-2,168,589	-2,392,186	-2,444,534
														0	0
RESERVES (CREDIT TO BOZ)	**3,147,533**	**5,011,289**	**2,843,613**	**2,575,621**	**2,557,474**	**2,537,911**	**2,437,831**	**3,111,629**	**3,598,315**	**3,550,785**	**4,905,798**	4,575,782	**4,538,214**	**4,765,332**	**5,219,043**
Cash in vaults	419,484	518,422	615,333	613,005	567,363	546,347	530,927	625,877	617,505	665,661	619,612	654,788	785,844	785,057	824,286
Other balances at BOZ	1,002,914	1,046,356	1,004,560	845,924	748,768	797,404	568,536	1,007,960	791,400	1,287,176	2,036,700	761,717	675,183	935,683	2,821,317
Statutory reserves at BOZ (kwacha and forex)	1,065,963	1,500,839	1,223,548	1,116,521	1,241,172	1,193,988	1,283,197	1,457,620	1,404,238	1,537,778	1,744,314	1,526,605	1,510,015	1,462,989	1,573,268
Money market placements	659,172	1,945,672	172	172	172	172	55,172	20,172	785,172	60,172	505,172	1,632,672	1,567,172	1,581,603	172
														0	0
CREDIT TO DOMESTIC ECONOMY	**10,807,754**	**12,406,834**	**17,031,030**	**17,472,098**	**17,676,739**	**18,106,996**	**17,984,210**	**18,344,222**	**19,054,542**	**18,842,642**	**19,138,663**	**19,787,721**	**20,846,955**	**21,718,161**	**21,848,397**
Claims on general government (net)	2,837,479	3,315,110	5,418,466	5,645,182	5,654,438	5,892,466	5,656,085	5,488,676	5,841,796	5,283,745	5,220,955	5,463,655	5,018,901	5,335,563	5,393,246
Claims on general government	4,257,055	4,947,777	7,703,177	7,660,109	7,733,745	7,823,124	7,809,302	8,079,908	7,988,486	7,815,006	7,594,892	8,133,952	8,313,663	8,224,379	8,227,575
Treasury bills	2,118,754	2,303,992	4,192,625	4,287,554	4,242,687	4,376,965	4,551,437	4,532,776	4,698,091	4,846,568	4,764,211	4,889,059	4,644,978	4,291,928	4,461,869
Other assets	2,138,302	2,643,785	3,510,552	3,372,555	3,491,058	3,446,159	3,257,864	3,547,132	3,290,396	2,968,438	2,830,680	3,244,893	3,668,685	3,932,451	3,765,706
Dep. of general government with Donor funds	-1,419,576	-1,632,667	-2,284,711	-2,014,927	-2,079,307	-1,930,658	-2,153,216	-2,591,232	-2,146,691	-2,531,261	-2,373,937	-2,670,297	-3,294,762	-2,888,816	-2,834,330
Dep. of general government without Donor Funds	-1,419,576	-1,604,257	-2,262,124	-1,997,253	-2,039,848	-1,906,762	-2,123,617	-2,559,600	-2,109,325	-2,497,481	-2,327,195	-2,619,153	-3,198,185	-2,820,096	-2,730,606
Claims on parastatals & state enterpr.	208,491	115,266	98,704	111,538	116,399	116,591	113,538	123,550	114,362	142,106	147,569	145,148	574,438	625,991	693,512
Claims on private enterprises	4,887,787	5,444,258	7,123,533	7,124,522	7,211,019	7,308,386	7,274,703	7,583,692	7,833,616	7,832,807	7,986,972	8,313,275	9,152,517	9,438,750	9,326,979
Claims on households	2,498,840	2,965,521	3,700,064	3,880,205	3,982,611	4,038,464	4,241,516	4,375,123	4,537,446	4,845,638	5,040,719	5,124,373	5,372,755	5,588,915	5,721,573
Claims on nonbank fin. inst.	366,074	548,191	665,608	686,084	688,820	726,101	672,441	743,795	699,402	712,459	716,646	708,083	697,406	694,154	684,710
Claims on nongov./nonprofit inst.	3,987	11,154	12,724	12,884	12,803	12,730	12,327	11,298	11,676	10,274	10,083	17,741	16,509	17,437	9,771
CLAIMS ON STATE AND LOCAL GOVERNMENT	5,096	7,333	11,930	11,683	10,649	12,258	13,601	18,087	16,244	15,612	15,720	15,446	14,429	17,352	18,606
														0	0
OTHER ITEMS (NET)	**-341,464**	**-673,386**	**-274,648**	**-302,120**	**-509,602**	**-428,509**	**-470,810**	**-657,141**	**-566,487**	**-483,046**	**-365,288**	**-521,361**	**-453,167**	**-517,445**	**-562,753**
Assets	1,854,114	1,950,783	2,332,462	2,280,079	2,324,815	2,385,857	2,478,993	2,368,477	2,265,692	2,346,583	2,487,114	2,840,570	2,911,700	2,748,390	2,614,547
Balances held with comm. banks	196,434	312,309	359,251	373,559	337,981	450,565	468,591	419,383	394,316	400,305	347,752	706,889	757,782	671,728	440,576
Balances with branches	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bank premises	804,137	870,667	943,022	938,879	935,579	968,547	982,651	988,988	999,667	1,010,287	1,023,892	1,033,093	1,061,489	1,059,073	1,075,649
Other assets	853,543	767,807	1,030,189	967,641	1,051,254	966,745	1,027,751	960,105	871,709	935,990	1,115,470	1,100,587	1,092,430	1,017,589	1,098,321
Liabilities	-2,195,578	-2,624,169	-2,607,110	-2,582,198	-2,834,417	-2,814,365	-2,949,803	-3,025,618	-2,832,179	-2,829,629	-2,852,402	-3,361,931	-3,364,868	-3,265,835	-3,177,300
Liabilities to comm. banks	-177,173	-313,747	-383,132	-363,171	-480,399	-416,583	-462,100	-376,911	-327,817	-340,270	-293,149	-754,111	-646,964	-518,200	-328,369
Balances with branches	0	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	0
Reserves	0	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	-2,223,029	-2,218,161	-2,353,134	-2,396,594	-2,486,480	-2,647,580	-2,503,521	-2,488,567	-2,558,242	-2,606,809	-2,717,099	-2,746,636	-2,848,435
Bills payable	-1,499	-1,068	-949	-867	-884	-1,188	-1,223	-1,127	-840	-792	-1,011	-1,011	-804	-999	-496
														0	0
LIABILITIES TO NONGOVERNMENT SECTOR	**12,195,910**	**15,666,423**	**18,995,159**	**19,074,445**	**19,514,890**	**19,919,410**	**19,988,100**	**20,011,748**	**20,390,151**	**19,957,625**	**20,369,330**	**19,936,091**	**21,374,259**	**21,774,236**	**22,663,109**
Demand deposits in Kwacha	3,412,964	4,852,395	5,554,530	5,690,887	5,679,373	5,705,476	5,095,633	5,309,934	6,152,377	6,591,316	7,638,467	7,389,702	7,727,203	7,851,355	8,236,879
Demand deposits in forex	4,082,772	5,173,790	5,972,310	5,868,875	6,137,369	6,437,229	7,042,975	6,822,999	6,106,576	5,665,215	4,724,819	4,398,387	4,986,432	4,781,343	5,014,509
Savings deposits in Kwacha	2,495,196	2,872,534	3,497,927	3,392,632	3,582,293	3,768,302	4,051,223	3,630,544	3,819,635	3,838,630	4,133,914	4,126,692	4,263,943	4,682,288	5,063,050
Savings deposits in forex	264,230	219,202	344,051	341,762	348,811	370,001	369,252	333,795	332,333	320,782	403,384	382,979	361,392	399,686	415,094
Time deposits in Kwacha	1,346,742	1,793,869	2,481,472	2,454,010	2,450,957	2,519,871	2,291,363	2,768,575	2,554,551	2,625,560	2,664,228	2,731,765	3,004,341	3,332,196	3,207,376
Time deposits in forex	594,006	754,633	1,144,870	1,326,278	1,316,086	1,118,530	1,137,655	1,145,900	1,424,679	916,122	804,518	906,565	1,030,949	727,367	726,201
Acceptances payable	0	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	0
CREDIT FROM THE BOZ	55,590	219,229	24,887	44,923	50,022	25,049	27,816	74,711	20,288	35,698	20,288	40,288	61,458	172,822	45,257
					0							0	0	0	0
SHARES AND OTHER EQUITY	1,965,140	2,316,658	2,841,264	2,936,476	2,981,786	2,919,410	2,944,165	3,249,882	3,440,892	3,548,543	3,721,704	3,842,350	3,971,021	4,004,953	4,040,551
													0	0	0
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	46,730
													0	0	0
LOANS	532,175	544,715	944,343	972,239	966,388	1,004,948	997,933	1,011,034	959,739	966,380	951,241	942,564	973,273	941,386	933,746
Vertical check	0	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									
		Revenue	Expenditure.	Domestic. interest.	Other Govt Transactions	**Total Govt Infuence.**	Foreign Exchange influence.	Other BOZ influence.	Non- bank Bond influence	Non-bank T.B influence.	**Total primary influence.**
1995	December	-53,956	38,625	6,173	16,432	7,274	-13,658	-320	302	1,292	-5,110
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	December	-813,360	12,127	18,036	1,186,635	403,438	3,199	1,010	0	71,265	478,913
2008	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	97,384	0	-28,597
	February	-1,123,048	9,076	58,020	1,173,983	118,031	-65,192	-18,847	76,886	0	110,878
	March	-1,082,174	10,966	46,015	1,240,997	215,804	26,032	1,721	202,719	0	446,275
	April	-1,458,032	6,662	33,380	1,114,836	-303,154	271,810	24,365	83,292	0	76,313
	May	-1,150,793	9,430	35,131	1,221,416	115,185	-137,850	7,112	16,671	0	1,118
	June	-1,322,589	14,081	125,621	1,514,578	331,691	-67,758	-43,399	-4,788	0	215,747
	July	-1,738,736	11,737	34,548	1,752,596	60,144	849,729	-15,102	24,568	31,644	919,340
	August	-1,697,604	9,730	29,911	1,341,268	-316,695	13,198	15,862	20,625	-44,369	-267,010
	September	-1,991,392	7,088	18,636	1,846,155	-119,513	73,439	1,558	-38,484	60,351	-82,999
	October	-1,677,298	7,195	42,435	2,214,126	586,459	222,216	3,430	-22,658	-48,145	789,446
	November	-1,901,265	6,964	47,037	1,813,538	-33,726	24,746	10,267	-88,810	-19,270	-106,793
	December	-1,871,448	9,671	33,443	1,914,139	85,805	53,342	195,662	-3,040	-19,799	311,970
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	-1,561,111	4,133	41,473	1,497,834	-17,670	42,895	-86,690	-56,010	55,253	-62,222
	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	-1,623,523	4,437	73,142	1,620,349	74,404	313,664	-31,186	-23,933	121,808	454,757
	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	-1,884,415	2,701	69,480	2,356,961	544,727	-282,475	133,189	-3,307	-16,664	375,469
	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	-2,080,913	4,135	79,459	2,337,885	340,566	0	-209,025	30,086	272,964	434,591
2012	January	-2,073,018	3,526	76,737	1,656,603	-336,152	-92,863	-10,659	1,213	80,062	-358,398
	February	-1,547,509	3,295	65,778	1,710,006	231,571	-356,920	12,453	0	-14,231	-127,128
	March	-1,551,211	3,249	12,096	2,003,981	468,115	-238,080	-31,262	0	11,456	210,229
	April	-1,897,650	3,495	30,897	1,669,780	-193,478	-130,153	21,661	0	0	-301,969
	May	-1,578,181	4,645	41,338	2,163,552	631,354	523,528	-3,258	0	0	1,151,624
	June	-1,677,422	4,730	31,630	2,294,578	653,516	54,166	9,345	0	0	717,026
	July	-2,028,381	6,106	28,469	2,085,084	91,278	184,736	9,547	0	19	285,580
	August	-1,888,549	7,057	43,387	2,595,449	757,344	33,535	13,245	0	0	804,124
	September	-1,837,004	6,413	42,366	1,699,346	-88,879	276,180	41,527	0	0	228,828
	October	-2,351,895	10,140	9,493	2,286,040	-46,222	-178,618	63,279	0	0	-161,561
	November	-2,001,520	11,716	40,620	2,402,596	453,412	-254,755	55,852	0	0	254,509
	December	-2,171,965	10,087	22,755	3,701,380	1,562,257	-859,283	-126,296	0	0	576,678

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.
2008	January	-163,985.4	117,474.1	-83,257.5	20,980.7	155,482.2	-0.1	71,864.0
	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	-62,222.0	107,605.8	-529,484.5	124,625.5	-678,676.2	0.3	-1,038,151.1
	March	288,191.5	-39,471.9	-546,404.7	-45,466.7	230,425.2	2.8	-112,723.8
	April	15,430.7	-86,525.7	-104,173.2	-34,452.4	385,704.4	-0.4	175,983.5
	May	454,756.9	-150,438.9	130,942.9	-122,905.9	-660,812.9	0.3	-348,457.7
	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	375,469.2	-487,703.7	78,003.2	-44,052.2	34,888.3	-0.5	-43,395.7
	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	434,591.1	38,864.3	180,280.6	122,931.5	-84,538.3	-2.0	692,127.2
2012	January	-358,398.5	379,276.2	-122,884.4	66,141.3	-157,606.5	3.3	-193,468.5
	February	-127,128.1	194,753.2	56,139.0	-179,505.0	-143,871.6	-4.4	-199,616.9
	March	210,228.6	-25,985.7	-144,543.2	68,566.1	94,303.7	2.4	202,571.8
	April	-301,969.2	8,183.1	54,898.6	-100,307.2	13,363.7	1.0	-325,830.0
	May	1,151,623.8	-156,563.6	-619,505.2	-68,830.4	127,060.9	-0.4	433,785.1
	June	717,026.0	-190,989.1	-167,025.7	164.5	-640,830.3	2.8	-281,651.8
	July	285,579.8	-151,141.5	-45,751.1	-57,331.5	942,773.3	0.9	974,130.0
	August	804,124.1	34,345.0	208,388.8	-99,875.0	-350,763.7	-0.1	596,219.2
	September	228,827.8	-11,669.8	107,276.3	254,544.0	-1,904,477.6	0.0	-1,325,499.3
	October	-161,561.2	-342,502.5	175,658.7	-17,556.2	378,366.4	0.0	32,405.2
	November	254,508.9	-99,062.9	1,696.4	35,009.7	69,040.4	0.0	261,192.5
	December	576,677.9	57,797.8	-194,417.2	-82,109.3	69,040.4	0.0	2,123,077.9

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
2007	December	22.7	9.0	46.6	69.3	57.7
2008	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	53.6	114.1	64.3
2010	January	57.0	9.0	56.7	113.7	64.4
	February	55.5	9.0	54.7	110.2	62.2
	March	48.8	9.0	56.5	105.3	60.4
	April	53.8	9.0	55.9	109.7	58.8
	May	55.4	9.0	52.8	108.2	59.3
	June	54.0	9.0	50.3	104.3	56.8
	July	68.5	9.0	54.0	122.5	53.8
	August	59.7	9.0	54.5	114.1	54.2
	September	62.1	9.0	53.0	115.1	54.4
	October	61.7	9.0	57.0	118.6	55.7
	November	60.9	9.0	55.9	116.8	57.6
	December	57.1	9.0	55.1	112.2	56.5
2011	January	56.3	9.0	49.0	105.3	55.5
	February	51.7	9.0	53.4	105.1	58.5
	March	62.2	9.0	53.6	115.8	60.4
	April	59.0	9.0	51.7	110.7	60.6
	May	40.7	9.0	51.4	92.1	58.5
	June	43.6	9.0	51.8	95.4	59.5
	July	49.5	9.0	49.0	98.5	59.2
	August	42.1	9.0	51.2	93.3	59.2
	September	50.5	9.0	49.5	99.9	59.3
	October	55.2	9.0	48.6	103.8	59.1
	November	61.6	9.0	48.2	109.8	61.9
	December	60.5	9.0	46.5	107.0	61.5
2012	January	60.6	9.0	67.7	128.3	93.9
	February	59.6	9.0	66.9	126.5	93.0
	March	62.3	9.0	67.9	130.2	94.0
	April	49.6	9.0	70.1	119.7	98.2
	May	53.3	9.0	74.1	127.4	98.6
	June	55.4	9.0	73.6	129.1	94.5
	July	55.9	9.0	68.2	124.2	91.6
	August	54.3	9.0	70.0	124.4	86.3
	September	44.9	9.0	69.3	114.3	88.0
	October	46.1	9.0	60.8	107.0	92.2
	November	47.6	9.0	60.0	107.6	93.1
	December	53.0	9.0	67.8	120.8	90.5

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 End Month		Bank of Zambia Claims: Treasury Bills	GRZ Stock	GRZ Position (3)	Loans & Advances	(a) Total	Commercial Banks Claims: Treasury Bills	GRZ Securities	Loans & Advances	Deposits	Tax Revenue Suspense a/c	(b)Total	(a+b) TOTALCLAIMS
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	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	4,530,702.4	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	4,690,477.8	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	4,709,402.6	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	3,987,973.0	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	4,263,169.3	2,987,448.9
	December	625,812.1	188,983.1	-2,369,565.3	0.0	-1,554,770.2	2,307,850.5	1,901,191.3	269,535.3	-479,455.5	0.0	4,019,601.7	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	213,000.0	-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	213,000.0	-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	213,000.0	-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	213,000.0	-1,975,608.3	4,090,178.6	2,694,134.1	441,975.0	-823,616.4	0.0	6,402,671.3	4,427,063.0
2012	January	653,288.4	1,310,989.2	-5,116,114.8	213,000.0	-2,938,837.2	3,970,178.9	2,590,764.6	102,706.5	-533,166.5	0.0	6,130,483.6	3,191,646.4
	February	644,913.9	1,310,989.2	-5,017,396.9	213,000.0	-2,848,493.8	4,121,741.8	2,719,332.7	102,706.5	-533,166.5	0.0	6,410,614.6	3,562,120.7
	March	644,343.7	1,310,989.2	-5,050,370.1	213,000.0	-2,882,037.2	4,317,109.7	2,714,425.6	102,706.5	-533,166.5	0.0	6,601,075.4	3,719,038.2
	April	333,173.6	1,310,989.2	-5,592,434.1	213,000.0	-3,735,271.3	4,826,015.8	2,656,957.7	104,906.6	-571,618.3	0.0	7,016,261.7	3,280,990.3
	May	622,338.0	1,310,989.2	-4,695,559.0	213,000.0	-2,549,231.8	4,506,110.8	2,497,222.1	104,906.6	-698,375.5	0.0	6,409,864.0	3,860,632.3
	June	28,507.5	1,214,921.4	-4,748,253.8	213,000.0	-3,291,824.9	5,158,264.4	2,847,604.2	12,242.9	-698,375.5	0.0	7,319,735.9	4,027,911.0
	July	346,841.4	1,289,576.7	-4,513,188.6	0.0	-2,876,770.4	4,873,708.1	2,663,016.3	15,449.3	-652,357.5	0.0	6,899,816.2	4,023,045.8
	August	449,829.7	1,310,989.2	-3,901,741.0	300,000.0	-1,840,922.1	4,813,609.9	2,491,781.9	10,983.3	-717,995.4	0.0	6,598,379.7	4,757,457.6
	September	625,775.2	1,310,989.2	-5,142,180.3	550,000.0	-2,655,415.9	4,878,598.0	2,546,259.0	10,457.5	-786,083.5	0.0	6,649,231.0	3,993,815.0
	October	436,353.9	1,295,261.1	-4,601,230.1	0.0	-2,869,615.1	4,828,525.8	2,697,326.2	10,136.0	-652,357.5	0.0	6,883,630.5	4,014,015.4
	November	641,551.4	1,272,031.0	-4,292,000.2	337,000.0	-2,041,417.9	4,152,032.7	2,808,144.9	10,136.0	-1,150,579.8	0.0	5,819,733.7	3,778,315.9
	December	537,014.1	1,310,989.2	-3,535,450.0	637,000.0	-1,050,446.7	4,394,320.2	2,726,081.9	10,136.0	-1,150,579.8	0.0	5,979,958.3	4,929,511.6

Source: Bank of Zambia

CURRENCY IN CIRCULATION (IN THOUSANDS OF KWACHA)

TABLE 8

		At banks			At banks			Outside banks		
End of period		Total	Notes	Coin	Total	Notes	coin	Total	Notes	Coin
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
2012	January	3,029,136,553	3,029,136,552	0	591,898	591,898	0	3,028,544,655	3,028,544,655	0
	February	2,845,629,785	2,845,629,785	0	521,055	521,055	0	2,845,108,730	2,845,108,730	0
	March	2,872,233,077	2,872,233,076	0	531,626	531,626	0	2,871,701,451	2,871,701,450	0
	April	2,864,272,840	2,864,272,840	0	523,718	523,718	0	2,863,749,122	2,863,749,122	0
	May	3,019,877,789	3,019,877,789	0	613,291	613,291	0	3,019,264,498	3,019,264,498	0
	June	3,212,953,782	3,212,953,782	0	607,453	607,453	0	3,212,346,329	3,212,346,329	0
	July	3,369,579,812	3,369,579,812	0	653,463	653,463	0	3,368,926,349	3,368,926,349	0
	August	3,416,074,878	3,416,074,878	0	606,401	606,401	0	3,415,468,477	3,415,468,477	0
	September	3,433,457,119	3,433,457,119	0	638,339	638,339	0	3,432,818,780	3,432,818,780	0
	October	3,778,017,308	3,778,017,308	0	752,021	752,021	0	3,777,265,287	3,777,265,287	0
	November	3,827,896,533	3,827,896,533	0	745,543	745,543	0	3,827,150,990	3,827,150,990	0
	December	3,842,914,681	3,842,914,681	0	800,793	800,793	0	3,842,113,888	3,842,113,888	0

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
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	1,411,700,410	705,368,168	274,941,373	4,433,113,063	3,545,653,540	27,489,000	145,120,700	6,379,042,350	1,353,647	16,922,428,604
	November	1,093,740,804	631,481,168	297,464,940	4,412,641,398	3,731,075,266	30,094,000	243,512,130	6,711,982,724	1,422,518	17,151,992,430
	December	906,890,060	573,711,168	429,041,163	4,138,577,354	3,817,800,265	69,408,000	377,833,000	6,838,136,329	1,438,863	17,151,397,339
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
2012	January	870,707,962	706,483,789	571,549,736	6,262,006,257	3,506,524,028	128,169,574	293,166,654	8,060,975,968	1,564,274	20,399,583,968
	February	864,646,805	715,047,305	549,786,351	6,325,256,869	3,689,444,522	132,339,198	283,254,321	8,379,248,196	1,599,312	20,939,023,566
	March	858,884,999	574,545,152	595,476,115	6,487,973,841	3,783,981,295	122,164,405	292,612,541	8,439,884,111	1,590,781	21,155,522,461
	April	898,178,681	604,237,666	438,734,191	6,029,985,321	3,758,369,202	125,678,279	277,339,032	9,239,207,629	1,751,556	21,371,730,001
	May	950,989,413	740,909,168	703,963,313	6,092,485,948	3,777,304,677	137,191,593	316,149,000	9,206,821,000	1,760,803	21,925,814,112
	June	936,219,413	815,119,285	614,394,024	6,438,765,684	3,993,148,284	148,212,170	248,755,000	8,332,988,000	1,581,916	21,527,601,860
	July	926,332,413	998,519,168	764,084,665	6,765,094,459	3,893,201,548	173,646,935	246,179,838	7,541,714,021	1,543,333	21,308,773,047
	August	1,044,070,319	869,265,924	827,077,238	7,771,016,857	4,167,233,629	172,820,116	343,654,153	6,471,206,661	1,311,717	21,666,344,897
	September	1,368,596,413	888,616,168	1,021,911,313	7,286,992,948	4,319,366,677	176,306,435	336,529,000	6,139,569,000	1,215,460	21,537,887,954
	October	1,850,411,153	1,159,523,207	684,563,403	7,853,013,692	4,487,142,076	204,255,661	342,620,185	6,768,288,299	1,304,449	23,349,817,676
	November	1,947,616,413	838,637,168	564,835,313	7,985,691,948	4,967,383,677	223,122,120	319,877,000	6,283,765,000	1,203,464	23,130,928,639
	December	2,093,500,413	544,838,840	324,391,370	8,985,174,998	4,625,349,985	233,740,001	364,850,000	6,596,459,865	1,260,755	23,768,305,472

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 (4) Figures from January 2012 are from the New Depository Corporations Survey

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
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
2012	January	122,844,583	321,202,996	111,537,902	7,327,383,740	3,880,205,091	419,770,772	0	863,968	12,182,945,084
	February	123,077,140	285,267,996	116,398,538	7,425,410,851	3,982,610,869	410,527,413	0	836,072	12,343,292,806
	March	124,607,298	244,145,996	116,590,901	7,513,800,328	4,038,463,722	457,481,292	0	840,769	12,495,089,537
	April	126,665,337	210,380,996	113,537,564	7,423,342,592	4,241,515,718	456,315,848	0	845,107	12,571,758,055
	May	131,448,654	187,535,996	123,549,816	7,782,998,525	4,375,123,385	474,502,645	0	899,141	13,075,159,021
	June	36,941,969	130,790,780	114,361,529	8,017,204,164	4,537,446,080	443,923,559	0	954,100	13,280,668,081
	July	39,516,386	86,625,996	142,105,944	7,995,248,289	4,845,638,244	485,691,982	0	956,846	13,594,826,841
	August	35,158,360	78,276,996	147,568,713	8,157,108,388	5,040,719,031	487,380,125	0	960,057	13,946,211,614
	September	34,358,560	161,006,996	145,147,690	8,513,624,481	5,124,373,017	449,421,645	0	996,407	14,427,932,389
	October	33,020,084	691,446,996	574,437,727	9,323,719,686	5,372,755,401	465,438,238	0	1,018,331	16,460,818,132
	November	45,749,381	697,518,996	625,990,798	9,621,043,391	5,588,914,771	462,431,486	0	994,062	17,041,648,823
	December	37,016,381	621,279,736	693,511,996	9,501,093,180	5,721,573,417	462,641,273	0	928,499	17,037,115,983

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
(4) Figures from January 2012 are from the New Depository Corporations Survey

STRUCTURE OF INTEREST RATES (PERCENT PER YEAR)

TABLE 11

End of period		BoZ Policy Rate	Penalty rate	Treasury bill rates					Government bond								Commercial Bank Deposits			Weighted lending base rate	Weighted Interbank rate
				28 days	91 days	182 days	273 days	364 days	12 months	18 months	24 months	3 year	5 year	7 year	10 year	15 year	Savings	24 hr call	7-90 day		
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		54.1	55.0	55.4						8.7	7.0	24.3	46.7	25.4
2002	December	36.0	55.1	25.1	34.0	33.0	34.0		44.8	46.3	43.5						8.3	7.9	22.5	43.1	9.6
2003	December	15.8	50.0	n/a	13.8	15.8	17.0		19.6	23.2	24.3						7.6	8.1	21.1	36.8	6.1
2004	December	18.3	49.3	n/a	16.5	18.5	19.8		19.9	21.3	22.2						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	December	15.8	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	December	7.3	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	8.9	8.0	13.0	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
2012	January		35.5	n/a	7.0	9.6	10.4	12.0	n/a	n/a	12.4	13.0	14.2	15.0	15.9	16.2	4.3	2.7	5.3	16.2	6.0
	February		35.5	n/a	6.3	9.5	9.4	9.7	n/a	n/a	10.5	12.1	13.6	14.6	16.3	16.7	4.3	2.7	5.3	16.2	5.5
	March		35.5	n/a	7.1	9.9	10.5	10.9	n/a	n/a	11.7	13.1	13.9	14.6	16.3	16.7	4.3	2.7	5.3	16.3	6.1
	April	9.0	36.0	n/a	7.6	10.2	10.9	11.9	n/a	n/a	11.7	13.1	13.9	14.6	16.3	16.7	4.3	2.7	5.3	16.0	8.3
	May	9.0	32.3	n/a	7.0	9.9	11.0	11.8	n/a	n/a	11.7	13.1	13.9	14.6	16.3	16.7	4.3	2.7	5.3	13.1	7.8
	June	9.0	33.2	n/a	7.2	10.3	10.6	11.4	n/a	n/a	10.7	12.2	13.6	14.8	16.0	17.0	4.3	2.7	5.3	11.7	7.9
	July	9.0	34.3	n/a	7.6	11.7	12.0	12.5	n/a	n/a	10.7	12.2	13.6	14.8	16.0	17.0	4.3	2.7	5.3	9.6	9.1
	August	9.0	32.7	n/a	7.0	10.8	11.1	11.6	n/a	n/a	10.7	12.2	13.6	14.8	16.0	17.0	4.3	2.7	5.3	9.6	7.6
	September	9.0	32.5	n/a	7.5	9.6	10.0	10.7	n/a	n/a	10.0	11.4	11.9	13.9	15.7	16.8	4.3	2.7	5.3	9.3	7.6
	October	9.0	35.4	n/a	7.3	10.4	10.6	10.7	n/a	n/a	10.0	11.4	11.9	13.9	15.7	16.8	4.3	2.7	5.3	9.3	8.6
	November	9.25	33.7	n/a	7.9	11.0	11.2	11.4	n/a	n/a	10.2	11.6	12.2	14.0	15.9	16.7	4.3	2.7	5.3	9.1	8.8
	December	9.25	33.2	n/a	9.4	12.4	11.4	12.1	n/a	n/a	11.0	12.8	13.5	14.5	16.5	16.6	4.3	2.7	5.3	9.1	8.8

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	30 day	60 day	90 day	180 day
1995	December	47.7	33.1	28.7	30.6	31.1	31.3	38.2	40.9	40.0	36.7	33.1
1996	December	57.4	50.4	27.1	30.2	30.5	31.1	40.7	47.0	47.3	44.6	32.0
1997	December	37.9	13.8	14.8	18.0	14.6	19.1	23.5	27.2	28.5	25.4	24.3
1998	December	37.4	16.0	9.3	7.1	7.1	8.3	6.0	14.9	13.6	16.4	13.3
1999	December	42.6	13.2	7.6	7.9	7.9	14.8	14.0	19.5	21.3	21.0	19.8
2000	December	37.5	16.4	10.2	11.5	6.5	11.9	18.2	17.8	18.8	20.0	12.7
2001	December	46.7	25.4	4.1	8.7	7.0	13.3	17.8	19.8	23.1	24.3	26.8
2002	December	43.1	9.6	4.1	8.0	6.6	10.9	13.5	18.3	21.3	22.5	22.3
2003	December	36.8	6.1	5.5	7.6	8.1	12.4	12.4	17.3	20.4	21.1	20.4
2004	December	29.8	12.6	3.6	5.6	5.3	4.6	5.0	8.2	10.9	11.1	10.9
2005	December	26.7	24.9	3.6	6.1	4.6	4.6	6.7	8.4	10.7	10.4	9.5
2006	December	21.6	7.9	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
2007	December	18.3	10.4	3.5	4.8	3.1	2.8	3.5	4.8	6.3	6.3	6.0
2008	December	20.8	12.8	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
2009	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
2012	January	16.2	6.0	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	February	16.2	5.5	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	March	16.3	6.1	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	April	16.0	8.3	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	May	13.1	7.8	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	June	11.7	7.9	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	July	9.6	9.1	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	August	9.6	7.6	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	September	9.3	7.6	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	October	9.3	8.6	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	November	9.1	8.8	3.8	3.7	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	December	9.1	8.8	3.8	3.7	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	December	4,872.97	4,892.97	4,882.97	4,718.77	4,837.05	4,777.91
2009	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
2012	January	5,118.64	5,138.64	5,128.64	5,175.66	5,175.81	5,175.73
	February	5,207.55	5,227.55	5,217.07	5,152.94	5,230.42	5,191.68
	March	5,270.26	5,290.17	5,280.21	5,249.98	5,329.90	5,289.94
	April	5,283.60	5,250.97	5,240.97	5,220.92	5,292.59	5,256.75
	May	5,202.38	5,222.38	5,212.38	5,174.26	5,271.98	5,223.12
	June	5,237.58	5,257.58	5,247.58	5,223.51	5,318.51	5,271.01
	July	4,853.48	4,873.48	4,863.48	4,890.69	4,995.30	4,943.00
	August	4,897.97	4,917.97	4,907.97	4,934.02	5,016.55	4,975.29
	September	4,955.02	4,975.02	4,965.02	4,971.60	5,053.20	5,012.40
	October	5,159.88	5,179.88	5,169.88	5,128.32	5,206.96	5,167.64
	November	5,190.49	5,210.49	5,200.49	5,199.42	5,291.71	5,245.57
	December	5,198.47	5,228.97	5,208.46	5,243.33	5,323.62	5,283.47

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

	Non Banks US$			Bureaux US$	INTERBANK US$			UK Pound			EURO			SAR		
Monthly Avg.	Buying	Selling	Mid-rate	Selling	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate
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
2012																
January	5,041.1	5,219.4	5,130.3	5,456.4	5,109.7	5,153.2	5,131.4	7,762.2	8,078.2	7,920.2	6,525.2	6,775.4	6,650.3	622.1	658.2	640.2
February	5,139.0	5,302.6	5,220.8	5,485.5	5,200.0	5,239.3	5,219.7	8,063.9	8,360.2	8,212.0	6,844.9	7,090.4	6,967.7	662.4	698.3	680.3
March	5,188.8	5,366.9	5,277.8	5,333.5	5,265.2	5,305.5	5,285.4	8,194.5	8,522.5	8,358.5	6,924.0	7,180.9	7,052.5	675.8	714.1	694.9
April	5,152.1	5,332.4	5,242.2	5,299.1	5,225.0	5,274.9	5,249.9	8,197.7	8,532.0	8,364.9	6,852.5	7,108.1	6,980.3	652.6	688.7	670.6
May	5,121.1	5,307.7	5,214.4	5,268.5	5,198.4	5,228.8	5,213.6	8,140.9	8,447.4	8,294.1	6,638.9	6,865.3	6,752.1	638.1	673.9	656.0
June	5,155.1	5,338.5	5,246.8	5,303.9	5,232.4	5,267.7	5,250.0	8,002.7	8,324.9	8,163.8	6,487.9	6,735.3	6,611.6	610.6	646.6	628.6
July	4,781.1	4,976.7	4,878.9	4,921.7	4,850.5	4,886.6	4,868.6	7,452.9	7,803.0	7,628.0	5,857.9	6,098.8	5,978.4	574.0	631.0	602.5
August	4,864.3	4,963.5	4,913.9	4,951.7	4,897.9	4,933.4	4,915.6	7,691.2	7,842.4	7,766.8	6,039.9	6,165.1	6,102.5	591.6	608.9	600.2
September	4,980.1	5,078.2	5,029.1	5,062.4	5,015.2	5,051.2	5,033.2	8,031.0	8,204.6	8,117.8	6,396.0	6,522.1	6,459.1	606.6	621.7	614.2
October	5,119.5	5,213.0	5,166.3	5,203.7	5,155.1	5,188.6	5,171.9	8,220.9	8,396.8	8,308.9	6,614.4	6,744.3	6,679.3	596.9	612.0	604.4
November	5,153.8	5,249.2	5,201.5	5,238.7	5,188.6	5,221.4	5,205.0	8,240.9	8,396.7	8,318.8	6,588.9	6,718.9	6,653.9	588.8	604.9	596.9
December	5,171.2	5,273.9	5,222.6	5,252.6	5,202.5	5,232.1	5,217.3	8,341.9	8,502.5	8,422.2	6,725.4	6,851.2	6,788.3	601.0	615.4	608.2

Source: Bank of Zambia

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

		Bank of Zambia Inflows			Bank of Zambia Outflows				Gross
		Purchases from ZCCM (1)	Other Non-GRZ	Donor Inflows	Dealing	Other Non-GRZ	GRZ Debt Servicing	GRZ Other Uses	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	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	1,927.00
	February	0.00	12.95	41.36	25.00	51.65	2.86	49.01	1,852.79
	March	0.00	41.85	30.66	-1.50	42.08	4.55	27.33	1,852.84
	April	0.00	87.96	8.16	-11.50	31.39	3.98	2.14	1,922.95
	May	0.00	92.91	22.06	102.50	120.69	5.04	3.09	1,833.34
	June	0.00	79.59	0.78	67.00	63.14	1.92	2.72	1,778.93
	July	0.00	249.64	12.75	-14.00	6.40	11.31	1.41	2,036.19
	August	0.00	21.71	20.42	24.50	39.75	1.54	-0.66	2,013.19
	September	0.00	183.85	4.91	38.00	12.41	3.10	1.62	2,146.81
	October	0.00	76.38	0.30	-10.00	23.02	2.25	43.53	2,164.69
	November	0.00	64.15	52.10	-4.00	80.50	1.85	61.76	2,140.83
	December	0.00	53.97	103.40	11.00	24.75	43.87	99.86	2,118.72
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
2012	January	0.00	152.60	35.74	18.00	27.49	2.81	1.56	2,485.51
	February	0.00	57.66	21.58	69.50	38.02	14.39	46.44	2,396.40
	March	0.00	41.70	10.10	45.00	36.96	16.39	7.18	2,342.67
	April	100.80	44.04	0.10	25.00	17.23	2.51	3.63	2,439.25
	May	0.00	20.23	0.34	-23.00	67.18	5.85	10.53	2,399.26
	June	13.30	37.92	49.08	-10.00	30.09	17.08	0.42	2,461.97
	July	94.64	30.60	0.63	-39.00	35.07	9.23	0.25	2,582.29
	August	11.98	26.10	20.60	-4.00	17.38	150.57	4.55	2,472.47
	September	110.07	763.13	13.74	-9.50	8.44	17.66	0.00	3,342.80
	October	97.15	33.68	8.00	58.59	16.13	24.59	1.85	3,380.47
	November	10.35	22.65	5.25	49.00	22.25	5.05	0.10	3,342.31
	December	0.00	45.63	74.22	171.00	12.27	18.42	191.47	3,069.00

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

PERCENTAGE CHANGES IN THE CONSUMER PRICE INDICES (2009 weights - Base 2009=100)

TABLE 16

Monthly	Consumer Index Number of Consumer Prices Food and Non – Food (2009=100)			Annual Inflation Rates			Month on Month Inflation Rates		
	Total	Food	Non Food	Total	Food	Non Food	Total	Food	Non Food
2011									
January	111.6	108.9	114.8	6.3	4.2	8.6	0.7	1.1	0.2
February	112.4	109.4	115.8	6.5	4.3	9.1	0.7	0.5	0.9
March	113.6	110.5	117.1	6.6	4.1	9.4	1.1	1.0	1.1
April	114.2	111.1	117.8	6.3	3.7	9.2	0.6	0.6	0.6
May	114.6	111.0	118.7	6.3	3.5	9.5	0.3	-0.1	0.7
June	114.5	110.3	119.4	6.1	3.8	8.7	0.0	-0.6	0.6
July	115.9	111.9	120.5	6.9	5.0	8.9	1.2	1.5	0.9
August	116.6	112.1	121.8	6.5	5.8	7.3	0.6	0.1	1.1
September	117.0	112.5	122.2	6.6	6.1	7.3	0.4	0.3	0.4
October	116.8	112.2	122.1	6.7	6.3	7.2	-0.2	-0.2	-0.1
November	116.9	112.7	121.8	6.4	6.0	6.8	0.1	0.4	-0.2
December*	117.5	113.4	122.2	6.0	5.3	6.6	0.5	0.6	0.3
2012									
January	118.8	115.5	122.5	6.4	6.1	6.8	1.1	1.8	0.3
February	119.1	115.4	123.3	6.0	5.5	6.5	0.3	-0.1	0.6
March	120.8	117.6	124.6	6.4	6.4	6.4	1.5	1.9	1.0
April	121.6	118.2	125.5	6.5	6.4	6.5	0.7	0.5	0.8
May	122.1	118.6	124.2	6.6	6.8	6.3	0.4	0.3	0.5
June	122.2	118.1	126.8	6.7	7.1	6.2	0.0	-0.4	0.5
July	123.1	119.0	127.7	6.2	6.3	6.0	0.7	0.8	0.7
August	124.1	120.3	128.5	6.4	7.3	5.5	0.9	1.1	0.6
September	124.7	121.0	129.1	6.6	7.5	5.6	0.5	0.5	0.4
October	124.8	121.4	128.7	6.8	8.2	5.4	0.1	0.4	-0.3
November	125.0	121.7	128.9	6.9	8.0	5.8	0.2	0.2	0.1
December*	126.1	123.0	130.0	7.3	8.4	6.1	0.8	1.0	0.6

Source: Central Statistical Office

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

Period		Treasury Bills Tender Sales										
		28 Days	91 Days	182 Days	273 Days	364 Days	Total Sales	Settlement value	Maturites	Special Taps & Off-Tender Sales	Re-discounts	Total Outstanding Bills
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		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		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		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		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
2008	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
2012	January	0.0	23,555.0	74,635.0	122,720.0	241,690.0	462,600.0	425,021.8	655,078.0	0.0	0.0	6,727,040.1
	February	0.0	125,381.0	146,337.0	118,845.0	307,093.0	697,656.0	654,686.2	550,000.8	0.0	0.0	6,874,695.3
	March	0.0	45,787.0	188,831.0	255,696.0	326,282.0	816,596.0	747,029.6	704,983.0	0.0	0.0	6,986,308.3
	April	0.0	49,800.0	117,770.0	125,040.0	313,595.0	606,205.0	556,406.0	509,154.6	0.0	0.0	7,263,547.7
	May	0.0	77,454.0	106,072.0	192,349.0	312,622.0	688,497.0	619,709.9	497,238.0	0.0	0.0	7,454,806.7
	June	0.0	32,877.0	127,635.0	81,660.0	231,269.0	473,441.0	437,025.5	392,109.0	0.0	0.0	7,536,138.7
	July	0.0	33,487.0	129,595.0	152,220.0	228,153.0	543,455.0	497,888.2	593,530.0	0.0	0.0	7,486,063.7
	August	0.0	109,406.0	222,222.0	259,714.0	469,606.0	1,060,948.0	978,262.1	922,380.6	0.0	0.0	7,624,631.7
	September	0.0	36,848.0	64,525.0	138,994.0	231,389.0	471,756.0	0.0	0.0	0.0	0.0	8,096,387.7
	October	0.0	36,166.0	65,974.0	172,831.0	354,232.0	629,203.0	0.0	0.0	0.0	0.0	8,725,590.7
	November	0.0	38,225.0	156,779.0	173,643.0	215,365.0	584,012.0	0.0	0.0	0.0	0.0	9,309,602.7
	December	0.0	53,037.0	167,296.0	172,174.5	374,891.7	767,399.2	0.0	0.0	0.0	0.0	10,077,001.9

Source: Bank of Zambia

GRZ BONDS OUTSTANDING (IN MILLIONS OF KWACHA)

TABLE 18

End of period		By Holder		
		Commercial banks	Others(c)	Total Outstanding
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	1,660,824.5	3,665,852.5
	May	1,988,955.9	1,735,796.0	3,724,751.9
	June	1,930,874.4	1,701,577.4	3,739,034.1
	July	1,918,974.1	1,719,967.4	3,735,768.3
	August	1,879,872.1	1,816,534.1	3,769,584.2
	September	1,877,052.1	1,882,301.1	3,830,920.9
	October	1,992,127.3	1,883,324.7	3,950,248.9
	November	1,903,622.1	2,003,630.2	3,952,611.1
	December	1,901,191.3	1,952,830.7	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
2012	January	2,513,570.3	2,654,767.2	5,168,337.5
	February	2,696,178.7	2,618,949.7	5,315,128.4
	March	2,648,873.8	2,747,999.8	5,396,873.6
	April	2,501,890.4	2,833,740.6	5,335,631.1
	May	2,795,145.9	2,762,514.4	5,557,660.3
	June	2,656,263.6	2,992,391.4	5,648,655.0
	July	2,389,801.0	3,071,802.6	5,461,603.6
	August	2,254,122.4	3,135,766.1	5,389,888.5
	September	2,546,259.0	3,063,148.3	5,609,407.3
	October	2,452,559.5	3,120,436.0	5,572,995.4
	November	2,808,144.9	3,119,071.1	5,927,216.0
	December	2,622,685.6	3,093,705.2	5,716,390.8

Source: Bank of Zambia

Note:(1) Commercial banks holdings of GRZ ordinary Bonds excludes ZANACO Bond of K250.0 billion. (2) Others includes BoZ and Non-bank holdings of GRZ ordinary Bonds Note: December numbers are upto 30 December 2011

METAL PRODUCTION AND EXPORTS (METRIC TONS)

TABLE 19

Date		Copper		Cobalt	
		Exports	Production	Exports	Production
1995	**Total**	**344,297**	**307,558**	**2,469**	**2,931**
1996	**Total**	**327,474**	**313,923**	**3,866**	**4,829**
1997	**Total**	**300,718**	**312,457**	**4,673**	**4,028**
1998	**Total**	**257,394**	**272,437**	**5,319**	**4,961**
1999	**Total**	**251,333**	**255,894**	**3,408**	**4,378**
2000	**Total**	**200,574**	**221,167**	**2,996**	**2,877**
2001	**Total**	**296,387**	**296,446**	**4,379**	**4,182**
2002	**Total**	**329,964**	**337,367**	**4,025**	**3,990**
2003	**Total**	**353,414**	**349,814**	**3,374**	**3,211**
2004	**Total**	**393,182**	**409,543**	**6,102**	**6,082**
2005	**Total**	**428,385**	**437,878**	**5,451**	**5,529**
2006	**Total**	**476,104**	**497,169**	**4,663**	**4,658**
2007	**Total**	**473,415**	**510,917**	**4,614**	**4,690**
2008	**Total**	**584,288**	**600,033**	**4,608**	**4,613**
2009	January	55,199	62,621	356	367
	February	48,049	56,122	247	250
	March	50,058	52,205	469	464
	April	40,519	53,034	208	220
	May	51,048	52,248	307	312
	June	66,083	63,142	363	354
	July	58,109	57,749	571	567
	August	66,395	59,614	640	646
	September	62,445	60,777	826	802
	October	59,828	59,085	709	721
	November	54,608	55,439	662	661
	December	63,044	65,823	511	514
2009	**Total**	**675,384**	**697,860**	**5,868**	**5,879**
2010	January	56,768	59,334	741	800
	February	61,815	61,694	516	453
	March	79,664	75,438	720	736
	April	70,294	69,907	662	677
	May	59,208	60,504	748	759
	June	64,693	72,186	599	588
	July	76,570	79,671	721	706
	August	76,094	78,143	825	860
	September	69,370	70,893	733	782
	October	66,304	72,300	907	809
	November	63,617	78,858	805	800
	December	85,329	73,638	664	678
2010	**Total**	**829,728**	**852,566**	**8,641**	**8,648**
2011	January	73,466	85,316	743	754
	February	59,926	64,851	776	746
	March	69,876	85,842	876	875
	April	66,492	78,814	776	801
	May	68,769	75,025	636	608
	June	60,400	73,388	603	588
	July	65,353	73,081	647	653
	August	93,287	71,574	543	544
	September	80,851	69,807	553	529
	October	62,581	64,071	561	536
	November	69,366	71,235	557	533
	December	61,778	66,443	559	535
2011	**Total**	832,144	**879,445**	**7,831**	**7,702**
2012	January	74,812	68,904	739	739
	February	60,751	71,645	499	533
	March	65,271	76,975	590	590
	April	70,127	70,673	522	522
	May	72,528	67,275	659	659
	June	63,524	65,808	432	424
	July	79,228	65,532	671	638
	August	87,122	64,181	829	829
	September	83,175	62,597	1,124	1,012
	October	77,931	67,131	1,063	957
	November	72,693	74,638	598	598
	December	74,934	69,617	624	624
	Total	**882,095**	**824,977**	**8,350**	**8,123**

Source: Bank of Zambia