Bank Of Zambia

ANNUAL REPORT 2013

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Tourism, construction and mining were among the country's key growth sectors in 2013.

Bank Of Zambia

MISSION STATEMENT

The principal purpose of the Bank of Zambia is 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.

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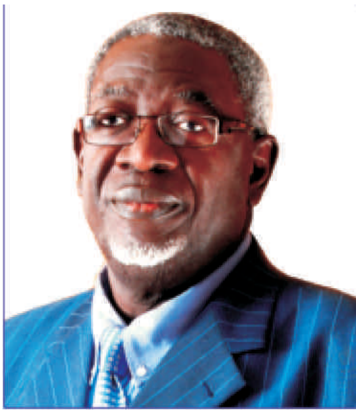
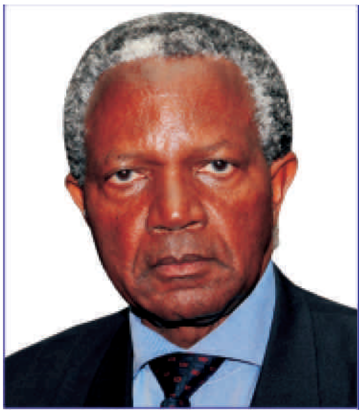
BOARD OF DIRECTORS*

DR. MICHAEL GONDWE
GOVERNOR AND CHAIRMAN

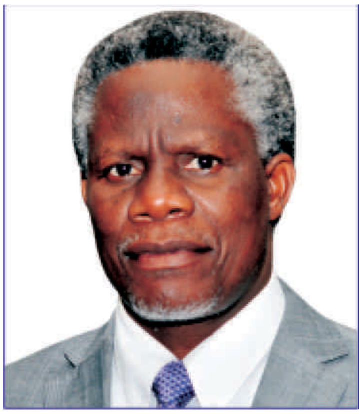


DR. KASUKA MUTUKWA
VICE CHAIRMAN**

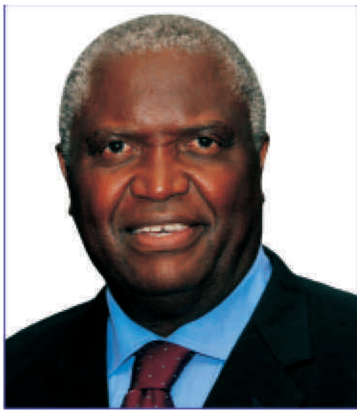


MR. ESAU S.S NEBWE

MS. KATEBE MONICA MUSONDA



HIS ROYAL HIGHNESS SENIOR CHIEF MWANTA ISHINDI KAZANDA CHANYIKA III



MR. GILBERT K. TEMBA

MS. SIPHIWE NKUNIKA

MR. FREDSON YAMBA

*All members of the Board are non-executive, with the exception of the Chairman
**Retired on 21st January 2014

DR. BWALYA NGA'NDU
DEPUTY GOVERNOR - OPERATIONS

DR. MICHAEL GONDWE
GOVERNOR

MR. PETER BANDA
DIRECTOR - ECONOMICS

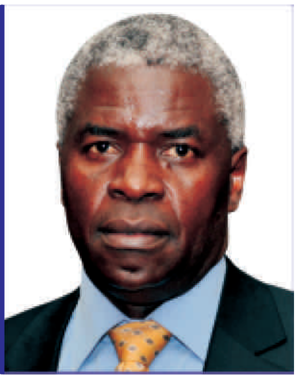
DR. MULENGA EMMANUEL PAMU
DIRECTOR - FINANCIAL MARKETS

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

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

MS. PENELOPE MAPOMA
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. ROSELINE SCOTT
DIRECTOR - HUMAN RESOURCES

MR. DAVID MWAPE
DIRECTOR - INFORMATION AND COMMUNICATIONS TECHNOLOGY

MS. PRUDENCE MALILWE
DIRECTOR - INTERNAL AUDIT

MR. DAVID NKATA
DIRECTOR - PROCUREMENT AND MAINTENANCE

*Retired on 18th December 2013

1.0 GOVERNOR'S OVERVIEW

1.0 GOVERNOR'S OVERVIEW

DR. MICHAEL GONDWE
GOVERNOR

Preliminary estimates indicate that the world economy grew by 3.0% in 2013, a slight decline from 3.1% recorded in 2012. The growth was attributed to developments in advanced economies, particularly the United States (US) economy which strengthened during the fourth quarter, with falling unemployment, rising domestic demand and a recovery in the housing market. The euro area also exhibited some recovery in the second half of 2013, although activity remained weak. The Sub-Saharan African (SSA) region maintained high growth, supported by strong domestic demand and increased Foreign Direct Investment (FDI) flows particularly in the oil, gas and mining sectors. However, growth in China and other emerging market economies in Asia and Latin America as well as some parts of the Commonwealth of Independent States (CIS) slowed down due to structural factors. Similarly, the Middle East, North Africa, Afghanistan and Pakistan (MENAP) recorded a decline in growth, largely due to continued civil and political unrest, coupled with economic sanctions, which led to a reduction in oil production and tourist activities.

With regard to inflation, advanced countries and SSA recorded lower inflation rates, reflecting a decline in food and energy prices. However, the CIS, MENAP as well as emerging and developing countries recorded rising inflation on account of currency depreciations, higher food prices and wage increases. With regard to the current account, all the regions recorded current account surpluses, except SSA. This was attributed to rising global trade and lower crude oil imports due to booming domestic oil production, particularly in the United States. The deficit in SSA was explained by declining commodity prices, especially for mineral dependent exporters.

On the domestic front, preliminary data indicate that real Gross Domestic Product (GDP) grew by 6.5% compared with 7.3% in 2012. This was mainly driven by expansions in transport, storage and communications; construction; community, social and personal services; financial institutions and insurance; as well as manufacturing sectors.

With respect to the conduct of monetary policy during 2013, the focus was on achieving an end-year inflation consistent with the target of 6.0%. To this effect, the Bank of Zambia policy rate was raised to 9.75% from 9.25% in 2012, due to rising inflationary pressures. This was supported by aggressive open market operations to address high liquidity levels in the banking system.

Annual inflation slowed down to 7.1% in December 2013 from 7.3% in December 2012, although it was 1.1 percentage points above the end-year target of 6.0%. This outturn reflected higher non-food inflation, which was moderated by lower food inflation. The external sector performance was unfavourable, as an overall balance of payments deficit of US $344.9 million was recorded, compared with the surplus of US $726.7 million in 2012. This was largely attributed to the narrowing of the current account surplus, coupled with the widening of the capital and financial account deficit. Correspondingly, gross international reserves declined by US $531.9 million to US $2,683.8 million from US $3,215.7 million recorded in 2012.

In the fiscal sector, an overall Central Government budget deficit of K8,673.2 million was recorded in 2013 against the programmed deficit of K5,413.9 million, following higher than programmed expenditure. The expenditure outturn was attributed to higher than projected wage award for public service workers, fuel subsidy payments as well as higher expenditure under the Farmer Input Support Programme and strategic food reserve.

The Kwacha was characterised by a depreciating trend against most major trade partner currencies, except the rand. The Kwacha depreciated against the US dollar by 4.9% to an annual average of K5.3914/US$ from K5.1415/US$ in 2012. Similarly, the Kwacha depreciated against the Pound Sterling and Euro by 3.6% and 8.3% to annual averages of K8.4408/£ and K7.1624/€, respectively. This was partly on account of the US dollar appreciation following the strengthening of the US economy during the latter part of the year. The pound and euro weaknesses moderated on the back of optimism that their economies would rebound. The Kwacha appreciated against the rand by 10.7% to an average of K0.5596/ZAR, reflecting the slowdown in South African mining output, following continued labour unrest in that country's mining sector.

In the financial sector, the overall financial performance and condition of the banking and non-bank financial institutions (NBFIs) sectors, for the year ended 31 December 2013, was rated satisfactory. This was on account of high capital adequacy ratios, coupled with satisfactory asset quality and liquidity condition.

Notable developments in 2013 included the introduction of Statutory Instrument Number 55 (SI 55) on Monitoring of Balance of Payments, aimed at improving balance of payments monitoring as well as the implementation of the Cheque Truncation System (CTS) on 1st February 2013 by the Bank of Zambia in collaboration with the Bankers Association of Zambia (BAZ) and the Zambia Electronic Clearing House Limited (ZECHL). Cheque Truncation involves a process of clearing cheques using images as opposed to using physical cheques.

Going forward, the Bank faces a number of challenges, which include pressures on the exchange rate, the fiscal deficit as well as rising food prices.

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. During the period under review, the Board had a total of 4 Statutory Meetings and 4 Special Board Meetings, whose principal focus was on:

- The Bank's Mission;
- Corporate Strategy;
- Risk and compliance;
- Management oversight; and
- Good governance practice.

Accordingly, a number of significant resolutions were passed by the Board during the period under review, including the following:

- Amendment of the International Reserves Management Policy;
- The Introduction of a Bank of Zambia Compliance Framework;
- The Concept Paper on the Establishment of Security Printing Works in Zambia; and
- The Phased Implementation of the Bank of Zambia Re-organisation Project.

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

Overview

Preliminary estimates indicate[1] that global economic growth was 3.0% in 2013, a slight decline from 3.1% growth recorded in 2012, attributed to developments in advanced economies, particularly the United States of America (USA). Advanced countries recorded a growth rate of 1.3% in 2013 compared with 1.4% in 2012, following sluggish growth in USA for the most part of the year. The US economy started to pick up during the fourth quarter with rising domestic demand, housing market recovery and falling unemployment, signalling the strengthening of the economy. The euro area also exhibited some recovery in the second half of 2013, although economic activity remained weak.

Emerging and developing market economies as a region grew by 4.7% compared to the 4.9% registered in 2012, due to weaker domestic demand and slower growth in several key emerging market economies. Growth in China and other emerging market economies in Asia and Latin America as well as some parts of the Commonwealth of Independent States (CIS) slowed down due to structural factors such as, infrastructure bottlenecks, weak investment climate and other supply side constraints.

Only the sub-Saharan African (SSA) region recorded a higher growth level of 5.1% in 2013 compared to 4.8% in 2012. This was supported by strong domestic demand, increased Foreign Direct Investment (FDI) flows, particularly in oil, gas and mining sectors as well as non-extractive industries. The growth was also attributed to relatively higher export volumes in countries with new mineral and gas discoveries, such as Mozambique, Niger and Sierra Leone and recovery of the agricultural sector (see Table 1).

The Middle East, North Africa, Afghanistan and Pakistan (MENAP) recorded a decline in growth to 2.4% from 4.1% in 2012, largely due to continued civil and political unrest, coupled with weak global demand, geopolitical tensions, economic sanctions and deteriorating security in Iran, Iraq and Libya which led to a reduction in oil production and tourist activities.

With regard to inflation, apart from advanced countries and SSA which recorded lower inflation rates, the other three regions recorded higher inflation in 2013. The CIS, MENAP as well as, emerging and developing countries recorded an increase in inflation due to continued currency depreciations, higher food prices and wage increases.

All the regions, apart from SSA recorded current account surpluses. This was explained by a downward trend in crude oil imports due to booming domestic oil production, particularly in the USA. The current account deficit in SSA was attributed to declining commodity prices, especially for mineral dependent exporters, and declining oil prices.

With regard to commodity prices, all the key commodity prices declined significantly in 2013. Fertiliser prices fell to US $113.7 per mt from US $137.6 per mt in 2012. Further, crude oil prices averaged $104/barrel, marginally lower than the $105/barrel average for 2012. Oil prices eased due to growing supply in the United States and the easing of tensions surrounding Iran. Metal prices, particularly copper prices declined to US $7,332 per metric tonne from US $7,962 in 2012, reflecting moderate demand in China.

Table 1: World Real GDP, Inflation and Current Account Positions, 2011-2013 ***(Annual % change unless otherwise stated)***

	Real GDP			Inflation			Current Account Positions (% of GDP)		
	2011	2012	2013*	2011	2012	2013*	2011	2012	2013*
World	3.9	3.1	3.0	n/a	n/a	n/a	n/a	n/a	n/a
Advanced Economies	1.6	1.4	1.3	2.7	2.0	1.4	-0.2	-0.1	0.1
United States	1.8	2.8	1.9	3.1	2.1	1.4	-3.1	-2.7	-2.7
Euro Area	1.4	-0.7	-0.4	2.7	2.5	1.5	0.4	1.3	1.8
Japan	-0.8	1.7	1.7	-0.3	0.0	0.0	2.0	1.0	1.2
Commonwealth of Independent States	4.9	3.4	2.1	10.1	6.5	6.8	4.6	2.9	2.1
Russia	4.3	3.4	1.5	8.4	5.1	6.7	5.3	3.7	2.9
Excluding Russia	6.2	3.3	3.5	14.0	10.8	10.9	2.2	1.3	1.4
Middle East and North Africa (MENA)	3.5	4.1	2.4	9.7	10.8	12.3	14.2	13.2	10.3
Emerging and Developing Countries	6.3	4.9	4.7	7.2	6.0	6.1	1.9	1.2	1.4
Sub-Saharan Africa	5.3	4.8	5.1	8.7	9.0	6.9	-1.7	-3.0	-4.0

Source: IMF: World Economic Outlook, October 2013, Zambia Budget Speech 2013.
IMF, World Economic Outlook UPDATE, January 2014
*Preliminary numbers; n/a = not available

Advanced Economies

Growth in advanced economies declined slightly to 1.3% in 2013 from 1.4% in 2012. This was explained by the sluggish growth in the USA, of 1.9% compared with 2.8% registered in 2012. Economic activity in the USA continued to benefit from an accommodative monetary stance and picked up particularly in the fourth quarter

[1]IMF, World Economic Outlook, Update, January 2014

of 2013, with strong private sector consumption and a rising housing market recovery. Economic growth in the Euro Area recovered during the second half of 2013, although financial conditions remained fragile with high funding costs in the peripheral countries that hindered their growth, which was recorded at negative 0.4% from negative 0.7% in 2012.

With regard to inflation, advanced economies recorded a decline in the inflation rate to 1.4% from 2.0% in 2012. This outturn was largely attributed to declining inflation rates in USA and the Euro area whose monetary policy remained accommodative. Inflation in the Euro zone remained below the European Central Bank's (ECB) medium term objectives raising concerns about deflationary trends. Financial market fragmentation and weak bank balance sheets however continued to impair the transmission of the ECB's accommodative monetary policy stance to the periphery of the Euro zone, thus keeping private sector borrowing rates high and limiting the bank's ability to lend.

The advanced economies recorded a current account surplus of 0.1% (as a percentage of GDP) in 2013 compared with a deficit of minus 0.1% in 2012. This was mainly on account of current account surpluses registered in the Euro area and Japan. The current account deficit in the USA continued to shrink through the second quarter of 2013, despite increases in domestic energy production.

Emerging and Developing Economies

Emerging and developing economies faced dual challenges of slowing growth and tighter global financial conditions. This was attributed to the slowdown in economic activity in Russia, ASEAN5, Mexico and South Africa, despite a rise in output in India, Brazil and SSA. Subsequently, growth in the region declined to 4.7% in 2013 from 4.9% in 2012.

Developing Asia, comprising China and India, recorded a growth rate of 6.5% in 2013 compared to 6.4% recorded in 2012. Growth in China remained unchanged at 7.7% whilst India recorded a growth rate of 4.4%, up from 3.2% recorded in 2012. However, growth in ASEAN5 countries declined to 5.0% from 6.2% in 2012.

Similarly, developed Asia recorded higher growth of 2.3% compared with 2.1% recorded in 2012. This was attributed to an increase in growth levels for Japan, Singapore, and Hong Kong to 1.7%, 3.5% and 3.0% in 2013 from 1.4%, 1.3% and 1.5%, the previous year, respectively.

Inflation in emerging and developing economies rose to 6.1% in 2013 from 6.0% in 2012, as a result of high domestic food price pressures. In Asian economies, inflation increased to 3.8% from 3.6% in 2012. This outturn was explained by high inflation rates in Indonesia, China and India. All other economies in the region recorded lower inflation rates.

With regard to external sector performance, the emerging and developing countries' current account balances remained positive. This was mainly as a result of higher external demand by advanced economies and lower import bills. Current account balances remained positive for most Asian economies with an exception of India, Australia, Indonesia and New Zealand that recorded negative current account balances. Accordingly, the region's current account surplus was 0.7% in 2013 compared with 1.4% in 2012.

Commonwealth of Independent States

The Commonwealth of Independent States (CIS) region recorded a decline in the real GDP growth rate to 2.1% in 2013 from 3.4% recorded in 2012. This was attributed to weak external environment and supply side constraints in non-energy exporters, driven by negative terms of trade that affected overall economic activity in 2013. Further, capital inflows weakened after the USA Fed tapering announcement in mid-2013 and across the region, the banking sector remained weak due to non-performing loans over-hang. In contrast, among energy exporting countries like Kazakhstan, economic activity remained strong largely reflecting higher energy related commodity prices and expansion of productive capacity in extractive sectors. Further, steady flow of remittances boosted robust domestic demand within the region.

Inflation in the region rose to 6.8% in 2013 from 6.5% in 2012, reflecting continued depreciation of the currencies, higher food prices and wage increases.

The region maintained a positive current account balance, although the surplus declined to 2.1% in 2013 from 2.9% in 2012. This outturn was largely attributed to favourable energy related commodity prices, which benefited most of the region's oil and commodity exporting countries. The net energy exporting countries' current account surplus balances also declined to 3.2% from 4.1%, while net energy importing countries' current account deficit balances remained high at 7.5% in 2013 from 7.4% in 2012 on account of negative terms of trade.

Latin America and Caribbean Countries

Growth in Latin America and the Caribbean (LAC) declined to 2.6% in 2013 from 3.0% in 2012. This was reflective of weak economic activity which was due to infrastructure bottlenecks, lower commodity prices and policy tightening in some cases. In addition, external conditions and domestic supply constraints, low growth in tourism dependent economies, weak competitiveness and weak financial systems, contributed to slow growth. Further, global financial market volatility affected the region's exchange rates, sovereign spreads and stock markets.

Most countries in the region experienced economic slowdown, with Venezuela, Mexico and Peru being badly affected. In Mexico, lower government spending, a decline in construction activity and sluggish demand from the USA affected growth. Notwithstanding, positive growth in Brazil on the back of stronger investment moderated the economic slowdown in the region.

The LAC countries recorded an increase in the inflation rate to 6.7% in 2013 from 5.9% in 2012, reflecting exchange rate depreciations. In this regard, the economies of South America such as Brazil, Argentina and Venezuela recorded high inflation rates of 6.3%, 10.5% and 37.9% respectively in 2013. However, North American economies such as Canada, USA and Mexico registered declines in their inflation rates to 1.1%, 1.4% and 3.6% from 1.5%, 2.1% and 4.1% in 2012, respectively.

With regard to the current account position as a percentage of GDP, the region recorded a deficit of 2.4% in 2013 compared to a deficit of 1.9% in 2012. The deterioration in the deficit was attributed to widening deficits in almost all economies of North, Central and South America. The unfavourable current account performance was particularly reflective in Chile and Brazil whose current account deficits increased to 4.6% and 3.4% in 2013 from 3.5% and 2.4% in 2012, respectively.

Middle East, North Africa, Afghanistan and Pakistan

Growth in the Middle East, North Africa, Afghanistan and Pakistan (MENAP) region declined to 2.4% compared with 4.1% recorded in 2012. This was largely attributed to continued political turmoil, escalation of civil war in Syria with spill over effects to neighbouring Lebanon and Jordan. Structural problems of high youth unemployment and poor service delivery negatively affected economic growth. In addition, weak global demand, high geopolitical tension, economic sanctions and deteriorating security in Iran, Iraq and Libya led to a reduction in oil production and tourism activities.

Inflation in the MENAP region remained high at 12.3% in 2013 from 10.8% in 2012, largely due to high food prices, with the oil exporters recording the highest rate of inflation at 13.8%. Within the oil exporters, Iran, at 42.3% recorded the highest inflation rate on account of pass through effects of currency depreciation. Further, rising public sector wages, food and fuel subsidies in the wake of Arab spring rising contributed to the high inflation. The region's net oil importers, however, recorded a decline in inflation to 7.8% from 8.7% in 2012, reflecting moderating food prices.

The MENAP region recorded a positive current account balance, although the surplus narrowed to 10.3% in 2013 from 13.2% of GDP. This outturn was due to declining current account surplus of oil exporters to 13.9% in 2013 from 17.4% in 2012. On the other hand, the current account deficit for the oil importers improved to 6.7% in 2013 from 7.7% in 2012.

African Economies

Growth in the Sub-Saharan African (SSA) region remained robust, at 5.0% in 2013, up from 4.9% recorded in 2012. Accounting for this growth was largely strong domestic demand, particularly in infrastructure and resource based investments, and high FDI inflows in the oil, gas and mining sectors as well as non-extractive industries. In Nigeria, for instance, high oil prices contributed to positive growth despite security concerns from oil states within the country. Growth was strong in low income and fragile states, with exceptions of Mali and Guinea-Bissau, which were affected by internal civil conflicts.

Further, South Africa’s growth declined to 1.8% in 2013 from 2.5% in 2012. Moreover, the region's economic growth was affected by rising financing costs, weakening emerging market economies and less favourable commodity prices. In addition, some economies within the region were affected by weather-driven shocks and civil unrest. Excluding South Africa, the regional economic growth was 6.0%.

Inflation in SSA declined to 6.9% in 2013 from 9.0% in 2012, due to lower food prices and prudent monetary policies (see Table 2). With regard to the external sector, the region's current account deficit widened to 4.0% from 3.0% in 2012, mainly attributed to worsening terms of trade.

Table 2: Selected African Countries GDP, Inflation and Current Account Positions, 2011 - 2013 **(Annual % change unless otherwise stated)**

	Real GDP			Inflation			Current Account Positions (% of GDP)		
	2011	2012	2013*	2011	2012	2013*	2011	2012	2013*
Angola	3.9	5.2	5.6	13.5	10.3	9.2	9.8	89.2	7.1
Kenya	4.4	4.6	5.9	14.0	9.4	5.4	-10.6	-9.3	-7.8
Nigeria	7.4	6.6	6.2	10.8	12.2	9.9	3.6	7.6	3.2
South Africa	3.1	2.5	1.8	5.0	5.7	5.9	-3.3	-6.3	-6.1
Tanzania	6.4	6.9	7.0	12.7	16.0	8.5	-13.7	-15.3	-14.9
Uganda	5.1	2.8	5.6	18.7	14.0	5.0	-11.4	-10.5	-12.0
Zambia	6.7	7.3	6.5	6.0	7.3	7.2	3.2	3.9	1.0
Sub-Saharan Africa	5.1	4.9	5.0	9.7	9.0	6.9	-1.7	-4.0	-3.0

Source: IMF: World Economic Outlook, October 2013, Zambia Budget Speech 2013.
IMF, World Economic Outlook UPDATE, January 2014
*Preliminary numbers

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Overview

The Government's main objective for 2013 was to sustain economic growth through the diversification of the economy and the development of infrastructure. In this regard, the major macroeconomic goals were to:

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

(ii) Achieve end-year inflation of no more than 6.0%;

(iii) Limit domestic financing to 1.5% of GDP; and

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

The overall performance of the economy continued to be favourable, with preliminary data[2] indicating that real Gross Domestic Product (GDP) grew by 6.5% compared with 7.3% in 2012. Growth was mainly driven by expansions in transport, storage and communications; construction; community, social and personal services; as well as financial institutions and insurance, sectors. However, the agriculture, forestry and fishing sector registered a decline.

The end-year inflation rate slowed down to 7.1% from 7.3% in December 2012, but was 1.1 percentage points above the end-year target of 6.0%, mainly reflecting an increase in non-food inflation. However, food inflation slowed down.

In the external sector, an overall balance of payments deficit of US $344.9 million was recorded against the surplus of US $726.7 million recorded in 2012. This was largely driven by the narrowing of the current account surplus, coupled with the widening of the capital and financial account deficit. Further, in 2013, the Kwacha depreciated against most major trade partner currencies except the rand.

With regard to fiscal developments, preliminary data indicate that an overall Central Government budget deficit of K8,673.2 million was recorded in 2013. This was 60.2% higher than the programmed deficit of K5,413.9 million, attributed to higher than programmed expenditure, although revenue and grants were above target. The higher than projected wage award for public service workers, fuel subsidies as well as higher expenditure under the Farmer Input Support Programme and strategic food reserve explained the higher expenditure outturn.

3.1 MONETARY DEVELOPMENTS AND INFLATION

Monetary Policy

Consistent with Government objectives, monetary policy in 2013 continued to be focused at sustaining the single digit inflation level, with an end-year inflation target of 6.0%. In this regard, monetary policy operations were aimed at maintaining the 5-day weighted average interbank rate within a corridor of +/- two percentage points of the BoZ Policy Rate target. The bank offered repos and term deposits through Open Market Operations (OMO) to steer the interbank rate towards the BoZ Policy Rate.

The Policy Rate

During the first quarter of 2013, the policy rate was maintained at 9.25% while monetary policy operations were targeted at maintaining the 5-day weighted average interbank rate within a corridor of 7.25% and 11.25%. However, the policy rate was increased to 9.50% in June and further to 9.75% in July 2013 in response to inflationary pressures that arose following the removal of fuel and food subsidies, coupled with the depreciation of the Kwacha. This relatively tight monetary policy stance was maintained throughout the second half of the year and the 5-day moving average interbank rate remained within the corridor at 10.2%.

Challenges to Monetary Policy

During 2013, the major challenges to monetary policy implementation were:

i. The removal of fuel and maize subsidies, which led to higher transport and production costs;

ii. Adverse effects of the depreciation of the Kwacha against the US dollar partly explained by the external sector developments; and

iii. Demand- pull pressures arising from the increase in civil service wages during the third quarter of the year.

Monetary Policy Outcomes

Notwithstanding the foregoing challenges, the performance of monetary policy in 2013 was generally favourable, with end year inflation slowing down to 7.1% from 7.3% in 2012. This reflected the fall in food inflation to 6.2% from 8.4% in 2012, as non-food inflation rose to 8.2% from 6.1% in 2012. However, the 7.1% inflation outturn was 1.1 percentage points above the end-year target of 6.0% (see Table 3).

[2] In 2014, CSO rebased GDP to 2010 from 1994. Figures reported use unrebased GDP

Table 3: Selected Monetary Indicators, 2011 - 2013 (% change unless stated otherwise)

	2011	2012	2013	
Description	**Actual**	**Actual**	Prog.	Actual
Overall Inflation	7.2	7.3	6.0	7.1
Non-food Inflation	10.2	6.1	3.2	8.2
Food Inflation	-3.9	8.4	2.8	6.2
BoZ Policy Rate	n/a	9.25	n/a	9.75
Interbank Rate*	5.2	8.2	n/a	10.2
Reserve Money	6.3	52.9	-9.6	-0.9
Broad Money	22.4	17.9	18.2	20.8
Domestic Credit	19.0	17.3	34.5	43.9
Government	-6.3	-37.7	144.8	218.8
Public Enterprises	70.8	602.6	-3.2	-66.0
Private Sector Credit	30.8	39.2	10.0	9.1
Domestic Financing (% of GDP)**	2.5	2.3	1.5	5.0

Source: Central Statistical Office - The Monthly; and Bank of Zambia
Notes: n/a - not available
- Inflation figures are on annual basis
*5-day moving average
**- preliminary

Monetary Developments

Money Market Liquidity

Money market liquidity as measured by commercial banks' aggregate current account balances opened the year at K2, 945.9 million mainly influenced by net Government spending.

Liquidity conditions declined in the second quarter due to net Government securities sales coupled with the increase in the minimum statutory reserve ratio on both the kwacha and foreign deposit liabilities by 3.0 percentage points to 8.0% from 5.0%. Consequently, the interbank rates trended upwards thereby prompting the Bank to inject liquidity in the market in order to steer the rates towards the Policy rate. A cumulative total of K4, 183.4 million was injected using reverse repos at an average rate of 9.24%.

During the second half of the year, liquidity levels increased, mainly on account of net Government spending. Subsequently, the 5-day weighted average interbank rate trended downwards, prompting the Bank to withdraw liquidity through repos and Term Deposits. To this end, OMO borrowing amounted to K18, 261.0 million at an average rate of 10.8%. Given the aforementioned, the 5-day moving average interbank rate closed the year within the corridor at 10.2% (see Chart 1).

CHART 1:

BOZ POLICY RATE MAR 2012 – DEC 2013

Reserve Money

Reserve money declined by 0.9% to K8,164.5 million at end-December 2013 from K8,234.9 million at end-December 2012, mainly influenced by net sales of Government securities and net OMO withdrawals. However, the average reserve money grew by an annual rate of 13.8% to K7,571.3 million from K6,653.0 million previously, exceeding the target of K7,569.0 million by K2.3 million (see Table 4).

Table 4: Sources of Reserve Money Growth, 2011 - 2013 (K' million)

	2011	2012	2013
Reserve Money Target	**4,891.0**	**5,845.0**	**7,569.0**
Average Reserve Money	**4,993.5**	**6,653.0**	**7,571.3**
Reserve Money Stock	**5,385.4**	**8,234.9**	**8,164.5**
Change in:			
1/ Net Foreign Assets (a+b+c+d)	**44,522**	**-490.5**	**638,695.9**
a) Net Purchases from Govt	44,392	1,066.6	638,905.8
b) Net Purchases from non-Government	315	-1,449.5	-147.7
c) Bank of Zambia own use of forex	6	-89.5	0.0
d) Change in stat. reserve deposits forex balances	-192	-18.0	-62.2
2/ Net Domestic Credit (a+b)	**-44,203**	**3,343.0**	**-638,766.4**
a) Autonomous influences	**-31,440**	**21,232.3**	**-625,447.4**
Maturing Open Market Operations	14,778	18,361.1	12,388.5
Direct Govt Transactions	-43,200	3,414.5	-635,205.3
TBs and Bonds Transactions	-2,832	-698.2	-2,840.4
Claims on non-banks (Net)	-185	157.9	209.7
b) Discretionary influences	**-12,763**	**-17,892.3**	**-13,319.0**
Open Market Operations	**-12,737**	**-17,851.3**	**-13,247.2**
i. Short term loans	0	0	0
ii. Repos/Outright TB sales	-2,877	-2,639.0	-1,349.0
iii. Term Deposits Taken	-9,860	-15,212.9	-11,898.2
Treasury bill Rediscounts	**0**	**0**	**0**
Other claims (Floats, Overdrafts)	**-26**	**-40.4**	**-71.8**
Change in Reserve Money	**318.49**	**2,852.5**	**-70.5**

Source: Bank of Zambia

Domestic Credit

Domestic credit rose by 43.9% in 2013 compared to 17.3% in 2012. In absolute terms, domestic credit increased to K28,404.0 million from K19,726.8 million in 2012 (see Table 5). This outturn was largely due to lending to Government, private enterprises and households. Excluding foreign currency denominated credit, which went up by 2.6%, annual domestic credit grew by 57.3% from 21.4% registered in 2012.

Credit to the Government rose by 218.8% contributing 35.9 percentage points to the growth in domestic credit. Similarly, credit to households rose by 19.4%, contributing 5.7 percentage points to domestic credit expansion, while credit to private enterprises increased by 9.1% thereby contributing 4.3 percentage points to domestic credit growth. However, there was a decline in credit to public enterprises by 66.0%, which contributed negative 2.3 percentage points to the domestic credit outturn.

The share of credit to Government rose to 36.4% in 2013 from 16.4% recorded in 2012. However, the share of credit to private enterprises and households declined to 35.8% and 24.2% from 47.2% and 29.2%, respectively. Similarly, the share of credit to non-bank financial institutions and public enterprises declined to 2.7% and 0.8% from 3.5% for both the previous year, respectively.

Table 5: Developments in Domestic Credit, 2011 – 2013

Description	**2011**				**2012**				**2013**			
	K' mn	**%**			**K' mn**	**%**			**K'mn**	**%**		
		a	b	c		a	b	c		a	b	c
Domestic Credit	16,822.6	14.6	14.6	100.0	19,726.8	17.0	17.3	100.0	28,404.0	43.9	43.9	100.0
Government	5,200.1	-6.3	-2.4	30.9	3,242.1	-37.7	-11.6	16.4	10,335.2	218.8	35.9	36.4
Public Enterprises	98.7	-14.4	-0.1	0.6	693.5	602.6	3.5	3.5	235.7	-66.0	-2.3	0.8
Private Enterprises	7,096.6	30.2	11.2	42.2	9,316.4	31.3	13.2	47.2	10,176.2	9.1	4.3	35.8
Households	3,737.0	24.4	5.0	22.2	5,761.6	54.2	12.0	29.2	6,877.5	19.4	5.7	24.2
Non-bank Fin. Inst.	665.6	21.4	0.8	4.0	684.7	2.9	0.1	3.5	751.5	9.7	0.3	2.7

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

During 2013, commercial banks' total loans and advances[3] rose by 14.2% compared to an increase of 38.8% recorded in 2012. Expansion was recorded in the following sectors: Wholesale and Retail Trade 52.0%; Mining and Quarrying, 30.1%; Financial Services 23.2%; Personal loans, 21.6%; Community, Social and Personal Services, 8.8%; Transport, Storage and Communications, 8.6%; Construction, 5.5%; and Real Estate, 1.4%.

[3]Credit in this section does not include lending by the Bank of Zambia

However, loans and advances to the Electricity, Gas and Water; Manufacturing; Restaurants and Hotels; and Agriculture, Forestry, Fishing and Hunting, sectors declined (see Table 6 and Chart 2).

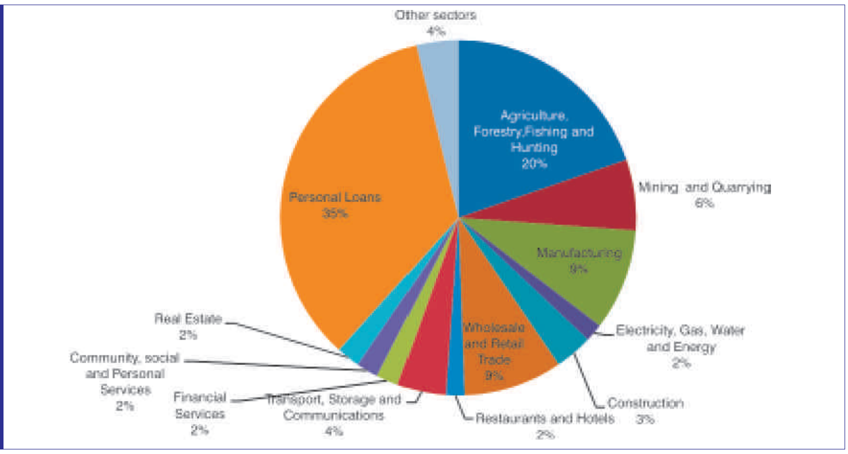
Table 6: Loans and Advances by Sector, 2011 – 2013 (%)

Sectors	2011			2012			2013		
	K'mn	a	b	K'mn	a	b	K'mn	a	b
Agriculture, Forestry, Fishing and Hunting	2,124.4	17.7	30.8	3,763.0	22.6	77.1	3,752.4	19.7	-0.3
Mining & Quarrying	509.7	4.2	73.7	942.7	5.7	84.9	1,226.4	6.4	30.1
Manufacturing	1,461.6	12.2	24.7	1881.0	11.3	28.7	1,758.6	9.2	-6.5
Electricity, Gas, Water & Energy	196.8	1.6	30.0	338.9	2.0	72.2	311.9	1.6	-8.0
Construction	504.0	4.2	-5.6	620.6	3.7	23.1	654.7	3.4	5.5
Wholesale And Retail Trade	1,248.3	10.4	25.5	1124.5	6.7	-9.9	1709.1	9.0	52.0
Restaurants & Hotels	253.5	2.1	45.2	339.4	2.0	33.9	321.7	1.7	-5.2
Transport, Storage and Communications	650.6	5.4	50.0	772.2	4.6	18.7	838.3	4.4	8.6
Financial Services	603.5	5.0	147.7	309.3	1.9	-48.8	381.0	2.0	23.2
Community, Social and Personal Services	257.9	2.1	-24.6	347.6	2.1	35.8	378.3	2.0	8.8
Real Estate	297.8	2.5	-48.2	400.9	2.4	34.6	406.6	2.1	1.4
Personal Loans	3,526.1	29.4	42.6	5,402.7	32.4	53.2	6,571.9	34.5	21.6
Others	375.1	3.1	77.5	424.3	2.5	13.1	726.6	3.8	14.2

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

CHART 2:

DISTRIBUTION OF LOANS AND ADVANCES[4] AS AT END-DEC 2013

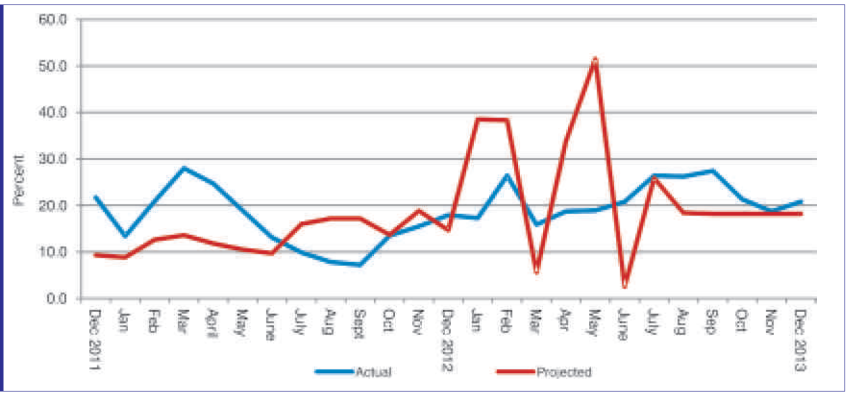


Broad Money

Broad money (M3), comprehensively defined to include foreign currency deposits grew by 20.8% in 2013 from 17.9% in 2012 and was 2.6 percentage points above the end-year target of 18.2% (see Chart 3). The M3 outturn was attributed to higher growth in Net Domestic Assets (NDA) while Net Foreign Assets (NFA) declined. The NDA rose by 41.3% from 8.2% in 2012, while NFA declined by 0.3% from 28.3%. The NDA contributed 22.2 percentage points to the M3 outturn following an increase in lending mainly to Government, while NFA contributed negative 1.4 percentage points largely on account of a decline in international reserves (see Table 7). Excluding foreign currency deposits, which rose by 22.1% (2012: fell by 8.6%), money supply growth slowed down to 20.3% from 32.3% in 2012.

CHART 3:

ANNUAL BROAD MONEY GROWTH, DEC 2011- DEC 2013



[4]Includes mortgages.

Table 7: Sources of Growth in Broad Money, 2011 – 2013 (%)

Description	2011	2012	2013	Contributions to change in M3 (2012)
Broad Money	21.7	17.9	20.8	20.8
of which:				
Net Foreign Assets	38.7	28.3	-3.0	-1.4
Net Domestic Assets	11.6	10.1	41.3	22.2
Domestic Credit	14.6	17.3	43.9	33.7
Net Claims on Gov't.	-6.3	-37.7	218.8	27.6
Public Enterprises	-14.4	602.6	-66.0	-1.8
Private Enterprises	30.2	31.3	9.1	3.3
Households	24.4	54.2	19.4	4.3
NBFIs	21.4	2.9	9.7	0.3

Source: Bank of Zambia

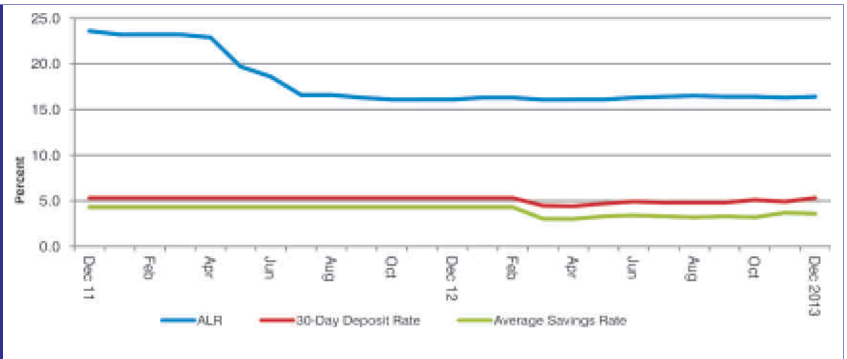
Interest Rates Developments

Commercial Banks' Nominal Interest Rates

Commercial banks' nominal interest rates recorded a mixed performance in 2013. The average lending rate (ALR)[5] increased to 16.4% at end- December 2013 from 16.1% at end-December 2012. However, the average savings rate (ASR) for amounts above K100 declined to 3.6% from 4.3%, while the 30-day deposit rate for amounts exceeding K20,000 remained unchanged at 5.3% (see Chart 4).

CHART 4:

LENDING AND SAVINGS RATES, DEC 2011 – DEC 2013

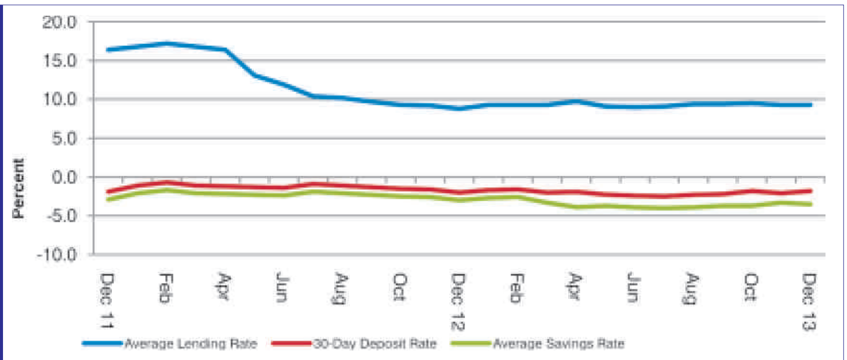


Commercial Banks' Real Interest Rates

The real ALR rose to 9.3% from 8.8% in December 2012 due to fall in annual inflation. Similarly, the real ASR for amounts above K100 decreased to negative 3.5% from negative 3.0% while the real 30-day deposit rate for amounts above K20,000[5] rose to negative 1.8% from negative 2.0% (see Chart 5).

CHART 5:

REAL INTEREST RATES, DEC 2011 – DEC 2013



Inflation Developments

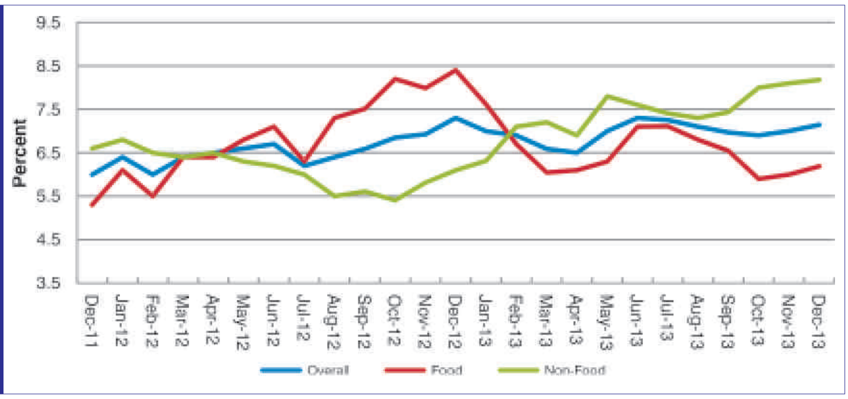
Overall Inflation

Annual overall inflation slowed down to 7.1% in December 2013 from 7.3% in December 2012. This outturn was on account of a decline in annual food inflation to 6.2%, as annual non-food inflation rose to 8.2% (see Chart 6 and Table 8).

[5]Computed as simple average

CHART 6:

ANNUAL INFLATION, DEC 2011 - DEC 2013



Non-Food Inflation

At the close of 2013, annual non-food inflation was recorded at 8.2%, higher than the 6.1% recorded in December 2012. Non-food inflation picked up in the second quarter following Governments removal of subsidies on fuel and maize which resulted in a 21.0% rise in prices of petroleum products and translated into higher production and transportation costs. Non-food inflation rose further during the fourth quarter of the year on account of pass-through effects of the depreciation in the exchange rate of the Kwacha against most major traded currencies coupled with demand pull pressures associated with the public service wage increase that was implemented in September 2013.

These factors were reflected in higher annual inflation outturns for the following non-food categories: Transport, Education, Restaurant and Hotels, Clothing and footwear, Housing, Water, electricity, gas and other fuels, Miscellaneous Goods and Services, Recreation and culture, Health, and Communication.

Food Inflation

Annual food inflation eased to 6.2% at end-2013 from 8.4% at end-2012. During the first quarter, food inflation declined progressively to a low of 6.1% on account of the steady supply of cheaper maize grain by the Food Reserve Agency (FRA) and adequate supplies of selected vegetables on the market. However, food inflation, edged up to 7.1% in June 2013 following the removal of subsidies on maize and fuel, which pushed up costs of maize and related food products. Inflationary pressure slowed down during the second half of the year due to improved seasonal supply of maize grain, other cereals and vegetables after the harvest period.

Despite poor rainfall in the southern parts of the country, farmers in other areas had a bumper harvest

Table 8: Inflation Outturn, Dec 2011 – Dec 2013 (%)

	Monthly			Year-to-date			Annual		
Month	Overall	Food	Non-Food	Overall	Food	Non-Food	Overall	Food	Non-Food
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
Jan -13	0.8	1.1	0.5	0.8	1.1	0.5	7.0	7.6	6.3
Feb-13	0.2	-0.9	1.4	1.0	0.2	1.9	6.9	6.7	7.1
Mar -13	1.2	1.2	1.1	2.2	1.4	3.0	6.6	6.0	7.2
Apr-13	0.6	0.7	0.5	2.8	2.1	3.6	6.5	6.1	6.9
May-13	0.9	0.4	1.3	3.7	2.5	5.0	7.0	6.3	7.8
Jun-13	0.4	0.4	0.3	4.0	2.9	5.3	7.3	7.1	7.6
Jul-13	0.7	0.8	0.5	4.7	3.7	5.8	7.3	7.1	7.4
Aug-13	0.7	0.8	0.5	5.4	4.5	6.3	7.1	6.8	7.3
Sep-13	0.4	0.3	0.5	5.8	4.8	6.9	7.0	6.5	7.4
Oct-13	0.0	-0.3	0.2	5.8	4.5	7.2	6.9	5.9	8.0
Nov-13	0.3	0.3	0.3	6.1	4.9	7.5	7.0	6.0	8.1
Dec-13	0.9	1.2	0.6	7.1	6.2	8.2	7.1	6.2	8.2

Source: Central Statistical Office and Bank of Zambia

3.2 MONEY AND CAPITAL MARKETS

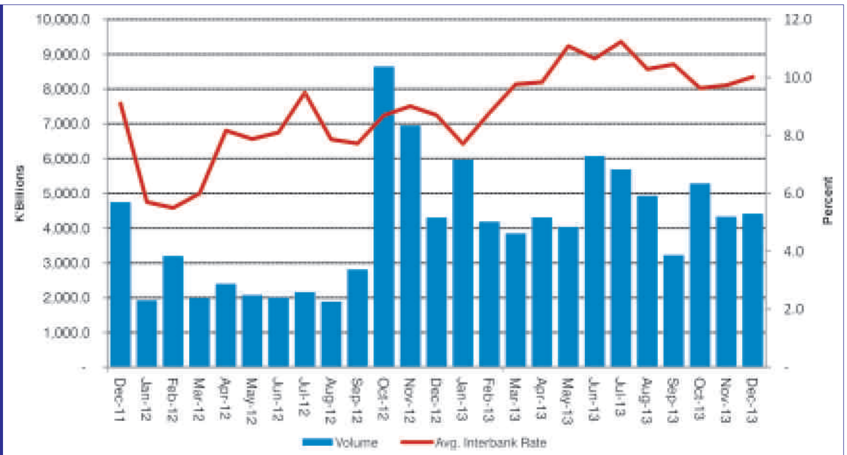
Inter-bank Money Market

The turnover of funds traded in the inter-bank money market grew by 60.9% to K53,873.9 million from K33,488.1 million in 2012. The increase was mainly attributed to concentration of funds in a few banks. Of the total loans placed, three banks accounted for K29,993.4 million, or 55.7% of the total funds traded. On the demand side, the four largest borrowers obtained K33,835.4 million, representing 62.8% of the total demand. Borrowers collateralised 82.6% of the funds traded, compared to 79.5% in the previous year, signalling an increase in risk aversion levels.

Money market activity continued to be concentrated in the overnight tenor at K49,984.0 million, representing 92.8% of the total volume of funds traded. Adjustment funds were traded at a higher average rate of 9.9% for the overnight tenor and 10.6% for periods greater than one day, compared to 8.0% and 7.7% in 2012, respectively. This increase in the interbank rates was explained by tightness in the market created by concentration of funds in a few banks (see Chart 7).

CHART 7:

INTERBANK MONEY MARKET ACTIVITY DEC 2011 - DEC 2013



Government Securities Market

Market Bidding Behaviour

In the primary market for Government securities, the Bank aimed at raising K15,890.0 million to meet maturities and Government financing. Of this amount, K12,750.0 million was to be raised through the issuance of Treasury bills and K3,140 million through Government bond issuances.

Total demand for Treasury bills was strong, underpinned by high liquidity in the money market. The total bid amount for Treasury bills was K13,998.8 million, representing a subscription rate of 109.8% compared with 128.7% in 2012 (see Table 9). Individually, the 182- , 273- and 364-day bills attracted the strongest demand, registering subscription rates of 131.1%, 105.0% and 109.3%, respectively. In contrast, the 91- day paper registered the lowest subscription rate at 70.0%.

With regard to Government bonds, overall demand weakened in 2013. Investors placed bids worth K3,083.8 million, representing a subscription rate of 98.2% compared to 153.4% in the previous year. Investors showed strong preference for the 2-, 3- and 7-year bonds, as reflected by the subscription rates of 121.1%, 133.5% and 106.2%, respectively. In contrast, the 5-, 10- and 15-year papers were undersubscribed at 85.7%, 66.1% and 45.1%, respectively.

Table 9: Government Securities Transactions, 2011 - 2013

	2011			2012			2013		
	Amount Offered (K'million)	Bid Amts (K'million)	Subscription Rate (%)	Amount Offered (K'million)	Bid Amts (K'million)	Subscription Rate (%)	Amount Offered (K'million)	Bid Amts (K'million)	Subscription Rate (%)
91-day bills	2,135.0	2,004.8	-6.1	1,320.0	934.2	70.8	1,100.0	769.9	70.0
182-day bills	2,400.0	2,022.1	-16.1	1,910.0	2,193.1	114.8	2,900.0	3,802.8	131.1
273-day bills	2,660.0	2,630.7	-1.1	2,080.0	3,008.9	144.7	3,220.0	3,381.1	105.0
364-day bills	4,855.0	6,191.3	27.5	3,830.0	5,631.2	147.0	5,530.0	6,045.0	109.3
TOTAL	**12,060.0**	**12,848.8**	**6.5**	**9,140.0**	**11,767.3**	**128.7**	**12,750.0**	**13,998.8**	**109.8**
2-year bond	890.0	788.6	-11.4	300.0	592.5	197.5	275	333.1	121.1
3-year bond	1,090.0	840.6	-22.9	580.0	1,052.0	181.4	830	1,108.5	133.5
5-year bond	1,280.0	1,500.0	17.2	980.0	1,497.8	152.8	1220	1,045.2	85.7
7-year bond	80.0	117.7	47.1	150.0	321.8	214.5	225	238.9	106.2
10-year bond	80.0	49.3	-38.4	240.0	154.3	64.3	440	290.6	66.1
15-year bond	80.0	15.7	-80.4	150.0	63.7	42.5	150	67.6	45.1
TOTAL	**3,500.0**	**3,311.9**	**-5.4**	**2,400.0**	**3,682.1**	**153.4**	**3,140.0**	**3,083.8**	**98.2**

Source: Bank of Zambia

Stock of Government Securities

The stock of Government securities in circulation at end-2013 rose by 34.9% to K19,371.9 million (at face value) from K14,357.7 million in 2012. The increase was attributed to the 45.3% growth in the stock of Treasury bills to K9,942.9 million and the 25.4% increase in Government Bonds to K9,429.0 million.

During the year under review, commercial banks continued to dominate the Treasury bills market, accounting for 71.2% of the total Treasury bills in circulation followed by the non-bank public at 23.3% and the Bank of Zambia at 5.5%.

In the Bond market, the non-bank public, which is dominated by institutional investors accounted for the bulk of Government bonds outstanding at 50.1%, followed by commercial Banks at 30.8% and the Bank of Zambia at 19.2%.

Non-Residents' Investments in Government Securities

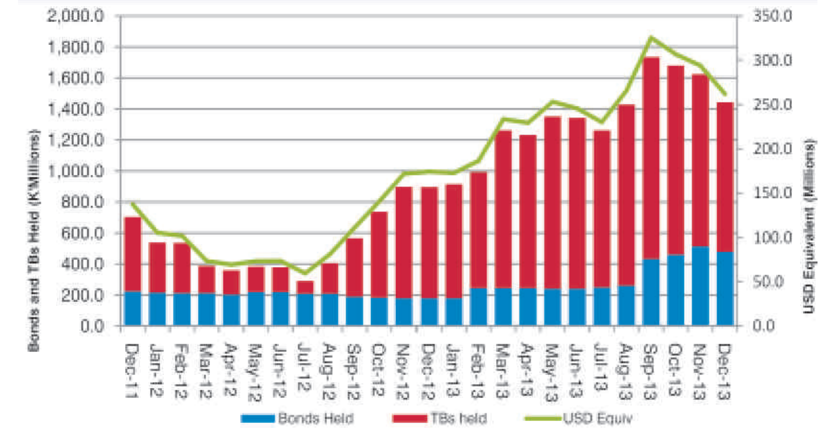
During the review period, non-residents' holdings of Government securities rose by 53.2% to K1,428.5 million. This was attributed to an improvement in risk appetite and the higher interest rates compared to continued low rates of return in developed economies.

Non-resident participation in the Treasury bills market increased by 30.6% to K984.1 million at end-2013 from K753.3 million at end-2012. However, non-residents held 9.9% of the total Treasury bills in circulation at end-2013, down from 11.0% in 2012.

Similarly, non-residents' investment in Government bonds rose by K265.0 million to K444.4 million at end-2013 from K179.4 million at end-2012. As a proportion of total stock of outstanding government bonds, non-residents' holdings accounted for 5.0% compared to 2.4 % at close of 2012 (see Chart 8).

CHART 8:

NON-RESIDENTS' INVESTOR PARTICIPATION, DEC 2011 – DEC 2013

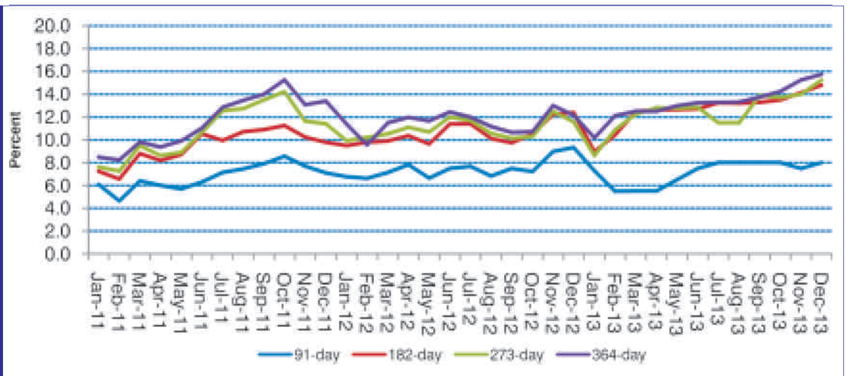


Yield Rates on Government Securities

Yield rates on Government securities trended upwards in 2013, particularly in the latter half of the year, largely reflecting increased tender sizes and government appetite for funds. The weighted average composite yield rate for Treasury bills closed at 15.3% from 10.7% in 2012. The average yield rates on the 91- and 182-day securities rose to 8.0% and 14.8% in December 2013 from 7.5% and 10.5% during the corresponding period in 2012. The yield rate for the 273-day and 364-day papers also increased to averages of 15.3% and 15.8% from averages of 10.8% and 11.4% in 2012, respectively (see Chart 9).

CHART 9:

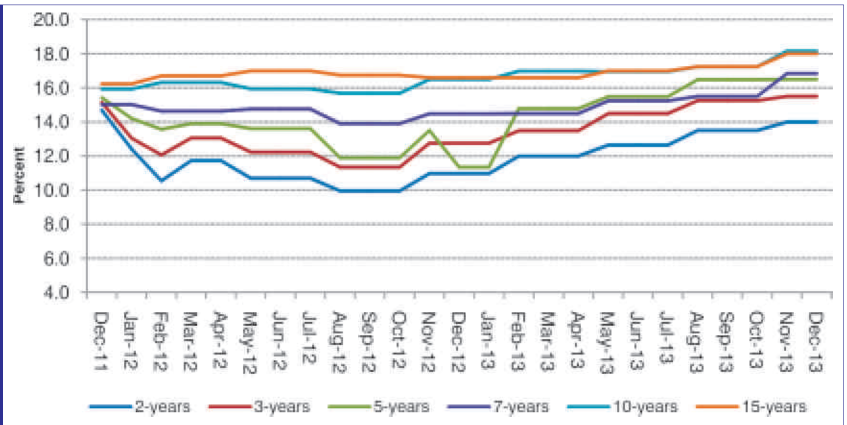
TREASURY BILLS YIELD RATES (PERCENT PER ANNUM), JAN 2011 – DEC 2013



With regard to Government bonds, the average yield rates on 2-, 3- and 5-year bonds rose to 14.0%, 15.5% and 16.5% in 2013 from 10.9%, 12.8% and 11.4%, respectively recorded in the previous year. Similarly, the yield rates on the 7-, 10- and 15-year bonds edged upwards to 16.9%, 18.2% and 18.0 % from 14.5%, 16.5% and 16.6%, respectively. Consequently, the weighted average bond yield rate gained 280 basis points to close the year at 16.3% from 13.5% at end 2012 (see Chart 10).

CHART 10:

GOVERNMENT BOND YIELD RATES (PERCENT PER ANNUM), DEC 2011- DEC 2013



High Tech Investment in mining - Lubambe Mine processing plant in Chililabombwe

Foreign Exchange Market

The foreign exchange market in Zambia was affected by both international and domestic factors in 2013. On the international front, the US dollar benefited from improvements in labour market data, signs that US economic growth was gaining momentum and proposals for Fed's tapering of the monetary stimulus. The pound and euro weakness moderated on the back of optimism that UK and euro zone economies would continue to rebound. However, the rand was weak largely due to slowdown in the growth of mining output, following continued labour unrest.

In the domestic market, supply continued to be higher than demand. Supply was mainly buoyed by continued sales by the mining sector and foreign financial institutions. Towards the end of the review period, the market also benefited from inbound remittances for some commercial banks to meet the revised minimum primary capital requirement.

Developments in the Nominal Exchange Rate

In 2013, the Kwacha was characterised by a depreciating trend against most major trade partner currencies except the rand. The weakness of the Kwacha during the review period was attributed to both domestic and external factors.

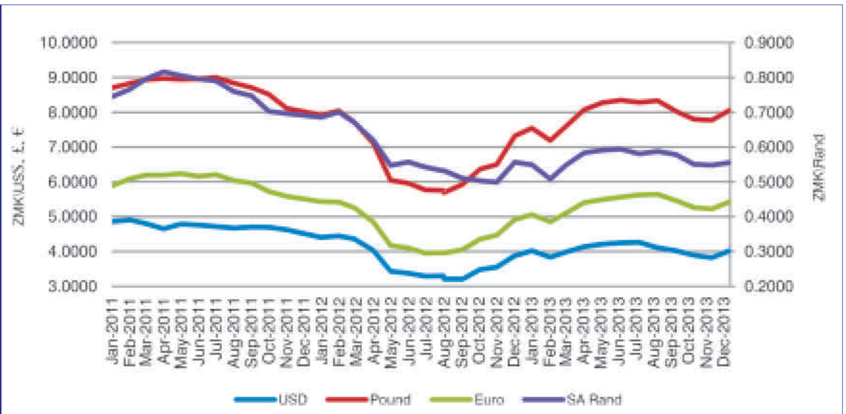
On the domestic front, the increase in demand for foreign exchange was influenced by high levels of liquidity in the money markets. Market participants also built long positions ahead of the coming into effect of Statutory Instrument No 55 in July. During the third quarter, the Kwacha remained weak largely due to continued high demand for foreign exchange fuelled by high levels of Kwacha liquidity emanating in part from an upward public service wage adjustment. The downgrading of Zambia's credit rating by Credit Rating Agencies also resulted in negative sentiment towards the local currency.

On the international scene, the Kwacha depreciation was influenced by a decline in the price of copper and the strengthening of the dollar globally. Copper prices fell mainly due to concerns on slower growth in China. The price of copper declined to US $7,360.00 per metric ton in 2013 from US $7,931.00 per metric ton in 2012.

Against the foregoing, the Kwacha depreciated against the US dollar by 4.9% to an annual average of K5,3914/US$ from K5.1415/US$ in 2012. The Kwacha closed the year at K5.5126 compared to K5.1466/US$ at end 2012, depicting the depreciation trend in 2013. The Kwacha also depreciated against the Pound Sterling and Euro by 3.6% and 8.3% to annual averages of K8.4408/£ and K7.1624/€ from K8.1496/£ and K6.6119/€, respectively. The Kwacha, however, appreciated against the rand by 10.7% to an average K0.5596/ZAR (see Chart 11).

CHART 11:

INTERBANK KWACHA EXCHANGE RATE LEVELS AGAINST MAJOR FOREIGN CURRENCIES, JAN 2011- DEC 2013



Foreign Exchange Transactions

During 2013, the supply of foreign exchange to the market, denoted by commercial banks' purchases from various sectors increased to US$10,693.6 million from US$9,662.8 million in 2012. Similarly, demand of foreign exchange as reflected by commercial banks' sales to various sectors increased to US$9,419.6 million from US$8,651.9 million in 2012. In this regard, commercial banks recorded net purchases of US$1,274.0 million in 2013 relative to net purchases of US$1,010.8 million recorded in 2012.

The Bank of Zambia made net sales of US$2.0 million compared to net sales of US$247.0 million in 2012. The sales by the Bank were mainly undertaken to improve dollar liquidity in the market and moderate exchange rate volatility.

The mining companies remained the main suppliers of foreign exchange, selling US$4,339.4 million, which represented 40.6% of the total market funding. This was followed by foreign financial institutions with US$1,355.3 million, accounting for 12.8%. On the sales side, foreign financial institutions led the demand for foreign exchange with purchases of US$1,157.1 million (12.3%) in 2013 from US$1,099.8 million in 2012. On a net basis, supply of foreign exchange by foreign banks and financial institutions declined to US$198.2 million in 2013, compared with US$613.5 million in the previous year.

In the interbank foreign exchange market, commercial banks traded a total of US$5,780.2 million in 2013, up from US$4,708.0 million in the previous year. With regard to transactions involving other major currencies, excluding interbank transactions, commercial banks recorded net sales of pound sterling and South African rand of £111.6 million and ZAR10, 310.1 million, respectively.

Real Effective Exchange Rate

At end-December 2013, the real effective exchange rate (REER) appreciated by 4.3% to 96.6 from 100.9 recorded in December 2012 (see Chart 12). The appreciation was mainly attributed to a 4.2% decline in foreign prices relative to domestic prices, coupled with a 0.8% appreciation of the nominal effective exchange rate. The annual average REER appreciated by 5.6% in 2013, compared to an appreciation of 5.7% recorded in 2012 (see Table 10).

CHART 12:

REAL EFFECTIVE EXCHANGE RATE INDEX, DEC 2011 – DEC 2013

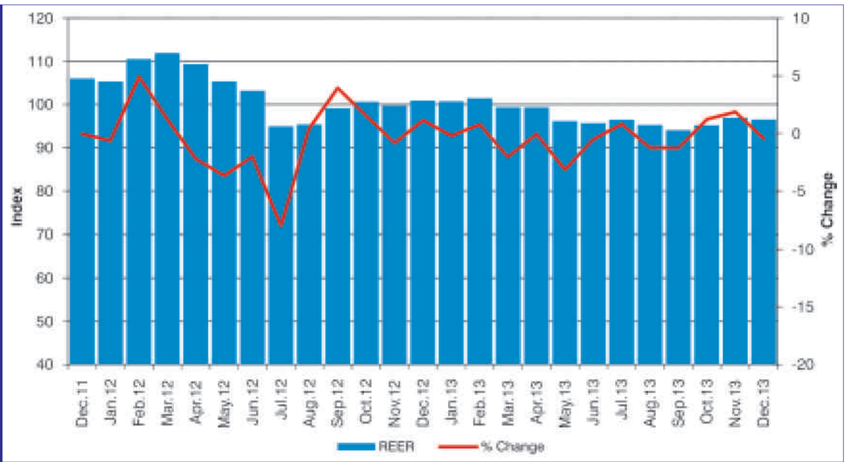


Table 10: Annual Average Real Effective Exchange Rate, 2011 - 2013

	2011	2012	2013	Percentage Change (2013/2012)
Domestic CPI (2005=100)	171.00	181.80	194.50	7.0
Weighted Foreign CPI (2005=100)	120.40	123.20	126.20	2.5
NEER Index	2.02	1.98	1.95	-1.4
REER Index (2005=100)	**109.30**	**103.00**	**97.30**	-5.6

Source: Bank of Zambia

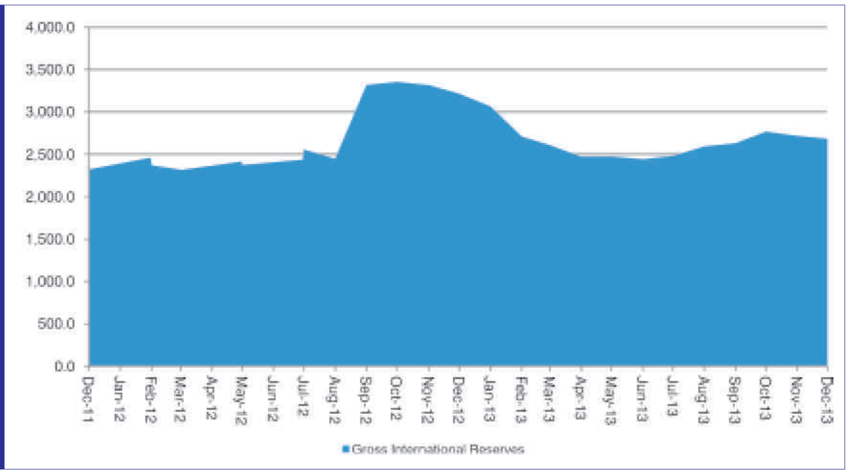
Gross International Reserves

Zambia's international reserves declined by 16.5% to end the year 2013 at US $2,683.8 million from US$3,215.7 million at the end of 2012 (see Chart 13). This was largely on account of disbursement of sovereign bonds proceeds amounting to US $734.5 million. The other significant outflows were related to payments for oil imports of US $472.0 million and debt service payments amounting to US $238.6 million.

The outflows were, however, moderated by inflows relating to Bank of Zambia foreign exchange purchases amounting to US $149.0 million, tax receipts from the mining companies amounting to US $131.4 million, project/donor inflows of US $63.7 million, balance of payments support of US $43.9 million and other Government receipts of US $229.6 million.

CHART 13:

GROSS INTERNATIONAL RESERVES, DEC 2011 – DEC 2013



Developments in the Capital Markets

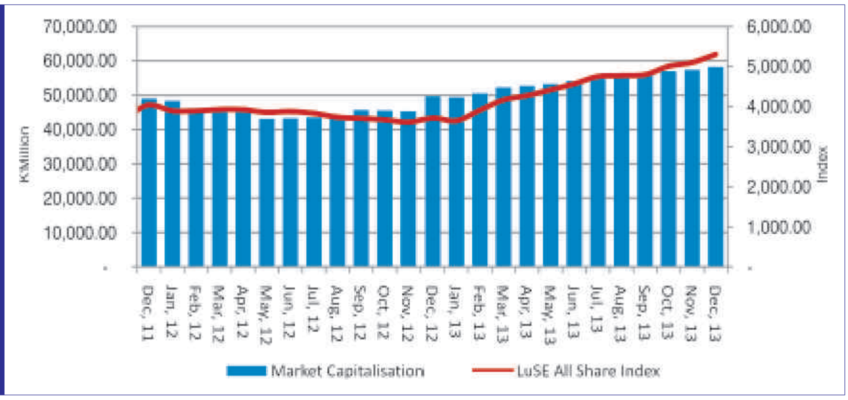
Stock Market

Trading activity at the Lusaka Stock Exchange (LuSE) increased in 2013, depicting an improvement in investor sentiment on the economy. Market capitalisation increased by 17.3% to K58,188.0 million from K49,624.7 million at the end-2012. Similarly, the LuSE All Share index rose by 42.7% to 5,300.0 by end-2013 compared to 3,714.6 at close of 2012 (see Chart 14).

The participation of non-residents increased as reflected in the net capital inflows to US$5.2 million compared to net outflows amounting to US$7.4 million in 2012.

CHART 14:

INDICATORS OF LUSE ACTIVITY, DEC 2011 – DEC 2013



Bond Market

In 2013, secondary trading of Government bonds moderated, reflected by the decline in the number of trades to 162 from 182 in 2012. The volume of trades however, increased by 31.6% to K2.18 billion from K1.66 billion recorded in 2012, mainly reflective of increased risk appetite by foreign investor in emerging and developing economies.

3.3 BALANCE OF PAYMENTS

Preliminary data indicate that Zambia recorded unfavourable Balance of Payments (BoP) in 2013 compared with the previous year. An overall balance of payments deficit of US $344.9 million was recorded compared with a surplus of US $726.7 million recorded in 2012 (see Table 11). This was largely driven by the narrowing of the current account surplus, coupled with the widening of the capital and financial account deficit.

Current Account

The current account surplus narrowed to US $197.6 million in the period under review from US $774.1 million recorded in 2012, mainly driven by widening deficits in both the income and services accounts, coupled with a decline in net current transfers.

In 2013, the income account deficit widened to US $767.6 million from US $333.5 million recorded in 2012, as a result of higher income on equity payments. Similarly, the services account deficit widened by 11.6% to US $874.3 million from US $783.4 million, due to higher import related services payments. During the same period, current transfer inflows declined due to lower budget support grants.

The balance on goods surplus, at US $1,450.7 million, was 0.9% higher than US $1,437.1 million recorded the previous year, driven by higher gold and general merchandise exports, relative to merchandise imports. Gold exports grew by 49.4% to US $185.6 million in 2013, from US $124.3 million recorded in 2012. Merchandise export earnings grew by 13.3% to US $10,410.4 million from US $9,191.1 million recorded in 2012, driven largely by growth in non-traditional export (NTEs) earnings. Non-traditional export earnings, at US $3,361.0 million, were 24.8% higher than US $2,693.5 million recorded in 2012. The rise in NTEs was mainly on account of increased earnings from the export of burley tobacco, cane sugar, fresh flowers, fresh fruits and vegetables, electricity, petroleum products, cement and lime, electric cables and gold (see Table 12). The favourable performance of NTEs was attributed to higher production of these products, supported by a nominal depreciation of the Kwacha.

Metal export earnings increased by 8.5% to US $7,049.3 million from US $6,497.6 million registered in 2012, following a rise in copper export earnings. Copper export earnings, at US $6,911.4 million were 9.8% higher than US $6,294.5 million realised in 2012, driven by higher export volumes (see Chart 15). Copper export volumes at 976,217.8 metric tons (mt) were 10.7% higher than 882,095.1 mt recorded the previous year. The realised average copper price, however, marginally declined to US $7,079.11 per tonne from US $7,135.84 per tonne recorded in 2012.

Cobalt export earnings, however, declined by 32.1% to US $137.9 million from US $203.1 million in 2012, due to lower export volumes coupled with the fall in realised prices. Cobalt export volumes, at 5,880.8 mt, were 29.6% lower than 8,350.4 mt recorded the previous year. Similarly, the realised average price of cobalt, at US $ 23,454.51 per tonne, was 3.6% lower than US $24,325.85 per tonne recorded in 2012.

The merchandise imports bill, at US $9,195.4 million in 2013, was 16.0% higher than US $7,925.5 million recorded the previous year. The rise in imports was mainly explained by an increase in import bills associated with commodity groups, such as, iron and steel and items thereof by 40.6%, fertiliser (25.9%), electrical machinery and equipment (25.8%), industrial boilers and equipment (21.0%), petroleum products by (15.8%), plastic and rubber products (13.0%), chemicals (11.8%), and paper and paper products (4.5%). The rise in imports was largely associated with increased economic activity, on account of continued Government investment in infrastructure development as well as the rise in foreign direct investment inflows. A decline, however, was only recorded in imports of food items commodity group by 9.2%.

Table 11: Balance of Payments, 2011 – 2013 (US $ million)

	2011	2012	2013*
Current Account	**704.7**	**774.1**	**197.6**
Balance on goods	2,205.6	1,437.1	1,450.7
Exports, f.o.b	**8,512.3**	**9,191.1**	**10,410.4**
Metal sector	6,915.7	6,497.6	7,049.3
Copper	6,659.7	6,294.5	6,911.4
Cobalt	256.0	203.1	137.9
Non-traditional	1,596.6	2,693.5	3,361.0
Imports, f.o.b	**-6,454.2**	**-7,925.5**	**-9,195.4**
Metal sector	-1,567.3	-2,083.7	-2,560.1
Non-metal sector	-4,887.0	-5,841.9	-6,635.2
Fertilizer	-330.0	-304.3	-382.9
Petroleum	-530.5	-930.6	-1,082.6
Others	-4,026.5	-4,606.9	-5,169.7
Goods Procured in ports by carriers(Bunker Oil)	44.5	47.2	50.0
Nonmonetary Gold	103.0	124.3	185.6
Services (Net)	**-723.6**	**-783.4**	**-874.3**
Services Receipts	374.5	466.3	585.4
Services Payments	-1,098.1	-1,249.7	-1,459.7
Income (Net)	-1,155.3	-333.5	-767.6
Income Receipts	11.1	10.1	5.3
Income Payments	-1,166.4	-343.6	-772.9
Of which: Income on Equity Payments	-1,092.5	-239.2	-652.8
Interest payments	-44.8	-74.1	-91.3
Current Transfers (Net)	**378.0**	**453.9**	**388.9**
Private	231.8	265.0	279.0
Official	146.2	188.9	109.9
Capital and Financial Account	**-368.5**	**-32.6**	**-514.0**
Capital Account	**151.0**	**223.0**	**225.0**
Capital Transfers	151.0	223.0	225.0
General Government	151.0	223.0	225.0
Project Assistance grants	151.0	223.0	225.0
Financial Account	**-519.5**	-255.6	-739.0
Direct Investment	1,109.9	2,433.4	1,630.4
Assets	1.4	701.9	-180.5
Liabilities	1,108.5	1,731.5	1,810.9
Portfolio Investment	70.7	899.3	89.9
Assets	0.0	104.7	0.0
Liabilities	70.7	794.6	89.9
Financial Derivatives	-154.3	-10.8	11.9
Other Investment	-1,545.8	-3,577.5	-2,471.1
Assets	-2,183.9	-3,929.4	-2,657.9
Liabilities	638.1	351.9	186.8
Government	371.1	171.9	104.6
Disbursement of Loans	397.3	407.4	223.5
Amortization of loans (-)	-26.2	-235.5	-118.9
Private Foreign Borrowing (Net)	267.0	180.0	82.2
Errors and Omissions	-92.4	-14.7	-28.5
Overall balance	**243.8**	**726.7**	**-344.9**
Financing of Overall balance	**-243.8**	**-726.7**	**344.9**
Change: NIR of Bank of Zambia	-243.8	-726.7	344.9
Reserve Assets	-270.4	-721.9	360.2
Of which: Gross Official Reserves[incr (-)] 1/	-270.4	-289.8	205.5
Encumbered Reserves	0.0	-432.2	154.7
Use of Fund Credit and Loans (Net)	26.6	-4.8	-15.3
Financing gap	0.0	0.0	0.0

Source: Bank of Zambia
*Preliminary

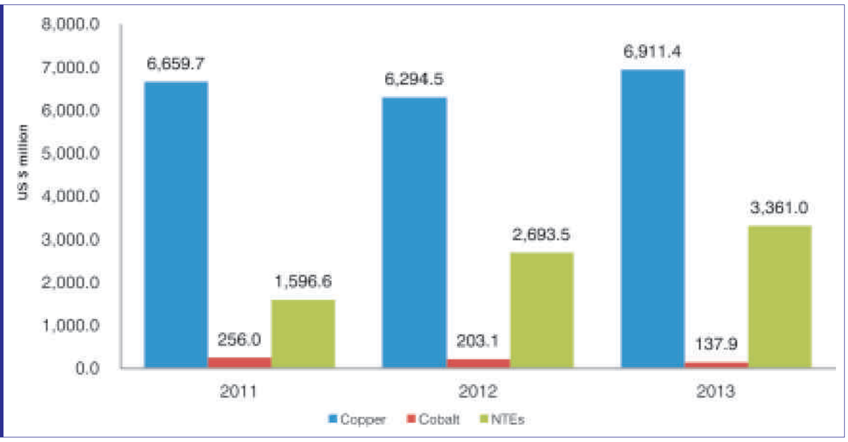
Table 12: Major Non-Traditional Exports (C.I.F.), 2011 – 2013 (US$' million)

	2011	2012	2013*	% Change 2013/2012
Copper Wire	169.7	151.4	119.2	-21.3
Cane Sugar	165.0	141.9	184.6	30.1
Burley Tobacco	100.6	156.6	215.6	37.7
Cotton Lint	118.2	129.1	85.8	-33.5
Electrical Cables	41.7	50.9	53.2	4.5
Fresh Flowers	20.8	23.7	32.7	38.0
Fresh Fruits & Vegetables	9.2	0.0	0.0	-6.0
Gemstones	35.8	15.7	35.4	125.0
Gasoil/Petroleum Oils	36.8	232.3	220.6	-5.0
Electricity	16.9	97.1	142.1	46.4

Source: Bank of Zambia
*Preliminary

CHART 15:

EXPORT EARNINGS, 2011 – 2013 (US $ MILLION)



Capital and Financial Account

During the review period, the capital and financial account deficit widened to US $514.0 million from US $32.6 million registered in 2012. This was largely attributed to lower inflows in form of project grants, portfolio investment and an accumulation of foreign direct investment assets held abroad.

Direction of Trade

Export Markets by Region

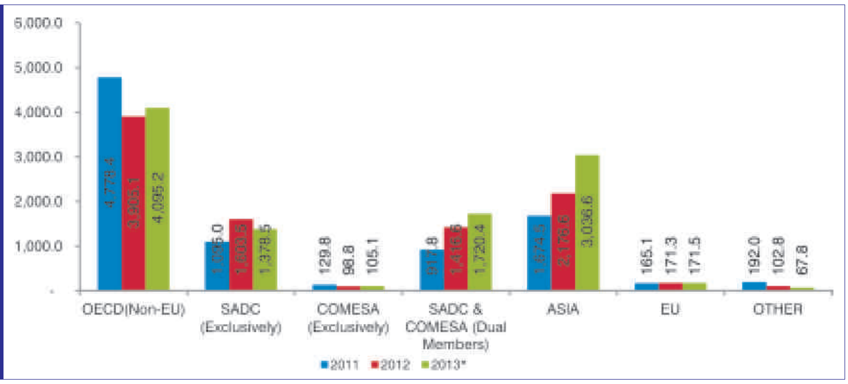
Preliminary data show that in 2013, Zambia's exports to five regional markets, namely Asia, the Common Market for Eastern and Southern Africa (COMESA) (exclusively), the European Union (EU), the Non-European Union (Non-EU) Organisation for Economic Cooperation and Development (OECD), the Southern African Development Community (SADC) and COMESA (dual members) increased, while exports to SADC (exclusively) declined. The OECD (Non-EU) region remained Zambia's top ranked major export market, accounting for 38.7% of total exports, following a rise in exports to the region by 4.9% to US $4,095.2 million in 2013 from US $3,905.1 million registered in 2012 (see Chart 16). The growth in exports was largely driven by a rise in base metal exports to Switzerland and Japan. Asia was ranked second, with exports to that region accounting for 28.7% of the country's total exports, on account of an increase in exports to that region by 39.5% to US $3,036.6 million from US $2,176.6 million recorded the previous year. This outturn was reflective of higher exports of base metals to China, India and the United Arab Emirates as well as beverages, spirits and vinegar to the United Arab Emirates.

SADC and COMESA (dual members) ranked third, with exports to that region accounting for 16.3% of Zambia's total exports, following a growth in exports of 21.4% to US $1,720.4 million from US $1,416.6 million recorded the previous year. This outturn was driven by a rise in exports of food items, cement, chemical products and electricity to Congo (DR). SADC (exclusively) ranked fourth, with exports to that region constituting 13.0% share of Zambia's total exports, as exports to that region fell by 14.0% to US $1,378.5 million from US $1,603.5 million recorded in 2012. This outturn was attributed to a drop in exports of food items to Tanzania. The EU was ranked fifth, with a marginal increase in the exports to US $171.5 million from US $171.3 million in 2012, largely on account of higher exports of base metals to Luxembourg. The COMESA (exclusively) region ranked sixth with exports accounting for 1.0% of Zambia's total exports, as exports to that region rose by 1.0% to US

$105.1 million from US $98.8 million recorded the previous year,. This outturn was largely explained by an increase in exports of industrial boilers, sugar and base metals to Kenya.

CHART 16:

DIRECTION OF EXPORTS (F.O.B.) BY REGION, 2011 – 2013 (US $ MILLIONS)



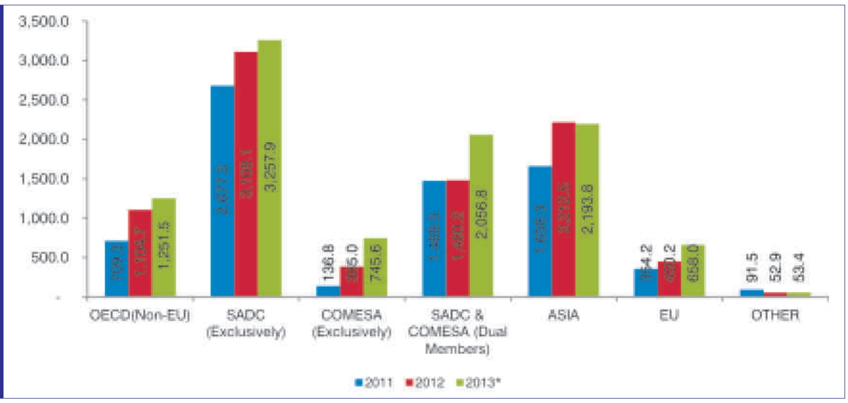
Major Sources of Imports by Region

During the review period, SADC (exclusively) maintained the top position as Zambia's major source of imports accounting for 31.9% of the country's total imports, following a 4.8% increase in imports to US $3,257.9 million from US $3,108.1 million registered in 2012 (see Chart 17). Higher imports of manufactured goods and machinery, electrical equipment and vehicles from South Africa explained this increase. Asia ranked second, accounting for a 21.5% share of the country's total imports, despite registering a marginal decline in imports from that region of 0.8% to US $2,193.8 million in 2013 from US $2,212.5 million recorded the previous year. This was attributed to a reduction in imports of petroleum products from Kuwait. The SADC and COMESA (dual members) region ranked third, with imports accounting for 20.1% share of the country's total imports, largely driven by an increase in imports from the region by 39.0% to US $2,056.8 million from US $1,480.2 million in 2012. This outturn was explained by increased imports of copper and cobalt ores and concentrates from Congo DR.

The Non-EU OECD region ranked fourth, as imports from that region accounted for 12.2% of Zambia's total imports, following an increase in imports from the region by 13.3% to US $1,251.5 million in 2013 from US $1,104.7 million in 2012. This was explained by increased imports of motor vehicles from Japan and the United Kingdom and industrial boilers from the United Kingdom. The COMESA (exclusively) region, ranked fifth, with imports from the region accounting for 7.3% of Zambia's total imports, attributed to increased imports from the region which nearly doubled to US $745.6 million from US $385.0 million in 2012. This outturn was explained by a surge in imports of mineral fuels and oils from Kenya. The EU ranked sixth, with imports from the region accounting for 6.4% of total imports, following a 46.2% growth in imports to US $658.0 million from US $450.2 million in 2012. Higher imports of industrial boilers from Germany explained this outturn.

CHART 17:

DIRECTION OF IMPORTS (C.I.F.) BY REGION, 2011 – 2013 (US $ MILLIONS)



3.4 EXTERNAL DEBT

Government Debt Stock

Preliminary data indicate that the Government's total outstanding external debt stock[6] increased by 11.6% to US $3,548.0 million at end-December 2013 from the US $3,179.6 million recorded at end-December 2012 (see Table 13). This was as a result of disbursements from various creditors, notably commercial and supplier creditors.

[6]Public and publicly guaranteed debt

An analysis of the structure of Government's external debt stock as at end-December 2013 indicates that 52.9% of the total stock was owed to commercial, export and supplier creditors, 41.9% to multilateral creditors and 5.2% to bilateral creditors. The supplier credit debt stock rose by 20.4% to US $1,876.4 million at end-December 2013 from US $1,557.9 million at end-December 2012.

With regard to multilateral debt, the stock for the World Bank group increased by 10.4% to US $732.8 million as at end-December 2013 from US $663.9 million at end-December 2012, while the stock owed to the African Development Bank Group rose by 17.9% to US $291.3 million from US $247.0 million at end-December 2012, due to disbursements for various projects. The stock of International Monetary Fund (IMF) debt declined by 4.4% to US $387.9 million as at end-December 2013 from the previous year's level of US $405.6 million due to principal repayments under the Extended Credit Facility. External debt owed to bilateral creditors went down by 23.1% to US $183.8 million from US $238.9 million at end-December 2012, mainly due to repayments to Russia under the Debt for Development bilateral Swap Agreement.

Table 13: Government External Debt Stock by Creditor, 2011 - 2013

	2011		2012		2013	
Creditor	**US $'million**	**% share**	**US $'million**	**% share**	**US $'million**	**% share**
Bilateral	**250.6**	**12.7**	**238.9**	**7.5**	**183.8**	**5.2**
Paris Club	180.0	9.1	169.8	5.3	122.1	3.5
Non Paris Club	70.6	3.6	69.2	2.2	61.7	1.7
Multilateral	**1,280.7**	**64.7**	**1,382.8**	**43.5**	**1,487.8**	**41.9**
IMF	416.5	21.0	405.6	12.7	387.9	11.0
World Bank Group	575.8	29.1	663.9	20.9	732.8	20.6
African Development Bank Group	215.2	10.9	247.0	7.7	291.3	8.2
Others	73.2	3.7	66.3	2.1	75.8	2.1
Suppliers/ Bank/Export	**448.7**	**22.6**	**1,557.9**	**49.0**	**1,876.4**	**52.9**
Total Govt. Debt	**1,980.0**	**100.0**	**3,179.6**	**100.0**	**3,548.0**	**100.0**

Source: Ministry of Finance
Note: * preliminary

Government External Debt Service

In 2013, Government external debt service declined by 16.7% to US $238.6 million from US $286.4 million in 2012 (see Table 14). Principal maturities during the year amounted to US $134.2 million, while interest and other charges amounted to US $104.4 million. Of the total debt service, US $132.8 million was paid to bilateral creditors, US $70.2 million to financial, commercial and supplier creditors and US $35.6 million to multilateral creditors.

Table 14: Zambia's Official External Debt Service by Creditor, 2011 – 2013 (US $'million)

Creditor	2011	2012	2013
Bilateral	**43.9**	**76.3**	133
Paris Club	33.4	56.7	115
Others	10.5	19.6	17.9
Multilateral	**29.9**	**36.2**	**35.6**
IDA	7.1	7.8	9.1
IMF	5.8	12.0	17.9
ECU/EIB	10.8	9.8	0
Others	6.2	6.6	8.6
Suppliers/Bank/Export	**13.6**	**174**	**70.2**
Total	**87.4**	**286**	**239**

Source: Bank of Zambia

Private and Parastatal Non-Guaranteed Debt Stock

Preliminary data show that the total external debt owed by the private sector and non-guaranteed parastatal sector increased by 99.6% to US $1,839.2 million as at end-December 2013 from US $921.2 million at end-December 2012 (see Table 15). This increase was mainly attributed to credit disbursed from various financial institutions.

Table 15: Private and Non-Guaranteed Parastatal External Debt Stock, 2011 - 2013

	2011		2012		2013*	
Creditor	**US $'million**	**% Share**	**US $'million**	**% Share**	**US $'million**	**% Share**
Private	**1,668.6**	**99.0**	915.5	99.4	1,837.4	99.9
Multilateral	74.6	4.7	58.6	6.4	60.6	3.3
Financial Institutions	579.8	35.5	250.0	27.1	977.7	53.2
Parent Company	855.6	49.5	448.3	48.7	640.5	34.8
Other	158.6	9.2	158.6	17.2	158.6	8.6
Parastatal	**14.2**	**1.0**	5.7	0.6	1.8	0.1
Total Private and Non-Guaranteed	**1,682.8**	**100.0**	**921.2**	**100.0**	**1,839.2**	**100.0**

Source: Bank of Zambia
Note: * preliminary

3.5 FISCAL SECTOR DEVELOPMENTS

Overview

Preliminary data indicate that an overall Central Government budget deficit of K8,673.2 million was recorded in 2013. This was 60.2% above the programmed deficit of K5,413.9 million. As a proportion of GDP, the overall Government budget deficit was 6.9%, thus 2.4 percentage points above the programmed level of 4.5%. This outturn was explained by higher than programmed expenditure, although revenue and grants were above target (see Table 16 and Chart 18).

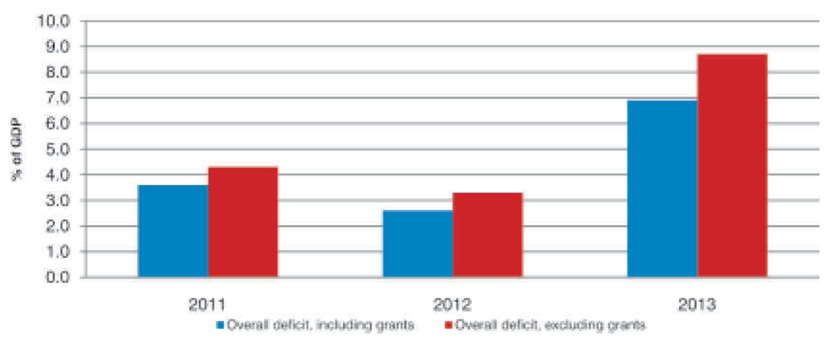
Table 16: Central Government Fiscal Operations, 2011 – 2013

	2011		2012		2013 (Target)		2013 (Preliminary)	
	K'million	**% of GDP**	**K'million**	**% of GDP**	**K'million**	**% of GDP**	**K'million**	**% of GDP**
Revenue and Grants	**20,233.0**	21.5	**23,134.6**	**21.8**	**26,271.4**	**21.7**	**26,852.5**	**21.3**
Domestic Revenue	**19,519.0**	20.8	**22,372.2**	**21.1**	**24,745.9**	**20.5**	**24,532.3**	**19.5**
Of which:								
Tax Revenue	18,885.9	20.1	20,719.0	19.5	23,535.9	19.5	23,082.6	18.3
Non-tax Revenue	633.1	0.7	1,653.2	1.6	1,210.0	1.0	1,449.7	1.2
Grants	**714.0**	**0.8**	**762.4**	**0.7**	**1,525.5**	**1.3**	**2,320.2**	**1.8**
Total Expenditure	**22,385.3**	**23.8**	**26,152.2**	**24.7**	**31,685.4**	**26.2**	**35,660.3**	**28.3**
Of which:								
Current Expenditure	18,364.4	19.5	21,092.7	19.9	22,545.5	18.6	26,498.1	21.0
Capital Expenditure	3,961.8	4.2	5,059.2	4.8	7,468.5	6.2	6,698.0	5.3
Change in balances & Stat. discrepancy	-1,206.2	-1.3	246.6	0.2	0.1	0.0	134.6	0.1
o/w Change in balances	-1,206.2	0.0	246.7	0.2	0.0	0.0	134.5	0.1
Overall bal including grants (Cash)	**-3,358.5**	**-3.6**	**-2,771.0**	**-2.6**	**-5,413.9**	**-4.5**	**-8,673.2**	**-6.9**
Of which:								
Overall bal. excluding grants (Cash)	**-4,072.5**	**-4.3**	**-3,533.4**	**-3.3**	**-6,939.4**	**-5.7**	**-10,993.4**	**-8.7**

Source: Ministry of Finance

CHART 18:

BUDGET PERFORMANCE, 2011 - 2013



Revenue and Grants

Total revenue and grants at K26,852.5 million were 2.2% above the target of K26,271.4 million. This was mainly explained by the higher than programmed value added tax (VAT) outturn and higher disbursements of project support from cooperating partners. Accordingly, domestic revenue accounted for 91.4% of total revenue and grants, while grants accounted for 8.6%. As a proportion of GDP, however, total revenue and grants at 21.3% were 0.4 percentage points below the programmed level of 21.7% (see Table 17a).

Table 17a: Central Government Revenue, 2011 – 2013

	2011		2012		2013 (Target)		2013 (Preliminary)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Revenue and Grants	**20,233.0**	**21.5**	**23,134.6**	**21.8**	**26,271.4**	21.7	**26,852.5**	**21.3**
Domestic Revenue	**19,519.0**	**20.8**	**22,372.2**	**21.1**	**24,745.9**	20.5	**24,532.3**	**19.5**
Tax Revenue	**18,885.9**	**20.1**	**20,719.0**	**19.5**	**23,535.9**	19.5	**23,082.6**	**18.3**
Income Tax	**11,522.7**	**12.3**	**11,733.8**	**11.1**	**12,809.5**	10.6	**11,574.5**	**9.2**
Personal Tax	4,522.4	4.8	4,934.1	4.7	5,018.7	4.1	5,682.2	4.5
Company Tax	5,396.3	5.7	4,402.2	4.2	4,788.6	4.0	2,853.8	2.3
Extraction Royalty	868.0	0.9	1,458.6	1.4	1,922.0	1.6	1,760.7	1.4
Other Taxes/ Windfall	736.0	0.8	938.9	0.9	1,080.2	0.9	1,277.8	1.0
Domestic Goods & Services	**1,625.1**	**1.7**	**1,922.3**	**1.8**	**3,096.8**	**2.6**	**3,550.0**	**2.8**
Excise Taxes	1,664.7	1.8	2,201.5	2.1	2,596.2	2.1	2,351.7	1.9
Domestic VAT	-39.6	0.0	-279.2	-0.3	500.6	0.4	1,198.3	1.0
International Trade Taxes	**5,738.1**	**6.1**	**7,062.9**	**6.7**	**7,629.6**	**6.3**	**7,958.1**	**6.3**
Import Tariffs	1,725.4	1.8	2,040.6	1.9	2,113.8	1.7	1,808.4	1.4
Import VAT	4,012.7	4.3	5,022.3	4.7	5,515.8	4.6	6,149.7	4.9
Non-tax Revenue	**633.1**	**0.7**	**1,653.2**	**1.6**	**1,210.0**	**1.0**	**1,449.7**	**1.2**
Fees and Charges		0.0	730.2	0.7	1,038.7	0.9	1,204.0	1.0
Dividends and Interest	0.0	0.0	280.5	0.3	6.0	0.0	52.6	0.0
Other Receipts	633.1	0.7	642.5	0.6	165.3	0.1	193.1	0.2
Grants	**714.0**	**0.8**	**762.4**	**0.7**	**1,525.5**	**1.3**	**2,320.2**	**1.8**
Programme	667.4	0.7	762.4	0.7	599.0	0.5	235.8	0.2
Projects	46.6	0.0	0.0	0.0	926.5	0.8	2,084.4	1.7

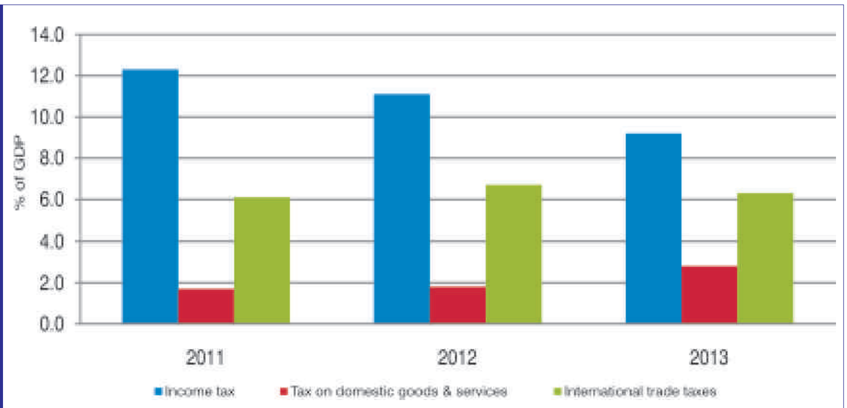
Source: Ministry of Finance

Tax Revenue

Total tax revenue at K23,082.6 million was 1.9% below the target of K23,535.9 million. This outturn was mainly due to lower than programmed company income tax, which at K2,853.8 million was below target by 40.4% following lower collections from the mining sector. In addition, mineral extraction royalty, excise and import duties at K1,760.7 million, K2,351.7 million and K1,808.4 million were below target by 8.4%, 9.4% and 14.4%, respectively. As a proportion of GDP, tax revenue at 18.3% was 1.2 percentage points lower than programmed (see Chart 19).

CHART 19:

DEVELOPMENTS IN TAX REVENUE, 2011 - 2013



Non Tax Revenue

Non-tax revenue amounted to K1,449.7 million in 2013, and was 19.8% higher than the target of K1,210.0 million. This was largely driven by the higher than projected collections of user fees and charges. As a proportion of GDP, non-tax revenue at 1.2% was 0.2 percentage points higher the target of 1.0%.

Grants

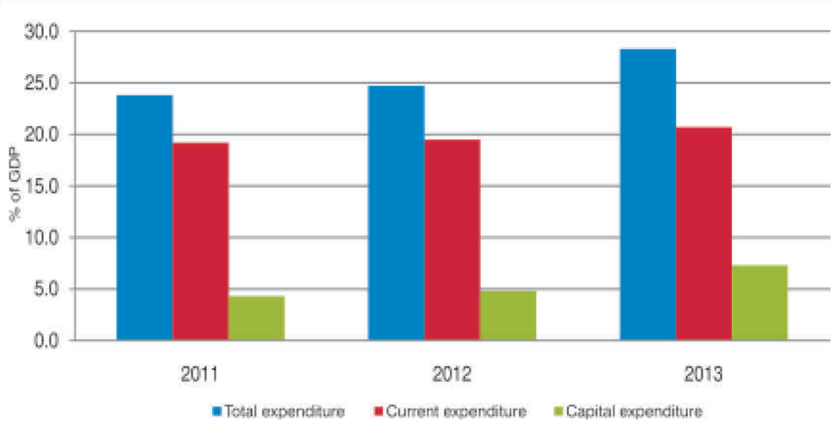
Total grants at K2,320.2 million were 52.1% above the programmed amount of K1,525.5 million. This was attributed to the higher disbursement of project grants. As a proportion of GDP, grants were 1.8% compared with a target of 1.3%.

Total Expenditure

Total expenditure at K35,660.3 million was 12.5% above the programmed level of K31,685.4 million in 2013, mainly due to higher than programmed current expenditure, as capital expenditure was below the programmed level. As a proportion of GDP, total expenditure at 28.3% was 2.1 percentage points above the programmed level of 26.2% (see Chart 20).

CHART 20:

DEVELOPMENTS IN EXPENDITURE, 2011 – 2013 (% OF GDP)



Current Expenditure

Total current expenditure at K26,498.1 million was 17.5% higher than the programmed expenditure of K22,545.5 million. This outturn was explained by higher expenditure on grants and other payments, personal emoluments, as well as other expenses.

Grants and other payments at K5,646.2 million were above target by 74.3%, mainly attributed to the fuel subsidy prior to its removal and higher expenditure towards the procurement of inputs under the Farmer Input Support Programme. Personal emoluments at K11,897.1 million were above target by 8.0%, following a higher than projected wage award for public service workers, which was implemented in September 2013. The higher than programmed expenditure on procurement of strategic food reserves explained the outturn in other expenses.

At 20.7% of GDP, current expenditure was 2.4 percentage points above the programmed level of 18.3% of GDP (see Table 17b).

Table 17b: Central Government Expenditure, 2011 – 2013

	2011		2012		2013 (Target)		2013 (Preliminary)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Total Expenditure	**22,385.3**	**23.8**	**26,152.2**	**24.7**	**31,685.4**	**26.2**	**35,660.3**	**28.3**
Current Expenditure	**18,364.4**	**19.2**	**21,092.7**	**19.5**	**22,545.5**	**18.3**	**26,498.1**	**20.7**
Wages and Salaries	7,391.7	7.9	9,390.4	8.9	11,015.6	9.1	11,897.1	9.4
PSRP	10.0	0.0	2.5	0.0	16.0	0.0	0.0	0.0
Use of Goods and Services	4,099.9	4.4	4,340.8	4.1	4,755.7	3.9	4,471.0	3.5
Interest on Public Debt	1,082.5	1.2	1,747.9	1.6	2,020.9	1.7	2,248.0	1.8
Domestic Debt	1,013.4	1.1	1,636.3	1.5	1,521.3	1.3	1,886.9	1.5
Foreign Debt	69.1	0.1	111.6	0.1	499.6	0.4	361.1	0.3
Grants and Other Payments	2,569.5	2.7	2,748.6	2.6	3,239.1	2.7	5,646.2	4.5
Social Benefits	961.6	1.0	826.2	0.8	739.7	0.6	703.9	0.6
Other Expenses	1,887.8	2.0	1,574.9	1.5	344.6	0.3	1,111.2	0.9
Liabilities	361.4	0.4	461.4	0.4	413.9	0.3	420.7	0.3
Capital Expenditure	**4,020.9**	**4.3**	5,059.5	**4.8**	**9,139.9**	**7.6**	**9,162.2**	**7.3**
Domestically Financed	3,961.8	4.2	5,059.2	4.8	7,468.5	6.2	6,698.0	5.3
Foreign Financed	59.1	0.1	0.3	0.0	1,671.4	1.4	2,464.2	2.0

Source: Ministry of Finance

Capital Expenditure

Total capital expenditure was K9,162.2 million in 2013, thus 0.2% above the projected expenditure of K9,139.9 million. This was mainly due to higher than programmed expenditure on road construction. As a percentage of GDP, total capital expenditure at 7.3% was 0.4 percentage points below the projection of 7.6%.

Robert Makasa University in Chinsali... one of several university projects under construction

Deficit Financing

Total budget deficit financing in 2013 was K8,673.2 million, thus 60.2% above the target of K5,413.9 million. This comprised domestic and external borrowing amounting to K6,357.0 million and K2,316.2 million, respectively. As a percentage of GDP, total financing at 6.9% was 2.4 percentage points higher than the programmed financing of 4.5%. Domestic and external financing were 5.0% and 1.8% of GDP against targets of 1.5% and 2.9% of GDP, respectively (see Table 18).

Table 18: Budget Deficit Financing, 2011 - 2013

	2011		2012		2013 (Target)		2013 (Preliminary)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Total Financing	**3,358.5**	**3.6**	**2,771.0**	**2.6**	**5,413.9**	**4.5**	**8,673.2**	**6.9**
Domestic	**2,321.8**	**2.5**	**1,463.9**	**1.4**	**1,863.5**	**1.5**	**6,357.0**	**5.0**
External	**1,036.7**	**1.1**	**1,307.1**	**1.2**	**3,550.4**	**2.9**	**2,316.2**	**1.8**
Programme Loans	1,136.1	1.2	1,821.2	1.7	2,840.2	2.3	2,139.9	1.7
Project Loans	0.0	0.0	0.0	0.0	1,237.1	1.0	926.1	0.7
Amortisation	-99.4	-0.1	-514.1	-0.5	-526.9	-0.4	-749.8	-0.6

Source: Ministry of Finance

3.6 REAL SECTOR DEVELOPMENTS

National Output

The overall performance of the economy continued to be favourable in 2013. Preliminary data indicate that real Gross Domestic Product (GDP) grew by 6.5% compared with 7.3% in 2012. This was mainly driven by expansions in transport, storage and communications; construction; community, social and personal services; as well as financial institutions and insurance, sectors. Growth was also recorded in, among others, manufacturing; wholesale and retail trade; as well as mining and quarrying; sectors. However, the agriculture, forestry and fishing sector registered a decline due to the infestation of army worms and poor rainfall patterns in some parts of the country (see Tables 19a, 19b, 22a and 22b).

Table 19a: Sectoral Contribution to Real GDP Growth, 2011 - 2013 (in Constant 1994 Prices)

	2011	2012	2013
Growth in Real GDP (%)	**6.8**	**7.3**	**6.5**
Agriculture, Forestry and Fisheries	1.0	0.9	-0.9
Mining and Quarrying	-0.5	-0.2	0.3
Manufacturing	0.7	0.7	0.5
Electricity, Gas and Water	0.2	0.1	0.1
Construction	1.1	1.6	1.6
Wholesale and Retail trade	1.1	0.6	0.5
Restaurants, Bars and Hotels	0.2	-0.1	0.0
Transport, Storage and Communications	1.4	1.3	1.8
Financial Institutions and Insurance	0.3	0.8	0.9
Real Estate and Business services	0.2	0.3	0.2
Community, Social and Personal Services	0.7	0.8	1.1
Financial Intermediary Services Indirectly Measured	-0.1	-0.1	-0.1
Taxes on products	0.5	0.5	0.5

Source: Central Statistical Office

Table 19b: Real GDP Growth, 2011 - 2013 (in Constant 1994 Prices)

	2011	2012	2013
Growth in Real GDP (%)	**6.8**	**7.3**	**6.5**
Agriculture, Forestry and Fishing	8.0	6.8	-7.4
Mining and Quarrying	-5.2	-2.7	4.1
Manufacturing	8.0	7.2	5.8
Electricity, Gas and Water	8.2	4.1	5.0
Construction	8.9	13.6	12.4
Wholesale and Retail trade	7.5	4.0	3.3
Restaurants, Bars and Hotels	7.9	-2.6	0.7
Transport, Storage and Communications	13.7	12.8	16.0
Financial Institutions and Insurance	4.9	12.0	12.2
Real Estate and Business services	2.9	3.7	3.1
Community, Social and Personal Services	8.4	9.4	12.8
Financial Intermediary Services Indirectly Measured	2.3	2.3	2.3
Taxes on products	6.8	7.3	6.5

Source: Central Statistical Office

Agriculture, Forestry and Fisheries

The agriculture, forestry and fisheries sector declined by 7.4% in 2013 compared with a growth of 6.8% in 2012. This was mainly due to a decline in the agriculture sub-sector by 15.4%, largely explained by the 11.2% fall in maize output to 2,532,800 mt during the 2012/13 agricultural season from 2,852,687 mt the previous season. Maize output fell mainly due to the outbreak of army worms at the time of planting and below normal rainfall conditions in the southern half of the country. Further, significant declines were recorded in the production of Irish potatoes, ground nuts, Virginia tobacco and rice (see Table 20). Consequently, the sector contributed negative 0.9 percentage points to GDP growth.

Table 20: Comparative Summary Results of 2010/11 – 2012/13 Crop Forecast (mt)

Crop	2010/11	2011/12	2012/13	Growth (%)
Maize	3,020,380	2,852,687	2,532,800	-11.2
Wheat	237,336	253,522	273,584	7.9
Sorghum	18,458	15,379	14,971	-2.7
Rice	49,410	45,321	44,747	-1.3
Sunflower	21,954	20,468	33,733	64.8
Groundnuts	139,388	113,026	106,792	-5.5
Soya beans	116,539	203,038	261,063	28.6
Mixed Beans	47,070	55,301	56,411	2.0
Irish Potatoes	27,563	32,066	22,038	-31.3
Sweet Potatoes	146,614	163,484	188,355	15.2
Virginia Tobacco (kg)	27,146	24,250	21,195	-12.6
Burley Tobacco (kg)	11,141	7,067	8,704	23.2

Source: Ministry of Agriculture and Livestock

Mining and Quarrying

Output in the mining and quarrying sector expanded by 4.1% in 2013 compared with a contraction of 2.7% in 2012. This expansion was largely explained by higher production at the major mines and the opening of Lubambe Mine. The production of copper by large mines, notably Kansanshi, Lumwana, Mopani and China Non-Ferrous Mining Corporation, increased by 12.3% to 783,468 mt in 2013 from 697,918 mt the previous year.

In addition, other mining and quarrying sub-sector grew by 3.6% compared with 4.4% in 2012, mainly driven by continued expansion in construction activities. As a result, the sector contributed 0.3 percentage points to real GDP growth compared to negative 0.2 percentage points the previous year.

Manufacturing

The manufacturing sector performance remained strong, with a preliminary growth rate of 5.8% compared with 7.2% the previous year, thus contributing 0.5 percentage points to real GDP growth. Developments in this sector were mainly driven by the continued expansion in the food, beverages and tobacco sub-sector by 6.5% compared with 7.1% in 2012, thus contributing 0.4 percentage points to real GDP growth.

Tourism

Growth in the tourism sector[7] picked up in 2013. Preliminary data showed an increase in value addition by 0.7% compared to a decline by 2.6% the previous year. This was partly explained by an increase in tourist arrivals by 6.5% to 914,576 from 859,088 in 2012, which was bolstered by the co-hosting with Zimbabwe of the 20th session of the United Nations World Tourism Organisation (UNWTO) General Assembly in Livingstone and Victoria Falls towns, respectively..

Delegates at 20th UNWTO General Assembly in Livingstone boosted tourist arrivals in 2013

Consistent with the increase in tourist arrivals, tourist entries into the country's major national parks[8] rose by 23.7% to 77,228 tourists from 62,434 tourists recorded in 2012 (see Tables 21).

Table 21: Tourist Entries in Zambia's Major National Parks, 2011 - 2013

Country	2011	2012	2013	% Change
North America	9,930	10,727	13,989	30.4
Europe	19,689	21,062	26,261	24.7
Australasia	3,857	4,572	5,851	28.0
South America	1,000	1,951	1,129	-42.1
Rest of Africa	7,145	6,778	10,136	49.5
Zambian	22,186	17,344	19,862	14.5
Total	**63,807**	**62,434**	**77,228**	**23.7**

Source: Zambia Wildlife Authority

Construction

Preliminary data indicate that growth in the construction sector remained strong at 12.4% in 2013 compared with 13.6% in 2012, thus contributing 1.6 percentage points to real GDP growth. Activity in the construction sector continued to be driven by public and private infrastructure projects such as roads, stadia, residential and commercial properties across the country. Accordingly cement production[9] rose by 2.1% to 1,557,457.4 mt from 1,525,613.1 mt in 2012.

PHI Shopping Complex in Lusaka. One of several new projects epitomising growth in construction sector

[7]Estimated by activity in restaurants, bars and hotels
[8]South Luangwa, Mosi-oa-Tunya, Lower Zambezi, Kafue, North Luangwa, Blue Lagoon
[9]Cement production is a key construction sector indicator

Transport, Storage and Communications

The transport, storage and communications sector recorded 16.0% growth in 2013, up from 12.8% in 2012. This was largely explained by strong growth in communications, air and road transport subsectors, which recorded growth rates of 22.7%, 11.4% and 7.1% compared to 18.0%, 10.8% and 7.1% in 2012, respectively. Accordingly, the sector's contribution to real GDP was the highest at 1.8 percentage points, up from 1.3 percentage points the previous year.

The expansion in air transport, which was reflected in higher frequencies by various operators, was mainly driven by passenger demand, while the expansion in the communications subsector was mainly attributed to increased mobile traffic volumes and internet usage.

Electricity, Gas and Water

Growth in the electricity, gas and water sector was recorded at 5.0% from 4.1% in 2012, while its contribution to real GDP growth was maintained at 0.1 percentage points. This was attributed to the high demand for power required to support increased economic activity in the country.

Table 22a: GDP by Kind of Economic Activity at Constant (1994) Prices, 2011 – 2013 (K' million)

KIND OF ECONOMIC ACTIVITY	2011	2012	2013*	Growth (%)
Agriculture, Forestry and Fishing	582.8	622.6	576.4	-7.4
Agriculture	306.5	340.5	288.0	-15.4
Forestry	200.8	208.2	215.9	3.7
Fishing	75.5	74.0	72.5	-2.0
Mining and Quarrying	**405.6**	**394.6**	**410.8**	**4.1**
Metal Mining	403.0	391.9	408.0	4.1
Other mining and quarrying	2.6	2.7	2.8	3.6
PRIMARY SECTOR	**988.4**	**1,017.3**	**987.2**	**-3.0**
Manufacturing	427.7	458.4	484.9	5.8
Food, Beverages and Tobacco	305.9	327.6	349.0	6.5
Textile, and leather industries	4.6	4.8	5.8	19.5
Wood and wood products	38.0	39.6	38.5	-2.8
Paper and Paper products	19.7	22.5	24.9	10.5
Chemicals, Rubber and Plastic products	37.2	40.9	44.4	8.5
Non-metallic mineral products	11.0	11.9	12.2	2.3
Basic metal products	1.5	1.8	1.9	5.8
Fabricated metal products	9.6	9.2	8.3	-10.4
Electricity, Gas and Water	110.8	115.4	121.1	5.0
Construction	552.8	627.9	705.5	12.4
SECONDARY SECTOR	**1,091.2**	**1,201.7**	**1,311.6**	**9.1**
Wholesale and Retail trade	708.9	737.1	761.7	3.3
Restaurants, Bars and Hotels	110.0	107.2	108.0	0.7
Transport, Storage and Communications	483.8	545.8	633.4	16.0
Rail Transport	5.4	3.6	3.4	-4.0
Road Transport	155.2	166.2	178.0	7.1
Air Transport	74.4	82.5	91.9	11.4
Communications	248.9	293.6	360.1	22.7
Financial Intermediaries and Insurance	323.3	362.1	406.4	12.2
Real Estate and Business services	342.8	355.3	366.3	3.1
Community, Social and Personal Services	400.3	437.9	494.1	12.8
Public Admin. & Defence; Public & Sanitary services	134.7	149.7	182.5	21.9
Education	195.9	211.3	227.9	7.9
Health	24.2	29.1	30.7	5.6
Recreation, Religious, Culture	27.1	28.8	33.3	15.6
Personal Services	18.3	19.0	19.7	3.5
TERTIARY SECTOR	**2,369.1**	**2,545.4**	**2,769.9**	**8.8**
Less: FISIM	-160.8	-164.4	-168.1	-2.3
TOTAL GROSS VALUE ADDED	**4,287.9**	**4,599.9**	**4,900.5**	**6.5**
Taxes on Products	319.7	343.0	365.4	6.5
TOTAL G.D.P. AT MARKET PRICES	**4,607.6**	**4,942.9**	**5,265.9**	**6.5**
Real Growth Rates	**6.8**	**7.3**	**6.5**	

Source: Central Statistical Office
*Preliminary estimates

Top: Makishi dancers entertaining UNWTO delegates

Below: Majorettes welcoming delegates to UNWTO conference at Livingstone International Airport

Livingstone Bus Stop construction in progress

Table 22b: GDP by Kind of Economic Activity at Current Prices, 2011 – 2013 (K' million)

KIND OF ECONOMIC ACTIVITY	2011	2012	2013*	Growth in 2013 (%)
Agriculture, Forestry and Fishing	18,094.8	20,348.5	21,441.4	5.4
Agriculture	3,351.7	3,983.8	3,595.0	-9.8
Forestry	14,151.6	15,744.4	17,198.0	9.2
Fishing	591.5	620.3	648.4	4.5
Mining and Quarrying	3,144.1	2,757.5	2,671.0	-3.1
Metal Mining	3,131.9	2,746.1	2,660.0	-3.1
Other Mining and Quarrying	12.2	11.4	11.0	-3.6
PRIMARY SECTOR	**21,238.9**	**23,106.0**	**24,112.4**	**4.4**
Manufacturing	7,790.4	8,866.6	9,960.3	12.3
Food, Beverages and Tobacco	4,996.3	5,646.5	6,383.2	13.0
Textile, and Leather Industries	106.7	117.5	151.4	28.8
Wood and Wood Products	934.7	1,045.4	1,070.8	2.4
Paper and Paper products	774.6	948.4	1,104.3	16.4
Chemicals, rubber and plastic products	703.2	822.2	959.4	16.7
Non-metallic mineral products	165.3	189.8	208.9	10.1
Basic metal products	10.4	10.6	10.5	-1.5
Fabricated metal products	99.2	86.2	71.9	-16.6
Electricity, Gas and Water	2,910.4	3,187.2	3,623.7	13.7
Construction	20,815.0	24,714.5	35,236.3	42.6
SECONDARY SECTOR	**31,515.8**	**36,768.3**	**48,820.3**	**32.8**
Wholesale and Retail trade	13,085.3	14,499.8	16,029.9	10.6
Restaurants, Bars and Hotels	2,143.8	2,176.6	2,308.1	6.0
Transport, Storage and Communications	3,578.4	4,052.1	4,676.6	15.4
Rail Transport	122.6	87.0	89.3	2.7
Road Transport	1,467.9	1,734.5	2,050.2	18.2
Air Transport	737.2	884.9	1,083.5	22.5
Communications	1,250.6	1,345.6	1,453.5	8.0
Financial Intermediaries and Insurance	7,568.8	8,998.7	10,864.0	20.7
Real Estate and Business services	5,327.7	5,820.8	6,488.6	11.5
Community, Social and Personal Services	9,696.1	11,738.7	14,151.6	20.6
Public Administration and Defence	2,082.4	2,663.0	3,472.0	30.4
Education	5,542.0	6,516.3	7,661.9	17.6
Health	1,522.9	1,947.5	2,321.3	19.2
Recreation, Religious, Culture	188.6	212.9	255.3	20.0
Personal services	360.1	399.0	441.1	10.6
TERTIARY SECTOR	**41,400.0**	**47,286.7**	**54,518.9**	**15.3**
Less: FISIM	-4,349.6	-5,171.4	-6,243.3	20.7
TOTAL GROSS VALUE ADDED	**89,805.1**	**101,989.7**	**121,208.4**	**18.8**
Taxes less subsidies on Products	3,527.5	4,025.5	4,738.5	17.7
TOTAL G.D.P. AT MARKET PRICES	**93,332.5**	**106,015.2**	**125,946.9**	**18.8**

Source: Central Statistical Office
*Preliminary estimates

Investment Pledges

Total investment pledges fell to US $3,588.4 million in 2013 from US $6,959.0 million recorded in the previous year. When fully executed, these pledges were expected to generate 18,546 jobs compared with 29,000 jobs in 2012 (see Table 23).

Table 23: Sectoral Investment Pledges and Employment, 2011 – 2013

SECTOR	2011		2012		2013	
	US $' million	Jobs	US $' million	Jobs	US $' million	Jobs
Manufacturing	739.7	14,623	731.6	5923	1,483.4	4,533
Mining	1,030.2	4,891	4,296.6	5,872	123.1	684
Energy	1,098.6	165	190.0	22	271.6	268
Real Estate	903.5	9,047	708.0	1,716	498.5	2,074
Education	3.6	63	13.7	80	7.8	11
Agriculture	10.0	104	462.5	6032	442.6	3,319
ICT	20.5	235	6.1	40	1.0	47
Tourism	744.0	1,376	196.8	2,652	493.2	3,782
Service	154.1	2,017	140.1	3,921	86.8	1,237
Construction	83.4	1,025	48.5	1,540	132.9	1,788
Health	13.3	159	2.1	65	1.7	78
Transport	48.5	462	162.6	1,130	33.3	697
Financial Institutions	141.8	479	0.4	7	12.5	28
TOTAL	**4,991.2**	**34,646**	**6,959.0**	**29,000**	**3,588.4**	**18,546**

Source: Central Statistical Office

Road construction progressed significantly in 2013

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.1 BANKING SECTOR

Overview

As at 31 December 2013, the banking sector comprised 19 commercial banks, as in 2012, of which 13 banks were subsidiaries of foreign banks[10], four banks were locally incorporated private banks[11] while two banks were partly owned[12] by Government. Following the revision of the minimum capital requirement, six of the 13 subsidiaries of foreign banks applied to convert to locally incorporated private banks.

The overall financial performance and condition of the banking sector for the year ended 31 December 2013 was rated satisfactory[13] on account of high capital adequacy ratios, and satisfactory asset quality, earnings performance and liquidity condition. Out of the 19 banks, 11 banks were rated satisfactory, seven were fair, while one bank was unsatisfactory (see Tables 24, 25 and 26).

Table 24: Composite Ratings of Financial Performance and Condition, Dec 2012 - Dec 2013

	Number of Banks		% of Total Assets		% of Total Deposits	
Performance Rating	**Dec-12**	**Dec-13**	**Dec-12**	**Dec-13**	**Dec-12**	**Dec-13**
Satisfactory	10	11	85.3	86.0	84.3	85.7
Fair	9	7	14.7	13.2	15.7	13.5
Marginal	0	0	0.0	0.8	0.0	0.0
Unsatisfactory	0	1	0.0	0.0	0.9	0.8
Total	**19**	**19**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Table 25: Component Ratings of the Banking Sector Financial Performance and Condition, Dec 2012 - Dec 2013

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

Source: Bank of Zambia

Table 26: Financial Performance Indicators, Dec 2011 - Dec 2013

Indicator	**Dec-11**	**Dec-12**	**Dec-13**
Primary capital adequacy ratio	16.8	19.4	24.5
Total regulatory capital adequacy ratio	19.2	21.3	26.8
Net non-performing loans to regulatory capital	10.2	8.7	3.5
Gross non-performing loans to total loans	10.4	8.1	7.0
Net non-performing loans to total loans	2.4	2.1	1.1
Net non-performing loans to net loans	2.6	2.3	1.2
Provisions to non-performing loans	76.7	73.5	83.2
Earning assets to total assets	81.8	77.7	82.1
Net operating income to total assets	10.9	11.2	10.5
Non-interest expense to total assets	7.4	7.3	6.9
Provision for loan losses to total assets	0.1	0.4	0.5
Net interest income total assets	6.1	6.1	6.1
Return on assets	3.7	3.9	3.4
Return on equity	25.5	20.8	18.2
Efficiency ratio	68.1	65.5	66.0
Liquid assets to total assets	40.3	36.0	38.9
Liquid assets to deposits and short-term liabilities	48.6	44.4	49.3

Source: Bank of Zambia

[10] These are locally incorporated subsidiaries of foreign banks.

[11] Banks incorporated locally which are neither subsidiaries of foreign banks nor partly owned by Government. A locally owned bank is a bank where at least 51% of its equity is owned by Zambian Citizens and/or entities incorporated in Zambia that have at least 51% equity owned by Zambian citizens.

[12] Banks which are partly owned by the Government of the Republic of Zambia.

[13] Composite ratings of 'strong, satisfactory, fair, marginal and unsatisfactory' mean the following: 1 (Strong) - excellent performance and sound in every respect with no supervisory response required; 2 (Satisfactory) - above average performance and fundamentally sound with modest correctable weakness; 3 (Fair) - average performance with a combination of weaknesses which if not corrected may become severe; 4 (Marginal) - below average performance and immoderate weaknesses which unless properly addressed could impair the future viability of the bank; and 5 (Unsatisfactory) - poor performance in most parameters and exhibits high risk of failure in the near term. The bank is under constant supervision and BoZ possession is most likely.

Balance Sheet

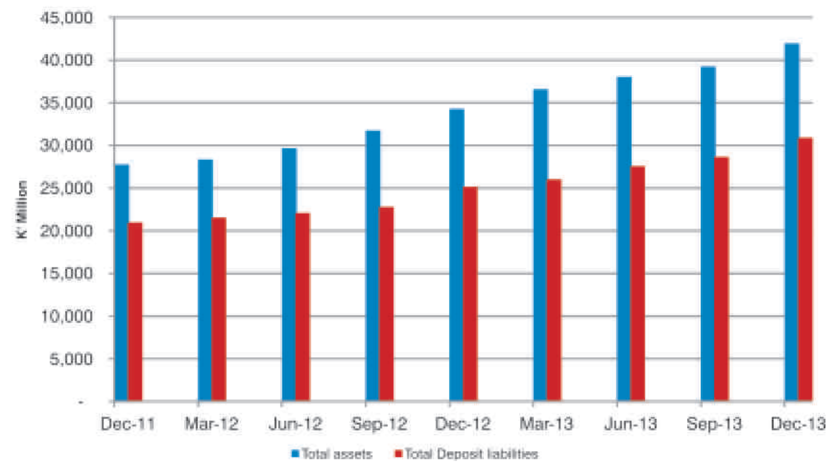
Assets

Total assets of the banking sector increased by 22.4% to K41,953.0 million at end-December 2013 from K34,276.0 million at end-December 2012. The increase was mainly on account of net loans and advances, investments in government securities, BoZ Open Market Operations (OMO) investments and balances with financial institutions abroad, which rose by 14.5%, 30.5%, 100.0% and 33.7%, respectively.

Overall, the banking sector's total assets continued to generally depict a positive trend over the past 3 years to 31 December 2013, largely due to sustained growth in total deposits (see Chart 21).

CHART 21:

TOTAL ASSETS AND LIABILITIES, DEC 2011 – DEC 2013



Asset Structure

As at end-December 2013, the asset structure largely remained unchanged. The net loans and advances at K17,884.0 million accounted for 42.6% of total assets compared with 45.6% of total assets as at end-December 2012. This was followed by investments in Government securities at K9,427.0 million or 22.5% of total assets (December 2012: K7,227.0 million or 21.1%). The other significant assets as at end-December 2013 were balances with BoZ and balances with financial institutions abroad at 12.3% (K5,175.0 million) and 11.1% of total assets (K4,647.0 million) compared to 12.4% and 10.1% of total assets as at end-December 2012.

Liabilities

In the year under review, total liabilities increased by 18.9% to K36,051.0 million from K30,311.0 million at end-December 2012. This outturn was mainly on account of a rise in total deposits by 22.8% to K30,907.0 million from K25,162.0 million in December 2012. The increase in total deposits was mainly driven by demand and time deposits which went up by 18.6% and 32.9%, respectively. On the other hand, the sector's aggregate balances due to financial institutions abroad declined by 26.8% to K1,486.0 million from K2,030.0 million at end-December 2012.

Total deposits continued to constitute the largest component of the sector's total liabilities at 85.7% compared to 83.0% in December 2012. In terms of composition, demand deposits continued to account for the largest share of the banking sector's total deposits at 61.1% compared to 63.3% as at end- December 2012. Time deposits accounted for 25.0% compared to 23.1% as at end-December 2012, while savings deposits accounted for 13.9% (December 2012: 13.6%).

Performance Indicators

Capital Adequacy

As at end-December 2013, the aggregate capital adequacy position of the banking sector was rated satisfactory. The capital adequacy ratios[14] increased to 24.5% for the primary regulatory capital (minimum requirement: 5%) and 26.8% for the total regulatory capital (minimum requirement: 10%) from 19.4% and 21.3% at end-December 2012, respectively. The primary regulatory capital increased by 50.4% to K5,657.0 million from K3,761.0 million as at December 2012, mainly on account of an increase in paid-up common shares and retained earnings.

[14]The capital adequacy framework requires banks to hold regulatory capital equal to 5% (for primary regulatory capital) and 10% (for total regulatory capital) of the bank's risk-weighted assets (RWA) in their portfolios. RWA represents the amount of bank assets (includes both on-and-off balance sheet items) multiplied by supervisory risk-weights of 0%, 20%, 50% and 100%. The assignment of risk weights is based on the perceived credit quality of an individual obligor, measured on an instrument-by-instrument. For example, the risk weights range from zero (low risk assets, e.g. treasury bills) to 100 percent (high risk assets, e.g. loans and advances).

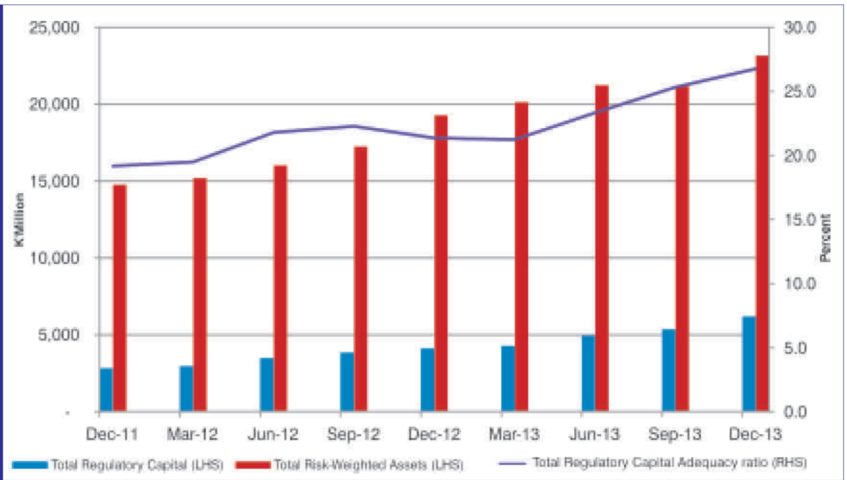
Paid-up common shares, which accounted for 63.6% of primary regulatory capital increased by 34.5% to K3,595.0 million as at end-December 2013 from K2,673.0 million at end-December 2012. Similarly, retained earnings went up by 94.5% to K1,144.0 million from K588.0 million during the same period.

The increase in regulatory primary capital was largely driven by BoZ's new capital adequacy directive announced through Commercial Banks' (CB) Circular No. 02/2012 whose effective date was revised to 2nd January 2014 from 2nd January 2013. The BoZ adjusted upwards the minimum nominal primary capital from K12 million to K104.0 million and K520.0 million for locally owned and foreign owned banks, respectively, of which at least 80% must be in form of paid-up common shares. Further, total regulatory capital increased by 50.5% to K6,201.0 million as at end-December 2013 from K4,120.0 million at end-December 2012, following an injection of Tier 2 capital amounting to K190.0 million.

The banking sector's total risk-weighted assets (RWA) rose by 19.4% to K23,114.0 million from K19,363.0 million in December 2012, mainly on account of an expansion in net loans and advances and off-balance sheet items. The capital adequacy ratios for the primary and total regulatory capital, edged upwards to 24.5% and 26.8% from 19.4% and 21.3%, respectively in December 2012 (see Chart 22). This was due to a relatively higher increase in primary and total regulatory capital compared to the rise in RWA. In addition, all banks except one, met the minimum capital requirements of K12.0 million or 5% of risk-weighted assets (for primary regulatory capital) and 10% of risk-weighted assets (for total regulatory capital).

CHART 22:

REGULATORY CAPITAL, RISK-WEIGHTED ASSETS AND CAPITAL ADEQUACY RATIOS, DEC 2011 – DEC 2013



The ratio of net non-performing loans (NPLs) to total regulatory capital fell to 3.5% at end-December 2013 from 8.7% at end-December 2012. This implied an improvement in the absorption capacity for unexpected losses in the banking sector. Meanwhile, the risk profile of the banking sector as indicated by the average risk weight (the ratio of RWA to total assets) declined to 55.1% from 58.2% at end-December 2012 (see Table 27).

Table 27: Asset Risk Profile, 2011 - 2013

Asset Type and Risk-weight Categories	2011	2012	2013
20 percent risk-weight (% of RWA)	**10.1**	**6.7**	**6.8**
Balances with banks	66.3	54.5	64.5
Investments in Government bonds	31.2	40.6	33.8
Inter-bank loans and advances	2.4	4.8	1.4
Assets in transit	0.1	0.1	0.2
Sub-total	***100.0***	***100.0***	***100***
50 percent risk-weight (% of RWA)	**5.5**	**6.1**	**7.8**
Loans and advances	97.1	99.5	97.9
Assets in transit	***2.9***	***0.5***	***2.1***
Sub-total	**100.0**	**100.0**	**100**
100 percent risk-weight (% of RWA)	75.5	78.6	72.3
Loans and advances	80.6	82.5	83.2
Inter-bank loans and advances	0.0	0.0	0.0
All other assets	19.5	21.4	16.8
Sub-total	***100.0***	***100.0***	***100***
Off-balance sheet items (% of RWA)	**8.8**	**8.3**	**13.1**
20 percent risk-weight	14.6	6.6	6.8
50 percent risk-weight	29.8	17.5	10.3
100 percent risk-weight	55.6	75.9	82.9
Sub-total	***100.0***	***100.0***	***100***
Total risk-weighted assets (RWA)	**100.0**	**100.0**	**100**
Total risk-weighted assets to total assets	53.2	58.2	55.1

Source: Bank of Zambia

Asset Quality

Asset quality was satisfactory, as reflected by the quality of the loan book during the year under review. The gross non-performing (NPLs) to gross loans ratio improved to 7.0% at end-December 2013 from 8.1% at end-December 2012. This was as a result of the increase in gross loans coupled with a reduction in gross NPLs. In addition, net non-performing loans (NNPL) to net loans ratio (NPLs less provisions to net loans) improved to 1.2% from 2.3%.

The sector's gross loans and advances increased by 14.2% to K18,980.0 million at end-December 2013 from K16,616.0 million at end-December 2012. On the other hand, the gross NPLs in the banking sector decreased by 2.1% to K1,321.0 million from K1,350.0 million. Further, the gross NPLs to total assets improved to 3.1% from 3.9% at end-December 2012. In addition, the net NPL ratio[15] improved to 1.2% at end-December 2013 from 2.3% at end-December 2012 (see Table 28).

Table 28: Gross Loans and Non-Performing Loans, 2011 - 2013

Item/year	2011	2012	2013
Gross loans (K' million)	**11,979.0**	**16,617.0**	18,980.0
NPLs (K' million)	**1,243.0**	**1,350.0**	1,321.0
Substandard	81.0	123.0	104.0
Doubtful	243.0	120.0	106.0
Loss	919.0	1,107.0	1,111.0
NPL ratio (%)	10.4	8.1	7.0
Substandard	0.7	0.7	0.5
Doubtful	2.0	0.7	0.6
Loss	7.7	6.7	5.9

Source: Bank of Zambia

Risk-Absorbing Capacity

The allowance for loan losses (ALL) rose by 10.7% to K1,099.0 million at end-December 2013 from K992.0 million at end-December 2012. Following the increase in ALL coupled with the decline in gross NPLs, the NPL coverage ratio[16] improved by 9.7 percentage points to close the year at 83.2% from 73.5% at end-December 2012. This was an improvement in the banking sector's reserve for expected loan losses (see Chart 23). The

[15] The NPL ratio does not take into account NPLs that have been fully provisioned and have no potential to negatively impact the overall quality of the loan book.

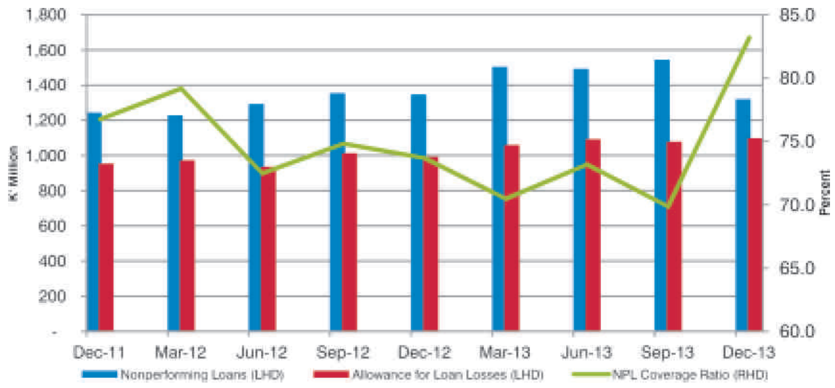
[16] **NPL Coverage ratio is the proportion** of the gross NPLs covered by the allowance for loan losses (ALL) [i.e., PLL/NPLs]. A ratio of 100% or more implies full compliance with the minimum provisioning requirements. However, since banks may take into account qualifying security as provided for in the regulations; (i.e. exemption from provisioning requirements), this ratio may not always be at 100% or more).

minimum regulatory allowance for loan losses[17] also edged upwards to 92.5% from 83.3% at end-December 2012.

Further, at end-December 2013, the ratio of net NPLs to total regulatory capital, a measure of the potential impact of NPL related losses on bank capital, significantly reduced to 3.5% from 8.7% at end-December 2012. This denoted an improvement in the absorption capacity of unexpected losses in the banking sector.

CHART 23:

NON-PERFORMING LOANS, PROVISIONS AND NPL COVERAGE RATIO, DEC 2011 - DEC 2013



Sectoral Concentration

In terms of credit concentration by sector, 'personal loans' continued to account for the largest share of total loans and advances at 33.2% compared to 34.4% at end-December 2012. This was followed by the agriculture, forestry, fishing and hunting sectors at 20.2% compared to 23.2%, manufacturing sector at 9.5% (December 2012: 11.6%) and wholesale and retail trade sector at 9.1% compared to 6.8% at end-December 2012 (see Table 29).

Table 29: Sectoral Distribution of Loans, 2011 - 2013 (%)

Sector	2011	2012	2013
Agriculture, forestry, fishing and hunting	17.9	23.2	20.2
Mining and quarrying	4.3	5.8	6.6
Manufacturing	12.4	11.6	9.5
Electricity, gas, water and energy	1.7	2.1	1.7
Construction	4.4	3.8	3.5
Wholesale and retail trade	10.5	6.8	9.1
Restaurants and hotels	1.9	2.0	1.6
Transport, storage and communication	5.4	4.7	4.5
Financial services	5.2	1.9	2.1
Personal loans	29.0	34.4	33.2
Other sectors	7.3	3.7	8.0
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

With regard to sectoral distribution of NPLs, personal loans accounted for the largest proportion of NPLs at 21.4% compared to 14.8% in December 2012, followed by the construction; agricultural; as well as wholesale and retail trade sectors at 18.4%, 10.8% and 9.8%, respectively (see Table 30).

The construction sector was the worst performing sector with the highest intra-sector[18] NPL ratio of 37.1%. This, however, was an improvement from the previous year's ratio of 40.3%. The other sectors with high intra sector NPLs were the restaurant and hotels sector at 33.7% and transport, storage and communications sector at 13.9% compared to 16.9% and 16.1%, respectively in December 2012 (see Table 31). However, the three sectors' contribution to total loans and advances were insignificant at 3.5%, 1.6% and 4.5%, respectively.

[17]Regulatory provisions are the minimum provisioning requirement for all NPLs as per Regulation 18 of SI No. 142 of 1996 [i.e., 20% provision for the sub-standard loans (90-119 days past due), 50% provisions for the doubtful loans (120-179 days past due) and 100% for the loss loan category (180 days and above past due]. However, for a crude monitoring purpose, the computation of this ratio does not take into account the provisioning exemptions in Regulation 18(2) and CB Circular 4/98 and hence not necessarily 100% of the requirements.
[18]Intra-sector NPLs refer to the loans within the sector that are not performing.

Table 30: Banking Sector Sectoral Distribution of NPLs, 2011 – 2013 (%)

Sector	2011	2012	2013
Agriculture, forestry, fishing and hunting	15.7	12.9	10.8
Mining and quarrying	6.8	5.9	5.3
Manufacturing	14.7	12.5	6.3
Electricity, gas, water and energy	0.2	0.2	0.3
Construction	15.8	18.5	18.4
Wholesale and retail trade	7.4	6.7	9.8
Restaurants and hotels	3.2	4.0	7.5
Transport, storage and communication	5.5	9.0	8.7
Financial services	1.2	1.9	1.2
Personal loans	15.0	14.8	21.4
Other sectors	14.5	13.6	10.3
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Table 31: Intra-Sector NPL Ratio, 2011 – 2013

Sector	2011	2012	2013
Agriculture, forestry, fishing and hunting	9.1	4.6	3.8
Mining and quarrying	17.5	8.4	5.7
Manufacturing	12.1	9.0	4.8
Electricity, gas, water and energy	1.9	1.0	1.2
Construction	28.0	40.3	37.1
Wholesale and retail trade	7.3	8.2	7.7
Restaurants and hotels	19.4	16.9	33.7
Transport, storage and communication	10.5	16.1	13.9
Financial services	3.1	8.5	4.2
Personal loans	7.1	4.6	5.3

Source: Bank of Zambia

Earnings Performance and Profitability[19]

In the year under review, earnings performance was rated satisfactory, as the sector posted a profit before tax (PBT) of K1,292.0 million, which was 8.5% higher than the K1,191.0 million recorded in 2012. In addition, profit after tax (PAT) at K872 million was 24.5% higher than K700.0 million recorded the previous year. This growth in profitability was mainly attributed to a relatively higher increase in net operating income of K583.0 million compared to the rise in operating expenses of K482.0 million.

Notwithstanding the above, profitability, as measured by the return on assets (RoA) dropped to 3.4% at end-December 2013 from 3.9% at end-December 2012, while the return on equity (RoE)[20] decreased to 18.2% from 20.8%. The decrease in RoA and RoE was largely on account of the proportionately higher increase in assets compared to the PBT and the proportionately higher increase in equity compared to PAT, respectively.

Despite the increase in the provision for loan loss expenses, loan loss-absorbing capacity as reflected by the pre-provision operating profit (PPP) also increased. The PPP at K1,498.0 million was 13.7% higher than K1,317.0 million generated in the preceding year (see Table 32 and Chart 24).

[19]The rating for earnings performance reflects not only the quantity and trend of earnings, but also factors that may affect the sustainability or quality of earnings. The quantity, as well as the quality of earnings can be affected by excessive or inadequately managed credit risk that may result in loan losses and require additions to provisions, or by high levels of market risk that may unduly expose an institution's earnings to volatility in interest rates. 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.

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

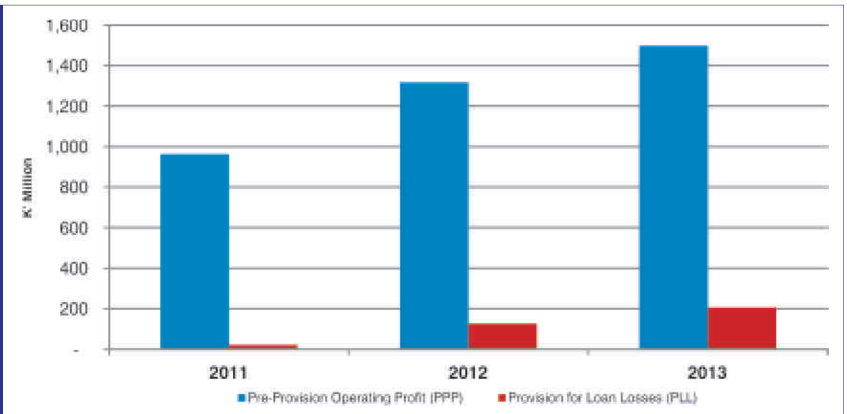
Table 32: Summarised Income Statement, 2011 - 2013 (K'million)

Particulars	2011	2012	2013
Interest Income	2,145	2,724	3,387
Interest Expenses	(450)	(619)	-845
Net Interest Income	**1,694**	**2,105**	**2,543**
Non-Interest Income	1,327	1,718	1,862
Net Operating Income	**3,022**	**3,822**	**4,405**
Non-Interest Expenses	(2,059)	(2,505)	-2,907
Pre-Provision Operating Profit (PPP)	**963**	**1,317**	**1,498**
Loan Loss Provisions	(21)	(126)	-206
Profit Before Taxation	**942**	**1,191**	**1,292**
Taxation	(331)	(491)	-420
Net Profit	**611**	**700**	**872**

Source: Bank of Zambia

CHART 24:

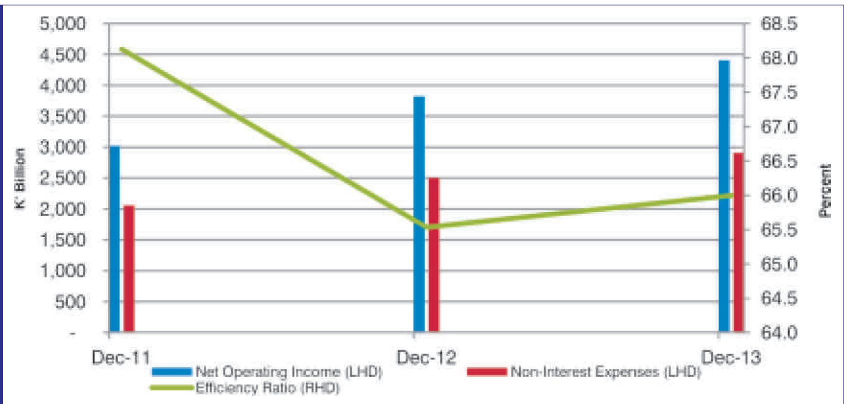
PRE-PROVISION OPERATING PROFIT AND PROVISION FOR LOAN LOSS EXPENSES, 2011 - 2013



As a result of a proportionately lower increase in net operating income of 15.3% than non-interest expenses of 16.1%, the banking sector's operational efficiency, as reflected by the efficiency ratio[21], marginally deteriorated to 66.0% in 2013 from 65.5% in 2012 (see Chart 25).

CHART 25:

NET OPERATING INCOME, NON-INTEREST EXPENSES AND EFFICIENCY RATIO, DEC 2011 – DEC 2013

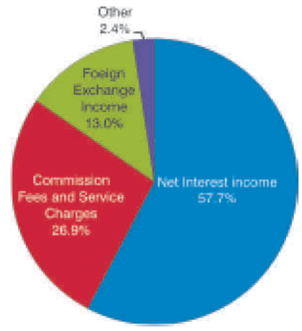


The composition of net operating income for the banking sector in 2013 remained largely unchanged. The principal sources of income were net interest income at 57.7%, commissions, fees and service charges at 26.9%, foreign exchange income at 13.0% and other non-interest income at 2.4% compared with 55.1%, 28.2%, 14.0% and 2.8% in 2012, respectively (see Chart 26).

[21]This is a ratio of non-interest expenses to operating income. An increase in the efficiency ratio means that a bank is losing a larger proportion of its income to overhead expenses.

CHART 26:

COMPOSITION OF OPERATING INCOME FOR 2013



Liquidity Risk[22] and Funds Management

The banking sector's liquidity position remained satisfactory at end-December 2013. The liquidity ratio[23] increased to 49.3% from 44.4% at end-December 2012 on account of a proportionately higher increase in liquid assets of 31.5% compared to an increase in total deposits and short term liabilities of 19.3%. Further, the liquid assets ratio[24] rose to 38.9% from 36.0% over the same period (see Chart 27). The increase in liquid assets mainly emanated from the sector's higher investment in Treasury bills and balances with foreign institutions which went up by 46.1% and 33.7%, respectively. In addition, OMO deposits rose to K1,680.0 million at end-December 2013 from a nil balance at end-December 2012 (see Table 33).

CHART 27:

LIQUIDITY CONDITION DEC 2011 - DEC 2013

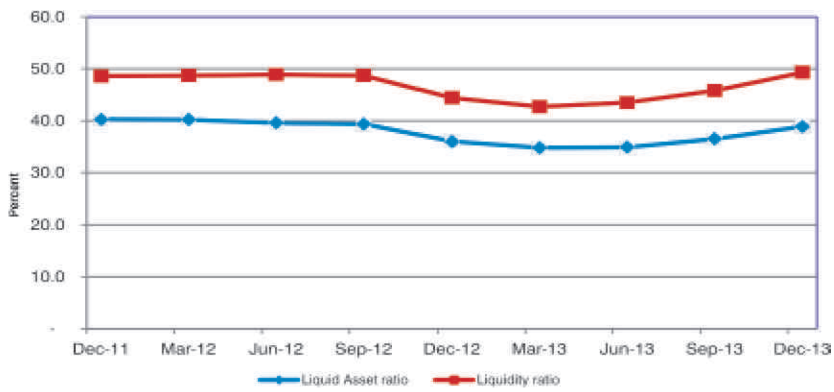


Table 33: Composition of Liquid Assets, Dec 2011 - Dec 2013 (K' million)

	Dec-2011	Dec-2012	Dec-2013
Cash and Balances with Domestic Banks	2,014	3,974	2,846
Balances with Foreign Institutions	4,673	3,477	4,647
BOZ Securities (OMO)	0	0	1,680
Treasury Bills	4,331	4,603	6,724
Government Bonds (6 Months to Maturity)	161	304	358
Total Liquid Assets	11,179	12,357	16,255

Source: Bank of Zambia

Further, there was a decrease by 4.6 percentage points in the loan-to-deposit ratio to 61.4% from 66.0% at end-December 2012. The ratio remained well below the 100% prudentially accepted threshold, an indication that the banking sector continued to have sufficient capacity to fund loan growth from stable and relatively low cost deposit liabilities. The fall in the ratio was explained by the higher percentage increase in deposits of 22.8% compared to a 14.2% increase in gross loans (see Chart 28).

[22]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.

[23]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, 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. A smaller ratio, less than 100%, is better as it implies that loans are funded by deposits which are generally low cost and quite stable.

[24]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.

CHART 28:

DEPOSITS, LOANS AND LOAN-TO-DEPOSIT RATIO, DEC 2011 - DEC 2013

The growth in the banking sector's total assets continued to be funded by the increase in total deposits. At end-December 2013, total deposits as a percentage of total assets stood at 72.5% compared to 73.4% in December 2012. However, asset funding from borrowings continued to be insignificant and at end-December 2013 declined further to 4.6% from 6.9% at end-December 2012 (see Table 34).

Table 34: Funding of Assets (percentage of total assets), Dec 2011 - Dec 2013

	Dec-2011	Dec-2012	Dec-2013
Deposits	75.6	73.4	72.5
Borrowings	9.8	6.9	4.6
Capital	9.8	11.6	14.1

Source: Bank of Zambia

Market Share Analysis

Based on the proportion of total assets and deposits, Zambia National Commercial Bank Plc (Zanaco), Stanbic Bank Zambia Limited (Stanbic), Standard Chartered Bank Plc (StanChart), and Barclays Bank (BBZ) Plc continued to dominate the banking sector's market share. In terms of the total assets, these banks accounted for 58.0% while in deposit terms they accounted for 60.3% compared to 61.5% and 61.7% at end-December 2012, respectively (see Table 35).

The banks that accounted for the largest portion of the industry's total profit before tax were StanChart (28.4%), Zanaco (17.4%), Stanbic (15.1%), BBZ (10.9%) and Citibank (9.5%).

Table 35: Commercial Banks' Market Share and Performance Indicators as at 31st December 2013

	Total Assets (%)	Total Deposits (%)	Total Loans (%)	Profit before tax (K' mn)	Return on Assets (%) (pre-tax)	Return on Equity (%)	Total Regulatory Capital Ratio
ZANACO	16.3	17.1	16.2	224	3.7	24.6	19.9
Stanbic	15	15.6	17.9	195	3.2	19.6	21.8
StanChart	13.4	13.8	15.4	366	6.7	35.6	22.1
Barclays	13.3	13.8	16.9	141	2.6	15.1	15.3
Bank of China	7.2	7.5	1.4	53	2	11.1	105.1
Finance Bank	5.6	6.3	5	108	5	28.9	25.2
Citibank	5.5	4.8	1.6	123	6	15.8	94.3
First National	5	4.6	6.6	-10	-1.1	14.9	39
Indo-Zambia	4.7	4.9	4.8	57	3.1	12.3	25.4
BancABC	3.3	1.5	4.3	57	5.5	28.4	56.8
Investrust	3.2	3.3	4	13	1.1	10.2	14.1
Ecobank	2	1.9	1.4	-7	-1.6	-7	35.6
Cavmont	1.3	1.4	1.2	-27	-4.5	-33.8	24.7
United Bank	1	0.5	0.3	-13	-6.7	-45.5	56.8
First Alliance	0.9	0.7	1.1	24	5.5	11.4	42.5
Access Bank	0.9	1	0.5	-4	-1.2	-11.8	14.7
Intermarket	0.7	0.8	0.8	10	3.1	37.8	-5
First Capital	0.5	0.4	0.4	-9	-5.9	-24.4	69.3
AB Bank	0.1	0	0.1	-10	-22.2	-57.5	50.5
Total/Weighted Average	**100**	**100**	**100**	**1,292**	**3.4**	**18.2**	**26.8**

Source: Bank of Zambia

In terms of ownership, subsidiaries of foreign banks (13) continued to dominate the banking sector's market share in terms of assets, loans and deposits. These were followed by banks partly owned by Government (two) and then lastly locally incorporated private banks (four)[25]. Similarly, the distribution of 'profit before tax' by type of ownership indicated that subsidiaries of foreign banks accounted for the largest share of the sector's total profit before tax and was followed by banks partly owned by Government (see Table 36).

Table 36: Distribution of the Assets, Loans and Deposits by Ownership Type, Dec 2011 - Dec 2013 (%)

	Dec 2011				Dec 2012				Dec 2013			
	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT
Subsidiaries of foreign banks	69.0	67.7	68.5	67.4	66.7	65.4	65.8	64.1	67.9	67.6	66.2	71.3
Banks with Government stake	21.3	21.4	20.8	25.2	21.8	21.6	21.8	24.1	21	21.1	22	21.5
Local private banks	9.8	10.9	10.7	7.4	11.5	13.0	12.5	11.8	11	11.4	11.8	7.3
Total	**100.0**	**100.0**	**100.0**	100	**100.0**	**100.0**	**100.0**	100	**100**	**100**	**100**	**100**

Source: Bank of Zambia

Bank Branches and ATM Network

During the year under review, the Bank authorised the opening of 31 branch and agency locations, which increased the number to 345 from 314 at end-December 2012. Similarly the number of ATMs rose to 724 from 629 during the same period (see Table 37).

Table 37: Banking Sector Physical Delivery Channels, 2011 – 2013

Bank	No. of Branches			No. of ATMs		
	2011	2012	2013	2011	2012	2013
AB Bank Zambia	1	3	4	0	0	0
Access Bank Zambia	5	5	5	7	7	4
BancABC Zambia	6	11	15	0	0	15
Bank of China Zambia	2	2	2	0	0	0
Barclays Bank Zambia	54	54	54	150	150	148
Cavmont Bank	15	15	15	0	0	0
Citibank	2	2	2	0	0	0
Ecobank Zambia	4	5	8	0	16	32
Finance Bank	49	51	53	63	66	88
First Alliance Bank	4	4	4	0	0	0
First National Bank	6	9	12	22	43	61
Indo Zambia Bank	15	18	25	24	27	33
Intermarket Bank	4	7	7	5	6	8
International Commercial Bank Zambia	2	2	3	0	2	3
Investrust Bank	18	19	23	25	33	47
Stanbic Bank Zambia	18	19	22	61	63	66
Standard Chartered Bank	19	21	21	36	45	45
United Bank for Africa	3	4	4	0	4	4
ZNCB	59	63	66	144	167	170
Total	**286**	**314**	**345**	**537**	**629**	**724**

Source: Bank of Zambia

Bank Inspections

In the year under review, the Bank conducted scheduled inspections of five commercial banks compared to four inspections in 2012. The inspections generally revealed weaknesses in credit underwriting and administration processes. Consequently, appropriate supervisory actions were taken. In addition to the scheduled full scope inspections, the Bank conducted regulatory compliance checks at nine banks.

[25]Other banks incorporated locally which are neither subsidiaries of foreign banks nor partly owned by Government.

The financial sector continued to expand as Governor, Dr Michael Gondwe, opens another commercial bank branch

REGULATORY POLICY MATTERS

Minimum Capital Requirement

Following the revision of the minimum capital adequacy requirements, 14 out of 19 banks had complied at 31 December 2013. The remaining five banks were granted special approval for recapitalisation plans that extend beyond the 31 December 2013 deadline.

Capping of Lending Interest Rates

Subsequent to the capping of interest rates effective 2 January 2013, results indicate that credit to the private sector continued to expand. This was evidenced by continued growth in interest income on loans and advances.

Activities of Banks in Liquidation

In 2013, the Bank continued to oversee and manage the liquidation processes of the seven banks in liquidation (see Table 38). Of these banks, five[26] declared dividends.

Table 38: Banks in Liquidation at 31st December 2013

Name of Bank in Liquidation	Receivership Date	Liquidation Date
African Commercial Bank Zambia Limited	13 November 1995	21 February 1996
Commerce Bank Zambia Limited	30 March 2000	14 December 2000
Credit Africa Bank Zambia Limited	28 November 1997	6 March 1998
First Merchant Bank Zambia Limited	2 February 1998	16 March 1999
Meridien Biao Bank Zambia Limited	15 February 1995	16 August 1995
Union Bank Zambia Limited	13 February 2001	29 March 2001
United Bank of Zambia Limited	9 July 2002	24 May 2006

Source: Bank of Zambia

4.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

Overview

The number of Non-Bank Financial Institutions (NBFIs) rose to 114 at 31 December 2013 from 107 at 31 December 2012. This was due to an increase in the number of bureaux de change and financial businesses (see Table 39).

[26] Meridian Biao Bank, Union Bank, African Commercial Bank, Commerce Bank and United Bank of Zambia

Table 39: Structure of NBFIs, 2011 – 2013

Type of Institution	Number of Institutions		
	2011	2012	2013
Leasing finance institutions	9	8	7
Building societies	3	4	4
Bureaux de change	55	57	64
Savings and credit institutions	1	1	1
Microfinance institutions	32	35	35
Development finance institutions	1	1	1
Financial Businesses	0	0	1
Credit reference Bureaux	1	1	1
Total	**102**	**107**	**114**

Source: Bank of Zambia

The overall financial performance and condition of the NBFIs Sector was satisfactory in the year under review. 40 institutions accounting for 79.9% of the sector total assets were rated satisfactory or better, 37 institutions (5.1%) were rated fair, and 21 institutions (2.8%) were rated marginal while 5 institutions accounting for 12.1% were rated unsatisfactory on account of regulatory capital deficiencies. The Bank monitored the progress by these institutions towards resolving the capital deficiencies (see Table 40).

Table 40: Performance Ratings and Financial Condition, 2011 – 2013

Performance Rating	Licence Type	Number of Institutions			% of Total Assets
		2011	2012	2013	for 2013
Strong	Deposit-taking	2	2	2	9.9
	Non-Deposit-taking	7	7	6	24.0
Satisfactory	Deposit-taking	3	3	3	15.5
	Non-Deposit-taking	29	29	29	30.5
Fair	Deposit-taking	6	6	5	1.4
	Non-Deposit-taking	30	26	32	3.7
Marginal	Deposit-taking	1	1	2	2.2
	Non-Deposit-taking	5	6	19	0.6
Unsatisfactory	Deposit-taking	1	1	5	0.6
	Non-Deposit-taking	4	3	1	11.5
Total		**88**	**84**	**103**[27]	**100**

Source: Bank of Zambia

Performance Indicators

Leasing Finance Institutions Sub-sector

The overall financial performance and condition of the leasing finance sub-sector in 2013 was satisfactory. The sub-sector was adequately capitalised, had satisfactory asset quality and earnings performance, while liquidity management was fair (see Table 41).

Table 41: Composite Rating for the Leasing Finance Sub-Sector, 2011 - 2013

Performance Category	Composite Rating Scale	Number of Leasing companies			Proportion of Industry Assets (%)		
		2011	2012	2013	2011	2012	2013
Strong	1.0 - 1.5	1	1	**2**	0	39	63
Satisfactory	1.6 - 2.4	1	1	**2**	2	5	35
Fair	2.5 - 3.4	4	4	**0**	52	55	0
Marginal	3.5 - 4.4	1	0	**1**	0	0	1
Unsatisfactory	4.5 - 5.0	2	2	**2**	13	1	1
Total		**9**	**8**	**7**	**100**	**100**	**100**

Source: Bank of Zambia

Capital Adequacy

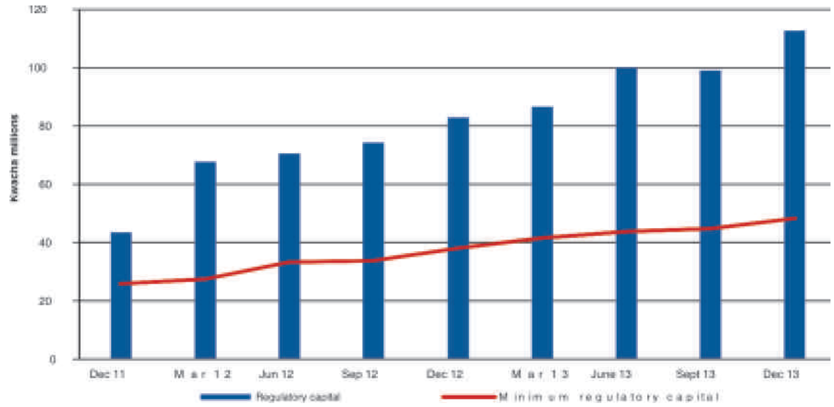
Capital adequacy was satisfactory, as the regulatory capital ratio was well above the minimum acceptable limit of 10%. The regulatory capital ratio, however, marginally declined to 23.4% at end-December 2013 from 24.0% as at end-December 2012. The decline was on account of a 39.1% increase in risk-weighted assets to K482.7 million at end-December 2013 from K347.1 million at end-December 2012.

[27]The total number of licensed NBFIs was 114. Out of the 114, 3 MFIs, six bureaux de change, 1 building society and 1 financial business had not yet started operations as at the reporting date. The other institution is a credit reference bureau that is not required to submit prudential returns.

On the other hand, the regulatory capital increased by 35.9% to K112.7 million at end-December 2013 from K82.9 million at 31 December 2012 (see Chart 29). This was largely due to a profit after tax of K18.9 million in 2013 coupled with direct equity injection of K11.3 million.

CHART 29:

LEASING FINANCE REGULATORY CAPITAL, DEC 2011 – DEC 2013



Asset Quality

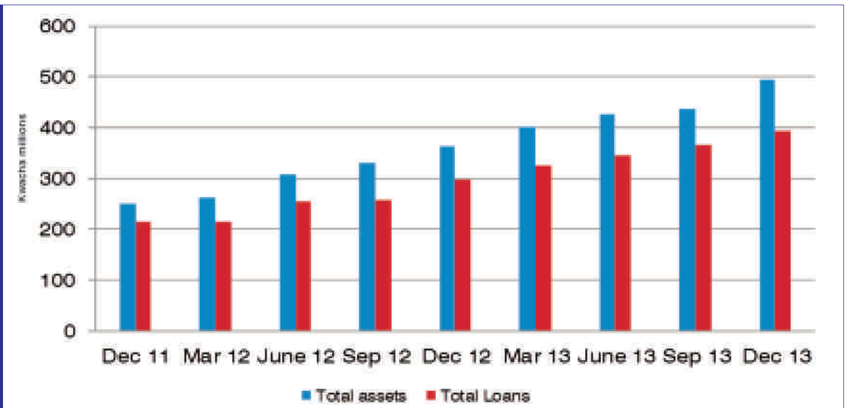
At end-December 2013, the asset quality was satisfactory. The ratio of NPLs to gross loans was below the maximum acceptable limit of 10%. However, the ratio increased to 5.4% at end-December 2013 from 3.3% at end-December 2012 on account of 116.3% increase in gross NPLs to K21.2 million at end-December 2013.

Similarly, allowance for loan losses increased by 14.0% to K11.4 million from K10.0 million at end-December 2012. However, the NPL coverage ratio decreased to 53.4% from 100% at end-December 2012 attributed to a proportionately higher increase in gross NPLs compared to the increase in the allowance for loan losses.

Total assets rose by 35.8% to K494.1 million from K363.8 million at end-December 2012. The increase was mainly noticeable in the gross loans which went up by 32.5% to K393.9 million at end-December 2013 from K297.3 million at end-December 2012 (see Chart 30).

CHART 30:

LEASING FINANCE TOTAL ASSETS AND TOTAL LOANS AND LEASES, DEC 2011 – DEC 2013

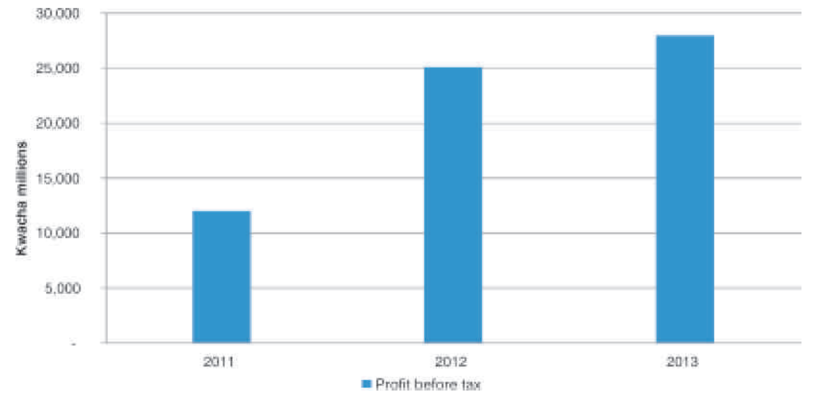


Earnings Performance

The sector recorded an increase in the profit before tax of 7.7% to K27.9 million in 2013 from the profit before tax of K25.9 million recorded in 2012 (see Chart 31). This was mainly attributed to an increase in interest income of 40.6% to K78.8 million from K56.1 million in the previous year. However, profitability, as measured by the return on assets ratio declined marginally to 6.0% compared to 7.0% in the previous year. The lower ROA ratio was due to an increase in total assets.

CHART 31:

LEASING FINANCE PROFIT BEFORE TAX, 2011 – 2013

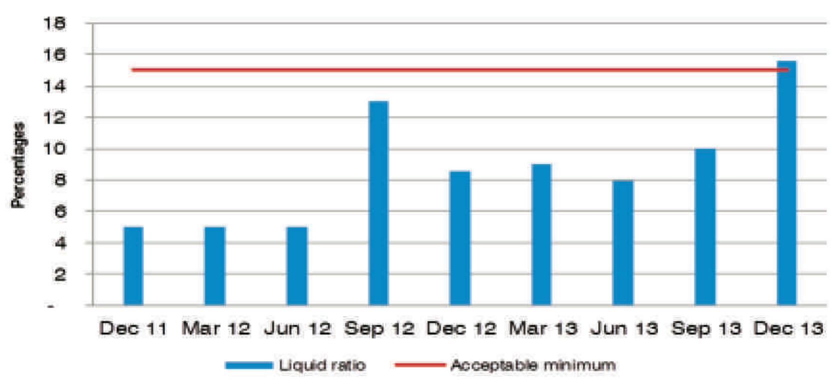


Liquidity

The overall liquidity position as measured by the ratio of liquid assets to total deposits and short-term liability was 15.4% at end-2013 compared to 8.6% at end-2012 (see Chart 32). The liquidity position at end-2013 was 0.4 percentage points above the minimum threshold of 15.0%.

CHART 32:

LEASING FINANCE LIQUIDITY TREND, DEC 2011 – DEC 2013



Building Societies Sub-Sector

The overall financial performance and condition of the building societies was marginal (see Table 42). The sub-sector was adequately capitalised with a fair rating of asset quality, while earnings performance was unsatisfactory during the year under review.

Table 42: Composite Rating for the Building Societies, 2011 - 2013

Performance Category	Composite Rating Scale	Number of Building Societies			Proportion of Industry Assets (%)		
		2011	2012	2013	2011	2012	2013
Strong	1.0 - 1.5	0	0	0	0	0	0
Satisfactory	1.6 - 2.4	1	1	1	72	68	71
Fair	2.5 - 3.4	1	1	2	20	17	29
Marginal	3.5 - 4.4	1	1	0	8	0	0
Unsatisfactory	4.5 - 5.0	0	0	0	0	15	0
Total		**3**	**3**	**3**	**100**	**100**	**100**

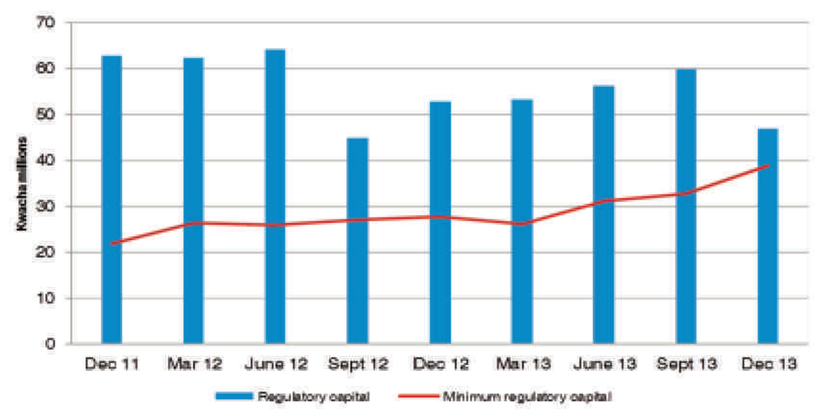
Source: Bank of Zambia

Capital Adequacy

Capital adequacy was satisfactory, despite the regulatory capital declining by 11.6% to K46.7 million at end-December 2013 from K52.8 million at end-December 2012. The decrease was mainly due to the loss after-tax of K15.7 million. Accordingly, the regulatory capital ratio declined to 12.0% from 19.1% as at end-December 2012. This, however, was above the minimum required ratio of 10.0% (see Chart 33).

CHART 33:

BUILDING SOCIETIES REGULATORY CAPITAL, DEC 2011 – DEC 2013



Asset Quality

At end-December 2013, the asset quality was marginal as the ratio of NPLs to gross loans was above the maximum acceptable limit of 10.0%. At end-December 2013, the ratio of NPLs to gross loans was 10.4% compared to 13.2% at end-December 2012, largely driven by an increase in mortgages and loans.

Notwithstanding the above, the NPL coverage ratio declined to 66.9% from 71.9% at end-December 2012. This was on account of the decline in allowance for mortgages and loan losses to K20.9 million at end-December 2013 from K23.3 million at the end of the previous year.

In contrast, the aggregate assets of the sub-sector rose by 10.7% to K521.3 million from K470.8 million at end-December 2012. The increase in total assets was mainly observed in the gross mortgages and loans which went up by 21.7% to K298.7 million at end-December 2013 from K245.5 million at end-December 2012.

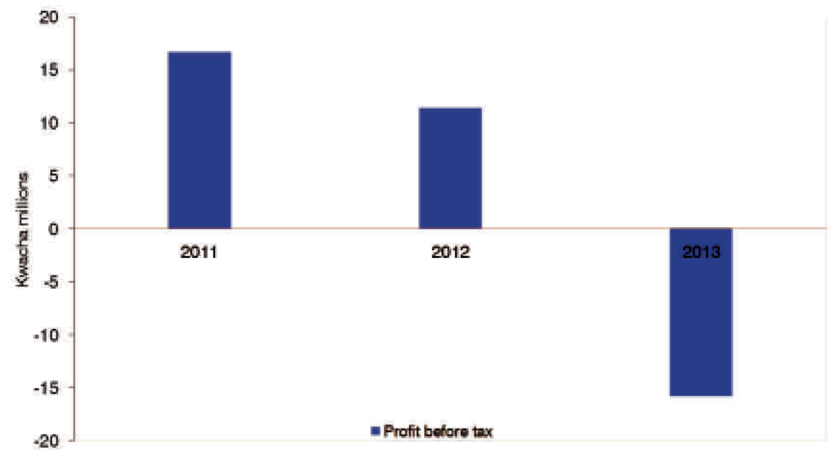
Assets of the sub-sector expanded with Society House undergoing a facelift

Earnings Performance

The earnings performance was rated marginal in the year under review. The sector recorded a loss before tax of K15.7 million compared to a profit before tax of K11.7 million in 2012 (see Chart 34). The loss was largely attributed to deterioration in operational efficiency, as the operational efficiency ratio worsened to 219.8% from 154.1% the previous year.

CHART 34:

BUILDING SOCIETIES PROFIT BEFORE TAX, 2011 – 2013

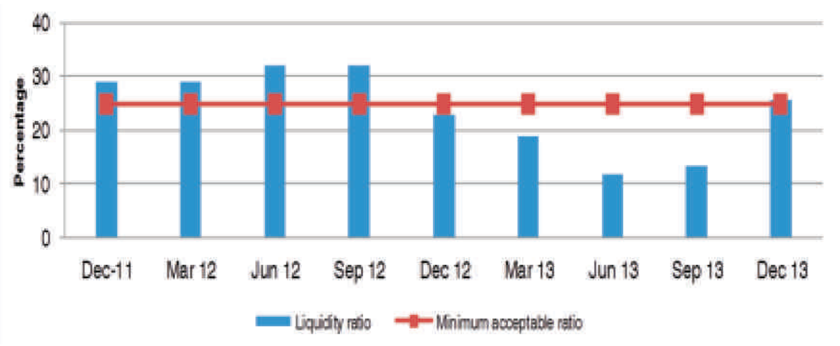


Liquidity Condition

The sub-sector liquidity condition was satisfactory. This was reflected by the ratio of liquid assets to total deposits and short-term liabilities at 25.7% compared to 34.5% in 2012. The liquidity position was above the prudential minimum ratio of 15.0% for building societies (see Chart 35).

CHART 35:

BUILDING SOCIETIES LIQUIDITY RATIO, DEC 2011 – DEC 2013



Enterprise-Lending Microfinance Institutions

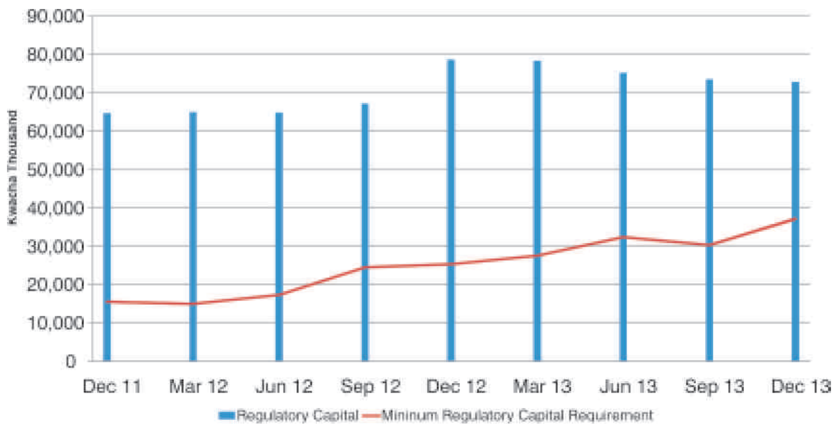
The overall financial performance and condition of the enterprise-lending MFIs sub-sector was rated marginal. The sub-sector's regulatory capital was satisfactory and its asset quality was fair. However, its earnings performance was unsatisfactory.

Capital Adequacy

The aggregate capital of the sub-sector declined by 7.5% to K72.8 million at end-December 2013 from K78.7 million at end-December 2012, mainly due to a loss after tax of K7.2 million. Consequently, the capital ratio fell to 19.6% from 31.1% at end-December 2012. However, this ratio was satisfactory, as it was above the minimum regulatory requirement of 15.0% (see Chart 36).

CHART 36:

TREND IN THE REGULATORY CAPITAL OF THE ENTERPRISE-LENDING MFI SUB-SECTOR DEC 2011 - DEC 2013

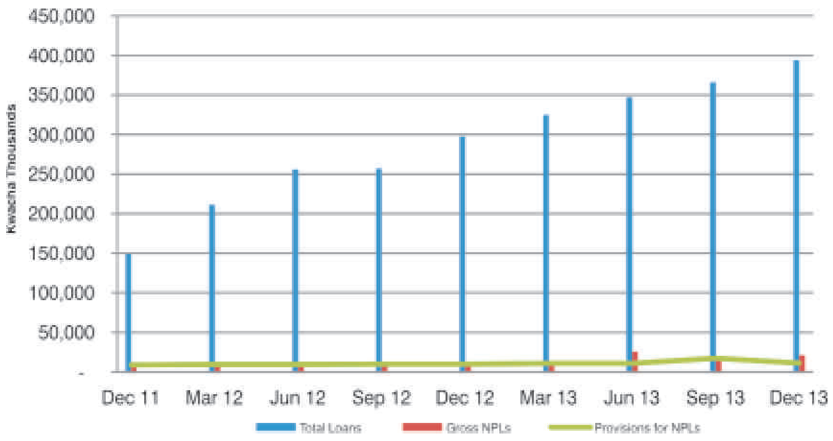


Asset Quality

At end-December 2013, asset quality of the enterprise lending MFIs was satisfactory despite the 7.4% rise in the ratio of NPLs to gross loans from 5.9% at end-December 2012, as the asset quality ratio was below the maximum requirement of 10.0%. Aggregate assets increased by 51.3% to K367.2 million at end-December 2013 from K242.7 million at end-December 2012. This was mainly on account of a 70.1% increase in the gross loans to K284.3 million from K167.1 million the previous year (see Chart 37).

CHART 37:

AGGREGATE TOTAL LOAN, GROSS NON-PERFORMING LOANS AND PROVISION FOR NON- PERFORMING LOANS DEC 2011 - DEC 2013

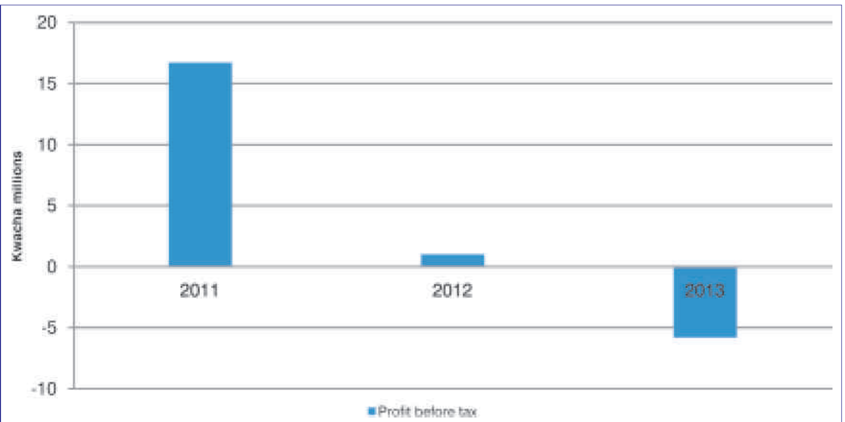


Earnings Performance

Earnings performance was unsatisfactory during the year under review as the sub-sector recorded a loss before tax of K5.8 million compared to profit before tax of K0.96 million in 2012 (see Chart 38). The loss was largely attributed to deterioration in operational efficiency, as the operational efficiency ratio worsened to 172.0% from 132.0% the previous year.

CHART 38:

PROFIT BEFORE TAX, 2011 - 2013



Consumer-Lending Microfinance Institutions

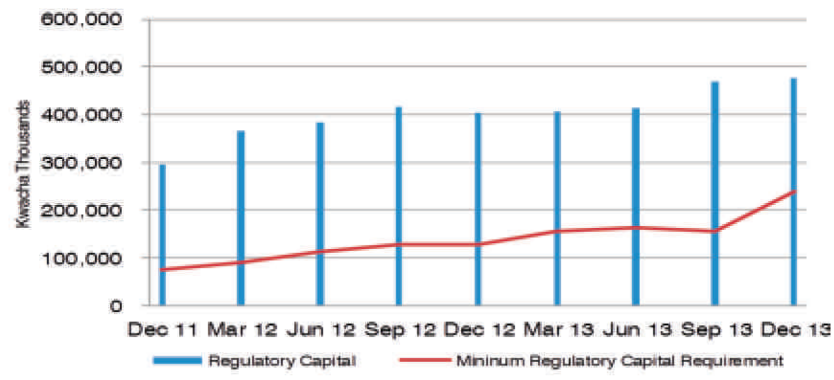
The overall financial performance and condition was satisfactory. The sub-sector had strong regulatory capital, satisfactory asset quality and earnings performance during the year under review.

Capital Adequacy

Capital adequacy was rated strong at end-December 2013. Although the regulatory capital ratio declined to 29.9% from 51.9% at end-December 2012, it was above the minimum ratio of 10%. The decline was due to a higher increase in the risk-weighted assets by 98.2% to K1,599.1 million from K806.9 million at end-December 2012, relative to an increase in regulatory capital by 8.1% to K477.0 million from K419.0 million (see Chart 39).

CHART 39:

REGULATORY CAPITAL, DEC 2011 - DEC 2013



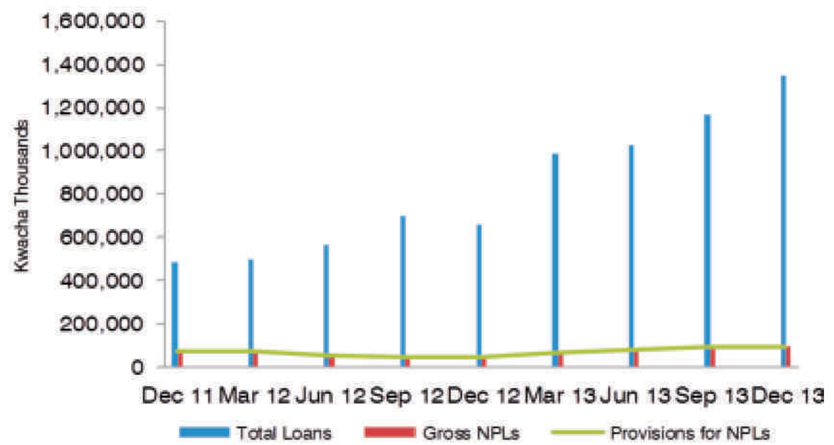
Asset Quality

At end-December 2013, the asset quality of the consumer lending MFIs was satisfactory. Although the ratio of gross NPLs to gross loans marginally increased to 6.9% from 6.6% at end-December 2012, the ratio was below the maximum acceptable limit of 10%. The increase in the ratio was on account of a rise in NPLs by 66.7% to K94.0 million from K56.4 million the previous year (see Chart 40).

Aggregate assets went up by 39.0% to K1,570.8 million from K1,129.8 million at end-December 2012 mainly on account of the rise in gross loans by 57.8% to K1,345.1 million from K852.6 million at end-December 2012.

CHART 40:

TOTAL LOANS, GROSS NON-PERFORMING LOANS AND PROVISION FOR NON-PERFORMING LOANS, DEC 2011 - DEC 2013

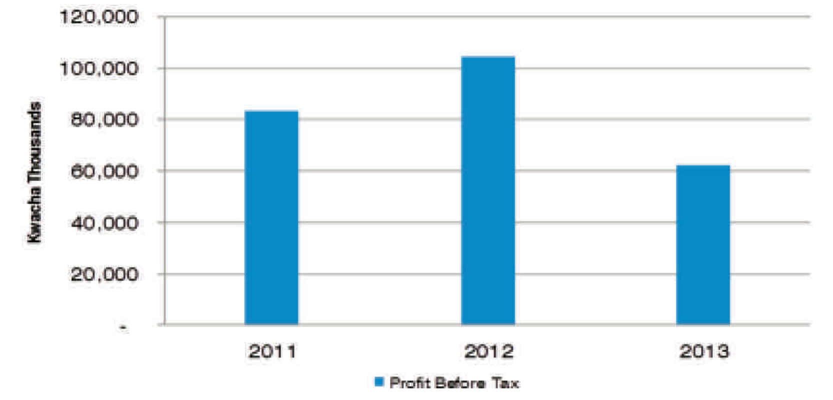


Earnings Performance

The consumer-lending MFIs earnings performance was satisfactory in the year under review. The sector recorded a profit before tax of K62.5 million, lower than the profit before tax of K104.7 million recorded in 2012, largely due to a reduction in the interest margin to 70.5% from 88.1% the previous year (see Chart 41). As a result of the decrease in profit before tax, the sector's profitability as measured by the return on assets declined to 4% from 9% in the previous year. Nonetheless, the profitability ratio was within the satisfactory range rating of 3 to 5%.

CHART 41:

PROFIT BEFORE TAX OF THE CONSUMER-LENDING MICROFINANCE, 2011 - 2013



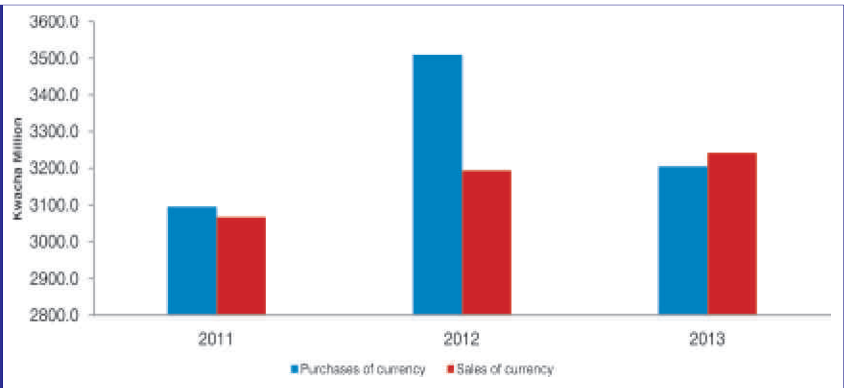
Bureaux de Change

The sub-sector was adequately capitalised at end-December 2013, as all 56 bureaux de change, which were in operation met their minimum paid-up capital requirement of K0.40 million. Their aggregate capital and reserves increased by 16.7% to K39.1 million from K33.5 million at end-2012, largely on account of equity capital from newly licenced bureaux de change.

The volume of purchases and sales of foreign currency, declined by 8.7% and 7.1% to K3,204.9 million and K3,242.2 million from K3,508.9 million and K3,491.2 million, respectively, in 2012. During the year under review, the annual average buying and selling exchange rates were K5.346 and K5.451, compared to K5.220 and K5.245, respectively, in the previous year (see Chart 42).

CHART 42:

BUREAU DE CHANGE VOLUMES OF TRANSACTIONS, 2011 – 2013



REGULATION AND SUPERVISION

During the year, 14 licences for NBFIs were granted, while seven were revoked. The licences issued comprised 10 bureaux de change, three microfinance institutions (MFIs) and one financial business, while the revoked licences comprised three MFIs, three bureaux de change and one financial business.

The Registrar revoked the licences for MFIs and bureaux following surrender by the institutions concerned, while that of Achievers Financial Services Limited was revoked following the failure by the company to commence business operation within one year from the date of the issuance of the licence, as required by law (see Table 43).

Table 43: Licences Issued and Revoked in 2013

Institution Licenced		Institution Closed	Date Revoked
Name of Bureau de Change	**Date Licenced**	**Name of Bureau de Change**	
1. NTC Bureau de Change Limited	29/05/2013	1. Binary Bureau de Change Limited	18/02/2013
2. Khobili Bureau de Change Limited	24/05/2013	2. Sterling Bureau de Change Limited	18/03/2013
3. Southern Comfort Bureau de Change Limited	30/12/2013	3. Swift Bureau de Change Limited	28/03/2013
4. Mutumbi Bureau de Change Limited	30/12/2013		
5. Munikam Bureau de Change	30/12/2013		
6. Top Rate Bureau de Change	10/10/2013		
7. Metalco Bureau de Change	16/01/2013		
8. Megabyte Bureau de Change	18/07/2013		
9. Prestige Bureau de Change	18/04/2013		
10.ESNA Bureau de Change	16/09/2013		
Name of Microfinance Institution	**Date Licensed**	**Name of Microfinance Institution**	**Date Revoked**
1. Zambia Works Financial Services Limited	30/12/2013	1. IMS Financial Services Limited	26/01/2013
2. Robert & Slyls Microcredit Limited	30/12/2013	2. Royal Microfinance Limited	13/03/2013
3. Betternow Finance Company Limited	24/05/2013	3. Wide and Deep Financial Services Ltd	8/4/2013
Name of Financial Business	**Date Licensed**	**Name of Financial Business**	**Date Revoked**
1. Zambia Home Loans Limited	29/05/2013	1. Achievers Financial Services Limited	30/08/2013

Source: Bank of Zambia

The branch network of NBFIs increased to 307 in 2013 from 288 in 2012 on account of the branches approved in the year under review. This comprised five bureaux de change and 14 MFI branches (see Tables 44 and 45).

Table 44: Approved Bureau de Change Branches in 2013

	Name of Institution	No. of Branches	Date Approved
1.	Runneymede Bureau de change Limited, Kitwe	1	21/02/2013
2.	Superstar Bureau de Change Limited – Nakonde	1	02/08/2013
3.	Dondou Bureau de Change – Kasumbalesa	1	08/07/2013
4.	Mill Bureau de Change Limited, Provident House, Lusaka	1	12/09/2013
5.	UAE Exchange Zambia Bureau de Change Limited – Manda Hill, Lusaka	1	26/12/2013
	Total	**5**	

Table 45: Microfinance Institutions Branches Approved in 2013

	Name of Institution	No. of Branches	Date Opened
1.	Agora Microfinance Zambia Limited, Chibombo	1	5/12/2013
2.	National Savings and Credit Bank	4	
	• Chavuma		18/03/2013
	• Kalabo		2/4/2013
	• Lufwanyama		22/07/2013
	• Mpongwe		22/07/2013
3.	Izwe Loans – Mongu	1	6/5/2013
4.	Zampost Microfinance Limited	2	
	• Ndola		9/4/2013
	• Kitwe		30/05/2013
5.	Zambia National Building Society	2	
	• Soweto, Lusaka		25/03/2013
	• Kapiri Mposhi		16/09/2013
6.	Gray Pages	3	
	• Luanshya		29/04/2013
	• Mutanda		
	• Solwezi		
7.	FINCA, Kafue	1	9/9/2013
	Total	**14**	

Source: Bank of Zambia

4.3 FINANCIAL SECTOR DEVELOPMENT PLAN

In 2013, implementation of reforms in the financial sector continued through activities under the Financial Sector Development Plan (FSDP)[28]. Some of the notable activities successfully implemented include:

i. The implementation of the National Strategy on Financial Education;

ii. Hosting Small and Medium Enterprises Local Content and Business linkages Forum in Lusaka in November, 2013; and

iii. Review and modernisation of the financial principal sector laws.

Implementation of the National Strategy on Financial Education

The Bank conducted various financial education awareness activities under the National Strategy on Financial Education. Among the key programmes for the year, was Zambia's commemoration of the first ever Financial Literacy Week in March 2013. This was part of the annual Child and Youth Finance International (CYFI) Global Money Week observed in over 80 countries.

In recognition of the positive efforts in promoting financial education for the young, Zambia received a runner's up Global Money Week award at the Global CYFI Summit. Arising from this recognition, Zambia hosted the second annual CYFI regional meeting for Africa which was held in Livingstone in September 2013 under the theme "reshaping the future of finance".

Law Review

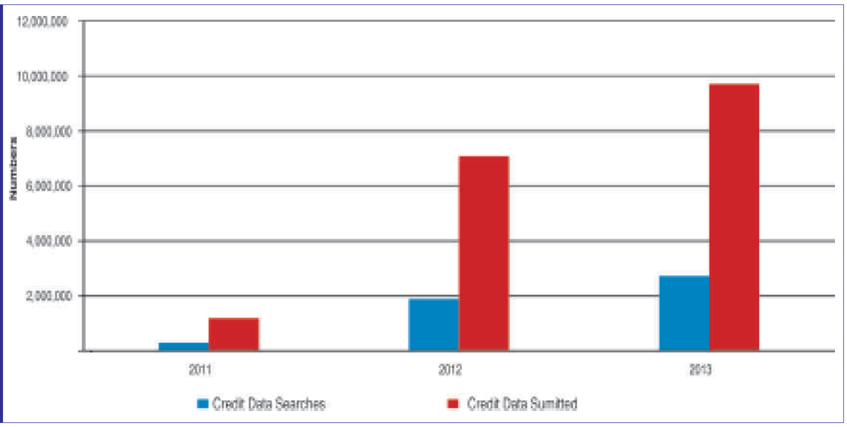
In 2013, the law review exercise continued with focus on updating the second batch of financial sector laws. In this regard, draft bills[29] were submitted to Government for further consideration in May 2013.

OPERATIONS OF CREDIT REFERENCE BUREAU AFRICA LIMITED

In the year under review, the submission of, and searches for, credit data by financial service providers increased mainly due to the continued sensitisation. The total number of credit files submitted increased by 37% to 9,709,557 from 7,084,175 in the previous year. Similarly, the total number of credit reports searched rose by 44% to 2,731,981 in 2013 from 1,898,124 during 2012 (see Chart 43).

CHART 43:

TREND OF USE OF CREDIT REFERENCE SYSTEM BY FINANCIAL SERVICE PROVIDERS, 2011 - 2013



[28]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.
[29]These were the Banking and Financial Services Act, Pensions , Insurance and Securities bills

5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

Overview

In 2013, operations of banking, currency and payment systems were satisfactory, with commercial banks generally operating within the guidelines. The Bank issued a new family of Zambian currency into circulation, effective 1st January 2013 and subsequently withdrew 97.0% of the old currency from circulation by end-2013. Further, the Bank continued to provide satisfactory management and oversight of the National Payment Systems.

5.1 BANKING

5.1.1 Operations of Commercial Bank Current Accounts

The Bank monitored account operations of commercial banks to ensure that all transactions processed were covered with adequate liquidity and also that sufficient funds were available to meet all clearing obligations. The performance of commercial banks was generally satisfactory despite some banks occasionally failing to maintain sufficient funds to meet clearing obligations on time. Generally, all commercial banks that accessed the intra-day credit facility repaid the funds by close of respective business days. Nine banks accessed the overnight lending facility (OLF) during the year, up from seven banks in the previous year. This was attributed to the fact that liquidity was concentrated in a few banks.

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

5.2 CURRENCY

5.2.1 Currency Rebasing

The Bank implemented the currency rebasing on 1st January 2013 and issued the new family of the Zambian currency into circulation. At the same time, the Bank commenced the withdrawal of the old currency from circulation. During the period 1st January to 30th June 2013, the old and rebased currencies circulated simultaneously. As such, prices of goods and services were displayed in both the old and rebased currencies. In order to assist the public distinguish the old from the rebased currencies, the Bank continued with countrywide sensitisation campaigns to educate the stakeholders on security features of the rebased currency, including the equivalencies of the two currencies.

Effective 1st July 2013, the old currency ceased to be legal tender. However, exchange of the old for the rebased currency continued at commercial banks and would last until 30th June 2014. Thereafter, the exchange exercise would be undertaken at the BoZ only in Lusaka and Ndola for a further period of 18 months, up to 31st December, 2015.

During implementation of the currency rebasing project, the Bank faced certain challenges, including the following:

i. Slow acceptance of coins by the public. Following a twenty-year absence of coins in the economy, the public did not readily accept the use of coins in their day-to-day transactions. Therefore the Bank carried out sensitisation campaigns to educate the public on the use and value of coins. As at 31st December, 2013, the Bank had issued a total of 135 million pieces of coins, representing 53.0% of currency in circulation in volume terms, a good sign that the public had accepted the coins;

ii. Slow penetration of rebased currency in far flung areas. The Bank received isolated reports of lack of rebased currency in some far flung areas such as Nabwalya and Shang'ombo on account of lack of banking facilities in these areas. The Bank took measures to ensure that these areas were adequately supplied with the rebased currency using various means such as direct cash exchange or by engaging agents, such as Zampost, to carry out the cash exchange exercise on behalf of the Bank; and

iii. High rate of soiling of the K5 and K2 banknotes. The Bank noted concerns about the high rate of soiling of the K5 and K2 and to some extent the K10 banknotes, a few months into the issuance of these denominations in circulation. An analysis of the circulation pattern of banknotes in the country revealed that the K10, K5 and K2 denominations had become the most used market banknotes with a very high velocity of circulation. Further, with inadequate banking facilities in some parts of the country especially rural areas, the timely withdrawal and replacement of unfit banknotes was a challenge.

To address the problem of high rate of soiling, the Bank embarked on the following measures:

i. Varnishing (waxing) quantities of the K5 and K2 banknotes with issuing years 2013 and 2014 in order to increase their resistance to dirt and humidity;

ii. The Bank commenced researching on more resilient and durable substrates (traditional cotton[30]) that would ensure durable and cleaner high velocity circulating banknotes; and

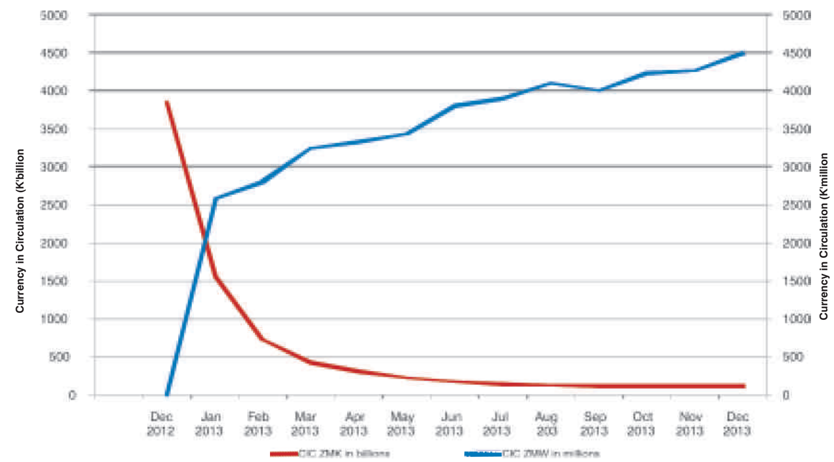
iii. In December 2013, the Bank ran a campaign in various media both in English and the seven main local languages to encourage the public to exchange soiled banknotes for clean ones at commercial banks.

5.2.2 Currency in Circulation

Currency in circulation (CIC) of the rebased currency stood at K4.5 billion as at 31st December 2013. Of this amount, banknotes accounted for 97.8% (K4.4 billion), while coins contributed 2.2% (K0.1 billion). On the other hand, CIC of the old currency declined by 97.0% to ZMK114.6 billion at 31st December, 2013 from ZMK3,841.7 billion at end of December 2012 (see Chart 44).

CHART 44:

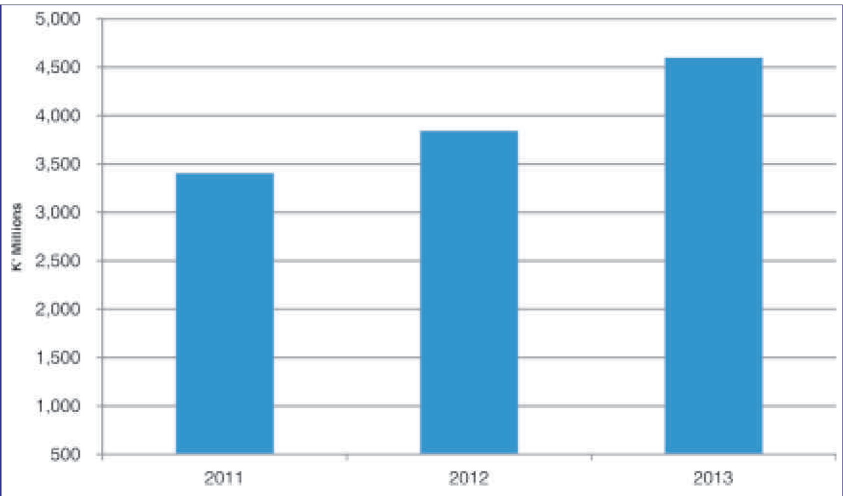
CURRENCY IN CIRCULATION, REBASED AND OLD CURRENCIES



On overall basis, at the end of 2013, CIC increased by 18.4% to K4.6 billion from K3.8 billion in December 2012 (see Chart 45). This was mainly attributed to higher economic activity.

CHART 45:

CURRENCY IN CIRCULATION, 2011 - 2013



5.2.3 Withdrawal and Destruction of the Old Currency

During the period under review, the Bank withdrew from circulation a total of 206.0 million pieces of the old currency with value ZMK3.7 trillion. This represented a withdrawal rate of 97.0%. Accordingly, the Bank destroyed a total of 296.1 million pieces of unfit banknotes with value ZMK4,625.1 billion compared with a total of 298.4 million pieces with value ZMK1,251.0 billion the previous year.

[30]Paper money

5.2.4 Withdrawal and Destruction of the Unfit Rebased Currency

During the review period, the Bank withdrew from circulation a total of 24.1 million pieces of the rebased currency with value K225.4 million. Further, a total of 23.4 million pieces of the rebased currency with value K219.8 million was destroyed in 2013.

5.3 PAYMENT SYSTEMS

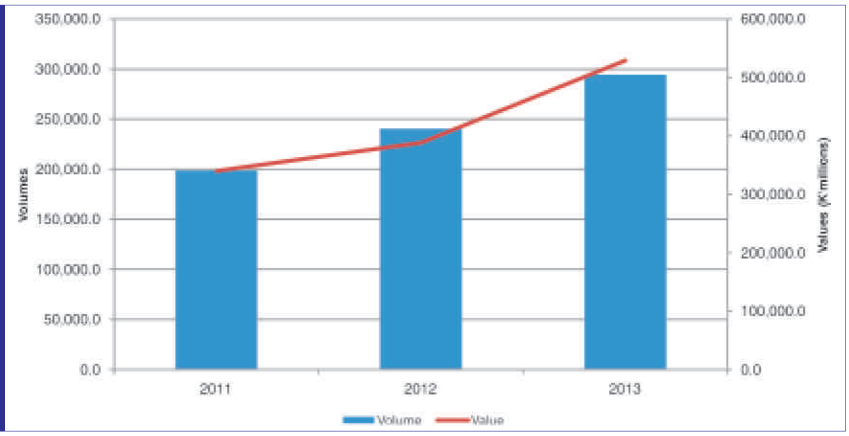
The National Payment Systems operated satisfactorily. The volume and value of transactions processed increased and recorded satisfactory levels of availability. Similarly, the use of electronic methods of payment including mobile payments continued to register significant growth during the year under review.

5.3.1 Zambian Interbank Payment and Settlement System (ZIPSS)

During the year under review, ZIPSS operations were satisfactory with all commercial banks transacting actively. On average, the system availability level was 97.7% compared to 98.9% in 2012. The value of transactions processed on ZIPSS increased by 36.2% to K528,950.0 million from K388,322.0 million in 2012[31]. The volume of transactions also increased by 22.4% to 294,503 from 240,564 reported in 2012. The increase in both volume and value of transactions in 2013 was largely attributed to a general increase in interbank and Government transactions (see Chart 46).

CHART: 46

ZIPPSS VOLUMES AND VALUES, 2011 - 2013

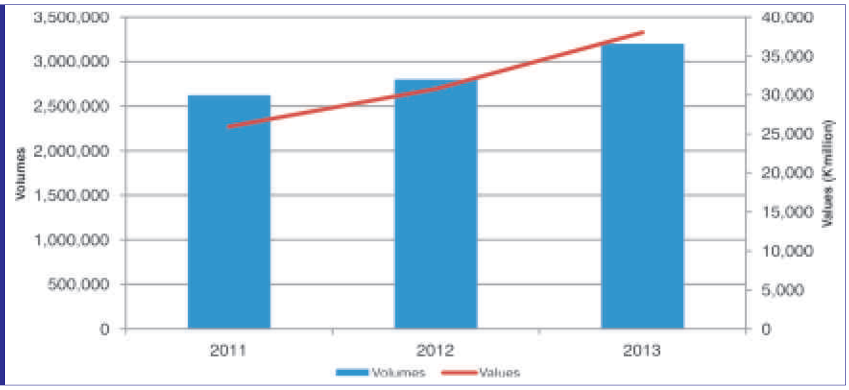


5.3.2 Cheque Image Clearing system

In 2013, the value of cheques cleared through the Cheque Image Clearing system increased by 23.5% to K38,010.9 million from K30,790.1 million worth of cheques cleared through the Physical Interbank Clearing (PIC) system in 2012. Similarly, the volume of cheques cleared increased by 14.3% to 3,200,202 from 2,800,759 in 2012 (see Chart 47).

CHART: 47

VOLUME AND VALUE OF CHEQUES CLEARED, 2011 - 2013



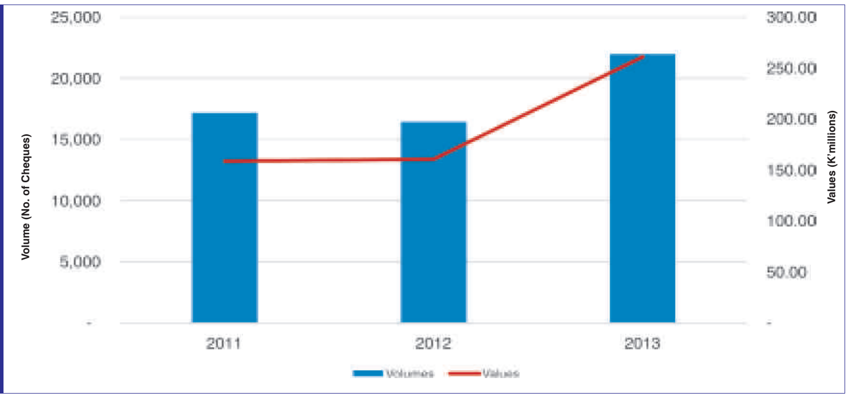
[31]Figures for 2012 were rebased consistent with currency rebasing undertaken in 2013

5.3.3 Cheques Returned Unpaid on Account of Insufficient Funds

The value of cheques returned unpaid on account of insufficient funds increased by 62.5% to K261.3 million in 2013 from K160.8 million in 2012. Similarly, the volume increased by 26.5% to 21,998 from 16,455 in 2012 (see Chart 48).

CHART: 48

UNPAID CHEQUES, 2011 - 2013

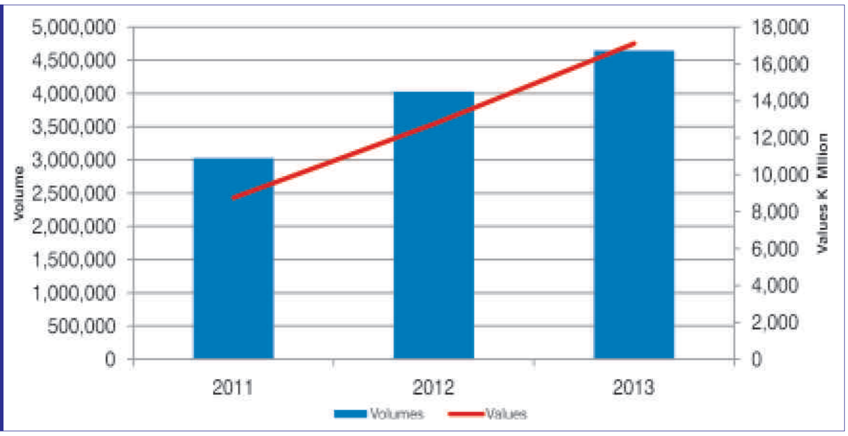


5.3.4 Direct Debit and Direct Credit (Electronic Funds Transfer) Clearing System

During the year under review, the value and volume of transactions processed through the Direct Debit and Direct Credit (DDACC) or Electronic Funds Transfer (EFT) payment stream rose. The total value grew by 34.2% to K17,109.1 million from K12,750.7 million in 2012, while the volume of transactions rose by 15.3% to 4,643,599 from 4,027,061 in 2012. Increased preference for electronic payment methods continued to explain the rise in the value and volume of transactions (see Chart 49).

CHART: 49

VALUES AND VOLUME OF ELECTRONIC FUNDS TRANSFER, 2011 – 2013

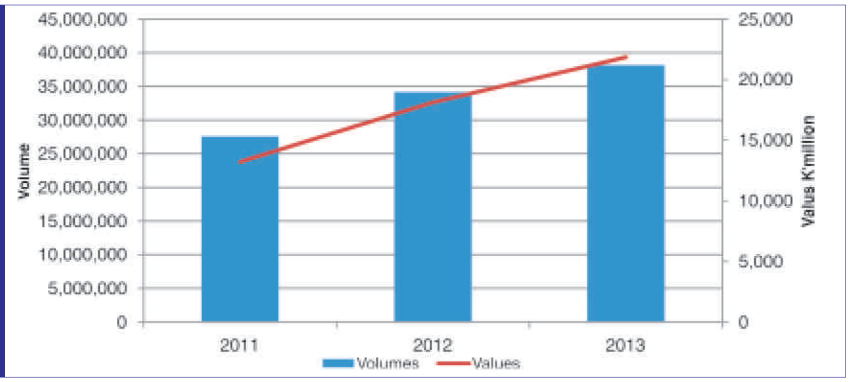


5.3.5 Transactions Processed through the Automated Teller Machines

The number of ATM machines increased to 744 in 2013 from 643 in 2012. Similarly, the transactions processed through the Automated Teller Machines (ATM) payment stream went up, driven by continued customer preference for electronic payment methods. The value of transactions rose by 20.5% to K21,855 million from K18,133 million in 2012, while the volume of ATM transactions increased by 11.7% to 38,152,320 from 34,152,340 in 2012 (see Chart 50).

CHART: 50

VALUES AND VOLUME OF ATM TRANSACTIONS, 2011 - 2013

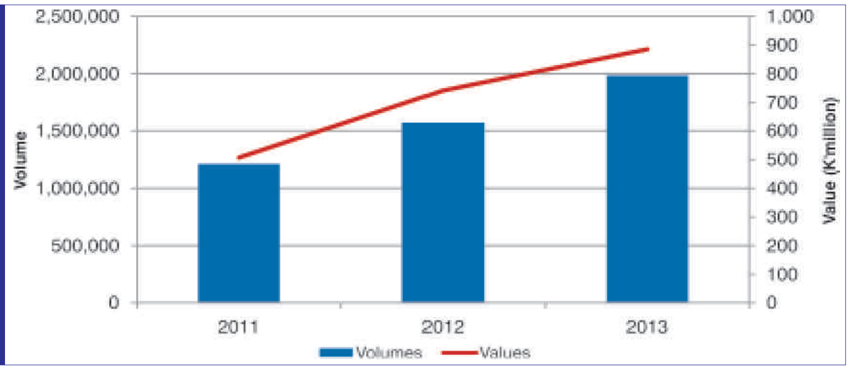


5.3.6 Transactions Processed through Point of Sale Machines

In 2013, the value of transactions processed through Point of Sale (PoS) payment stream increased by 12.0% to K885 million from K790 million in 2012. Similarly, the volume of transactions went up by 18.2% to 1,983,089 from 1,677,179 recorded in 2012. The rise in the volume and value of transactions was attributed to customer's higher preference for electronic payment methods and an increase in the number of PoS machines to 2,578 from 2,025 over the reviewed year (see Chart 51).

CHART: 51

POINTS OF SALE TRANSACTIONS, 2011 - 2013

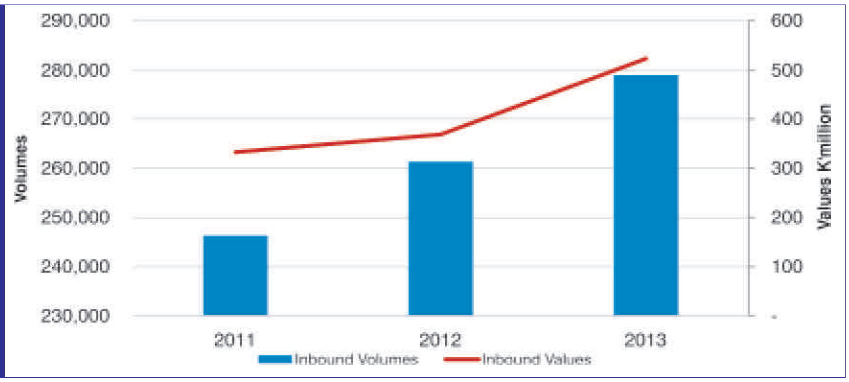


5.3.7 International Remittances

During the year under review, the value of in-bound international transactions went up by 41.6% to K522.4 million from K368.8 million in 2012. The volume equally edged upwards by 6.7% to 278,947 transactions from 261,330 in 2012. The increase was attributed to a general rise in remittances from Zambians in the diaspora (see Chart 52).

CHART: 52

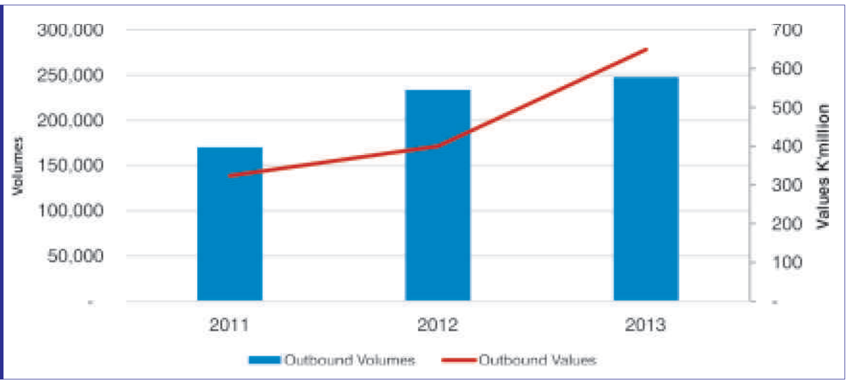
INTERNATIONAL INBOUND REMITTANCES, 2011 - 2013



Similarly, the value of international out-bound transactions increased by 68.2% to K649.2 million from K399.9 million in 2012. Correspondingly, the volume increased by 6.0% to 247,861 from 233,729 in 2012. The increase was attributed to increased outbound values transacted through Zampost and Cactus. In addition, First Capital Bank commenced money transfer business in 2013 (see Chart 53).

CHART: 53

INTERNATIONAL OUTBOUND REMITTANCES, 2011 - 2013

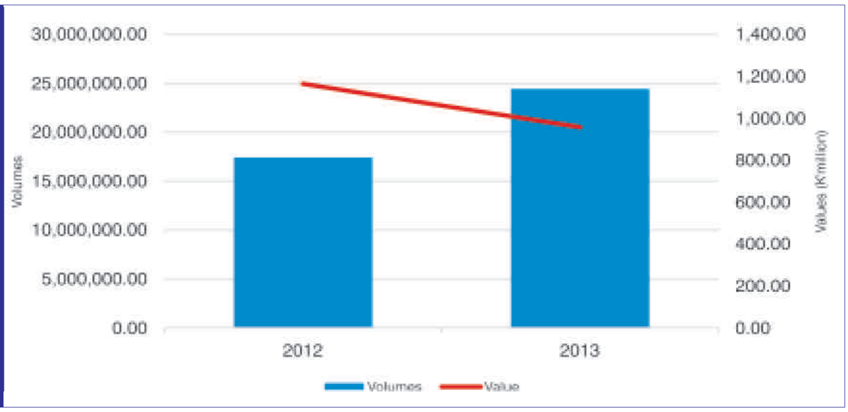


5.3.8 Mobile Money or Electronic Money (e-money) Transactions

During the year under review, the value of transactions processed through the mobile money platform decreased by 18% to K957.3 million from K1,163.6 million in 2012, mainly due to the exit of Celpay Zambia Limited from the mobile money market. However, the volume of transactions increased by 41.0% to 24,412,326 from 17,430,411, due to the growing retail market (see Chart 54).

CHART: 54

MOBILE MONEY TRANSACTIONS, 2012 - 2013



5.3.9 Designation of Payment System Participants and Businesses

In 2013, the Bank of Zambia granted one designation for a payment system business and one conditional designation for a payments system business. On the other hand, the Bank revoked the designation for Celpay Zambia Limited. This brought the total number of payment systems to four, payment system businesses to 28, while payment systems participants remained at 19.

5.4 Cheque Truncation System Project

The BoZ in collaboration with the BAZ and the ZECHL implemented the Cheque Truncation System (CTS) on 1st February, 2013. Cheque Truncation involves a process of clearing cheques using images as opposed to using physical cheques. The objective of CTS was to standardise and shorten the clearing periods of cheques across the country to one day (T+1), thus facilitating the early access to funds for customers.

However, due to system challenges encountered by banks, the implementation of the T+1 clearing rule was rescheduled to February, 2014.

6.0 STRATEGY AND RISK MANAGEMENT

6.0 STRATEGY AND RISK MANAGEMENT

During the period under review, the Bank continued to implement the 2012-2015 Strategic Plan and the Bank-wide risk management framework.

Strategic Plan Execution

The Bank's performance against the 2012-2015 Strategic Plan targets continued to be satisfactory. The Bank achieved an end-year strategic plan implementation rate of 62.6% against 48.2% in 2012. The favourable performance was attributable to rationalisation of the strategic plan, review of strategic activities to ensure that they conformed to the 'SMART' criteria of being Specific, Measurable, Attainable, Realistic and Time-bound and continued sensitisation of the business units.

Bank-wide Risk Profile

The Bank's overall risk profile improved on account of implementation of some risk treatment measures by business units. In this regard, the Bank conducted disaster recovery exercises and established a Compliance Function to coordinate issues related to compliance risk across the Bank. In addition, the Bank re-aligned the Strategy and Risk Management Department to incorporate Project Management Office (PMO) functions to ensure efficient and effective execution and monitoring of projects, across the Bank. Nonetheless, the Bank continued to face risk exposures in operational risk, financial risk and business continuity risk. This was due to delays in the implementation of mitigatory measures.

7.0 REGIONAL OFFICE

7.0 REGIONAL OFFICE

In 2013, the Bank continued to extend banking, currency and other support services to Government, commercial banks and the general public in the Northern Region. The Bank also continued to carry out on-sight inspections of commercial banks' branches and Non-Bank Financial Institutions in the region to ensure compliance with financial system regulatory requirements. In addition, the Bank facilitated the payment of dividends to former depositors, sale of properties as well as other assignments and enquiries relating to banks under liquidations or possession.

8.0 ADMINISTRATION AND SUPPORT SERVICES

8.0 ADMINISTRATION AND SUPPORT SERVICES

8.1 HUMAN RESOURCE MANAGEMENT

Structure and Staffing

As at 31st December 2013, the total staff strength of the Bank was 551 against the establishment of 698, of which 66% were male and 34% female. This staff complement comprised 358 (65%) employees on Permanent and Pensionable Service and 193 (35%) on Fixed-Term Employment Contracts (see Tables 46 and 47). Of the employees on Fixed-Term Employment Contracts, 29 were security officers seconded from the Zambia Police Service.

Table 46: Staffing Levels

Functions	2011			2012			2013		
	Estab	Actual	Diff	Estab	Actual	Diff	Estab	Actual	Diff
Executive	10	11	1	10	11	1	13	5	-8
Subtotal	***10***	***11***	***1***	***10***	***11***	***1***	***13***	***5***	***-8***
Core Departments									
Bank Supervision	37	24	-13	37	24	-13	37	27	-10
Banking, Currency & Payment Systems	93	68	-25	93	76	-17	93	71	-22
Economics	49	34	-15	49	34	-15	49	39	-10
Financial Markets	47	28	-19	47	29	-18	47	34	-13
Non-Bank Financial Institutions Supervision	34	29	-5	34	29	-5	34	28	-6
Strategy & Risk Management	11	5	-6	11	5	-6	11	6	-5
Subtotal	***271***	***188***	***-83***	***271***	***197***	***-74***	***271***	***205***	***-66***
Support Services									
Board Secretary	0	0	0	0	0	0	12	9	-3
Finance	44	32	-12	44	33	-11	44	33	-11
Human Resources	38	20	-18	38	19	-19	38	18	-20
Information & Communications Technology	39	30	-9	39	30	-9	39	26	-13
Bank Secretariat	19	17	-2	19	17	-2	0	0	0
Internal Audit	26	16	-10	26	16	-10	26	15	-11
Legal Services	0	0	0	0	0	0	11	7	-4
Procurement & Maintenance Services	73	51	-22	73	61	-12	73	56	-17
Security	53	56	3	53	56	3	82	91	9
Subtotal	***292***	***222***	***-70***	***292***	***232***	***-60***	***325***	***255***	***-70***
Regional Office	120	117	-3	120	128	8	89	86	-3
Subtotal	***120***	***117***	***-3***	***120***	***128***	***8***	***89***	***86***	***-3***
Total	***693***	***538***	***-155***	***693***	***568***	***-125***	***698***	***551***	***-147***

Source: Bank of Zambia

Table 47: Distribution of Staff as at 31st Dec 2013

	Permanent & Pensionable			Fixed Term Contract			
Location	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Total**
Lusaka	193	83	276	95	56	151	***427***
Ndola	52	30	82	25	17	42	***124***
Total	**245**	**113**	**358**	**120**	**73**	**193**	**551**

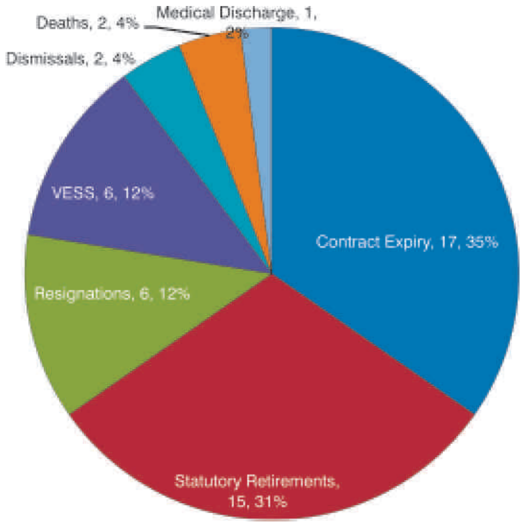
Source: Bank of Zambia

Staff Movements

In 2013, the Bank recruited a total of 36 employees, while 49 employees separated from the Bank. The separations were due to expiry of contracts, statutory retirements, resignations, Voluntary Early Separation Scheme (VESS), dismissals, deaths and medical discharge (see Chart 55).

CHART: 57

DISTRIBUTION OF SEPARATIONS FROM THE BANK IN 2013



Staff Welfare

Industrial Relations Climate and Conditions of Service

During the year, the Bank continued to enjoy a harmonious industrial relations climate. The employees were awarded a 6% salary increment effective 1st August 2013, arising from the 2012-2014 Collective Agreement.

Medical Services

The Bank continued to provide medical services to its employees through the BoZ clinic and selected medical service providers. In addition, as part of the employee welfare program, the Bank organised presentations on health matters, which included dental and Blood pressure check-ups.

Library and Records Management

During the year, the Bank continued to subscribe to various e-resources through the International Network for the Availability of Scientific Publications (INASP). In addition, the Bank renewed the contract with Business Monitor International which extended access to economic and financial information to more members of staff.

Capacity Building Programmes

The Bank continued to provide capacity building programmes through relevant workshops and seminars both locally and abroad. In addition, members of staff upgraded their qualifications at various levels (see Table 47). Further, the Bank continued to provide support to the University of Zambia (UNZA) and Copperbelt University (CBU) in accordance with the Memoranda of Understanding signed between the Bank and the two universities.

Table 48: Study Programmes: 2011 – 2013

PROGRAMME	YEAR		
	2011	2012	2013
PhD	1	2	0
Masters Qualifications; MBA, LLM, MSc etc	26	18	2
Bachelor's Degrees in Laws, Banking & Financial Services, Public Administration & Computing	7	5	0
Professional Qualifications; Chartered Financial Analyst, Certified Internal Auditors & Association of Certified Chartered Accountants	2	5	0
Diplomas in Business Management, Public Administration, Treasury & International Banking, Computing, Banking, Purchasing & Supply & accounting	3	4	0
TOTAL	**39**	**34**	**2**

Source: Bank of Zambia

Performance Management and Appraisal Systems

During the year under review, the Bank continued to implement the performance management system by undertaking institutional and individual assessments to ascertain performance. In its efforts to enhance performance instruments, the Bank reviewed the Performance Management System and introduced new contract and appraisal forms.

8.2 INTERNAL AUDIT

During the year under review, the internal audit function continued to provide independent assurance and consulting services to the Board and Management by evaluating the adequacy and effectiveness of internal controls, risk management and governance processes of the Bank. As part of the assurance process, the internal audit function continued to engage and agree with management on the corrective actions or improvements needed and tracked these on a regular basis for timely resolution.

Further, the Bank engaged KPMG Advisory to conduct an external quality review of the internal audit function in line with The Institute of Internal Auditors' (The IIA) International Standards for the Professional Practice of Internal Auditing.

8.3 LEGAL

During 2013, the major legislative work was the drafting and publishing of the Bank of Zambia (Monitoring of Balance of Payments) Regulations (Statutory Instrument No. 55 of 2013). The Bank also drafted amendments to the BOZ Act in relation to the monitoring of balance of payments and the prescription of interest rates, drafted the Cost of Borrowing Regulations and developed guidelines on Statutory Instrument No. 55.

8.4 SECURITY ACTIVITIES

The BoZ handled a total of 15,001 counterfeit notes in the year 2013. Out of these, 11,552 were in Kwacha and the rest were in different foreign currencies. A number of counterfeit matters are still in courts of law in different parts of the country. However, one case of interest was disposed-off in Monze. In this case, two of the suspects were convicted for being found in possession of forged notes contrary to Section 358 of CAP 87 (Penal Code) of the Laws of Zambia. They were sentenced to two years imprisonment with hard labour.

8.5 PROCUREMENT AND MAINTENANCE

During the year, in its effort to improve efficiency in cash processing and distribution, the Bank installed and commissioned a High Speed Note Processing Machine at the Regional Office. In addition, two Off-Line bank note disintegration systems were installed at both the Head office and the Regional office. Further, the Bank procured five armoured vehicles which were expected to be delivered in 2014.

8.6 INFORMATION AND COMMUNICATIONS TECHNOLOGY

During 2013, the Bank embarked on projects to implement the upgrade of the RTGS and Central Securities Depository (CSD), BOP Foreign Exchange and Proceeds Monitoring system, ICT Infrastructure Upgrade and Bank of Zambia Enterprise Information Architecture (EIA) framework.

Implementation of RTGS upgrade and CSD

During the year under review, the Bank awarded a tender for the RTGS upgrade and CSD system. The main objective of the project was to achieve seamless integration between RTGS and CSD in order to achieve delivery versus payment (DvP). Other objectives included achieving Straight Through Processing (STP) of transactions from the RTGS to the core banking systems and facilitation of government payments through Treasury Single Accounts (TSA) held at the Bank of Zambia. During the reporting period, the project commenced with an initial elaboration of the scope, hardware and software procurement and implementation of virtual private networks (VPN) to all commercial banks and other participants.

BOP Foreign Exchange and Proceeds Monitoring system

In order to implement the SI 55 legislation for BOP monitoring, the Bank selected the SWIFT FinInform and the UNCTAD ASYCUDA World systems. During the reporting period, the SWIFT FinInform was installed along with business intelligence analytical tools supplied by SWIFT. Further, the Bank in collaboration with ZRA, under a memorandum of understanding, implemented SI 55 Forms I and II using the UNCTAD ASYCUDA World systems.

ICT Infrastructure Upgrade

During the review period, the Bank introduced higher switching and transmission bandwidth of up to 10Gbps to the core network from client computing devices. In addition, the Bank implemented network admission control (NAC) and intrusion prevention system (IPS) which enhanced network security and threat management. Further, the Bank upgraded its internet bandwidth from 1Mbps to 10Mbps resulting in improved user experience.

Bank of Zambia Enterprise Information Architecture Framework

During the year under review, the Bank embarked on Business Process Management in order to improve operational efficiency of processes across the Bank. To this end, the ARIS Software Platform from Software AG was selected as the business process management tool. In addition, procurement of the software along with training commenced.

9.0 FINANCIAL STATEMENTS

Bank of Zambia

Financial Statements

for the year ended 31 December 2013

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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 79 to 123 were approved by the Board of Directors on 14 March 2014 and signed on their behalf by:

Governor

Director

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 79 to 123. These financial statements comprise the statement of financial position as at 31 December 2013 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 2013, 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 ***26th March 2014***
Lusaka

Nasir Ali
Partner signing on behalf of the firm

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A list of Partners is available from the address above

Bank of Zambia

Statement of comprehensive income
for the year ended 31 December 2013

In thousands of Zambian Kwacha

	Notes	2013	2012
Interest income	5	**293,384**	242,135
Interest expense	5	**(73,237)**	(63,595)
Net interest income		**220,147**	178,540
Fee and commission income	6	**103,754**	78,142
Fee and commission expense	6	**(2,968)**	(3,837)
Net fee and commission income		**100,786**	74,305
Net income from foreign exchange transactions		**18,295**	18,124
Other gains	7	**574,323**	216,664
		592,618	234,788
Net income		**913,551**	487,633
Net impairment credit/(impairment charge) on financial assets	8	**(159)**	4,447
Employee benefits	9	**(298,225)**	(291,634)
Depreciation and amortisation	23, 24	**(18,459)**	(18,279)
Operating expenses	10	**(192,483)**	(149,240)
		(509,326)	(454,706)
Profit for the year		**404,225**	32,927
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation surplus	23	**58,350**	-
Actuarial gain/(loss) on defined - benefit pension plan	36	**(2,778)**	14,269
Total comprehensive income for the year		**459,797**	47,196

The notes on pages 83 to 123 are an integral part of these financial statements.

Bank of Zambia

Statement of Financial Position
for the year ended 31 December 2013

In thousands of Zambian Kwacha

	Notes	2013	2012
Assets			
Domestic cash in hand		**4,120**	3,509
Foreign currency cash and bank accounts	12	**14,803,631**	16,721,970
Items in course of settlement	13	**3,782**	652
Held-for-trading financial assets	14	**-**	1,971
Loans and advances	15	**2,375,080**	840,070
Held-to-maturity financial assets	16	**1,966,731**	1,963,517
Other assets	18	**14,886**	42,905
Defined benefit surplus	36	**11,491**	14,269
Available-for-sale investments	20	**5,595**	4,489
IMF funds recoverable from Government of the Republic of Zambia	21	**1,129,863**	945,985
IMF subscriptions	22,34	**3,913,092**	3,973,041
Property, plant and equipment	23	**338,292**	266,533
Intangible assets	24	**4,424**	4,880
Total assets		**24,570,987**	24,783,791
Liabilities			
Deposits from the Government of the Republic of Zambia	27	**2,871,348**	5,932,721
Deposits from financial institutions	28	**5,516,022**	4,520,871
Foreign currency liabilities to other institutions	29	**178,059**	94,907
Other deposits	30	**44,177**	135,566
Notes and coins in circulation	31	**4,601,083**	3,843,140
Other liabilities	32	**94,209**	79,544
Provisions	33	**65,244**	65,730
Domestic currency liabilities to IMF	22,34	**3,913,092**	3,973,041
Foreign currency liabilities to IMF	35	**2,151,611**	2,108,366
SDR allocation	37	**3,983,494**	3,740,980
Total liabilities		**23,418,339**	24,494,866
Equity			
Capital	38	**500,020**	10,020
General reserve fund	39	**92,588**	92,588
Property revaluation reserve	39	**251,665**	197,848
Retained earnings	39	**308,375**	(11,531)
Total equity		**1,152,648**	288,925
Total liabilities and equity		**24,570,987**	24,783,791

The financial statements on pages 79 to 123 were approved for issue by the Board of Directors on 14 March 2014 and signed on its behalf by:

Governor *Director*

The notes on pages 83 to 123 are an integral part of these financial statements.

Bank of Zambia

Statement of Changes in Equity
for the year ended 31 December 2013

In thousands of Zambian Kwacha

	Share capital	General reserve fund	Property revaluation reserve	Retained earnings	Total Equity
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	-	-	(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
Balance at 1 January 2013	**10,020**	**92,588**	**197,848**	**(11,531)**	**288,925**
Profit for the year	-	**-**	**-**	**404,225**	**404,225**
Other comprehensive income:					
Revaluation surplus	-	**-**	**58,350**	**-**	**58,350**
Actuarial loss on defined benefit plan	-	**-**	**-**	**(2,778)**	**(2,778)**
Amortisation of revaluation surplus relating to properties	-	**-**	**(4,533)**	**4,533**	**-**
Total comprehensive income	-	**-**	**53,817**	**405,980**	**459,797**
Transactions with owners:					
Additional called up capital	**490,000**	**-**	**-**	**-**	**490,000**
Initial fair value adjustment on capitalization bond	-	**-**	**-**	**(120,375)**	**(120,375)**
Unwinding of fair value adjustment	-	**-**	**-**	**34,301**	**34,301**
Total transactions with owners	**490,000**	**-**	**-**	**(86,074)**	**403,926**
Balance at 31 December 2013	**500,020**	**92,588**	**251,665**	**308,375**	**1,152,648**

The notes on page 83 to 123 are an integral part of these financial statements.

Bank of Zambia

Statement of Cash Flows
for the year ended 31 December 2013

In thousands of Zambian Kwacha

	Notes	**2013**	2012
Cash flows from operating activities			
Profit for the year		**404,225**	32,927
Adjustment for:			
- Depreciation/amortisation	*23, 24*	**18,459**	18,279
- Dividend income		**(1,106)**	(355)
- Loss/(profit) on disposal of property, plant and equipment		**(228)**	11,993
- Impairment effect on other assets	*8*	**(48)**	36
- Impairment effect on amounts due from closed banks	*8*	**207**	(4,714)
- Effects of exchange-rate changes on cash and cash equivalents		**(128,754)**	(31,445)
- Provisions made during the year	*33*	**61**	1,122
- Property, plant and equipment adjustments		**150**	1,234
		292,966	29,077
Changes in operating assets and liabilities			
Change in items in course of settlement		**(3,130)**	5,596
Change in held for trading financial assets		**1,971**	12,408
Change in loans and advances		**(1,131,084)**	(581,485)
Change in held-to-maturity financial assets		**(3,214)**	13,590
Change in other assets		**28,067**	(25,027)
Change in amounts due from closed banks		**(207)**	4,714
Change in available-for-sale investments		**(1,106)**	-
Change in IMF funds receivable from Government of the Republic of Zambia		**(183,878)**	1,036,908
Change in IMF subscription		**59,949**	(251,036)
Change in deposits from the Government of the Republic of Zambia		**(3,061,373)**	1,534,543
Change in deposits from financial institutions		**995,151**	2,413,771
Change in foreign currency liabilities to other institutions		**83,152**	(59,888)
Change in other deposits		**(91,389)**	(15,581)
Change in other liabilities		**14,665**	16,639
Change in domestic currency liabilities to IMF		**(59,949)**	251,036
Change in foreign currency liabilities to IMF		**43,245**	(45,101)
Change in notes and coins in circulation		**757,943**	434,902
Funding of employee benefit liability		**-**	(92,241)
Change in SDR allocation		**242,514**	64,982
		(2,015,707)	4,747,807
Dividends received		**1,106**	355
Claims paid	*33*	**(547)**	(17,146)
Net cash (outflow)/inflow from operating activities		**(2,015,148)**	4,731,016
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	*23, 24*	**(31,674)**	(11,040)
Proceeds from sale of property, plant and equipment		**340**	2,152
Net cash used in investing activities		**(31,334)**	(8,888)
Net change in cash and cash equivalents		**(2,046,482)**	4,722,128
Cash and cash equivalents at the beginning of year		**16,725,479**	11,971,906
Effects of exchange-rate changes on cash and cash equivalents		**128,754**	31,445
Cash and cash equivalents at the end of the year		**14,807,751**	16,725,479
Cash and cash equivalents at the end of the year comprise of:			
Domestic cash in hand		**4,120**	3,509
Foreign currency cash and bank accounts		**14,803,631**	16,721,970
Cash and cash equivalents excluding effects of exchange rate changes		**14,807,751**	16,725,479

The notes on page 83 to 123 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 is 100 per cent owned by the government of Zambia.

The Board of Directors approved these financial statements for issue on 14 March 2014. 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.

With effect from 1 January 2013, the Zambian Kwacha was rebased by dividing the currency by 1,000. As part of the process, the currency code was changed to ZMW from ZMK although the currency symbol "K" remains unchanged. These financial statements have been prepared in the rebased currency. Accordingly, the comparatives have been restated by dividing them by 1,000.

2.2 Changes in accounting policies and disclosures

2.2.1 New and amended standards adopted by the Bank

We have applied relevant IFRSs and IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2013 and assess that none would be expected to have a material financial impact on the Bank.

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 application of this amendment mainly impacted the presentation of the primary statements.

IAS 19, 'Employee benefits', was amended in June 2012. The financial impact on the Bank is neutral because proposed treatment mirrors how the Bank has accounted for actuarial losses which is: to immediately recognise all past service costs when they arise. The other change was 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).

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 2013, and have not been applied in preparing these financial statements. Some of these by nature are not expected to have a significant effect on the financial statements of the Bank, except the following set out below:

IFRS 9, 'Financial instruments'

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

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)*

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 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 intend to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

The directors of the Bank anticipate that the application of IFRS 9 in the future may have a significant impact on the amounts reported in respect of the Bank's financial assets and liabilities (e.g. the Bank's investments in Zambia Electronic Clearing House Limited and Africa Export Import Bank that are currently classified as available-for-sale investment will have to be measured at fair value at the end of subsequent reporting periods, with changes in fair value being recognised in profit or loss) However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review is concluded.

Amendment to IAS 32, Offsetting financial assets and financial liabilities.

The amendments to IAS 32 clarify the requirements relating to offset of financial assets and liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of off-set' and 'simultaneous realisation and settlement'.

The directors do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Bank's financial statements as the Bank does not have any financial assets and liabilities that qualify for offset.

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 thousand.

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 Significant accounting policies *(Continued)*

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 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 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.

(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.

F*inancial 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.

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.1 Financial assets *(Continued)*

(a) Classification *(Continued)*

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

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

Held-to-maturity

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

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

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

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

Available-for-sale investment

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

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

Loans and receivables

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

(b) Recognition and measurement

Held-to-maturity investments

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

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.1 Financial assets *(Continued)*

(b) Recognition and measurement *(Continued)*

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.

(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.

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.1 Financial assets *(Continued)*

(d) Impairment of financial assets *(Continued)*

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.

2.9.2 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.

2 Significant accounting policies *(Continued)*

2.10 Determination of fair value *(Continued)*

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

The Bank does not hold positions with its financial instruments.

2.11 Offsetting

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

2.12 Property, plant and equipment

(a) Property

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

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

(b) Plant and equipment

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

(c) Subsequent costs

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

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

(d) Depreciation

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

In thousands of Zambian Kwacha

2 Significant accounting policies *(Continued)*

2.12 Property, plant and equipment *(Continued)*

(d) Depreciation *(Continued)*

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

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

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

	2013	2012
Buildings	**2%**	2%
Fixtures and fittings	**4%**	4%
Plant and machinery	**5%**	5%
Furniture 10% 10%	**10%**	10%
Security systems and other equipment	**10-20%**	10-20%
Motor vehicles	**25%**	25%
Armoured Bullion Vehicles	**10%**	10%
Armoured Escort Vehicles	**16.7%**	16.7%
Computer equipment - hardware	**25%**	25%
Office equipment	**33.3%**	33.3%

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

(e) De- recognition

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

(f) Capital work-in-progress

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

2.13 Intangible assets - computer software

(a) Intangible assets acquired separately

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

(b) Internally-generated intangible assets

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

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

2 Significant accounting policies *(Continued)*

2.13 Intangible assets - computer software *(Continued)*

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

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

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

2.14 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets that are subject to depreciation and amortisation are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss had been recognised.

2.15 Employee benefits

(a) Defined contribution plan

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

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

(b) Defined benefit plan

The Bank provides for retirement benefits (i.e. a defined benefit plan) for all permanent employees 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.

2 Significant accounting policies *(Continued)*

2.15 Employee benefits *(Continued)*

(b) Defined benefit *(Continued)*

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

(c) Termination benefits

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

(d) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus, gratuity or leave days if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(e) Other staff benefits

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

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

2.16 Cash and cash equivalents

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

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

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

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

The Bank revalues IMF accounts in its statement of financial position in accordance with the practices of the IMF's Treasury Department. In general, the revaluation is effected annually. Any increase in value is paid by the issue of securities 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”.

2 Significant accounting policies (Continued)

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

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

2.18 Provisions

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

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

2.19 Currency in circulation

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

2.20 Currency printing and minting expenses

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

2.21 Sale and repurchase agreements

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

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

3.1 Fair value measurement of property, plant and equipment

In establishing the fair value of property, plant and equipment the Bank relies on qualified and experienced external valuers. Management appraises the appropriateness of valuation techniques used and ensures consistency in such methods from period to period and across classes of property, plant and equipment. Further information regarding the valuation is reported in note 23.

3.2 Defined benefits obligations

Whereas the directors relied on a qualified Actuary to determine the present value of the retirement benefit obligations the assumptions and judgements used by the Actuary were considered by the directors and deemed reasonable in the light of the prevailing and anticipated future economic conditions. See also note 36.

3.3 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.

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) 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 thousands 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 2013					
Domestic cash in hand	**-**	**-**	**4,120**	**-**	**4,120**
Foreign currency cash and bank accounts	**-**	**-**	**14,803,631**	**-**	**14,803,631**
Items in course of settlement	**-**	**-**	**3,782**	**-**	**3,782**
Held-for-trading financial assets	**-**	**-**	**2,375,080**	**-**	**2,375,080**
Loans and advances	**-**	**1,966,731**	**-**	**-**	**1,966,731**
Held to maturity financial assets	**-**	**-**	**-**	**5,595**	**5,595**
Available-for- sale investments	**-**	**-**	**-**	**-**	**-**
IMF funds recoverable from the Government of the Republic of Zambia	**-**	**-**	**1,129,863**	**-**	**1,129,863**
IMF Subscriptions	**-**	**-**	**3,913,092**	**-**	**3,913,092**
	-	**1,966,731**	**22,229,568**	**5,595**	**24,201,894**
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	1,971	-	652	-	652
Held-for-trading financial assets	-	-	-	-	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

Financial liabilities	Financial liabilities at amortised cost	Total
At 31 December 2013		
Deposits from the government of the Republic of Zambia	**2,871,348**	**2,871,348**
Deposits from financial institutions	**5,516,022**	**5,516,022**
Foreign currency liabilities to other institutions	**178,059**	**178,059**
Other deposits	**44,177**	**44,177**
Other liabilities	**94,209**	**94,209**
Domestic currency liabilities to the IMF	**3,913,092**	**3,913,092**
Foreign currency liabilities to the IMF	**2,151,611**	**2,151,611**
Notes and coins in circulation	**4,601,083**	**4,601,083**
SDR allocation	**3,983,494**	**3,983,494**
	23,353,095	**23,353,095**

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

Financial instruments by category *(Continued)*

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

(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), which maintain minimum balances to meet operational and strategic objectives.

Counterparty	Rating agency			BoZ minimum accepted rating
	Moody's	**S & P**	**Fitch**	
Citi Bank New York	A2	**A**	**A**	A-
Bank New York Mellon (BNY)	Aa2	**AA-**	**AA**	A-
Deutsche Bundesbank	Aaa	**AAA**	**AAA**	A-
Bank of England (BOE)	Aa1	**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.

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

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.

Financial Asset	Ratings - 2013					
	Aaa	A2	Aa1	Aa2	Baa1	Total
Cash balances	**413,168**	**10,163**	**25,538**	**8,452**	**1,311**	**458,632**
Deposits	**8,301,289**	**-**		**-**	**-**	**8,301,289**
Securities	**2,792,461**	**-**		**-**	**-**	**2,792,461**
Special drawing rights	**3,251,249**	**-**		**-**	**-**	**3,251,249**
Total	**14,758,167**	**10,163**	**25,538**	**8,452**	**1,311**	**14,803,631**

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

(iii) Staff loans and advances

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 securityin 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.

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

	Loans and advances (Note 15)	
	2013	2012
Against neither past due nor impaired		
- Property	**18,642**	18,212
- Gratuity and leave days	**27,539**	14,329
- Motor vehicles	**9,817**	9,778
	55,998	42,319

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

(iii) Staff loans and advances *(Continued)*

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

All staff loans are neither past due nor impaired.

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

	Loans and advances (Note 15)	
	2013	2012
Carrying amount		
- Staff loans	**44,726**	42,208
- Staff advances	**1,418**	1,163
	46,144	43,371
Concentration by nature		
- House loans	**18,642**	18,212
- Multi-purpose loans	**11,417**	10,172
- Motor vehicle loans	**9,817**	9,774
- Other advances	**3,883**	3,352
- Personal loans	**2,385**	1,861
	46,144	43,371

(iv) Advances to Government, commercial banks and other international institutions

Government has a rating of B+ from S & P and advances to them are considered low risk. Advances extended to commercial banks were fully collaterised. As at 31 December 2013, 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 **K126.4 million** (2012: K126.2 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.

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

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 2013

	Financial institutions	Government	Individuals	Others	Total
Foreign currency cash and bank accounts	**14,803,631**	**-**	**-**	**-**	**14,803,631**
Items in course of settlement	**3,782**	**-**	**-**	**-**	**3,782**
Loans and advances	**-**	**2,328,853**	**46,144**	**83**	**2,375,080**
Held-to-maturity financial assets	**-**	**1,966,731**	**-**	**-**	**1,966,731**
Available-for-sale investments	**939**	**-**	**-**	**4,656**	**5,595**
IMF funds recoverable from Government of the Republic of Zambia	**-**	**1,129,863**	**-**	**-**	**1,129,863**
IMF subscriptions	**3,913,092**	**-**	**-**	**-**	**3,913,092**
Total	**18,721,444**	**5,425,447**	**46,144**	**4,739**	**24,197,774**

31 December 2012

	Financial institutions	Government	Individuals	Others	Total
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	-	-	3,550	4,489
IMF funds recoverable from Government of the Republic of Zambia	-	945,985	-	-	945,985
IMF subscriptions	3,973,041	-	-	-	3,973,041
Total	20,696,602	3,708,172	43,371	3,550	24,451,695

(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.

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(c) Liquidity risk *(Continued)*

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 2013.

Financial assets and liabilities held for managing liquidity risk

31 December 2013	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 – 5 years	Due after 5 years	Total
Non-derivative liabilities						
Deposits from the GRZ	2,871,348	-	-	-	-	2,871,348
Deposits from financial institutions	5,516,022	-	-	-	-	5,516,022
Foreign currency liabilities to other institutions	178,059	-	-	-	-	178,059
Other deposits	44,177	-	-	-	-	44,177
Other liabilities	-	-	94,209	-	-	94,209
Domestic currency liabilities to IMF	3,913,092	-	-	-	-	3,913,092
Foreign currency liabilities to IMF	2,151,611	-	-	-	-	2,151,611
Notes and coins in circulation	4,601,083	-	-	-	-	4,601,083
SDR allocation	3,983,494	-	-	-	-	3,983,494
Total non-derivative liabilities	23,258,886	-	94,209	-	-	23,353,095
Assets held for managing liquidity risk						
Domestic cash in hand	4,120	-	-	-	-	4,120
Foreign currency cash and bank accounts	6,502,344	4,103,405	3,484,943	410,330	492,397	14,993,419
Held-to-maturity financial assets	-	-	679,103	1,325,670	-	2,004,773
Loans and advances	-	3,508	53,683	-	2,013,911	2,071,102
IMF funds recoverable from the Government of the Republic of Zambia	1,129,863	-	-	-	-	1,129,863
IMF Subscription	3,913,092	-	-	-	-	3,913,092
Total assets held for managing liquidity risk	11,549,419	4,106,913	4,217,729	1,736,000	2,506,308	24,116,369
Net exposure	(11,709,467)	4,106,913	4,123,520	1,736,000	2,506,308	763,274

In thousands of Zambian Kwacha

4 **Risk management policies** *(Continued)*

(c) Liquidity risk *(Continued)*

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	3,940,980	-	-	-	-	3,940,980
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

Assets held for managing liquidity risk

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

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

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

(d) Market risk

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

(e) Exposure to currency risk

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

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 thousands 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 2013 was as shown in the table below:

At 31 December 2013	**USD**	**GBP**	**EUR**	**SDR**	**Other**	**Total Kwacha**
Foreign currency assets						
Foreign currency cash and bank accounts	**9,357,544**	**1,071,465**	**1,123,279**	**3,251,249**	**94**	**14,803,631**
IMF Subscriptions	**-**	**-**	**-**	**3,913,092**	**-**	**3,913,092**
Total foreign currency assets	**9,357,544**	**1,071,465**	**1,123,279**	**7,164,341**	**94**	**18,716,723**
Foreign currency liabilities						
Foreign currency liabilities to other institutions	**146,776**	**34**	**31,249**	**-**	**-**	**178,059**
Foreign currency liabilities to IMF	**-**	**-**	**-**	**2,151,611**	**-**	**2,151,611**
SDR allocation	**-**	**-**	**-**	**3,983,494**	**-**	**3,983,494**
Total foreign currency liabilities	**146,776**	**34**	**31,249**	**6,135,105**	**-**	**6,313,164**
Net exposure	**9,210,768**	**1,071,431**	**1,092,030**	**1,029,237**	**94**	**12,403,559**

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

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	
	2013	2012
	ZMW	ZMW
SDR 1	**8.49**	7.97
GBP 1	**9.08**	8.37
EUR 1	**7.59**	6,86
USD 1	**5.51**	5.17

Foreign currency sensitivity

The following table illustrates a 12% (2012: 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 thousands of Kwacha

	Equity	Profit or loss
	ZMW	ZMW
31 December 2013		
SDR	**-**	(859,721)
USD	**-**	(1,122,905)
EUR	**-**	(134,793)
GBP	**-**	(128,576)
31 December 2012		
SDR	-	(854,397)
USD	-	(1,320,238)
EUR	-	(131,336)
GBP	-	(177,428)

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.

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 thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(e) 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 2012 was in the ratio of 3.6%, 73.5% and 22.9 % respectively compared with 3.9%, 95.6% and 0.5% at the close of December 2013.

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. There was reversal in interest outturn on US dollar denominated assets to 0.10% during December 2013 from 0.18% in December 2012. A marginal increase on British pound denominated assets from 0.30% December 2012 to 0.33% in December 2013, 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 2013	Less than 3 months	Between 3 months and one year	Over 1 year	Non-interest bearing	Total
Assets					
Domestic cash in hand	-	-	-	4,120	4,120
Foreign currency cash and bank accounts	14,799,261	-	-	4,369	14,803,631
Items in course of settlement	-	-	-	3,782	3,782
Held-for-trading financial assets	-	-	-	-	-
Loans and advances	23,619	42,636	2,305,317	3,508	2,375,080
Held-to-maturity financial assets	-	625,775	1,340,957	-	1,966,731
Available-for-sale investments	-	-	-	5,595	5,595
IMF funds receivable from Government	-	-	-	1,129,863	1,129,863
IMF Subscriptions	-	-	-	3,913,092	3,913,092
Total financial assets	14,822,880	668,411	3,646,274	5,064,329	24,201,894
Liabilities					
Deposits from the GRZ	-	-	-	2,871,348	2,871,348
Deposits from financial institutions	-	-	-	5,516,022	5,516,022
Foreign currency liabilities to other institutions	-	-	-	178,059	178,059
Other deposits	44,177	-	-	-	44,177
Other liabilities	-	-	-	94,209	94,209
Domestic currency liabilities to IMF	-	-	-	3,913,092	3,913,092
Foreign currency liabilities to IMF	-	-	-	2,151,611	2,151,611
Notes and coins in circulation	-	-	-	4,601,083	4,601,083
SDR allocation	3,983,494	-	-	-	3,983,494
Total financial liabilities	4,027,671	-	-	19,325,424	23,353,095
Net exposure at 31 December 2013	10,795,209	668,411	3,646,274	(14,261,095)	848,799

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(e) Exposure to interest rate risk (Continued)

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 thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(f) 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 2013	**Fair value 2013**	Carrying amount 2012	Fair value 2012
Assets				
Domestic cash in hand	**4,120**	**4,120**	3,509	3,509
Foreign currency cash and bank accounts	**14,803,631**	**14,803,631**	16,721,970	16,721,970
Items in course of settlement	**3,782**	**3,782**	652	652
Held-for-trading financial assets	**-**	**-**	1,971	1,971
Loans and advances	**2,385,571**	**2,383,225**	840,070	840,070
Held-to-maturity financial assets	**1,966,731**	**1,966,731**	1,963,517	1,963,517
Available-for-sale investments	**5,595**	**5,595**	4,489	4,489
IMF funds receivable from GRZ	**1,129,863**	**1,129,863**	945,985	945,985
IMF Subscriptions	**3,913,092**	**3,913,092**	3,973,041	3,973,041
Total financial assets	**24,212,385**	**24,210,039**	24,455,204	24,455,204
Liabilities				
Deposits from the GRZ	**2,871,348**	**2,871,348**	5,932,721	5,932,721
Deposits from financial institutions	**5,516,022**	**5,516,022**	4,520,871	4,520,871
Foreign currency liabilities to other institutions	**178,059**	**178,059**	94,907	94,907
Other deposits	**44,177**	**44,177**	135,566	135,566
Other liabilities	**94,209**	**94,209**	79,544	79,544
Domestic currency liabilities to IMF	**3,913,092**	**3,913,092**	3,973,041	3,973,041
Foreign currency liabilities to IMF	**2,151,611**	**2,151,611**	2,108,366	2,108,366
Notes and coins in circulation	**4,601,083**	**4,601,083**	3,843,140	3,843,140
SDR allocation	**3,983,494**	**3,983,494**	3,740,980	3,740,980
Total financial liabilities	**23,353,095**	**23,353,095**	24,429,136	24,429,136

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 thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

Fair value hierarchy *(Continued)*

31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Held for trading financial assets	**-**	**-**	**-**	**-**
Availale-for-sale financial instruments	**-**	**-**	**5,595**	**5,595**
	-	**-**	**5,595**	**5,595**

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
	-	1,971	4,489	6,460

At 31 December 2013, the Bank did not have financial liabilities measured at fair value (2012 nil).

(g) 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*	**2013**	2012
Capital	*38*	**500,020**	10,020
Retained earnings	*39*	**308,375**	(11,531)
Property revaluation reserve	*39*	**251,665**	197,848
General reserve fund	*39*	**92,588**	92,588
Total		**1,152,648**	288,925

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.

Notes to the financial statements *(Continued)*
for the year ended 31 December 2013

In thousands of Zambian Kwacha

5 Interest income

	2013	2012
Interest on held-to-maturity Government securities	**167,802**	185,500
Interest on loans and receivables	**94,266**	28,612
Interest on foreign currency investments and deposits	**31,316**	28,023
Total interest income	**293,384**	242,135

Interest expense	**2013**	2012
Interest arising on open market operations	**71,751**	61,871
Interest arising on staff savings	**1,486**	1,724
Total interest expense	**73,237**	63,595

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

6 Fee and commission income

Fee and commission income	**2013**	2012
Supervision fees	**48,289**	41,224
Fees and commission income on transactions with the GRZ	**47,220**	32,334
Other	**4,556**	3,174
Penalties	**2,712**	421
Licences and registration fees	**977**	989
Fees and commission income	**103,754**	78,142
Fee and commission expense		
Arising on foreign exchange transactions	**2,968**	3,837

7 Other gains and losses

Other gains and losses	**2013**	2012
Net realised foreign exchange gains	**440,499**	175,388
Net unrealised foreign exchange gains	**128,754**	31,445
Other income	**3,078**	9,431
Dividend on available-for-sale investments	**1,106**	355
Rental income	**658**	1,655
Gain/(loss) in on disposal of property, plant and equipment	**228**	(1,610)
	574,323	216,664

In thousands 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 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
At 1 January 2013	**126,232**	**2,532**	**23,536**	**156,300**
Impairment loss for the year				
- Charge for the year	**207**	**13**	**-**	**220**
- Reversal during the year	**-**	**(61)**	**-**	**(61)**
	207	**(48)**	**-**	**159**
Balance at 31 December 2013	**126,439**	**2,484**	**23,536**	**152,459**

9 Employee benefits

	2013	2012
Wages and salaries	**150,672**	142,501
Other employee costs	**127,042**	111,771
Employer's pension contributions	**16,310**	34,563
Employer's NAPSA contributions	**3,396**	2,042
Staff loan benefit (Note 15)	**805**	757
	298,225	291,634

10 Operating expenses

	2013	2012
Expenses for bank note production	**115,555**	69,263
Administrative expenses	**58,845**	60,256
Repairs and maintenance	**12,517**	10,068
Kwacha rebasing expense	**5,545**	9,604
Sundry banking office expenses	**21**	49
	192,483	149,240

11 Income tax

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

In thousands of Zambian Kwacha

12 Foreign currency cash and bank accounts

	2013	2012
Deposits with non-resident banks	**8,300,186**	7,382,896
Special Drawing Rights ("SDRs")	**3,251,249**	3,146,930
Clearing correspondent accounts with other central banks	**1,704,044**	1,567,153
Current account balances with non-resident banks	**1,543,782**	4,622,144
Foreign currency cash with banking office	**4,370**	2,847
	14,803,631	16,721,970

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. There were no holdings outstanding as at 31 December 2013 whereas holdings recorded as at 31 December 2012 were in respect of various Treasury Bills with tenure of 91 days.

15 Loans and advances

	2013	2012
Staff loans	**43,185**	40,722
Staff loans benefit at market value	**1,541**	1,486
Total staff loans	**44,726**	42,208
Budgetary advances to the Government	**1,924,927**	796,699
Capitalisation bond (note 38)	**403,926**	-
Credit to banks	**23,619**	23,536
Staff advances	**1,418**	1,163
	2,398,616	863,506
Specific allowances for impairment (note 8)	**(23,536)**	(23,536)
Total loans and advances	**2,375,080**	840,070

Movement in staff loans benefit

	2013	2012
Balance at 1 January	**1,486**	2,076
Current year fair value adjustment of new loans	**860**	167
	2,346	2,243
Amortised to statement of comprehensive income (Note 9)	**(805)**	(757)
Balance at 31 December	**1,541**	1,486

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:

	2013	2012
House loans	**10%**	10%
Personal loans	**10%**	10%
Multi-purpose loans	**12.5%**	12.5%

In thousands of Zambian Kwacha

15 Loans and advances *(Continued)*

The capitalisation bond of **K403.9 million** represents a series of equity bonds authorised by the GRZ for the purpose of financing the outstanding called up capital of the Bank. Details are as illustrated below:

Total Capitalisation bond	490,000
Initial fair value adjustment	(120,375)
	369,625
Unwinding of fair value adjustment	34,301
Capitalisation bond after adjustments	403,926

As a way of financing the outstanding called up capital of K490million in Bank of Zambia, GRZ agreed to issue a series of bonds in accordance with terms and conditions as stated below:

(a) The series of bonds are to be designated as "GRZ Equity injection bonds, Series 2013A", and are authorised by the Public Finance Act in the aggregate sum of K490 million for the purpose of financing the outstanding called up authorised capital of the Bank and for paying costs related to the issuance of the Series 2013A bonds.

The 2013A bonds dates of delivery are as follows:

Order	2013A serial bonds	Principal amount due	Maturity date
1	2014	100,000	30 June 2014
2	2015	130,000	30 June 2015
3	2016	130,000	30 June 2016
4	2017	130,000	30 June 2017

(b) The 2013A bonds shall NOT bear any interest.

(c) The 2013A bonds shall be non-transferable

(d) The 2013A bonds shall be issuable in such denominations as the Bank deems appropriate.

(e) The principal amount on the 2013A bonds shall be payable through the accounts established at the Bank for the purposes of the bond indenture.

16 Held-to-maturity financial assets

	2013	2012
GRZ consolidated securities (Note 17)	**1,758,278**	1,754,295
Other GRZ securities	**192,978**	192,478
Staff savings treasury bills	**15,475**	16,744
	1,966,731	1,963,517

17 The GRZ consolidated securities

	2013	2012
6% GRZ consolidated bond	**1,120,968**	1,120,968
364 days Treasury Bills	**637,310**	633,327
	1,758,278	1,754,295

Effective 1 December 2007 a portion of the consolidated bond was converted to Treasury Bills, thereby creating a portfolio of marketable securities, 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 K1,646.74 million and a coupon rate of 6%. This reduced to K1,120.97 million after the 2007 conversion.

In thousands of Zambian Kwacha

17 The GRZ consolidated securities *(Continued)*

Both the marketable securities and the reduced portion of the 10 year consolidated bond were rolled over on 2 January 2013 for an additional period of 10 years. In accordance with the conversion agreement between the GRZ and Bank of Zambia, the marketable securities were to be rolled over upon maturity at yield rates prevailing in the market on the dates of rollover, while the K1,120.97 million would be rolled over for another 10 years at a coupon rate of 6%.

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 profit or loss.

18 Other assets	**2013**	2012
Prepayments	**11,368**	40,543
Sundry receivables	**4,408**	3,802
Stationery and office consumables	**1,594**	1,092
	17,370	45,437
Specific allowances for impairment (note 8)	**(2,484)**	(2,532)
	14,886	42,905

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

19 Amounts due from closed banks	**2013**	2012
Advances	**126,439**	126,232
Specific allowances for impairment (note 8)	**(126,439)**	(126,232)
	-	-

20 Available-for-sale investments	**2013**	2012
Zambia Electronic Clearing House Limited	**3,550**	3,550
African Export Import Bank	**2,045**	939
	5,595	4,489

Zambia Electronic Clearing House Limited

The investment in Zambia Electronic Clearing House Limited ("ZECHL") represents the Bank's contribution of 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.

In thousands of Zambian Kwacha

20 Available-for-sale investments

Zambia Electronic Clearing House Limited *(Continued)*

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 **K0.035 million** (2012: K0.030 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

	2013	2012
Poverty Reduction and Growth Facility (PRGF)*	**1,129,173**	945,561
Accrued charges - SDR Allocation	**690**	424
	1,129,863	945,985

* 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** (2012: 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 2013 and 2012. 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 thousands 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 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)
Adjustments	-	-	-	(1,234)	(1,234)
31 December 2012	230,887	100,657	29,753	5,006	366,303
At 1 January 2013	**230,887**	**100,657**	**29,753**	**5,006**	**366,303**
Additions	**5**	**5,428**	**2,270**	**23,899**	**31,602**
Transfers	**948**	**14,092**	**-**	**(18,200)**	**(3,160)**
Revaluation	**36,001**	**-**	**-**	**-**	**36,001**
Disposals	**-**	**(750)**	**(2,816)**	**-**	**(3,566)**
Adjustments	**-**	**42**	**(116)**	**(213)**	**(287)**
31 December 2013	**267,841**	**119,469**	**29,091**	**10,492**	**426,893**
Accumulated depreciation					
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
At 1 January 2013	**18,115**	**64,260**	**17,395**	**-**	**99,770**
Charge for the year	**4,687**	**6,731**	**3,361**	**-**	**14,779**
Revaluation	**(22,349)**	**-**	**-**	**-**	**(22,349)**
Disposals	**-**	**(638)**	**(2,816)**	**-**	**(3,454)**
Adjustments	**-**	**(16)**	**(129)**	**-**	**(145)**
At 31 December 2013	**453**	**70,337**	**17,811**	**-**	**88,601**
Carrying amounts					
At 31 December 2013	**267,388**	**49,132**	**11,280**	**10,492**	**338,292**
At 31 December 2012	212,772	36,397	12,358	5,006	266,533

In thousands of Zambian Kwacha

23 Property, plant and equipment *(Continued)*

(a) The fair value measurement of the leasehold buildings as at 31 December 2013 were performed by Messrs Pam Golding Properties, independent valuers not related to the Bank. Messrs Pam Golding Properties are members of the Royal Institute of Chartered Surveyors, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of business buildings was determined using the depreciated replacement cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. Other buildings' fair value was based on the market comparable approach that reflects recent transaction prices for similar properties. The valuation techniques are consistent with those applied in the past. The carrying amount of the revalued properties if carried under cost model would be **K13.7 million** (2012:14.3 million)

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

24 Intangible assets

	Purchased Software
Cost	
At 1 January 2012	33,003
Additions	185
Transfer from work-in-progress (note 23)	2,849
At 31 December 2012	36,037
At 1 January 2013	**36,037**
Additions	**72**
Transfer from work-in-progress (note 23)	**3,160**
Disposals	**(7,230)**
At 31 December 2013	**32,039**
Amortisation and impairment	
At 1 January 2012	27,570
Amortisation charge for the year	3,625
Adjustments	(38)
At 31 December 2012	31,157
At 1 January 2013	**31,157**
Amortisation charge for the year	**3,680**
Adjustments	**8**
Disposals	**(7,230)**
At 31 December 2013	**27,615**
Carrying amounts	
At 31 December 2013	**4,424**
At 31 December 2012	4,880

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 thousands of Zambian Kwacha

26 Capital commitments

	2013	2012
Authorised by the directors and contracted for	**35,032**	47,629

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

	2013	2012
Statutory minimum reserve requirements	**2,595,344**	1,571,480
Term deposits from financial institutions	**1,796,254**	254
Commercial bank current accounts	**1,124,029**	2,948,742
Deposits from other international financial institutions	**361**	361
Deposits from other central banks	**34**	34
	5,516,022	4,520,871

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 provided against any deposits at 31 December 2013.

The growth in the OMO deposit is on account of heightened activity towards end of year to neutralise the risk of high inflation.

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

	2013	2012
Staff savings, deposits and clearing accounts	**44,177**	135,552
Other savings and deposits	**-**	14
	44,177	135,566

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

	2013	2012
Bank notes issued by denomination		
K100	**2,370,636**	-
K50	**1,399,417**	-
K20	**439,101**	-
K10	**126,762**	-
K5	**60,406**	-
K2	**40,058**	-
Unrebased notes	**114,554**	3,842,915
Bank notes issued	**4,550,934**	3,842,915
Coins issued	**50,149**	225
	4,601,083	3,843,140

In thousands of Zambian Kwacha

		2013	2012
32	**Other liabilities**		
	Accrued expenses payable	**52,656**	67,976
	Accounts payable	**41,553**	11,568
		94,209	79,544

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

		2013	2012
33	**Provisions**		
	Balance at 1 January	**65,730**	81,754
	Provisions made during the year	**61**	1,122
	Payments made during the year	**(547)**	(17,146)
	Balance at 31 December	**65,244**	65,730

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.

		2013	2012
34	**Domestic currency liabilities to IMF**		
	International Monetary Fund:		
	Securities account	**3,901,400**	3,961,347
	No. 1 account	**11,535**	11,535
	No. 2 account	**157**	159
		3,913,092	3,973,041

The above liability arises from IMF Quota subscriptions (Note 22) and has no repayment terms and bears no interest. The decrease in value is on account of currency valuation adjustments between 2013 and 2012, as advised by the IMF.

		2013	2012
35	**Foreign currency liabilities to IMF**		
	Due to the International Monetary Fund:		
	- Poverty Reduction and Growth Facility (PRGF) (a)	**2,150,920**	2,107,942
	- Charges on SDR allocation (b)	**691**	424
		2,151,611	2,108,366

(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.

36 Employee benefits

Amounts recognised in the statement of financial position are determined as follows:

	2013	2012
Fair value of plan assets	**434,821**	416,242
Present value of defined benefit obligations	**(423,330)**	(401,973)
Recognised asset for defined benefit obligations	**11,491**	14,269

In thousands of Zambian Kwacha

36 Employee benefits *(Continued)*

The Bank provides a pension scheme for all non-contract employees administered by a Board of Trustees who retain responsibility for the governance of the plan including investment decisions and setting contribution levels. 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.

The plan is a final salary pension plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Pensions in payment are increased at the discretion of the Trustees of the plan.

Contributions to the defined benefit fund are charged against income based upon actuarial advice. The employer is currently contributing at a rate of 15% of members' total basic salaries. Any deficits are funded to ensure the on-going financial soundness of the fund.

The plan's investment strategy is a Liability Driven Balanced portfolio designed to meet the plans objectives to be able to pay out benefits accruing under the plan. The strategy recognises that diversification is desirable to manage and spread risk and endeavours to invest within the prescribed asset thresholds. Over 40% of the investment portfolio is invested in government bonds.

The plan is exposed to a number of risks; the main ones being

(a) Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Zambian government bond yields; if plan assets underperform this yield, this will create a deficit.

(b) Changes in bond yields

A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(c) Life expectancy

The plan provides benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

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 25 February 2014 in respect of results as at 31 December 2013.

(Benefit) or cost to be recognised in profit and loss

	2013	2012
Current service cost	**9,403**	16,567
Net interest	**(2,528)**	11,991
Profit and loss expense	**6,875**	28,558

Remeasurements to be recognised in other comprehensive income:

	2013	2012
Return on plan assets (excluding amounts in net interest)	**13,344**	11,247
(Gain)/loss from change in financial assumptions	**(18,089)**	-
Experience losses/(gains)	**8,537**	(21,708)
Remeasurements	**3,792**	(10,461)

In thousands of Zambian Kwacha

36 Employee benefits *(Continued)*

Plan assets comprise:	2013	2012
Other assets	**22,508**	119,965
Equity securities	**31,619**	21,101
Treasury bills and Corporate bonds	**66,417**	4,159
Investment properties	**117,943**	120,359
GRZ bonds	**196,334**	150,300
Total plan assets	**434,821**	416,242

Movement in the present value of the defined benefit obligations

Defined benefit obligations at 1 January	**401,973**	380,397
Current service cost	**14,746**	21,810
Interest cost	**50,117**	49,452
Benefits paid by the plan	**(33,954)**	(27,978)
(Gain)/loss from change in financial assumptions	**(18,089)**	-
Experience losses/(gains)	**8,537**	(21,708)
Defined benefit obligations at 31 December	**423,330**	401,973

Movement in the present value of plan assets

Fair value of plan assets at 1 January	**416,242**	288,156
Employer contributions	**21,372**	137,748
Benefits paid by the plan	**(33,954)**	(27,978)
Interest income on plan assets	**52,645**	37,460
Administration expenses	**(21,484)**	(19,144)
Fair value of plan assets at 31 December	**434,821**	416,242

Actuarial assumptions

Principle actuarial assumptions at the reporting date were:

	2013	2012
Future pension increase	**2.0%**	3.0%
Salary increase (p.a)	**7.5%**	7.5%
Discount rate (p.a)	**13%**	13%
Expected return on plan assets	**13%**	13%

Average life expectancy at normal retirement age 55

	2013	2012
Male	**21.4**	21.4
Female	**25.3**	25.3

In thousands of Zambian Kwacha

36 Employee benefits *(Continued)*

Sensitivity of the defined benefit obligation to actuarial assumptions	**2013**	2012
Discount rate		
- increase by 1%	**-31,340**	-33,005
- decrease by 1%	**+36,294**	+38,223
Salary increase		
- increase by 1%	**+14,776**	+15,561
- decrease by 1%	**-13,776**	-14,508
Future pension increase		
- increase by 1%	**+21,916**	+23,080
- decrease by 1%	**-19,275**	-20,299
Life expectancy		
- increase by 1%	**+4,422**	+4,657
- decrease by 1%	**+4,020**	+4,233

The sensitivity of the defined benefit obligation to significant actuarial assumptions has been calculated based on same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) used when calculating the pension liability recognised within the statement of financial position.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

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

	2013	2012
Authorised	**500,020**	500,020
Issued and fully paid up	**500,020**	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.

Following approval by the Board to uplift the balance of authorised capital to K500 million as permitted in Section 6 of the Bank of Zambia Act No. 43 of 1996, additional capital was paid up during the year by GRZ through the issuance of Equity bonds totalling K490 million to signal Government's intention to support the Bank in the execution of its mandate of promoting monetary and financial systems stability as well as contributing to the deepening of the financial services sector.

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.

Property revaluation reserve

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

Retained earnings

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

40 Related party transactions

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

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

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

The main services during the year to 31 December 2013 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.

In thousands of Zambian Kwacha

40 Related party transactions *(Continued)*

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:

	2013	2012
Interest on held-to-maturity GRZ securities	**167,802**	185,500
Fees and commission income on transactions with the GRZ	**47,220**	32,334
Interest on advances to GRZ	**84,701**	22,792
Profit on foreign exchange transactions with GRZ	**18,629**	13,484
Total	**318,352**	254,110

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	**2013**	2012
Deposits from GRZ Institutions	**(5,516,022)**	(4,520,871)
Holdings of GRZ securities	**1,966,731**	1,963,517

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

	2013	2012
Directors' fees	**661**	661
Remuneration for key management personnel		
- Salaries and allowances	**19,383**	18,196
- Pension contributions	**1,221**	1,521
	21,265	20,378

Loans and advances to key management personnel

Balance at 31 December	**1,290**	1,551

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.

In thousands of Zambian Kwacha

40 **Related party transactions** *(Continued)*

	2013	2012
b) Post-employment pension benefits	**6,178**	10,159
c) Termination benefits	**-**	-

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**

There have been no significant events subsequent to 31 December 2013 to be disclosed.

10.0 2013 ANNUAL STATISTICAL REPORT

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*2012 numbers may differ from those published in 2013 Annual Report as these were preliminary while 2013 Annual Report presents final numbers for all the previous years.

DEPOSITORY CORPORATIONS SURVEY (IN MILLIONS OF KWACHA)

TABLE 1

	2011 December	2012 December	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December
NET FOREIGN ASSETS	**9,281,339**	**11,905,133**	**9,772,645**	**10,242,518**	**9,428,384**	**8,800,317**	**8,836,741**	**9,767,560**	**10,533,076**	**11,106,408**	**10,754,658**	**10,702,950**	**10,220,815**	**11,552,621**
Foreign assets (BOZ)	12,144,538	16,835,808	15,590,915	14,803,821	14,501,508	13,182,540	13,411,877	13,739,166	13,942,780	13,891,027	14,451,679	15,459,021	15,336,388	15,130,624
Foreign assets (banks)	4,966,464	3,669,241	3,585,173	4,349,620	4,394,325	4,211,062	4,420,952	4,684,460	4,873,518	5,255,457	4,764,915	4,338,959	4,018,945	4,979,073
Foreign liabilities (BOZ)	-6,115,586	-6,155,382	-6,465,511	-6,398,441	-6,462,304	-6,333,198	-6,387,849	-6,568,426	-6,575,936	-6,433,503	-6,378,934	-6,546,332	-6,599,276	-6,609,930
o/w: IMF	-6,081,612	-6,116,756	-6,422,753	-6,357,416	-6,421,833	-6,284,561	-6,346,050	-6,503,602	-6,510,900	-6,391,169	-6,337,247	-6,505,948	-6,561,323	-6,551,771
Foreign liabilities (banks)	-1,714,076	-2,444,534	-2,937,932	-2,512,481	-3,005,145	-2,260,088	-2,608,239	-2,087,640	-1,707,285	-1,606,572	-2,083,002	-2,548,698	-2,535,241	-1,947,146
DOMESTIC ASSETS	**12,523,568**	**13,793,572**	**15,468,650**	**17,322,895**	**16,381,776**	**17,707,466**	**17,823,143**	**18,028,736**	**18,129,477**	**18,141,978**	**18,195,977**	**18,874,074**	**19,246,134**	**19,489,593**
DOMESTIC CREDIT	**16,822,626**	**19,726,756**	**21,486,145**	**22,842,660**	**21,910,986**	**23,560,780**	**24,095,086**	**26,159,357**	**25,367,277**	**25,546,264**	**25,726,523**	**26,851,559**	**27,296,038**	**28,404,021**
Net Claims on General Government	5,200,086	3,242,147	4,952,917	6,121,671	5,474,324	6,571,017	7,432,613	7,929,655	7,957,673	7,848,479	8,151,608	8,741,484	8,979,799	10,335,161
Claims on government (BOZ)	4,186,576	3,703,657	3,906,898	3,851,995	3,850,504	4,126,472	4,067,326	4,117,190	4,125,813	4,102,444	4,788,266	5,303,433	5,056,079	5,417,134
Claims on government (banks)	7,703,177	8,227,575	7,992,397	8,487,572	8,232,314	8,832,626	9,966,604	9,956,061	10,045,999	9,801,906	10,046,873	10,432,352	10,885,906	11,527,661
Government deposits at BOZ	-4,404,956	-5,854,756	-4,522,324	-4,024,392	-3,940,315	-3,417,198	-3,811,551	-3,098,069	-3,099,191	-2,941,684	-3,458,849	-3,548,197	-3,347,753	-2,883,252
Government deposits at banks	-2,284,711	-2,834,330	-2,424,055	-2,193,504	-2,668,179	-2,970,883	-2,789,766	-3,045,527	-3,114,948	-3,114,188	-3,224,681	-3,446,104	-3,614,433	-3,726,383
Claims on public enterprises	98,704	693,512	693,286	670,544	671,233	667,507	180,812	187,723	230,028	228,166	206,055	215,795	244,442	235,678
Claims on public enterprises (BOZ)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on public enterprises (banks)	98,704	693,512	693,286	670,544	671,233	667,507	180,812	187,723	230,028	228,166	206,055	215,795	244,442	235,678
Claims on private enterprises	7,096,591	9,316,436	9,549,233	9,485,243	9,172,732	9,510,010	9,543,739	11,020,644	10,180,972	10,312,448	10,209,125	10,486,015	10,583,183	10,176,223
Claims on private enterprises (BOZ)	-26,942	-10,543	-11,702	-24,759	-2,153	16,288	9,805	11,899	19,906	19,711	17,038	16,657	16,368	15,183
Claims on private enterprises (banks)	7,123,533	9,326,979	9,560,935	9,510,002	9,174,884	9,493,723	9,533,934	11,008,745	10,161,065	10,292,737	10,192,087	10,469,358	10,566,815	10,161,040
Claims on households	3,736,981	5,761,574	5,746,136	6,020,480	6,043,129	6,187,080	6,277,070	6,321,464	6,330,181	6,401,628	6,389,183	6,599,111	6,734,378	6,877,459
Claims on households (BOZ)	36,917	40,001	40,813	42,987	43,049	43,834	44,552	44,672	44,716	44,111	44,154	43,719	43,282	42,669
Claims on households (banks)	3,700,064	5,721,573	5,705,323	5,977,493	6,000,079	6,143,246	6,232,517	6,276,792	6,285,465	6,357,517	6,345,029	6,555,392	6,691,096	6,834,791
Claims on nongovernment/nonprofit inst.	12,724	9,771	17,541	19,902	15,335	14,338	15,751	18,903	19,038	20,002	26,607	28,256	8,605	5,254
Claims on nongovernment/nonprofit inst. (BOZ)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nongovernment/nonprofit inst. (banks)	12,724	9,771	17,541	19,902	15,335	14,338	15,751	18,903	19,038	20,002	26,607	28,256	8,605	5,254
Claims on nonbank financial institutions	665,608	684,710	508,625	506,110	512,129	590,431	624,067	660,461	628,330	712,035	721,199	759,054	723,420	751,454
Claims on nonbank financial institutions (BOZ)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nonbank financial institutions (banks)	665,608	684,710	508,625	506,110	512,129	590,431	624,067	660,461	628,330	712,035	721,199	759,054	723,420	751,454
OTHER ITEMS NET	**-632,689**	**628,490**	**322,407**	**14,288**	**99,300**	**-176,846**	**126,681**	**1,172,501**	**229,034**	**463,569**	**401,540**	**518,160**	**456,926**	**691,721**
Claims on banks (BOZ)	-163,412	-153,679	-231,145	-210,922	-185,608	-188,202	-544,249	-199,885	-158,772	-168,108	-171,240	-158,581	-160,427	-160,013
Bankers deposits at BOZ	-2,228,280	-4,394,757	-4,140,113	-4,585,220	-4,179,449	-3,689,435	-3,945,764	-4,040,515	-3,763,355	-3,833,105	-4,886,361	-5,578,666	-5,323,472	-5,384,064
BOZ liabilities to banks	2,106,723	4,517,607	4,287,715	4,540,209	4,183,347	3,468,186	3,413,214	3,552,040	3,567,790	3,806,494	4,750,992	5,333,350	5,020,223	5,524,828
Credit from BOZ	24,887	45,257	109,750	231,433	188,205	75,950	544,942	206,846	28,406	116,863	48,975	52,909	105,387	78,450
Other items net (BOZ)	-647,254	51,310	-136,955	-161,792	-135,058	-148,385	-168,744	-165,148	-178,818	-140,128	-175,263	11,295	-52,900	-71,186
o/w: IMF	-3,842,033	-3,864,235	-4,057,547	-4,016,271	-4,056,966	-3,970,245	-4,009,091	-4,108,623	-4,113,234	-4,037,594	-4,003,529	-4,110,105	-4,145,088	-4,139,054
Other items net (banks)	274,648	562,753	433,155	200,581	227,862	305,039	827,281	1,819,163	733,782	681,553	834,437	857,853	868,114	703,705
SHARES AND OTHER EQUITY	1,099,410	283,668	572,556	392,958	427,603	835,954	896,314	1,094,110	1,106,463	950,440	933,571	1,177,612	1,252,349	1,198,324
SHARES AND OTHER EQUITY	2,841,264	4,040,551	4,110,564	4,168,667	4,142,587	4,250,592	4,315,621	4,928,851	4,980,218	5,147,071	5,359,957	5,429,327	5,480,393	5,966,316
LOANS	944,343	933,746	965,238	897,121	812,990	896,884	886,598	888,430	875,356	796,477	788,748	805,656	813,506	1,011,338
DEPOSITS EXCLUDED FROM BROAD MONEY	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730	46,730
CLAIMS ON STATE AND LOCAL GOVERNMENT	11,930	18,606	18,407	18,709	22,105	20,396	21,035	20,507	21,056	23,506	22,745	21,844	22,211	22,792
		0	0	0	0	0	0	0	0	0	0	0	0	0
										0	0			
BROAD MONEY	**21,804,779**	**25,698,988**	**25,237,188**	**27,564,953**	**25,809,577**	**26,507,129**	**26,659,379**	**27,795,745**	**28,662,543**	**29,248,376**	**28,950,624**	**29,577,010**	**29,466,936**	**31,042,217**
MONEY	**8,344,880**	**11,252,225**	**11,094,739**	**11,305,024**	**11,062,723**	**10,834,257**	**11,010,008**	**11,529,153**	**11,386,231**	**11,183,432**	**12,160,447**	**12,498,607**	**12,575,242**	**13,079,219**
Currency outside banks	2,790,337	3,015,345	2,700,470	2,581,895	2,783,925	2,686,196	2,786,315	3,086,328	3,167,301	3,306,901	3,202,876	3,354,328	3,425,436	3,443,180
Demand deposits at BOZ	14	0	0	0	0	0	0	0	0	0	0	0	0	0
Demand deposits at banks	5,554,530	8,236,879	8,394,269	8,723,129	8,278,798	8,148,060	8,223,693	8,442,824	8,218,930	7,876,531	8,957,571	9,144,279	9,149,806	9,636,039
										0	0			
QUASI-MONEY	**13,459,899**	**14,446,764**	**14,142,449**	**16,259,929**	**14,746,854**	**15,672,872**	**15,649,371**	**16,266,592**	**17,276,312**	**18,064,944**	**16,790,177**	**17,078,403**	**16,891,694**	**17,962,998**
Savings Deposits	3,517,197	5,083,584	5,080,335	5,143,791	4,414,571	4,319,045	4,945,819	5,297,088	4,752,577	4,854,848	4,741,467	5,563,951	5,495,726	5,667,221
Savings deposits at BOZ	19,270	20,534	19,434	19,899	17,421	18,599	15,552	15,568	16,687	16,643	15,785	16,647	17,814	23,516
Savings deposits at banks	3,497,927	5,063,050	5,060,901	5,123,892	4,397,150	4,300,445	4,930,268	5,281,520	4,735,891	4,838,205	4,725,682	5,547,304	5,477,912	5,643,705
Time deposits and other deposits	2,481,472	3,207,376	3,213,094	3,876,610	3,893,360	4,315,083	3,880,324	3,640,312	4,615,358	4,862,050	4,876,514	4,308,828	4,482,998	4,702,231
Time deposits	2,481,472	3,207,376	3,213,094	3,876,610	3,893,360	4,315,083	3,880,324	3,640,312	4,615,358	4,862,050	4,876,514	4,308,828	4,482,998	4,702,231
Acceptances payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Foreign currency deposits	7,461,230	6,155,804	5,849,020	7,239,529	6,438,922	7,038,744	6,823,228	7,329,192	7,908,376	8,348,046	7,172,196	7,205,624	6,912,970	7,593,546
Foreign currency demand deposits	5,972,310	5,014,509	4,661,594	5,938,279	5,177,357	5,735,488	5,602,088	4,792,430	5,487,858	5,900,792	5,727,235	5,647,721	5,416,340	6,090,371
Foreign currency savings deposits	344,051	415,094	333,997	467,822	478,729	465,790	422,997	357,080	343,951	404,187	355,315	331,397	313,092	329,102
Foreign currency time deposits	1,144,870	726,201	853,429	833,428	782,837	837,466	798,143	2,179,682	2,076,567	2,043,067	1,089,646	1,226,506	1,183,537	1,174,073
Other deposits	0	0									0	0	0	0
Bills payable	-949	-496	-656	-771	-1,030	-1,369	-1,559	-1,536	-1,379	-1,676	-2,070	-1,540	-1,355	-1,143
										0	0			
Vertical check:	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

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

TABLE 2

	2011 December	2012 December	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December
NET FOREIGN ASSETS	**6,028,952**	**10,680,426**	**9,125,404**	**8,405,380**	**8,039,204**	**6,849,342**	**7,024,028**	**7,170,740**	**7,366,843**	**7,457,524**	**8,072,745**	**8,912,690**	**8,737,112**	**8,520,694**
Gross foreign assets	12,144,538	16,835,808	15,590,915	14,803,821	14,501,508	13,182,540	13,411,877	13,739,166	13,942,780	13,891,027	14,451,679	15,459,021	15,336,388	15,130,624
Monetary gold	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SDR holdings	3,314,831	3,333,987	3,500,613	3,465,003	3,500,112	3,425,294	3,458,808	3,544,679	3,548,657	3,483,400	3,454,010	3,545,958	3,576,139	3,570,933
Foreign exchange holdings	8,815,375	13,466,112	12,054,443	11,303,193	10,966,002	9,722,011	9,917,014	10,170,635	10,369,722	10,382,553	10,972,982	11,888,701	11,738,668	11,550,976
Other foreign assets	14,331	35,709	35,859	35,625	35,394	35,234	36,055	23,853	24,401	25,074	24,688	24,363	21,581	8,715
Gross foreign liabilities	-6,115,586	-6,155,382	-6,465,511	-6,398,441	-6,462,304	-6,333,198	-6,387,849	-6,568,426	-6,575,936	-6,433,503	-6,378,934	-6,546,332	-6,599,276	-6,609,930
Fund administered accounts	-2,239,579	-2,252,521	-2,365,206	-2,341,145	-2,364,867	-2,314,316	-2,336,960	-2,394,979	-2,397,666	-2,353,575	-2,333,718	-2,395,843	-2,416,235	-2,412,717
Fund charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Allocation of SDRs	-3,842,033	-3,864,235	-4,057,547	-4,016,271	-4,056,966	-3,970,245	-4,009,091	-4,108,623	-4,113,234	-4,037,594	-4,003,529	-4,110,105	-4,145,088	-4,139,054
Other foreign liabilities	-33,974	-38,626	-42,759	-41,025	-40,471	-48,637	-41,799	-64,825	-65,036	-42,334	-41,687	-40,384	-37,953	-58,158
DOMESTIC ASSETS	**-855,659**	**-2,070,331**	**-723,269**	**-315,962**	**-183,971**	**621,011**	**141,388**	**910,544**	**912,426**	**1,084,454**	**1,215,345**	**1,826,906**	**1,715,076**	**2,520,549**
DOMESTIC CREDIT	**-208,404**	**-2,121,641**	**-586,314**	**-154,169**	**-48,914**	**769,396**	**310,132**	**1,075,692**	**1,091,244**	**1,224,582**	**1,390,609**	**1,815,611**	**1,767,976**	**2,591,735**
Claims on Gen.Government (net)	-218,380	-2,151,099	-615,426	-172,397	-89,810	709,274	255,775	1,019,121	1,026,622	1,160,761	1,329,417	1,755,236	1,708,326	2,533,882
Claims on the central government	4,186,576	3,703,657	3,906,898	3,851,995	3,850,504	4,126,472	4,067,326	4,117,190	4,125,813	4,102,444	4,788,266	5,303,433	5,056,079	5,417,134
Central government deposits	-4,404,956	-5,854,756	-4,522,324	-4,024,392	-3,940,315	-3,417,198	-3,811,551	-3,098,069	-3,099,191	-2,941,684	-3,458,849	-3,548,197	-3,347,753	-2,883,252
Claims on nonfin. public enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on the private enterprises	-26,942	-10,543	-11,702	-24,759	-2,153	16,288	9,805	11,899	19,906	19,711	17,038	16,657	16,368	15,183
Claims on households	36,917	40,001	40,813	42,987	43,049	43,834	44,552	44,672	44,716	44,111	44,154	43,719	43,282	42,669
Claims on nongovernment/nonprofit inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on banks	163,412	153,679	231,145	210,922	185,608	188,202	544,249	199,885	158,772	168,108	171,240	158,581	160,427	160,013
Claims on nonbank financial inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
											0			
OTHER ITEMS (NET)	**-647,254**	**51,310**	**-136,955**	**-161,792**	**-135,058**	**-148,385**	**-168,744**	**-165,148**	**-178,818**	**-140,128**	**-175,263**	**11,295**	**-52,900**	**-71,186**
Other assets	292,241	434,121	442,496	421,498	431,086	449,092	456,184	462,774	470,975	453,804	498,593	499,844	525,642	530,987
Special holdings of Government securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve position in the Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/IMF Trust Fund obligations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/IMF Outstanding charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/IMF Securities account	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/ESAF & SAF obligations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Land and Fixed assets	391,172	403,186	406,826	371,881	412,427	412,811	413,337	419,263	422,905	424,029	415,624	418,569	415,974	422,292
Other investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Items in transit	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other assets	-98,931	30,935	35,670	49,617	18,659	36,282	42,847	43,512	48,070	29,775	82,969	81,276	109,668	108,695
Other liabilities	317,799	510,555	362,878	371,685	444,140	431,042	436,373	452,820	445,500	460,057	440,299	451,622	442,517	448,391
Provision for bad & dfll debt	161,147	219,689	221,558	221,558	221,558	221,510	221,510	221,510	221,510	221,567	221,510	221,621	221,621	221,621
Other provisions	148,534	200,657	193,370	170,339	174,311	176,729	179,226	181,640	183,699	185,133	177,226	182,808	185,451	177,739
									0	0	0			0
Capital	10,020	10,020	10,020	10,020	10,020	500,020	500,020	500,020	500,020	500,020	500,020	500,020	500,020	500,020
Forex arrears accounts	0	-291	-291	-696,164	-1,096,104	-291	-291	-291	-291	-291	-291	-291	-291	-291
Use of Fund credit	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
Other liabilities	8,119	90,209	-52,051	-20,212	48,271	32,803	35,637	49,670	40,291	53,357	41,563	47,193	35,445	49,031
FUND ACCOUNTS ADJUSTMENT	-672,812	-25,124	-57,337	-111,980	-148,111	-130,335	-148,933	-155,194	-153,343	-146,381	-116,969	59,517	30,225	11,409
Reserve Position in the Fund FC	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve Position in the Fund, IMF Record	151	152	152	0	0	0	0	0	0	0	0	0	0	0
Holdings of SDRs	-3,153,989	-3,146,930	-3,275,752	-3,179,732	-3,172,088	-3,122,060	-3,128,097	-3,205,820	-3,218,453	-3,154,749	-3,161,162	-3,263,303	-3,273,615	-3,251,249
SDR Holdings, IMF Record	3,314,680	3,333,835	3,500,613	3,465,003	3,500,112	3,425,294	3,458,808	3,544,679	3,548,656	3,483,399	3,454,010	3,545,957	3,576,139	3,570,933
Use of Fund Credit NC	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans from IMF NC	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans from IMF FC	2,247,543	2,163,595	2,235,735	2,164,233	2,153,847	2,113,889	2,115,933	2,144,348	2,136,116	2,096,022	2,094,294	2,320,428	2,307,900	2,260,004
Use of Fund Credit & Loans, IMF Record	-2,239,579	-2,252,521	-2,365,206	-2,341,145	-2,364,867	-2,314,316	-2,336,960	-2,394,979	-2,397,666	-2,353,575	-2,333,718	-2,395,843	-2,416,235	-2,412,717
SDR Allocations	3,226,992	3,740,980	3,904,819	3,795,932	3,791,851	3,737,103	3,750,473	3,865,201	3,891,238	3,820,116	3,833,135	3,962,382	3,981,124	3,983,494
SDR Allocations, IMF Record	-3,842,033	-3,864,235	-4,057,547	-4,016,271	-4,056,966	-3,970,245	-4,009,091	-4,108,623	-4,113,234	-4,037,594	-4,003,529	-4,110,105	-4,145,088	-4,139,054
IMF Quota	-3,722,005	-3,973,041	-3,973,041	-3,973,041	-3,973,041	-3,973,041	-3,913,092	-3,913,092	-3,913,092	-3,913,092	-3,913,092	-3,913,092	-3,913,092	-3,913,092
IMF Accounts No. 1 & Securities NC	3,495,288	3,972,882	3,972,882	3,972,882	3,972,882	3,972,882	3,912,935	3,912,935	3,912,935	3,912,935	3,912,935	3,912,935	3,912,935	3,912,935
IMF Account No. 2 NC	140	159	159	159	159	159	157	157	157	157	157	157	157	157
RESERVE MONEY	**5,531,677**	**8,377,772**	**8,334,639**	**8,230,508**	**7,882,771**	**7,118,716**	**7,150,335**	**7,516,806**	**7,684,178**	**8,035,638**	**8,872,792**	**9,688,836**	**9,462,074**	**10,145,307**
Currency in circulation:	3,405,670	3,839,631	4,027,490	3,670,400	3,682,003	3,631,931	3,721,569	3,949,198	4,104,729	4,216,758	4,109,499	4,347,964	4,428,015	4,596,963
add: notes and coins issued	3,408,239	3,843,140	4,033,698	3,675,919	3,684,910	3,634,922	3,726,242	3,953,731	4,108,053	4,221,589	4,113,842	4,352,210	4,433,139	4,601,083
less: teller's cash (BOZ)	-2,569	-3,509	-6,208	-5,519	-2,907	-2,991	-4,673	-4,533	-3,325	-4,832	-4,344	-4,246	-5,123	-4,120
Liabilities to commercial banks	2,106,723	4,517,607	4,287,715	4,540,209	4,183,347	3,468,186	3,413,214	3,552,040	3,562,763	3,802,238	4,747,508	5,324,226	5,016,244	5,524,828
Required reserves (Kwacha deps.)	694,613	1,078,774	1,631,039	1,504,890	1,710,155	1,661,054	1,468,042	1,775,074	1,803,472	1,854,848	1,854,798	1,765,912	1,702,853	1,815,053
Required reserves (Forex deps.)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Required reserves (Forex deps in US$.)	533,091	489,690	614,942	693,441	732,489	692,765	723,948	721,563	751,544	774,341	703,844	953,296	730,000	781,119
Current account balances (positive)	878,765	2,946,147	2,038,841	696,455	1,096,395	1,096,186	1,083,570	1,054,267	1,007,045	1,172,397	1,261,491	1,121,189	792,461	1,122,010
Term deposits of banks (kwacha)	0	0	0	1,640,000	635,000	17,000	135,000	0	0	0	925,000	1,477,000	1,779,900	1,796,000
Other bank deposits (kwacha)	254	2,996	2,894	5,423	9,309	1,181	2,655	1,135	702	652	2,375	6,829	11,032	10,646
Settlement position at clearing cntre	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities to non-banks	19,284	20,534	19,434	19,899	17,421	18,599	15,552	15,568	16,687	16,643	15,785	16,647	17,814	23,516
o/w: non government deposits	19,284	20,534	19,434	19,899	17,421	18,599	15,552	15,568	16,687	16,643	15,785	16,647	17,814	23,516
		0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	0	0	0	0	0	0	0	0	5,027	4,256	3,484	9,125	3,978	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
Memo items:	0	0	0	0	0	0	0	0	0	0	0	0	0	0
K/USD exchange rate (end of period - BOZ mid-rate)	5,117,040	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	5,238,610	5,238,610
K/USD exchange rate (period average - BOZ mid-rate)	5,117,286	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	5,217,070	5,217,070
Reserve money (BoZ definition)	4,998,332	7,885,086	7,716,803	5,891,644	6,505,973	6,407,770	6,288,732	6,794,108	6,931,932	7,260,645	7,241,572	7,251,712	6,941,143	7,557,542
NIR in USD (estimated from MS):	1,178	2,047	1,749	1,611	1,541	1,313	1,346	1,374	1,412	1,429	1,547	1,708	1,675	1,633
Assets	2,373	3,227	2,988	2,838	2,780	2,527	2,571	2,634	2,673	2,663	2,770	2,963	2,940	2,900
Liabilities:	-1,195	-1,180	-1,239	-1,226	-1,239	-1,214	-1,224	-1,259	-1,260	-1,233	-1,223	-1,255	-1,265	-1,267
Liabilities to the Fund	-438	-432	-453	-449	-453	-444	-448	-459	-460	-451	-447	-459	-463	-462
Short-term liabilities	-7	-7	-8	-8	-8	-9	-8	-12	-12	-8	-8	-8	-7	-11
NIR reported by the BoZ in dollars:	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	1,180,450
Assets	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073	1,282,073
o/w Escrow a/c bal.	32	5,032	5,032	5,032	5,032	5,032	5,032	0	0	0	0	0	0	0
Liabilities:	-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	-101,623
Liabilities to the Fund	-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	-101,623
Short-term liabilities	0	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
Profit and loss carried over	55,830	-58,726	-53,718	-3,725	-9,674	-9,698	-9,282	-9,602	-8,959	-8,586	-8,096	-7,818	-7,447	-7,076
Reserves and retained earnings	214,784	197,849	197,477	197,106	196,735	196,364	195,993	195,622	195,250	194,879	194,508	194,137	193,766	193,394
Profit and loss current year	499,611	41,938	326,189	96,969	137,933	56,680	116,996	315,483	327,564	171,539	154,550	398,686	473,423	419,397
Revaluation account (liabilities)	226,577	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

Source: Bank of Zambia

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

TABLE 3

	2011 December	2012 December	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December
FOREIGN ASSETS (NET)	**3,252,388**	**1,224,707**	**647,241**	**1,837,138**	**1,389,180**	**1,950,975**	**1,812,713**	**2,596,820**	**3,166,233**	**3,648,884**	**2,681,913**	**1,790,261**	**1,483,704**	**3,031,927**
Gross assets	4,966,464	3,669,241	3,585,173	4,349,620	4,394,325	4,211,062	4,420,952	4,684,460	4,873,518	5,255,457	4,764,915	4,338,959	4,018,945	4,979,073
Liabilities	-1,714,076	-2,444,534	-2,937,932	-2,512,481	-3,005,145	-2,260,088	-2,608,239	-2,087,640	-1,707,285	-1,606,572	-2,083,002	-2,548,698	-2,535,241	-1,947,146
RESERVES (CREDIT TO BOZ)	**2,843,613**	**5,219,043**	**5,467,132**	**5,673,725**	**5,077,526**	**4,635,169**	**4,881,018**	**4,903,384**	**4,700,782**	**4,742,962**	**5,792,984**	**6,572,302**	**6,326,051**	**6,537,847**
Cash in vaults	615,333	824,286	1,327,019	1,088,505	898,077	945,734	935,254	862,870	937,427	909,857	906,622	993,636	1,002,579	1,153,783
Other balances at BOZ	1,004,560	2,821,317	1,915,401	821,576	1,010,584	1,181,964	1,356,385	1,409,645	1,381,187	1,273,072	1,398,849	1,411,146	1,070,802	1,080,193
Statutory reserves at BOZ (kwacha and forex)	1,223,548	1,573,268	2,224,005	2,152,937	2,533,694	2,477,299	2,454,207	2,630,698	2,381,996	2,559,861	2,562,340	2,670,348	2,457,598	2,623,700
Money market placements	172	172	707	1,610,707	635,172	30,172	135,172	172	172	172	925,172	1,497,172	1,795,072	1,680,172
CREDIT TO DOMESTIC ECONOMY	**17,031,030**	**21,848,397**	**22,072,459**	**22,996,829**	**21,959,900**	**22,791,384**	**23,784,954**	**25,083,665**	**24,276,034**	**24,321,682**	**24,335,914**	**25,035,947**	**25,528,062**	**25,812,286**
Claims on general government (net)	5,418,466	5,393,246	5,568,342	6,294,068	5,564,135	5,861,743	7,176,837	6,910,534	6,931,051	6,687,718	6,822,192	6,986,248	7,271,473	7,801,278
Claims on general government	7,703,177	8,227,575	7,992,397	8,487,572	8,232,314	8,832,626	9,966,604	9,956,061	10,045,999	9,801,906	10,046,873	10,432,352	10,885,906	11,527,661
Treasury bills	4,192,625	4,461,869	4,377,297	4,436,643	4,479,104	4,831,606	4,995,720	5,006,573	5,114,339	5,019,679	5,174,071	5,785,756	5,852,311	6,576,656
Other assets	3,510,552	3,765,706	3,615,100	4,050,930	3,753,210	4,001,020	4,970,884	4,949,488	4,931,660	4,782,227	4,872,802	4,646,596	5,033,595	4,951,006
Dep. of general government with Donor funds	-2,284,711	-2,834,330	-2,424,055	-2,193,504	-2,668,179	-2,970,883	-2,789,766	-3,045,527	-3,114,948	-3,114,188	-3,224,681	-3,446,104	-3,614,433	-3,726,383
Dep. of general government without Donor Funds	-2,262,124	-2,730,606	-2,354,519	-2,154,464	-2,622,672	-2,926,275	-2,745,519	-3,004,496	-3,059,589	-3,071,823	-3,189,105	-3,391,971	-3,560,413	-3,674,293
Claims on parastatals & state enterpr.	98,704	693,512	693,286	670,544	671,233	667,507	180,812	187,723	230,028	228,166	206,055	215,795	244,442	235,678
Claims on private enterprises	7,123,533	9,326,979	9,560,935	9,510,002	9,174,884	9,493,723	9,533,934	11,008,745	10,161,065	10,292,737	10,192,087	10,469,358	10,566,815	10,161,040
Claims on households	3,700,064	5,721,573	5,705,323	5,977,493	6,000,079	6,143,246	6,232,517	6,276,792	6,285,465	6,357,517	6,345,029	6,555,392	6,691,096	6,834,791
Claims on nonbank fin. inst.	665,608	684,710	508,625	506,110	512,129	590,431	624,067	660,461	628,330	712,035	721,199	759,054	723,420	751,454
Claims on nongov./nonprofit inst.	12,724	9,771	17,541	19,902	15,335	14,338	15,751	18,903	19,038	20,002	26,607	28,256	8,605	5,254
CLAIMS ON STATE AND LOCAL GOVERNMENT	11,930	18,606	18,407	18,709	22,105	20,396	21,035	20,507	21,056	23,506	22,745	21,844	22,211	22,792
OTHER ITEMS (NET)	**-274,648**	**-562,753**	**-433,155**	**-200,581**	**-227,862**	**-305,039**	**-827,281**	**-1,819,163**	**-733,782**	**-681,553**	**-834,437**	**-857,853**	**-868,114**	**-703,705**
Assets	2,332,462	2,614,547	3,088,879	3,489,391	3,450,058	3,258,748	3,298,417	2,369,633	3,250,975	3,111,574	3,208,327	3,375,254	3,160,408	3,104,904
Balances held with comm. banks	359,251	440,576	548,965	780,036	765,785	682,560	518,620	727,168	642,920	473,948	585,081	714,219	570,795	594,659
Balances with branches	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bank premises	943,022	1,075,649	1,076,986	1,080,983	1,093,831	1,137,358	1,139,734	1,054,362	1,158,513	1,189,985	1,200,964	1,226,143	1,187,723	1,186,792
Other assets	1,030,189	1,098,321	1,462,928	1,628,372	1,590,442	1,438,830	1,640,062	588,104	1,449,542	1,447,641	1,422,282	1,434,891	1,401,890	1,323,453
Liabilities	-2,607,110	-3,177,300	-3,522,034	-3,689,972	-3,677,920	-3,563,787	-4,125,698	-4,188,797	-3,984,758	-3,793,127	-4,042,764	-4,233,107	-4,028,522	-3,808,609
Liabilities to comm. banks	-383,132	-328,369	-415,152	-552,589	-667,473	-698,405	-776,786	-915,865	-747,705	-560,857	-696,159	-799,459	-670,052	-451,369
Balances with branches	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other liabilities excluded from broad money	-2,223,029	-2,848,435	-3,106,227	-3,136,612	-3,009,417	-2,864,013	-3,347,353	-3,271,395	-3,235,673	-3,230,594	-3,344,535	-3,432,107	-3,357,116	-3,356,097
Bills payable	-949	-496	-656	-771	-1,030	-1,369	-1,559	-1,536	-1,379	-1,676	-2,070	-1,540	-1,355	-1,143
LIABILITIES TO NONGOVERNMENT SECTOR	**18,995,159**	**22,663,109**	**22,517,284**	**24,963,159**	**23,008,231**	**23,802,333**	**23,857,513**	**24,693,848**	25,478,555	25,924,833	25,731,963	26,206,036	26,023,686	27,575,521
Demand deposits in Kwacha	5,554,530	8,236,879	8,394,269	8,723,129	8,278,798	8,148,060	8,223,693	8,442,824	8,218,930	7,876,531	8,957,571	9,144,279	9,149,806	9,636,039
Demand deposits in forex	5,972,310	5,014,509	4,661,594	5,938,279	5,177,357	5,735,488	5,602,088	4,792,430	5,487,858	5,900,792	5,727,235	5,647,721	5,416,340	6,090,371
Savings deposits in Kwacha	3,497,927	5,063,050	5,060,901	5,123,892	4,397,150	4,300,445	4,930,268	5,281,520	4,735,891	4,838,205	4,725,682	5,547,304	5,477,912	5,643,705
Savings deposits in forex	344,051	415,094	333,997	467,822	478,729	465,790	422,997	357,080	343,951	404,187	355,315	331,397	313,092	329,102
Time deposits in Kwacha	2,481,472	3,207,376	3,213,094	3,876,610	3,893,360	4,315,083	3,880,324	3,640,312	4,615,358	4,862,050	4,876,514	4,308,828	4,482,998	4,702,231
Time deposits in forex	1,144,870	726,201	853,429	833,428	782,837	837,466	798,143	2,179,682	2,076,567	2,043,067	1,089,646	1,226,506	1,183,537	1,174,073
Acceptances payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Liabilities included in broad money	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CREDIT FROM THE BOZ	**24,887**	**45,257**	**109,750**	**231,433**	**188,205**	**75,950**	**544,942**	**206,846**	**28,406**	**116,863**	**48,975**	**52,909**	**105,387**	**78,450**
SHARES AND OTHER EQUITY	**2,841,264**	**4,040,551**	**4,110,564**	**4,168,667**	**4,142,587**	**4,250,592**	**4,315,621**	**4,928,851**	**4,980,218**	**5,147,071**	**5,359,957**	**5,429,327**	**5,480,393**	**5,966,316**
		0	0	0	0	0	0	0	0	0	0	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
		0						0	0	0	0			
LOANS	944,343	933,746	965,238	897,121	812,990	896,884	886,598	888,430	875,356	796,477	788,748	805,656	813,506	1,011,338
Vertical check	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

SOURCES OF LIQUIDITY(IN MILLIONS OF KWACHA)

TABLE 4

End of period.	Monthly	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.
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
2013	January	-2,304,939	6,619	57,871	2,113,950	-126,498	-407,421	209,981	17,329	-10,639	-317,249
	February	-2,319,110	1,847	79,240	3,056,829	818,807	-52,676	-79,169	0	4,316	691,278
	March	-2,335,007	6,506	76,280	2,091,694	-160,528	-129,083	-23,781	0	0	-313,391
	April	-2,926,045	7,678	25,460	2,220,433	-672,475	8,510	17,710	0	0	-646,254
	May	-1,996,510	12,191	53,598	2,416,521	485,800	8,516	14,035	0	0	508,351
	June	-1,991,628	10,173	26,585	2,838,294	883,424	-273,516	5,533	0	0	615,441
	July	-2,436,146	6,447	23,209	2,456,656	50,165	2,181	-17,929	0	0	34,417
	August	-2,042,793	13,553	54,782	2,020,443	45,985	177,795	23,729	0	0	247,509
	September	-2,353,849	11,697	116,924	3,481,361	1,256,134	197,131	49,629	0	0	1,502,894
	October	-2,739,445	10,234	19,739	3,087,701	378,229	256,386	11,542	0	0	646,157
	November	-2,165,057	0	93,744	2,580,860	509,547	-95,240	71,188	0	0	485,494
	December	-2,389,777	0	28,940	3,386,552	1,025,715	160,427	29,892	0	0	1,216,034

Source: Bank of Zambia

USES OF LIQUIDITY (IN MILLIONS OF KWACHA)

TABLE 5

2010	Monthly	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.
2011	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
2012	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
2013	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
	January	-317,248.6	-201,082.6	75,102.5	-554,105.1	92,986.3	0.4	-904,347.0
	February	691,278.5	165,278.7	-349,541.4	277,406.6	-2,085,070.7	2.6	-1,300,645.7
	March	-313,391.2	40,405.3	-302,635.3	-155,913.3	1,109,101.3	-1.9	377,565.0
	April	-646,254.3	21,013.6	-186,494.3	60,921.1	764,010.8	-0.5	13,196.4
	May	508,350.8	-83,032.7	-215,198.9	184,086.2	-407,804.1	1.0	-13,597.7
	June	615,440.9	-228,944.8	21,255.6	-307,032.4	-130,020.1	-1.2	-29,302.0
	July	34,417.2	-109,637.0	64,262.5	-87,960.7	51,561.9	0.3	-47,355.8
	August	247,509.4	-130,070.0	528.8	-51,275.7	106,524.7	2.0	173,219.2
	September	1,502,893.6	106,092.0	251,402.3	68,449.6	-1,838,151.1	2.1	90,688.4
	October	646,157.5	-238,815.1	-325,991.9	75,596.0	-295,679.0	1.3	-138,731.3
	November	485,494.1	-69,060.4	-536,360.3	72,152.2	-280,585.5	-0.9	-328,360.9
	December	1,216,033.6	-169,812.4	-700,831.6	-104,271.9	82,290.6	1.0	323,409.4

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	December	60.5	9.0	53.6	114.1	64.3
2010	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
2013	January	46.6	9.0	45.9	92.5	67.6
	February	47.1	9.0	46.3	93.4	63.6
	March	48.0	9.0	47.2	95.2	65.1
	April	48.9	9.0	44.1	93.0	65.7
	May	48.2	9.0	47.6	95.7	66.4
	June	46.0	9.0	45.8	91.8	65.7
	July	43.2	9.0	43.2	86.5	64.5
	August	43.1	9.0	41.4	84.5	64.8
	September	43.5	9.0	46.5	89.9	64.7
	October	37.9	9.0	49.8	87.6	64.6
	November	51.7	9.0	49.6	101.3	66.0
	December	49.5	9.0	49.1	98.6	61.4

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

		Bank of Zambia Claims					Commercial Banks Claims						(a+b)
Period End Month		Treasury Bills	GRZ Stock	GRZ Position (3)	Loans & Advances	(a) Total	Treasury Bills	GRZ Securities	Loans & Advances	Deposits	Tax Revenue Suspense a/c	(b) Total	TOTAL CLAIMS
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
2001	December	37,410.1	44,861.7	686,418.7	383,332.1	1,152,022.6	480,332.9	247,683.2	-5,423.9	-86,009.0	0.0	671,394.2	1,823,416.8
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	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	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
2013	January	643,507.6	1,310,989.2	-3,101,430.8	908,000.0	-238,934.0	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,350,076.8
	February	643,507.6	1,310,989.2	-3,101,430.8	908,000.0	-238,934.0	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,350,076.8
	March	653,322.7	1,310,989.2	-3,985,213.3	908,000.0	-1,112,901.4	4,545,108.7	2,658,971.4	9,585.3	-947,643.1	0.0	6,266,022.2	5,153,120.8
	April	653,322.7	1,800,989.2	-3,661,333.3	718,000.0	-489,021.4	4,871,702.6	2,455,479.9	84,451.8	-1,002,485.0	0.0	6,409,149.3	5,920,127.9
	May	675,030.1	1,808,126.8	-4,247,756.5	653,000.0	-1,111,599.6	5,112,329.1	2,321,597.8	88,918.1	-848,962.5	0.0	6,673,882.5	5,562,282.9
	June	642,756.9	1,800,989.2	-3,885,376.4	653,000.0	-788,630.2	4,883,483.3	2,870,754.2	86,577.8	-1,001,540.0	0.0	6,839,275.2	6,050,645.0
	July	836,115.1	1,800,989.2	-3,849,126.2	653,000.0	-559,021.9	4,854,063.5	2,758,881.5	90,284.8	-881,317.5	0.0	6,821,912.2	6,262,890.4
	August	625,775.2	1,310,989.2	-3,769,740.5	653,000.0	-1,179,976.0	5,009,218.0	2,550,165.0	89,350.9	-985,902.5	0.0	6,662,831.4	5,482,855.4
	September	641,402.8	1,800,989.2	-3,839,484.7	1,328,000.0	-69,092.7	5,024,730.5	2,917,265.2	122,906.0	-1,176,188.0	0.0	6,888,713.7	6,819,621.0
	October	224,747.6	1,665,849.9	-3,936,252.9	1,613,000.0	-432,655.4	5,829,011.8	2,814,384.8	122,906.0	-1,176,188.0	0.0	7,590,114.5	7,157,459.1
	November	0.0	1,666,245.3	-3,969,289.8	1,472,000.0	-831,044.5	5,482,649.3	2,924,925.8	129,964.7	-1,170,196.5	0.0	7,367,343.3	6,536,298.8
	December	396,982.3	1,800,989.2	-3,799,857.4	1,830,539.0	228,653.1	6,080,082.9	2,700,021.2	117,621.0	-1,171,443.8	0.0	7,726,281.3	7,954,934.4

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
2000	December	331,738,268	331,511,141	227,127	43,027,000	43,026,000	1,000	288,711,268	288,485,141	226,127
2001	December	432,338,205	432,111,531	226,674	58,147,000	58,147,000	0	374,191,205	373,964,531	226,674
2002	December	481,227,530	481,000,950	226,580	57,051,000	57,051,000	0	424,176,530	423,949,950	226,580
2003	December	671,236,287	671,009,873	226,414	77,690,063	77,690,063	0	593,546,224	593,319,810	226,414
2004	December	829,422,716	829,196,707	226,009	85,916,164	85,916,164	0	743,506,552	743,280,543	226,009
2005	December	964,383,652	964,157,696	225,956	138,834,164	138,834,164	0	825,549,488	825,323,532	225,956
2006	December	1,226,161,009	1,225,934,647	226,362	153,017,164	153,017,164	0	1,073,143,845	1,072,917,483	226,362
2007	December	1,515,151,601	1,514,925,245	226,356	208,399	208,399	0	1,514,943,202	1,514,716,846	226,356
2008	December	1,934,425,552	1,934,199,271	226,281	314,801	314,801	0	1,934,110,751	1,933,884,470	226,281
2009	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	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
2013	January	4,033,698	4,027,091	6,606	1,305,088	1,305,082	6	2,728,610	2,722,009	6,600
	February	3,675,919	3,663,926	11,993	1,060,014	1,060,008	6	2,615,905	2,603,918	11,987
	March	3,684,910	3,670,936	13,974	878,101	878,097	4	2,806,809	2,792,839	13,970
	April	3,634,922	3,617,985	16,937	926,269	925,724	545	2,708,653	2,692,261	16,392
	May	3,726,242	3,705,601	20,641	920,377	919,689	688	2,805,865	2,785,912	19,953
	June	3,953,731	3,929,161	24,569	849,923	849,045	878	3,103,808	3,080,116	23,691
	July	4,108,053	4,078,052	30,001	918,525	917,206	1,319	3,189,528	3,160,846	28,682
	August	4,221,589	4,186,999	34,591	891,726	889,984	1,742	3,329,863	3,297,015	32,849
	September	4,113,842	4,075,382	38,460	890,008	888,600	1,408	3,223,835	3,186,782	37,052
	October	4,352,210	4,307,329	44,881	971,253	969,606	1,647	3,380,957	3,337,723	43,234
	November	4,433,139	4,385,806	47,333	974,483	972,303	2,180	3,458,656	3,413,503	45,153
	December	4,601,083	4,550,934	50,149	1,130,464	1,094,154	36,310	3,470,619	3,456,780	13,839

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)	Foreign Currency US $	Total
2000	December	142,787,000	39,379,000	31,000,000	228,541,000	286,062,000	2,144,000	1,355,000	533,502,000	198,357	1,264,770,000
2001	December	131,636,000	76,531,000	66,921,000	302,395,000	417,291,000	1,467,000	2,435,000	1,160,621,000	273,656	2,159,297,000
2002	December	119,668,000	53,277,000	143,175,000	404,176,000	578,625,000	8,128,000	1,754,000	1,045,153,000	268,626	2,353,956,000
2003	December	121,857,000	57,601,000	247,631,000	726,643,000	582,472,000	11,513,000	2,034,000	1,429,013,000	295,127	3,178,764,000
2004	December	214,607,000	103,790,000	216,459,000	843,870,000	866,514,000	25,079,000	5,986,000	1,619,097,000	351,904	3,895,402,000
2005	December	467,357,000	153,666,000	203,059,000	1,037,899,000	980,051,000	39,234,000	5,290,000	2,439,540,000	518,320	5,326,096,000
2006	December	509,221,606	115,891,758	89,373,313	1,280,618,756	1,036,317,677	18,062,000	30,939,000	1,981,182,000	564,570	5,075,637,110
2006	December	524,870,311	230,808,168	178,133,313	1,758,044,125	1,731,624,677	27,354,000	18,977,000	2,713,997,000	655,119	7,183,808,594
2007	December	614,334,458	322,415,168	352,272,313	2,244,280,125	1,784,147,677	40,422,000	15,281,000	3,905,904,010	1,015,636	9,279,056,751
2008	December	808,503,982	445,599,168	127,638,313	2,255,860,864	3,278,756,391	11,975,000	25,891,000	4,371,877,889	884,257	11,326,102,607
2009	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	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
2013	January	1,677,909	485,804	389,688	9,480,670	4,593,497	1,560,337	430,930	6,256,383	1,180,678	24,875,217
	February	1,465,374	560,524	314,572	10,362,100	4,703,630	1,620,359	384,723	7,610,921	1,424,646	27,022,202
	March	1,434,781	1,056,064	661,308	9,155,129	4,525,145	1,571,666	354,569	6,790,818	1,260,448	25,549,480
	April	1,436,540	1,253,173	1,172,028	8,901,636	4,476,157	1,617,020	403,058	7,511,058	1,395,140	26,770,670
	May	1,357,600	1,124,366	506,465	9,196,669	4,982,557	1,728,580	349,480	7,297,751	1,368,647	26,543,470
	June	1,591,305	1,194,666	353,393	10,041,611	4,562,713	1,801,047	436,146	7,791,988	1,435,738	27,772,870
	July	1,507,537	1,273,021	1,281,303	9,187,598	4,638,618	1,878,716	440,706	8,417,759	1,533,284	28,625,259
	August	1,490,605	1,352,726	1,296,921	9,282,524	4,620,086	1,765,325	346,027	8,786,187	1,616,049	28,940,402
	September	1,591,292	1,422,697	1,067,850	10,450,776	4,397,528	1,993,997	364,251	7,592,149	1,421,363	28,880,539
	October	1,801,179	1,588,089	1,085,921	10,267,450	4,915,392	1,957,715	383,764	7,589,963	1,424,568	29,589,473
	November	1,778,335	1,868,757	842,786	10,351,589	5,036,285	1,972,503	415,218	7,259,361	1,312,224	29,524,835
	December	1,926,797	1,833,078	853,386	11,528,828	5,138,574	1,478,863	415,364	7,944,299	1,435,173	31,119,189

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	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	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
2013	January	35,421	720,665	693,286	9,473,207	5,705,323	91,613	514	95.3	16,720,029
	February	109,225	814,188	670,544	9,408,311	5,977,493	93,771	515	95.3	17,074,047
	March	40,145	656,061	671,233	9,066,688	6,000,079	85,041	520	95.3	16,519,767
	April	113,302	1,016,801	667,507	9,382,480	6,143,246	84,300	510	95.3	17,408,147
	May	118,408	1,396,515	180,812	9,408,529	6,232,517	86,875	515	95.3	17,424,170
	June	115,540	1,521,097	187,723	9,846,991	6,276,792	118,383	526	95.3	18,067,052
	July	119,796	1,534,961	230,028	10,020,969	6,285,465	85,234	528	95.3	18,277,154
	August	121,312	1,535,332	228,166	10,168,382	6,357,517	152,976	489	89.7	18,564,173
	September	154,106	1,493,066	206,055	10,074,755	6,345,029	173,328	30,503	5,691.3	18,476,843
	October	160,264	1,395,056	215,795	10,359,833	6,555,392	207,389	31,193	5,692.0	18,924,922
	November	148,287	1,492,120	244,442	10,465,096	6,691,096	210,675	29,542	5,381.1	19,281,259
	December	151,845	1,488,452	235,678	10,036,887	6,834,791	195,633	29,270	5,302.5	18,972,554

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: 91 days	182 days	273 days	364 days	Government bond: 12 months	18 months	24 months	3 year	5 year	7 year	10 year	15 year	Savings	24 hr call	7-90 day	base rate	Weighted Interbank rate
2000	December	44.1	36.5	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	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	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	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	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	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	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	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	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	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	December	9.5	31.2	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	-	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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
2013	January	9.25	31.5	7.5	10.1	9.4	10.4	n/a	n/a	11.0	12.8	13.5	14.5	16.5	16.6	4.3	2.7	7.0	9.3	8.0
	February	9.25	32.4	6.2	9.6	9.9	11.6	n/a	n/a	11.2	12.9	13.8	14.5	16.6	16.6	4.3	2.7	7.0	9.3	7.6
	March	9.25	32.3	5.5	12.2	12.2	12.5	n/a	n/a	12.0	13.5	14.8	14.5	17.0	16.6	3.0	2.0	6.1	9.3	9.3
	April	9.25	31.5	5.5	12.6	12.8	12.5	n/a	n/a	12.0	13.5	14.8	14.5	17.0	16.6	2.6	1.8	6.2	9.3	9.9
	May	9.25	31.5	6.3	12.6	12.7	12.9	n/a	n/a	12.3	13.9	15.1	14.8	17.0	16.8	3.0	1.8	5.8	9.3	10.8
	June	9.50	35.0	6.5	12.7	12.9	13.3	n/a	n/a	12.7	14.5	15.5	15.2	17.0	17.0	3.4	1.8	6.0	9.5	10.4
	July	9.75	34.6	7.6	12.8	12.6	13.3	n/a	n/a	12.7	14.5	15.5	15.2	17.0	17.0	3.4	1.8	6.1	9.8	11.1
	August	9.75	35.4	8.0	13.2	12.7	13.3	n/a	n/a	12.9	14.7	15.7	15.3	17.0	17.1	3.2	1.8	6.3	9.8	9.8
	September	9.75	35.0	8.0	13.2	13.7	13.6	n/a	n/a	13.5	15.3	16.5	15.5	17.3	17.3	3.3	1.8	6.3	9.8	9.9
	October	9.75	33.0	8.0	13.4	13.8	13.9	n/a	n/a	13.5	15.3	16.5	15.5	17.3	17.3	3.3	1.9	6.4	9.8	9.6
	November	9.75	36.0	7.6	14.1	14.1	15.2	n/a	n/a	13.7	15.4	16.5	16.0	17.6	17.6	3.6	1.9	6.3	9.8	9.7
	December	9.75	36.4	8.0	14.8	15.0	15.7	n/a	n/a	14.0	15.5	16.5	16.9	18.2	18.0	3.6	1.8	6.5	9.8	9.9

Source: Bank of Zambia

COMMERCIAL BANK INTEREST RATES (PERCENT PER YEAR)

TABLE 12

End of Period		Lending Rates	Weighted interbank rate	Savings rates: less than K100,000	Savings rates: more than K100,000	24 hr call	Deposits over K20 million: 7 day	14 day	30 day	60 day	60 day	90 day	180 day
2000	December	45.9	16.4	10.2	11.5	6.5	11.9	18.2	17.8	18.8	18.8	20.0	12.7
2001	December	54.6	25.4	4.1	8.7	7.0	13.3	17.8	19.8	23.1	23.1	24.3	26.8
2002	December	50.0	9.6	4.1	8.0	6.6	10.9	13.5	18.3	21.3	21.3	22.5	22.3
2003	December	45.3	6.1	5.5	7.6	8.1	12.4	12.4	17.3	20.4	20.4	21.1	20.4
2004	December	37.1	12.6	3.6	5.6	5.3	4.6	5.0	8.2	10.9	10.9	11.1	10.9
2005	December	33.9	24.9	3.6	6.1	4.6	4.6	6.7	8.4	10.7	10.7	10.4	9.5
2006	December	27.9	7.9	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.6	10.3	9.4
2007	December	24.4	10.4	3.5	4.8	3.1	2.8	3.5	4.8	6.3	6.3	6.3	6.0
2008	December	26.9	12.8	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.5	6.6	6.6
2009	December	29.2	4.2	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.4	7.6
2010	December	26.4	6.2	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.4	7.6
2011	January	26.2	1.7	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.4	7.6
	February	26.1	1.7	3.7	4.7	2.8	3.5	4.0	5.4	7.1	7.1	7.2	7.2
	March	26.1	2.8	3.7	4.7	2.7	3.5	4.0	5.3	6.8	6.8	7.0	7.0
	April	26.1	3.0	3.7	4.7	2.7	3.5	4.0	5.3	6.8	6.8	7.0	7.0
	May	26.1	3.3	3.7	4.7	2.7	3.5	4.0	5.3	6.8	6.8	7.0	7.0
	June	26.0	4.1	3.7	4.4	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	July	26.0	3.5	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	August	26.0	4.9	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	September	26.0	11.4	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	October	26.0	15.0	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	November	25.6	5.7	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	December	24.0	10.2	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
2012	January	23.2	6.0	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	February	23.2	5.5	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	March	23.3	6.1	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	April	23.0	8.3	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	May	20.1	7.8	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	June	18.7	7.9	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	July	16.6	9.1	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	August	16.6	7.6	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	September	16.3	7.6	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	October	16.3	8.6	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	November	16.1	8.8	3.8	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	December	16.1	8.8	3.8	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
2013	January	16.3	8.0	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	February	16.3	7.6	3.7	4.3	2.7	3.5	4.0	5.3	6.8	6.8	7.0	6.8
	March	16.1	9.3	2.5	3.0	2.0	2.8	3.2	4.5	5.1	5.1	6.1	7.5
	April	16.3	9.9	2.5	2.6	1.8	2.8	3.0	4.6	4.5	4.5	6.2	7.7
	May	16.0	10.8	2.2	3.0	1.8	2.8	3.0	4.7	4.9	4.9	5.8	7.9
	June	16.3	10.4	2.5	3.4	1.8	3.0	3.3	4.9	5.3	5.3	6.0	7.7
	July	16.4	11.1	2.6	3.4	1.8	3.0	3.3	4.7	5.3	5.3	6.1	7.6
	August	16.4	9.8	2.6	3.2	1.8	3.0	3.3	5.0	5.3	5.3	6.3	8.0
	September	16.3	9.9	2.6	3.3	1.8	3.3	3.4	4.7	5.2	5.2	6.3	8.0
	October	16.3	9.6	2.7	3.3	1.9	3.2	3.4	5.0	5.5	5.5	6.4	8.2
	November	16.2	9.7	3.0	3.6	1.9	3.1	3.4	5.0	5.5	5.5	6.3	8.1
	December	16.4	9.9	2.9	3.6	1.8	3.1	3.7	5.3	5.8	5.8	6.5	8.4

Source: Bank of Zambia

KWACHA/US DOLLAR EXCHANGE RATES

TABLE 13

Period		Bank of Zambia Rates			Bureau Rates		
		Buying	Selling	Mid	Buying	Selling	Mid
Monthly Average							
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	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
2013	January	5.27	5.29	5.28	5.26	5.37	5.31
	February	5.32	5.34	5.33	5.27	5.38	5.32
	March	5.37	5.39	5.38	5.29	5.43	5.36
	April	5.35	5.37	5.36	5.31	5.42	5.36
	May	5.31	5.33	5.32	5.31	5.41	5.36
	June	5.41	5.43	5.42	5.38	5.46	5.42
	July	5.47	5.49	5.48	5.45	5.54	5.50
	August	5.42	5.44	5.43	5.44	5.53	5.48
	September	5.32	5.34	5.33	5.33	5.44	5.40
	October	5.31	5.33	5.32	5.32	5.40	5.37
	November	5.51	5.53	5.52	5.51	5.57	5.54
	December	5.52	5.53	5.54	5.06	5.12	5.09

Source: Bank of Zambia

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

COMMERCIAL BANKS FOREIGN EXCHANGE RATES

TABLE 14

Monthly Avg.	Non Banks US$			Bureaux US$	INTERBANK US$			UK Pound			EURO			SAR		
	Buying	Selling	Mid-rate	Selling	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate
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
2013																
January	5.3	5.3	5.3	5.3	5.3	5.3	5.3	8.4	8.5	8.4	7.0	7.0	7.0	0.6	0.6	0.6
February	5.3	5.4	5.3	5.4	5.3	5.3	5.3	8.2	8.3	8.3	7.1	7.1	7.1	0.6	0.6	0.6
March	5.3	5.4	5.4	5.4	5.4	5.4	5.4	8.1	8.1	8.1	7.0	7.0	7.0	0.6	0.6	0.6
April	5.3	5.4	5.4	5.4	5.4	5.4	5.4	8.2	8.2	8.2	7.0	7.0	7.0	0.6	0.6	0.6
May	5.3	5.4	5.3	5.4	5.3	5.3	5.3	8.1	8.2	8.1	6.9	6.9	6.9	0.6	0.6	0.6
June	5.4	5.5	5.4	5.4	5.4	5.4	5.4	8.4	8.4	8.4	7.1	7.2	7.1	0.5	0.5	0.5
July	5.4	5.5	5.5	5.5	5.5	5.5	5.5	8.3	8.3	8.3	7.2	7.2	7.2	0.6	0.6	0.6
August	5.4	5.5	5.4	5.5	5.4	5.4	5.4	8.4	8.4	8.4	7.2	7.2	7.2	0.5	0.5	0.5
September	5.3	5.4	5.3	5.4	5.3	5.3	5.3	8.4	8.5	8.5	7.1	7.1	7.1	0.5	0.5	0.5
October	5.3	5.4	5.3	5.3	5.3	5.3	5.3	8.5	8.6	8.6	7.2	7.3	7.2	0.5	0.5	0.5
November	5.5	5.6	5.5	5.6	5.5	5.5	5.5	8.9	8.9	8.9	7.4	7.5	7.5	0.5	0.5	0.5
December	5.5	5.6	5.5	5.6	5.5	5.5	5.5	9.0	9.1	9.1	7.6	7.6	7.6	0.5	0.5	0.5

Source: Bank of Zambia

FOREIGN EXCHANGE TRANSACTIONS (IN MILLIONS OF US DOLLARS)

TABLE 15

Period Monthly/Annual Totals		Bank of Zambia Inflows: Purchases from ZCCM (1)	Bank of Zambia Inflows: Other Non-GRZ	Bank of Zambia Inflows: Donor Inflows	Dealing	Bank of Zambia Outflows: Other Non-GRZ	Bank of Zambia Outflows: GRZ Debt Servicing	Bank of Zambia Outflows: GRZ Other Uses	Gross International Reserves (2)
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	December	0.00	53.23	171.49	28.00	69.84	2.64	87.10	1,949.18
2010	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
2013	January	11.39	237.76	1.33	188.50	25.61	6.40	8.82	3,090.14
	February	0.00	29.35	0.01	64.00	57.45	1.68	261.23	2,735.15
	March	0.00	70.93	12.05	84.00	48.66	32.48	20.00	2,632.99
	April	60.00	42.70	0.26	180.00	21.57	23.82	13.86	2,496.71
	May	0.00	26.99	9.61	0.00	27.56	6.43	0.19	2,499.13
	June	0.00	46.96	25.05	51.00	42.61	4.22	4.99	2,468.30
	July	0.00	57.52	1.51	0.00	10.86	9.72	0.69	2,506.07
	August	0.00	35.29	5.78	-32.50	22.22	10.57	0.35	2,546.50
	September	0.00	177.85	11.94	-46.00	24.87	66.39	4.74	2,686.28
	October	0.00	105.14	4.03	-35.50	19.60	17.79	0.50	2,793.06
	November	0.00	54.97	19.23	20.00	93.85	3.41	6.40	2,743.60
	December	0.00	39.71	19.98	46.00	23.09	25.29	0.12	2,708.78

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

	Consumer Index Number of Consumer Prices Food and Non – Food (2009=100)			Annual Inflation Rates			Month on Month Inflation Rates		
Monthly	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
2013									
January	127.1	124.3	130.3	7.0	7.6	6.3	0.8	1.1	0.5
February	127.3	123.1	132.1	6.9	6.7	7.1	0.2	-0.9	1.4
March	128.8	124.7	133.6	6.6	6.0	7.2	1.2	1.2	1.1
April	129.6	125.5	134.3	6.5	6.1	6.9	0.6	0.7	0.5
May	130.7	126.0	136.1	7.0	6.3	7.8	0.9	0.4	1.3
June	131.1	126.5	136.5	7.3	7.1	7.6	0.4	0.4	0.3
July	132.0	127.5	137.2	7.3	7.1	7.4	0.7	0.8	0.5
August	132.9	128.5	137.9	7.1	6.8	7.3	0.7	0.8	0.5
September	133.4	128.9	138.6	7.0	6.5	7.4	0.4	0.3	0.5
October	133.4	128.5	139.0	6.9	5.9	8.0	0.0	-0.3	0.2
November	133.8	129.0	139.4	7.0	6.0	8.1	0.3	0.3	0.3
December	135.1	130.6	140.3	7.1	6.2	8.2	0.9	1.2	0.6

Source: Central Statistical Office

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

TABLE 17

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
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	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	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	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	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
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	6,202,958.8
	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	6,350,614.0
	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	6,462,227.0
	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	6,535,848.0
	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	6,727,107.0
	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	6,811,939.0
	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	6,773,064.0
	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	6,735,387.0
	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	6,920,930.0
	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	6,728,380.0
	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	6,561,942.0
	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	6,840,829.8
2013	January	0.0	61,095.0	167,150.0	170,325.0	325,845.0	724,415.0	675,980.1	459,388.0	13,066.2	0.0	6,832,991.8
	February	0.0	60,660.0	225,295.0	187,100.0	364,470.0	837,525.0	771,643.2	337,449.8	109,208.9	0.0	7,085,483.8
	March	0.0	68,095.5	226,000.0	189,170.0	356,235.0	839,500.5	769,835.2	343,807.0	27,060.0	0.0	7,524,597.7
	April	0.0	20,360.0	435,260.0	259,348.0	243,890.0	958,858.0	883,054.3	384,569.0	33,294.2	0.0	7,904,103.7
	May	0.0	18,270.0	262,670.0	287,550.0	382,625.0	951,115.0	867,639.7	469,416.0	26.1	0.0	8,021,983.7
	June	0.0	27,895.0	208,380.0	175,000.0	213,690.0	624,965.0	571,522.7	352,165.0	10,132.0	0.0	8,045,973.2
	July	0.0	40,835.0	203,795.0	56,555.0	480,840.0	782,025.0	707,793.6	557,953.0	213.9	0.0	8,075,075.2
	August	0.0	6,850.0	221,530.0	81,000.0	487,450.0	796,830.0	718,815.4	542,680.0	212.8	0.0	8,137,539.2
	September	0.0	9,795.0	256,380.0	233,190.0	592,255.0	1,091,620.0	982,772.2	611,649.0	272.4	0.0	8,429,796.2
	October	0.0	39,220.0	326,930.0	377,495.0	587,450.0	1,331,095.0	1,203,038.7	789,515.0	4,057.4	0.0	8,758,985.2
	November	0.0	36,010.0	142,070.0	216,500.0	517,730.0	912,310.0	814,303.7	478,069.0	331.5	0.0	9,000,821.2
	December	0.0	16,400.0	484,705.0	318,190.0	923,695.0	1,742,990.0	1,552,661.7	548,794.7	15,850.5	0.0	9,525,976.4

Source: Bank of Zambia

GRZ BONDS OUTSTANDING (IN MILLIONS OF KWACHA)

TABLE 18

End of period		By Holder		
		Commercial banks	Others(c)	Total Outstanding
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
2013	January	2,389,982.6	3,311,909.1	5,701,891.7
	February	2,629,205.4	3,674,979.3	6,304,184.7
	March	2,539,270.1	3,658,643.1	6,197,913.2
	April	2,390,264.9	4,161,921.0	6,552,185.9
	May	2,957,478.0	4,302,336.5	7,259,814.5
	June	2,745,704.0	4,437,102.5	7,182,806.5
	July	2,687,527.0	4,415,552.4	7,103,079.4
	August	2,550,165.0	4,457,359.2	7,007,524.2
	September	2,638,186.8	4,791,099.8	7,429,286.6
	October	2,696,364.6	4,595,825.2	7,292,189.8
	November	2,765,365.0	4,910,248.4	7,675,613.4
	December	2,653,510.9	4,924,994.7	7,578,505.7

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

METAL PRODUCTION AND EXPORTS (METRIC TONS)

TABLE 19

Date		Copper		Cobalt	
	End Year Total	Exports	Production	Exports	Production
2000		200,574	221,167	2,996	2,877
2001		296,387	296,446	4,379	4,182
2002		329,964	337,367	4,025	3,990
2003		353,414	349,814	3,374	3,211
2004		393,182	409,543	6,102	6,082
2005		428,385	437,878	5,451	5,529
2006		476,104	497,169	4,663	4,658
2007		473,415	510,917	4,614	4,690
2008		584,288	600,033	4,608	4,613
2009		675,384	697,860	5,868	5,879
2010		829,728	852,566	8,641	8,648
2011	January	73,466	73,668	743	754
	February	59,926	63,335	776	746
	March	69,876	70,279	876	875
	April	66,492	71,539	776	801
	May	68,769	69,041	636	607
	June	60,400	59,501	603	588
	July	65,368	64,333	647	653
	August	93,344	77,168	543	544
	September	80,851	81,175	553	529
	October	62,581	65,710	561	536
	November	69,366	72,834	557	533
	December	61,778	64,866	559	535
	Total	**832,216**	**833,450**	**7,831**	**7,702**
2012	January	74,812	68,904	634	533
	February	60,751	71,645	620	533
	March	65,271	76,975	781	531
	April	70,127	70,673	577	577
	May	72,528	67,275	473	438
	June	63,524	65,808	432	424
	July	79,228	65,532	753	471
	August	87,122	64,181	1,313	392
	September	83,175	62,597	1,033	381
	October	81,875	67,131	1,173	387
	November	82,525	74,638	1,103	384
	December	82,200	69,617	1,138	385
	Total	**903,137**	**824,977**	**10,029**	**5,435**
2013	January	76,710	74,900	515	508
	February	77,082	74,728	527	479
	March	80,057	81,156	657	681
	April	87,306	89,219	572	562
	May	78,765	79,512	469	480
	June	78,438	81,377	391	410
	July	76,344	80,836	384	462
	August	78,785	78,737	560	498
	September	81,330	85,515	405	440
	October	98,174	98,661	692	692
	November	82,868	87,928	447	447
	December	80,447	85,254	261	261
	Total	**976,306**	**997,823**	**5,881**	**5,919**

Source: Bank of Zambia

GRAPHICS:EVANS CHISAMBA