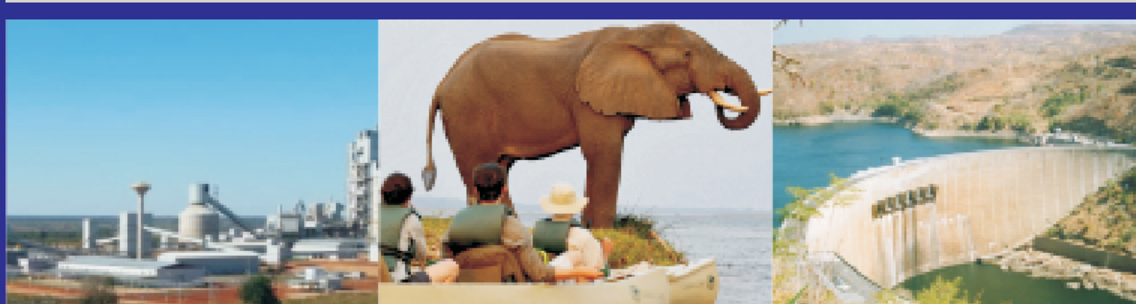
BANK OF ZAMBIA ANNUAL REPORT 2015

Bank Of Zambia

ANNUAL REPORT 2015



Favourable performance in the construction and tourism sectors partially moderated adverse effects of electricity load-shedding on economic growth in 2015.

Bank Of Zambia

VISION

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

MISSION STATEMENT

The principal purpose of the Bank of Zambia is to achieve and maintain price
and financial system stability for balanced macroeconomic development

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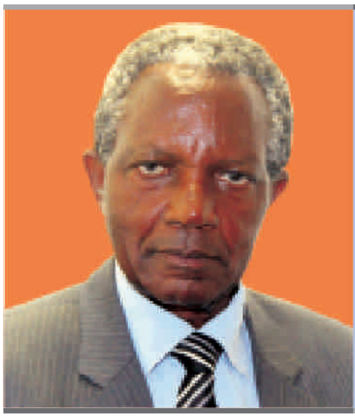
DR. DENNY H. KALYALYA
GOVERNOR AND CHAIRPERSON

MR. GILBERT K. TEMBA
VICE CHAIRPERSON



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MS. SIPHIWE NKUNIKA

MS. JACQUELINE MUSIITWA

MR. FREDSON YAMBA

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DEPUTY GOVERNOR – OPERATIONS

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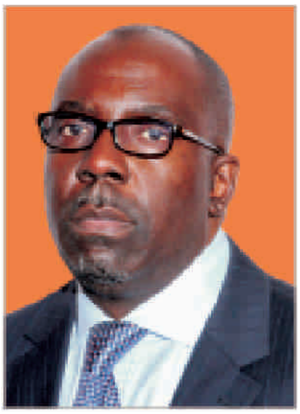
SENIOR DIRECTOR - SUPERVISORY POLICY

DR. FRANCIS CHIPIMO
DIRECTOR - ECONOMICS

DR. MULENGA EMMANUEL PAMU
DIRECTOR - FINANCIAL MARKETS

MS. GLADYS MPOSHA
DIRECTOR - BANK SUPERVISION



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DIRECTOR - REGIONAL OFFICE

MS. ANGELA CHILESHE
ACTING DIRECTOR - BANKING, CURRENCY AND PAYMENT SYSTEMS

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1.0 GOVERNOR'S OVERVIEW

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DR. DENNY H. KALYALYA
GOVERNOR

In 2015, the global economy faced many challenges which resulted in reduced growth. Global economic growth declined to 3.1% in 2015 from 3.4% in 2014. Low commodity prices, weakening trade, declining capital flows and volatility in the financial markets contributed to the slowdown in economic growth. Advanced countries and the Euro area exhibited some recovery. Emerging market economies, particularly China, Sub-Saharan Africa (SSA) and other developing economies, however, registered weaker growth.

In the case of Zambia, real GDP growth slowed down to 3.2% in 2015 from 5.0% in 2014. The growth outturn was significantly lower than the 7.0% target for the year. Growth was mainly constrained by the electricity supply deficit, weak international copper prices, and high production costs associated with the increase in fuel prices and the sharp depreciation of the Kwacha.

Almost all commodity prices trended downwards in 2015. For instance, the average price of copper fell to US $5,510.5 per metric tonne in 2015 from US $6,883.4 per metric tonne in 2014, while that of crude oil declined to US $50.8 per barrel from US $96.6 per barrel over the same period. Declining demand particularly for metals, strengthening of the US dollar and higher US interest rates contributed to the fall in commodity prices. Consequently, most regions recorded current account deficits. Zambia recorded a current account deficit (US $432.3 million) which explained the deterioration in the overall balance of payments from a surplus of US $321.6 million in 2014 to a deficit of US $432.3 million in 2015.

Inflation generally trended downwards in advanced and emerging markets while it went up in the SSA region. Low energy prices were the major drivers of the decline in inflation in advanced countries. In emerging market economies, lower oil and food prices and the slowdown in economic activity contributed to the reduction in inflation. On the other hand, the weakening of domestic currencies for most part of 2015, largely contributed to the rise in inflation in most SSA countries. In Zambia, annual average inflation rose to 10.1% in 2015 from 7.8% in 2014. The end-period inflation accelerated to 21.1% in December 2015 from 7.9% in December 2014. The increase in inflation was mainly due to a combination of factors, including a precipitous and significant depreciation in the exchange rate, upward adjustment of fuel pump prices, increased power rationing in the second half of 2015 and reduced supply of some food items. The Kwacha depreciated sharply in the third quarter, reaching a peak of K13.7006 per US dollar in September, partially feeding into inflation which rose significantly in October to 14.3% from 7.7% in September.

To dampen inflationary pressures and support an orderly exchange rate movement, the Bank of Zambia tightened monetary policy by raising the Policy Rate from 12.5% to 15.5%, restricting commercial banks' access to the Overnight Lending Facility (OLF) to once per week, and providing foreign exchange to the market. The Bank also strengthened the foreign exchange market Code of Conduct. Further, caps on lending rates were lifted to allow for a better functioning of the credit market. These measures were in addition to the upward adjustment of the statutory reserve ratio in the first quarter from 14.0% to 18.0%.

As these measures took effect, market liquidity conditions tightened and commercial banks' liquidity level ended the year 15.0% lower at K1.1 billion. In response, all the nominal interest rates rose with the interbank rate exceeding both the upper bound of the Policy Rate corridor and the OLF rate towards the end of the year. However, the Bank resisted bringing the interbank rate back into the Policy Rate corridor and below the OLF rate to avoid triggering further depreciation of the Kwacha and hence inflationary pressures. To supplement their liquidity, commercial banks re-discounted Treasury bills and limited the roll-over of maturing Government securities. Activity on the capital market also declined as the LuSE All-Share index fell and market capitalisation marginally declined, partly reflecting negative investor perception on account of weak domestic growth prospects as well as widening current account and fiscal deficits.

Broad money increased by 35.2% in 2015 largely due to the expansion in net foreign assets and the depreciation of the Kwacha against the US dollar. The Bank of Zambia augmented gross international reserves following the purchase of the proceeds of the third sovereign bond (US $1.25 billion) issued by Government. Domestic credit (including foreign currency loans) expanded by 26.4% on account of lending to private enterprises, Government and households.

The fiscal deficit, at 9.4% of GDP, in 2015 exceeded the revised June 2015 projection of 6.9%. The higher deficit was on account of spending mainly on unforeseen expenditures related to the importation of emergency power, infrastructure projects as well as higher than projected expenditures on the farmer input support programme and maize purchases. The depreciation of the Kwacha also impacted negatively on Constitutional payments such as debt service and the maintenance of missions abroad. The budget deficit was mainly financed from the Eurobond proceeds as domestic financing was constrained by tight liquidity conditions.

The exercise to withdraw old currency which started on 1^{st} January 2013 ended on 31^{st} December, 2015. Subsequently, the old currency was demonetised and ceased to be legal tender in the Republic of Zambia. In support of improved public financial management reforms, the Bank facilitated the implementation of the Treasury Single Account (TSA). The TSA is aimed at improving cash management by Government.

The performance of the financial sector was rated satisfactory owing to strong capital adequacy, asset quality and earnings performance. Consumer protection measures were introduced to protect borrowers (natural persons). These measures are intended to protect consumers from being disadvantaged by the financial service providers that are mandated to provide consumers with sufficient information in making borrowing decisions.

The Financial Sector Development Plan (FSDP) Phase II Project came to a close on 30^{th} June 2015. Outstanding activities under the FSDP II Project were streamlined in the operations of relevant financial sector regulatory institutions. Several positive milestones, among them, regulatory and supervisory reforms as well as increased outreach and scale in the provision of financial services were achieved. The FinScope Survey conducted in 2015 showed that financial inclusion increased to 59.3% in 2015 from 37.3% in 2009 .

The Bank of Zambia 2012-2015 Strategic Plan ended on 31^{st} December 2015. A satisfactory overall performance of 85.1% was achieved. The Franklin Covey Leadership Development Programme aimed at creating and nurturing appropriate leadership and managerial skills among senior management staff to support and sustain a high performance culture throughout the Bank, was rolled-out.

Monetary policy will focus on anchoring inflation expectations over the medium-term in order to steer inflation towards single digit levels. The Bank of Zambia will therefore continue to monitor developments and implement appropriate monetary policy measures to maintain price stability and promote financial system and macroeconomic stability.

DR. DENNY H. KALYALYA
GOVERNOR

1.1 STATEMENT ON CORPORATE GOVERNANCE

1.1 STATEMENT ON CORPORATE GOVERNANCE

The Bank of Zambia Board of Directors is committed to upholding the principles of corporate governance as it discharges its mandate and responsibilities under the Bank of Zambia Act, Chapter 360 of the Laws of Zambia. Two Statutory Meetings and Special Board Meetings were held in 2015. Accordingly, a number of significant resolutions were passed by the Board, including the following:

(a) Distribution of the 2014 profit to Government amounting to K632.5 million;

(b) Introduction of the Fraud Policy;

(c) Revision and consolidation of the Bank of Zambia Board Committee Charters; and

(d) Establishment of a Staff Credit Union.

The Bank of Zambia (Bank or BoZ) continued to disseminate information on pertinent economic developments and the functions and operations of the Bank. The Bank hosted the African Export-Import Bank (AFREXIMBANK) Annual Meetings, African Economic Research Consortium (AERC) Governor's Forum, African Econometrics Society Workshop, and the Committee of Central Bank Officials (CCBO) Meetings. The Bank participated in the Copperbelt Mining, Agriculture and Commercial Show in Kitwe,

Deputy Governor Administration, Dr. Tukiya Kankasa-Mabula (Centre) speaking during the Africa Export-Import Bank (AFREXIMBANK) annual meeting at Intercontinental Hotel in Lusaka in June 2015.

Regional Office Director, Mr. Fabian Hara commissions the construction of a house in Ndola as part of the Bank of Zambia Corporate Social Responsibility in partnership with Habitat for Humanity Zambia.

the Zambia International Trade Fair in Ndola and the Zambia Agricultural and Commercial Show in Lusaka.

As part of its corporate social responsibility programme and in furtherance of its continued partnership with Habitat for Humanity Zambia to sponsor the construction of houses for vulnerable families, the Bank constructed two houses in Ndola and Lusaka valued at K40,035.00 each. In addition, the Bank assisted needy institutions such as the Levy Mwanawasa General Hospital, Hope for Human Nature Generation, Netball Association of Zambia, Blessed Disabled Club, Mother of Mercy and Anchor Orphanage in Chibombo District, among other recipients.

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

Overview

Global economic growth declined to 3.1% in 2015, down from 3.4% recorded in 2014 (Table 2.1). Low commodity prices, weakening trade, declining capital flows and increased financial markets volatility as equity prices fell contributed to lower growth. Economic growth in advanced countries and the Euro area exhibited some recovery while emerging market economies particularly China, Sub-Saharan Africa (SSA) and other developing economies, registered weaker growth. Demand for copper and oil remained subdued thus dampening export earnings for many emerging market and developing economies. The sluggish global growth, particularly in Zambia's major trading partners, continued to adversely impact Zambia's external sector performance. The current account deficit widened significantly as copper export earnings contracted mainly due to depressed copper prices which contributed to the lower supply of foreign exchange to the market and the sharp depreciation of the Kwacha.

Inflation developments in 2015 were mixed across regions (Table 2.1). In advanced and emerging market economies, inflation generally trended downwards while it went up in SSA. In advanced economies, particularly the United States (US), headline inflation declined mainly due to low energy prices. Lower oil and food prices and the slowdown in economic activity contributed to the reduction in inflation in emerging market economies. In the Euro area, however, inflation increased, reflecting a modest recovery in economic activity and the impact of the euro depreciation, high food prices and the rising cost of services. The weakening of domestic currencies for most part of 2015 largely contributed to the rise in inflation in most SSA countries.

External sector performance was also mixed, reflecting mostly the impact of declining commodity prices as well as large exchange rate movements. Most regions recorded current account deficits, mainly due to low commodity prices and reduced trade flows on account of weak external demand.

Advanced Economies

Growth in advanced economies expanded by 0.1 percentage points to 1.9% in 2015 from 1.8% recorded in 2014, driven largely by positive growth in the United States and the Euro area (Table 2.1). Increased confidence in the overall health of the economy due to rising domestic demand supported by lower oil prices and improved labour market conditions explained the expansion in the US economy. In light of these developments, the Federal Reserve (Fed) raised its short-term interest rate by 0.25 percentage points in December. The monetary policy decision by the Fed had an impact, even ahead of the December 2015 meeting, as the expectation of a rate rise and a gradual tightening cycle impacted negatively on capital flows from emerging economies. This in turn contributed to the depreciation of their national currencies against the US dollar, inflationary pressures, and lower industrial activities, particularly in China. The strengthening of the US dollar also weighed heavily on oil prices and global trade.

Export growth, however, weakened reflecting subdued external demand and the appreciation of the US dollar, mainly against emerging market currencies, Zambia inclusive.

The Euro area registered a positive growth rate explained by a weak euro that boosted the volume of exports, improved credit conditions and stronger private consumption supported by lower energy prices. The United Kingdom, however, registered a low growth rate of 2.2% in 2015, down from 2.9% in 2014.

Headline inflation, particularly in the US declined, reflecting lower food and energy prices, whilst core inflation remained stable. Most advanced countries recorded current account surpluses with the exception of the United States, affected by weaker export growth on account of subdued external demand and the appreciation of the US dollar (Table 2.1). The weak euro, on the other hand, assisted in boosting the volume of exports thus positively affecting the current account balance.

Emerging and Developing Economies

Growth across emerging economies was weaker than expected, at 4.0%, in 2015 (Table 2.1). Although GDP continued to rise in India, driven by stronger manufacturing, output contracted in Brazil and Russia. The fall in equity and asset prices and the associated rise in the cost of capital adversely impacted emerging market economies. Further, a fall in oil prices also weighed on commodity exporting countries, although they supported activity in commodity-importing economies. Growth in the Chinese economy slowed down to 6.9% in 2015 from 7.3% in 2014, attributed to reduced investment and contraction in the manufacturing sector, waning investor confidence in the measures taken by the Chinese Government and the stock market turmoil. Demand for commodities declined, leading to a drop in global commodity prices that affected most commodity exporters, including Zambia. The sharp depreciation of the Renminbi triggered a significant outflow of private capital, which prompted the authorities to sell foreign reserves to support the exchange rate.

Inflation in emerging market and developing economies generally declined (Table 2.1). Lower oil and food prices as well as the slowdown in economic activity contributed to the fall in inflation. In China, inflation declined mainly on account of a fall in commodity prices, sharp real appreciation of the Renminbi and weak domestic demand.

Emerging market economies recorded current account deficits in 2015 against surpluses in 2014 largely driven by a general fall in commodity prices especially oil (Table 2.1).

Table 2.1: World Real GDP, Inflation and Current Account Balance, 2013-2015 (Annual Percentage change unless otherwise stated)

	Real GDP			Inflation			Current Account Balance (% of GDP)		
	2013	2014	2015*	2013	2014	2015*	2013	2014	2015*
World	3.3	3.4	3.1	n/a	n/a	n/a	n/a	n/a	n/a
Advanced Economies	1.1	1.8	1.9	1.4	1.4	0.3	0.4	0.4	0.5
United States	1.5	2.4	2.5	1.5	0.8	0.7	-2.3	-2.2	-2.6
Euro Area	-0.3	0.9	1.5	1.3	-0.2	0.2	1.8	2.0	3.2
Japan	1.6	0.0	0.6	0.4	2.4	0.2	0.8	0.5	3.0
Commonwealth of Independent States (CIS)	2.2	1.0	-2.8	6.4	8.1	15.9	0.7	2.2	2.4
Russia	1.3	0.6	-3.7	6.8	7.8	12.9	1.6	3.2	5.0
Excluding Russia	4.2	1.9	-0.7	5.6	8.7	16.3	-2.3	-0.4	-3.3
Middle East and North Africa (MENAP)	2.3	2.8	2.5	9.1	6.7	6.2	10.2	5.6	-3.6
Emerging Market and Developing Countries	5.0	4.6	4.0	5.8	4.5	4.2	0.6	0.5	-0.1
Sub-Saharan Africa	5.2	5.0	3.5	6.6	6.4	6.9	-5.8	-5.4	-4.3

Source: IMF WEO October 2015 and January 2016 WEO update. * Preliminary numbers

Sub-Saharan Africa Economies

The SSA region grew by 3.5% in 2015, down from 5.0% in 2014, mainly due to a continued fall in commodity prices (Table 2.2). In addition, a strong US dollar and the slowdown in the Chinese economy continued to depress foreign direct investment flow to SSA. Weak economic performance in South Africa, the region's second largest economy and one of Zambia's major trading partners, also contributed to weaker growth in the region. The benefits of declining oil prices on the international market were therefore offset to a large extent.

Inflation in most SSA countries rose mainly due to the weakening of domestic currencies (Table 2.2). Lower commodity prices and the contraction in global demand largely from China affected export earnings of most commodity exporters in the region.

Most countries in the SSA recorded current account deficits in 2015 explained by continued low commodity prices and poor trade flows due to weak external demand (Table 2.2).

Table 2.2: Selected African Countries GDP, Inflation and Current Account Balance, 2013-2015 (Annual Percentage change unless otherwise stated)

	Real GDP			Inflation (%)			Current Account Balance(% of GDP)		
Countries	2013	2014	2015*	2013	2014	2015*	2013	2014	2015*
Angola	6.8	4.8	3.5	8.8	7.3	10.3	−2.4	-4.1	-5.7
Kenya	5.7	5.3	6.5	5.7	6.0	6.3	−8.9	-10.4	-9.6
Nigeria	5.4	6.3	4.0	8.5	8.0	9.6	3.6	0.2	-1.8
South Africa	2.2	1.5	1.4	5.8	5.3	5.2	−5.8	-5.4	-4.3
Tanzania	7.3	7.0	6.9	7.9	4.8	4.3	−10.3	-9.3	-8.2
Uganda	3.9	4.8	5.2	4.8	1.8	9.3	−7.2	-9.7	-10.5
Zambia	6.7	4.9	3.2	7.0	7.9	21.1	−0.8	2.1	-3.5
Sub-Saharan Africa	5.2	5.0	3.5	6.6	6.4	6.9	−2.4	-4.1	-5.7

Source: IMF WEO October 2015 and January 2016 WEO update. * Preliminary numbers

Commodity Prices

Almost all commodity prices trended downwards in 2015, with larger drops occurring on energy commodities. Declining demand particularly for metals, strengthening of the US dollar and higher US interest rates were the major drivers. On average, the price of crude oil declined to US $50.8 per barrel in 2015 from US $96.60 per barrel in 2014, while the price of copper decreased to US $5,510.50 per metric tonne from US $6,883.40 per metric tonne (mt.). Crude oil prices declined due to excess production by OPEC Members amidst reduced demand. Warm weather conditions in the Northern Hemisphere due to the impact of El Niño contributed to reduced demand for crude oil. The price of maize declined to US $169.80 per mt in 2015 from US $192.90 mt in 2014 while wheat prices declined to US $203.20 mt in 2015 from US $284.9 in 2014. Excess supply contributed to the fall in agricultural commodity prices.

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Overview

In 2015, Government's major macroeconomic objectives were to:

(a) Achieve real GDP growth of above 7.0%;

(b) Attain end-year inflation of no more than 7.0%;

(c) Limit domestic financing to 2.0% of GDP; and

(d) Increase international reserves to over 4 months of import cover.

These objectives were premised on a favourable global and domestic economic environment. Owing to both global and domestic factors, however, overall macroeconomic performance was unfavourable. The economy is estimated to have grown by 3.2% in 2015, down from 5.0% in 2014. The main growth sectors were construction, transport as well as information and communications.

The end-period inflation accelerated to 21.1% in December 2015 from 7.9% in December 2014 due to a combination of factors, including a sharp depreciation of the Kwacha, and increased power rationing in the second half of the year.

The overall balance of payments deteriorated from a surplus of US $321.6 million in 2014 to a deficit of US $432.3 million in 2015 largely driven by a sharp decline in commodity prices. Owing to both global and domestic factor, the Kwacha depreciated sharply against major trade partner currencies.

The fiscal deficit rose to 9.4% of GDP in 2015 from 4.1% in 2014. Lower collections under customs duty and mineral royalties, higher expenditure on the importation of emergency power as well as farm input subsidies, and higher debt service payments following the sharp depreciation of the Kwacha accounted for this outturn.

3.1 MONETARY DEVELOPMENTS AND INFLATION

Monetary Policy

The focus of monetary policy in 2015 was to achieve the end year inflation target of 7.0%. Monetary policy operations were aimed at maintaining the overnight interbank rate within a corridor of +/- 2 percentage points of the BoZ Policy Rate.

The implementation of monetary policy was challenging in 2015 due to persistent pressures in the foreign exchange market and higher than projected fiscal deficit. In response, the Bank tightened monetary policy in order to restrain excessive credit expansion and support orderly exchange rate movements. The Bank achieved this by taking the following measures:

a) Raised the BoZ Policy Rate from 12.5% to 15.5%;

b) Increased the statutory reserve ratio from 14.0% to 18.0%;

c) Restricted commercial banks' access to the Overnight Lending Facility (OLF) to once per week;

d) Raised the OLF rate by increasing the premium over the Policy Rate from 6 to 10 percentage points; and

e) Provided US dollar liquidity to the foreign exchange market.

In addition, the Bank lifted caps on lending rates to allow for a better functioning of the credit market.

As these measures took effect, market liquidity conditions tightened, and commercial banks' liquidity level ended the year 15.0% lower at K1.1 billion. To supplement their liquidity, commercial banks discounted Treasury bills and limited the roll-over of maturing Government securities.

MONETARY DEVELOPMENTS

Money Market Liquidity

Money market liquidity conditions tightened in 2015 as commercial banks' aggregate current account balance closed the year lower at K1,133.6 million from K2,017.3 million at end-2014. Accounting for the drop in liquidity were Bank of Zambia sale of foreign exchange to the market that withdrew liquidity amounting to K7,690.7 million, increase in the statutory reserve ratio from 14.0% to 18.0% which absorbed K4,019.6 million and net Government bond purchases worth K220.6 million (Table 3.1).

Table 3.1 Liquidity Influence (K' Million), 2013-2015

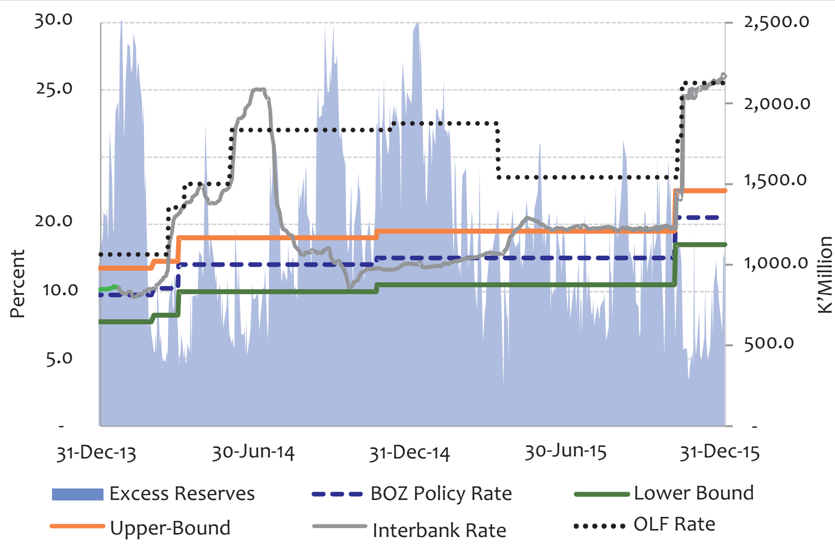
	2013	2014	2015
1. Net direct Government transactions	4,494.3	6,414.4	9,967.2
2. Net BoZ foreign exchange transactions	-147.0	-4,070.2	-7,690.7
3. Other BoZ transactions	312.4	447.4	250.5
4. Non-Bank Government bond	17.3	0.0	0.0
5. Non-Bank T-bills	-6.3	0.0	0.0
6. Total Primary Liquidity (=1+2+3+4+5)	**4,670.7**	**2,791.6**	**2,526.9**
7. Net OMO	-1,771.3	1,947.7	151.7
8. Net change in currency in circulation	-897.7	-779.5	-97.4
9. Net Bank T-bills	-2,204.5	-460.2	150.7
10. Net Bank bond	-1,059.5	-980.8	-220.6
11. Bank T-bills rediscounts	0.0	1,131.6	274.5
12. Change in statutory reserves	-521.9	-1,633.1	-4,019.6
13. Errors and Omissions	**0.0**	**0.0**	**0.0**
14. Change in Banks' aggregate current account balance (=6+7+8+9+10+11+12+13)	**-1,784.3**	**2,017.3**	**-1,233.6**

Source: Bank of Zambia

The reduction in liquidity affected the operation of the interbank market resulting in a sharp increase in the overnight interest rate, which ended the year at 26.0% from 12.0% at the end of 2014. The overnight interbank rate exceeded the upper bound of the BoZ Policy Rate corridor and the OLF rate in the fourth quarter (Chart 3.1). The Bank resisted bringing the interbank rate back into the Policy Rate corridor and below the OLF rate as injecting liquidity risked triggering further depreciation of the Kwacha and hence inflationary pressures.

CHART 3.1:

Market Liquidity and Interbank rate, 2013-2015



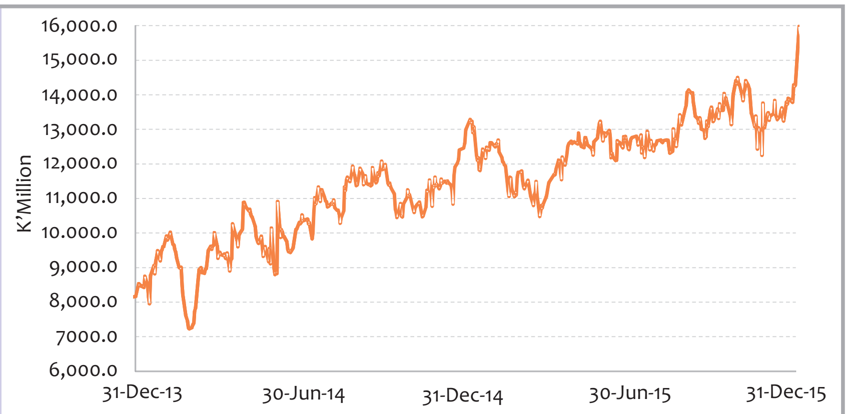
Source: Bank of Zambia

Reserve Money

Reserve money grew by 10.0% to K14,272.1 million at end-December 2015 mainly on account of the increase in Government spending and short-term liquidity supply by the BoZ to banks via the OLF window (Chart 3.2). Government spending was largely boosted by proceeds from the Eurobond.

CHART 3.2:

Reserve Money, 2013-2015



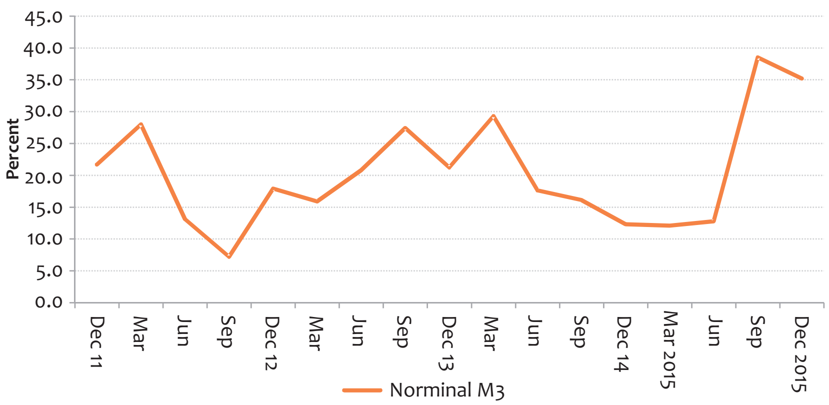
Source: Bank of Zambia

Broad Money

Broad money (M3)[1] increased by 35.2% (K47.3billion) in 2015 compared to 12.3% (K35.0 billion) in 2014 as depicted in Chart 3.3 and Table 3.2. The growth in M3 was largely driven by the expansion in net foreign assets following the purchase of the third sovereign bond proceeds by the Bank of Zambia from Government coupled with the sharp depreciation of the Kwacha against the US dollar.

CHART 3.3:

Annual Broad Money Growth, Dec 2011 – Dec 2015



Source: Bank of Zambia

Table 3.2: Sources of Growth in Broad Money (Percent), 2013 – 2015

Description	2013	2014	2015	Contributions to change in M3 (2015)
Broad Money (M3)	21.2	12.3	35.2	35.2
Of which				
Net Foreign Assets	21.1	27.9	88.3	46.6
Net Domestic Assets	21.2	-1.2	-24.1	-11.4
Domestic Credit	44.0	11.3	26.4	24.1
Net Claims on Gov't.	217.4	-11.3	19.1	5.0
Public Enterprises	-66.0	-1.7	23.1	0.2
Private Enterprises	7.0	17.8	45.3	15.6
Households	22.3	32.6	10.5	3.1
NBFIs	73.2	49.5	36.4	0.2

Source: Bank of Zambia

Domestic Credit

Domestic credit (including foreign currency loans) increased by 26.4% to K40,415.8 million in 2015 compared to 11.3% in 2014 (Table 3.3). This was mainly due to lending to private enterprises. Lending to households and non-bank financial institution slowed down in line with the monetary policy stance of constraining aggregate demand in the economy. Lending to Government increased mainly due to higher borrowing requirements by Government and attractive yields on Government securities as liquidity conditions tightened. Excluding foreign currency denominated credit which rose by 41.0%, domestic credit increased by 22.3% (K30,614.4 million) in 2015 compared to 5.1% (K25,034.8 million) in 2014.

Table 3.3: Developments in Domestic Credit, 2013 – 2015

Description	2013				2014				2015			
	K' mn	%			K' mn	%			K'mn	%		
		a	b	c		a	b	c		a	b	c
Domestic Credit	28,728.2	44.0	44.0	100.0	31,986.7	11.3	11.3	100.0	40,415.8	26.4	26.4	100.0
Government	10,350.9	217.4	35.5	36.0	9,181.5	-11.3	-4.1	28.7	10,933.0	19.1	5.5	27.1
Public Enterprises	235.7	-66.0	-2.3	0.8	231.6	-1.7	0.0	0.7	285.2	23.1	0.2	0.7
Private Enterprises	10,235.9	7.0	3.4	35.6	12,062.7	17.8	6.4	37.7	17,524.5	45.3	17.1	43.4
Households	7,748.0	22.3	7.1	27.0	10,272.1	32.6	8.8	32.1	11,347.4	10.5	3.4	28.1
Non-bank Fin. Inst.	135.0	73.2	0.3	0.5	201.8	49.5	0.2	0.6	275.2	36.4	0.2	0.7

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

[1] Broad money includes foreign currency deposits

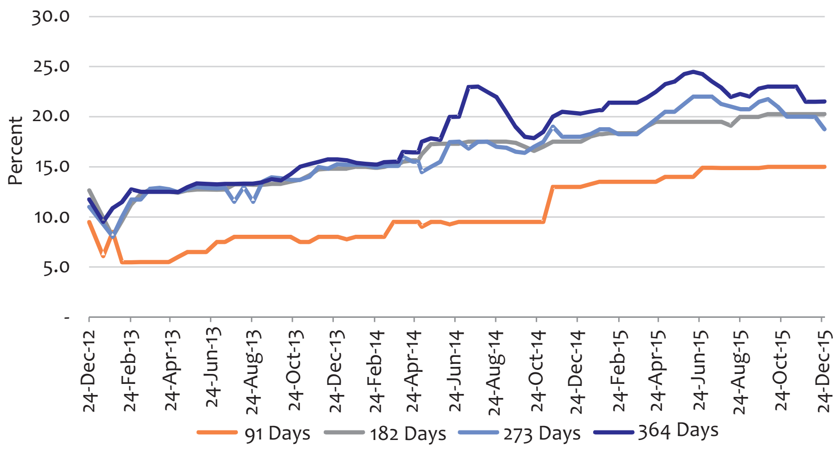
Interest Rates

Yield Rates on Government Securities

Yields on both Treasury bills and Government bonds increased in 2015. The weighted average composite yield rate for Treasury bills closed the year at 20.7% from 18.8% in 2014. Yield rates on the 91- and 182-day Treasury bills tenors rose to averages of 15.0% and 20.2%, respectively in December 2015 from 13.0 % and 17.5% in 2014. The 273-day and 364-day Treasury bill yields increased to averages of 18.8% and 21.5% from 18.0% and 20.3%, respectively in 2014 (Chart 3.4).

CHART 3.4:

Treasury Bills Weighted Average Yield Rates, Dec 2012-Dec 2015



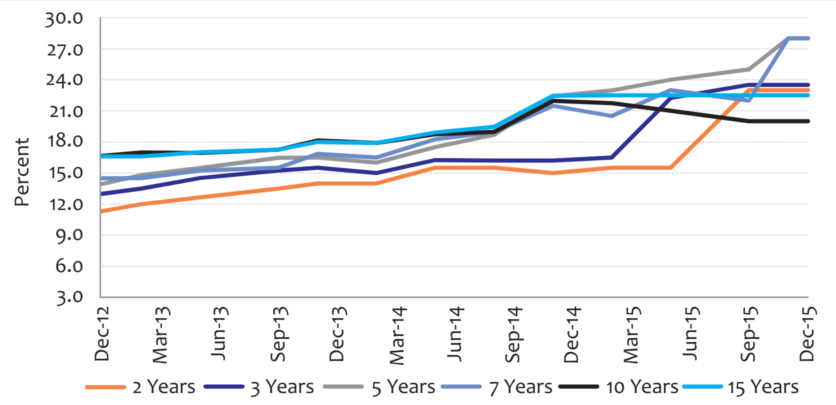
Source: Bank of Zambia

Government bond yield rates also trended upwards in 2015. The weighted average composite bond yield rate closed at 25.9% from 21.0% in 2014. The average 2-, 3- and 5- year bond rates increased to 23.0%, 23.5% and 27.9% from 15.0%, 16.2% and 22.4% recorded at the close of December 2014, respectively (Chart 3.5). The yield rate on the 7- year bond rose to 27.9% from 21.5%. The rate on the 10-year bond, however, declined to 20.0% from 22.0% in 2014. The yield rate on the 15 year bond remained virtually unchanged at 22.5%.

The general increase in yield rates was largely attributed to the relatively low demand for Government securities due to tight liquidity conditions.

CHART 3.5:

Government Bond Yield Rates, Dec 2012-Dec 2015



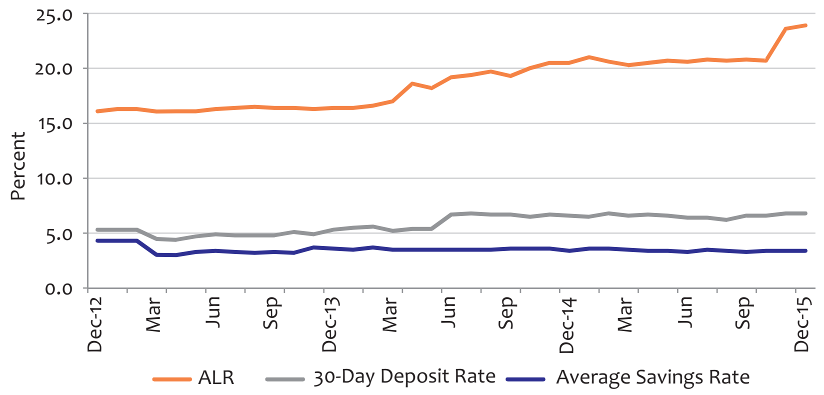
Source: Bank of Zambia

Commercial Banks' Nominal Interest Rates

Commercial banks' nominal interest rates rose in 2015 as the BoZ hiked the Policy Rate and the caps on lending rates were lifted (Chart 3.6). The average lending rate rose to 23.9% from 20.5% in 2014. The average 30-day deposit rate for amounts exceeding K20,000 increased slightly to 6.8% from 6.6%. The average savings rate for amounts above K100 remained unchanged at 3.4%.

CHART 3.6:

Lending and Savings Rates, Dec 2012 – Dec 2015



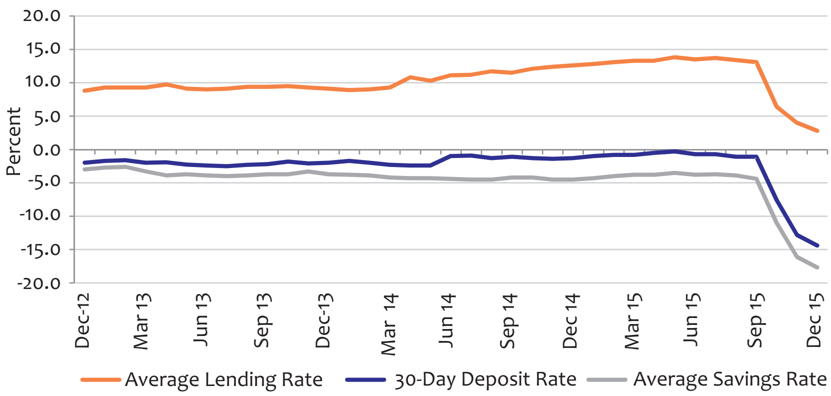
Source: Bank of Zambia

Commercial Banks' Real Interest Rates

With the acceleration in inflation, all the interest rates declined sharply in real terms (Chart 3.7). The real average lending rate fell to 2.8% from 12.6% in 2014. The real average 30-day deposit rate for amounts above K20,000 fell to negative 14.3% from negative 1.3% and the real average savings rate for amounts exceeding K100 dropped to negative 17.7% from negative 4.5% in 2014.

CHART 3.7:

Real lending and Savings Rates, Dec 2012-Dec 2015



Source: Bank of Zambia

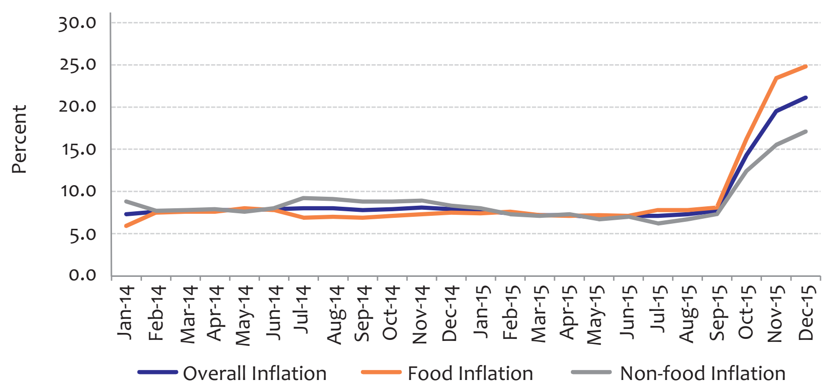
Inflation

Overall Annual Inflation

Overall annual inflation accelerated to 21.1% in December 2015 from 7.9% in December 2014. Inflation rose sharply in October to 14.3% from 7.7% in September and remained elevated throughout the fourth quarter (Chart 3.8). The increase in inflation was due to a combination of factors, including a significant depreciation in the exchange rate, upward adjustment of fuel pump prices, increased power rationing in the second half of 2015 and reduced supply of some food items. These factors raised both food and non-food inflation.

CHART 3.8:

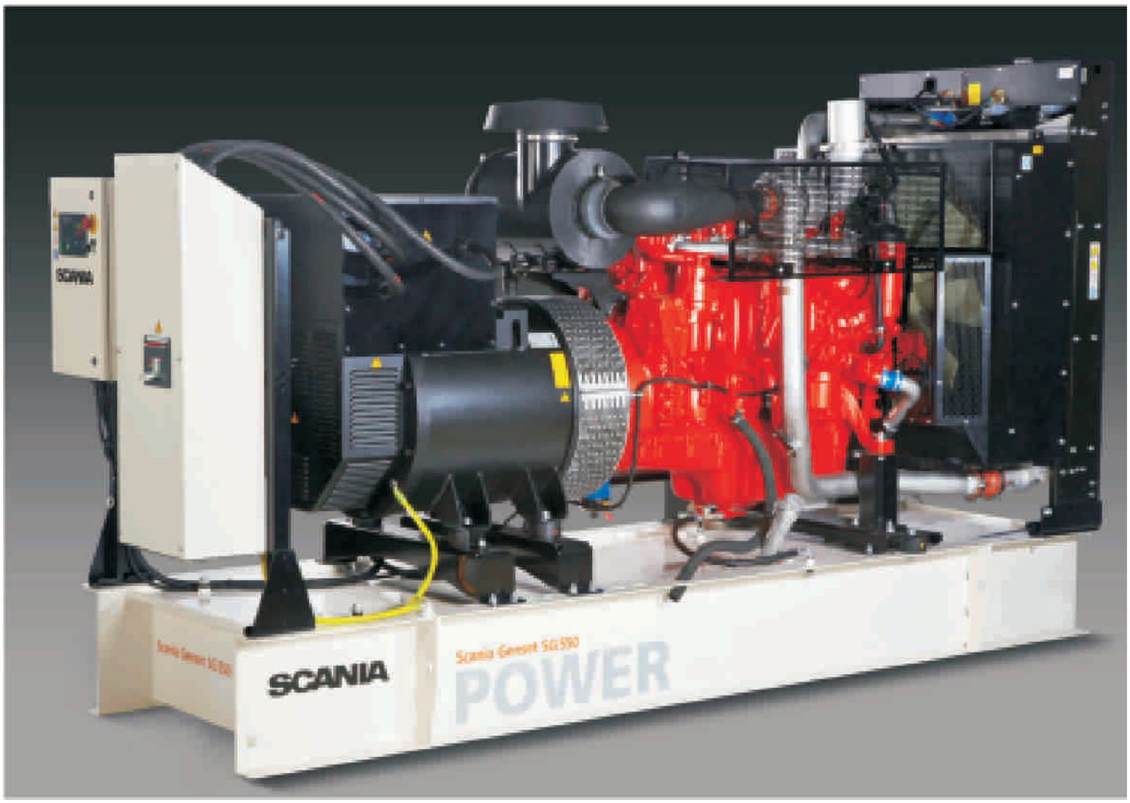
Annual Inflation Developments: Jan 2014 – Dec 2015



Source: Bank of Zambia

Annual Non-Food Inflation

Non-food inflation rose to 17.1% in December 2015 from 8.4% in December 2014. The increase was mainly on account of the pass-through from the sharp depreciation of the Kwacha against major foreign currencies and the high production costs induced by the increase in fuel pump prices and power rationing as firms resorted to using alternative and expensive sources of energy such as gensets. The increase in electricity tariffs in December also contributed to higher inflationary pressures.



Due to power rationing, some business houses resorted to use of gensets, leading to increased production costs.

Annual Food Inflation

Food inflation was recorded at 24.8% at end-2015, up from 7.4% at the close of 2014. The higher annual food inflation was a reflection of higher production costs owing to the increase in the prices of imported food items on account of a depreciated exchange rate. In addition, low supply of maize grain due to the regional shortages as well as logistical challenges of transporting some food items from surplus to deficit areas contributed to the rise in food inflation. Higher production costs following increased power rationing and the increase in electricity tariffs also contributed to higher food prices during the year.

3.2 MONEY AND CAPITAL MARKETS

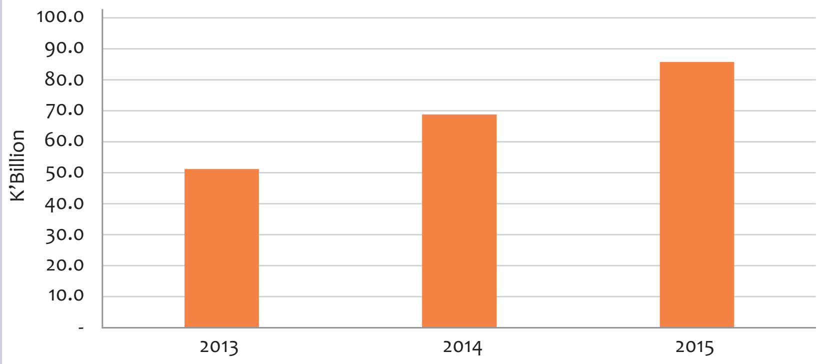
Interbank Money Market

Interbank trading activity rose by 24.6% to K85.7 billion as banks sought additional sources of funding to cover their liquidity deficits following tight liquidity conditions, albeit not sufficient to help close the gap. The average interbank lending rate for overnight funds increased by 14.0 percentage points to 26.0%. The main drivers included the low Kwacha liquidity and the BoZ's Policy Rate hike which pushed up commercial banks' cost of funds (Chart 3.9).

Of the total funds traded, four banks accessed K55.5 billion (66.0%). Three banks provided a total of K51.2 billion (61.0%) to the market. The interbank market was mainly dominated by overnight lending which rose by 33.0% to K84.1 billion from K63.3 billion traded in 2014.

CHART 3.9:

Interbank Money Market Trading Activity, 2013-2015



Source: Bank of Zambia

OLF and Other Sources of Short-Term Liquidity

As the interbank money market fell short of providing sufficient liquidity, banks turned to the OLF window for additional funding. Notwithstanding the increase in the OLF rate and the restriction on the frequency of accessing the facility from BoZ to once a week, the value of funds borrowed from the Bank rose by over 100.0% to K52.5 billion. Commercial banks also restructured their Government securities holdings by re-discounting a proportion of their Treasury bills (K465.2 million) and limited their rollover of maturing Government securities in the second half of the year.

Government Securities Market

Market Bidding Behaviour

A total of K27.4 billion worth of Government securities was issued: K23.4 billion in Treasury bills and K4.0 billion in Government bonds (Table 3.4). Only K11.5 billion, however, was raised through Treasury bills and K2.1 billion via Government bonds (at cost), representing subscription rates of 49.3% and 53.3%, respectively.

The 364-day Treasury bill recorded the highest subscription of 101.0% due to relatively higher return (Table 3.4 and Chart 3.10). The high subscription rate on the 5-year bond was attributed to the relatively high yield which averaged 24.5% in 2015 (Chart 3.5).

Generally, the low demand for Government securities was mainly attributed to tight liquidity conditions experienced in the last half of the year. The BoZ tightened liquidity to address volatility in the foreign exchange market and stem inflationary pressures and this constrained demand for securities. Consequently, the low demand for Government securities affected Government domestic borrowing requirements. Programmed domestic financing for 2015 was K3,772.0 million, however, only K2,721.0 million was raised.

Table 3.4. Government Securities Transactions, 2013-2015

	2013			2014			2015		
	Amount Offered (K' mn)	Bid Amount (K' mn)	Subscription Rate (%)	Amount Offered (K' mn)	Bid Amount (K' mn)	Subscription Rate (%)	Amount Offered (K' mn)	Bid Amount (K' mn)	Subscription Rate (%)
91-day bills	1,100.0	769.9	70.0	1,551.0	319.1	20.6	2,340.0	737.0	31.5
182-day bills	2,900.0	3,802.8	131.1	3,892.0	2,669.0	68.6	5,460.0	2,293.0	42
273-day bills	3,220.0	3,381.1	105	4,287.0	1,841.1	43	5,850.0	2,424.0	41.4
364-day bills	5,530.0	6,045.0	109.3	6,950.0	8,141.3	117.1	9,750.0	9,845.8	101.0
TOTAL-TBILLS	**12,750.0**	**13,998.8**	**109.8**	**16,680.0**	**12,970.5**	**77.8**	**23,400.0**	**15,299.8**	**65.4**
2-year bond	275.0	333.1	121.1	325.0	138.7	121.1	340.0	188.2	55.4
3-year bond	830.0	1,108.5	133.5	1,025.0	881.9	133.5	1,100.0	600.8	54.6
5-year bond	1,220.0	1,045.2	85.7	1,430.0	1,475.3	85.7	1,520.0	1,802.50	118.6
7-year bond	225.0	238.9	106.2	285.0	315.8	106.2	300.0	195.1	65.0
10-year bond	440.0	290.6	66.1	530.0	731.6	66.1	560.0	298.9	53.4
15-year bond	150.0	67.6	45.1	165.0	183.4	45.1	180.0	163.3	90.7
TOTAL-BONDS	**3,140.0**	**3,083.8**	**98.2**	**3,726.7**	**3,726.7**	**99.1**	**4,000.0**	**3,248.8**	**81.2**

Source: Bank of Zambia

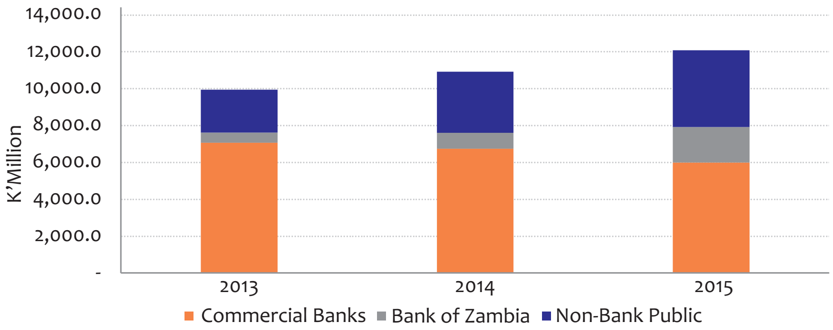
Stock of Government Securities

The outstanding stock of Government securities was K24.7 billion (at face value) at end-December 2015, up from K22.5 billion recorded in 2014. This represents a growth of 9.4% in 2015 compared to 16.5% growth in 2014. The stock of Treasury bills and Government bonds grew by 10.6% and 8.3% to K12.1 billion and K12.6 billion, respectively (Chart 3.10 and Chart 3.11).

In terms of composition of Treasury bills holdings, commercial banks accounted for 24.0% while the Bank of Zambia and non-bank public held 8.0% and 17.0%, respectively. With regard to Government bonds holdings, the non-bank public held 37.0%, while the Bank of Zambia accounted for 7.0% and commercial banks 7.0%. The bulk of the holdings of Government bonds by the non-bank public were by institutional investors, mainly pension funds that hold such securities to meet their long-term obligations.

CHART 3.10:

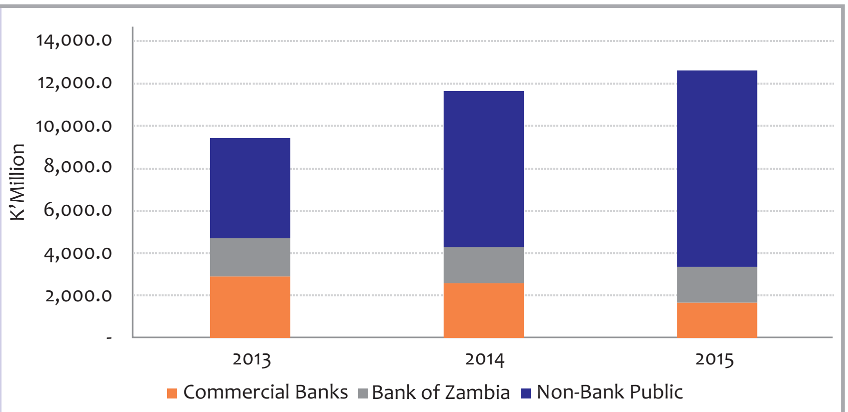
Treasury Bills Holdings, 2013-2015



Source: Bank of Zambia

CHART 3.11:

Government Bond Holdings, 2013-2015



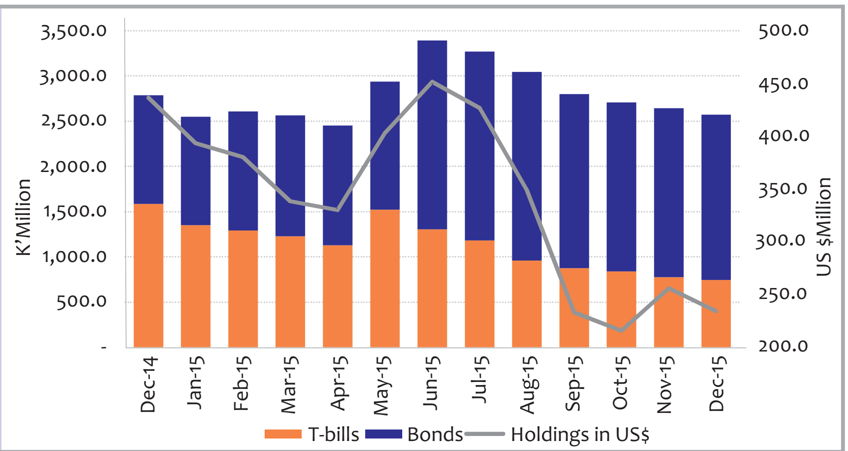
Source: Bank of Zambia

Holdings of Government Securities by Foreign Investors

Total holdings of Government securities by foreign investors declined to K2.6 billion from K2.8 billion in 2014. In US dollar terms, the total holdings by foreign investors fell from US $0.4 billion in December 2014 to US $0.2 billion in December 2015, representing a decline of about 46.0%. The bulk of their holdings was in bonds (K1.8 billion or 71.0%) as shown in Chart 3.12. The reduction in the holdings was mainly attributed to the sell-off of bonds as volatility in the foreign exchange market increased during the last half of the year. In terms of the share of the total outstanding Government securities, foreign investors held 10.5%, down from 13.3% in 2014.

CHART 3.12:

Holdings of Government Securities by Foreign Investors, Dec 2014-Dec 2015



Source: Bank of Zambia

Foreign Exchange Market

The foreign exchange market was characterised by high volatility in 2015 due to both international and domestic factors. These factors included lower copper prices attributed to the slowdown in China, uncertainty over the performance of the mining sector (with Glencore scaling down its operations at Mopani), stronger US dollar in the international market, deteriorating current account balance, widening fiscal deficit, sovereign rating downgrade and the impact of the power deficit on the general performance of the economy.

The strength of the US dollar was largely attributed to stronger US economic data, falling global oil prices, expectations of higher US interest rates, and weakened currencies resulting from monetary easing by the Japanese and European central banks. Consequently, the US dollar outperformed and appreciated against most major developed and developing countries' currencies.

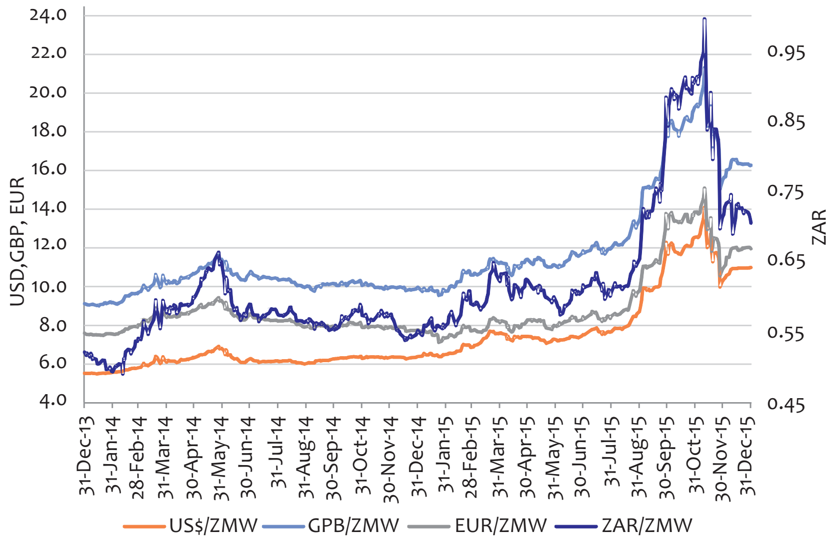
Nominal Exchange Rate

The Kwacha depreciated sharply against all its major trading partner currencies in 2015 (Chart 3.13). The Kwacha weakened by 72.0% to end the year at K10.9806 per US dollar.

The foreign exchange market exhibited relative stability at the start of the year, and the Kwacha traded on average K6.8567/US dollar in the first quarter. In the second quarter, however, the Kwacha depreciated by 17.6% to K7.5117/US dollar. The Kwacha depreciated further in the third quarter by 59.9% to K12.0106/US. The Kwacha, however, appreciated by 8.6% in the fourth quarter to K10.9806/US dollar following the measures taken by the Bank to dampen volatility in the foreign exchange market as explained in the box below.

CHART 3.13:

Exchange Rate of Kwacha against Major Currencies, Dec 2013-Dec 2015



Source: Bank of Zambia

Foreign Exchange Market

Extreme volatility characterised the foreign exchange market in the last half of 2015 mainly due to a combination of adverse domestic and international developments. The higher than programmed fiscal deficit, coupled with production shocks such as the fall in power supply, and the adverse spill-over effects from a cooling global economy shaped sentiments in the foreign exchange market. Specifically, falling copper prices attributed to slower-than-expected growth in China, and the consequent uncertainty over the performance of Zambia's mining sector implied a widening current account deficit and reduced inflows of foreign exchange. In addition, a strengthening US dollar in the international market on the back of an increase in the US interest rates led to capital outflows from emerging markets including Zambia. Consequently, the Kwacha weakened against all major trading partner currencies and volatility increased as market participants speculated on the adequacy of foreign exchange liquidity in the market. The Kwacha sharply fell by 16.0% in a trading session on 28 September 2015. The currency continued to fall and reached the lowest level of K14.4106/US dollar by 10 November 2015. The Kwacha also weakened an average of 31.1% against major currencies to K16.2761/British Pound, K11.9530/ Euro and K0.7052/South African Rand.

In response to these developments, the Bank of Zambia undertook the following measures to curb the rapid depreciation of the Kwacha and moderate intra-day volatility:

a) Raised the Policy Rate to 15.5% from 12.5%;

b) Restricted commercial banks' access to the Overnight Lending Facility (OLF) window to once per week from unlimited access only constrained by collateral quality;

c) Introduced new foreign exchange measures that included the publication of individual commercial bank's interbank exchange rates to the public, heightened monitoring of commercial banks activities by BoZ, and strengthening the interbank market's code of conduct.

In addition, the Bank of Zambia supplied a total of US $533.0 million to support the foreign exchange market over the second half of the year. For the year as a whole, the Bank of Zambia supplied a total of US $763.5 million as market support.

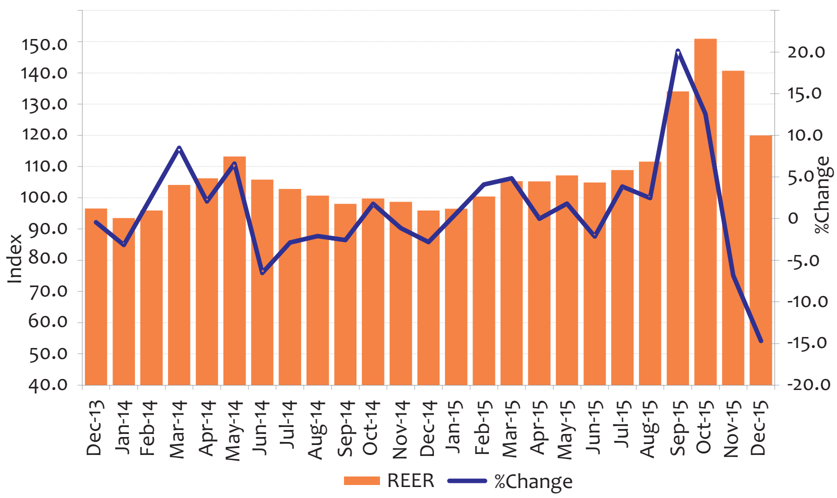
Real Effective Exchange Rate

The real effective exchange rate (REER) index rose by 25.1% to 120.0 at end-December 2015 (Chart 3.14). The real depreciation of the Kwacha on a trade-weighted basis was mainly attributed to a 48.7% rise in the nominal effective exchange rate (NEER). The Swiss franc, South African rand, British pound sterling, US dollar and the Chinese yuan contributed 21.5, 13.1, 4.4, 1.1 and 4.8 percentage points, respectively. A rise in domestic inflation moderated the real depreciation of the Kwacha.

The annual average REER index rose by 14.1% in 2015 (Table 3.5). This outturn was explained by a 24.2% increase in the nominal effective exchange rate index. The Swiss franc, South African rand, British pound sterling, US dollar and the Chinese yuan contributed 10.4, 7.6, 2.1, 0.6 and 2.9 percentage

CHART 3.14:

Real Effective Exchange Rate Index, Dec 2013-Dec 2015



Source: Bank of Zambia

Table 3.5: Annual Average Real Effective Exchange Rate, 2013-2015

	2013	2014	2015	% Change (2015/2014)
Domestic CPI (2005-100)	194.5	209.7	230.7	10.0
Weighted Foreign CPI (2005=100)	212.1	217.8	221.3	1.6
NEER index	1.95	2.14	2.65	24.2
REER index (2005=100)	97.3	101.2	115.5	14.1

Source: Bank of Zambia

Foreign Exchange Transactions

The supply of foreign exchange to the market, measured by commercial banks' purchase of foreign exchange from various sectors, decreased in 2015 to US $9,074.2 million from US $11,134.4 million in 2014. The demand for foreign exchange, as reflected in commercial banks' sale to various sectors, also fell to US $7,812.7 million from US $9,680.6 million over the same period. Consequently, commercial banks recorded a net purchase of US $1,261.5 million, down from US $1,453.9 million in 2014.

The Bank of Zambia provided support to the market amounting to US $763.5 million in 2015 compared to US $771.1 million the previous year. The market support by the Bank of Zambia was largely meant to improve the US dollar liquidity in the market and moderate exchange rate volatility. The Bank did not purchase any foreign exchange directly from the market to build up gross international reserves due to tight foreign exchange supply.

The mining industry continued to be the main supplier of foreign exchange. However, supply declined by 46.0% to US $2,116.4 million in 2015 from US $3,914.1 million supplied in 2014. Supply by foreign financial institutions also declined by 4.2% to US $1,834.7 million from US $1,915.9 million.

The demand for foreign exchange by the non-bank public fell by 27.9% to US $1,064.2 million from US $1,475.7 million in 2014. Conversely, demand by foreign financial institutions rose by 14.0% to US $ 1,678.8 million from US $1,472.7 million in 2014. On a net basis, supply of foreign exchange by foreign bank financial institutions fell to US $155.9 million in 2015 from US $443.1 million in 2014.

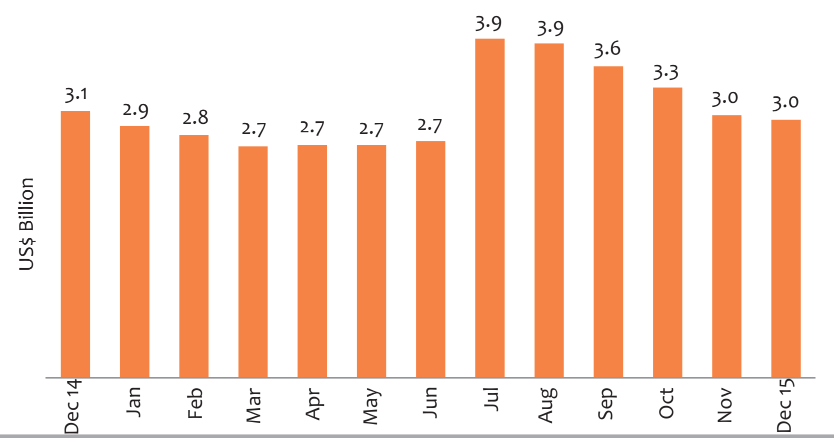
In the interbank foreign exchange market, commercial banks traded a total of US $ 9,535.4 million compared to US $8,312.3 million in 2014, representing an increase of 15.0%. This reflected increased activity which contributed to the depreciation of the Kwacha in 2015 as liquidity tightened.

Gross International Reserves

Gross international reserves (GIR) decreased by 3.3% to US $3.0 billion in 2015 (representing 3.7 months of import cover) from US $3.1 billion at end-December 2014 (Chart 3.15). The decline in reserves was mainly on account of Bank of Zambia support to the foreign exchange market (US $763.5 million) and debt service (US $381.7 million). The GIR peaked at US $3.9 billion in July 2015 after issuing the third sovereign bond.

CHART 3.15:

Gross International Reserves, Dec 2014-Dec 2015



Source: Bank of Zambia

Capital Markets

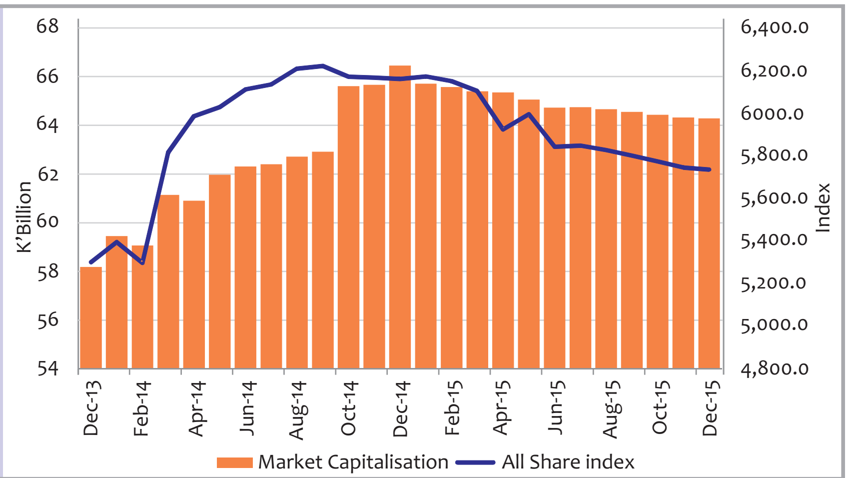
Stock Market

Trading activity at the Lusaka Securities Exchange (LuSE) declined in 2015, with market capitalisation falling by 3.3% to K64.3 billion (Chart 3.16). The LuSE All-Share index fell by 6.9% in 2015 to 5,734.7 from 6,160.7 at end-December 2014. The fall in the index was attributed to the drop in shares of some companies such as Airtel, Standard Chartered Bank, Zambia Sugar, BATZ and First Quantum Minerals. Investors' negative industry specific perceptions weighed on share prices. Other factors such as power rationing, widening current account and fiscal deficits, the drop in copper prices and volatility in the foreign exchange market in the last half of 2015 contributed to shaping investors' perceptions of the stock market.

The total turnover in US dollars for foreign portfolio investors decreased by 97.0% in 2015 to US $0.04 million. The fall in turnover can be attributed to the volatility experienced in the foreign exchange market and the interest rates hike by the Fed in the United States. In net terms, LuSE registered net inflows of US $0.8 million in 2015 compared to net inflows of US $6.3 million in 2014.

CHART 3.16:

Indicators of LuSE Activity, Dec 2013-Dec 2015



Source: Lusaka Securities Exchange

Bond Market

Activity in the secondary market for Government bonds in 2015 was constrained by tight liquidity conditions. The "buy and hold" behaviour continued to characterise the market thereby contributing to its illiquidity. Secondary market price discovery was affected by among other things, lack of transparency and the presence of withholding tax on discount on bonds. Consequently, secondary market turnover of Government bonds fell to K38.1 billion in 2015 from K45.0 billion in 2014.

3.3 BALANCE OF PAYMENTS

Overall Balance of Payments

The overall balance of payments deteriorated from a surplus of US $321.6 million in 2014 to a deficit of US $432.3 million in 2015 (Table 3.6). This outcome was largely driven by the unfavourable performance of the current account, which outweighed surpluses on the capital and financial accounts.

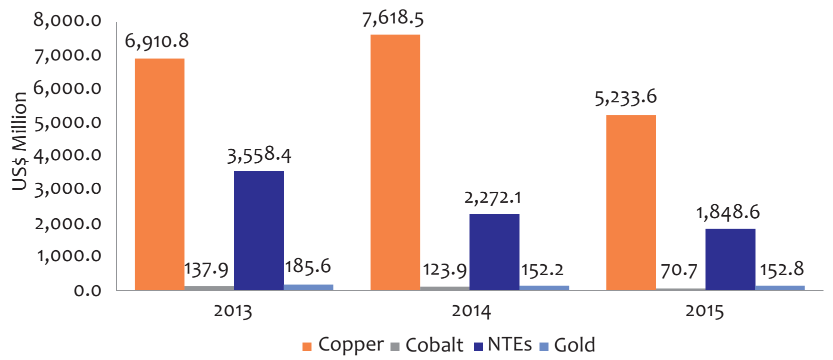
Current Account

A deficit of US $767.7 million was recorded on the current against a surplus[2] of US $581.2 million in 2014 mainly on account of unfavourable performance in the goods and secondary income accounts.

The balance on goods recorded a deficit of US $74.3 million compared to a surplus of US $1,625.4 million registered in 2014, triggered by a sharper decline in export earnings relative to imports. Export earnings fell by 28.0% due to subdued earnings from copper, cobalt and non-traditional exports (Chart 3.17).

CHART 3.17:

Export Earnings (US$ million), 2013-2015



Source: Bank of Zambia

Copper export earnings, at US $5,233.6 million in 2015, were 31.3% lower than US $7,618.5 million realised in 2014 due to lower realised prices and export volumes. The average realised copper price declined by 23.0% to US $5,120.5 per tonne in 2015, largely reflecting the slowdown in global demand, particularly declining growth in China. Copper export volumes dropped by 10.8% to 1,022,096.5 metric tons (mt) from 1,146,315.4 mt in 2014.

Cobalt export earnings also declined by 42.9% to US $70.7 million in 2015. This was attributed to lower export volumes and average realised prices. Cobalt export volumes fell by 34.7% to 2,978.8 mt from 4,562.2 mt in 2014. The temporary suspension of operations at Chambishi Metals Plc (Zambia's major cobalt producer) in June and July 2015 due to challenges in procuring cobalt concentrate from the Democratic Republic of Congo (DRC) contributed to the decline in cobalt export volumes. The average realised price of cobalt declined by 12.6% to US $23,736.3 per tonne from US $27,155.4 per tonne recorded in 2014.

Gold export earnings marginally declined by 0.3% to US $151.8 million in 2015 on account of the drop in export volumes. Gold export volumes declined by 1.4% to 140,244.0 ounces from 142,607.0 ounces in 2014. Average realised gold prices, at US $1,082.20 per ounce, were 1.4% higher than US $1,067.30 per ounce recorded in 2014.

Non-traditional export (NTEs) earnings declined to US $1,848.6 million from US $2,272.1 million recorded in 2014 (Table 3.7). Earnings from all major non-traditional export commodities declined except maize export earnings that increased to US $215.9 million. The general decline in prices of primary commodities on the global market, weak global demand, and loss in competitiveness of firms producing non-traditional export commodities due to a rise in costs of production as firms switched to costly alternative energy sources accounted for the fall in NTEs earnings.

[2]The current account balance for 2014 was revised to a surplus from a deficit after updating the dividends and reinvested earnings debits in the primary income obtained from the foreign private investment survey completed during the fourth quarter of 2015.

Table 3.6: Balance of Payments (US $'million), 2013-2015

BPM6 Concept	2013	2014r	2015*
A. Current Account, n.i.e.	-218.4	581.2	-767.7
Balance on goods	1,648.0	1,625.4	-74.3
Goods: exports f.o.b.	10,843.4	10,220.2	7,362.0
Of which copper	6,911.4	7,618.5	5,233.6
cobalt	137.9	123.9	70.7
NTEs	3,558.4	2,272.0	1,848.6
Gold	185.6	152.2	151.8
Goods: imports f.o.b.	9,195.4	8,594.8	7,436.2
Balance on Services	-1,058.2	-793.5	-570.9
Services: Credit	758.0	850.9	861.5
Of which transportation	64.7	61.1	43.7
Travel	551.5	641.5	660.1
Services: Debit	1,816.2	1,644.4	1,432.4
Of which Transportation	937.2	902.8	825.3
Travel	209.7	222.2	234.5
Insurance and Pension Services	115.9	116.3	113.7
Balance on goods and services	589.8	831.8	-645.2
Balance on Primary income	-1,153.2	-552.0	-349.1
Primary income: credit	5.3	5.9	8.3
Primary income: debit	1,158.5	557.9	357.3
Balance on goods, services and primary income	-563.4	279.9	-994.2
Balance on secondary income	345.0	301.4	226.6
Secondary income, n.i.e: credit	393.4	353.7	268.8
Secondary income: debit	48.4	52.3	42.2
B. Capital Account, n.i.e.	278.0	202.0	81.0
Capital account, n.i.e.: credit	278.0	202.0	81.0
Capital account: debit	0.0	0.0	0.0
C. Financial Account, n.i.e.	276.9	462.6	-278.3
Direct investment: assets	409.4	-1,706.1	-141.6
Direct investment: liabilities, n.i.e.	2,099.9	1,488.8	1,582.7
Portfolio investment: assets	-6.5	-11.7	-14.4
Portfolio investment: liabilities, n.i.e.	89.9	1,184.8	1,207.0
Equity and investment fund shares	5.5	6.1	0.2
Debt securities	84.4	1,178.7	1,206.8
Financial derivatives: net	-3.4	-25.4	18.1
Financial derivatives: assets	0.2	1.4	4.4
Financial derivatives: liabilities	3.6	26.8	-13.7
Other investments: assets	2,172.9	5,301.2	3,598.2
Other debt instruments	2,172.9	5,301.2	3,598.2
Central Bank	-154.7	125.7	223.2
Deposit-taking corporations	271.1	0.0	230.0
Other sectors	2,056.5	5,175.5	3,145.0
Other financial corporations	-1.1	0.0	0.0
Nonfinancial corporations, HHS and NPISHs	2,057.6	5,175.5	3,145.0
Other investment: liabilities, n.i.e.	105.7	421.8	948.9
Other debt instruments	105.7	421.8	948.9
Deposit-taking corporations	-81.1	-148.9	1.9
General government	104.6	120.2	823.0
Other sectors	82.2	450.4	123.9
Nonfinancial corporations, HHS and NPISHs	82.2	450.4	123.9
D. Net Errors and Omissions	-29.9	0.9	-23.9
E. Overall Balance	247.2	-321.6	432.3
F. Reserve and Related items	-247.2	321.6	-432.3
Reserve assets	-205.5	315.1	-446.1
Credit and loans from the IMF	-15.3	-29.5	-13.8
Exceptional financing	57.0	23.0	0.0

Source: Bank of Zambia
*Preliminary
r-The balance of payments data for 2014 were revised after incorporating data obtained from the foreign private investment survey completed during the fourth quarter of 2015.

Table 3.7: Major Non-Traditional Export Earnings (US $'million), 2013-2015

Commodity/Product	2014	2015	%Change (2015/2014)
Gemstones	156.1	111.3	-28.7
Sulphuric acid	220.8	57.3	-74
Industrial Boilers and Equipment	160.6	95.7	-40.4
Cane Sugar	220.2	146.6	-33.4
Gasoil/Petroleum Oils	28.4	12.3	-56.7
Cement & Lime	108.9	65.1	-40.2
Electricity	78.8	39.0	-50.5
Raw hides, Skins & Leather	55.0	12.5	-77.3
Sulphur	57.4	19.6	-65.9
Burley Tobacco	141.6	106.4	-24.8
Copper Wire	84.3	58.6	-30.5
Scrap of precious metals	57.5	49.1	-14.7
Maize & Maize Seed	65.5	215.9	229.7
Electrical Cables	52.4	20.7	-60.5
Cotton Lint	67.7	54.1	-20.0
Soap products	68.2	51.4	-24.6
Fresh Fruits & Vegetables	17.0	12.5	-26.9
Manganese Ores/Concentrates	11.6	1.5	-87.1
Wheat & Meslin	16.4	12.0	-26.8
Fresh Flowers	13.8	13.3	-3.7

Source: Bank of Zambia

Merchandise imports declined by 13.3% to US $8,280.5 million from US $9,545.7 million registered in 2014. The decrease was largely due to lower imports of plastic and rubber products, paper and paper products, iron and steel products, industrial boilers and equipment, electrical machinery and equipment, and motor vehicles. An increase in the import bill of food items, petroleum products, fertilizer and chemicals was, however, recorded. Increased electricity rationing contributed to the high import bill of petroleum as demand for diesel soared.

Imports of petroleum products soared in 2015 owing to increased demand for fuel to power generators as an alternative energy source.

The secondary income account surplus narrowed by 24.8% to US $226.6 million in 2015 from US $301.4 million recorded in 2014. This was on account of a slowdown in grants to Government and transfers to the private sector.

Capital and Financial Accounts

The surplus on the capital account declined to US $81.0 million from US $202.0 million in 2014 largely due to a decrease in project grants. The financial account recorded a surplus of US $278.3 million from a deficit of US $462.6 million in 2014 following the issuance of the third sovereign bond amounting to US $1.25 billion.

Direction of Trade

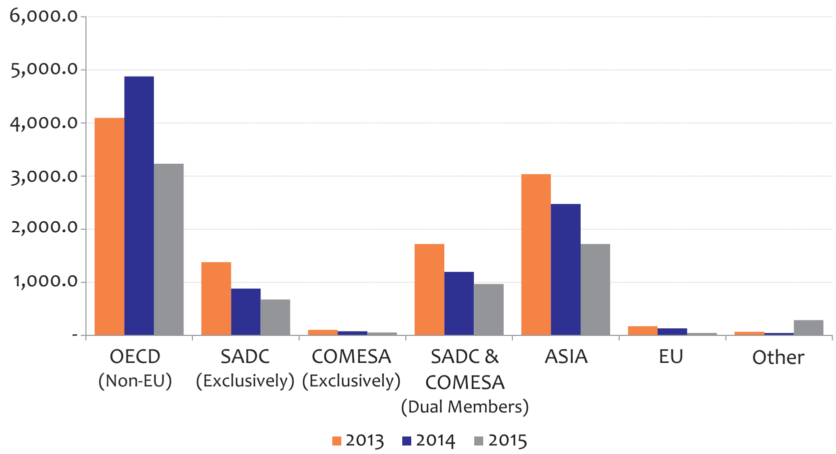
Zambia's merchandise exports to all regional markets, namely, Asia, SADC (exclusively), Common Market for Eastern and Southern Africa (COMESA - exclusively), European Union (EU), Southern African Development Community (SADC), COMESA (Dual Members), and Non-European Organisation for Economic Cooperation and Development (OECD) countries decreased in 2015.

The OECD (Non-EU) region maintained its position as Zambia's major export market, accounting for 46.3% of total exports. This was despite a 33.7% decrease in exports to the region to US $3,236.8 million in 2015 (Chart 3.18). Base metal exports to Switzerland accounted for most of Zambia's exports to the region. Asia ranked second, accounting for 24.6% of total export earnings. This was despite the fall in exports to the region by 30.5% to US $1,721.9 million largely due a decrease in earnings from exports of base metals to China.

SADC and COMESA (Dual Members) maintained the third position, accounting for 13.9% of Zambia's total exports despite a 19.1% decline in earnings to US $968.5 million. This outturn is largely explained by a sharp fall in exports to the Democratic Republic of Congo (DRC) by 28.3% to US $580.0 million. Exports of sulphuric acid, cement, cane sugar and maize to DRC reduced significantly after that country embarked on import substitution, leading to a reduction in imports from Zambia. SADC (exclusively) maintained its fourth rank, accounting for 9.7% of Zambia's export earnings. This was despite a reduction in earnings by 23.2% to US $676.4 million on account of a fall in exports to South Africa. Exports to South Africa fell by 20.4% to US $540 million, driven by lower exports of semi-manufactured gold, cane molasses and copper wire.

CHART 3.18:

Direction of Exports (fob) by Region, (US $million), 2013-2015



Source: Bank of Zambia

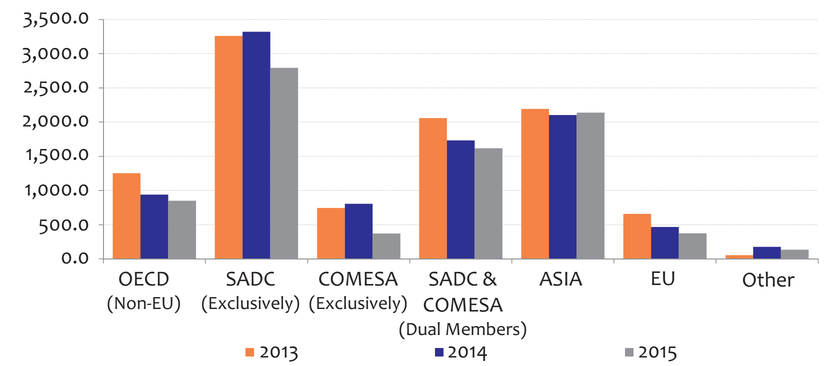
Major Sources of Imports by Region

SADC (exclusively) maintained its top rank as Zambia's major source of imports at 33.7%. However, imports fell by 15.9% to US $2,791.8 million in 2015 (Chart 3.19). Asia maintained second rank, accounting for 25.8%. Imports from Asia increased by 1.6% to US $2,103.5 million driven by petroleum oils from Kuwait.

The SADC and COMESA (Dual Members) ranked third, accounting for 19.5% of Zambia's imports. Imports fell by 6.6% to US $1,617.4 million in 2015, mainly due to the drop in copper ores and concentrates from the DRC. Imports from OECD (Non-EU) and COMESA (exclusively) fell by 9% and 53.8%, respectively.

CHART 3.19:

Direction of Imports (CIF) by Region, (US $million), 2013-2015



Source: Bank of Zambia

3.4 EXTERNAL DEBT

Government Debt Stock

Preliminary data indicate that the external debt stock of Government[3] increased by 39.6% to US $6,602 million at end-December 2015 (Table 3.8). The increase was mainly on account of the issuance of the US $1,250 million third Eurobond, which accounted for 66.7% of the total increase.

The country's public external debt as a ratio of nominal GDP (estimated at US $16,547 million for 2015) was 39.8%. Inclusive of domestic debt, the ratio of total public debt to GDP was 51.0%, 5 percentage points below the international threshold of 56.0%.

Of the total Government external debt stock, 74.0% was owed to commercial, export and supplier creditors; 22.9% to multilateral creditors; and 3.2% to bilateral creditors.

Table 3.8: Government External Debt Stock by Creditor, 2013 - 2015

	2013		2014		2015	
Creditor	**US $'million**	**% share**	**US $'million**	**% share**	**US $'million**	**% share**
Bilateral	183.8	5.2	199.4	4.2	209.6	3.2
Paris Club	122.1	3.5	137.9	2.9	149.4	2.3
Non Paris Club	61.7	1.7	61.5	1.3	60.2	0.9
Multilateral	1,487.8	41.9	1,494.5	31.6	1,509.5	22.9
IMF	387.9	11.0	331.4	7.0	256.8	3.9
World Bank Group	732.8	20.6	667.4	14.1	689.9	10.4
African Development Bank Group	291.3	8.2	327.3	6.9	351.9	5.3
Others	75.8	2.1	167.5	3.5	210.9	3.2
Suppliers/ Banks	1,876.4	52.9	3,035.7	64.2	4,883.5	74.0
Total Govt. Debt	3,548.0	100.0	4,729.6	100.0	6,602.6	100.0

Source: BoZ/Ministry of Finance
Note: * Preliminary

Government External Debt Service

Government external debt service increased by 53.6% to US $381.7 million in 2015 from US $248.5 million in 2014 (Table 3.9). Principal maturities during the year amounted to US $206.4 million while interest and other charges amounted to US $175.2 million. A total of US $289.2 million was paid to commercial, supplier and export creditors while US $91.8 million was paid to multilateral creditors.

Table 3.9: Zambia's Official External Debt Service by Creditor (US $million), 2013 – 2015

Creditor	**2013**	**2014**	**2015**
Bilateral	132.8	-	-
Paris Club	114.9	-	-
Others	17.9	-	-
Multilateral	35.6	49.2	92.5
IDA	9.1	8.5	3.2
IMF	17.9	29.4	52.8
ECU/EIB	-	-	0
Others	8.6	11.3	36.5
Suppliers/Bank(commercial)/Export	70.2	199.3	289.2
Total	**238.6**	**248.5**	**381.7**

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 the non-guaranteed parastatal sector increased by 61.0% to US $8,081.8 million as at end-December 2015 from US $5,019.6 million at end-December 2014 (Table 3.10). This increase was mainly attributed to credit disbursed from various financial institutions and parent company creditors, largely to the mining sector towards investments to upgrade infrastructure and expansion of other major capital projects.

[3]Public and publicly guaranteed debt

Table 3.10: Private and Non-Guaranteed Parastatal External Debt Stock, 2013 - 2015

	2013		2014		2015	
Creditor	**US $'million**	**% Share**	**US $'million**	**% Share**	**US $'million**	**% Share**
Private	1,678.9	78.7	3,937.6	78.4	7,259.8	89.8
Multilateral	60.6	2.8	57.1	1.1	0.0	0.0
Financial Institutions	977.8	45.9	3,186.1	63.5	2,798.2	34.6
Parent Company	640.5	30.0	694.4	13.8	4,461.6	55.2
Other	452.1	21.2	452.2	9.0	158.7	2.0
Parastatal	1.8	0.1	629.8	12.5	663.3	8.2
Total Private and Non-Guaranteed Parastatal Debt	**2,132.8**	**100.0**	**5,019.6**	**100.0**	**8,081.8**	**100.0**

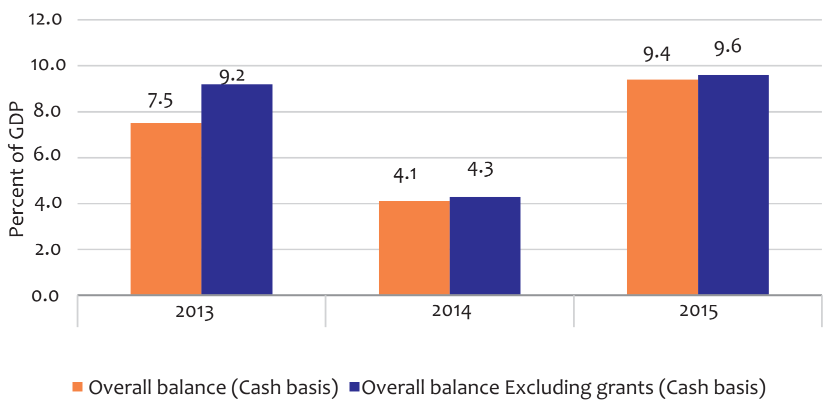
Source: Bank of Zambia
Note: * Preliminary

3.5 FISCAL SECTOR DEVELOPMENTS

The fiscal deficit for 2015, at 9.4 % of GDP or K17.3 billion (on cash basis), exceeded the projected deficit of 5.2% (Chart 3.22). The higher deficit was on account of spending mainly on unforeseen expenditures related to the importation of emergency power, infrastructure projects, farm inputs and strategic food reserve. The sharp depreciation of the Kwacha also impacted negatively on constitutional payments such as debt servicing and the maintenance of missions abroad. Revenue performance was less than programmed due to lower collections under customs duty as well as mineral royalties. Customs and excise duty was below target by 25.8% on account of reduced import volumes while mineral royalty collections underperformed by 36.9% due to the reduction in the rates. The deficit was mainly financed from the Euro bond proceeds as domestic financing was constrained by tight liquidity conditions.

CHART 3.20:

Government Budget Deficit, 2013 – 2015



Source: Ministry of Finance

Revenue and Grants

Total revenue and grants in 2015 were K34, 420.6 million, 2.7% lower than the target of K35, 363.8 million. Domestic revenue accounted for 99.7% while grants were 0.3%. As a percentage of GDP, total revenue and grants were 18.7%, slightly lower than the 19.5% target. The lower outturn in revenue and grants was largely attributed to the lower outturn in international trade taxes, non-tax revenue, and non-receipt of budget support funds from some Co-operating Partners (Table 3.11).

Tax Revenue

Total tax revenue, at K26, 436.6 million, was 4.3% above the target of K25, 344.8 million. As a percentage of GDP, tax revenue, at 14.4%, slightly above the target of 14.0%. This outturn was on account of higher collections in company income tax. Withholding tax also exceeded the target, boosted mainly by higher property transfer tax.

Non-Tax Revenue

Non-tax revenue, at K7, 614.7 million, was 13.5% lower than the target of K8, 805.4 million largely due to the reduction in mining tax rates. User fees, fines and charges, at K2.24 billion, exceeded the projected K1.55 billion on account of an upward adjustment in the fee unit coupled with increased compliance.

Table3.11: Central Government Revenue and Grants, 2013 – 2015

	2013		2014		2015 (Target)		2015* (PreliminaryReleases)	
	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP
Revenue and Grants	26,635.2	21.1	30,558.1	18.3	35,363.8	19.5	34,420.6	18.7
Domestic Revenue	24,483.2	19.4	30,297.1	18.2	34,150.2	18.9	34,051.2	18.5
Tax Revenue	21,307.2	16.9	25,837.1	15.5	25,344.8	14.0	26,436.6	14.4
Income Tax	9,813.8	7.8	11,499.3	6.9	11,793.2	6.5	12,89.0	7.0
Personal Tax	5,682.2	4.5	6,424.3	3.9	7,467.0	4.1	7,444.1	4.1
Company Tax	2,853.8	2.3	3,487.8	2.1	2,399.4	1.3	2,882.8	1.6
Other Income Tax	1,277.8	1.0	1,587.2	1.0	1,926.9	1.0	2,561.0	1.4
Excise Taxes	2,337.0	1.9	2,854.0	1.7	3,633.4	2.0	3,253.9	1.8
Domestic VAT	1,198.3	1.0	3,115.5	1.9	157.0	0.1	1,661.4	0.9
International Trade Taxes	7,958.1	6.3	8,368.3	5.0	9,730.5	3.8	5,155.8	2.8
Import Duties	1,808.4	1.4	1,948.9	1.2	3,310.8	1.8	1,901.9	1.0
Import VAT	6,149.7	4.9	6,396.8	3.8	6,419.7	3.5	6,703.9	3.6
Export Duties	-	-	22.6	0.0	30.6	0.0	27.5	0.0
Non-tax Revenue	3,176.0	2.5	4,460.0	2.7	8,805.4	4.9	7,614.7	4.1
Fees and Charges	1,204.0	1.0	1,336.3	0.8	1,552.3	0.9	2,492.6	1.2
Dividends and Interest	52.6	0.0	268.4	0.2	270.3	0.2	558.1	0.3
Other Receipts	158.7	0.1	1,088.4	0.7	0.0	0.0	19.0	0.0
Extraction Royalty	1,760.7	1.4	1,766.9	1.1	5,9369	3.3	3,749.1	2.0
Grants	2,152.0	1.7	261.0	0.2	1,213.6	0.7	369.3	0.2
Programme	301.0	0.2	179.3	0.1				
Projects	1,851.0	1.5	81.7	0.0	1,213.6	0.7	369.3	0.2

Source: Ministry of Finance

Grants

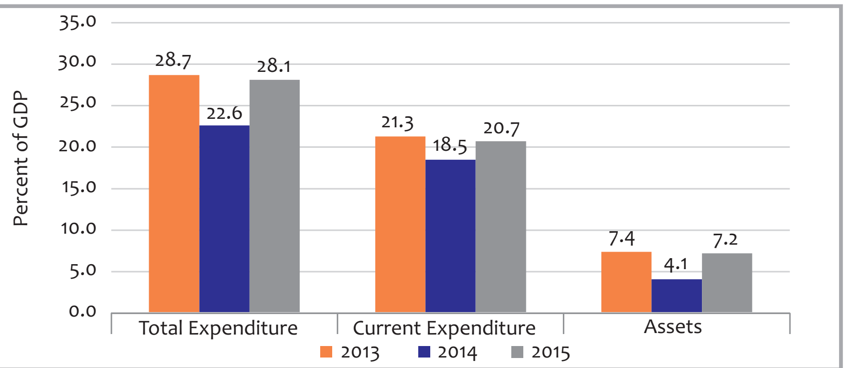
Total grants at, K369.4 million, were 74.0 % below the K1, 213.6 million projected for the year due to non-receipt of the programmed budget support from some Co-operating Partners.

Total Expenditure

Total expenditure, at K51, 385.0 million, was 15.3% above the programmed level of K44, 815.0 million or 28.1% of GDP (Chart 3.23).

CHART 3.21:

Central Government Expenditure, 2013 – 2015



Source: Ministry of Finance

Current Expenditure

Total current expenditure in 2015 was K38,075.4 million, 14.3% higher than the target of K33,299.5 million (Table 3.12). This outturn was on account of unforeseen expenditures related to the importation of emergency power, higher expenditures on farm inputs and grain purchase by the Food Reserve Agency. The sharp depreciation of the Kwacha also impacted negatively on constitutional payments such as debt servicing and the maintenance of missions abroad.

Table 3.12: Central Government Expenditures, 2013 – 2015

	2013		2014		2015 (Target)		2015* (Preliminary)	
	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP
Total Expenditure	36,144.6	28.7	37,595.0	22.6	44,815.0	24.7	51,684.8	28.1
Current Expenditure	26,774.3	21.3	30,822.9	18.5	33,299.4	18.4	38,075.4	20.7
Wages and Salaries	11,897.1	9.4	15,750.3	9.5	16,549.0	9.1	16,091.1	8.8
PSRP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of Goods and Services	4,799.0	3.8	4,631.8	2.8	6,266.3	3.5	5,110	2.8
Interest on Public Debt	2,231.1	1.8	2,764.8	1.7	3,436.3	1.9	5,223.7	2.8
Domestic Debt	1,870.0	1.5	2,007.5	1.2	2,196.2	1.2	3,264.6	1.8
Foreign Debt	361.1	0.3	757.3	0.5	1,240.1	0.7	1,959.1	1.1
Grants and Other Payments	5,646.2	4.5	4,966.8	3.0	5,005.0	2.8	8,936.5	4.9
Social Benefits	669.0	0.5	734.2	0.4	999.9	0.6	827.1	0.5
Other Expenses	1,111.2	0.9	1,544.8	0.9	1,042.9	0.6	1,887.0	1.0
Liabilities	420.7	0.3	430.2	0.3	349.5	0.2	409.4	0.2
Assets	9,370.3	7.4	6,772.1	4.1	11,166.0	6.2	13,199.9	7.2
Non-Financial Assets	9,097.0	7.2	6,209.6	3.7	10,552.4	5.8	12,773.9	7.0
Financial Assets	273.3	0.2	562.5	0.3	613.6	0.3	400.2	0.2

Source: Ministry of Finance

Assets

Total expenditure on assets in 2015 was K13,199.9 million, 18.2% below the projected expenditure of K11, 166.0 million. The lower expenditure on assets was partly attributed to less than programmed expenditure on state owned enterprises (SOE) recapitalisation, ZESCO power rehabilitation as well as water and sanitation. Expenditure on the road infrastructure project (K4, 336.0 million) exceeded the target by 34.4%.

Leopards Hill Road to Chongwe via Mikango Barracks.

Deficit Financing

Total budget financing in 2015 was K18,257.4 million against the programmed level of K9, 451.2 million (Table 3.13). Government access to domestic financing was constrained in 2015 by tight liquidity conditions, evidenced by under subscription on Treasury bills and bond auctions. Thus, proceeds from the Eurobond was the major source of deficit financing.

Table 3.13: Budget Deficit Financing, 2013 – 2015

	2013		2014		2015 (Target)		2015 (Preliminary)	
	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP
Total Financing	9,394.0	7.5	9,394.0	7.5	9,451.2	5.2	18,257.4	9.9
Domestic	6,766.9	5.4	6,766.9	5.4	3,772.0	2.1	1,744.6	0.9
External	2,627.1	2.1	2,627.1	2.1	5,425.3	3.0	15,150.6	8.2
Programme Loans	2,139.9	1.7	2,139.9	1.7	1,482.7	0.8	10,023.0	5.5
Project Loans	1,237.0	1.0	1,237.0	1.0	2,676.1	1.5	5,162.6	2.8
Amortisation	-749.8	-0.6	-749.8	-0.6	-1,151.5	-0.6	-1,018.6	-0.6

Source: Ministry of Finance

3.6 REAL SECTOR DEVELOPMENTS

National Output

Economic growth slowed down to 3.2% in 2015 from 5.0% registered in 2014 (Table 3.14). The main drivers of growth were construction, transport and communications as well as services sectors. Negative growth was registered in agriculture, forestry and fishing, and energy sectors.

The 3.2% growth was significantly lower than the 7.0% growth anticipated in the 2015 National Budget. Electricity supply deficit, which negatively affected the productivity of key sectors, contributed to the slowdown in economic activity. In addition, the increase in fuel prices raised production and transportation costs. Further, the sharp depreciation of the exchange rate raised the cost of imported inputs while weak international commodity prices, particularly for copper, impacted negatively on mining production.

Table 3.14: Real GDP Growth (Percent), 2013 – 2015

Kind of Economic Activity	2013	2014	2015*
Agriculture, forestry and fishing	-4.1	8.0	-7.7
Mining and quarrying	3.6	-2.2	0.3
Manufacturing	6.2	4.0	4.4
Electricity, gas, steam and air conditioning supply	8.0	8.4	-1.5
Water supply; sewerage & waste mgmt.	28.6	-7.9	6.9
Construction	-2.7	8.9	18.9
Wholesale & retail trade; repair of motor vehicles	19.7	3.5	3.6
Transportation and storage	-19.7	6.7	1.4
Accommodation and food service activities	3.5	3.5	0.0
Information and communication	-3.5	7.4	2.5
Financial and insurance activities	-5.0	-3.6	8.3
Taxes less subsidies on products	5.1	5.0	3.2
Gross Domestic Product (GDP) Growth	5.1	5.0	3.2

Source: Ministry of Finance/ Central Statistical Office
*Preliminary estimates

Agriculture, Forestry and Fishing

Growth in the agriculture, forestry and fishing sector contracted by 7.7%, mainly due to a reduction in crop production in the 2014/15 season following the late onset and poor distribution of rainfall (Table 3.14). Output for 13 of the 18 major crops declined. For example, maize production contracted by 21.9% to 2,618,221 mt from 3,350,671 metric tonnes in the previous farming season. Production of other crops such as sorghum, rice, groundnuts, seed cotton, sweet potatoes, mixed beans and virginia and burley tobacco also declined (Table 3.15).

Table 3.15: Comparative National Crop Production Estimates (mt) for 2012/13 – 2014/15

Crop	2012/13	2013/14	2014/15	Growth (%)
Maize	2,532,800.0	3,350,671.0	2,618,221.0	-21.9%
Seed cotton	139,583.0	120,314.0	103,889.0	-13.7%
Sorghum	14,971.0	11,557.0	8,123.0	-29.7%
Rice	44,747.0	49,640.0	25,514.0	-48.6%
Sunflower	33,733.0	34,264.0	34,726.0	1.3%
Groundnuts	106,792.0	143,591.0	111,429.0	-22.4%
Soya beans	261,063.0	214,179.0	226,323.0	5.7%
Mixed Beans	56,411.0	61,749.0	50,398.0	-18.4%
Irish Potatoes	22,038.0	33,833.0	45,902.0	35.7%
Sweet Potatoes	188,355.0	150,158.0	118,330.0	-21.2%
Virginia Tobacco (kg)	21,195.0	26,105.0	19,811.0	-24.1%
Burley Tobacco (kg)	8,704.0	9,564.0	6,083.0	-36.4%

Source: Ministry of Agriculture and Livestock

Mining and Quarrying

The mining and quarrying sector grew by 0.3% compared to a negative growth of 2.2% in 2014 (Table 3.14). This growth was attributed to increased production of copper and emeralds while gold and coal production declined. Copper production is estimated to have increased by 0.3% in 2015 to 710,860 mt from 708,254 mt in 2014. This was mainly attributed to the commencement of production at Kalumbila Mine which contributed 32,000 mt. Improved production at Lumwana and Mopani in the first three quarters of the year also aided growth.

The mining sector, however, faced numerous challenges in 2015 such as the slump in global copper prices attributed to the weak global demand, low ore grade as well as power rationing in the second half of the year which affected mining operations. Some mines scaled down production and laid-off some workers while two mines namely, Baluba and Nchanga were put on care and maintenance.

Aerial view of Kalumbila Mine Project, Solwezi

Manufacturing

The manufacturing sector grew by 4.4% in 2015, slightly higher than the 4.0% growth recorded in 2014 (Table 3.14). Growth was largely driven by positive performances in chemicals, rubbers and plastics, wood and wood products and basic metal industries sub-sectors. The basic metals industries sub-sector grew by 9.4% compared to 12.3% in 2014. On the other hand, the food, beverages and tobacco sub-sector slowed down by 1.1 % from 6.0% in 2014. The textile, clothing and leather sub-sector continued to decline.

Zambian Breweries plant constructed at Lusaka South MFEZ

Tourism

Growth in the tourism sector was marginal despite an increase in tourism accommodation establishments, average room occupancy rates and tourist visits to major national parks. This was partly explained by the decrease in international passenger arrivals by 1.6% to 931,782 from 946,969 in 2014 during the year. Arrivals were lower in 2015 due to slowing down in global growth which led to a decline in international travel especially from emerging and developing countries (Table 3.16a). Nonetheless, tourist entries into the country's major national parks rose by 7.5% to 88,157 from 81,971 in 2014 (Table 3.16b).

Table 3.16 a: International Tourists Arrivals by Continent, 2013-2015

Country of Origin	2013	2014	2015	% Change 2015/2014
Africa	720,467	731,507	710,062	-2.9
Europe	78,543	78,074	88,554	13.4
North America	37,397	38,827	46,261	19.1
South America	3,773	5,820	2,767	-52.5
Asia & Pacific	74,396	92,741	84,138	-9.3
Total	914,576	946,969	931,782	-1.6

Source: Zambia Wildlife Authority

Table 3.16b: Tourist Arrivals at Major National Parks, 2013-2015

National Park	2013	2014	2015	% Change 2015/14
Kafue	9,085	9,718	12,950	33.3
Lower Zambezi	9,371	9,298	9,011	-3.1
Mosi-o-Tunya	17,883	20,985	23,083	10.0
South Luangwa	40,943	41,970	43,113	2.7
Total	77,282	81,971	88,157	7.5

Source: Zambia Wildlife Authority

Elephant view on the banks of the Zambezi river at Chiawa Camp, Chiawa, Lower Zambezi.

Construction

The construction sector continued to register steady performance in 2015, growing by 18.9% from 8.9% registered in 2014 (Table 3.14). This was on account of various public infrastructure development projects coupled with residential housing activities around the country.

Dangote Cement plant commissioned in Ndola in 2015 contributed to growth in the construction sector

Transport and Storage

The transport and storage sector grew by 1.4% in 2015 compared to 6.7% in 2014 (Table 3.14). The sector benefitted from the on-going road development projects country-wide with air and road transport sub-sectors being the major drivers of growth.

Information and Communications

In the Information and Communications sector, the mobile subscription base increased by 14.3 percent to 11,558,424 from 10,114,867 in 2014. This was attributed to increased access to ICTs following the installation of over 200 communication towers in unserved areas across the country.

Electricity, Gas and Steam

The electricity, gas and steam sector registered a decline of growth by 1.5% (Table 3.14) mainly on account of the contraction in power generation by 4.0% to 13,942,668 MWh in 2015 from 14,050,395 MWh in 2014. This is largely due to poor rainfall patterns in the 2014/15 season which affected water levels at the Kariba dam.

Lower water levels at the Kariba dam contributed to the decline in Hydro power generation in 2015

Financial and Insurance Activities

The financial sector grew by 8.3% in 2015 from a decline in 2014 of 3.6% (Table 3.14). This growth was mainly premised on increased minimum paid up capital share for insurance companies coupled with the introduction of innovative products.

Investment Pledges

Zambia continued to attract investment in the various sectors of the economy. Total investment pledges amounting to US $3.307 billion in 2015 were recorded, down from US$5.129 billion in the previous year (Table 3.17). When fully executed, these pledges are expected to generate 19,263 jobs.

Table 3.17: Sectoral Investment Pledges and Employment, 2013 – 2015

	2013		2014		2015	
SECTOR	**Pledge US $' million**	**Jobs**	**Pledge US $' million**	**Jobs**	**Pledge US $' million**	**Jobs**
Manufacturing	1,483.4	4,533	949.0	25,522	600.0	4,398
Mining	123.1	684	76.0	1,643	35.0	1,636
Energy	271.6	268	26.0	175	1,461.0	149
Real Estate	498.5	2,074	224.0	1,476	528.0	4,405
Education	7.8	11	2.0	4	34.0	423
Agriculture	442.6	3,319	140.0	2,458	113.0	2,074
ICT	1.0	47	174.0	49	5.0	35
Tourism	493.2	3,782	83.0	1,087	228.0	2,384
Service	86.8	1,237	168.0	2,119	59.0	1,132
Construction	132.9	1,788	3,234.0	9,358	154.0	2,150
Health	1.7	78	27.0	138	55.0	135
Transport	33.3	697	25.0	291	32.0	325
Others	12.5	28	0.0	0	3.0	17
TOTAL	**3,588.4**	**18,546**	**5,128.0**	**44,320**	**3,307.0**	**19,263**

Source: Zambia Development Agency

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.1 BANKING SECTOR

Overview

The number of operating commercial banks[4] in 2015 remained unchanged at 19: eight were subsidiaries of foreign banks, nine were locally owned private banks[5], and two were partly owned by Government.

The overall financial performance and condition of the banking sector for the year ended 31 December 2015 was satisfactory[6]. This assessment was on account of high capital adequacy ratio, satisfactory asset quality and earnings performance as well as fair liquidity condition. Ten banks were rated satisfactory, four were rated fair, three were rated marginal while two were rated unsatisfactory (Tables 4.1 – 4.3)

Table 4.1: Composite Ratings of the Banking Sector Financial Performance and Condition, Dec 2013-Dec 2015

	Number of Banks			% of Total Assets			% of Total Deposits		
Performance Rating	**Dec-13**	**Dec-14**	**Dec-15**	**Dec-13**	**Dec-14**	**Dec-15**	**Dec-13**	**Dec-14**	**Dec-15**
Satisfactory	11	11	10	86.0	90.1	87.3	85.7	89.7	88.1
Fair	7	6	4	13.2	6.1	5.2	13.5	5.6	5.0
Marginal	0	1	3	0.8	3.2	5.0	0.0	4.0	3.9
Unsatisfactory	1	1	2	0.0	0.6	2.5	0.8	0.7	3.0
Total	**19**	**19**	**19**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Table 4.2: Component Ratings of the Banking Sector Financial Performance and Condition, Dec 2013-Dec 2015

	Capital Adequacy			Asset Quality			Earnings			Liquidity		
Performance Rating	**Dec-13**	**Dec-14**	**Dec-15**	**Dec-13**	**Dec-14**	**Dec-15**	**Dec-13**	**Dec-14**	**Dec-15**	**Dec-13**	**Dec-14**	**Dec-15**
Satisfactory	18	15	14	12	11	11	10	8	7	9	8	10
Fair	0	0	2	4	3	1	2	4	5	8	9	6
Marginal	0	0	0	2	4	5	4	4	5	1	1	2
Unsatisfactory	1	4	3	1	1	2	3	3	2	1	1	1
Total	19	19	19	19	19	19	19	19	19	19	19	19

Source: Bank of Zambia

Table 4.3: Financial Performance Indicators, Dec 2013-Dec 2015

Indicator (%)	**Dec-13**	**Dec-14**	**Dec-15**
Primary capital adequacy ratio	24.5	24.6	19.2
Total regulatory capital adequacy ratio	26.8	27.0	21.2
Net non-performing loans to regulatory capital	3.5	4.3	7.2
Gross non-performing loans to total loans	7.0	6.1	7.3
Net non-performing loans to total loans	1.1	1.4	2.2
Net non-performing loans to net loans	1.2	1.5	2.3
Provisions to non-performing loans	83.2	90.2	67.9
Earning assets to total assets	82.1	74.3	73.8
Net operating income to total assets	10.5	10.9	9.6
Non-interest expense to total assets	6.9	7.0	6.7
Provision for loan losses to total assets	0.5	0.4	0.5
Net interest income to total assets	6.1	6.3	5.5
Return on assets	3.4	3.7	2.8
Return on equity	18.2	17.3	13.1
Efficiency ratio	66.0	64.6	69.2
Liquid assets to total assets	38.9	35.8	34.8
Liquid assets to deposits and short-term liabilities	49.3	45.7	42.7

Source: Bank of Zambia

[4] These are locally incorporated subsidiaries of foreign banks.
[5] 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.
[6] 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 constant supervision and BoZ possession is most likely.

BALANCE SHEET

Assets

The banking sector's total assets increased by 31.4% to K63,872.6 million at end-December 2015. The increase was mainly noted in balances with financial institutions abroad (K5, 960.6 million or 110.8%), net loans and advances (K4,197.8 million or 20.3%) and balances with the Bank of Zambia (K2,536.5 million or 34.7%). The increase in total assets was largely funded by deposits (Chart 4.1).

Asset Structure

The asset structure of the banking sector remained virtually unchanged in 2015. Commercial banks increased their holdings of balances with financial institutions abroad but reduced their investments in Government securities (Table 4.4). The reduction in investments in Government securities was as a result of tight liquidity conditions which led to the re-discounting of Treasury bills and limiting the roll-over of maturing securities. The rise in balances with financial institutions abroad was largely attributed to valuation effects arising from the sharp depreciation of the Kwacha.

Table 4.4: Asset Structure (Percent), Dec 2014-Dec 2015

Asset Class	2015	2014
Loans and advances	38.9	42.6
Investments in Government Securities	13.1	18.9
Balances with Foreign Financial Institutions	17.8	11.1
Balances with Bank of Zambia	15.4	15.1
Other	14.8	12.3
Total	**100**	**100**

Source: Bank of Zambia

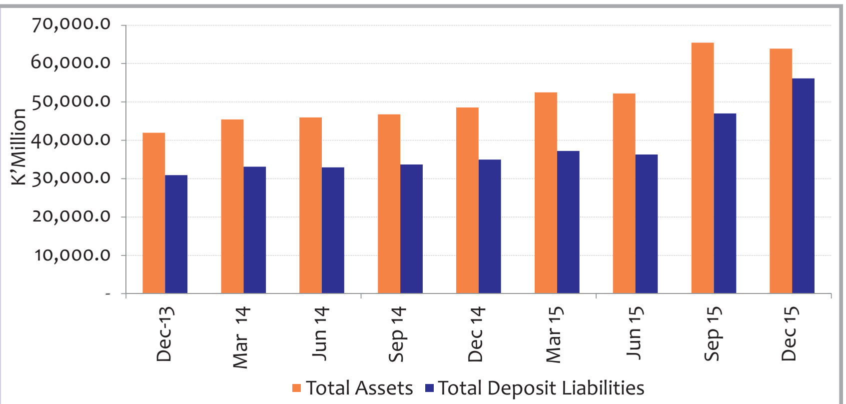
Liabilities

Total liabilities grew by 35.8% to K56, 128.9 million in 2015 mainly on account of a rise in deposits (Chart 4.1). Deposits increased by 32.8% to K46,410.6 million, reflecting increased foreign currency denominated deposit liabilities as well as valuation effects following the sharp depreciation of the Kwacha. Foreign currency denominated deposit liabilities grew by 17.7% (US $311.6 million) to close the year at US $2,068.4 million.

Deposits continued to constitute the largest component (82.7%) of the sector's total liabilities. In terms of deposit composition, demand deposits continued to account for the largest share at 60.1%, up from 59.0% at end-December 2014. Time deposits and savings deposits accounted for 29.4% and 10.5%, respectively.

CHART 4.1:

Total Assets and Deposit Liabilities, Dec 2013-Dec 2015



Source: Bank of Zambia

PERFORMANCE INDICATORS

Capital Adequacy

The aggregate capital adequacy position of the banking sector was satisfactory at end-December 2015. Primary regulatory capital went up by 6.7% to K7,128.4 million mainly on account of an increase in paid-up common shares and retained earnings. Paid-up common shares, which accounted for 59.2% of primary regulatory capital, increased by 2.4% to K4, 219.4 million as banks continued to comply with the new capital adequacy requirement[7] introduced in 2012. Retained earnings rose by 16.1% to K1,872.0 million due to the increase in profits.

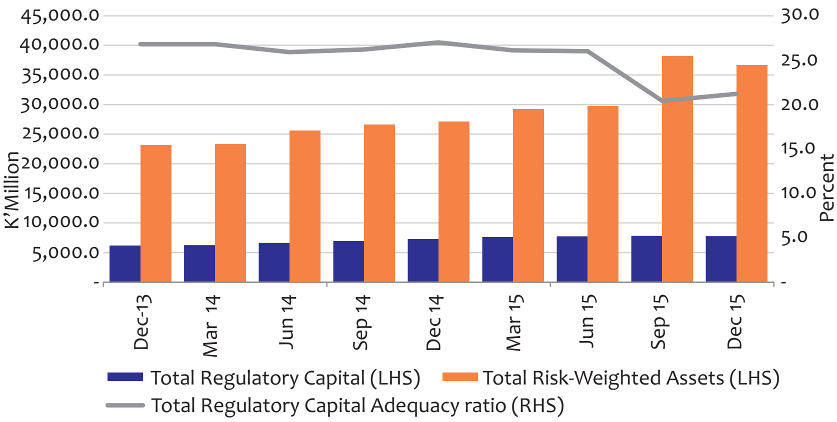
[7]The BoZ adjusted upwards the minimum nominal primary capital from K12 million to K104.0 million and K520.0 million for locally owned and foreign owned banks, respectively, of which at least 80% must be in form of paid-up common shares.

Total regulatory capital increased by 7.5% to K7, 862.4 million as at end-December 2015 partly due to the valuation of the US dollar denominated subordinated debt (Tier II capital instrument) following the depreciation of the Kwacha. The exchange rate at end-December 2015 was at K10.9806/US dollar, up from K6.3856/US dollar at end-December 2014.

The banking sector's total risk-weighted assets (RWA) went up in 2015 by 38.0% to K37, 414.5 million. This was mainly on account of an increase in balances with foreign banks, net loans and advances and off-balance sheet items. As a result of the proportionately higher increase in RWA compared to the increase in capital, the capital adequacy ratio[8] (primary and total regulatory capital) declined to 19.2% and 21.2% from 24.6% and 27.0% in December 2014, respectively (Chart 4.2).

CHART 4.2:

Regulatory Capital, Risk-Weighted Assets and Capital Adequacy Ratios, Dec 2013-Dec 2015



Source: Bank of Zambia

The ratio of net non-performing loans (NPLs) to total regulatory capital increased to 7.2% at end-December 2015 from 4.3% at end-December 2014. This was driven by higher increase in non-performing loans relative to the increase in the allowance for loan losses. The risk profile of the banking sector as indicated by the average risk weight (ratio of RWA to total assets) also slightly increased to 58.6% from 55.8% at end-December 2014 (Table 4.5).

Table 4.5: Asset Risk Profile (Percent), 2013-2015

Asset Type and Risk-weight Categories	2013	2014	2015
20 percent risk-weight (% of RWA)	**6.8**	**6.2**	**7.6**
Balances with banks	64.5	70.3	88.9
Investments in Government bonds	33.8	28.0	11.0
Inter-bank loans and advances	1.4	1.7	0.0
Assets in transit	0.2	0.0	0.0
Sub-total	*100.0*	*100.0*	*100.0*
50 percent risk-weight (% of RWA)	**7.8**	**6.6**	**3.4**
Loans and advances	97.9	97.8	97.7
Assets in transit	2.1	2.2	2.3
Sub-total	*100.0*	*100.0*	*100.0*
100 percent risk-weight (% of RWA)	**72.3**	**74.4**	**72.7**
Loans and advances	83.2	82.4	80.2
Inter-bank loans and advances	0.0	1.0	0.1
All other assets	16.8	16.6	19.7
Sub-total	*100.0*	*100.0*	*100.0*
Off-balance sheet items (% of RWA)	**13.1**	**12.8**	**16.3**
20 percent risk-weight	6.8	8.4	6.1
50 percent risk-weight	10.3	17.9	21.5
100 percent risk-weight	82.9	73.7	72.4
Sub-total	*100.0*	*100.*	*100.0*
Total risk-weighted assets (RWA)	**100.0**	**100.0**	**100.0**
Total risk-weighted assets to total assets	55.1	55.8	58.6

Source: Bank of Zambia

[8]The capital adequacy framework requires banks to hold a minimum regulatory capital of 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).

Asset Quality

The asset quality of the banking sector was rated satisfactory. The gross non-performing loans (NPLs) to gross loans ratio increased to 7.3% at end-December 2015 from 6.1% at end-December 2014 (Table 4.6). The increase in the cost of doing business associated with power rationing, depreciation of the Kwacha and high inflation contributed to the rise in the NPL ratio.

Table 4.6: Gross Loans and Non-Performing Loans (NPLs), 2013-2015

Item/year	2013	2014	2015
Gross loans (K' million)	**18,980.3**	**21,665.0**	**26,195.6**
NPLs (K' million)	**1,320.7**	**1,322.5**	**1,906.8**
Substandard	104.0	177.8	196.5
Doubtful	105.7	118.9	186.4
Loss	1,111.0	1,025.8	1,523.9
NPL ratio (%)	**7.0**	**6.1**	**7.3**
Substandard	0.5	0.8	0.8
Doubtful	0.6	0.6	0.7
Loss	5.9	4.7	5.8

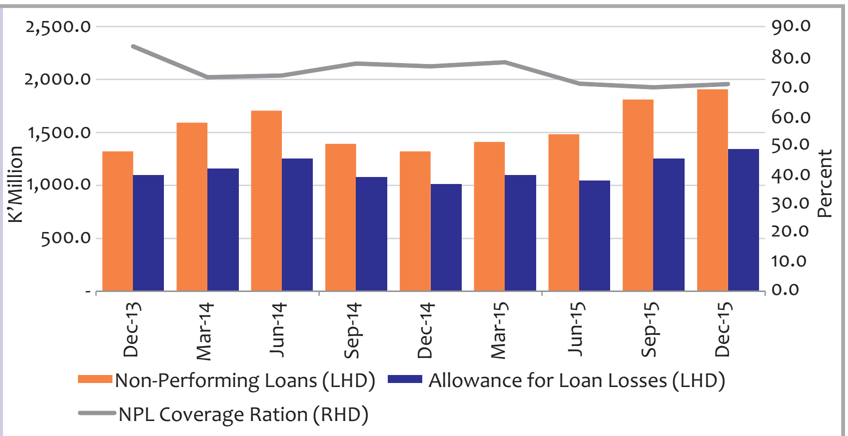
Source: Bank of Zambia

Risk-Absorbing Capacity

The NPL coverage ratio[9] decreased by 6.0 percentage points to 70.5% at end-December 2015 on account of the higher increase in NPLs (44.2%) relative to the allowance for loan losses[10] (32.9%) (Chart 4.3). The minimum regulatory allowance for loan losses also declined to 81.3% from 90.2% at end-December 2014.

CHART 4.3:

Non-Performing Loans, Provisions and NPL Coverage Ratio, Dec 2013-Dec 2015



Source: Bank of Zambia

Sectoral Concentration

Personal loans continued to account for the largest share of total loans and advances at 29.3% (35.4% at end-December 2014). This was followed by the agriculture, forestry, fishing and hunting sector at 17.3% (December 2014: 16.6%); manufacturing sector at 13.5% (December 2014: 11.5%); and wholesale and retail trade sector at 10.8% (December 2014: 7.8%) as shown in Table 4.7.

[9] 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).

[10] 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.

Table 4.7: Sectoral Distribution of Loans (Percent), 2013 – 2015

Sector	2013	2014	2015
Agriculture, forestry, fishing and hunting	20.2	16.6	17.3
Mining and quarrying	6.6	5.0	6.4
Manufacturing	9.5	11.5	13.5
Electricity, gas, water and energy	1.7	2.2	1.7
Construction	3.5	3.4	3.4
Wholesale and retail trade	9.1	7.8	10.8
Restaurants and hotels	1.6	1.5	1.5
Transport, storage and communication	4.5	5.6	5.1
Financial services	2.1	2.5	2.7
Personal loans	33.2	35.4	29.3
Other sectors	8.0	8.5	8.3
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

With regard to the sectoral distribution of NPLs, the agriculture, forestry, fishing and hunting sector at 20.8% (December 2014: 22.0%) accounted for the largest proportion followed by personal loans at 20.7% ((December 2014: 23.3%) , and restaurants and hotels at 13.3% (December 2014: 13.1%) (Table 4.8).

Table 4.8: Sectoral Distribution of NPLs (Percent), 2013 – 2015

Sector	2013	2014	2015
Agriculture, forestry, fishing and hunting	10.8	22.0	20.8
Mining and quarrying	5.3	4.4	4.5
Manufacturing	6.3	5.3	5.1
Electricity, gas, water and energy	0.3	1.2	0.7
Construction	18.4	7.0	8.8
Wholesale and retail trade	9.8	7.7	8.1
Restaurants and hotels	7.5	13.1	13.3
Transport, storage and communication	8.7	5.3	4.2
Financial services	1.2	1.2	0.7
Personal loans	21.4	23.3	20.7
Other sectors	10.3	9.5	13.1
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

The restaurant and hotels as well as construction sectors were the worst performing with intra- sector NPL ratio of 65.9% and 18.7%, up from 53.5% and 12.5% at end-December 2014, respectively (Table 4.9). The rest of the sectors had intra-sector NPLs ratios below 10.0% and were considered low (Table 4.9). Despite the high intra-sector NPL ratio, the contribution to total loans and advances by the hotels and restaurant and construction sectors was insignificant at 1.5% and 3.4%, respectively.

Table 4.9: Intra-Sector NPL Ratios(Percent), 2013 – 2015

Sector	2013	2014	2015
Agriculture, forestry, fishing and hunting	3.8	8.1	8.7
Mining and quarrying	5.7	5.4	5.1
Manufacturing	4.8	2.8	2.8
Electricity, gas, water and energy	1.2	3.3	3.0
Construction	37.1	12.5	18.7
Wholesale and retail trade	7.7	6.1	5.5
Restaurants and hotels	33.7	53.5	65.9
Transport, storage and communication	13.9	5.8	6.1
Financial services	4.2	2.9	1.9
Personal loans	5.3	4.5	5.8

Source: Bank of Zambia

[ii] Intra-sector NPLs refer to the loans within the sector that are not performing.

Earnings Performance and Profitability[12]

Earnings performance was rated satisfactory although the sector posted a profit before tax of K1,591.8 million, 12.4% lower than K1,817.5 million recorded in 2014 (Table 4.10). Profit after tax, at K992.9 million, was 16.5% higher than K1,189.5 million recorded in 2014. The decline in profitability was mainly attributed to non-interest expenses of K4, 253.3 million, which were higher than the K3, 407.2 million recorded in 2014. Further, provisions for loan losses of K305.0 million in 2015 were higher than the previous year by K215.1 million (Chart 4.4). The increase in the provisions was largely as a result of adverse classification of few accounts in some banks.

Overall, the banking sector's profitability as measured by the return on assets (RoA) and return on equity (RoE)[13] decreased to 2.8% and 13.1% in 2015 from 3.7% and 17.3% in 2014, respectively. The decrease in RoA and RoE was largely on account of the lower profitability in the year coupled with an increase in assets and the shareholders' funds. Equity rose as some banks injected additional capital in compliance with the minimum capital requirement.

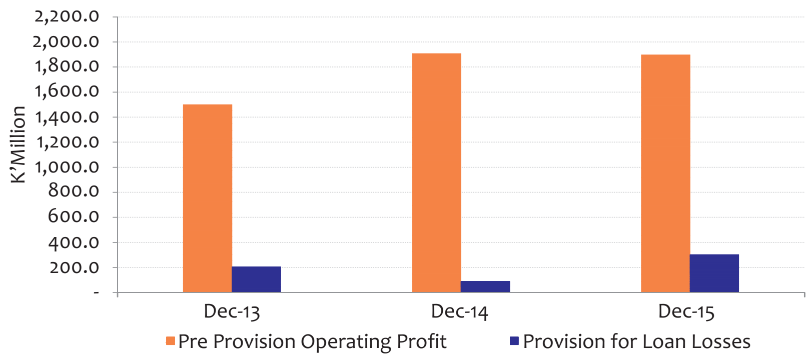
Table 4.10: Summarised Income Statement (K'million), 2013 - 2015

	2013	2014	2015
Particulars	**K' million**	**K' million**	**K' million**
Interest Income	3,388.0	4,457.5	5,432.3
Interest Expenses	-844.9	-1,417.1	-1,941.9
Net Interest Income	2,543.1	3,040.4	3,490.4
Non-Interest Income	1,862.2	2,274.2	2,659.7
Net Operating Income	4,405.3	5,314.6	6,150.1
Non-Interest Expenses	-2,907.3	-3,407.2	-4,253.3
Pre-Provision Operating Profit (PPP)	1,498.0	1,907.4	1,896.8
Loan Loss Provisions	-206.0	-89.9	-305.0
Profit Before Taxation	1,191.0	1,817.5	1,591.0
Taxation	-490.9	-628.0	-598.9
Net Profit	700.1	1,189.5	992.9

Source: Bank of Zambia

CHART 4.4:

Pre-Provision Operating Profit and Provision for Loan Loss Expenses, Dec 2012-Dec 2015



Source: Bank of Zambia

The banking sector's operational efficiency as measured by the 'efficiency ratio'[14] deteriorated to 69.2% in 2015 from 64.6% in 2014 on account of higher increase in non-interest expenses of 24.8% compared to an increase of 15.7% net operating income (Chart 4.5).

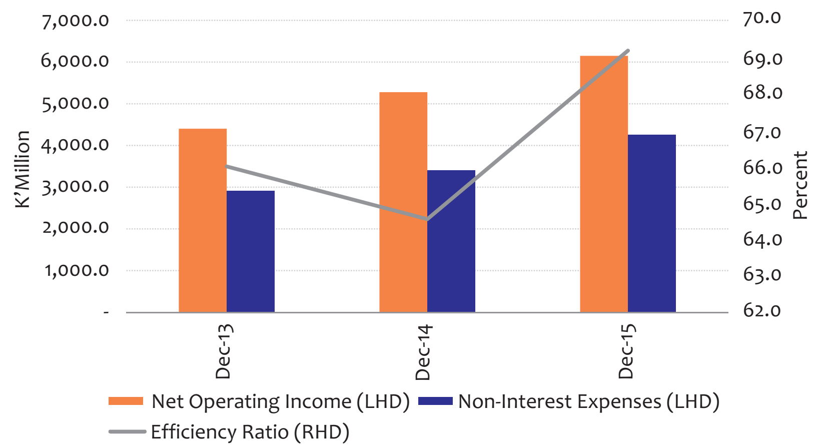
[12] The rating for earnings performance reflects not only the quantity and trend of earnings, but also factors that may affect the sustainability or quality of earnings. The quantity, as well as the quality of earnings can be affected by excessive or inadequately managed credit risk that may result 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.

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

[14] 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 4.5:

Net Operating Income, Non-Interest Expenses and Efficiency Ratio, Dec 2013-Dec 2015

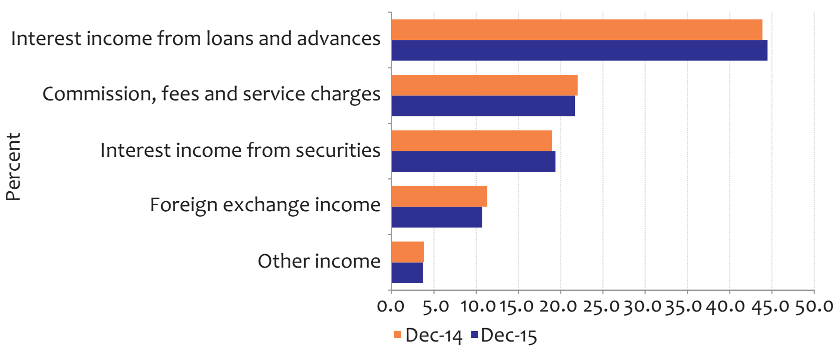


Source: Bank of Zambia

The principal sources of income for the banking sector continued to be interest income from loans and advances (44.5%), commissions, fees and service charges (21.7%), interest on Government securities (19.4%) and foreign exchange income (10.7%) as shown in Chart 4.6.

CHART 4.6:

Net Operating Income, Non-Interest Expenses and Efficiency Ratio, 2014 – 2015



Source: Bank of Zambia

Liquidity Risk[15] and Funds Management

The banking sector's liquidity position was rated fair at end-December 2015. The liquidity ratio[16] decreased to 42.7% from 45.7% at end-December 2014 (Chart 4.7). The reduction in the ratio was on account of a proportionately higher increase in total deposits and short-term liabilities (36.6%) relative to the rise in liquid assets (31.4%). The liquid asset ratio[17] declined slightly to 34.8% from 35.8% at end-December 2014 mainly due to the proportionately higher increase in total assets (31.4%) relative to liquid assets (27.6%).

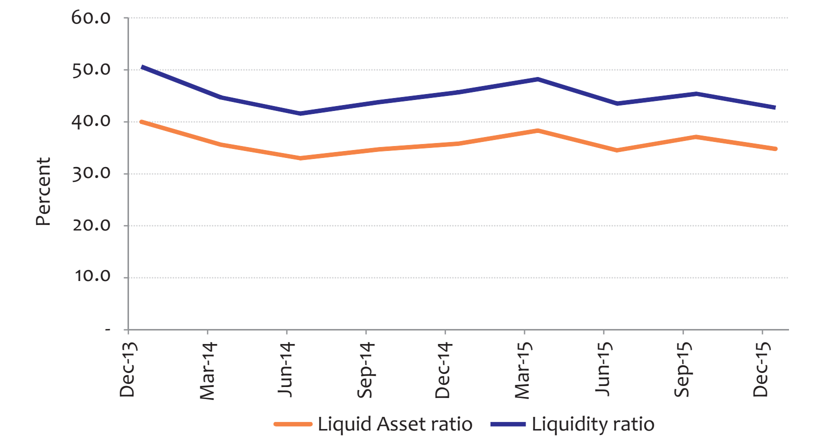
[15] Liquidity risk is the current and potential risk to earnings and market value of the shareholders' equity that results from a bank's inability to meet payment or clearing obligations in a timely and cost-effective manner. Liquidity risk is greatest when a bank cannot anticipate new loan demand or 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.

[16] 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.

[17] 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 4.7:

Liquidity Condition, Dec 2013-Dec 2015

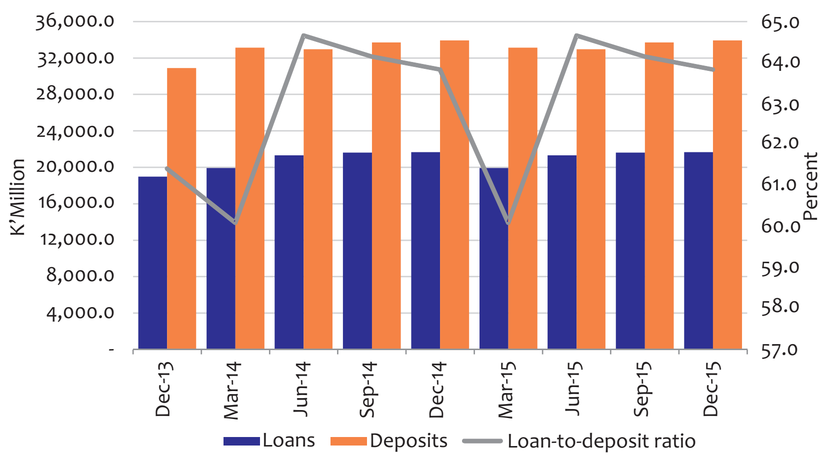


Source: Bank of Zambia

The banking sector continued to have sufficient capacity for loan growth from stable and relatively low cost funding source as the loan-to-deposit ratio decreased by 5.6 percentage points to 56.4% at end-December 2015 (Chart 4.8).

CHART 4.8:

Deposits, Loans and Loan-to-Deposit Ratio, Dec 2013-Dec 2015



Source: Bank of Zambia

Market Share

In terms of market share, subsidiaries of foreign banks continued to dominate the banking sector in terms of assets, loans and deposits. These were followed by banks partly owned by Government. Subsidiaries of foreign banks also accounted for the largest share of the sector's total profit before tax followed by banks partly owned by Government (Table 4.11).

Table 4.11: Distribution of the Assets, Loans and Deposits by Ownership Type (%), 2013 - 2015

	2013				2014				2015			
	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT
Subsidiaries of foreign banks	67.9	67.6	66.2	71.3	65.8	66.5	64.6	69.2	69.9	70.3	69.3	81.5
Banks with Government stake	21.0	21.1	22.0	21.5	18.6	18.5	19.1	18.2	16.6	17.2	17.1	15.1
Local private banks	11.0	11.4	11.8	7.3	15.7	15.0	16.3	12.6	13.1	12.5	13.5	3.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Bank Branches

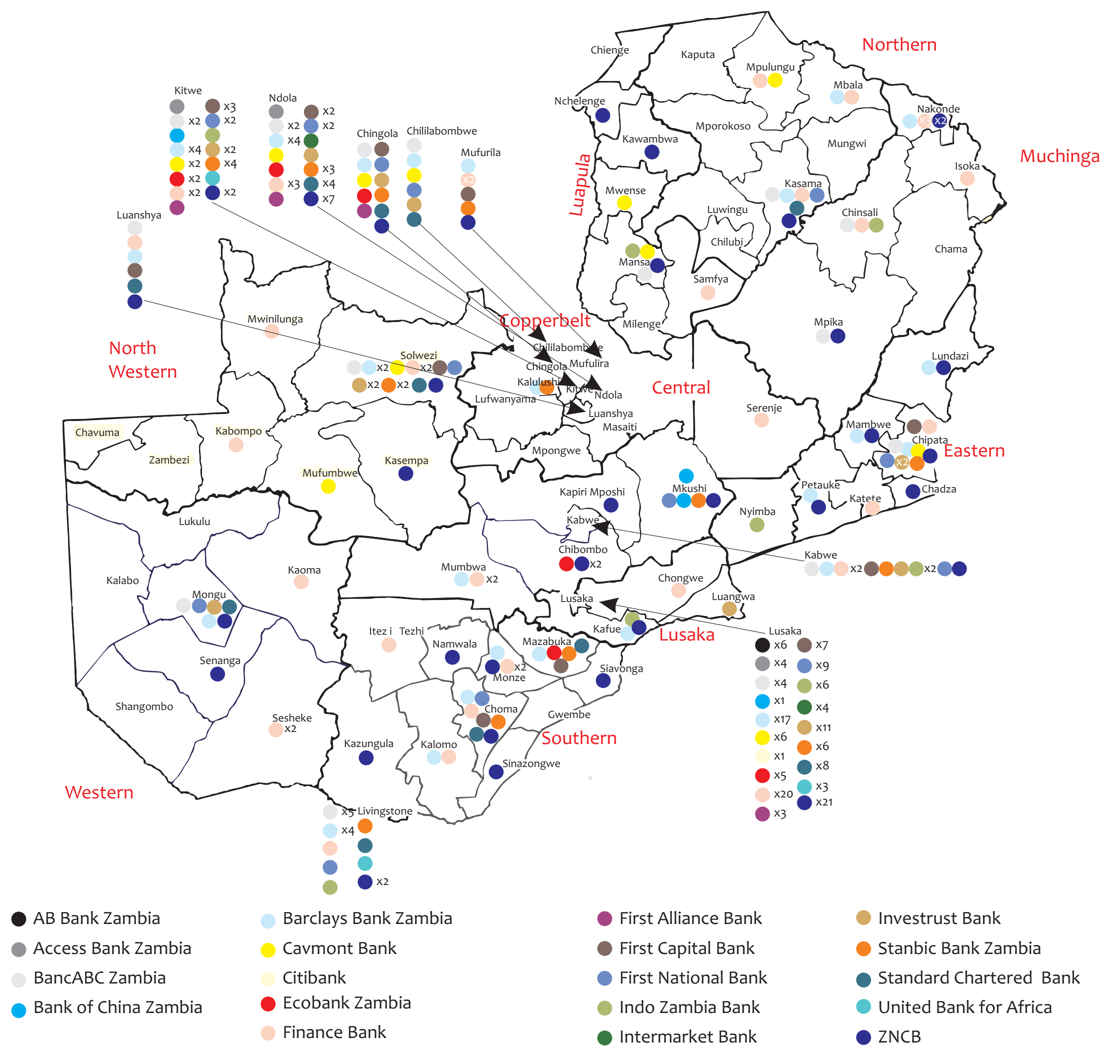
The number of branches and agencies increased to 391 in 2015 from 364 in 2014 (Table 4.12). Branches increased as competition through a wider coverage increased. Of the 27 newly opened branches, 18 were in Lusaka and Copperbelt Provinces mainly due to the concentration of economic activity in these regions.

Table 4.12: Banking Sector Physical Delivery Channels, 2013 – 2015

Bank	No. of Branches		
	2013	2014	2015
AB Bank Zambia	4	5	6
Access Bank Zambia	5	5	6
BancABC Zambia	15	17	20
Bank of China Zambia	2	2	2
Barclays Bank Zambia	54	54	56
Cavmont Bank	15	18	18
Citibank	2	2	2
Ecobank Zambia	8	9	10
Finance Bank	53	56	63
First Alliance Bank	4	4	5
First Capital Bank	3	3	5
First National Bank	12	17	21
Indo Zambia Bank	25	27	29
Intermarket Bank	7	7	7
Investrust Bank	23	25	25
Stanbic Bank Zambia	22	22	24
Standard Chartered Bank	21	21	21
United Bank for Africa	4	4	4
ZNCB	66	66	67
Total	**345**	**364**	**391**

Source: Bank of Zambia

Commercial Banks Branch network in Zambia in 2015



REGULATORY DEVELOPMENTS IN THE FINANCIAL SECTOR

The Bank of Zambia continued to review regulatory policies and implement new measures to strengthen the Bank's oversight on institutions under its supervisory ambit. In this regard, the Bank undertook the following in 2015:

Removal of Interest Rate Caps

The Bank, through CB Circular No.19/2015, revoked CB Circular No.25/2012 and NB Circular 08/2012 which introduced effective interest rate caps for commercial banks and Non-Bank Financial Institutions, respectively. The Circular also introduced consumer protection measures to protect consumer borrowers (natural persons) from being disadvantaged by financial service providers who are mandated to provide consumers with sufficient information in making borrowing decisions.

Credit Market Monitoring Programme

The Bank, in conjunction with Financial Sector Deepening Africa, launched a Credit Market Monitoring Programme on 23rd September in 2015. The programme is intended to facilitate the collection of credit data for use in the adequate monitoring of developments in the credit market and assist in making evidence-based policy interventions. The programme also aims at informing credit service providers and other market participants of market developments in conducting peer analysis and development of new products and delivery channels that better meet the credit needs of the market.

Corporate Governance Directives

The Bank of Zambia reviewed Corporate Governance Guidelines with a view to enhancing some of the provisions to make them more enforceable. The review also sought to align the principles with current trends in corporate governance, particularly post financial crisis. As part of the consultative process, the Draft Corporate Governance Directives were circulated to the financial institutions under the Bank of Zambia mandate and the Institute of Directors for their review and comments. The Bank of Zambia plans to finalise the Directives for issuance to the market in 2016.

Risk Management Directives

As part of the process of implementing the Basel principles, the Bank of Zambia produced draft Risk Management Directives to be issued in 2016 after stakeholder review. The Directives are intended to assist banks in the management of risks.

4.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

Overview

The number of Non-Bank Financial Institutions (NBFIs) rose to 126 at end-December 2015 from 116 at end-December 2014 (Table 4.13). This was mainly due to the increase in the number of Bureaux de Change.

Table 4.13: Structure of NBFIs, 2013 – 2015

	Number of Institutions		
Type of Institution	**2013**	**2014**	**2015**
Leasing Finance Institutions	8	9	10
Building Societies	4	4	4
Bureaux de Change	64	66	74
Savings and Credit Institutions	1	1	1
Microfinance Institutions	35	34	35
Development Finance Institutions	1	1	1
Credit Reference Bureaux	1	1	1
Total	**114**	**116**	**126**

Source: Bank of Zambia

The overall financial performance and condition of the NBFIs sector in 2015 was rated satisfactory. As at end-December 2015, the regulatory capital position, profitability and liquidity of the sector were satisfactory while asset quality was fair. In particular, the Development Finance, Building Societies and Consumer Lending Microfinance sub-sectors, accounting for 70.4% of the sector total assets, had satisfactory[18] regulatory capital, asset quality, earnings performance and liquidity. The earnings performance of the Leasing Finance and Savings and Credit sub-sectors was, however, unsatisfactory. The earnings performance of the Enterprise-Lending Microfinance was unsatisfactory as the sector's loss-making trajectory continued with a loss before tax of K12.2 million in 2015 (K4.0 million in 2014), largely attributed to the impact of the interest rate cap policy.

Of the 108[19] rated NBFIs, 8 institutions were strong, 35 were satisfactory, 43 were fair, and 16 were marginal, while 6 were unsatisfactory on account of regulatory capital deficiency (Table 4.14).

Table 4.14: Performance Ratings and Financial Condition, 2013 – 2015

Performance Rating	Licence Type	Number of Institutions 2013	2014	2015	% of Total Assets for 2015
Strong	Deposit-taking	2	1	1	2.3
	Non-Deposit-taking	6	7	7	31.0
Satisfactory	Deposit-taking	3	2	5	23.0
	Non-Deposit-taking	29	24	30	25.3
Fair	Deposit-taking	5	4	2	12.7
	Non-Deposit-taking	32	34	41	2.3
Marginal	Deposit-taking	2	1	1	1.0
	Non-Deposit-taking	19	19	15	0.6
Unsatisfactory	Deposit-taking	5	5	6	1.6
	Non-Deposit-taking	1	1	0	0.0
Total		103	98	108y	100

Source: Bank of Zambia

PERFORMANCE AND CONDITION OF THE SUB-SECTORS

Leasing Finance Institutions

The overall financial performance and condition of the Leasing Finance sub-sector was fair in 2015. The sub-sector was adequately capitalised, had fair liquidity while asset quality and earnings performance were unsatisfactory (Table 4.15).

Table 4.15: Composite Rating for the Leasing Finance Sub-Sector, 2013 – 2015

Performance Category	Composite Rating Scale	Number of Leasing companies 2013	2014	2015	Proportion of Industry Assets (%) 2013	2014	2015
Strong	1.0 - 1.5	2	2	0	63	45	0
Satisfactory	1.6 - 2.4	2	1	1	35	28	22
Fair	2.5 - 3.4	0	0	4	0	0	75
Marginal	3.5 - 4.4	1	2	2	1	26	2
Unsatisfactory	4.5 - 5.0	2	1	2	1	1	1
Total		**7**	**6**	**9**	**100**	**100**	**100**

Source: Bank of Zambia

Balance Sheet

Assets

Total assets increased by 34.2% to K642.1 million at end-December 2015. The increase was mainly driven by net loans which went up by 32.3% to K480.2 million at end-December 2015. The growth in assets was financed by shareholder loans and borrowing from foreign financial institutions (Table 4.16).

[18]The Bank of Zambia ranks NBFIs on the basis of their performance in relation to Capital Adequacy, Asset Quality, Earnings and Liquidity (CAEL). The component rating averages the effects of the individual rating in each of the above parameters. A five tier rating system is utilised: **Strong**-Excellent performance in all parameters, **Satisfactory**-Satisfactory performance and meets minimum statutory requirements, **Fair**-Average performance and meets minimum statutory requirements, **Marginal**-below average performance in some of the parameters, **Unsatisfactory**- Poor performance in most parameters and violates minimum statutory requirements.

[19]The total number of licensed NBFIs was 126. Out of the 126, 12 newly licenced institutions, 4 had not yet started operations as at the reporting date while 2 institutions had been sanctioned for non-compliance. The other institution is a credit reference bureau that is not required to submit prudential returns

Table 4.16: Asset Structure (Percent), 2014-2015

Asset Class	2015	2014
Loans and advances	70.1	71.2
Investments in Government Securities	0.0	0.0
Balances with Foreign Financial Institutions	0.0	0.0
Balances with Domestic Institutions	8.6	7.6
Other	22.3	21.2
Total	**100.0**	**100.0**

Source: Bank of Zambia

Liabilities

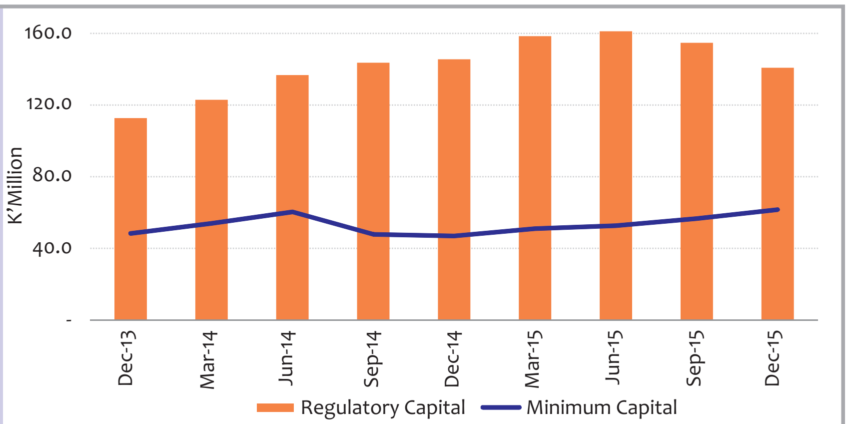
Total liabilities grew by 24.4% to K435.6 million in 2015 mainly on account of the increase in borrowings from shareholders and foreign financial institutions. Shareholder loans grew by 23.4% to K164.1 million while borrowing from foreign institutions went up by 24.1% to K106.7 million at end-December 2015. Shareholder loans and borrowing from foreign institutions constituted the largest funding proportions, at 37.7% and 24.4%, respectively. Borrowing from domestic financial institutions accounted for 19.5% while deposits accounted for 8.4% of total liabilities.

Capital Adequacy

The sub-sector was adequately capitalised as at 31st December 2015. The regulatory capital ratio at 22.9% was above the minimum prudential limit of 10.0% but lower than the previous year's position (Chart 4.9). The decline was due to a 3.2% fall in regulatory capital largely due to a loss after tax of K9.4 million induced by the rise in non-interest expenses.

CHART 4.9:

Leasing Finance Regulatory Capital, Dec 2013-Dec 2015



Source: Bank of Zambia

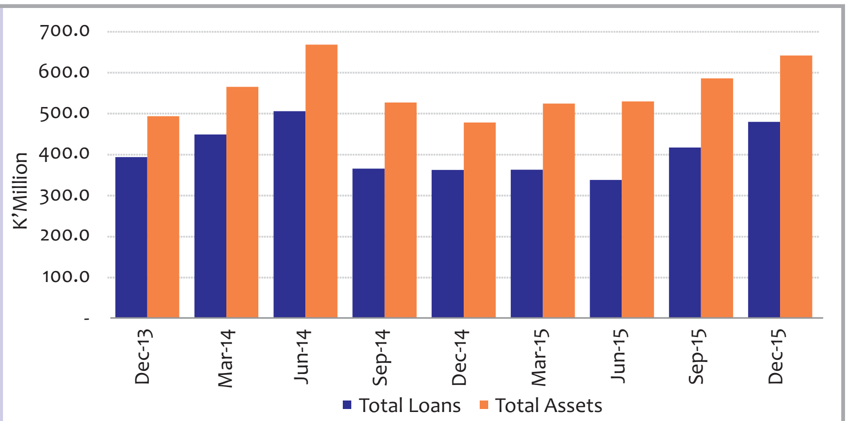
Asset Quality

The asset quality of the sub-sector was unsatisfactory as at end-December 2015. The ratio of gross NPLs to total loans deteriorated to 12.4% at end-December 2015 from 6.1% at end-December 2014, thereby exceeding the maximum prudential limit of 10.0%. The rise in the ratio was largely attributed to two Leasing Institutions.

The NPL coverage ratio also declined to 50.7% from 97.9% at end-December 2014 on account of an increase in the NPLs (Chart 4.10). This presented a risk to the capital adequacy of the sub-sector.

CHART 4.10:

Leasing Finance Total Assets and Total Loans and Leases, Dec 2013-Dec 2015



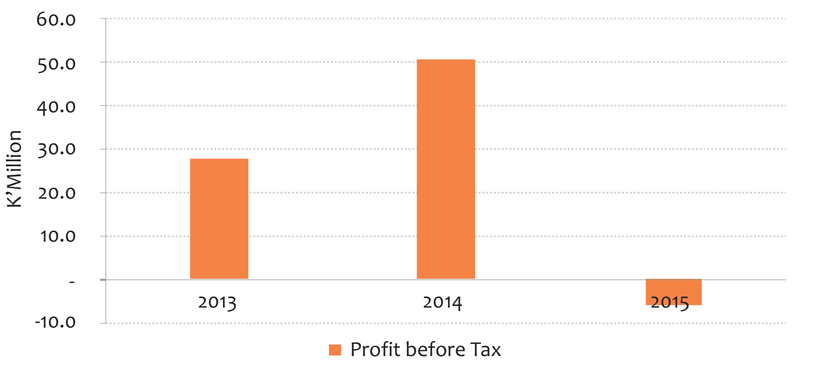
Source: Bank of Zambia

Earnings Performance

The earnings performance of the Leasing Finance sub-sector was unsatisfactory in 2015. Profitability, as measured by the RoA ratio, declined to -1.0% in 2015 compared to 8.9% in 2014. The decline in the RoA ratio was largely attributed to the drop in earnings leading to a loss before tax of K5.8 million against a profit before tax of K50.6 million in 2014 (Chart 4.11). The drop in profits was largely due to a rise in non-interest expenses of 21.5% to K101.3 in 2015. In addition, the net interest margin was 41.4% in 2015 compared to 66.8% in 2014. Operational efficiency (as measured by the ratio of non-interest expenses to net interest and operating income) rose to 178.0% in 2015 from 58.9% in 2014.

CHART 4.11:

Leasing Finance Profit before Tax, 2013 – 2015



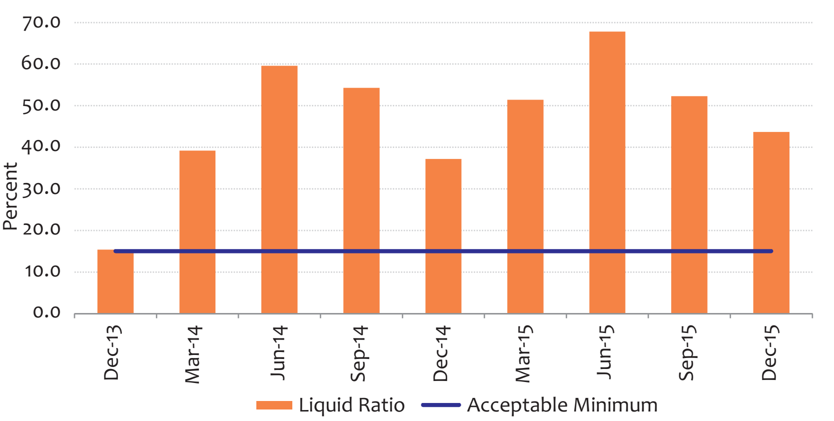
Source: Bank of Zambia

Liquidity

The liquidity position of the Leasing Finance sub-sector was satisfactory. The overall liquidity position as measured by the ratio of liquid assets to total deposits and short-term liability was 43.7% as at 31st December 2015 compared to 37.2% as at end-December 2014 (Chart 4.12). The increase in the ratio was largely due to a proportionately higher increase in liquid assets (63.7%) compared to the increase in total deposits and short-term liabilities (39.2%).

CHART 4.12:

Leasing Finance Liquidity Trend, Dec 2013-Dec 2015



Source: Bank of Zambia

Foreign Exchange Exposure

The foreign exchange exposure of the Leasing Finance sub-sector was unsatisfactory. The sub-sector's overall foreign exchange exposure increased to 26.8% of regulatory capital as at 31st December 2015 against the limit of 25%. The increase in the foreign exchange exposure was largely as a result of the increase in foreign denominated liabilities by 22.4% to K106.1 million as at end-December 2015 coupled with a decrease in the regulatory capital.

Building Societies

The overall financial performance and condition of the Building Societies sub-sector was satisfactory (Table 4.17). The regulatory capital, earnings performance and liquidity were satisfactory while asset quality was marginal.

Table 4:17: Composite Rating for the Building Societies, 2013 – 2015

Performance Category	Composite Rating Scale	Number of Building Societies			Proportion of Industry Assets (%)		
		2013	2014	2015	2013	2014	2015
Strong	1.0 - 1.5	0	0	0	0.0	0.0	0.0
Satisfactory	1.6 - 2.4	1	0	2	71.0	0.0	93.0
Fair	2.5 - 3.4	2	1	0	29.0	73.0	0.0
Marginal	3.5 - 4.4	0	1	0	0.0	20.0	0.0
Unsatisfactory	4.5 - 5.0	0	1	1	0.0	7.0	7.0
Total		**3**	**3**	**3**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Balance Sheet

Assets

Total assets increased by 23.4% to K997.0 million at end-December 2015. The increase was mainly noticeable in net loans and advances which rose by 32.3% to K588.9 million at end-December 2015, largely financed by equity and deposits. The asset structure of the sub-sector is shown in 2015 (Table 4.18).

Table 4.18: Asset Structure (Percent), 2014-2015

Asset Class	2015	2014
Loans and advances	78.8	68.3
Investments in Government Securities	6.3	6.5
Balances with Foreign Financial Institutions	0.8	0.0
Balances with Domestic Institutions	14.0	25.0
Others	0.1	0.2
Total	**100.0**	**100.0**

Source: Bank of Zambia

Liabilities

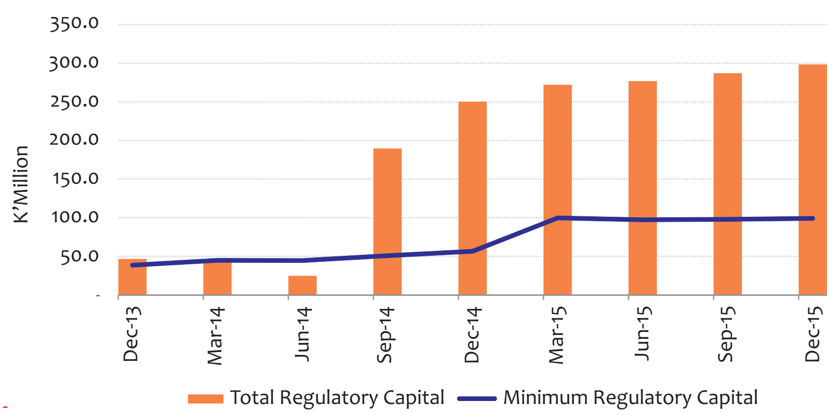
Total liabilities grew by 24.4% to K666.2 million in 2015 mainly on account of a 42.9% increase in deposits to K395.4 million driven largely by compulsory savings. Deposits, at 59.2%, continued to constitute the largest component of the sector's total liabilities.

Capital Adequacy

The regulatory capital position of the sub-sector was satisfactory as at 31st December 2015. The regulatory capital ratio, at 30.1%, was above the minimum prudential limit of 10.0%, but lower than the previous year's ratio of 44.0%. The decline was on account of a proportionately higher increase in risk-weighted assets (RWA) compared to the increase in total regulatory capital. The regulatory capital increased by 19.2% to K298.2 million at end-December 2015 while RWAs increased by 74.3% to K990.8 million at end-December 2015. The growth in total regulatory capital was largely attributed to a profit after tax of K42.0 million in 2015 while the increase in RWA was due to an increase of 37.2% in the loan portfolio (Chart 4.13).

CHART 4.13:

Building Societies Regulatory Capital, Dec 2013-Dec 2015



Source: Bank of Zambia

Asset Quality

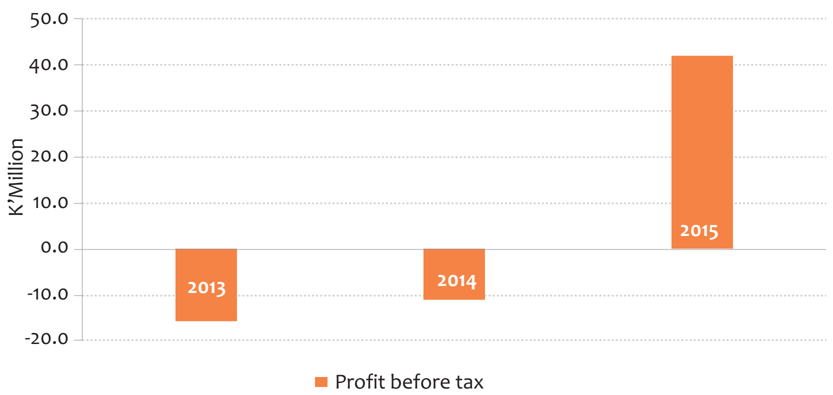
As at end-December 2015, the asset quality of the sub-sector was marginal. The marginal rating was influenced by the ratio of gross NPLs to total loans at 10.1% (end-December 2014: 10.1%) which was above the maximum acceptable limit of 10.0%. The NPL coverage ratio declined to 64.9% from 66.4% as at end-December 2014. Earning assets accounted for 70.3% of total assets, out of which mortgages and loans accounted for 80.2%. More than 90.0% of mortgages and loans were salary-backed.

Earnings Performance

The earnings performance in 2015 was satisfactory. The RoA ratio was above the satisfactory band[20], at 4.8%. A profit before tax of K42.0 million was recorded in 2015 compared to a loss before tax of K11.1 million in the previous year (Chart 4.14). The improvement in the earnings performance was largely due to an increase in both interest and non-interest income. Net interest-income increased by 3.3% to K101.6 million while non-interest income rose by 60.9% to K117.4 million due to an increase in the amount of earning assets. In addition, the sector's operational efficiency improved to 73.7% in 2015 from 244.2% in the previous year.

CHART 4.14:

Building Societies Profit before Tax, 2013 – 2015



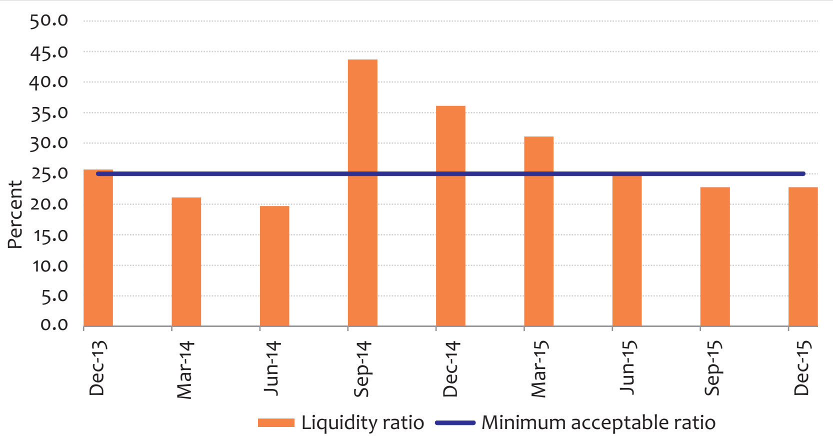
Source: Bank of Zambia

Liquidity

The liquidity position of the sub-sector was rated unsatisfactory. The ratio of liquid assets to total deposits and short-term liabilities, at 22.8% from 41.4% at end-December 2014, was below the prudential minimum ratio of 25.0% (Chart 4.15). The ratio declined on account of a 32.4% reduction in liquid assets to K151.7 million couple with a 22.8% increase in current liabilities to K666.3 million, as institutions in the sub-sector expanded their loan book.

CHART 4.15:

Building Societies Liquidity Ratio, Dec 2013-Dec 2015



Source: Bank of Zambia

Microfinance Institutions

Enterprise-Lending Microfinance Institutions

The overall financial condition and performance of the Enterprise-Lending MFIs[21] sub-sector was rated fair. The sub-sector's capital position and its asset quality were rated fair while its earnings performance was rated unsatisfactory.

[20] RoA above 3% - Strong, 2.1% to 3.0% - Satisfactory; 1.1% to 2.0% – Fair; 0.0% to 1.0% Marginal; Less than 0% - Unsatisfactory

[21] MFIs whose exposure to micro-enterprises constitutes at least 80% of total loans

Balance Sheet

Assets

Total assets declined by 3.8% to K420.9 million from K437.6 million as at end-December 2014. The drop was mainly due to the adjustment of assets by one institution whose license was revoked in 2015. The asset structure of the sub-sector is shown in 2015 (Table 4.19).

Table 4.19: Asset Structure (Percent), 2014-2015

Asset Class	2015	2014
Loans and advances	80.4	80.0
Investments in Government Securities	0.5	3.2
Balances with Foreign Financial Institutions	0.0	0.0
Balances with Domestic Institutions	6.0	5.6
Other	13.1	11.2
Total	**100.0**	**100.0**

Source: Bank of Zambia

Liabilities

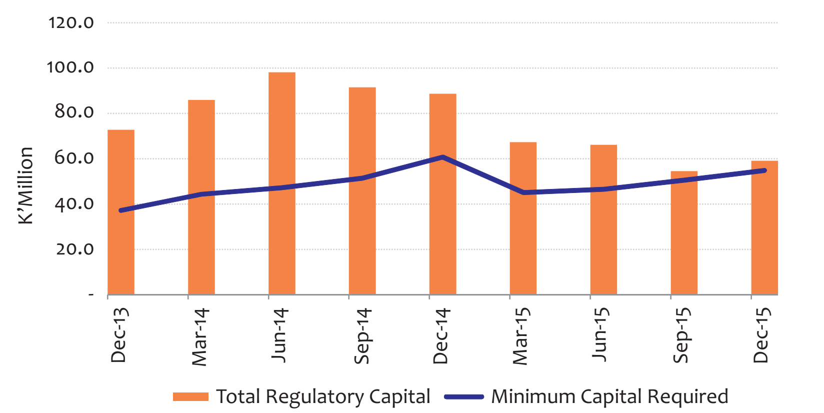
Total liabilities declined by 10.4% to K322.5 million in 2015 mainly on account of a 20.5% fall in deposits to K75.6 million on account of an adjustment for the deposits of one institution whose license was revoked in 2015. Borrowing from foreign institutions and deposits constituted the largest proportions of liabilities at 53.1% and 23.4%, respectively.

Capital Adequacy

The regulatory capital of the sub-sector was rated fair at 31st December 2015. The regulatory capital ratio at 16.2% was marginally above the required minimum capital ratio of 15.0% of risk-weighted assets (Chart 4.16). It was, however, lower than the end-December 2014 position of 26.1%. The decline was mainly due to a drop in regulatory capital by 22.0% to K59.0 million as a result of the loss after tax of K10.8 million. This was coupled with prior period adjustments of K35.6 million relating to additional provisions for loan losses.

CHART 4.16:

Regulatory Capital of the Enterprise-Lending MFI Sub-Sector, Dec 2013-Dec 2015



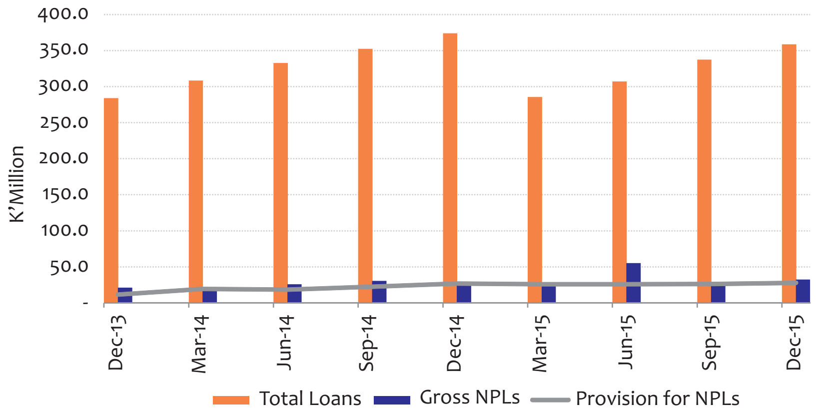
Source: Bank of Zambia

Asset Quality

The asset quality of the sub-sector was rated fair at end-December 2015 despite an increase in the ratio of NPLs to gross loans to 9.0% from 8.5% as at end-December 2014 (Chart 4.17). The NPL coverage ratio, though satisfactory at 86.3%, declined from 93.0% at end-December 2014.

CHART 4.17:

Total Loan, Gross Non-Performing Loans and Provision for Non- Performing Loans, Dec 2013-Dec 2015



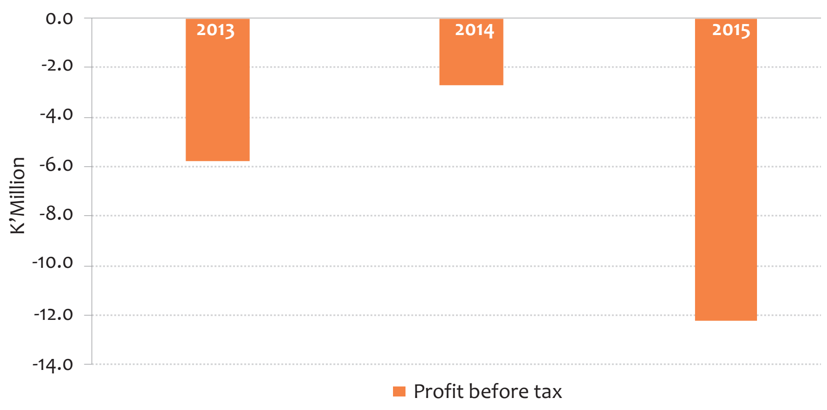
Source: Bank of Zambia

Earnings Performance

The earnings performance was rated unsatisfactory. The sector recorded a loss before tax of K12.2 million compared to K2.7 million in 2014 (Chart 4.18). The increase in the loss before tax was largely attributed to a rise in non-interest expenses by 54.1% to K156.1 million, which was higher than net operating income.

CHART 4.18:

Profit before Tax, 2013-2015



Source: Bank of Zambia

Consumer-Lending Microfinance Institutions

The overall financial performance and condition of the consumer lending MFIs sub-sector was rated satisfactory. The sub-sector was adequately capitalised and asset quality and earnings performance were rated satisfactory.

Balance Sheet

Assets

The total assets of the sub-sector increased by 37.3% to K2,872.3 million mainly driven by a 41.7% increase in loans and advances to K2,635.5 million at end-December 2015. Loans and advances were financed by increases in shareholder loans and equity. Shareholder loans increased by 37.9% to K1,530.6 million while equity increased by 33.3% to K119.5 million. The asset structure of the sub-sector is shown in Table 4.20.

Table 4.20: Asset Structure (Percent), 2014-2015

Asset Class	2015	2014
Loans and advances	86.5	85.0
Investments in Government Securities	0.1	0.0
Balances with Foreign Financial Institutions	0.0	0.0
Balances with Domestic Institutions	3.3	6.6
Other	10.1	8.4
Total	**100.0**	**100.0**

Source: Bank of Zambia

Liabilities

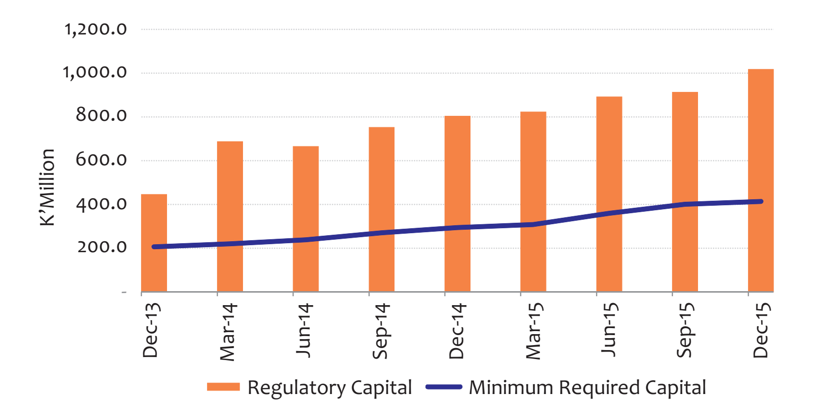
Total liabilities grew by 48.4% to K2, 266.7 million in 2015 mainly on account of a 37.9% increase in shareholder loans to K1,530.6 million in 2015. Shareholders loans and borrowings from domestic institutions constituted the largest proportions of liabilities at 67.5% and 15.6%, respectively.

Capital Adequacy

The regulatory capital position of the sub-sector was rated satisfactory as the ratio, at 36.9%, was above the minimum prudential limit of 15.0%. However, the regulatory capital ratio declined from 40.9% at end-December 2014, largely due to a 40.2% increase in risk-weighted assets to K2,755.0 million (Chart 4.19). An increase in the loan portfolio largely accounted for the rise in risk-weighted assets.

CHART 4.19:

Regulatory Capital, Dec 2013-Dec 2015



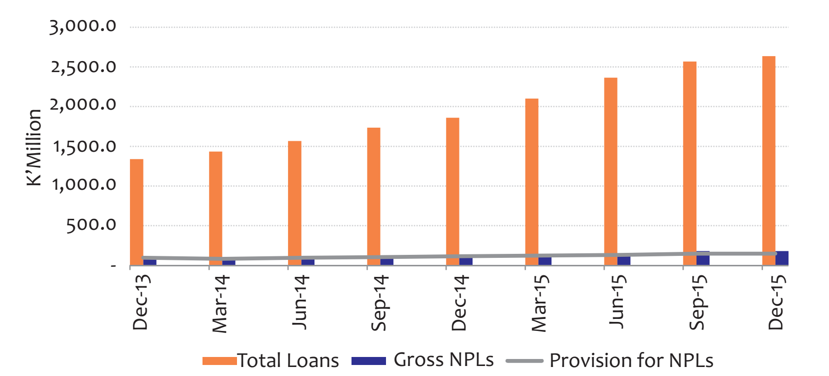
Source: Bank of Zambia

Asset Quality

The asset quality of the sub-sector was rated satisfactory at end-December 2015. The ratio of gross NPLs to gross loans at 6.8% was below the maximum acceptable limit of 10.0%. The ratio, however, marginally increased from 6.0% at end-December 2014. The NPL coverage[22] ratio, at 83.3%, was rated satisfactory though it declined from the end-December 2014 position of 104.2% due to an increase in the gross NPLs (Chart 4.20).

CHART 4.20:

Total Loans, Gross Non-Performing Loans and Provision for Non-Performing Loans, Dec 2013-Dec 2015



Source: Bank of Zambia

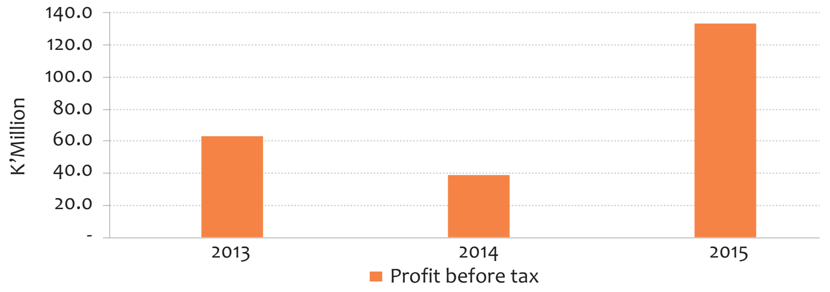
Earnings Performance

The earnings performance of the sub-sector was rated satisfactory in the period under review. The RoA increased to 8.0% from 2.0% in 2014 due to the rise in profit before tax which went up to K133.2 million from K38.5 million (Chart 4.21). The increase in profit before tax was largely attributed to the growth in interest income to K887.4 million in 2015 from K535.3 million.

[22] 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).

CHART 4.21:

Profit before Tax of the Consumer-Lending Microfinance, 2013-2015



Source: Bank of Zambia

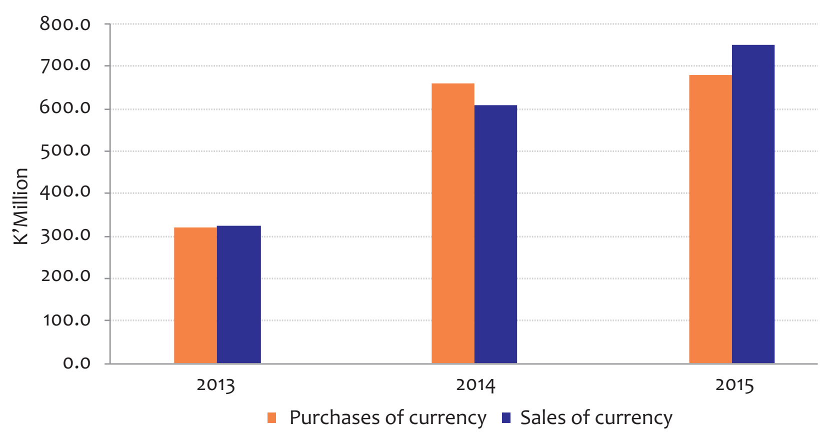
Bureaux de Change

The Bureau de Change sub-sector was adequately capitalised at end-December 2015. All but one Bureau de Change met the minimum paid-up capital of K250,000. The sub-sector's aggregate capital and reserves increased by 22.5% to K60.0 million at end-December 2015. This was on account of profit after tax of K6.9 million coupled with the paid-up capital for the 10 Bureaux de Change that commenced operations during the year.

The volume of sales of foreign currency increased by 10.6% to K7, 498.3 million from K6, 782.5 million in 2014. The volume of purchases of foreign currency also increased by 8.0% to K6,592.2 million in 2015 compared to K6,106.2 million in 2014 (Chart 4.22). The average buying and selling exchange rates were K8.5983/US$ and K8.7116/US$ in 2015, up from K6.3433/US$ and K6.4303/US$ in 2014, respectively.

CHART 4.22:

Bureau De Change Volumes of Transactions, 2013 – 2015



Source: Bank of Zambia

Regulation and Supervision

Licencing

During the year, 15 licences for NBFIs were granted, four were revoked while one Microfinance Institution was placed under liquidation. The licences issued comprised 10 Bureaux de Change, four Microfinance Institutions (MFIs) and one Leasing and Finance company. Licences for two MFIs and two Bureaux de Change were revoked by the Registrar of Banks, Financial Institutions and Financial Businesses following surrender of the licences. The licence for Unity Finance Limited was revoked due to a corporate restructuring which resulted in the creation of New Unity Finance Limited. Nyami Nyami Bureau de Change Limited, Zampost Bureau de Change Limited and Zambian Works Financial Services Limited surrendered their licences on account of unsustainable business operations. On 24th August 2015, the Bank of Zambia Board of Directors closed and placed Gray Pages Financial Solutions Limited into compulsory liquidation in accordance with section 101 of the Banking and Financial Services Act (Table 4.21).

Table 4.21: Licences Issued and Revoked in 2015

Institution Licenced	Date Licenced	Institution Closed/Liquidation	Date Revoked
Name of Bureau de Change		**Name of Bureau de Change**	
1. Mastt Bureau de Change Limited	7 Apr 2015	1. Zampost Bureau de Change Ltd	1 Apr 2015
2. Stallion Bureau de Change Limited	7 Apr 2015	2. Nyami Nyami Bureau de Change Ltd	17 Sept. 2015
3. Don-Chi Bureau de Change Limited	8 May 2015		
4. Vedette Bureau de Change Limited	8 May 2015		
5. Base Bureau de Change Limited	2 Oct 2015		
6. Mwilanga Bureau de Change Limited	2 Oct 2015		
7. My Queen's Forex Bureau de Change Ltd	2 Oct 2015		
8. Nichwana Bureau de Change Limited	2 Oct 2015		
9. Ace-FX Bureau de Change Limited	25 Nov. 2015		
10. Link Bureau de Change Limited	25 Nov. 2015		
Name of Microfinance Institution	**Date Licensed**	**Name of Microfinance Institution**	**Date Revoked**
1.Ecsponent Financial Services Zambia Ltd	19 Feb. 2015	1. Unity Finance Limited	4 Dec. 2015
2. New Unity Finance Limited	17 Mar 2015	2. Zambian Works	17 Sep 2015
3. Tandiza Zambia Finance Limited	17 Mar 2015		
4. Nchanga Financial Services Limited	2 Oct 2015		
Name of Leasing and Finance Company	**Date Licensed**	**Name of Financial Business**	**Date Liquidated**
Greenbelt Finance Limited	7 Apr 2015	1.Graypages Financial Services	24 Aug 2015

Source: Bank of Zambia

The branch network of NBFIs increased to 334 in 2015 from 323 in 2014. The new branches comprised nine Bureaux de Change (Table 4.22) and two MFIs (Table 4.23).

Table 4.22: Approved Bureaux de Change Branches in 2015

No.	Name of Institution	No. of Branches	Date Approved
1	Zamica Bureau de change Limited – Kasumbalesa and Chirundu	2	27 Jan. 2015
2	Golden Coin Bureau de Change Limited - Mukuba Mall, Kitwe	1	20 April 2015
3	A-Plus Bureau de Change - Arcades Shopping Mall, Lusaka	1	8 May 2015
4	C & A Bureau de Change Limited- Mukuba Mall, Kitwe	1	8 May 2015
5.	Khobili Bureau de Change Limited - Foxdale Mall, Lusaka	1	1 June 2015
6.	Saints Bureau de Change Limited - Intercity Bus Terminus, Lusaka	1	24 June 2015
7.	Stero Bureau de Change Limited - Chirundu	1	24 June 2015
8.	Quantum FX Bureau de Change Limited - Carousel Centre, Lusaka	1	26 Aug. 2015
	Total	**9**	

Source: Bank of Zambia

Table 4.23: Microfinance Institutions Branches Approved in 2015

No.	Name of Institution	No. of Branches	Date Opened
1	Pulse Financial Services Limited - Ndola	1	2 March 2015
2	Izwe Loans Zambia Limited - Solwezi	1	8 March 2015
	Total	**2**	

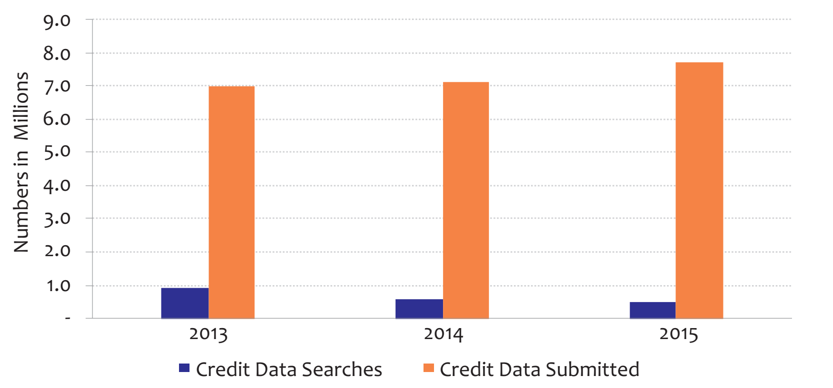
Source: Bank of Zambia

4.3 OPERATIONS OF THE CREDIT REFERENCE BUREAU

The total number of credit files submitted at the Credit Reference Bureau in 2015 increased by 9.0% to 7,675,751. However, the number of credit reports searched declined by 21.3% to 456,125 due to operational challenges relating to system connectivity (Chart 4.23).

CHART 4.23:

Trend of use of Credit Reference System by Financial Service Providers, 2013-2015



Source: Bank of Zambia

4.4 FINANCIAL SECTOR DEVELOPMENT PLAN

The Financial Sector Development Plan (FSDP) Phase II Project came to a close on 30 June 2015. The FSDP Phase II Project achieved several positive milestones, among them regulatory and supervisory reforms as well as increased outreach and scale in the provision of financial services. One of the key milestones achieved in 2015 was the conclusion of the FinScope Survey in June. The Survey revealed an increase in financial inclusion in Zambia to 59.3% in 2015 from 37.3% in 2009, signifying improved awareness and usage of financial services.

The FSDP co-ordinated the Financial Literacy Week under the theme 'A Better Life Through Saving – It Pays to Plan' that saw Zambia emerge as one of the three finalists in the "Global Money Week" category at the Child and Youth Finance International annual meeting held in London.

Outstanding activities under the FSDP II Project were streamlined in the operations of relevant financial sector regulatory institutions namely, Bank of Zambia, Securities and Exchange Commission, and Pensions and Insurance Authority as well as Government. Consultations with the Ministry of Finance and other stakeholders for a successor programme to carry on with the outstanding activities commenced.

Pupils and other participants at the 2015 Financial Literacy Week Kick Off event in Lusaka

5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

Overview

The Banking, Currency and Payment Systems operations were satisfactory in 2015 with commercial banks generally operating within guidelines. The withdrawal of the old currency ended on 31st December, 2015. Subsequently, the old currency was demonetised on 1st January 2016 and ceased to be legal tender in the Republic of Zambia. The Bank of Zambia continued to pursue the Clean Note Policy and provide satisfactory banking services, management and oversight of the National Payment Systems.

5.1 BANKING

Operations of Commercial Bank Current Accounts

The Bank of Zambia monitored account operations of commercial banks to ensure that all transactions were covered with adequate liquidity and that sufficient funds were available to meet all clearing obligations.

The performance of commercial banks was generally satisfactory despite some commercial banks failing to maintain sufficient funds on their settlement accounts to meet clearing obligations on time owing to tight liquidity conditions that characterised the second half of the year. All the commercial banks that accessed the intraday credit facility (repo) repaid the funds by close of business. Fifteen banks accessed the Overnight Lending Facility in 2015 compared to thirteen the previous year. The increase was attributed to the tight monetary policy stance taken by the Bank of Zambia.

Provision of Banking Services to Government

The Bank of Zambia continued to perform its role as banker to Government by providing banking services for efficient revenue collections and transfer of Government funds from control accounts to mirror accounts at commercial banks to facilitate Government spending.

Further, the Bank continued to work with the Ministry of Finance on the implementation of the Treasury Single Account (TSA) through the integration of Government's Integrated Financial Management Information System (IFMIS) to the Bank of Zambia via the Real Time Gross Settlement (RTGS) to facilitate electronic payments. The TSA went live on 6th January 2015, commencing with the Ministry of Finance as a pilot site. The roll-out to other Ministries was re-scheduled to 2016 owing to technical challenges in implementing the MQ adapter (Message Q Interface).

5.2 CURRENCY

Currency Rebasing

The withdrawal of the old currency from circulation ended on 31st December, 2015. The old currency was therefore demonetised on 1st January 2016 and ceased to be legal tender in the Republic of Zambia. As at 31st December 2015, the Bank withdrew a total of ZMK3.74 trillion, representing 97.3% of the old currency withdrawn from circulation.

New Cash Management System

The Bank continued to monitor the new cash management system aimed at devolving cash processing to commercial banks. Under the new system, the Bank of Zambia will concentrate on its core role as a wholesaler in cash management. The new system limits cash withdraw to K20.0 million at Head Office, and K10.0 million at Regional Office. However, there is no limit set at sub-chests due to relatively low transaction values.

Issuance of Banknotes with Special Marks for the Visually Impaired Citizens

The Bank issued into circulation banknotes with special marks (tactile features) on 3rd November 2015. The special marks assist the visually impaired citizens in recognising banknotes. Members of the Zambia National Federation of the Blind (ZANFOB) and the general public were sensitised about the new banknotes prior to their issuance. The special banknotes will circulate side by side with other banknotes. The withdrawal of ordinary banknotes will be done as soiled notes are deposited at the BoZ.

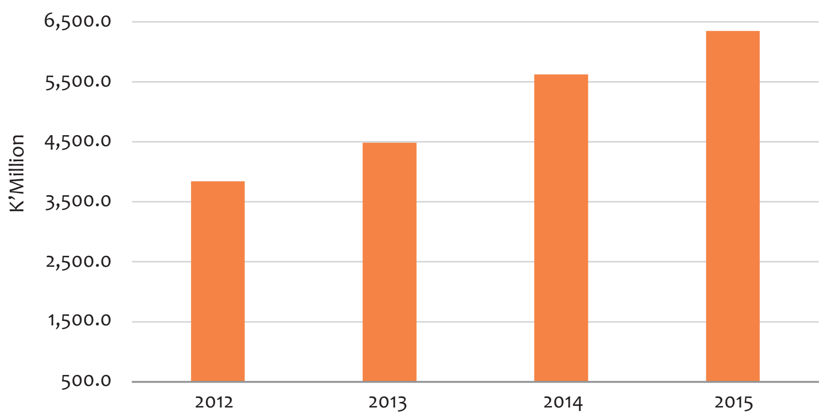
Currency in Circulation

Currency in circulation (CIC) increased by 12.9% to K6.3 billion as at 31st December 2015 from K5.6 billion in December 2014 (Chart 5.1). Currency in circulation of the rebased currency stood at ZMW6.3 billion as at 31st December 2015. Of this amount, banknotes accounted for 98.0% (ZMW6.2 billion) while the proportion of coins was 2.0% (ZMW0.1 billion). The amount of old currency in circulation declined by

1.3% to ZMK102.7 billion as at 31st December 2015 from ZMK103.8 billion as at end - December 2014 (Chart 5.2).

CHART 5.1:

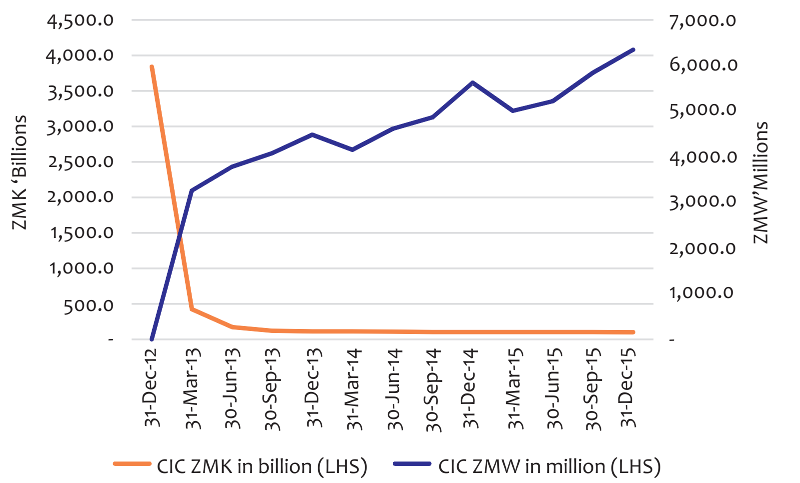
Currency in Circulation, 2012-2015



Source: Bank of Zambia

CHART 5.2:

Currency in Circulation- Rebased and Old Currencies, Dec 2012-Dec 2015



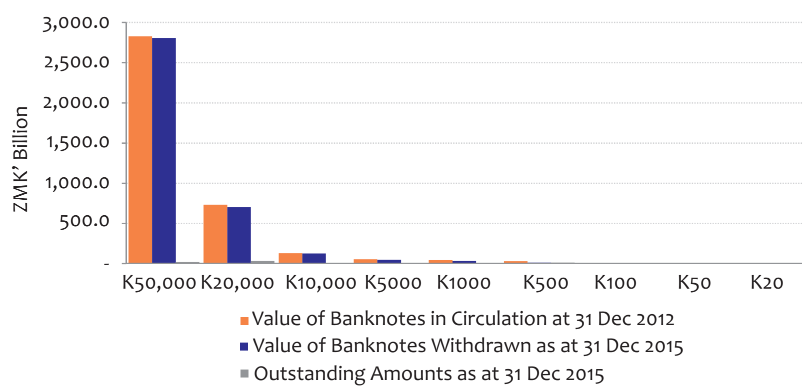
Source: Bank of Zambia

Withdrawal and Destruction of the Old Currency and Unfit Rebased Currency

A total of 208.0 million pieces of the old currency with the value of ZMK3.7 trillion was withdrawn in 2015. This represented a withdrawal rate of 97.3%. The Bank destroyed a total of 19.0 million pieces of unfit banknotes with the value of ZMK12.7 billion compared with a total of 104.4 million pieces with the value of ZMK124.6 billion destroyed in 2014 (Chart 5.3).

CHART 5.3:

Withdrawal of Old Currency in Values 1st Jan 2013 – 31st Dec 2015



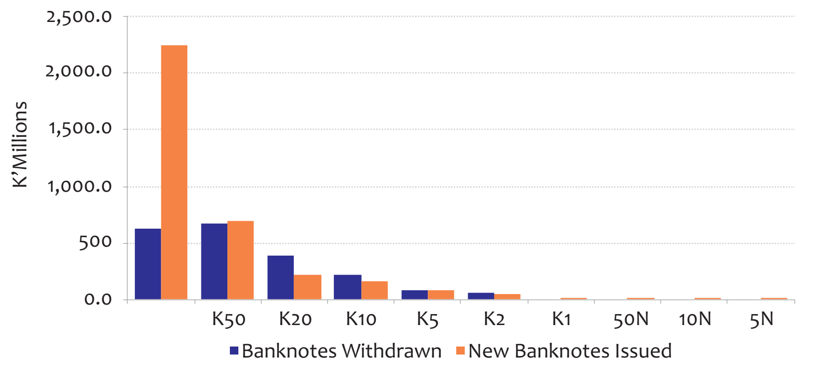
Source: Bank of Zambia

Comparison of Rebased Banknote issued in 2015 with Unfit Banknotes Withdrawn

A total of 167.7 million pieces of new banknotes and coins with the value of K3.5 billion were issued. During the same period, the Bank withdrew from circulation a total of 109.4 million pieces of the rebased currency with a value of K2,059.4 million (Chart 5.4). A total of 109.4 million pieces of the rebased currency with the value of K2,060.4 million was destroyed in 2015.

CHART 5.4:

Withdrawn against Issuance of Rebased Banknotes in 2015



Source: Bank of Zambia

5.3 PAYMENT SYSTEMS

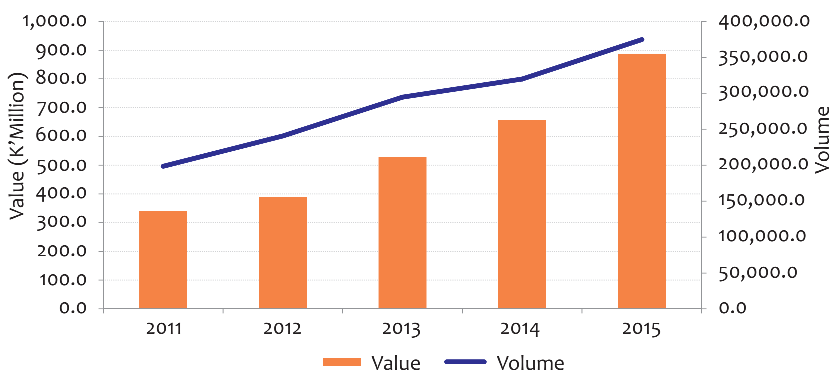
The National Payment Systems operated satisfactorily in 2015 and continued to register growth in the transaction values and volumes processed.

Zambian Interbank Payment and Settlement System

The Zambian Interbank Payment and Settlement System (ZIPSS) operations were satisfactory. On average, the system availability level was 98.3% compared to 99.0% in 2014 mainly due to network connectivity challenges. The value of transactions processed on ZIPSS increased by 35.0% to K887,544.4 million. The volume of transactions also increased by 17.1% to 374,661 from 319,836 reported in 2014. The increase in both volume and value of transactions in 2015 was largely attributed to the general increase in Government, foreign exchange, money markets and Zambia Revenue Authority transactions (Chart 5.5).

CHART 5.5:

ZIPSS Volumes and Values, 2011 – 2015



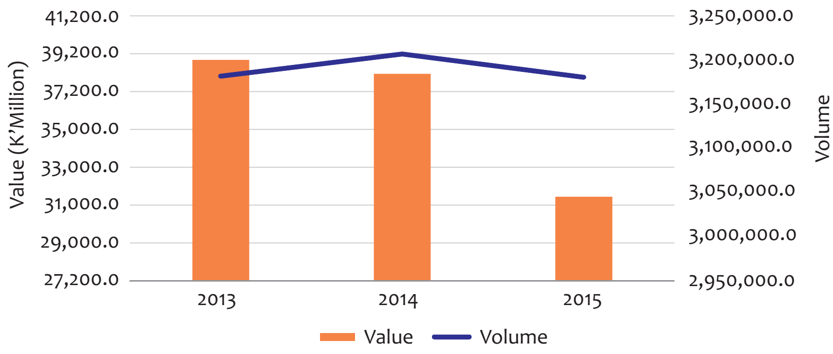
Source: Bank of Zambia

Cheque Image Clearing System

The value of cheques cleared through the Cheque Image Clearing system decreased by 3.1% to K37,958.9 million in 2015 from K39,185.3 million in 2014. The volume of cheques cleared also decreased by 4.4% to 3,045,211 from 3,184,446 in 2014 as agents increased their use of electronic payment streams (Chart 5.6).

CHART 5.6:

Volumes and Values of Cheques Cleared, 2013-2015



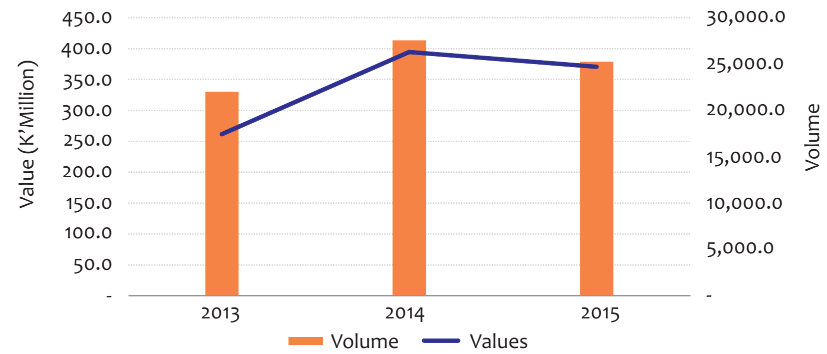
Source: Bank of Zambia

Cheques Returned Unpaid on Account of Insufficient Funds

The value of cheques returned unpaid on account of insufficient funds decreased by 6.1% to K370.5 million in 2015 from K394.4 million in 2014. The volume of cheques decreased by 8.3% to 25,259 from 27,556 in 2014 (Chart 5.7). The decrease in the unpaid cheques is mainly attributed to a reduction of cheques issued during the period as people slowly adopt electronic payment methods such as mobile money. In addition, the Bank of Zambia continued to engage commercial banks on the need to sensitise customers regarding the importance of maintaining safety and efficiency of the cheque payment stream.

CHART 5.7:

Unpaid Cheques 2013 – 2015



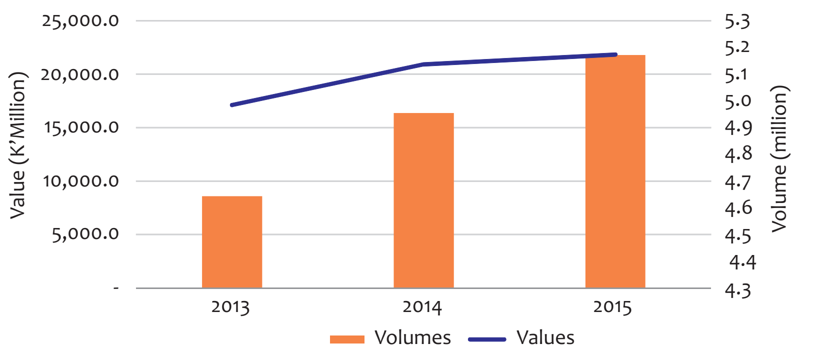
Source: Bank of Zambia

Electronic Funds Transfer Clearing System

The value and volume of transactions processed through the Electronic Funds Transfer payment stream increased in 2015 as people continue to slowly adopt electronic payment methods. The total value grew by 4.4% to K21, 829.0 million while the volume of transactions increased by 11.4% to 5,171,982 (Chart 5.8).

CHART 5.8:

Values and Volume of Electronic Funds Transfer 2013 – 2015



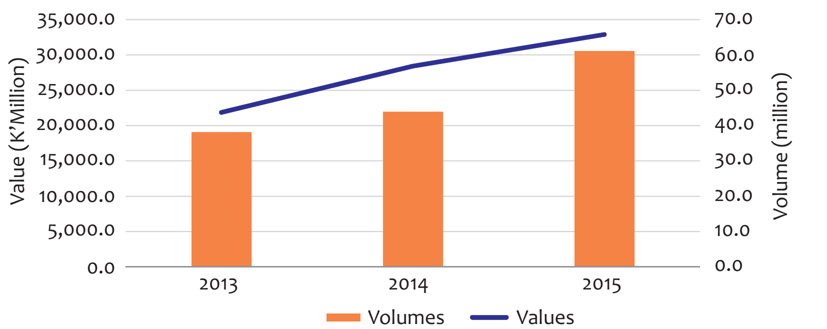
Source: Bank of Zambia

Transactions Processed through the Automated Teller Machines

The value of transactions processed through the Automated Teller Machines (ATM) payment stream rose by 15.9% to K32,880.3 million while the volume of ATM transactions increased by 22.4% to 61,102,749 (Chart 5.9). The increase was mainly on account of a rise in the number of ATM machines to 1,000 in 2015 from 896 in 2014. Additional type of services offered on ATMs that include withdraw transactions on ATMs linked to an e-wallet using one-time PIN contributed to the increase. The number of debit cards issued also increased.

CHART 5.9:

Values and Volume of Automated Teller Machines 2013 – 2015



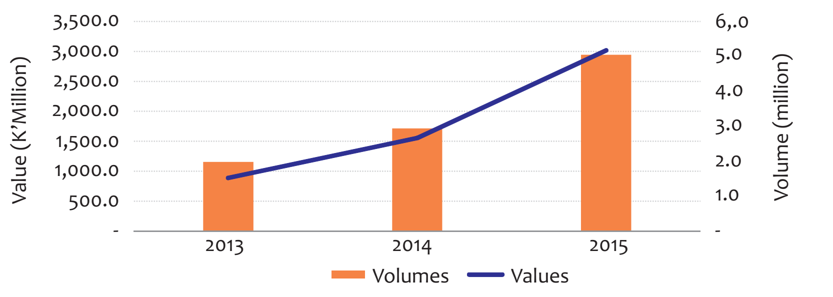
Source: Bank of Zambia

Transactions Processed through Point of Sale Machines

The value of transactions processed through the Point of Sale (PoS) payment stream increased in 2015 by 94.3% to K3,015.4 million (Chart 5.10). The volume of transactions also went up by 71.7% to 5,043,801 from 2,937,453 recorded in 2014. The rise in the value and volume of transactions was mainly attributed to increased deployment of Point of Sale machines by commercial banks and general acceptance by merchants and the general public. The number of PoS terminals increased to 6,915 in 2015 from 3,266 in 2014.

CHART 5.10:

Points of Sale Transactions, 2013-2015



Source: Bank of Zambia

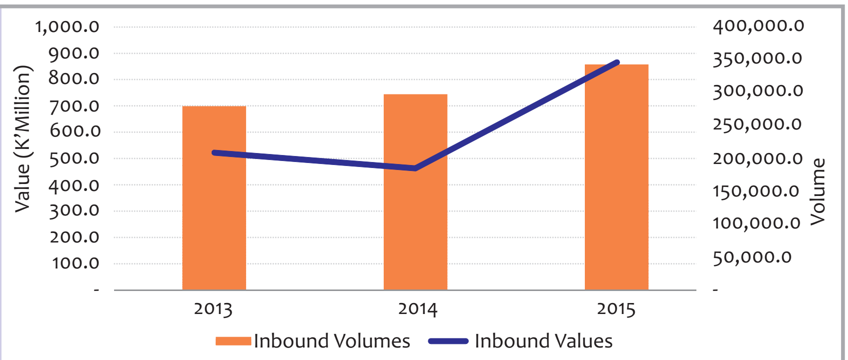
International Remittances

The value of in-bound international transactions increased by 41.9% to K656.2 million in 2015 from K462.6 million in 2014. The volume also increased by 6.5% to 342,273 transactions from 297,135 in 2014 (Chart 5.11). This was largely as a result of new entrants on the market such as World Remit, Mukuru Money Transfer and UAE Exchange Money Transfer Services.

Apart from Western Union, several other entrants into the Market contributed to the rise in volumes of international remittances in 2015.

CHART 5.11:

International Inbound Remittances, 2013 – 2015

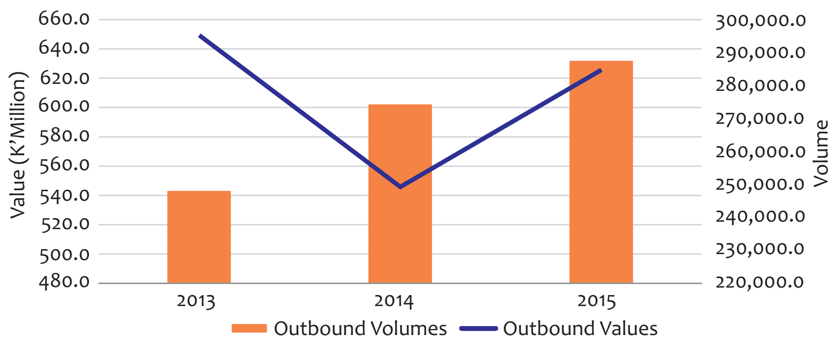


Source: Bank of Zambia

The value of international out-bound transactions increased by 14.6% to K625.6 million from K545.8 million in 2014. The volume also increased by 10.6% to 287,386 from 274,168 in 2014 (Chart 5.12). The increase was mainly attributed to the payment of school fees and cross-border trading within the region especially the East-Coast Corridor.

CHART 5.12:

International Outbound Remittances, 2013 – 2015



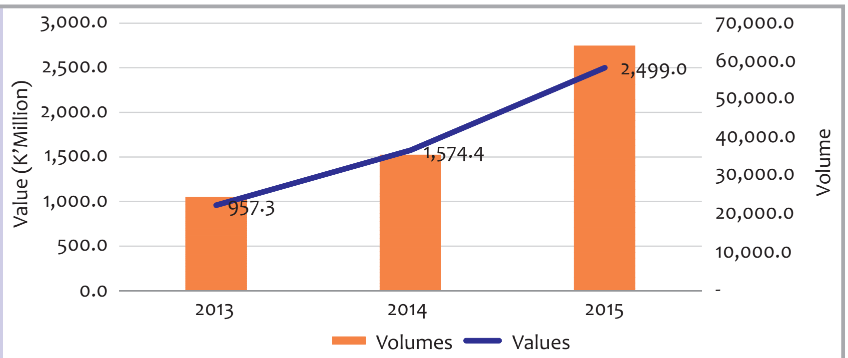
Source: Bank of Zambia

Mobile Money or Electronic Money (e-money) Transactions

The value of transactions processed through the mobile money platform increased by 64.5% to K1,574.4 million from K957.3 million in 2014. The volume of transactions also increased by 45.2% to 35,457,948 from 24,412,326. The increase in both volume and value of transactions can be attributed to the increase in the use of mobile money for the payment of bills, funds transfers and access points. In addition, mobile money is convenient and has lower transaction costs compared to other forms of payments (Chart 5.13).

CHART 5.13:

Mobile Money Transactions, 2013 – 2015



Source: Bank of Zambia

The use of mobile money in Zambia continues to grow.

Designation of Payment System Participants and Businesses

Six institutions, namely, Zamtel Money Limited, Cellulant Zambia Limited, Mukuru Money Transfer Limited, Nettcash Mobile Payments Zambia Limited, Vending Technologies Zambia Limited and Broadpay Zambia Limited were granted designations by the Bank of Zambia in 2015.

5.4 Cross Border Payment Systems

SADC Integrated Regional Electronic Settlement System

The value of payments processed on the SADC Integrated Regional Electronic Settlement System (SIRESS)[23] by Zambian commercial banks in 2015 was ZAR3,759.0 million, conducted in 15,410 transactions. On the other hand, the value of receipts was ZAR3,829.0 million, with a volume of 5,029 transactions. On a net basis, Zambia received ZAR 70.0 million in 2015.

COMESA Regional Payment and Settlement System

Inward transactions processed on the REPSS amounted to USD158,129 in 2015 through two transactions and EUR5,890 in a single transaction. There were no outward transactions processed on the system by Zambian commercial banks.

National Financial Switch

The Bank of Zambia, in conjunction with the Zambia Electronic Clearing House and the Bankers Association of Zambia, continued to work on the implementation of a National Financial Switch (NFS) in Zambia. A contract was signed with a successful vendor. In addition, workshops were held to review solution specifications for ATMs and PoS, and electronic payments draft rules of the NFS. The implementation of the NFS will directly support Government's objectives of modernizing the National Payment Systems in Zambia. The NFS is also expected to contribute to the financial inclusion agenda by extending access to financial services to the un-banked and under-banked adult population.

[23]The SADC Integrated Regional Electronic Settlement System (SIRESS) is a regional payment and settlement system that facilitates funds transfer for cross-border payment in the SADC region. The platform was implement to reduce the costs and improve efficiency of cross border payment by eliminating the need for corresponding banking for such payments. Ultimately, it is envisaged that the system will further promote and help trade within the region.

6.0 RISK MANAGEMENT

6.0 STRATEGY AND RISK MANAGEMENT

6.1 Performance of the 2012-2015 Strategic Plan

The Bank of Zambia 2012-2015 Strategic Plan ended on 31st December 2015. A satisfactory overall performance of 85.1% was achieved as shown in the Table below.

Performance Against Strategic Objectives, as end-December 2015

Ref	Strategic Objective	Actual Performance (%) End-Dec, 2015
1	Implement initiatives to promote price stability and achieve inflation of 7.0% by 2015.	91.9
2	Establish and maintain governance and monitoring structures for the maintenance of financial systems stability.	84.4
3	Enhance National Payment System coverage and efficiency by at least 50.0% by 2015.	87.3
4	Increase financial inclusion by 15.0 percentage points from 2012 to 2015.	85.8
5	Implement and maintain the BOZ Integrated Management Model for operational competence, efficiency and service delivery.	79.4
6	Strengthen the advisory role of the Bank to Government	80.0
	Overall Performance	**85.1**

Source: Bank of Zambia

The completion rate on all the strategic objectives exceeded 79.0%. The highest performance was achieved on the price stability objective. The lowest performance was on the integrated management model objective, attributed mainly to delays in mainstreaming gender activities across the Bank of Zambia.

In spite of the satisfactory performance in the implementation of the Strategic Plan, some challenges were encountered that constrained a 100% completion rate. These included:

- Inadequate staffing: Almost all the Departments operated below staff compliment mainly on account of the lengthy recruitment process.
- Delays by external stakeholders: The successful implementation of some strategic initiatives was partially dependent on input from external stakeholders particularly the enactment of various pieces of legislation.

6.2 Project Management

A portfolio of 32 projects with a budgetary allocation of K82.7 million was implemented. The projects were managed according to the PMBOK® Standard adopted by the Bank. To further promote good project management practices and build capacity, various activities, including training of project managers and the development of project management guidelines were conducted.

6.3 Risk Management

The Bank developed a Compliance Risk Management Programme to ensure among others, continued adherence to its compliance requirements and commitments. The Enterprise Risk Management Framework was enhanced by strengthening the risk monitoring and reporting mechanisms so as to deal with current and emerging risks in an efficient and effective manner. Efforts towards improving business continuity capabilities through infrastructure development and staff training were sustained. This was aimed at ensuring resilience against major business disruptive incidents to safeguard continued availability of time-critical business systems and processes.

The Bank's overall risk profile improved slightly following the implementation of various risk action plans, which included the commissioning of some strategic projects, recruitment of staff, review of business units' procedures and processes, and capacity building through staff training.

6.4 Leadership Development Programme

The Bank continued to implement the Leadership Development Programme aimed at creating and nurturing appropriate leadership and managerial skills among senior management staff to support and sustain a high performance culture throughout the Bank. In this regard, the Franklin Covey Leadership Development Programme, facilitated by Messrs Mac Recruitment (Z) Ltd, was rolled-out. The entire senior management team of the Bank of Zambia underwent the Leadership Development Programme. All Heads of Departments were certified as internal facilitators to enhance ownership of the Programme. Further, the internal facilitators cascaded the Programme to lower level staff to ensure consistency, understanding and application.

6.5 Gender Mainstreaming

The Bank of Zambia continued to undertake various activities aimed at promoting gender mainstreaming internally and externally. Specifically:-

(a) A Gender specialist was recruited to assist in the development and implementation of gender mainstreaming programmes and practices in the Bank.

(b) The final Participatory Gender Audit Report was received from the Consultant. Based on the Report, the Bank undertook to develop a gender strategy to remedy some of the gaps identified in the Gender Audit.

(c) A Female and Male Operated Small (FAMOS) Enterprises Check Training of Trainer's Certification Course for 10 Bank of Zambia staff was conducted. The course, facilitated by the International Labour Organisation (ILO), was aimed at building internal capacity to enable the Bank of Zambia conduct FAMOS Check Audits in the banking sector. This will in turn assist banks to identify opportunities as well as develop gender friendly financial products and services targeting female and male operated small enterprises.

(d) The Bank of Zambia, in collaboration with .the Ministry of Gender and Child Development and other stakeholders, participated in organising the National Women's Economic Empowerment Exposition.

7.0 REGIONAL OFFICE

7.0 REGIONAL OFFICE

The Regional Office continued to extend banking, currency and other services to Government, commercial banks and the general public in the Northern Region (Mansa, Kasama, and Solwezi).

As part of the enhancement of the Bank's business continuity capabilities to ensure availability of mission critical business processes and resources, the Clearing House Interface (CHI) link to the Zambia Electronic Clearing House Limited (ZECHL) was successfully completed.

The transformation of Regional Office into a Cash Centre was successfully implemented in 2015 resulting in the commencement of currency consignment runs and evacuations to/from sub-chests in the Northern Region.

Sensitisation campaigns on the newly introduced banknotes with special marks for the visually impaired were conducted in the Northern Region for the general public.

8.0 ADMINISTRATION AND SUPPORT SERVICES

8.0 ADMINISTRATION AND SUPPORT SERVICES

8.1 HUMAN RESOURCE MANAGEMENT

Structure and Staffing

As at 31st December 2015, the total staff strength of the Bank was 542 (340 male, 202 female) against an establishment of 674. This staff complement comprised 285 (53.0%) employees on Permanent and Pensionable Service and 257 (47.0%) on Fixed-Term Employment Contracts (Tables 8.1 and 8.2). Of the employees on Fixed-Term Employment Contracts, 39 were security officers seconded from the Zambia Police Service.

Table 8.1: Staffing Levels, 2013-2015

	2013			2014			2015		
Functions	**Estab.**	**Actual**	**Diff**	**Estab.**	**Estab.**	**Diff**	**Estab.**	**Actual**	**Diff**
Executive	13	5	-8	14	14	-10	14	9	-5
Subtotal	13	5	-8	14	14	-10	14	9	-5
Core Departments									
Bank Supervision	37	27	-10	46	46	-25	46	27	-19
Banking, Currency & Payment Systems	93	71	-22	84	84	-18	84	55	-29
Economics	49	39	-10	45	45	-8	45	42	-3
Financial Markets	47	34	-13	36	36	-4	36	32	-4
Non-Banks Financial Institutions Supervision	34	28	-6	38	38	-18	38	23	-15
Strategy & Risk Management	11	6	-5	13	13	-4	13	11	-2
Balance of Payments Monitoring	0	0	0	10	10	-7	10	4	-6
Financial System Stability	0	0	0	4	4	-1	4	4	0
Financial Sector Development	0	0	0	3	3	0	3	2	-1
Subtotal	**271**	**205**	**-66**	**279**	**279**	**-85**	**279**	**200**	**-79**
Support Services									
Board Services	12	9	-3	19	19	-7	19	11	-8
Finance	44	33	-11	36	36	-5	36	29	-7
Human Resources	38	18	-20	21	21	-6	21	18	-3
Information & Communications Technology	39	26	-13	35	35	-10	35	33	-2
Legal Services (former Bank Secretariat)	11	7	-4	8	8	-3	8	6	-2
Internal Audit	26	15	-11	17	17	-2	17	17	0
Corporate Services (former Procurement & Maintenance Services)	73	56	-17	92	92	-40	92	73	-19
Security	82	91	9	91	91	-3	91	88	-3
Subtotal	**325**	**255**	**-70**	**319**	**319**	**-76**	**319**	**275**	**-44**
Regional Office	89	86	-3	62	62	20	62	58	-4
Subtotal	**89**	**86**	**-3**	**62**	**62**	**20**	**62**	**58**	**-4**
TOTAL	**698**	**551**	**-147**	**674**	**674**	**-151**	**674**	**542**	**-132**

Source: Bank of Zambia

Table 8.2: Distribution of Staff in 2015

	Permanent & Pensionable			Fixed Term Contract			
Office	**M**	**F**	**M**	**F**	**M**	**F**	**Total**
Lusaka	141	76	123	85	264	161	425
Ndola	46	22	31	18	77	40	117
Overall	**187**	**98**	**154**	**103**	**341**	**201**	**542**

Source: Bank of Zambia

Staff Movements

Fifty five employees were recruited (Table 8.3) while 38 separated from the Bank (Table 8.4). The separations were due to expiry of contracts, statutory retirements, resignations, voluntary early separation, dismissals, discharge, and death (Table 8.3).

Table 8.3: Staff Recruitments in 2015

Department	Number
Economics	11
Financial Markets	3
Human Resources	3
Information and Communications Technology	9
Internal Audit	5
Legal Services	3
Non-Bank Financial Institutions	5
Procurement and Maintenance Services	5
Strategy and Risk Management	1
Bank Supervision	8
Bank Services	2
Total	55

Source: Bank of Zambia

Table 8.4: Staff Separations in 2015

Type of Separation	Number
Voluntary Early Separation	11
Dismissals	4
Deaths	2
Resignations	3
Statutory Retirements	17
Total	38

Source: Bank of Zambia

Staff Welfare

The Bank continued to enjoy a relatively harmonious industrial relations climate in 2015 despite the protracted salary negotiations for the 2014-2016 Collective Agreement which were concluded in April 2015.

Medical Services

The Bank continued to provide medical services to its employees through the BoZ Clinic and selected medical service providers. As part of the employee welfare programme, the Bank organised presentations on health matters which included cancer screening.

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 (Table 8.5). Further, the Bank continued to provide support to the University of Zambia, Copperbelt University, University of Lusaka and Mulungushi University in accordance with the Memoranda of Understanding between the Bank and the four universities.

Table 8.5: Study Programmes, 2013 – 2015

	YEAR		
PROGRAMME	**2013**	**2014**	**2015**
PhD/DBA	0	3	5
Masters Qualifications; MBA, LLM, MSc	2	3	3
Bachelor's Degrees in Laws, Banking & Financial Services, Public Administration & Computing	0	0	1
Professional Qualifications; Chartered Financial Analyst, Certified Internal Auditors & Association of Certified Chartered Accountants	0	3	3
Diplomas in Business Management, Public Administration, Treasury & International Banking, Computing, Banking, Purchasing & Supply & accounting	0	0	0
TOTAL	**2**	**9**	**15**

Source: Bank of Zambia

Performance Management System

A number of interventions were carried out to improve the Performance Management System in 2015. Notable among these were Up-skilling workshops that covered all the Departments. The workshops included goal setting, effective performance monitoring and review and management of poor performance. Multiple one-on-one and team coaching sessions were also held to support the operationalisation of various aspects of Performance Management. Seventeen weekly bulletins on various aspects of Performance Management in a series dubbed "This Week on Performance" were circulated to staff.

Organisational Review of the Bank of Zambia

Management continued to implement the organisational structure in a phased manner as approved by the Board through staff appointments.

8.2 INTERNAL AUDIT

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. Management was engaged on the corrective actions or improvements needed and tracked on a regular basis for timely resolution.

8.3 LEGAL

The Bank participated in meetings with the Ministry of Finance and Justice to finalise the text of the Banking and Financial Services Bill before submission to Parliament. With regard to the enactment of various pieces of legislation and regulations, the Bank reviewed and drafted the following:

(a) Provisions on the primary mandate of the Bank of Zambia and the legal tender;

(b) Bank of Zambia (Currency) Regulations;

(c) Various regulations under the Banking and Financial Services Act;

(d) Corporate Governance Directives;

(e) Directives on the National Financial Switch; and

(f) Guidelines on Outsourcing of Services in commercial banks.

8.4 SECURITY ACTIVITIES

An Integrated Security Management System to enhance security at the Bank and all sub-chests was installed.

The Bank handled a total of 1,675 counterfeit Kwacha notes in various denominations in 2015 compared to 9,950 notes in 2014 (Table 8.6). The majority of the counterfeit notes (53.0%) were in K100 denominations.

Table 8.6: Counterfeit Kwacha notes dealt with in 2014 and 2015

	Number of Notes	Value
2014	9,950	956,265
2015	1,675	130,445

Source: Bank of Zambia

8.5 BALANCE OF PAYMENTS MONITORING

The Bank, in conjunction with the United Nations Conference on Trade and Development (UNCTAD), embarked on the design and development of an electronic system for monitoring external capital flows. A system prototype was delivered by UNCTAD and evaluation tests against agreed user requirements were undertaken in 2015.

8.6 PROCUREMENT AND MAINTENANCE

In its effort to modernise corporate offices and create a safe working environment and improve operational efficiency at Head Office, the Bank undertook the following:

(a) Refurbished the 1st Floor of the Annex Building and commenced refurbishment works on the 8th Floor of the Annex Building.

(b) Commenced the refurbishment of the canteen in the Annex Building.

(c) Refurbished the two bridges linking the Executive and Annex Buildings.

(d) Procured appropriate motor vehicles.

8.7 INFORMATION AND COMMUNICATIONS TECHNOLOGY

The Temenos T24 Retail Banking Application was successfully upgraded from Release 10 to Release 14. In addition, the Bank facilitated the implementation of the Treasury Single Account (TSA). The TSA aims at improving cash management by Government.

9.0 FINANCIAL STATEMENTS

Bank of Zambia

Financial Statements

for the year ended 31 December 2015

Contents

Bank of Zambia

Statement of Directors' responsibilities

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Bank of Zambia Act, No. 43 of 1996. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its financial performance 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, and for such internal controls as the Directors determine necessary to enable the preparation 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 77 to 119 were approved by the Board of Directors on 26 February 2016 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 77 to 119. These financial statements comprise the statement of financial position as at 31 December 2015 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 determine 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 as at 31 December 2015, 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

PricewaterhouseCoopers
Chartered Accountants
Lusaka

26 February 2016

Nasir Ali
Practicing Certificate Number: AUD/7005226
Partner signing on behalf of the firm

PricewaterhouseCoopers, PwC Place, Stand No 2374, Thabo Mbeki Road, P.O. Box 30942, Lusaka, Zambia
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A list of Partners is available from the address above

Statement of comprehensive income
for the year ended 31 December 2015

In thousands of Zambian Kwacha

	Notes	2015	2014
Interest income	5	**534,205**	423,034
Interest expense	5	**(33,968)**	(35,270)
Net interest income		**500,237**	387,764
Fee and commission income	6	**162,594**	132,434
Fee and commission expense	6	**(3,539)**	(4,902)
Net fee and commission income		**159,055**	127,532
Net income from foreign exchange transactions		**112,315**	8,824
Other gains	7	**10,829,662**	1,046,890
		10,941,977	1,055,714
Net income		**11,601,269**	1,571,010
Net impairment credit/(impairment charge) on financial assets	8	**3,589**	78
Employee benefits	9	**(337,393)**	(318,706)
Depreciation and amortisation	23, 24	**(29,085)**	(23,692)
Operating expenses	10	**(517,802)**	(385,325)
		(880,691)	(727,645)
Profit for the year		**10,720,578**	843,365
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation	36	**(45,070)**	33,579
Total comprehensive income for the year		**10,675,508**	876,944

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

Statement of Financial Position

for the year ended 31 December 2015

In thousands of Zambian Kwacha

	Notes	2015	2014
Assets			
Domestic cash in hand	12	**3,582**	3,072
Foreign currency cash and bank accounts	13	**32,628,264**	19,190,417
Items in course of settlement	14	**2,489**	4,915
Held-for-trading financial assets	15	**574,101**	78,325
Loans and advances	16	**2,707,832**	2,104,569
Held-to-maturity financial assets	18	**2,005,508**	1,989,495
Other assets	36	**14,884**	12,753
Defined benefit surplus	20	**-**	45,070
Available-for-sale investments		**27,509**	24,279
IMF funds recoverable from Government of the Republic of Zambia	21	**3,466,334**	1,191,891
IMF subscriptions	22,34	**5,094,506**	4,800,381
Property, plant and equipment	23	**406,288**	349,100
Intangible assets	24	**12,418**	19,740
Total assets		**46,943,715**	29,814,007
Liabilities			
Deposits from the Government of the Republic of Zambia	27	**2,895,330**	2,834,011
Deposits from financial institutions	28	**9,647,906**	7,556,901
Foreign currency liabilities to other institutions	29	**155,886**	23,937
Other deposits	30	**34,684**	83,090
Notes and coins in circulation	31	**6,449,796**	5,727,215
Other liabilities	32	**219,674**	128,268
Provisions	33	**582,411**	291,514
Domestic currency liabilities to IMF	22,34	**5,094,506**	4,800,381
Foreign currency liabilities to IMF	35	**2,822,442**	2,120,967
SDR allocation	37	**7,145,130**	4,343,838
Total liabilities		**35,047,795**	27,910,122
Equity			
Capital	38	**500,020**	500,020
General reserve fund	39	**386,635**	175,794
Property revaluation reserve	39	**240,893**	246,279
Retained earnings	39	**10,768,372**	981,792
Total equity		**11,895,920**	1,903,885
Total liabilities and equity		**46,943,715**	29,814,007

The financial statements on pages 77 to 119 were approved for issue by the Board of Directors on 26 February 2016 and signed on its behalf by:

Governor

Director

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

Statement of Changes in Equity
for the year ended 31 December 2015

In thousands of Zambian Kwacha

	Share capital	General reserve fund	Property revaluation reserve	Retained earnings	Total Equity
Balance at 1 January 2014	500,020	92,588	251,665	308,375	1,152,648
Profit for the year	-	-	-	843,365	843,365
Transfer to general reserve fund	-	83,206	-	(83,206)	-
Other comprehensive income:					
Actuarial gain on defined benefit plan	-	-	-	33,579	33,579
Amortisation of revaluation surplus relating to properties	-	-	(5,386)	5,386	-
Total comprehensive income	-	83,206	(5,386)	799,124	876,944
Transactions with owners:					
Dividend paid to shareholders	-	-	-	(162,000)	(162,000)
Unwinding of fair value adjustment	-	-	-	36,293	36,293
Total transactions with owners	-	-	-	(125,707)	(125,707)
Balance at 1 January 2015	**500,020**	**175,794**	**246,279**	**981,792**	**1,903,885**
Profit for the year	**-**	**-**	**-**	**10,443,303**	**10,443,303**
Transfer to general reserve fund	**-**	**210,841**	**-**	**(210,841)**	**-**
Other comprehensive income:					
Actuarial gain on defined benefit plan	**-**	**-**	**-**	**(45,070)**	**(45,070)**
Amortisation of revaluation surplus relating to properties	**-**	**-**	**(5,386)**	**5,386**	**-**
Total comprehensive income	**-**	**210,841**	**(5,386)**	**10,470,053**	**10,398,233**
Transactions with owners:					
Dividend paid to shareholders	**-**	**-**	**-**	**(632,548)**	**(632,548)**
Readjusted fair value on capitalization bond				**(50,925)**	**(50,925)**
Total transactions with owners	**-**	**-**	**-**	**(683,473)**	**(683,473)**
Balance at 31 December 2015	**500,020**	**386,635**	**240,893**	**10,768,372**	**11,895,920**

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

Statement of Cash Flows

for the year ended 31 December 2015

In thousands of Zambian Kwacha

	Notes	**2015**	2014
Cash flows from operating activities			
Profit for the year		**10,720,578**	843,365
Adjustment for:			
- Depreciation/amortisation	*23, 24*	**29,085**	23,692
- Dividend income		**(3,230)**	-
- (Loss on disposal of property, plant and equipment		**301**	80
- Impairment effect on other assets	*8*	**(972)**	(602)
- Impairment effect on amounts due from closed banks	*8*	**(2,617)**	535
- Impairment effect on loans and advances	*8*	**-**	(11)
- Effects of exchange-rate changes on cash and cash equivalents		**(5,026,419)**	639,197
- Provisions made during the year	*33*	**293,114**	226,770
		6,009,238	1,733,026
Changes in operating assets and liabilities			
Change in items in course of settlement		**2,426**	(1,133)
Change in held for trading financial assets		**(495,776)**	(78,325)
Change in loans and advances		**(603,263)**	306,815
Change in held-to-maturity financial assets		**(16,013)**	(22,764)
Change in other assets		**(1,159)**	2,735
Change in amounts due from closed banks		**2,617**	(535)
Change in available-for-sale investments		**(3,230)**	(18,684)
Change in IMF funds receivable from Government of the Republic of Zambia		**(2,274,443)**	(62,028)
Change in IMF subscription		**(294,125)**	(887,289)
Change in deposits from the Government of the Republic of Zambia		**61,319**	(37,337)
Change in deposits from financial institutions		**2,091,005**	2,040,879
Change in foreign currency liabilities to other institutions		**131,949**	(154,122)
Change in other deposits		**(48,406)**	38,913
Change in other liabilities		**91,406**	34,059
Change in domestic currency liabilities to IMF		**294,125**	887,289
Change in foreign currency liabilities to IMF		**701,475**	(30,644)
Change in notes and coins in circulation		**722,581**	1,126,132
Change in SDR allocation		**2,801,292**	360,344
		9,173,018	5,237,331
Dividends received		**3,230**	-
Claims paid	*33*	**(2,187)**	(500)
Readjusted fair value on capitalization bond		**(50,925)**	-
Dividends paid to shareholders		**(632,548)**	(162,000)
Net cash inflow/(outflow) from operating activities		**8,490,588**	5,074,831
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	*23, 24*	**(80,591)**	(50,580)
Proceeds from sale of property, plant and equipment		**717**	684
Net cash used in investing activities		**(79,874)**	(49,896)
Net change in cash and cash equivalents		**8,411,938**	5,024,935
Cash and cash equivalents at the beginning of year		**19,193,489**	14,807,751
Effects of exchange-rate changes on cash and cash equivalents		**5,026,419**	(639,197)
Cash and cash equivalents at the end of the year		**32,631,846**	19,193,489
Cash and cash equivalents at the end of the year comprise of:			
Domestic cash in hand		**3,582**	3,072
Foreign currency cash and bank accounts		**32,628,264**	19,190,417
Cash and cash equivalents excluding effects of exchange rate changes		**32,631,846**	19,193,489

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

1 Principal activity

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

In these financial statements, the Bank of Zambia is also referred to as the “Bank” or “BoZ”.
The Bank is 100 per cent owned by the government of Zambia.

The Board of Directors approved these financial statements for issue on 26 February 2016. Neither the Bank's owner nor others have the power to amend the financial statements after issue.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated:

2.1 Basis of preparation

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

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

2.2 Changes in accounting policies and disclosures

2.2.1 New and amended standards adopted by the Bank

We have applied relevant IFRSs and IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2015 and assess that none would be expected to have a material financial impact on the Bank.

Amendment to IAS 19, 'Defined Benefit Plans' on employee contributions'. This amendment clarifies the accounting treatment for contributions from employees or third parties to a defined benefit plan. According to the amendments, discretionary contributions made by the employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plan specify contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to service (e.g. contributions that are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they affect the remeasurement of the net defined benefit liability or asset.

- If contributions are linked to service, they reduce service costs. If the amount of contribution is dependent on the number of years of service, the entity should reduce service costs by by attributing it to the contributions to the periods of service using the attribution method required by IAS 19 paragraph 70 (for the gross benefits). If the amount of contribution is independent of the number of years of service, the entity is permitted to either reduce service cost in the period in which the related service is rendered, or reduce service cost by attributing the contributions to the employees' periods of service in accordance with IAS 19 paragraph 70.

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38 'Intangible assets' on revaluation method – proportionate restatement of accumulated depreciation/ amortisation. The amendment to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standard clarifies that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that the accumulated depreciation/amortisation is the difference between the gross carrying amount after taking into account accumulated impairment losses.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Bank.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in Other Comprehensive Income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank is yet to assess IFRS 9's full impact.

Based on initial assessment, the directors of the Bank anticipate that the application of IFRS 9 is not expected to have a material impact on the Bank. This is because the financial instruments currently measured at fair value through profit or loss (FVTPL) will continue to be measured at FVTPL under IFRS 9. Likewise, those currently measured at amortised cost will continue to be measured at amortised cost, thereby causing no shift in valuations. However, some moderate impact is anticipated on the amounts reported in respect of the Bank's financial assets currently classified as available-for-sale investment (e.g. the Bank's investments in Zambia Electronic Clearing House Limited and Africa Export Import Bank). Financial assets currently classified as available-for-sale investment presently held at cost 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.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Bank is assessing the impact of IFRS 15.

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.

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2 Significant accounting policies *(Continued)*

2.4 Interest income and expense *(Continued)*

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

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

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

- interest on financial assets and liabilities at amortised cost calculated on an effective interest basis; and

- interest on available-for-sale investment securities calculated on an effective interest basis.

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

2.5 Fees and commission income

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

2.6 Dividend income

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

2.7 Rental income

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

2.8 Foreign currency transactions and balances

In preparing the financial statements of the Bank, transactions in foreign currencies are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at 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.

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.1 Financial assets *(Continued)*

(a) Classification

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

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

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

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

A financial asset is classified as held for trading if:

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

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

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

The Bank 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.

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.1 Financial assets *(Continued)*

(a) Classification (Continued)

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.

Items classified as loans and receivables include budgetary advances to Government, capitalisation bond, credit to banks and staff loans

(b) Recognition and measurement

Held-to-maturity investments

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

Available-for-sale

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

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

(c) Derecognition

The Bank de-recognises financial assets or a portion thereof when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. 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.

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.1 Financial assets *(Continued)*

(d) Impairment of financial assets (Continued)

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

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

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

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

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

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

2.9.2 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

2 Significant accounting policies *(Continued)*

2.9 Financial instruments *(Continued)*

2.9.2 Financial liabilities *(Continued)*

Financial liabilities at FVTPL (Continued)

- 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.

De- recognition of financial liabilities

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

2.10 Determination of fair value

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

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with 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.

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

2 Significant accounting policies *(Continued)*

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 at cost less accumulated depreciation and accumulated impairment losses.

(c) Subsequent costs

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

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

(d) Depreciation

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

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

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

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

	2015	2014
Buildings	**2%**	2%
Fixtures and fittings	**4%**	4%
Plant and machinery	**5%**	5%
Furniture	**10%**	10%
Security systems and other equipment	**10-20%**	10-20%
Motor vehicles	**25%**	25%
Armoured Bullion Vehicles	**10%**	10%
Armoured Escort Vehicles	**16.7%**	16.7%
Computer equipment - hardware	**25%**	25%
Office equipment	**33.3%**	33.3%

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

2 Significant accounting policies *(Continued)*

(e) De- recognition

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

(f) Capital work-in-progress

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

2.13 Intangible assets - computer software

(a) Intangible assets acquired separately

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

(b) Internally-generated intangible assets

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

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

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

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

2.14 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.

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

2 Significant accounting policies *(Continued)*

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 lower of any surplus in the fund and the 'asset ceiling' (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

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.

The Bank has a device referred to as Voluntary Early Separation Scheme (VESS) designed to exit permanent and pensionable staff who volunteer under the rules and conditions as defined and approved by the Board of Directors. VESS costs are recognised as an expense in full when the Bank approves a separation request of a member of staff who meets eligibility conditions stipulated under the VESS rules.

(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.

2 Significant accounting policies *(Continued)*

(e) Other staff benefits

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

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

2.16 Cash and cash equivalents

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

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

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

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

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

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

The Quota is fixed in Special Drawing Rights and may be increased by the IMF. Any increase in the quota is subscribed in local currency by way of non-negotiable, non-interest bearing securities issued by GRZ in favour of the IMF, which are repayable on demand. There is also a possibility that the increase in the quota 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 Significant accounting policies *(Continued)*

2.20 Currency printing and minting expenses

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

2.21 Sale and repurchase agreements

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

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

3.1 Realised foreign exchange revaluation gains

In establishing the amounts recognised as realised foreign exchange gains or losses in the profit or loss, the Bank applies first in first out (FIFO) basis for valuation the foreign exchange stock sold. Management appraises the appropriateness of valuation techniques used and ensures consistency in such methods from period to period and across currencies and asset sold. Further information regarding the impact of realised foreign exchange revaluation gains on the Bank's performance is contained in note 7.

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 and advances before the decrease can be identified with individual loans or advances. 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.

In thousands of Zambian Kwacha

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:

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

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

Financial assets	Held for trading	Held to maturity	Loans and receivables	Available-for-sale	Total
At 31 December 2015					
Domestic cash in hand	**3,582**	**-**	**-**	**-**	**3,582**
Foreign currency cash and bank accounts	**32,628,264**	**-**	**-**	**-**	**32,628,264**
Items in course of settlement	**-**		**2,489**		**2,489**
Held-for-trading financial assets	**574,101**	**-**	**-**	**-**	**574,101**
Loans and advances	**-**	**-**	**2,707,832**	**-**	**2,707,832**
Held to maturity financial assets	**-**	**2,005,508**	**-**	**-**	**2,005,508**
Available-for- sale investments	**-**	**-**	**-**	**27,509**	**27,509**
IMF funds recoverable from the Government of the Republic of Zambia	**-**	**-**	**3,466,334**	**-**	**3,466,334**
IMF Subscriptions	**-**	**-**	**5,094,506**	**-**	**5,094,506**
	33,205,947	**2,005,508**	**11,271,161**	**27,509**	**46,510,125**
At 31 December 2014					
Domestic cash in hand	3,702	-	-	-	3,702
Foreign currency cash and bank accounts	19,190,417	-	-	-	19,190,417
Items in course of settlement	-	-	4,915	-	4,915
Held-for-trading financial assets	78,325	-	-	-	78,325
Loans and advances	-	-	2,104,569	-	2,104,569
Held to maturity financial assets	-	1,989,485	-	-	1,989,485
Available-for- sale investments	-	-	-	24,279	24,279
IMF funds recoverable from the Government of the Republic of Zambia	-	-	1,191,891	-	1,191,891
IMF Subscriptions	-	-	4,800,381	-	4,800,381
	19,272,444	1,989,485	8,101,756	24,279	29,387,964

Financial liabilities	Financial liabilities at amortised cost	Total
At 31 December 2015		
Deposits from the Government of the Republic of Zambia	**2,895,330**	**2,895,330**
Deposits from financial institutions	**9,647,906**	**9,647,906**
Foreign currency liabilities to other institutions	**155,886**	**155,886**
Other deposits	**34,684**	**34,684**
Notes and coins in circulation	**6,449,796**	**6,449,796**
Other liabilities	**219,674**	**219,674**
Domestic currency liabilities to the IMF	**859,716**	**859,716**
Foreign currency liabilities to the IMF	**5,094,506**	**5,094,506**
SDR allocation	**7,145,130**	**7,145,130**
	32,502,628	**32,502,628**

Financial liabilities	**Financial liabilities at amortised cost**	**Total**
At 31 December 2014		
Deposits from the government of the Republic of Zambia	2,834,011	2,834,011
Deposits from financial institutions	7,556,901	7,556,901
Foreign currency liabilities to other institutions	23,937	23,937
Other deposits	83,090	83,090
Other liabilities	5,727,215	5,727,215
Domestic currency liabilities to the IMF	128,268	128,268
Foreign currency liabilities to the IMF	4,800,381	4,800,381
Notes and coins in circulation	2,120,967	2,120,967
SDR allocation	4,343,838	4,343,838
	27,618,608	27,618,608

4 Risk management policies *(Continued)*

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a counterparty to a financial instrument fails to meet its obligations and arises principally from the Bank's receivables from staff, GRZ, commercial banks, 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	A1	A	A+	A-
Bank of New York Mellon (BNY)	A1	A	AA-	A-
Deutsche Bundesbank	Aaa	AAAu	AAA	A-
Bank of England (BOE)	Aa1	AAAu	AA+	A-
South African Reserve Bank	Baa2	BBB-	BBB-	A-
Bank of Mauritius	Baa1	N/A	N/A	A-
Bank for International Settlement	Aaa	AAA	AAA	A-

Exposure to credit risk

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

The Bank invests its reserves in assets that are deemed to have low credit risk such as balances at other central banks, or balances at highly rated supranational such as the Bank for International Settlement (BIS) and other counterparties meeting minimum accepted ratings criteria.

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

(i) GRZ bonds and Treasury Bills

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

(ii) Fixed term deposits

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

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

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

(b) Credit risk *(Continued)*

Exposure to credit risk (Continued)

Neither past due nor impaired - Institutional credit risk exposure analysis

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

Financial Asset	**Ratings - 2015**					
	Aaa	**A1**	**Aa1**	**Baa1**	**Baa2**	**Total**
Cash balances	**2,281,705**	**226,966**	**5,301**	**3,253**	**6**	**2,517,231**
Deposits	**21,387,187**	**-**	**-**	**-**	**-**	**21,387,187**
Securities	**3,908,305**	**-**	**-**	**-**	**-**	**3,908,305**
Special drawing rights	**4,815,541**	**-**	**-**	**-**	**-**	**4,815,541**
Total	**32,392,738**	**226,966**	**5,301**	**3,253**	**6**	**32,628,264**

	Ratings - 2014					
Financial Asset	Aaa	A2	Aa1	Aa2	Baa1	Total
Cash balances	1,115,260	363	17,415	639	1,167	1,134,844
Deposits	12,777,395	-	-	-	-	12,777,395
Securities	1,946,306	-	-	-	-	1,946,306
Special drawing rights	3,331,872	-	-	-	-	3,331,872
Total	19,170,833	363	17,415	639	1,167	19,190,417

(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 security in the form of terminal benefits payments.

The Bank holds collateral against certain staff loans and advances to former and serving staff in form of mortgage interest over property and endorsement of the Bank's interest in motor vehicle documents of title. Estimates of the fair values of the securities are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

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

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

	Loans and advances (Note 15)	
	2015	2014
Against neither past due nor impaired		
- Property	**10,636**	17,736
- Gratuity and leave days	**30,944**	29,141
- Motor vehicles	**14,253**	9,486
	55,833	56,363

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.

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 *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)	
	2015	2014
Carrying amount		
- Staff loans	**68,978**	50,641
- Staff advances	**4,668**	1,660
	73,646	52,301
Concentration by nature		
- House loans	**10,636**	17,736
- Multi-purpose loans	**40,753**	21,083
- Motor vehicle loans	**14,253**	9,486
- Other advances	**4,668**	1,917
- Personal loans	**3,336**	2,079
	73,646	52,301

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

Government has a rating of B stable from S & P and advances to them are considered low risk. Advances extended to commercial banks were fully collaterised. As at 31 December 2015, 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 **K124,4 million** (2014: K126.9 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 Board 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.

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

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 2015	Financial institutions	Government	Individuals	Others	Total
Foreign currency cash and bank accounts	**32,628,264**	**-**	**-**	**-**	**32,628,264**
Items in course of settlement	**2,489**	**-**	**-**	**-**	**2,489**
Held-for-trading financial assets	**574,101**	**-**	**-**	**-**	**574,101**
Loans and advances	**124,767**	**2,509,419**	**73,636**	**-**	**2,707,832**
Held-to-maturity financial assets	**-**	**2,005,508**	**-**	**-**	**2,005,508**
Available-for-sale investments	**27,509**	**-**	**-**	**-**	**27,509**
IMF funds recoverable from Government of the Republic of Zambia	**-**	**3,466,334**	**-**	**-**	**3,466,334**
IMF subscriptions	**5,094,506**	**-**	**-**	**-**	**5,094,506**
Total	**38,451,636**	**7,981,261**	**73,636**	**-**	**46,506,543**

31 December 2014	Financial institutions	Government	Individuals	Others	Total
Foreign currency cash and bank accounts	19,190,417	-	-	-	19,190,417
Items in course of settlement	4,915	-	-	-	4,915
Held-for-trading financial assets	-	78,325	-	-	78,325
Loans and advances	23,569	2,026,321	54,679	-	2,104,569
Held-to-maturity financial assets	-	1,989,495	-	-	1,989,495
Available-for-sale investments	20,729	-	-	3,550	24,279
IMF funds recoverable from Government of the Republic of Zambia	-	1,191,891	-	-	1,191,891
IMF subscriptions	4,800,381	-	-	-	4,800,381
	24,040,011	5,286,032	54,679	3,550	29,384,272

(c) Liquidity risk

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

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

The following table provides an analysis of the financial assets held for managing liquidity risk and liabilities of the Bank into relevant maturity groups based on the remaining period to repayment from 31 December 2015.

In thousands of Zambian Kwacha

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

(c) Liquidity risk *(Continued)*

Financial assets and liabilities held for managing liquidity risk

31 December 2014	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	2,834,011	-	-	-	-	2,834,011
Deposits from financial institutions	7,556,901	-	-	-	-	7,556,901
Foreign currency liabilities to other institutions	23,937	-	-	-	-	23,937
Other deposits	83,090	-	-	-	-	83,090
Notes and coins in circulation	5,727,215	-	-	-	-	5,727,215
Other liabilities	-	-	128,268	-	-	128,268
Domestic currency liabilities to IMF	4,800,381	-	-	-	-	4,800,381
Foreign currency liabilities to IMF	2,120,967	-	-	-	-	2,120,967
SDR allocation	4,343,838	-	-	-	-	4,343,838
Total non-derivative liabilities	27,490,340	-	128,268	-	-	27,618,608
Assets held for managing liquidity risk						
Domestic cash in hand	3,072	-	-	-	-	3,072
Foreign currency cash and bank accounts	19,561,151	6,100	6,975	-	-	19,574,226
Held-for-trading financial assets	-	81,896	-	-	-	81,896
Held-to-maturity financial assets	-	-	638,462	1,434,443	-	2,072,905
Loans and advances	27,742	1,736,607	130,000	260,000	15,771	2,170,120
IMF funds recoverable from the Government of the Republic of Zambia	1,191,891	-	-	-	-	1,191,891
IMF Subscription	4,800,381	-	-	-	-	4,800,381
Total assets held for managing liquidity risk	25,584,237	1,824,603	775,437	1,694,443	15,771	29,894,491
Net exposure	(1,906,103)	1,824,603	647,169	1,694,443	15,771	2,275,883

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.

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(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.

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 2014 was as shown in the table below:

	USD	GBP	EUR	SDR	Other	Total Kwacha
At 31 December 2015						
Foreign currency assets						
Foreign currency cash and bank accounts	**23,912,634**	**2,135,254**	**94,962**	**4,815,541**	**1,669,873**	**32,628,264**
IMF Subscriptions	**-**	**-**	**-**	**5,094,507**	**-**	**5,094,507**
Total foreign currency assets	**23,912,634**	**2,135,254**	**94,962**	**9,910,048**	**1,669,873**	**37,722,771**
Foreign currency liabilities						
Foreign currency liabilities to other institutions	**154,840**	**61**	**985**	**-**	**-**	**155,886**
Foreign currency liabilities to IMF	**-**	**-**	**-**	**2,822,442**	**-**	**2,822,442**
SDR allocation	**-**	**-**	**-**	**7,145,129**	**-**	**7,145,129**
Total foreign currency liabilities	**154,840**	**61**	**985**	**9,967,571**	**-**	**10,123,457**
Net exposure	**23,757,794**	**2,135,193**	**93,977**	**(57,523)**	**1,669,873**	**27,599,314**

	USD	GBP	EUR	SDR	Other	Total Kwacha
At 31 December 2014						
Foreign currency assets						
Foreign currency cash and bank accounts	13,593,099	1,231,890	2	3,331,872	1,033,554	19,190,417
IMF Subscriptions	-	-	-	4,800,381	-	4,800,381
Total foreign currency assets	13,593,099	1,231,890	2	8,132,253	1,033,554	23,990,798
Foreign currency liabilities						
Foreign currency liabilities to other institutions	9,551	37	14,349	-	-	23,937
Foreign currency liabilities to IMF	-	-	-	2,120,966	-	2,120,966
SDR allocation	-	-	-	4,343,838	-	4,343,838
Total foreign currency liabilities	9,551	37	14,349	6,464,804	-	6,488,741
Net exposure	13,583,548	1,231,853	(14,347)	1,667,449	1,033,554	17,502,057

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

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	
	2015 ZMW	2014 ZMW
SDR 1	**15.23**	9.26
GBP 1	**16.26**	9.93
EUR 1	**11.99**	7.77
USD 1	**10.98**	6.39

Foreign currency sensitivity

The following table illustrates the impact of a **12%** (2014: 12%) strengthening of the Kwacha against the relevant foreign currencies. 12% is based on long term observable trends, presented to key management personnel, in the value of Kwacha to major foreign currencies. The performance of the Kwacha against major currencies, in 2015, where on average 72% depreciation was recorded is considered an outlier and is ignored in the determination of the likely percentage change. The sensitivity analysis includes only foreign currency denominated monetary items outstanding at reporting date and adjusts their translation for a 12% change in foreign currency rates. This analysis assumes all other variables; in particular interest rates remain constant.

Effect in millions of Kwacha	**Equity ZMW**	**Profit or (loss) ZMW**
31 December 2015		
SDR	**6,903**	**6,903**
USD	**(2,850,935)**	**(2,850,935)**
EUR	**(11,277)**	**(11,277)**
GBP	**(256,223)**	**(256,223)**
31 December 2014		
SDR	(200,094)	(200,094)
USD	(1,630,026)	(1,630,026)
EUR	1,722	1,722
GBP	(147,822)	(147,822)

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. The Bank benchmarks its overall foreign exchange portfolio duration against BofA Merrill Lynch 0 – 3 Year U.S Treasury Index. The portfolio duration closed the month of December 2015 at **1.32** years against the benchmark of **1.34** years. This implies that had interest rates changed by 100 basis points, the portfolio was expected to change by **1.32%** while the benchmark would change by **1.34%**.

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.

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 Budget and Finance Committee, Investment Committee and the Executive Committee. The Board reviews the performance against budget on a quarterly basis.

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(f) Exposure to interest rate risk

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 working capital tranches to obtain optimum balance that enhances returns while assuring security.

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.

	Less than 3 months	Between 3 months and one year	Over 1 year	Non-interest bearing	Total
At 31 December 2015					
Assets					
Domestic cash in hand				**3,584**	**3,584**
Foreign currency cash and bank accounts	**32,623,381**	**-**	**-**	**4,883**	**32,628,264**
Items in course of settlement	**-**	**-**	**-**	**2,489**	**2,489**
Held-for-trading financial assets	**574,101**	**-**	**-**	**-**	**574,101**
Loans and advances	**148,806**	**72,385**	**2,485,390**	**1,251**	**2,707,832**
Held-to-maturity financial assets	**-**	**625,775**	**1,379,733**		**2,005,508**
Available-for-sale investments	**-**	**-**	**23,959**	**3,550**	**27,509**
IMF funds receivable from Government	**-**	**-**	**-**	**3,466,334**	**3,466,334**
IMF Subscriptions	**-**	**-**	**-**	**5,094,506**	**5,094,506**
Total financial assets	**33,346,288**	**698,160**	**3,889,082**	**8,576,597**	**46,510,127**
Liabilities					
Deposits from the GRZ	**-**	**-**	**-**	**2,895,330**	**2,895,330**
Deposits from financial institutions	**-**	**-**	**-**	**9,647,906**	**9,647,906**
Foreign currency liabilities to other institutions	**-**	**-**	**-**	**155,886**	**155,886**
Other deposits	**34,684**	**-**	**-**	**-**	**34,684**
Notes and coins in circulation	**-**	**-**	**-**	**6,449,796**	**6,449,796**
Other liabilities	**-**	**-**	**-**	**219,674**	**219,674**
Domestic currency liabilities to IMF	**-**	**-**	**-**	**5,094,506**	**5,094,506**
Foreign currency liabilities to IMF	**-**	**-**	**-**	**2,822,442**	**2,822,442**
SDR allocation	**-**	**-**	**-**	**7,145,130**	**7,145,130**
Total financial liabilities	**34,684**	**-**	**-**	**34,430,670**	**34,465,354**
Net exposure at 31 December 2015	**33,311,604**	**698,160**	**3,889,082**	**(25,854,073)**	**12,044,773**

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

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

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

At 31 December 2014	Less than 3 months	Between 3 months and one year	Over 1 year	Non-interest bearing	Total
Assets					
Domestic cash in hand	-	-	-	3,072	3,072
Foreign currency cash and bank accounts	19,186,692	-	-	3,725	19,190,417
Items in course of settlement	-	-	-	4,915	4,915
Held-for-trading financial assets	-	78,325	-	-	78,325
Loans and advances	23,569	24,602	2,052,225	4,173	2,104,569
Held-to-maturity financial assets	-	625,775	1,363,720	-	1,989,495
Available-for-sale investments	-	-	20,729	3,550	24,279
IMF funds receivable from Government	-	-	-	1,191,891	1,191,891
IMF Subscriptions	-	-	-	4,800,381	4,800,381
Total financial assets	19,210,261	728,702	3,436,674	6,011,707	29,387,344
Liabilities					
Deposits from the GRZ	-	-	-	2,834,011	2,834,011
Deposits from financial institutions	-	-	-	7,556,901	7,556,901
Foreign currency liabilities to other institutions	-	-	-	23,937	23,937
Other deposits	83,090	-	-	-	83,090
Other liabilities				5,727,215	5,727,215
Domestic currency liabilities to IMF	-	-	-	128,268	128,268
Foreign currency liabilities to IMF	-	-	-	4,800,381	4,800,381
Notes and coins in circulation	-	-	-	2,120,967	2,120,967
SDR allocation	-	-	-	4,343,838	4,343,838
Total financial liabilities	83,090	-	-	27,535,518	27,618,608
Net exposure at 31 December 2014	19,127,171	728,702	3,436,674	(21,523,811)	1,768,736

(g) Fair values

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

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

4 Risk management policies *(Continued)*

(g) Fair values *(Continued)*

	Carrying amount 2015	Fair value 2015	Carrying Amount 2014	Fair value 2014
Assets				
Domestic cash in hand	**3,582**	**3,582**	3,072	3,072
Foreign currency cash and bank accounts	**32,628,264**	**32,628,264**	19,190,417	19,190,417
Items in course of settlement	**2,489**	**2,489**	4,915	4,915
Held-for-trading financial assets	**574,101**	**574,101**	78,325	78,325
Loans and advances	**2,707,832**	**2,707,832**	2,104,569	2,066,803
Held-to-maturity financial assets	**2,005,508**	**2,005,508**	1,989,495	1,657,183
Available-for-sale investments	**27,509**	**27,509**	24,279	24,279
IMF funds receivable from GRZ	**3,466,334**	**3,466,334**	1,191,891	1,191,891
IMF Subscriptions	**5,094,506**	**5,094,506**	4,800,381	4,800,381
Total financial assets	**46,510,125**	**46,510,125**	29,387,344	29,017,266
Liabilities				
Deposits from the GRZ	**2,895,330**	**2,895,330**	2,834,011	2,834,011
Deposits from financial institutions	**9,647,906**	**9,647,906**	7,556,901	7,556,901
Foreign currency liabilities to other institutions	**155,886**	**155,886**	23,937	23,937
Other deposits	**34,684**	**34,684**	83,090	83,090
Notes and coins in circulation	**6,449,796**	**6,449,796**	5,727,215	5,727,215
Other liabilities	**219,674**	**219,674**	128,268	128,268
Domestic currency liabilities to IMF	**5,094,506**	**5,094,506**	4,800,382	4,800,382
Foreign currency liabilities to IMF	**2,822,442**	**2,822,442**	2,120,966	2,120,966
SDR allocation	**7,145,130**	**7,145,130**	4,343,838	4,343,838
Total financial liabilities	**34,465,354**	**34,465,354**	27,618,608	27,618,608

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.

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Held for trading financial assets	**-**	**574,101**	**-**	**574,101**
Availale-for-sale financial instruments	**-**	**-**	**27,509**	**27,509**
	-	**574,101**	**27,509**	**601,610**

31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Held for trading financial assets	-	78,325	-	78,325
Availale-for-sale financial instruments	-	-	24,279	24,279
	-	-	24,279	102,604

At 31 December 2015, the Bank did not have financial liabilities measured at fair value (2014: nil).

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

(h) Management of capital

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

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

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

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

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

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

	Notes	**2015**	2014
Capital	*38*	**500,020**	500,020
Retained earnings	*39*	**10,491,097**	981,794
General reserve fund	*39*	**386,635**	175,792
Property revaluation reserve	*39*	**240,893**	246,279
Total		**11,895,920**	1,903,885

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.

5 Interest income

	2015	2014
Interest on held-to-maturity Government securities	**242,579**	215,795
Interest on loans and receivables	**214,648**	165,295
Interest on foreign currency investments and deposits	**76,978**	41,944
Total interest income	**534,205**	423,034

Interest expense	**2015**	2014
Interest arising on open market operations	**30,802**	33,305
Interest arising on staff savings	**3,166**	1,965
Total interest expense	**33,968**	35,270

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

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

6 Fee and commission income

	2015	2014
Fees and commission income on transactions with the GRZ	**75,536**	60,487
Supervision fees	**69,155**	59,968
Penalties	**8,533**	6,480
Other	**8,241**	4,438
Licences and registration fees	**1,129**	1,061
Fees and commission income	**162,594**	132,434
Fee and commission expense		
Arising on foreign exchange transactions	**3,539**	4,902

7 Other gains and losses

	2015	2014
Net realised foreign exchange gains	**5,791,371**	1,683,779
Net unrealised foreign exchange gains/(losses)	**5,026,419**	(639,197)
Other income	**7,618**	1,835
Dividend on available-for-sale investments	**3,230**	-
Rental income	**723**	553
Gain/(Loss) on disposal of property, plant and equipment	**301**	(80)
	10,829,662	1,046,890

The significant income earned in respect of net realised foreign exchange gains arose on account of the marked depreciation of the Kwacha against major foreign currencies as well as increased sales of foreign exchange, during the year, to meet Government debt service obligations and for market support through supply of foreign exchange to Commercial Banks. The sales of foreign exchange to the Commercial Banks was deployed as part of an array of monetary policy instruments deployed by the Bank to tighten liquidity and partially as a measure to slow down the depreciation of the Kwacha and the related inflationary pressures, witnessed during the year. The Kwacha depreciated by about **72%** from an opening rate of **K6.39** per US dollars as at 31st December 2014 to close at **K10.98** on 31st December 2015, and had the effect of increasing the net unrealised foreign exchange gains.

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 2014				
Impairment loss for the year	126,439	2,484	23,536	152,459
- Charge for the year	535	-	-	535
- Reversal during the year	-	(602)	(11)	(613)
	535	(602)	(11)	(78)
Balance at 31 December 2014	126,974	1,882	23,525	152,381
At 1 January 2015	**126,974**	**1,882**	**23,525**	**152,381**
Impairment loss for the year				
- Charge for the year	**802**	**-**	**-**	**-**
- Reversal during the year	**(3,419)**	**(972)**	**-**	**-**
	(2,617)	**(972)**	**-**	**(3,589)**
Balance at 31 December 2015	**124,357**	**910**	**23,525**	**148,792**

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

9 Employee benefits

	2015	2014
Wages and salaries	**158,247**	162,433
Other employee costs	**150,002**	133,155
Employer's pension contributions	**18,027**	16,091
Employer's NAPSA contributions	**4,685**	4,653
Staff loan benefit (Note 15)	**6,432**	2,374
	337,393	318,706

10 Operating expenses

	2015	2014
Administrative expenses	**404,007**	332,336
Expenses for bank note production	**98,894**	40,795
Repairs and maintenance	**14,839**	12,137
Kwacha rebasing expense	**53**	42
Sundry banking office expenses	**9**	15
	517,802	385,325

Administrative expenses were considerably higher than those in the previous year on account of exceptional provisions in respect of legal related expenses.

11 Income tax

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

12 Foreign currency cash and bank accounts

	2015	2014
Deposits with non-resident banks	**21,387,187**	12,776,244
Special Drawing Rights ("SDRs")	**4,815,541**	3,331,872
Clearing correspondent accounts with other central banks	**3,358,897**	1,966,262
Current account balances with non-resident banks	**3,061,756**	1,112,314
Foreign currency cash with banking office	**4,884**	3,725
	32,628,264	19,190,417

13 Items in course of settlement

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

14 Held-for-trading financial assets

Balances represent actual holdings of Treasury Bills acquired by the Bank through rediscounts by commercial banks. The high variance between holdings outstanding as at 31 December 2014 and those recorded as at 31 December 2015 is due higher level of rediscounts on account of the tighter monetary policy actions undertaken by the Bank during the year.

In thousands of Zambian Kwacha

15 Loans and advances

	2015	2014
Staff loans	**62,047**	46,726
Staff loans benefit at market value	**10,347**	3,915
Total staff loans	**72,394**	50,641
Budgetary advances to the Government	**2,219,611**	1,612,005
Capitalisation bond (Note 38)	**289,294**	440,219
Credit to banks	**148,806**	23,569
Staff advances	**1,252**	1,660
	2,731,357	2,128,094
Specific allowances for impairment (Note 8)	**(23,525)**	(23,525)
Total loans and advances	**2,707,832**	2,104,569

Staff loans

Movement in staff loans benefit

	2015	2014
Balance at 1 January	**3,915**	1,541
Current year fair value adjustment of new loans	**12,864**	4,748
	16,779	6,289
Amortised to statement of comprehensive income (Note 9)	**(6,432)**	(2,374)
Balance at 31 December	**10,347**	3,915

Loans and advances to staff 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:

	2015	2014
House loans	**10%**	10%
Personal loans	**10%**	10%
Multi-purpose loans	**12.5%**	12.5%

Recapitalisation bond

The capitalisation bond of **K289,3 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:

	2015	2014
Total Capitalisation bond	**390,000**	490,000
Fair value adjustment	**(100,706)**	(86,704)
	289,294	403,926
Unwinding of fair value adjustment	**-**	36,293
Capitalisation bond after adjustments	**289,294**	440,219

As a way of financing the outstanding called up capital of **K490.0 million** 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 were designated as “GRZ Equity injection bonds, Series 2013A”, and were authorised by the Public Finance Act in the aggregate sum **of K490.0 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.

During the year, the 2013A bonds dates of delivery were revised by the issuer as per table below with a resulting impact of a fair value adjustment of **K50.9 million**.The first instalment was paid on 16 January 2015 while the remaining three instalments are awaited as scheduled.

In thousands of Zambian Kwacha

15 Loans and advances (Continued)

Order	2013A serial bonds	Principal amount due	Maturity date
1	2015	100,000	16 January 2015
2	2016	130,000	30 June 2016
3	2017	130,000	30 June 2017
4	2018	130,000	30 June 2018

The first installment was paid on 16 January 2015 while the remaining three installments are awaited as schedule:

(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

	2015	2014
GRZ consolidated securities (Note 17)	**1,794,288**	1,781,911
Other GRZ securities	**196,895**	193,628
Staff savings treasury bills	**14,325**	13,956
	2,005,508	1,989,495

17 The GRZ consolidated securities

	2015	2014
6% GRZ consolidated bond	**1,154,874**	1,143,449
364 days Treasury Bills	**639,414**	638,462
	1,794,288	1,781,911

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.

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 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 12.58%. 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.

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

18 Other assets

	2015	2014
Prepayments	**9,996**	10,072
Sundry receivables	**4,003**	3,105
Stationery and office consumables	**1,795**	1,458
	15,794	14,635
Specific allowances for impairment (Note 8)	**(910)**	(1,882)
	14,884	12,753

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

	2015	2014
Advances	**124,357**	126,974
Specific allowances for impairment (Note 8)	**(124,357)**	(126,974)
	-	-

20 Available-for-sale investments

	2015	2014
Zambia Electronic Clearing House Limited	**3,550**	3,550
African Export Import Bank	**23,959**	20,729
	27,509	24,279

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. 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 **K0.060 million** (2014: K0.044 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.

Growth in investment follows AEIB's payment of dividend equivalent to **K 3.230 million**, all of which was converted into equity. This was in line with AEIB's call for equity increase to strengthen its capital to enable improved pursuance of its mandate.

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

	2015	2014
Poverty Reduction and Growth Facility (PRGF)*	**3,461,211**	1,191,528
Accrued charges - SDR Allocation	**5,123**	363
	3,466,334	1,191,891

* Formerly Enhanced Structural Adjustment Facility (ESAF) obligation.

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

21 IMF funds recoverable from the Government of the Republic of Zambia (Continued)

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** (2014: 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 2015 and 2014. The valuation is conducted once every 30 April of the year by the IMF and advised to member countries to effect the necessary adjustments.

23 Property, plant and equipment

	Leasehold buildings	Furniture, Fittings, computer, plant, machinery & equipment	Motor vehicle, bullion truck and escort vehicle	Capital work-in progress	Total
Cost or valuation					
At 1 January 2014	267,841	119,469	29,091	10,492	426,893
Additions	266	13,228	1,701	35,042	50,237
Transfers	1,150	1,127	4,697	(26,444)	(19,470)
Revaluation	-	-	-	-	-
Disposals	-	(3,700)	(3,252)	-	(6,952)
31 December 2014	269,257	130,124	32,237	19,090	450,708
At 1 January 2015	**269,257**	**130,124**	**32,237**	**19,090**	**450,708**
Additions	**-**	**14,414**	**7,355**	**57,970**	**79,739**
Transfers	**137**	**6,002**	**1,157**	**(8,148)**	**(852)**
Disposals	**(16)**	**(790)**	**(1,656)**	**-**	**(2,462)**
31 December 2015	**269,378**	**149,750**	**39,093**	**68,912**	**527,133**
Accumulated depreciation					
At 1 January 2014	453	70,337	17,811	-	88,601
Charge for the year	5,358	9,884	3,953	-	19,195
Disposals	-	(2,935)	(3,253)	-	(6,188)
At 31 December 2014	5,811	77,286	18,511	-	101,608
At 1 January 2015	**5,811**	**77,286**	**18,511**	**-**	**101,608**
Charge for the year	**5,386**	**10,576**	**4,902**	**-**	**20,864**
Disposals	**-**	**(162)**	**(1,465)**	**-**	**(1,627)**
At 31 December 2015	**11,197**	**87,700**	**21,948**	**-**	**120,845**
Carrying amounts					
At 31 December 2015	**258,181**	**62,050**	**17,145**	**68,912**	**406,288**
At 31 December 2014	263,446	52,838	13,726	19,090	349,100

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

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 **ZMW12.1 million** (2014: ZMW12.6 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 2014	32,039
Additions	343
Transfer from work-in-progress (Note 23)	19,470
At 31 December 2014	51,852
At 1 January 2015	**51,852**
Additions	**843**
Adjustments	**(796)**
Transfer from work-in-progress (Note 23)	**852**
At 31 December 2015	**52,751**
Amortisation and impairment	
At 1 January 2014	27,615
Amortisation charge for the year	4,497
At 31 December 2014	32,112
At 1 January 2015	**32,112**
Amortisation charge for the year	**8,221**
At 31 December 2015	**40,333**
Carrying amounts	
At 31 December 2015	**12,418**
At 31 December 2014	19,740

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.

26 Capital expenditure commitments

	2015	2014
Authorised by the directors and contracted for	**132,735**	53,385

The funds to meet the capital expenditure 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.

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

28 Deposits from financial institutions

	2015	2014
Statutory minimum reserve requirements	**8,666,970**	5,107,883
Commercial bank current accounts	**979,497**	2,448,369
Deposits from other international financial institutions	**361**	361
Term deposits from financial institutions	**1,044**	254
Deposits from other central banks	**34**	34
	9,647,906	7,556,901

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 2015.

The increase in statutory minimum reserve requirements is reflective of monetary policy measures the Bank executed, during the year, to tighten liquidity, slow down the depreciation of the Kwacha and stem the attendant inflationary pressures.

29 Foreign currency liabilities to other institutions

These are from foreign governments and institutions, are non-interest bearing deposits and are repayable on demand. Balances at end of year relate mainly to funds provided to the Bank by foreign institutions in respect of project support.

30 Other deposits

	2015	2014
Staff savings, deposits and clearing accounts	**34,684**	83,090

Staff savings bear floating-interest rates compounded on a daily basis and paid at the end of the month. They are repayable on demand.

31 Notes and coins in circulation

	2015	2014
Bank notes issued by denomination		
K100	**4,228,092**	3,219,382
K50	**1,401,960**	1,574,478
K20	**331,886**	429,192
K10	**150,766**	172,900
K5	**83,994**	72,332
K2	**40,211**	47,852
Unrebased notes	**81,135**	103,764
Bank notes issued	**6,318,044**	5,619,900
Coins issued	**131,752**	107,315
	6,449,796	5,727,215

32 Other liabilities

	2015	2014
Accrued expenses payable	**105,992**	65,764
Accounts payable	**113,682**	62,504
	219,674	128,268

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

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

33 Provisions

	2015	2014
Balance at 1 January	**291,514**	65,244
Provisions made during the year	**293,114**	226,770
Payments made during the year	**(2,187)**	(500)
Balance at 31 December	**882,441**	291,514

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.

34 Domestic currency liabilities to IMF

	2015	2014
International Monetary Fund:		
Securities account	**5,080,152**	4,786,038
No. 1 account	**14,150**	14,150
No. 2 account	**204**	193
	5,094,506	4,800,381

35 Foreign currency liabilities to IMF

	2015	2014
Due to the International Monetary Fund:		
- Poverty Reduction and Growth Facility (PRGF) (a)	**2,818,251**	2,120,036
- Charges on SDR allocation (b)	**4,191**	931
	2,822,442	2,120,967

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:

	2015	2014
Fair value of plan assets	**465,645**	463,138
Impact of asset ceiling	**(43,049)**	-
Present value of defined benefit obligations	**(422,596)**	(418,068)
Recognised asset for defined benefit obligations	**-**	45,070

A reconciliation of the net defined benefit obligation is as shown below:

	2015	2014
Net asset at 1 January	**45,070**	11,491
Remeasurements recognised in other comprehensive income	**(45,070)**	33,579
Net asset at 31 December	**-**	45,070

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 12 February 2016 in respect of results as at 31 December 2015.

Remeasurements to be recognised in other comprehensive income:

	2015	2014
Return on plan assets (excluding amounts in net interest)	**20,764**	(3,208)
Gain from change in financial assumptions	**(49,871)**	-
Experience losses/(gains)	**31,128**	(30,371)
Charge due to impact of asset ceiling	**43,049**	-
Remeasurements	**45,070**	(33,579)

The charge due to impact of asset ceiling arises due to the fact that even though the fund recorded an actuarial surplus, the Bank as sponsor will not enjoy any break in contributions and should, therefore, not recognise an actuarial asset in its books. The asset stays in the fund to improve members benefits.

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

36 Employee benefits *(Continued)*

Actuarial assumptions

Principle actuarial assumptions at the reporting date were:

	2015	2014
Other assets	**12,780**	41,639
Equity securities	**34,521**	36,623
Treasury bills and corporate bonds	**55,691**	48,117
Investment properties	**196,624**	147,834
GRZ bonds	**166,029**	188,925
Total plan assets	**465,645**	463,138
Movement in the present value of the defined benefit obligations over the period		
Defined benefit obligations at 1 January	**418,068**	423,330
Current service cost	**12,765**	13,431
Interest cost	**65,436**	58,519
Benefits paid by the plan	**(54,931)**	(46,841)
Gains from change in financial assumptions	**(49,870)**	-
Experience losses/(gains)	**31,128**	(30,371)
Defined benefit obligations at 31 December	**422,596**	418,068
Movement in the present value of plan assets		
Fair value of plan assets at 1 January	**463,138**	434,821
Employer contributions	**5,388**	16,580
Employee contributions	**16,982**	5,260
Return on plan assets, excluding interest	**(23,736)**	6,320
Benefits paid by the plan	**(54,931)**	(46,841)
Interest income on plan assets	**67,114**	54,952
Administration expenses	**(8,310)**	(7,954)
Fair value of plan assets at 31 December	**465,645**	463,138

Actuarial assumptions

Principle actuarial assumptions at the reporting date were:

	2015	2014
Future pension increase	**8.0%**	4.0%
Salary increase (p.a)	**16.0%**	9.5%
Discount rate (p.a)	**22.5%**	15%
Expected return on plan assets	**22.5%**	15%
Inflation rate	**14.0%**	8.0%

Average life expectancy at normal retirement age 55

	2015	2014
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

Illustrated below is the impact, on the defined benefit obligation, of a 1% change to any one of the principle actuarial assumption variables.

	2015	2014
Discount rate		
- increase by 1%	**-26,103**	-36,669
- decrease by 1%	**+29,376**	+35,735
Salary increase		
- increase by 1%	**+11,749**	+13,063
- decrease by 1%	**-11,106**	-18,215
Future pension increase		
- increase by 1%	**+18,726**	+20,321
- decrease by 1%	**-16,833**	-23,759
Life expectancy		
- increase by 1%	**-5,071**	+4,599
- decrease by 1%	**+4,437**	+4,181

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,** 2014: 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. The translation rate for end of year was ZMW 15.2303 per SDR 2014: ZMW9.2592.

38 Capital

	2015	2014
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.

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.

39 Reserves *(Continued)*

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 derecognition 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.

Appropriation of profits

In accordance with Sections 7 and 8 of the Bank of Zambia Act 43, 1996 Management has proposed appropriation of profits resulting in a transfer of **K1,342.9 million** to the general reserve fund and payment of **K4,028.9 million** as dividend to Government in respect of the performance recorded in the Bank of Zambia Financial Statements for the 2015 financial year. Unrealised foreign exchange gains have been excluded in the appropriation to protect the capital position of the Bank from erosion.

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 2015 were:

- provision of banking services including holding the principal accounts of GRZ;
- provision and issue of notes and coins;
- holding and maintaining the register of Government securities;
- implementation of monetary policy; and
- supervision of financial institutions.

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

Transactions and balances with the GRZ

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

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

Notes to the financial statements *(Continued)*
for the year ended 31 December 2015

In thousands of Zambian Kwacha

40 Related party transactions *(Continued)*

	2015	2014
Interest on held-to-maturity GRZ securities	**242,579**	215,795
Interest on advances to GRZ	**165,385**	132,482
Fees and commission income on transactions with the GRZ	**75,536**	60,487
Profit on foreign exchange transactions with GRZ	**18,961**	15,925
Total	**502,461**	424,689

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

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

	2015	2014
GRZ - year end balances		
Deposits from GRZ Institutions	**(2,895,330)**	(2,834,011)
Holdings of GRZ securities	**2,005,508**	1,989,495

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

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

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

Transactions and balances with directors and key management personnel

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

Short-term benefits

	2015	2014
Directors' fees	**730**	1,117
Remuneration for key management personnel		
- Salaries and allowances	**21,470**	20,112
- Pension contributions	**1,542**	217
	23,742	21,446
Loans and advances to key management personnel		
Balance at 31 December	**3,933**	3,500

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.

	2015	2014
b) Post-employment pension benefits	**18,966**	11,488

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.

42 Events after the reporting date

Following His Excellency, President Edgar Chagwa Lungu assenting to a bill that ushered in a new national constitution on Tuesday 5 January 2016, management directed for a review of possible operational and financial impact the new constitution may present on the Bank. While the review is not yet concluded it is anticipated that any resultant financial impact will only affect future performance.

2015 ANNUAL STATISTICAL ANNEXURES

Depository Corporations Survey (K' Million), Dec 2013 - Dec 2015

Table 1

	Dec 13	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
NET FOREIGN ASSETS	14,416.1	18,435.9	17,930.8	18,642.0	19,328.2	18,247.0	18,477.2	18,429.6	27,803.9	34,113.9	42,575.0	43,413.3	35,304.0	34,717.8
CLAIMS ON NONRESIDENTS	16,542.2	21,667.9	21,251.8	22,124.1	23,919.6	22,274.7	22,304.8	22,810.7	32,522.4	39,376.1	49,282.4	49,738.1	40,829.8	39,884.8
LIABILITIES TO NONRESIDENTS	-2,126.1	-3,232.0	-3,321.0	-3,482.1	-4,591.3	-4,027.7	-3,827.6	-4,381.2	-4,718.5	-5,262.2	-6,707.4	-6,324.8	-5,525.7	-5,167.0
DOMESTIC CLAIMS	28,728.2	31,986.7	32,863.0	34,040.8	36,080.7	36,406.9	36,170.9	36,686.3	28,344.1	30,356.7	35,679.7	39,642.4	37,717.0	40,415.8
NET CLAIMS ON CENTRAL GOVERNMENT	10,350.9	9,181.5	10,050.0	10,655.7	11,816.6	11,838.2	11,621.0	12,099.5	2,957.8	2,884.6	5,696.8	9,247.8	8,820.2	10,933.0
CLAIMS ON CENTRAL GOVERNMENT	16,960.6	16,502.8	17,821.0	18,300.9	18,594.3	19,076.6	18,614.2	19,772.0	18,953.4	18,591.3	20,324.5	19,874.7	18,141.7	18,181.7
LIABILITIES TO CENTRAL GOVERNMENT	-6,609.6	-7,321.3	-7,771.0	-7,645.2	-6,777.7	-7,238.4	-6,993.1	-7,672.5	-15,995.5	-15,706.7	-14,627.6	-10,626.9	-9,321.5	-7,248.7
CLAIMS ON OTHER SECTORS	18,377.3	22,805.2	22,813.0	23,385.1	24,264.1	24,568.7	24,549.8	24,586.8	25,386.3	27,472.2	29,982.9	30,394.6	28,896.8	29,482.7
CLAIMS ON OTHER FINANCIAL CORPORATIONS	135.0	201.8	280.7	219.5	251.8	228.2	234.6	254.7	237.5	224.5	269.9	226.2	274.0	275.2
CLAIMS ON STATE AND LOCAL GOVERNMENT	22.8	37.0	41.1	48.3	50.9	40.8	42.0	58.9	59.1	57.5	47.4	51.9	47.5	50.4
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	235.7	231.6	250.6	239.3	242.2	257.9	245.5	219.4	246.9	256.3	318.6	314.9	292.9	285.2
CLAIMS ON PRIVATE SECTOR	17,983.8	22,334.8	22,240.7	22,878.0	23,719.1	24,041.8	24,027.8	24,053.9	24,842.7	26,933.8	29,347.0	29,801.5	28,282.4	28,871.9
BROAD MONEY LIABILITIES	31,136.6	34,959.1	35,831.9	35,800.8	37,475.6	36,536.1	37,500.6	36,862.9	37,450.3	42,399.8	46,565.4	50,170.4	46,316.2	47,262.1
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	3,440.5	4,188.3	4,062.6	3,820.0	3,800.0	3,908.0	3,961.1	4,091.1	4,337.0	4,539.7	4,565.3	5,161.0	4,819.1	4,712.7
TRANSFERABLE DEPOSITS	15,689.2	17,208.5	17,664.4	18,361.0	19,077.6	18,346.8	19,704.8	18,347.8	18,781.1	23,044.9	26,444.0	28,766.7	25,787.4	23,995.7
OTHER DEPOSITS	12,006.9	13,562.4	14,104.9	13,619.8	14,598.1	14,281.3	13,834.7	14,424.0	14,332.2	14,815.2	15,556.1	16,242.7	15,709.7	18,553.7
SECURITIES OTHER THAN SHARES	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	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	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	0.0
LOANS	1,034.0	2,083.8	2,025.6	2,063.7	2,230.1	2,252.7	2,200.7	2,299.8	2,341.9	2,502.4	3,048.9	3,226.1	2,891.7	2,753.0
FINANCIAL DERIVATIVES	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	0.0
INSURANCE TECHNICAL RESERVES	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	0.0
SHARES AND OTHER EQUITY	7,294.6	9,944.5	10,285.9	11,112.8	12,429.9	12,217.1	12,030.8	12,548.1	12,948.8	15,331.9	23,147.2	24,402.3	20,332.8	20,848.0
OTHER ITEMS (NET)	3,632.5	3,388.3	2,603.7	3,658.7	3,226.6	3,601.2	2,869.2	3,358.4	3,360.3	4,189.7	5,446.4	5,210.2	3,433.5	4,223.6
IFS Vertical Check	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	0.0

Source: Bank of Zambia

Central Bank Survey (K' Million) Dec 2013 - Dec 2015 **Table 2**

	Dec-13	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
NET FOREIGN ASSETS	11,498.7	15,851.9	15,065.0	15,721.1	16,512.7	16,316.4	15,948.6	16,802.0	26,363.1	29,858.3	37,354.2	36,067.6	27,077.7	27,667.0
CLAIMS ON NONRESIDENTS	11,563.1	15,883.2	15,095.3	15,751.8	16,545.2	16,342.4	15,974.3	16,821.8	26,383.5	29,883.2	37,387.8	36,102.6	27,106.7	27,835.6
LIABILITIES TO NONRESIDENTS	-64.5	-31.3	-30.3	-30.8	-32.5	-25.9	-25.7	-19.8	-20.3	-24.9	-33.6	-35.1	-29.0	-168.6
CLAIMS ON OTHER DEPOSITORY CORPORATIONS	160.0	159.2	684.0	182.8	75.0	197.9	188.9	201.7	161.8	165.4	168.0	156.1	1,480.0	420.9
NET CLAIMS ON CENTRAL GOVERNMENT	2,533.9	2,437.8	2,210.5	3,088.7	3,485.3	4,032.4	3,978.1	3,486.1	-5,020.4	-4,117.3	-1,435.1	2,595.9	3,240.5	5,699.3
CLAIMS ON CENTRAL GOVERNMENT	5,417.1	5,274.2	5,875.3	6,331.6	6,539.0	7,143.1	6,940.6	7,159.2	7,079.8	7,534.0	8,600.1	8,805.4	7,916.6	8,678.7
LIABILITIES TO CENTRAL GOVERNMENT	-2,883.3	-2,836.3	-3,664.8	-3,242.9	-3,053.6	-3,110.8	-2,962.6	-3,673.1	-12,100.2	-11,651.3	-10,035.2	-6,209.5	-4,676.1	-2,979.4
CLAIMS ON OTHER SECTORS	57.9	65.6	93.7	94.7	95.6	94.0	93.4	96.3	95.5	93.3	108.9	119.4	122.0	121.8
CLAIMS ON OTHER FINANCIAL CORPORATIONS	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	0.0
CLAIMS ON STATE AND LOCAL GOVERNMENT	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	0.0
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	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	0.0
CLAIMS ON PRIVATE SECTOR	57.9	65.6	93.7	94.7	95.6	94.0	93.4	96.3	95.5	93.3	108.9	119.4	122.0	121.8
MONETARY BASE	10,145.3	13,301.0	12,682.0	12,146.2	12,365.5	13,040.6	13,097.3	12,855.4	13,470.9	14,940.4	15,849.7	17,017.4	15,257.0	16,247.9
CURRENCY IN CIRCULATION	4,597.0	5,724.1	5,548.4	5,043.8	5,106.9	5,170.1	5,098.7	5,321.3	5,721.4	5,808.7	5,939.8	6,485.2	6,229.6	6,446.2
LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	5,524.8	7,556.5	7,115.9	7,084.1	7,240.2	7,852.1	7,980.3	7,515.1	7,730.7	9,107.7	9,882.6	10,501.9	9,001.1	9,774.4
LIABILITIES TO OTHER SECTORS	23.5	20.3	17.6	18.3	18.4	18.4	18.3	18.9	18.8	24.0	27.3	30.4	26.4	27.3
OTHER LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.8	7.0	5.3	11.3	5.8	0.0
DEPOSITS AND SECURITIES OTHER THAN SHARES EXCLUDED FROM MONETARY BASE	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	0.0
DEPOSITS ExCLUDED IN BROAD MONEY	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	0.0
SECURITIES OTHER THAN SHARES INCLUDED IN BROAD MONEY	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	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	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	0.0
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	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	0.0
LOANS	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	0.0
FINANCIAL DERIVATIVES	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	0.0
SHARES AND OTHER EQUITY	1,198.3	1,835.1	2,078.0	2,860.6	4,058.4	3,890.4	3,612.1	3,968.3	4,290.5	6,661.7	14,499.2	15,832.7	11,725.5	12,068.1
OTHER ITEMS (NET)	2,906.8	3,378.5	3,293.4	4,080.5	3,744.8	3,709.6	3,499.6	3,762.4	3,829.8	4,390.6	5,841.8	6,077.6	4,931.8	5,593.1
IFS Vertical Check	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	0.0

Source: Bank of Zambia

Other Depository Corporations (K' Million), Dec 2013 - Dec 2015 **Table 3**

	Dec-13	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
NET FOREIGN ASSETS	2,917.5	2,584.0	2,865.7	2,920.9	2,815.5	1,930.5	2,528.5	1,627.5	1,440.7	4,255.6	5,220.8	7,345.7	8,226.3	7,050.8
CLAIMS ON NONRESIDENTS	4,979.1	5,784.7	6,156.5	6,372.2	7,374.4	5,932.3	6,330.4	5,988.9	6,138.9	9,492.8	11,894.6	13,635.5	13,723.0	12,049.2
LIABILITIES TO NONRESIDENTS	-2,061.6	-3,200.7	-3,290.9	-3,451.30	-4,558.7	-4,001.7	-3,801.9	-4,361.3	-4,698.1	-5,237.2	-6,673.7	-6,289.7	-5,496.7	-4,998.3
CLAIMS ON CENTRAL BANK	6,540.5	9,109.3	9,123.5	8,967.16	8,957.7	9,376.4	9,617.7	9,007.0	9,469.6	10,543.6	11,534.2	12,060.6	10,880.8	12,196.6
CURRENCY	1,156.5	1,535.9	1,485.8	1,223.7	1,306.9	1,262.0	1,137.6	1,230.2	1,384.4	1,268.9	1,374.4	1,324.1	1,410.4	1,733.5
RESERVE DEPOSITS AND SECURITIES OTHER THAN SHARES	5,384.1	7,573.5	7,637.6	7,743.4	7,650.8	8,114.3	8,480.0	7,776.7	8,085.1	9,274.7	10,159.7	10,736.4	9,470.4	10,463.1
OTHER CLAIMS ON CENTRAL BANK	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	0.0
NET CLAIMS ON CENTRAL GOVERNMENT	7,817.0	6,743.6	7,839.5	7,567.0	8,331.3	7,805.8	7,642.9	8,613.4	7,978.2	7,001.8	7,131.9	6,651.8	5,579.7	5,233.7
CLAIMS ON CENTRAL GOVERNMENT	11,543.4	11,228.6	11,945.7	11,969.4	12,055.3	11,933.4	11,673.5	12,612.8	11,873.6	11,057.2	11,724.3	11,069.3	10,225.1	9,503.0
LIABILITIES TO CENTRAL GOVERNMENT	-3,726.1	-4,484.9	-4,106.2	-4,402.3	-3,724.0	-4,127.6	-4,030.5	-3,999.4	-3,895.3	-4,055.4	-4,592.4	-4,417.4	-4,645.4	-4,269.3
CLAIMS ON OTHER SECTORS	18,319.4	22,739.6	22,719.3	23,290.4	24,168.5	24,474.7	24,456.4	24,490.5	25,290.7	27,378.8	29,873.9	30,275.2	28,774.8	29,360.9
CLAIMS ON OTHER FINANCIAL CORPORATIONS	135.0	201.8	280.7	219.5	251.8	228.1	234.6	254.6	237.5	224.5	269.9	226.2	274.0	275.2
CLAIMS ON STATE AND LOCAL GOVERNMENT	22.8	37.0	41.1	48.3	50.9	40.7	41.9	58.9	59.1	57.5	47.3	51.9	47.5	50.4
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	235.7	231.6	250.6	239.2	242.2	257.8	245.4	219.3	246.9	256.2	318.5	314.9	292.9	285.1
CLAIMS ON PRIVATE SECTOR	17,926.0	22,269.1	22,146.9	22,783.3	23,623.5	23,947.8	23,934.3	23,957.6	24,747.2	26,840.5	29,238.0	29,682.1	28,160.4	28,750.0
LIABILITIES TO CENTRAL BANK	78.4	20.3	91.2	132.9	48.4	116.7	64.4	133.7	116.6	20.2	242.8	20.2	763.7	348.1
TRANSFERABLE DEPOSITS INCLUDED IN BROAD MONEY	15,665.7	17,188.2	17,646.8	18,342.7	19,059.2	18,328.4	19,686.5	18,328.9	18,762.3	23,020.8	26,416.7	28,736.2	25,760.9	23,968.4
OTHER DEPOSITS INCLUDED IN BROAD MONEY	12,007.0	13,562.3	14,104.9	13,619.7	14,598.1	14,281.3	13,834.6	14,423.9	14,332.2	14,815.2	15,556.1	16,242.6	15,709.7	18,553.6
SECURITIES OTHER THAN SHARES INCLUDED IN BROAD MONEY	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	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	0.00	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
LOANS	1,033.9	2,083.8	2,025.6	2,063.7	2,230.1	2,252.7	2,200.6	2,299.7	2,341.8	2,502.4	3,048.8	3,226.0	2,891.7	2,753.0
FINANCIAL DERIVATIVES	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	0.0
INSURANCE TECHNICAL RESERVES	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	0.0
SHARES AND OTHER EQUITY	6,096.2	8,109.4	8,207.8	8,252.3	8,371.5	8,326.6	8,418.7	8,579.8	8,658.2	8,670.2	8,647.9	8,569.5	8,607.3	8,779.9
OTHER ITEMS (NET)	666.5	165.7	424.9	287.4	-80.9	234.9	-6.1	-74.4	-78.6	104.2	-198.4	-508.2	-318.4	-607.8
IFS Vertical Check	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	0.0

Source: Bank of Zambia

Sources of Liquidity (K' Million), Dec 2013 - Dec 2015

Table 4

End of period.	Monthly	Government Transactions					Foreign				Total
		Revenue	Expenditure.	Domestic. interest.	Other Govt Transactions	Total Govt Infuence.	Exchange influence.	Other BOZ influence.	Non- bank Bond influence	Non-bank T.B influence.	primary influence.
2013	January	-2,304,939.0	6,619	57,871.0	2,113,950.0	-126,498.0	-407,421.0	209,981.0	17,329	-10,639.0	-317,249.0
	February	-2,319,110.0	1,847	79,240.0	3,056,829.0	818,807.0	-52,676.0	-79,169.0.0	0.0	4,316.0	691,278.0
	March	-2,335,007.0	6,506	76,280.0	2,091,694.0	-160,528.0	-129,083.0	-23,781.0	0.0	0.0	-313,391.0
	April	-2,926,045.0	7,678	25,460.0	2,220,433.0	-672,475.0	8,510.0	17,710.0	0.0	0.0	-646,254.0
	May	-1,996,510.0	12,191	53,598.0	2,416,521.0	485,800.0	8,516.0	14,035.0	0.0	0.0	508,351.0
	June	-1,991,628.0	10,173	26,585.0	2,838,294.0	883,424.0	-273,516.0	5,533.0	0.0	0.0	615,441.0
	July	-2,436,146.0	6,447	23,209.0	2,456,656.0	50,165.0	2,181.0	-17,929.0	0.0	0.0	34,417.0
	August	-2,042,793.0	13,553	54,782.0	2,020,443.0	45,985.0	177,795.0	23,729.0	0.0	0.0	247,509.0
	September	-2,353,849.0	11,697	116,924.0	3,481,361.0	1,256,134.0	197,131.0	49,629.0	0.0	0.0	1,502,894.0
	October	-2,739,445.0	10,234	19,739.0	3,087,701.0	378,229.0	256,386.0	11,542.0	0.0	0.0	646,157.0
	November	-2,165,057.0	0	93,744.0	2,580,860.0	509,547.0	-95,240.0	71,188.0	0.0	0.0	485,494.0
	December	-2,389,777.0	0	28,940.0	3,386,552.0	1,025,715.0	160,427.0	29,892.0	0.0	0.0	1,216,034.0
2014	January	-2,772,275.0	0	19,302.0	2,599,948.0	-153,026.0	13,911.0	-64,778.0	0.0	0.0	-203,893.0
	February	-2,114,437.0	0	47,281.0	2,640,114.0	572,959.0	-564,435.0	73,891.0	0.0	0.0	82,415.0
	March	-2,344,895.0	0	165,373.0	3,002,507.0	822,985.0	-741,104.0	-39,140.0	0.0	0.0	42,741.0
	April	-2,906,346.0	0	42,450.0	3,280,271.0	416,375.0	-73,296.0	-45,715.0	0.0	0.0	297,365.0
	May	-2,512,589.0	0	70,418.0	2,305,251.0	-136,921.0	-1,987,263.0	1,972,754.0	0.0	0.0	-151,430.0
	June	-2,553,062.0	0	15,174.0	3,091,122.0	553,235.0	32,223.0	-1,082,050.0	0.0	0.0	-496,593.0
	July	-3,112,267.0	0	1,215.0	3,501,334.0	390,282.0	33,880.0	-870,340.0	0.0	0.0	-446,178.0
	August	-2,497,937.0	0	104,465.0	3,142,375.0	748,903.0	398,453.0	56,072.0	0.0	0.0	1,203,428.0
	September	-2,627,128.0	0	13,914.0	3,130,389.0	517,174.0	-177,417.0	264,153.0	0.0	0.0	603,910.0
	October	-2,989,562.0	0	20,391.0	3,435,293.0	466,123.0	-506,031.0	100,511.0	0.0	0.0	60,603.0
	November	-2,885,733.0	0	113,598.0	3,296,187.0	524,053.0	-533,673.0	13,761.0	0.0	0.0	4,141.0
	December	-2,953,914.0	0	14,416.0	4,631,755.0	1,692,258.0	34,603.0 .0	68,249.0	0.0	0.0	1,795,109.0
2015	January	-2,962,217.0	0	16,969.0	3,459,758.0	514,509.0	-672,106.0	130,807.0	0.0	0.0	-26,789.0
	February	-2,240,507.0	0	97,271.0	2,570,645.0	427,409.0	-324,526.0	19,168.0	0.0	0.0	122,051.0
	March	-2,326,073.0	0	168,129.0	3,467,771.0	1,309,827.0	-353,000.0	212,216.0	0.0	0.0	1,169,043.0
	April	-2,849,431.0	0	10,076.0	2,632,391.0	-206,965.0	5,064.0	119,587.0	0.0	0.0	-82,314.0
	May	-2,322,715.0	0	165,923.0	3,259,229.0	1,102,437.0	1,884.0	224,673.0	0.0	0.0	1,328,994.0
	June	-2,975,614.0	0	11,415.0	3,016,917.0	52,719.0	7,062.0	-290,416.0	0.0	0.0	-230,635.0
	July	-3,153,466.0	0	35,725.0	4,088,873.0	971,132.0	3,093.0	-365,996.0	0.0	0.0	608,229.0
	August	-2,513,083.0	0	146,215.0	3,294,590.0	927,722.0	2,950.0	-93,307.0	0.0	0.0	837,365.0
	September	-2,681,578.0	0	138,866.0	3,796,852.0	1,254,140.0	-1,661,098.0	213,737.0	0.0	0.0	-193,221.0
	October	-3,286,644.0	0	10,778.0	5,045,449.0	1,769,583.0	-1,236,839.0	-360,705.0	0.0	0.0	172,039.0
	November	-2,745,224.0	0	205,373.0	3,284,598.0	744,748.0	-3,294,742.0	951,999.0	0.0	0.0	-1,597,995.0
	December	-3,238,826.0	0	11,377.0.0	4,327,357.0	1,099,909.0	-168,438.0	-511,301.0	0.0	0.0	420,170.0

Source: Bank of Zambia

Uses Of Liquidity (K' Million), 2013 - 2015

Table 5

End of period	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.
2013	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
2014	January	-203,892.8	479,335.7	-114,990.4	-552,855.1	1,649,551.4	0.0	1,257,148.8
	February	82,414.5	-609.6	-1,258,219.2	367,897.3	-997,651.8	0.1	-1,806,168.7
	March	42,741.0	-182,120.6	618,175.9	-1,529,603.8	1,077,562.0	-0.1	26,754.4
	April	297,364.6	-204,461.1	292,667.9	-727,081.7	745,912.9	-0.1	404,402.5
	May	-151,430.0	-154,454.0	-626,391.4	349,969.4	121,044.5	-4.0	-461,265.5
	June	-496,592.8	-12,874.9	298,533.4	226,731.3	241,695.6	0.6	257,493.2
	July	-446,178.1	-163,610.6	656,044.3	677,948.7	-118,284.5	-0.2	605,919.6
	August	1,203,428.3	-26,552.4	-232,172.1	-431,712.2	-7,347.6	0.0	505,644.0
	September	603,909.8	128,627.4	64,820.3	346,491.7	-83,435.1	0.0	1,060,414.1
	October	60,602.7	-66,866.5	443,844.0	-149,523.1	-1,268,644.0	-0.1	-980,587.0
	November	4,141.0	186,267.1	-246,142.4	12,593.8	658,484.7	-1.2	615,343.0
	December	1,795,109.3	-762,135.7	-356,402.5	-223,949.8	79,628.1	-1.5	532,247.9
2015	January	-26,789.4	164,256.4	-355,308.3	-205,311.1	58,550.7	0.5	-364,601.2
	February	122,051.0	526,579.0	121,743.5	-201,143.2	-931,565.7	2.0	-362,333.4
	March	1,169,043.2	-14,226.2	-1,165,832.3	-82,531.2	-386,749.7	0.2	-480,296.0
	April	-82,313.8	-27,627.6	209,647.4	-1,064,451.3	1,011,274.5	-0.4	46,528.8
	May	1,328,994.3	112,931.3	-209,207.8	-383,211.8	-439,816.3	-1.4	409,688.3
	June	-230,635.2	-113,790.5	-110,459.3	-331,874.9	4,341.3	1.7	-782,416.9
	July	608,229.3	-191,061.4	746,077.4	-137,232.9	-508,793.8	2.1	517,220.7
	August	837,365.5	-65,527.1	-280,837.4	-385,020.7	10,204.3	-0.2	116,184.4
	September	-193,221.0	-52,738.1	-18,207.5	-182,346.6	327,626.4	0.5	-118,886.3
	October	172,039.1	-527,813.6	75,828.5	-334,741.9	597,531.3	-0.8	-17,157.4
	November	-1,597,994.8	282,944.7	296,196.0	-127,568.6	438,370.5	-0.6	-708,052.8
	December	420,169.6	-191,295.2	841,080.2	-584,139.7	24,674.6	-0.3	510,489.2

Source: Bank of Zambia

Commercial Banks' Liquidity and Operating Ratios, , 2007 - 2015

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
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	December	60.5	9.0	46.5	107.0	61.5
2012	December	53.0	9.0	67.8	120.8	90.5
2013	January	46.6	6.0	45.9	92.5	67.6
	February	47.1	6.0	46.3	93.4	63.6
	March	48.0	6.0	47.2	95.2	65.1
	April	48.9	6.0	44.1	93.0	65.7
	May	48.2	6.0	47.6	95.7	66.4
	June	46.0	6.0	45.8	91.8	65.7
	July	43.2	6.0	43.2	86.5	64.5
	August	43.1	6.0	41.4	84.5	64.8
	September	43.5	6.0	46.5	89.9	64.7
	October	37.9	6.0	49.8	87.6	64.6
	November	51.7	6.0	49.6	101.3	66.0
	December	49.5	6.0	49.1	98.6	61.4
2014	January	59.8	6.0	49.9	109.7	61.8
	February	44.4	6.0	51.8	96.2	62.2
	March	43.3	6.0	52.5	95.7	60.1
	April	47.5	6.0	49.7	97.2	60.3
	May	44.7	6.0	48.4	93.1	62.2
	June	89.5	6.0	48.2	137.6	64.7
	July	67.0	6.0	47.7	114.7	64.3
	August	61.5	6.0	48.7	110.2	64.3
	September	63.3	6.0	48.1	111.4	64.1
	October	57.4	6.0	49.7	107.1	63.9
	November	72.8	6.0	48.7	121.5	65.2
	December	71.1	6.0	49.1	120.3	62.0
2015	January	72.1	6.0	51.0	123.1	60.7
	February	71.8	6.0	50.5	122.4	61.1
	March	70.4	6.0	49.3	119.7	61.1
	April	75.6	6.0	51.8	127.5	63.2
	May	75.6	6.0	51.2	126.8	61.6
	June	72.9	6.0	52.9	125.7	63.3
	July	14.1	6.0	51.4	65.4	63.6
	August	65.8	6.0	48.3	114.2	58.5
	September	77.8	6.0	46.1	124.0	57.6
	October	80.7	6.0	43.8	124.6	55.0
	November	87.0	6.0	42.1	129.1	55.7
	December	92.6	6.0	43.3	135.9	56.4

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 include 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) and plus bills of exchange.

Banking System Claims On Government (K' Million), 2008 - 2015 | **Table 7**

		Bank of Zambia Claims					Commercial Banks Claims					(a+b)
	Period	Treasury	GRZ	GRZ	Loans &	(a)	Treasury	GRZ	Loans &		(b)	TOTAL
	End Month	Bills	Stock	Position (3)	Advances	Total	Bills	Securities	Advances	Deposits	Total	CLAIMS
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	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	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	4,019,601.7	2,349,954.1
2011	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	6,402,671.3	4,427,063.0
2012	December	537,014.08	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	5,979,958.3	4,929,511.6
2013	January	625,775.2	1,310,989.2	-6,877,196.9	908,000.0	-4,032,432.5	4,366,836.1	2,389,982.6	8,559.3	-1,210,837.6	5,554,540.4	1,522,107.9
	February	625,775.2	1,310,989.2	-4,530,260.3	908,000.0	-1,685,495.9	4,426,181.7	2,629,205.4	82,060.9	-983,188.5	6,154,259.4	4,468,763.5
	March	625,775.2	1,310,989.2	-4,450,492.4	908,000.0	-1,605,728.0	4,468,643.2	2,539,270.1	9,585.3	-947,643.1	6,069,855.5	4,464,127.5
	April	625,775.2	1,800,989.2	-3,581,281.2	718,000.0	-436,516.8	4,821,145.2	2,390,264.9	84,451.8	-1,002,485.0	6,293,376.8	5,856,860.1
	May	625,775.2	1,800,989.2	-4,247,765.8	653,000.0	-1,168,001.4	4,985,259.0	2,957,478.0	88,918.1	-848,962.5	7,182,692.6	6,014,691.2
	June	625,775.2	1,800,989.2	-3,964,157.9	653,000.0	-884,393.4	4,996,112.0	2,745,704.0	86,577.8	-1,001,540.0	6,826,853.8	5,942,460.3
	July	625,775.2	1,800,989.2	-3,927,390.4	653,000.0	-847,626.0	5,103,878.0	2,687,527.0	90,284.8	-881,317.5	7,000,372.3	6,152,746.3
	August	625,775.2	1,800,989.2	-3,769,740.5	653,000.0	-689,976.0	5,009,218.0	2,550,165.0	89,350.9	-985,902.5	6,662,831.4	5,972,855.4
	September	625,775.2	1,800,989.2	-3,983,159.8	1,328,000.0	-228,395.4	5,163,609.9	2,638,186.8	122,906.0	-1,176,188.0	6,748,514.7	6,520,119.2
	October	625,775.2	1,800,989.2	-4,031,176.2	1,613,000.0	8,588.2	5,834,987.3	2,696,364.6	129,964.7	-1,170,196.5	7,491,120.1	7,499,708.3
	November	625,775.2	1,800,989.2	-3,969,289.8	1,472,000.0	-70,525.3	5,841,850.0	2,765,365.0	117,621.0	-1,171,443.8	7,553,392.2	7,482,866.8
	December	625,775.0	1,800,989.2	-3,595,675.6	1,830,539.0	661,627.6	6,566,194.6	2,653,510.9	120,597.5	-1,158,762.7	8,181,540.4	8,843,168.0
2014	January	625,775.0	1,800,989.2	-3,932,653.0	1,830,539.0	324,650.2	6,659,263.2	2,528,446.5	157,714.7	-1,469,493.7	7,875,930.7	8,200,581.0
	February	625,775.0	1,800,989.2	-4,358,196.1	1,397,539.0	-533,892.9	7,327,391.8	3,187,892.8	124,255.8	-1,120,418.2	9,519,122.3	8,985,229.4
	March	625,775.0	1,800,989.2	-2,764,313.6	1,397,539.0	1,059,989.7	6,934,737.3	3,008,843.7	143,635.5	-1,261,147.5	8,826,068.9	9,886,058.6
	April	658,919.7	1,714,915.3	-9,533,761.2	1,397,539.0	-5,762,387.2	6,455,822.2	2,927,213.0	132,060.0	-1,323,310.1	8,191,785.1	2,429,398.0
	May	658,919.7	1,714,915.3	-8,535,870.3	1,397,539.0	-4,764,496.3	6,551,269.5	2,978,575.0	104,318.0	-1,404,388.9	8,229,773.7	3,465,277.4
	June	804,650.5	1,714,915.3	-8,562,463.8	1,397,539.0	-4,645,358.9	5,790,059.3	2,714,345.7	267,831.0	-1,552,920.6	7,219,315.5	2,573,956.5
	July	795,725.4	1,714,915.3	-7,262,569.1	1,397,539.0	-3,354,389.4	5,492,228.8	2,686,228.8	268,536.3	-1,577,485.1	6,869,508.9	3,515,119.4
	August	890,997.9	1,714,915.3	-6,645,138.8	1,477,539.0	-2,561,686.6	5,586,225.7	2,655,890.3	274,065.1	-1,178,515.9	7,337,665.2	4,775,978.6
	September	847,362.6	1,714,915.3	-6,391,051.9	1,397,539.0	-2,431,235.0	5,886,390.2	2,420,653.4	298,999.7	-1,117,517.9	7,488,525.4	5,057,290.5
	October	833,233.3	1,714,875.4	-6,299,425.3	1,397,539.0	-2,353,777.5	6,652,073.0	2,350,970.5	287,953.4	-1,262,925.2	8,028,071.6	5,674,294.1
	November	833,179.3	1,714,877.8	-5,713,319.3	1,397,539.0	-1,767,723.1	6,160,510.0	2,382,978.8	260,058.1	-1,217,044.6	7,586,502.4	5,818,779.3
	December	710,825.5	1,714,917.7	-4,739,629.5	1,397,539.0	-916,347.2	6,572,940.0	2,362,441.2	661,321.2	-1,573,725.0	8,022,977.5	7,106,630.2
2015	January	697,452.1	1,651,210.9	-3,717,205.0	1,397,539.0	28,997.1	7,362,151.0	2,304,466.0	630,166.9	-1,681,162.5	8,615,621.4	8,644,618.5
	February	682,469.5	1,651,210.9	-2,956,506.5	1,397,539.0	774,712.9	7,347,160.7	2,332,038.2	635,566.4	-1,425,651.3	8,889,114.0	9,663,826.8
	March	682,469.5	1,648,225.6	-3,071,036.1	1,397,539.0	657,198.0	7,630,258.4	2,235,103.3	502,638.1	-1,330,356.1	9,037,643.7	9,694,841.7
	April	682,469.5	1,651,210.9	-2,451,140.6	1,997,539.0	1,880,078.8	7,474,390.6	2,177,495.8	716,554.1	-1,245,552.8	9,122,887.7	11,002,966.5
	May	625,775.0	1,647,210.9	-2,825,056.1	1,997,539.0	1,445,468.9	7,410,178.9	2,099,763.5	669,218.1	-1,220,318.4	8,958,842.0	10,404,310.9
	June	638,655.5	1,651,210.9	-2,912,762.1	1,997,539.0	1,374,643.4	8,093,079.2	2,134,561.6	655,357.3	-1,165,662.3	9,717,335.8	11,091,979.1
	July	638,655.5	1,651,210.9	-11,979,111.3	1,997,539.0	-7,691,705.8	7,409,539.6	2,149,415.5	661,243.6	-1,386,140.4	8,834,058.3	1,142,352.5
	August	638,655.5	1,650,210.9	-11,075,575.4	1,997,539.0	-6,789,169.9	7,425,587.4	2,164,087.5	233,332.9	-1,306,970.3	8,516,037.5	1,726,867.6
	September	638,655.5	1,650,173.2	-10,214,935.9	1,997,539.0	-5,928,568.1	7,079,675.9	1,613,901.5	480,421.4	-1,107,155.7	8,066,843.0	2,138,275.0
	October	638,655.5	1,650,173.2	-6,176,372.3	1,997,539.0	-1,890,004.5	7,677,885.6	1,603,097.9	487,768.8	-1,296,923.7	8,471,828.7	6,581,824.2
	November	625,775.0	1,650,173.2	-3,983,391.6	1,997,539.0	290,095.6	6,875,841.5	1,582,814.4	440,507.7	-1,318,347.3	7,580,816.3	7,870,911.9
	December	1,277,345.9	1,650,173.4	-2,607,813.1	1,997,539.0	2,317,245.3	6,184,432.0	1,568,433.9	457,565.9	-1,539,557.1	6,670,874.7	8,988,120.0

Source: Bank of Zambia

Currency in Circulation (K' Million), 2007 - 2015

Table 8

		Issued			At banks			Outside banks		
	End of period	Total	Notes	Coin	Total	Notes	Coin	Total	Notes	Coin
2007	December	1,515.0	1,515.0	0.0	208.0	208.0	0.0	**1,307.0**	**1,307.0**	**0.0**
2008	December	1,934.0	1,934.0	0.0	315.0	315.0	0.0	1,619.0	1,619.0	0.0
2009	December	2,001.0	2,001.0	0.0	407.0	407.0	0.0	1,594.0	1,594.0	0.0
2010	December	2,750.0	2,750.0	0.0	506.0	506.0	0.0	2,244.0	2,244.0	0.0
2011	December	3,408.0	3,408.0	0.0	598.0	598.0	0.0	2,810.0	2,810.0	0.0
2012	December	3,843.0	3,843.0	0.0	801.0	801.0	0.0	3,042.0	3,042.0	0.0
		.0	.0	.0	.0	.0	.0	.0		
2013	January	4,034.0	4,027.0	7.0	1,305.0	1,305.0	0.0	2,729.0	2,722.0	7.0
	February	3,676.0	3,664.0	12.0	1,060.0	1,060.0	0.0	2,616.0	2,604.0	12.0
	March	3,685.0	3,671.0	14.0	878.0	878.0	0.0	2,807.0	2,793.0	14.0
	April	3,635.0	3,618.0	17.0	926.0	926.0	1.0	2,709.0	2,692.0	16.0
	May	3,726.0	3,706.0	21.0	920.0	920.0	1.0	2,806.0	2,786.0	20.0
	June	3,954.0	3,929.0	25.0	850.0	849.0	1.0	3,104.0	3,080.0	24.0
	July	4,108.0	4,078.0	30.0	919.0	917.0	1.0	3,190.0	3,161.0	29.0
	August	4,222.0	4,187.0	35.0	892.0	890.0	2.0	3,330.0	3,297.0	33.0
	September	4,114.0	4,075.0	38.0	890.0	889.0	1.0	3,224.0	3,187.0	37.0
	October	4,352.0	4,307.0	45.0	971.0	970.0	2.0	3,381.0	3,338.0	43.0
	November	4,433.0	4,386.0	47.0	974.0	972.0	2.0	3,459.0	3,414.0	45.0
	December	4,601.0	4,551.0	50.0	1,130.0	1,094.0	36.0	3,471.0	3,457.0	14.0
		.0								
2014	January	4,128.0	4,076.0	52.0	942.0	940.0	3.0	3,186.0	3,137.0	50.0
	February	4,090.0	4,036.0	55.0	935.0	932.0	3.0	3,156.0	3,104.0	52.0
	March	4,267.0	4,211.0	57.0	999.0	996.0	3.0	3,268.0	3,214.0	54.0
	April	4,472.0	4,411.0	61.0	1,073.0	1,070.0	3.0	3,398.0	3,341.0	58.0
	May	4,668.0	4,604.0	64.0	1,121.0	1,096.0	25.0	3,547.0	3,508.0	39.0
	June	4,724.0	4,651.0	72.0	1,031.0	1,028.0	3.0	3,693.0	3,624.0	69.0
	July	5,010.0	4,924.0	86.0	1,197.0	1,193.0	4.0	3,813.0	3,730.0	82.0
	August	5,091.0	5,002.0	90.0	1,155.0	1,092.0	63.0	3,937.0	3,910.0	26.0
	September	4,970.0	4,877.0	93.0	1,145.0	1,142.0	4.0	3,825.0	3,736.0	89.0
	October	5,061.0	4,965.0	96.0	1,207.0	1,204.0	4.0	3,854.0	3,762.0	92.0
	November	4,903.0	4,807.0	97.0	1,140.0	1,134.0	6.0	3,764.0	3,673.0	91.0
	December	5,728.0	5,620.0	107.0	1,508.0	1,504.0	4.0	4,220.0	4,117.0	103.0
		.0								
2015	January	5,552.0	5,435 .0	118.0	1,448.0	1,444.0	4.0	4,104.0	3,991.0	113.0
	February	5,049.0	4,938.0	112.0	1,195.0	1,189.0	6.0	3,855.0	3,749.0	106.0
	March	5,113.0	5,000.0	114.0	1,280.0	1,275.0	6.0	3,833.0	3,725.0	108.0
	April	5,175.0	5,060.0	115.0	1,249.0	1,198.0	51.0	3,926.0	3,862.0	65.0
	May	5,106.0	4,987.0	118.0	1,119.0	1,113.0	6.0	3,986.0	3,874.0	112.0
	June	5,324.0	5,205.0	119.0	1,207.0	1,201.0	6.0	4,117.0	4,004.0	113.0
	July	5,727.0	5,632.0	95.0	1,355.0	1,349.0	6.0	4,372.0	4,283.0	89.0
	August	5,813.0	5,714.0	99.0	1,242.0	1,236.0	6.0	4,571.0	4,478.0	93.0
	September	5,944.0	5,823.0	121.0	1,349.0	1,346.0	4.0	4,595.0	4,478.0	117.0
	October	6,490.0	6,366.0	124.0	1,297.0	1,294.0	3.0	5,192.0	5,072.0	121.0
	November	6,234.0	6,107.0	128.0	1,369.0	1,364.0	5.0	4,866.0	4,743.0	123.0
	December	6,450.0	6,318.0	132.0	1,699.0.0	1,693.0.0	6.0.0	4,751.0	4,625.0.0	126.0.0

Source: Bank of Zambia

Commercial Banks' Deposits by Sectors- Domestic Currency (K' Million), 2013 - 2015 **Table 9A**

	End of Period	Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other Fin. institutions	Non-resident	Total
2013	January	1,463.1	486.0	390.0	7,853.0	4,593.0	3,129.0	233.0	18,147.0
	February	1,308.9	561.0	315.0	8,523.0	4,704.0	3,338.0	179.0	18,928.0
	March	1,249.9	1,056.0	661.0	8,346.0	4,525.0	2,263.0	167.0	18,269.0
	April	1,276.9	1,253.0	1,172.0	8,127.0	4,476.0	2,246.0	196.0	18,748.0
	May	1,121.2	1,124.0	506.0	8,034.0	4,983.0	2,736.0	158.0	18,662.0
	June	1,321.8	1,195.0	353.0	7,961.0	4,563.0	3,734.0	251.0	19,378.0
	July	1,227.2	1,273.0	1,281.0	7,943.0	4,639.0	2,969.0	230.0	19,562.0
	August	1,193.8	1,353.0	1,297.0	8,093.0	4,620.0	2,775.0	180.0	19,511.0
	September	1,420.1	1,423.0	1,068.0	9,142.0	4,398.0	3,105.0	199.0	20,754.0
	October	1,537.7	1,588.0	1,086.0	9,033.0	4,915.0	3,021.0	212.0	21,392.0
	November	1,590.1	1,869.0	843.0	9,226.0	5,036.0	2,909.0	228.0	21,701.0
	December	1,567.4	1,833.0	853.0	10,386.0	5,139.0	2,461.0	217.0	22,457.0
			.0						
2014	January	1,834.40	1,459.0	755.0	10,486.0	5,146.0	3,012.0	231.0	22,922 .0
	February	1,297.2	1,259.0	1,083.0	10,574.0	5,383.0	2,975.0	261.0	22,831.0
	March	1,940.2	1,227.0	1,207.0	10,223.0	5,669.0	2,799.0	288.0	23,355.0
	April	1,991.8	1,415.0	1,255.0	9,990.0	5,479.0	2,838.0	334.0	23,302.0
	May	1,721.9	1,512.0	934.0	9,418.0	5,394.0	2,794.0	325.0	22,098.0
	June	1,981.0	1,585.0	792.0	8,749.0	5,545.0	2,846.0	264.0	21,763.0
	July	1,855.0	1,982.0	1,013.0	8,505.0	5,544.0	2,813.0	288.0	22,000.0
	August	1,705.9	1,760.0	1,044.0	8,673.0	5,367.0	3,436.0	306.0	22,292.0
	September	1,525.2	1,886.0	927.0	9,130.0	5,590.0	3,136.0	287.0	22,481.0
	October	1,626.7	1,898.0	919.0	8,788.0	5,187.0	3,861.0	272.0	22,551.0
	November	1,722.1	2,085.0	1,075.0	8,691.0	5,724.0	2,909.0	294.0	22,501.0
	December	2,163.4	1,955.0	1,007.0	9,349.0	5,853.0	3,079.0	306.0	23,712.0
			.0						
2015	January	2,099.1	1,582.0	1,384.0	9,340.0	5,765.0	3,601.0	316.0	24,087.0
	February	1,879.0	1,777.0	969.0	9,410.0	6,006.0	3,234.0	307.0	23,582.0
	March	1,634.7	1,416.0	1,005.0	9,015.0	6,001.0	3,432.0	279.0	22,782.0
	April	1,613.1	1,978.0	929.0	8,865.0	5,995.0	3,109.0	287.0	22,777.0
	May	1,673.0	1,816.0	746.0	9,374.0	5,989.0	3,195.0	304.0	23,097.0
	June	1,512.5	1,867.0	713.0	9,061.0	6,175.0	3,109.0	321.0	22,757.0
	July	1,745.8	1,729.0	694.0	9,025.0	6,338.0	3,176.0	321.0	23,029.0
	August	1,594.4	1,823.0	762.0	9,928.0	6,143.0	3,009.0	305.0	23,564.0
	September	1,460.5	1,860.0	791.0	9,046.0	6,168.0	3,184.0	335.0	22,843.0
	October	1,697.7	1,818.0	695.0	9,345.0	6,253.0	3,483.0	364.0	23,656.0
	November	1,684.6	2,007.0	741.0	9,192.0	6,126.0	3,225.0	331.0	23,305.0
	December	1,974.9	1,397.0	1,232.0	9,339.0	6,361.0	3,092.0	299.0	23,695.0

Source: Bank of Zambia

Commercial Banks' Deposits By Sectors - Foreign Currency (K' Million), 2013 - 2015 Table 9B

	End of Period	Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other Fin. institutions	Non-resident	Total
2013	January	145.2	26.0	138.0	4,336.0	922.0	835.0	198.0	6,600.0
	February	117.2	24.0	304.0	5,502.0	950.0	841.0	206.0	7,945.0
	March	139.2	23.0	204.0	4,812.0	915.0	840.0	187.0	7,120.0
	April	114.8	41.0	121.0	5,577.0	896.0	877.0	207.0	7,834.0
	May	191.9	99.0	106.0	5,420.0	884.0	789.0	192.0	7,682.0
	June	228.3	68.0	145.0	5,928.0	870.0	782.0	186.0	8,207.0
	July	224.8	66.0	140.0	6,524.0	871.0	817.0	211.0	8,854.0
	August	254.2	23.0	227.0	6,788.0	869.0	880.0	166.0	9,207.0
	September	135.5	32.0	232.0	5,688.0	813.0	827.0	165.0	7,893.0
	October	209.2	34.0	205.0	5,683.0	838.0	831.0	172.0	7,972.0
	November	134.0	7.0	265.0	5,406.0	833.0	748.0	187.0	7,581.0
	December	307.1	24.0	258.0	6,352.0	868.0	442.0	199.0	8,450.0
2014	January	197.2	46.0	281.0	6,408.0	855.0	708.0	191.0	8,686.0
	February	210.6	36.0	274.0	6,588.0	857.0	676.0	248.0	8,890.0
	March	267.5	130.0	341.0	6,906.0	955.0	1,000.0	190.0	9,790.0
	April	131.9	118.0	370.0	8,115.0	927.0	883.0	208.0	10,753.0
	May	218.8	90.0	365.0	9,683.0	1,105.0	971.0	240.0	12,672.0
	June	355.1	96.0	587.0	7,699.0	1,062.0	1,163.0	236.0	11,197.0
	July	366.1	96.0	522.0	7,391.0	1,066.0	1,229.0	239.0	10,908.0
	August	177.2	68.0	466.0	7,365.0	1,080.0	1,287.0	482.0	10,926.0
	September	288.1	64.0	527.0	7,317.0	1,124.0	1,386.0	509.0	11,215.0
	October	208.0	33.0	597.0	7,354.0	1,204.0	1,351.0	489.0	11,236.0
	November	103.5	35.0	494.0	7,641.0	1,200.0	1,305.0	147.0	10,925.0
	December	155.7	36.0	401.0	7,063.0	1,657.0	1,276.0	642.0	11,231.0
2015	January	232.3	31.0	297.0	7,634.0	1,475.0	708.0	620.0	11,554.0
	February	346.3	119.0	429.0	8,055.0	1,658.0	676.0	696.0	12,522.0
	March	221.0	77.0	532.0	9,820.0	1,460.0	1,000.0	914.0	14,436.0
	April	194.4	87.0	506.0	9,216.0	1,426.0	883.0	734.0	13,627.0
	May	191.1	63.0	503.0	9,720.0	1,482.0	971.0	739.0	14,047.0
	June	196.8	138.0	449.0	8,927.0	1,562.0	1,163.0	654.0	13,526.0
	July	163.6	86.0	403.0	9,210.0	1,552.0	1,229.0	761.0	13,694.0
	August	168.4	90.0	488.0	12,788.0	1,814.0	1,287.0	965.0	18,146.0
	September	523.0	121.0	511.0	16,331.0	2,695.0	1,386.0	1,383.0	23,944.0
	October	307.9	112.0	972.0	17,378.0	3,049.0	1,351.0	1,397.0	26,006.0
	November	802.8	131.0	754.0	15,126.0	2,208.0	1,305.0	1,090.0	22,658.0
	December	372.5	101.0	522.0	15,219.0	2,677.0	1,276.0	887.0	22,715.0

Source: Bank of Zambia

Commmercial Banks Loans and Advances - Local Currency (K' Million), Dec 2013 - Dec 2015 **Table 10A**

Sector	Dec-13	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Agriculture, forestry,Fishing and hunting	3,752.0	3,597.0	3,256.0	3,571.0	3,874.0	3,929.0	3,867.0	3,757.0	3,908.0	4,068.0	4,798.0	5,012.0	4,525.0	4,535.0
Mining and quarying	1,226.0	1,083.0	1,242.0	1,168.0	1,287.0	1,231.0	1,216.0	1,157.0	1,209.0	1,323.0	1,613.0	1,570.0	1,393.0	1,673.0
Manufacturing	1,759.0	2,499.0	2,681.0	2,791.0	2,527.0	2,679.0	2,783.0	2,633.0	2,705.0	3,090.0	3,529.0	3,745.0	3,555.0	3,539.0
Electricity, gas, water and energy	312.0	469.0	422.0	403.0	524.0	492.0	477.0	365.0	405.0	392.0	486.0	473.0	446.0	435.0
Construction	655.0	743.0	748.0	754.0	722.0	741.0	725.0	696.0	778.0	751.0	830.0	874.0	882.0	898.0
Wholesale and retail trade	1,709.0	1,699.0	1,816.0	1,834.0	2,099.0	2,049.0	1,954.0	2,220.0	2,271.0	2,217.0	2,469.0	2,446.0	2,583.0	2,833.0
Restaurants and hotels	322.0	355.0	350.0	345.0	388.0	359.0	344.0	348.0	324.0	827.0	983.0	988.0	416.0	424.0
Transport, storage and communications	838.0	1,220.0	1,317.0	1,180.0	1,224.0	1,258.0	1,181.0	1,237.0	1,244.0	1,376.0	1,470.0	1,471.0	1,358.0	1,334.0
Financial services	381.0	540.0	532.0	573.0	596.0	624.0	572.0	612.0	574.0	682.0	762.0	649.0	571.0	703.0
Community, social and perconal services	378.0	462.0	286.0	439.0	506.0	558.0	415.0	440.0	435.0	451.0	466.0	470.0	474.0	446.0
Real estate	407.0	501.0	517.0	537.0	577.0	629.0	588.0	604.0	619.0	657.0	870.0	902.0	835.0	755.0
Credit/debit cards	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	0.0
Other sectors	7,298.0	8,554.0	8,500.0	8,535.0	8,469.0	8,520.0	8,819.0	8,958.0	8,946.0	8,620.0	8,750.0	8,768.0	8,644.0	8,676.0
TOTALS	19,037.0	21,722.0	21,667.0	22,130.0	22,793.0	23,071.0	22,943.0	23,027.0	23,416.0	24,454.0	27,025.0	27,368.0	25,681.0	26,253.0

Source: Bank of Zambia

Commercial Banks Loans and Advances - Foreign Currency (US $' 000), Dec 2013 - Dec 2015 **Table 10B**

Sector	Dec-13	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Agriculture, forestry,Fishing and hunting	242,035.0	284,835.0	254,854.0	260,316.0	254,881.0	260,138.0	259,932.0	267,583.0	263,930.0	295,672.0	265,042.0	253,648.0	251,399.0	239,758.0
Mining and quarying	154,457.0	140,808.0	159,116.0	143,749.0	143,820.0	140,150.0	143,306.0	130,751.0	135,457.0	130,469.0	122,927.0	114,025.0	120,100.0	139,509.0
Manufacturing	195,869.0	195,556.0	218,492.0	199,257.0	163,123.0	159,714.0	180,960.0	167,256.0	157,091.0	191,161.0	167,206.0	157,768.0	156,744.0	145,441.0
Electricity, gas, water and energy	37,337.0	33,002.0	25,147.0	27,121.0	36,725.0	36,263.0	34,658.0	22,228.0	22,414.0	22,343.0	21,834.0	21,709.0	20,039.0	19,479.0
Construction	28,264.0	28,578.0	28,215.0	31,173.0	26,419.0	26,343.0	21,025.0	21,513.0	24,665.0	22,429.0	26,459.0	27,598.0	29,150.0	31,160.0
Wholesale and retail trade	65,219.0	73,493.0	77,851.0	78,786.0	86,497.0	91,411.0	86,974.0	92,804.0	88,855.0	76,797.0	75,932.0	76,266.0	76,735.0	95,183.0
Restaurants and hotels	36,162.0	35,489.0	35,064.0	29,126.0	31,255.0	28,480.0	28,378.0	28,116.0	28,144.0	54,561.0	53,195.0	50,390.0	28,891.0	28,316.0
Transport, storage and communications	59,059.0	95,448.0	89,295.0	78,909.0	76,691.0	79,018.0	76,932.0	77,825.0	78,329.0	85,789.0	77,362.0	63,698.0	59,821.0	62,039.0
Financial services	14,484.0	16,878.0	10,129.0	8,822.0	12,082.0	11,299.0	11,100.0	20,659.0	13,253.0	17,349.0	15,399.0	8,751.0	11,523.0	11,652.0
Community, social and perconal services	8,981.0	7,338.0	9,628.0	7,274.0	7,252.0	7,551.0	7,014.0	7,029.0	6,881.0	8,071.0	6,976.0	5,997.0	7,914.0	7,824.0
Real estate	23,905.0	39,966.0	36,196.0	38,372.0	43,400.0	47,053.0	44,695.0	46,758.0	43,234.0	43,414.0	42,897.0	44,909.0	46,448.0	47,051.0
Other sectors	22,665.0	28,718.0	34,923.0	36,589.0	37,454.0	38,282.0	51,276.0	44,575.0	49,249.0	39,615.0	42,328.0	55,518.0	49,061.0	50,604.0
TOTALS	888,437.0	980,110.0	978,911.0	939,493.0	919,598.0	925,702.0	946,250.0	927,098.0	911,501.0	987,670.0	917,557.0	880,277.0	857,824.0	878,016.0

Source: Bank of Zambia

Structure Of Interest Rates (Percent Per Year), 2007 - 2015

Table 11

	End of period	BoZ[1] Policy Rate	Weighted Interbank rate	Penalty[2] rate	Treasury bill rates 91 days	182 days	273 days	364 days	Government bond 24 months	3 year	5 year	7 year	10 year	15 year	Commercial bank deposits Savings	90 day
2007	December	18.3	10.4	38.4	11.5	12.7	13.0	13.3	14.4	15.4	15.8	17.3	18.8	19.9	4.8	6.3
2008	December	20.8	12.8	37.3	13.9	15.8	16.1	18.4	16.6	16.2	18.2	17.3	18.4	19.3	4.8	6.6
2009	December	22.7	4.2	29.9	6.3	8.5	11.0	11.7	15.5	16.8	17.5	17.9	18.9	18.9	4.7	7.4
2010	December	19.4	6.2	31.2	7.5	8.0	8.2	9.6	8.9	8.0	13.0	14.0	15.0	15.5	4.7	7.4
2011	December	16.6	10.2	35.5	7.0	9.5	11.4	13.5	14.7	15.1	15.4	15.0	15.9	16.2	4.3	5.3
2012	December	9.3	8.8	33.2	9.4	12.4	11.4	12.1	11.0	12.8	13.5	14.5	16.5	16.6	4.3	5.3
2013	January	9.3	8.0	31.5	7.5	10.1	9.4	10.4	11.0	12.8	13.5	14.5	16.5	16.6	4.3	7.0
	February	9.3	7.6	32.4	6.2	9.6	9.9	11.6	11.2	12.9	13.8	14.5	16.6	16.6	4.3	7.0
	March	9.3	9.3	32.3	5.5	12.2	12.2	12.5	12.0	13.5	14.8	14.5	17.0	16.6	3.0	6.2
	April	9.3	9.9	31.5	5.5	12.6	12.8	12.5	12.0	13.5	14.8	14.5	17.0	16.6	2.6	6.2
	May	9.3	10.8	31.5	6.3	12.6	12.7	12.9	12.3	13.9	15.1	14.8	17.0	16.8	3.0	5.8
	June	9.5	10.4	35.0	6.5	12.7	12.9	13.3	12.7	14.5	15.5	15.2	17.0	17.0	3.4	6.0
	July	9.8	11.1	34.6	7.6	12.8	12.6	13.3	12.7	14.5	15.5	15.2	17.0	17.0	3.4	6.3
	August	9.8	9.8	35.4	8.0	13.2	12.7	13.3	12.9	14.7	15.7	15.3	17.0	17.1	3.2	6.2
	September	9.8	9.9	35.0	8.0	13.2	13.7	13.6	13.5	15.3	16.5	15.5	17.3	17.3	3.3	6.4
	October	9.8	9.6	33.0	8.0	13.4	13.8	13.9	13.5	15.3	16.5	15.5	17.3	17.3	3.3	6.4
	November	9.8	9.7	36.0	7.6	14.1	14.1	15.2	13.7	15.4	16.5	16.0	17.6	17.6	3.6	6.2
	December	9.8	9.9	36.4	8.0	14.8	15.0	15.7	14.0	15.5	16.5	16.9	18.2	18.0	3.6	6.6
2014	January	9.8	10.0	35.3	8.0	14.8	15.2	15.8	14.0	15.5	16.5	16.9	18.2	18.0	3.5	6.5
	February	10.3	10.3	35.7	8.0	15.0	15.1	15.3	14.0	15.1	16.1	16.6	18.0	17.9	3.7	6.6
	March	10.3	15.6	35.1	8.4	15.0	15.1	15.4	14.0	15.0	16.0	16.5	17.9	17.9	3.5	6.8
	April	12.0	17.6	34.7	9.5	15.5	15.6	16.2	14.0	15.0	16.0	16.5	17.9	17.9	3.4	7.0
	May	12.0	20.1	34.7	9.3	16.5	15.3	17.4	14.3	15.3	16.3	16.9	18.1	18.1	3.5	7.1
	June	12.0	23.4	34.7	9.4	17.2	16.5	18.8	15.5	16.3	17.5	18.3	18.8	18.9	3.5	8.5
	July	12.0	17.6	34.7	9.5	17.4	17.2	21.5	15.5	16.3	17.5	18.3	18.8	18.9	3.4	7.8
	August	12.0	12.9	37.5	9.5	17.5	17.4	22.6	15.5	16.3	17.5	18.3	18.8	18.9	3.5	6.7
	September	12.0	13.1	39.5	9.5	17.5	16.8	20.5	15.5	16.2	18.7	19.0	19.0	19.5	3.6	9.2
	October	12.0	11.3	39.5	9.5	16.9	16.7	18.1	15.5	16.2	18.7	19.0	19.0	19.5	3.6	8.9
	November	12.5	11.6	39.5	11.3	17.3	18.2	19.2	15.4	16.2	19.6	19.6	19.7	20.2	3.6	8.9
	December	12.5	12.0	39.5	13.0	17.5	18.0	20.4	15.0	16.2	22.4	21.5	22.0	22.5	3.4	9.1
2015	January	12.5	11.9	39.5	13.5	18.3	18.7	20.6	15.0	16.2	22.4	21.5	22.0	22.5	3.4	9.3
	February	12.5	12.5	39.7	13.5	18.3	18.3	21.4	15.5	16.5	23.0	20.5	21.8	22.5	3.4	9.3
	March	12.5	10.8	39.8	13.5	18.3	18.2	21.4	15.5	16.5	23.0	20.5	21.8	22.5	3.4	9.2
	April	12.5	14.1	39.8	13.5	19.5	19.8	22.5	15.5	16.5	23.0	20.5	21.8	22.5	3.4	9.2
	May	12.5	14.6	39.8	14.0	19.5	20.5	23.5	15.5	22.2	24.0	23.0	21.0	22.5	3.4	9.1
	June	12.5	14.6	39.8	14.0	19.5	22.0	24.5	15.5	22.2	24.0	23.0	21.0	22.5	3.2	9.0
	July	12.5	14.7	39.8	14.9	19.5	21.2	22.9	15.5	22.2	24.0	23.0	21.0	22.5	3.5	9.0
	August	12.5	14.5	39.8	14.9	20.0	20.8	22.3	23.0	23.5	25.0	22.0	20.0	22.5	3.3	8.5
	September	12.5	14.7	39.8	14.9	20.0	21.5	22.8	23.0	23.5	25.0	22.0	20.0	22.5	3.4	8.8
	October	12.5	14.7	39.8	15.0	20.3	21.0	23.0	23.0	23.5	25.0	22.0	20.0	22.5	3.4	8.7
	November	15.5	24.7	39.8	15.0	20.3	20.0	21.5	23.0	23.5	28.0	28.0	20.0	22.5	3.3	9.1
	December	15.5	26.1	39.8	15.0	20.3	18.7	21.5	23.0	23.5	28.0	28.0	20.0	22.5	3.3	9.2

Source: Bank of Zambia

[1]Figures before April 2012 reflect the Commercial Banks' weighted Lending Base Rate while figures after that indicates BoZ Policy rate.

[2]Penalty Rates: These are rates applied when a Bank falls short on Statutory Reserve Ratios.

Commercial Bank Interest Rates (Percent Per Year), 2007 - 2015

Table 12

	End of Period	Average Lending Rates	Weighted interbank rate	Savings Rates less than K100	Savings Rates more than K100	Deposits over K20,000 24 hr call	7 day	14 day	30 day	60 day	90 day	180 day
2007	December	24.4	10.4	3.5	4.8	3.1	2.8	3.5	4.8	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	6.6	6.6
2009	December	29.2	4.2	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
2010	December	26.4	6.2	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
2011	December	24.0	10.2	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
2012	December	16.1	8.8	3.8	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
2013	January	16.3	7.2	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	February	16.3	8.7	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
	March	16.2	9.4	2.8	3.3	1.8	2.7	3.1	4.4	4.6	6.2	7.6
	April	16.1	10.3	2.6	3.0	1.8	3.0	3.3	4.7	4.8	6.1	7.7
	May	16.1	11.2	2.5	3.4	1.8	3.0	3.3	4.8	5.0	5.8	7.8
	June	16.2	11.1	2.5	3.4	1.8	3.0	3.3	5.1	5.2	6.0	7.5
	July	16.4	9.5	2.6	3.2	1.8	3.0	3.3	4.9	5.3	6.3	7.9
	August	16.4	11.0	2.5	3.2	1.8	3.0	3.3	5.0	5.3	6.2	8.0
	September	16.4	9.7	2.7	3.4	2.0	4.0	3.8	4.8	5.3	6.4	8.0
	October	16.4	9.3	2.8	3.4	1.8	3.0	3.3	5.2	5.4	6.3	8.3
	November	16.4	9.8	2.8	3.5	1.9	3.0	4.1	5.1	6.1	6.6	8.4
	December	16.4	10.1	2.8	3.5	1.9	3.0	4.1	5.1	6.1	6.6	8.4
2014	January	16.4	10.0	2.8	3.5	1.9	3.9	4.1	5.6	6.0	6.5	8.5
	February	17.1	10.3	3.0	3.7	1.9	3.3	4.3	5.5	5.8	6.6	7.8
	March	17.0	15.6	2.8	3.5	1.9	3.0	3.3	5.2	5.6	6.8	7.8
	April	18.8	18.0	2.8	3.5	1.9	3.0	3.3	5.4	6.0	7.0	8.0
	May	18.3	20.1	2.7	3.7	1.8	3.2	4.3	5.3	6.2	7.1	8.4
	June	19.1	23.4	2.8	3.6	1.9	3.2	4.2	6.8	8.3	8.5	9.8
	July	20.0	14.7	2.8	3.6	1.9	3.7	4.0	7.8	9.1	9.4	10.5
	August	19.0	12.9	2.8	3.4	1.8	3.0	3.3	5.4	5.8	6.7	8.3
	September	19.4	13.1	2.6	3.7	2.0	2.9	3.2	6.9	8.3	9.2	9.6
	October	20.0	11.3	2.7	3.6	1.9	3.7	4.0	6.5	8.1	8.9	10.0
	November	20.4	11.7	2.7	3.6	2.0	3.7	4.0	6.8	8.0	8.9	9.9
	December	20.5	12.0	2.4	3.3	2.0	4.2	4.3	6.8	8.3	9.1	10.5
2015	January	20.9	11.9	2.7	3.6	2.0	4.4	3.5	6.9	7.8	9.1	10.1
	February	20.6	12.5	2.7	3.6	2.0	4.4	3.5	6.3	7.6	9.1	10.1
	March	19.7	10.8	2.4	3.4	2.2	5.1	3.9	6.4	7.9	9.3	10.4
	April	20.6	14.6	2.4	3.4	2.0	5.3	3.9	6.4	8.0	9.2	10.5
	May	20.6	14.6	2.2	3.2	2.2	5.4	3.9	6.8	7.5	8.9	10.5
	June	20.6	14.6	2.5	3.5	2.0	5.4	4.1	6.4	7.8	8.8	10.5
	July	20.7	14.7	2.5	3.5	2.0	4.0	4.1	6.3	7.6	9.0	10.4
	August	20.7	14.5	2.4	3.3	1.8	3.5	3.5	6.0	7.1	8.5	10.3
	September	20.8	14.7	2.4	3.3	1.9	3.6	3.5	6.8	7.1	7.9	10.3
	October	20.7	14.7	2.5	3.4	1.9	4.1	4.2	6.3	7.6	8.4	10.5
	November	23.2	24.7	2.6	3.5	2.1	4.7	4.9	7.2	8.3	9.6	10.8
	December	25.8	26.1	2.5	3.3	1.9	4.0	4.2	7.2	7.9	9.2	10.8

Source: Bank of Zambia

Kwacha/US Dollar Exchange Rates, 2007 - 2015

Table 13

	Period	Bank of Zambia			RatesBureau Rates		
	Monthly Average	Buying	Selling	Mid	Buying	Selling	Mid
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	December	5,107.29	5,127.29	5,117.29	5,068.71	5,153.52	5,111.11
2012	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
2014	January	5.52	5.53	5.53	2.81	2.86	2.83
	February	5.69	5.70	5.69	5.50	5.61	5.56
	March	6.08	6.10	6.09	5.93	6.09	6.01
	April	6.19	6.21	6.20	6.01	6.13	6.07
	May	6.60	6.62	6.61	6.40	6.51	6.46
	June	6.30	6.32	6.31	6.33	6.51	6.42
	July	6.14	6.16	6.15	6.11	6.22	6.17
	August	6.10	6.12	6.11	6.13	6.24	6.18
	September	6.14	6.16	6.15	6.11	6.26	6.18
	October	6.31	6.34	6.32	6.26	6.37	6.32
	November	6.34	6.36	6.35	6.32	6.42	6.37
	December	6.33	6.35	6.34	6.32	6.42	6.37
2015	January	6.45	6.47	6.46	6.39	6.50	6.45
	February	6.74	6.76	6.75	6.62	6.76	6.69
	March	7.32	7.34	7.33	7.30	7.43	7.36
	April	7.05	7.07	6.55	6.97	7.09	7.03
	May	7.25	7.27	7.26	7.20	7.33	7.26
	June	7.32	7.34	7.33	7.28	7.39	7.33
	July	7.65	7.67	7.66	7.55	7.67	7.61
	August	8.08	8.10	8.09	8.04	8.16	8.10
	September	10.19	10.21	10.20	10.25	10.49	10.37
	October	12.01	12.02	12.02	11.95	12.24	12.09
	November	12.17	12.19	12.18	11.81	12.05	11.93
	December	10.83	10.85	10.84	10.60	10.82	10.71

Source: Bank of Zambia

Note: In July 2003, the Bank of Zambia 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 ceased to auction foreign exchange to the market on behalf of major foreign exchange earners. Foreign exchange earners can now transact directly with commercial banks of their choice.

* Effective 1st January, 2013 the Zambian Kwacha was rebased by K1000.

Commercial Banks Foreign Exchange Rates, 2012 - 2015 — Table 14

Date	Non Banks US$		Bureaux US$		INTERBANK US$			UK Pound			EURO			SAR		
Monthly Avg.	Selling	Mid-rate	Selling	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Mid-rate
2012																
October	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	604.4
November	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	596.9
December	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	608.2
2013	5.3	5.3														
January	5.3	5.4	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	5.4	5.5	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	5.3	5.4	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	5.5	5.6	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	5.5	5.5	9.0	9.1	9.1	7.6	7.6	7.6	0.5	0.5	0.5
2014	5.6	5.5														
January	5.7	5.6	5.5	5.6	5.5	5.5	5.5	9.1	9.1	9.1	7.5	7.5	7.5	0.5	0.5	0.5
February	6.1	6.1	5.7	5.7	5.7	5.7	5.7	9.4	9.4	9.4	7.8	7.8	7.8	0.5	0.5	0.5
March	6.2	6.3	6.1	6.2	6.1	6.1	6.1	10.1	10.1	10.1	8.4	8.4	8.4	0.6	0.6	0.6
April	6.6	6.7	6.2	6.2	6.2	6.2	6.2	10.4	10.4	10.4	8.5	8.6	8.6	0.6	0.6	0.6
May	6.3	6.4	6.6	6.7	6.6	6.6	6.6	11.1	11.2	11.1	9.1	9.1	9.1	0.6	0.6	0.6
June	6.1	6.2	6.3	6.4	6.3	6.3	6.3	10.6	10.7	10.7	8.6	8.6	8.6	0.6	0.6	0.6
July	6.1	6.2	6.2	6.3	6.1	6.2	6.2	10.5	10.5	10.5	8.3	8.3	8.3	0.6	0.6	0.6
August	6.1	6.2	6.1	6.1	6.1	6.1	6.1	10.2	10.2	10.2	8.1	8.2	8.1	0.6	0.6	0.6
September	6.3	6.4	6.1	6.2	6.1	6.2	6.1	10.0	10.0	10.0	7.9	7.9	7.9	0.6	0.6	0.6
October	6.3	6.4	6.3	6.4	6.3	6.3	6.3	10.2	10.2	10.2	8.0	8.0	8.0	0.6	0.6	0.6
November	6.3	6.4	6.4	6.6	6.3	6.4	6.3	10.0	10.0	10.0	7.9	7.9	7.9	0.6	0.6	0.6
December			6.3	6.4	6.3	6.3	6.3	9.9	9.9	9.9	7.8	7.8	7.8	0.6	0.6	0.6
2015	6.4	6.5														
January	6.7	6.8	6.5	6.5	6.5	6.5	6.5	9.8	9.8	9.8	7.2	7.5	7.5	0.6	0.6	0.6
February	7.3	7.4	6.8	6.8	6.7	6.8	6.7	10.3	10.4	10.3	7.6	7.7	7.7	0.6	0.6	0.6
March	7.3	7.5	7.3	7.3	7.3	7.3	7.3	11.0	11.0	11.0	7.9	8.0	8.0	0.6	0.6	0.6
April	7.1	7.4	7.4	7.5	7.4	7.4	7.4	11.2	11.2	11.2	8.1	8.1	8.1	0.6	0.6	0.6
May	7.3	7.4	7.3	9.5	9.5	9.5	9.5	11.2	14.6	14.5	10.5	10.5	10.5	0.7	0.7	0.7
June	7.6	7.7	7.3	7.4	7.3	7.3	7.3	11.4	11.4	11.4	8.2	8.2	8.2	0.6	0.6	0.6
July	8.0	8.1	7.6	7.7	7.6	7.7	7.6	11.9	11.9	11.9	8.4	8.4	8.4	0.6	0.6	0.6
August	10.1	10.3	8.1	8.1	8.1	8.1	8.1	12.6	12.6	12.6	9.0	9.0	9.0	0.6	0.6	0.6
September	11.9	12.1	10.2	10.2	10.2	10.2	10.2	15.6	15.7	15.6	11.4	11.5	11.4	0.7	0.7	0.7
October	11.9	12.3	12.0	12.0	12.0	12.0	12.0	18.4	18.5	18.4	13.5	13.5	13.5	0.9	0.9	0.9
November	10.9	10.9	12.1	12.2	12.2	12.2	12.2	18.5	18.5	18.5	13.0	13.1	13.0	0.9	0.9	0.9
December			10.9	10.9	10.8	10.8	10.8	16.2	16.3	16.2	11.8	11.8	11.8	0.7	0.7	0.7

Source: Bank of Zambia
n/a Data not available

Foreign Exchange Transactions, 2007 - 2015

Table 15

		Bank of Zambia Inflows			Bank of Zambia Outflows				Gross
		Purchases	Other	Donor		Other	GRZ Debt	GRZ	International
Period	Monthly/Annual Totals	from Mines	Non-GRZ	Inflows	Dealing	Non-GRZ	Servicing	Other Uses	Reserves
2007	December	0.0	73.5	2.2	-6.5	54.2	5.3	5.1	1,105.1
2008	December	0.0	104.6	8.1	67.5	84.6	2.0	5.9	5,692.7
2009	December	0.0	53.2	171.4	28.0	69.8	2.6	87.1	1,949.1
2010	December	0.0	53.9	103.4	11.0	24.7	43.8	99.8	2,118.7
2011	December	0.0	40.4	28.3	0.0	92.8	3.2	134.3	2,347.0
2012	December	0.0	45.6	74.2	171.0	12.2	18.4	191.4	3,069.0
2013	January	11.3	237.7	1.3	188.5	25.6	6.4	8.8	3,090.1
	February	0.0	29.3	0.0	64.0	57.4	1.6	261.2	2,735.1
	March	0.0	70.9	12.0	84.0	48.6	32.4	20.0	2,632.9
	April	60.0	42.7	0.2	180.0	21.5	23.8	13.8	2,496.7
	May	0.0	26.9	9.6	0.0	27.5	6.4	0.1	2,499.1
	June	0.0	46.9	25.0	51.0	42.6	4.2	4.9	2,468.3
	July	0.0	57.5	1.5	0.0	10.8	9.7	0.6	2,506.0
	August	0.0	35.2	5.7	-32.5	22.2	10.5	0.3	2,546.5
	September	0.0	177.8	11.9	-46.0	24.8	66.3	4.7	2,686.2
	October	0.0	105.1	4.0	-35.5	19.6	17.7	0.5	2,793.0
	November	0.0	54.9	19.2	20.0	93.8	3.4	6.4	2,743.6
	December	0.0	39.7	19.9	46.0	23.0	25.2	0.1	2,708.7
2014	January	0.0	92.9	19.5	0.0	37.8	5.8	1.2	2,776.4
	February	0.0	28.4	0.5	80.0	15.3	12.0	0.0	2,698.0
	March	0.0	176.9	21.8	128.0	18.6	35.5	0.0	2,714.6
	April	42.0	1040.9	6.2	11.5	45.7	17.8	1.1	3,727.7
	May	0.0	35.9	2.9	314.0	33.0	6.7	0.0	3,412.7
	June	0.0	124.9	4.8	-2.0	62.9	4.5	1.1	3,449.2
	July	47.4	44.2	2.9	49.1	45.7	74.6	1.2	3,373.2
	August	0.0	47.3	2.3	-65.0	54.0	2.1	4.8	3,426.9
	September	0.0	44.7	2.4	31.0	73.1	43.2	2.3	3,324.4
	October	19.8	37.3	8.3	93.5	32.3	71.3	0.0	3,192.7
	November	0.0	52.2	10.4	88.5	36.6	21.1	0.0	3,109.1
	December	0.8	40.1	4.0	0.0	44.9	4.6	1.4	3,103.1
2015	January	0.0	33.3	0.6	130.5	33.2	26.4	13.9	2,932.9
	February	22.6	56.4	10.3	50.0	23.4	81.9	22.5	2,828.7
	March	3.9	25.2	0.3	50.0	44.1	47.5	21.1	2,695.3
	April	11.2	142.2	0.0	0.0	12.4	116.0	8.2	2,712.2
	May	29.1	47.0	0.4	0.0	69.5	6.5	0.1	2,712.6
	June	35.2	74.1	6.1	0.0	60.8	9.1	1.1	2,757.0
	July	24.9	1246.7	0.5	0.0	57.7	37.2	0.0	3,936.9
	August	10.5	50.1	2.3	0.0	45.3	7.6	64.8	3,882.2
	September	0.0	42.9	7.5	160.0	31.0	66.3	55.7	3,619.5
	October	0.0	67.1	0.0	156.2	24.4	57.5	75.0	3,373.3
	November	0.0	86.0	12.2	248.5	28.1	9.8	128.2	3,057.0
	December	0.0	60.5	24.5	50.0	49.7	25.5	49.9	2,973.3

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

Consumer Price Indices (2009 weights - Base 2009=100), 2012 - 2015 **Table 16**

Monthly	Consumer Prices Food and Non – Food (2009=100)			Annual Inflation			Month on Month Inflation Rates		
	Total	Food	Non Food	Total	Food	Non Food	Total	Food	Non Food
2012									
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
2014									
January	136.3	131.6	141.7	7.3	5.9	8.8	0.9	0.8	1.0
February	137.0	132.4	142.2	7.6	7.5	7.7	0.5	0.6	0.4
March	138.7	134.1	144.0	7.7	7.6	7.8	1.3	1.3	1.2
April	139.6	135.0	144.9	7.8	7.6	7.9	0.7	0.7	0.7
May	140.9	136.0	146.4	7.8	8.0	7.6	0.9	0.8	1.0
June	141.5	136.3	147.4	7.9	7.8	8.0	0.4	0.2	0.7
July	142.5	136.2	149.9	8.0	6.9	9.2	0.8	-0.1	1.6
August	143.5	137.5	150.4	8.0	7.0	9.1	0.7	0.9	0.4
September	143.9	137.8	150.9	7.8	6.9	8.8	0.2	0.2	0.3
October	144.0	137.7	151.2	7.9	7.1	8.8	0.1	0.0	0.2
November	144.6	138.5	151.7	8.1	7.3	8.9	0.4	0.5	0.3
December	145.7	140.3	151.9	7.9	7.5	8.4	0.8	1.3	0.2
2015									
January	146.8	141.3	153.1	7.7	7.4	8.0	0.7	0.7	0.7
February	147.1	142.4	152.6	7.4	7.6	7.3	0.3	0.8	-0.3
March	148.6	143.8	154.2	7.2	7.2	7.1	1.0	1.0	1.1
April	149.7	144.6	155.5	7.2	7.1	7.3	0.7	6.0	0.8
May	150.6	145.8	156.2	6.9	7.2	6.7	0.6	0.8	0.4
June	151.5	146.4	157.7	7.1	7.1	7.0	0.6	0.2	1.0
July	152.6	147.0	159.2	7.1	7.8	6.2	0.8	0.6	1.0
August	153.9	148.2	160.6	7.3	7.8	6.9	0.9	0.8	0.9
September	155.0	149.0	162.0	7.7	8.1	7.3	0.7	0.5	0.9
October	164.7	160.0	170.0	14.3	16.2	12.4	6.2	7.4	5.0
November	172.9	170.9	175.2	19.5	23.4	15.5	5.0	6.8	3.1
December	176.5	175.1	178.1	21.1	24.8	17.1	2.1	2.5	1.6

Source: Central Statistical Office

Treasury Bill Transactions (k' Million), 2007 - 2015

Table 17

		Treasury Bills Tender Sales					Settlement		Special Taps &		Total
	Period	91 Days	182 Days	273 Days	364 Days	Sales	value	Maturites	Off-Tender Sales	discounts	Outstanding Bills
2007	December	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	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	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	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	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	December	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	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	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	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	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	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	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	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	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	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	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	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	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
2014	January	7,610.0	179,955.0	310,550.0	580,650.0	1,078,765.0	956,688.5	476,123.0	1,683.4	0.0	10,223,560.4
	February	6,980.0	407,405.0	354,495.0	574,310.0	1,343,190.0	1,203,019.4	586,248.0	409.9	0.0	10,653,025.9
	March	9,700.0	73,530.0	19,160.0	103,875.0	206,265.0	185,086.3	620,916.5	6,949.2	0.0	10,058,959.4
	April	4,400.0	116,255.0	110,715.0	226,565.0	457,935.0	405,759.5	575,108.0	644.1	0.0	10,052,929.4
	May	16,680.0	307,430.0	70,120.0	436,490.0	830,720.0	733,878.9	524,773.0	89.0	0.0	10,083,337.4
	June	3,650.0	49,430.0	96,500.0	487,860.0	637,440.0	541,711.5	602,543.0	0.0	0.0	9,881,242.4
	July	3,710.0	80,630.0	3,260.0	559,235.0	646,835.0	537,529.0	778,740.0	1,267.4	0.0	9,621,504.6
	August	8,250.0	178,175.0	38,855.0	1,635,450.0	1,860,730.0	1,543,368.2	1,443,139.5	799.4	0.0	10,113,605.1
	September	1,910.0	292,150.0	116,630.0	988,255.0	1,398,945.0	1,200,105.9	629,665.0	0.0	0.0	9,590,418.5
	October	10,680.0	367,535.0	190,270.0	1,088,638.0	1,657,123.0	1,442,185.7	703,832.0	0.0	0.0	9,876,146.6
	November	32,167.0	180,034.0	126,795.0	217,607.0	556,603.0	491,168.0	825,215.0	0.0	0.0	9,372,760.6
	December	144,610.0	173,153.0	102,920.0	579,915.0	1,000,598.0	871,680.8	710,943.0	0.0	0.0	10,809,484.4
2015	January	261,419.0	380,718.0	124,120.0	976,275.0	1,742,532.0	1,522,175.1	990,349.2	0.0	0.0	11,440,272.2
	February	61,536.0	112,032.0	69,380.0	564,323.0	807,271.0	688,227.9	686,291.0	0.0	0.0	11,458,965.2
	March	197,794.0	281,277.1	428,810.0	1,173,565.0	2,081,446.1	1,801,451.8	396,025.0	0.0	0.0	12,911,925.2
	April	5,278.0	115,165.0	65,862.0	521,430.0	707,735.0	594,943.9	594,170.0	0.0	0.0	12,923,690.2
	May	26,075.0	103,205.0	62,000.0	816,665.0	1,007,945.0	835,369.9	594,410.0	0.0	0.0	13,051,841.2
	June	37,380.0	123,831.0	123,520.0	747,615.0	1,032,346.0	856,807.0	661,013.0	0.0	0.0	13,108,750.2
	July	48,065.0	193,479.0	238,010.0	690,100.0	1,169,654.0	985,902.4	1,281,890.0	0.0	0.0	12,800,966.2
	August	6,805.0	134,045.0	239,800.0	1,231,721.0	1,612,371.0	1,223,176.4	1,407,448.0	0.0	0.0	12,664,964.2
	September	13,883.0	329,260.0	380,815.0	830,295.0	1,554,253.0	1,319,688.1	1,278,181.0	0.0	0.0	12,840,941.2
	October	18,970.0	207,059.0	281,675.0	892,294.0	1,399,998.0	1,175,388.9	1,203,803.0	0.0	0.0	12,864,951.2
	November	14,700.0	69,850.0	25,232.0	350,764.0	460,546.0	386,505.9	320,812.0	0.0	0.0	12,928,500.2
	December	11,265.0	112,952.0	179,295.0	261,361.0	564,873.0	146,913.0	969,945.0	0.0	0.0	12,090,096.5

Source: Bank of Zambia

GRZ Bonds Outstanding, 2012 - 2015 **Table 18**

End of period		By Holder		Total
		Commercial banks[1]	Others[2]	Outstanding
2012	December			
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
2014	January	2,528,446.5	4,922,124.6	7,450,571.1
	February	3,187,892.8	5,118,665.1	8,306,558.0
	March	3,008,843.7	5,148,724.1	8,157,567.8
	April	2,927,213.0	5,206,476.6	8,133,689.6
	May	2,978,575.0	5,537,485.2	8,516,060.3
	June	2,714,345.7	5,744,433.7	8,458,779.5
	July	2,686,228.8	5,678,576.2	8,364,805.0
	August	2,655,890.3	5,643,176.3	8,299,066.7
	September	2,420,653.4	5,964,870.1	8,385,523.5
	October	2,350,970.5	5,944,566.2	8,295,536.7
	November	2,382,978.8	6,591,997.3	8,974,976.1
	December	2,362,441.2	6,711,314.2	9,073,755.4
2015	January	2,304,466.0	6,674,496.9	8,978,962.9
	February	2,332,038.2	7,161,926.4	9,493,964.6
	March	2,235,103.3	7,083,369.2	9,318,472.4
	April	2,177,495.8	7,083,122.2	9,260,618.0
	May	2,099,763.5	7,673,553.4	9,773,316.9
	June	2,134,561.6	7,446,751.2	9,581,312.8
	July	2,149,415.5	7,301,869.9	9,451,285.4
	August	2,164,087.5	7,249,248.2	9,413,335.7
	September	1,613,901.5	7,850,466.6	9,464,368.0
	October	1,603,097.9	7,595,341.1	9,198,439.0
	November	1,582,814.4	7,512,864.7	9,095,679.1
	December	1,568,433.9	7,503,337.9	9,071,771.8

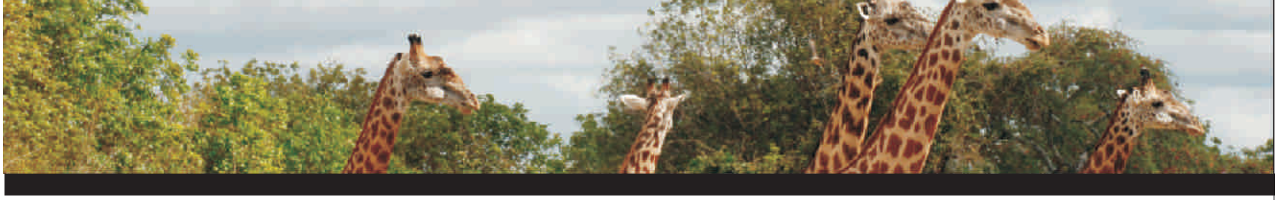
Source: Bank of Zambia

Note:[1] Commercial banks holdings of GRZ ordinary Bonds excludes ZANACO Bond of K250.0 billion.
[2] Others includes BoZ and Non-bank holdings of GRZ ordinary Bonds

METAL PRODUCTION AND EXPORTS (METRIC TONNES), 2007 - 2015 — Table 19

End of period		Copper		Cobalt	
		Exports	Production	Exports	Production
2007		473,415.0	510,917.0	4,614.0	4,690.0
2008		584,288.0	600,033.0	4,608.0	4,613.0
2009		675,384.0	697,860.0	5,868.0	5,879.0
2010		829,728.0	852,566.0	8,641.0	8,648.0
2011		832,216.0	833,450.0	7,831.0	7,702.0
2012		903,137.0	824,977.0	10,029.0	5,435.0
2013	January	76,710.0	74,900 .0	515.0	508.0
	February	77,082.0	74,728.0	527.0	479.0
	March	80,057.0	81,156.0	657.0	681.0
	April	87,306.0	89,219.0	572.0	562.0
	May	78,765.0	79,512.0	469.0	480.0
	June	78,438.0	81,377.0	391.0	410.0
	July	76,344.0	80,836.0	384.0	462.0
	August	78,785.0	78,737.0	560.0	498.0
	September	81,330.0	85,515.0	405.0	440.0
	October	98,174.0	98,661.0	692.0	692.0
	November	82,868.0	87,928.0	447.0	447.0
	December	80,447.0	85,254.0	261.0	261.0
	Total	976,306.0	997,823.0	5,881.0	5,919.0
2014	January	96,094.0	61,053.0	340.0	n/a
	February	88,099.0	57,901.0	366.0	n/a
	March	95,706.0	60,495.0	488.0	n/a
	April	99,822.0	54,442.0	192.0	n/a
	May	89,195.0	47,558.0	462.0	n/a
	June	88,538.0	43,205.0	427.0	n/a
	July	109,113.0	63,094.0	375.0	n/a
	August	87,424.0	66,788.0	296.0	n/a
	September	95,765.0	63,534.0	528.0	n/a
	October	94,711.0	58,022.0	363.0	n/a
	November	93,379.0	64,830.0	330.0	n/a
	December	108,469.0	67,337.0	396.0	n/a
	Total	1,146,315.0	708,259.0	4,562.0	n/a
2015	January	75,855.0	57,203.0	363.0	n/a
	February	78,280.0	52,766.0	198.0	n/a
	March	78,452.0	56,162.0	429.0	n/a
	April	81,223.0	50,472.0	198.0	n/a
	May	76,681.0	63,910.0	166.0	n/a
	June	74,757.0	60,017.0	33.0	n/a
	July	93,613.0	57,376.0	33.0	n/a
	August	111,829.0	69,495.0	270.0	n/a
	September	70,503.0	63,740.0	270.0	n/a
	October	74,092.0	58,758.0	306.0	n/a
	November	88,953.0	55,200.0	306.0	n/a
	December	117,859.0	65,762.0	407.0	n/a

Source: Bank of Zambia and Central Statistical Office
n/a not available



Annex Table 20: GDP by Kind of Economic Activity at Constant Prices, 2012 – 2015 (K' million)

KIND OF ECONOMIC ACTIVITY	2013	2014	2015*	Growth Rate* (%)
Agriculture, forestry and fishing	10,177.5	10,986.9	10,145.3	-7.7
Mining and quarrying	13,078.8	12,794.3	12,833.5	0.3
PRIMARY SECTOR	23,256.3	23,781.1	22,978.8	-3.4
Manufacturing	9,451.4	9,829.0	10,258.6	4.4
Electricity, gas, steam & air	2,050.2	2,221.7	2,188.8	-1.5
Water supply; sewerage & waste mgt	415.9	382.9	409.3	6.9
Construction	10,468.0	11,397.2	13,550.4	18.9
SECONDARY SECTOR	22,385.5	23,830.8	26,407.1	10.8
Wholesale & retail trade;	27,443.6	28,407.5	29,430.4	3.6
Transportation and storage	4,131.7	4,409.1	4,472.7	1.4
Accommodation & food service activities	2,310.4	2,392.2	2,392.9	0.0
Information and communication	3,969.5	4,262.9	4,368.7	2.5
Financial and insurance activities	3,868.0	3,730.6	4,040.9	8.3
Real estate activities	4,096.5	4,222.3	4,352.7	3.1
Professional, scientific & tech activities	2,234.1	2,430.1	2,533.0	4.2
Administrative & support services	1,211.9	1,312.7	1,331.6	1.4
Public administration and defense	5,794.4	6,426.0	6,579.9	2.4
Education	8,325.3	9,232.7	9,269.9	0.4
Human health & social work activities	1,461.1	1,620.4	1,674.2	3.3
Arts, entertainment and recreation	434.2	449.5	464.8	3.4
Other service activities	952.5	773.5	812.8	5.1
Activities of households as employers	4.9	4.8	5.7	19.6
TERTIARY SECTOR	66,238.2	69,674.4	71,730.3	3.0
Financial intermediation services indirectly measured	-2,187.3	-2,081.6	-2,199.9	5.7
GROSS DOMESTIC PRODUCT (GDP) AT BASIC PRICES	109,692.7	115,204.7	118,916.3	3.2
Taxes less subsidies on products	6,425.6	6,748.5	6,965.9	3.2
GROSS DOMESTIC PRODUCT (GDP) AT PURCHASERS PRICES	116,118.4	121,953.2	125,882.2	3.2

Source: Central Statistical Office
*Preliminary estimates

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