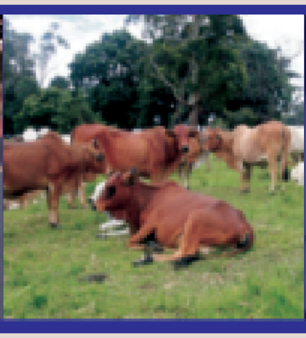
Bank Of Zambia

ANNUAL REPORT 2010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Reflective of Government's macroeconomic policies of restoring growth to the pre-crisis trend levels in 2010, and raise growth even higher, national output grew by 7.6% in the year, up from 6.4% in 2009. Increased activities in infrastructure development and agriculture contributed to this growth.

Bank of Zambia

MISSION STATEMENT

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

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REGISTERED OFFICES

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

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

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[1]Chief Anang'anga Imwiko replaced Mr. Chriticles Mwansa on the Bank of Zambia Board

SENIOR MANAGEMENT AS AT 31 DECEMBER 2010

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*Dr. Kalyalya was DGO until 26th October 2010 after which he left to join the World Bank in Washington, USA. Dr. Mwape who was Director-Bank Supervision took over from Dr. Kalyalya.
**Mr. Zimba replaced Dr. Mwape as Head of Bank Supervision in an acting capacity.

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1.0 GOVERNOR'S OVERVIEW

1.0 GOVERNOR'S OVERVIEW

Dr. Caleb M. Fundanga
Governor and Chairman
of the Board of Directors

The global economy showed signs of recovery from the effects of the global financial crisis as it grew by 5.0% in 2010, up from a contraction of 0.6% in 2009. This growth was driven by an increase in investment, manufacturing and global trade, coupled with supportive monetary policy in most economies. This was despite some setbacks to financial stability particularly in some European sovereign debt markets. The recovery, however, differed across regions with Asia taking the lead. In addition, growth accelerated in Europe and remained strong in emerging and developing countries, largely due to the implementation of prudent policies and a pick-up in global trade. Further, Latin America and Africa showed robust recovery on the back of strong commodity prices and a recovery in global trade. However, some advanced and emerging economies faced large adjustments, as the financial sectors remained vulnerable to shocks. Economies such as the United States and Japan that were hit harder than others by the crisis struggled to return to strong sustained growth while growth in many parts of emerging Europe and the Commonwealth of Independent States remained restrained.

The Sub-Saharan African (SSA) region posted a growth of 5.0% in 2010 compared with 2.6% in 2009. Sound economic policy implementation and a growing orientation of trade toward Emerging Asia continued to underpin growth in this region.

Developments in inflation in the global economy were mixed during the year under review. Inflation in advanced countries increased to 1.4% in 2010 from 0.1% in 2009. In contrast, emerging and developing regions showed a slowdown in inflation with the Commonwealth of Independent States recording a decline to 7.0% in 2010 from 11.2% in 2009. Similarly, inflation in the SSA region slowed down to 7.5% in 2010 from 10.4% in 2009, largely on account of increased food production which kept food prices stable throughout the year.

International prices for both oil and non-oil commodities rose in response to a combination of strong global demand in emerging economies and low inventories for some commodities. At the close of 2010, oil prices increased to US $91.1 per barrel from US $78.2 per barrel at end-December 2009. In addition, weather changes and low harvest expectations for selected major producers pushed wheat prices up. Precious metals, continued to be attractive during the turbulence, amid heavy buying by risk-averse investors. Copper prices also edged upwards to US $9,739.5 per metric ton at end-December 2010 from US $7,346.0 per metric ton at end-December 2009.

On the domestic front, the Government continued to implement measures aimed at diversifying the economy through the promotion of infrastructure development, livestock development, irrigation projects, tourism development, and the provision of various tax incentives in the agricultural and mining sectors. Growth in the Zambian economy rose to 7.6% in 2010 from 6.4% in 2009, largely driven by the agricultural, transport and communications, construction and mining sectors. This was the highest growth rate in 16 years. An increase in credit to the private sector provided additional impetus to this growth outturn.

Annual overall inflation slowed down to 7.9% in December 2010 broadly in line with the end-year target of 8.0%, from 9.9% in December 2009. This outturn was attributed to the decline in annual food inflation coupled with a moderate fall in non-food inflation, following improved food supply and the strengthening of the Kwacha. The fall in food inflation was largely explained by increased output of crops such as maize, which rose by 48.1% to a record output of 2.8 million metric tons during the 2009/10 agricultural season.

During 2010, Zambia continued to record favourable balance of payments surplus as reflected in the overall surplus of US $83.3 million, though lower than the US $540.1 million recorded in 2009. This was largely attributed to the unfavourable performance in the capital and financial account, which outweighed the 73.6% improvement in the current account surplus. Consistent with these developments, the accumulation of gross international reserves was US $138.1 million to US $2,096.5 million.

Performance of the Government budget during the year was satisfactory. The central Government overall budget deficit was 2.9% of gross domestic product (GDP), 0.4 percentage points lower than programmed. This was largely explained by the higher than programmed revenues. Similarly, the deficit, excluding grants, at 4.7% of GDP was 1.4 percentage points below the projected level of 6.1% of GDP.

During the year under review, the overall financial condition of the banking sector was rated satisfactory. The sector's capital adequacy position remained satisfactory with seventeen out of the eighteen operating banks meeting the minimum nominal capital requirements. Similarly, the banking sector's earnings performance improved, while the sector's liquidity position remained satisfactory. This was despite deterioration in asset quality following a 34.5% increase to K1,358.5 billion in gross non-performing loans. The overall financial performance and condition of the non-bank financial sector was fair. It is worth noting that the performance of building societies, and savings and credit institutions continued to improve during the year. Towards the end of the year, the Bank of Zambia took possession of Finance Bank Zambia Limited in accordance with the provisions of the Banking and Financial Services Act. This was due to serious breaches of the Banking and Financial Services Act (BFSA).

Given a number of outstanding issues from the initial Financial Sector Development Plan and other challenges arising from the 2008/09 global financial crisis, Government approved a three-year extension of the Plan to December 2012. Phase II of the Plan focuses on enhancing market infrastructure, increasing competition and access to finance.

Some notable achievements in the implementation of the Plan in 2010 included the finalisation of the FinScope II Consumer Survey report, which showed that despite the significant increase in the number and types of banking services and products, the level of financial inclusion only marginally increased to 37.3% in 2009 from 33.7% in 2005. The low uptake was mainly explained by the continued focus of financial service providers on serving the same market. Further, with respect to Zambia's sovereign credit rating, two rating agencies, namely, Standard and Poor's, and Fitch Ratings, were awarded contracts to rate the country.

The key challenge for the Bank in 2011 will be to maintain single-digit inflation while ensuring adequate liquidity for the growing economy through implementation of appropriate monetary policy. Further, the Bank will have to ensure that the current financial system stability is sustained and financial inclusion is improved.

Dr. Caleb M. Fundanga

Governor and Chairman of the Board of Directors

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

Overview

The global economy continued to strengthen during 2010, growing by 5.0% in 2010 compared with a contraction of 0.6% in 2009 (see Table 1). Global economic growth was attributed to an increase in investment, manufacturing and global trade. Real output in emerging and developing countries expanded by 7.1% compared with 2.6% in 2009. In advanced economies, real GDP growth increased to 3.0% from a contraction of 3.4% the previous year. However, recovery in advanced countries remained fragile as improved investment did not translate into higher employment.

In advanced economies, inflation increased to 1.4% in 2010 from 0.1% in 2009. In the Euro area, inflation increased to 1.6% from 0.3% in 2009. Further, in North America, it increased to 1.7% from 0.2% in 2009 whilst South America recorded an increase in inflation to 6.8% in 2010 from 6.4% in 2009. However, inflation in the Commonwealth of Independent States (CIS) region declined to 7.0% in 2010 from 11.2% in 2009. In addition, the SSA region saw inflation slowing down to 7.5% from 10.4% in 2009.

Financial stability suffered a major setback as market volatility increased and investor confidence dropped. Prices in many stock exchanges fell, led initially by financial stocks and by European markets. The decline in stock prices was attributed to heavy selling of the sovereign debt of vulnerable euro economies which upset the banking system, thus triggering a systematic crisis.

Commodity prices

In 2010, international commodity prices for both oil and non-oil commodities increased in response to a combination of strong global demand in emerging economies and low inventories for some selected commodities. Furthermore, weather changes and harvest expectations for some major exporters pushed up wheat prices. Precious metals also continued to be attractive during the turbulence, amid heavy buying by risk-averse investors.

At end-December 2010, oil prices increased to US $91.1 per barrel from US $78.2 per barrel in December 2009 whilst copper prices increased to US $9,739.5 per metric ton (mt) from US $7,346.0 per mt at end-December 2009.

Table 1: World Real GDP, Inflation and Current Account Positions, 2008 - 2010 ***(Annual % change unless otherwise stated)***

	Real GDP			Inflation			Current Account Positions (% of GDP)		
	2008	2009	2010*	2008	2009	2010	2008	2009	2010*
World	2.8	-0.6	5.0	n/a	n/a	n/a	n/a	n/a	n/a
Advanced Economies	0.2	-3.4	3.0	3.4	0.1	1.4	-1.3	-0.3	-0.3
United States	0.0	-2.6	2.8	3.8	-0.4	1.4	-4.9	-2.7	-3.2
Euro Area	0.5	-4.1	1.8	3.3	0.3	1.6	-0.7	-0.6	0.2
Japan	-1.2	-6.3	4.3	1.4	-1.1	-1.0	3.2	2.8	3.1
Commonwealth of Independent States	5.3	-6.5	4.2	15.6	11.2	7.0	4.9	2.6	3.8
Russia	5.2	-7.9	3.7	14.1	11.7	6.6	6.1	4.0	4.7
Excluding Russia	5.4	-3.2	5.4	19.6	10.6	n.av	1.1	0.6	n.av
Middle East and North Africa (MENA)	5.0	1.8	3.9	15.0	6.7	6.8	18.3	2.6	4.4
Emerging and Developing Countries	6.0	2.6	7.1	9.2	5.2	6.2	5.9	5.0	n.av
Sub-Saharan Africa	5.5	2.6	5.0	11.7	10.4	7.5	0.2	-1.7	-1.1

Source: IMF: World Economic Outlook, October 2010 and January 2011 update.
*Preliminary numbers;
n/a = not applicable, n.av = not available

Advanced Economies

Real GDP growth in advanced economies was 3.0% in 2010 against a contraction of 3.4% in 2009. The USA and Japan recorded growth rates of 2.8% and 4.3% compared with negative 2.6% and negative 6.3%, respectively. In the USA, increased foreign demand and normalising financial conditions assisted strong investment in business equipment and software. In Japan, fiscal stimulus and strong foreign demand boosted growth in output. Similarly, in the Euro area, foreign demand spurred growth to 1.8% in 2010 from negative 4.1% in 2009 with Germany leading the recovery. However, the area's dependence on bank credit constrained domestic demand as banks continued to be cautious in their lending.

Inflation in advanced economies increased to 1.4% in 2010 from 0.1% in 2009. In the United States, inflation rose to 1.4% in 2010 from negative 0.3% in 2009. This increase was largely due to expansionary monetary policies aimed at improving sluggish economic growth.

The current account deficit for advanced economies remained unchanged at negative 0.3% in 2010. The United States saw its current account deficit deteriorate to 3.2% in 2010 from 2.7% in 2009. However, Japan's current account surplus improved to 3.1% in 2010 from 2.8% in 2009, mainly due to increased exports to China and other emerging economies in Asia. Similarly, the current account position in the Euro area improved to a surplus of 0.2% in 2010 from a deficit of 0.6 % in 2009. Germany's current account surplus grew to 6.1% from 4.9%, mainly attributed to increased demand of mechanised goods from Asian and emerging countries. The Scandinavian countries also increased their current account surpluses with Norway's position improving to 16.6% from 13.1% on account of increased oil prices.

Emerging and Developing Countries

Emerging and developing economies continued to experience improved economic performance, with China and India leading the way. Real GDP growth in China and India increased to 10.5% and 9.7% in 2010 from 9.1% and 5.7% in 2009, respectively. Similar developments were registered in most developing economies as capital inflows increased, driven by low interest rates and investment opportunities in advanced economies. Slow and uncertain recoveries in Europe and the US made emerging economies attractive destinations for investors.

The inflation outcome in emerging and developing economies was mixed in 2010. In the developing economies of Asia, inflation increased to 6.1% from 3.1% in 2009. In Latin America and SSA, inflation decreased to 6.4% and 7.5% from 6.8% and 10.4%, respectively. In SSA, lower inflation was largely attributed to successive years of bumper grain harvests which kept food prices in check.

The current account positions for emerging economies deteriorated slightly in 2010. China's current account surplus reduced to 4.7% of GDP in 2010 from 6.0% of GDP in 2009 whilst India's current account deficit increased to 3.1% from 2.9%. However, SSA experienced an improvement with the region's current account deficit narrowing to 1.1% in 2010 from a deficit of 1.7% in 2009. This was mainly explained by the ability of most countries in the region to use fiscal and monetary policies effectively to dampen the adverse effects of the sudden shifts in world trade, prices, and financial flows when the global financial crisis struck. In addition, increased re-orientation of trade toward fast-growing markets in Asia contributed to this outturn.

Asian Economies

Except for Japan, the Asian economies continued to lead the global economic recovery with strong performances from China, India, Singapore, Taiwan, Thailand and the Philippines which recorded real GDP growth rates of more than 7.0%. The manufacturing sectors of these economies benefited from the rebound in global trade. China's continued impressive economic growth also propelled other advanced economies such as Australia, New Zealand, Japan and Germany through increased exports to China.

Inflation in the Asian region increased slightly to 4.3% in 2010 from 2.0% in 2009, largely on account of rising food prices. India's inflation increased to 13.2% in 2010 from 10.9% in 2009 due to rising food and real estate prices. Similarly, China's inflation rose to 3.5% in 2010 from negative 0.7% in 2009.

The current account[2] surpluses for the region declined to 3.0% in 2010 from 3.5% in 2009. This was on account of growth in domestic demand arising from major fiscal stimulus, large credit expansion and measures to boost household incomes and consumption. However, Singapore increased its current account surplus to 20.5% from 17.8%, mainly on account of increased exports of electronic goods to other Asian countries.

Commonwealth of Independent States

The economies in the Commonwealth of Independent States (CIS) experienced improved economic performance with real GDP growth recorded at 4.2% in 2010 compared with negative 6.5% in 2009. The recovery in the economies of CIS was led by Russia, which recorded real GDP growth of 3.7% in 2010, up from negative 7.9% in 2009. This was mainly on account of improved oil and commodity prices. The region also benefited from increased capital inflows.

Inflation in the region declined to 7.0% in 2010 from 11.2% in 2009. Russia, Ukraine, Belarus, and Kazakhstan experienced a decline in inflation, whilst some low income states in the region such as Georgia, Armenia, and Moldova experienced a slight increase in inflation during the same period.

The current account surpluses for the region improved to 3.8% in 2010 from 2.6% in 2009. This was mainly due to high commodity and oil prices which benefited the CIS energy exporting countries such as Russia.

Latin American Countries

Real GDP growth in Latin American countries rebounded strongly to 6.3% in 2010 from negative 0.2% in 2009 on the back of high commodity prices, capital inflows, and sound economic policies. The economic recovery was led by Brazil with GDP growth of about 10.0% in 2010 while Argentina, Peru, Uruguay, Mexico and Paraguay all registered real GDP growth of at least 5.0%.

[2]As a percent of GDP

Inflation in the region increased slightly to 6.8% in 2010 from 6.4% in 2009, largely driven by a surge in inflation in Argentina and Venezuela. In Argentina, inflation increased to 10.6% from 6.3% whilst Venezuela's inflation was 29.2%, up from 27.1%.

The region recorded deterioration in the current account position with the deficit widening to 1.0% in 2010 from 0.3% in 2009. Brazil had the largest decline with its current account deficit increasing to 2.6% from 1.5%. However, Venezuela, Bolivia, and Argentina, posted positive current account balances.

Middle East and North African Countries

The Middle East and North African economies showed robust growth in 2010 as they recovered from the collapse in oil prices in 2009 to record positive economic growth. The region's strongest performer was Qatar with real GDP growth rising to 16.0% in 2010 from 8.6% in 2009. Saudi Arabia's real GDP growth increased to 3.4% from 1.1%. Although demand for oil by advanced economies reduced, this was offset by increased demand from emerging and developing economies such as China and India.

Inflation in the region increased to 6.4% in 2010 from 5.9% in 2009, mainly due to a general depreciation in the US dollar since most Middle East countries maintained a fixed exchange rate to the US dollar. The expansionary fiscal policies in the US contributed to the weakening US dollar against other currencies. This further led to increased pressure on food prices and other services in most Middle East countries.

Oil exporters in the region saw an increase in their current account surpluses to 6.7% in 2010 from 4.6% in 2009. Kuwait recorded a surplus of 30.1% in 2010 compared with 29.1% in 2009 while that of Saudi Arabia rose to 6.7% from 6.1% during the same period. This was mainly due to a rebound in oil prices in 2010 and increased oil and gas production.

African Economies

Sub-Saharan African (SSA) countries posted modest growth of 5.0% in 2010 compared with 2.6% recorded in 2009. This outturn was attributed to a recovery in exports, especially of commodities, and increased foreign direct investment. Africa's oil exporting countries continued to lead the way on the back of a sustained recovery in oil prices and increased demand from emerging economies in Asia. In addition, improved policy space, which provided room for the effective use of countercyclical macroeconomic policy in the global downturn contributed to this growth. Furthermore, South Africa with its developed financial markets benefited from portfolio inflows from overseas investors.

The SSA region posted a decline in inflation to 7.5% in 2010 from 10.4% in 2009. This was mainly attributed to increased food production which kept food inflation stable throughout the year. For instance, in Zambia, inflation declined to 7.9% from 9.9%; South Africa to 5.6% from 7.1% and Uganda to 9.4% from 14.2%. Similarly, inflation in the region's two largest oil exporting countries, Nigeria and Angola, fell to 11.9% and 11.3% from 12.4% and 13.3%, respectively.

Most African countries recorded current account deficits in 2010, with the exception of the oil exporting countries such as Nigeria and Angola which had current account surpluses of 13.0% and 1.6% in 2010, respectively. Reduced aid and remittances from advanced economies explained the current account deficits for the low income African countries.

Table 2: Selected African Countries GDP, Inflation and Current Account Positions, 2009 - 2010 ***(Annual % change unless otherwise stated)***

	Real GDP			Inflation			Current Account Positions (% of GDP)		
	2008	2009	2010*	2008	2009	2010*	2008	2009	2010*
Angola	13.2	0.7	5.9	12.5	13.3	11.3	8.3	-5.0	1.6
Kenya	1.7	2.4	4.1	13.1	9.3	4.1	-6.5	-6.7	-6.7
Nigeria	6.0	7.0	7.4	11.6	12.4	11.9	2.2	14.1	13.0
South Africa	3.1	-1.8	3.0	11.5	7.1	5.6	-7.4	-4.0	-4.3
Tanzania	7.4	6.0	6.5	10.3	12.1	7.2	9.8	-10.0	-8.8
Uganda	9.0	7.2	5.8	7.3	14.2	9.4	-6.8	-4.0	-6.4
Zambia	5.8	6.4	7.6	16.6	9.9	7.9	-7.2	4.2	3.8
Sub-Saharan Africa	5.6	2.6	5.0	11.7	10.4	7.5	-0.3	-1.7	-1.1

Source: IMF: World Economic Outlook, October 2010 and January 2011 update, Central Statistical Office, Zambia
*Preliminary numbers

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Overview

During the year under review, Government's macroeconomic goals were to sustain growth, enhance diversification of the economy and protection of social sector spending in key sectors such as education and health. In this regard, the major macroeconomic objectives were to:

(i) exceed 5.0% growth in real GDP;

(ii) reduce end-year inflation to 8.0%;

(iii) limit domestic borrowing to 2.0% of GDP;

(iv) attain gross international reserves of 3.4 months of import cover; and

(v) limit growth in both reserve and broad money to 8.0% and 23.5%, respectively.

Growth in national output was higher at 7.6% in 2010 compared with 6.4% the previous year. This growth was mainly driven by the agricultural, transport and communications, construction and mining sectors. The annual inflation rate slowed down to 7.9% at the close of 2010 from 9.9% at end 2009 due to the fall in both annual food and non-food inflation. Further, fiscal performance was satisfactory as the central Government recorded an overall budget deficit of 2.2% of GDP, which was 0.3 percentage points lower than programmed. Performance of the external sector continued to be favourable with the current account surplus improving by 73.6% with the accumulation of gross international reserves at US $138.1 million. Further, the overall performance of the financial sector remained satisfactory.

Construction was among sectors that accounted for increased growth in national output that moved to 7.6% in 2010 from 6.4% the previous year. In Lusaka, the New Manda Hill Shopping Mall was commissioned in the year under review.

MANDA HILL SHOPPING MALL, LUSAKA

On the Copperbelt province in Chililabombwe, a modern border post was constructed at Kasumbalesa under the Public Private Partnership (PPP) framework

KASUMBALESA ONE-STOP BORDER POST, CHILILABOMBWE

3.1 MONETARY DEVELOPMENTS AND INFLATION

Monetary Policy Objectives

Monetary policy in 2010 continued to focus on sustaining macroeconomic stability by maintaining single digit inflation. In this vein, monetary policy was aimed at attaining an end-year inflation target of 8.0%. In line with this, growth in reserve and broad money were to be limited to 8.0% and 23.5%, respectively. This was to be supported by prudent fiscal management.

Challenges to Monetary Policy

During the year, the main challenges to monetary policy implementation were the upward adjustment in electricity tariffs and unanticipated increase in the financing of maize purchases following the unprecedented bumper harvest.

Monetary Policy Outcomes

Despite higher than projected outcome in money supply, overall annual inflation slowed down to 7.9% in 2010 from 9.9% in 2009, and was broadly in line with the end-year projection of 8.0%. The fall in inflation was on account of declines in both food and non-food inflation (see Table 3).

Table 3: Actual Performance against Projections, 2008 - 2010 (%)

	End-December 2008		End-December 2009		End-December 2010	
Description	Projection	Actual	Projection	Actual	Projection	Actual
Overall Inflation	7.0	16.6	10.0	9.9	8.0	7.9
Non-food Inflation	8.3	12.9	9.0	11.8	10.5	11.3
Food Inflation	6.0	20.5	11.0	8.0	6.1	4.4
Reserve Money	11.5	25.4	19.0	4.9	8.0	54.1
Broad Money*	11.6	21.9	19.0	8.0	23.5	30.8
Domestic Credit*	5.8	37.8	-	0.7	-	22.9
Government	34.0	22.1	-	7.6	-	46.3
Public Enterprises	-	-61.0	-	147.7	-	-34.8
Private Sector Credit	-	50.2	-	-1.2	-	13.4
Domestic Financing (% of GDP)	1.2	1.5	2.2	2.5	1.9	2.0

Source: Central Statistical Office and Bank of Zambia
- Indicates no target under the economic programme
* Preliminary estimates for December 2010

Monetary Developments

Reserve Money

Reserve money grew sharply in 2010 by 54.1% compared with 4.9% growth in 2009. At end-December 2010, the stock of reserve money increased to K7,139.4 billion from K4,633.7 billion recorded at end-December 2009 (see Table 4). The growth in the monetary base was driven by a strong expansion in both the net foreign assets (NFA) and net domestic assets (NDA). The contribution of the expansion in the NFA to total reserve money growth was recorded at 20.9%, up from a negative 11.9% recorded in the previous period. Similarly, the share of the NDA to overall expansion in reserve money stood at 33.2%, more than double the 16.7% posted in 2009.

Government's programme aimed at improving public infrastructure continued during the year under review. In Kitwe, Nakadoli Market opened it doors to the public in 2010.

NAKADOLI MARKET, KITWE

Table 4: Reserve Money, 2008 - 2010 (K' billion unless otherwise stated)

Description	2008	2009	2010
Net Foreign Assets	**4,411.3**	**3,886.3**	**4,853.2**
Net Domestic Assets	**7.3**	**747.4**	**2,286.2**
Net claims on government	655.7	1,104.8	2,215.7
Claims on non-government	187.4	184.7	402.3
Other items, net	-835.8	-542.1	-331.8
Reserve Money	**4,418.6**	**4,633.7**	**7,139.4**
Of which:			
Currency	1,931.9	1,999.1	2,747.9
With banks	314.8	407.1	506.1
With non-banks	1,617.1	1,592.0	2,241.8
Bank deposits	2,486.2	2,634.6	4,391.4
Required reserves (Kwacha)	408.5	496.2	1,014.2
Required reserves (forex)	355.8	490.0	688.7
Settlement accounts	496.5	967.6	709.2
Other deposits1	1,225.4	680.8	1,979.3
Contribution to Growth in Reserve Money (%)			
Growth in Reserve Money	**25.4**	**4.9**	**54.1**
Of which:			
Net Foreign Assets	**20.8**	**-11.9**	**20.9**
Net Domestic Assets	**-0.5**	**16.7**	**33.2**
Domestic Credit	12.2	10.1	28.7
Government	13.2	10.2	24.0
Public Enterprises	-5.2	0.0	0.0
Private Enterprises	25.9	0.0	0.6
Households	35.1	0.1	0.0
Banks	0.1	-0.1	4.0
Other Items Net	**-12.7**	**6.6**	**4.5**

Source: Bank of Zambia
[1] Includes term deposits

In view of the expansion in reserve money stock, and the threat this posed to the achievement of the inflation target, the Bank stepped up its conduct of open market operations (OMO), culminating in a withdrawal of K24,229.4 billion. This comprised K19,642.5 billion in term deposits and K4,586.9 billion of repurchase agreements (repos). Relative to the previous period, these withdrawals represented a substantial increase over the K12,035.2 billion withdrawn in 2009, reflecting the high levels of liquidity in the market. With the OMO maturities of K23,169.7 billion, net OMO withdrawal was K1,059.7 billion. The average OMO rate for Term deposits fell to 4.9% from 11.2% the previous period while that for repos fell to 3.9% from 13.8% in 2009 (see Table 5).

Table 5:OMO Interventions, 2009 – 2010

Instrument Used	2009				2010			
	Amounts Withdrawn K'bn	**Average Rate, %**	**Amount Supplied, K'bn**	**Average Rate, %**	**Amounts Withdrawn K'bn**	**Average Rate, %**	**Amount Supplied, K'bn**	**Average Rate, %**
Term Deposits	8,678.9	11.2	0.0	0.0	19,642.5	4.9	0.0	0.0
Repurchase Agreements(Repos)	3,356.3	13.8	0.0	0.0	4,586.9	3.9	0.0	0.0
Outright Sales of Treasury Bills	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a
Secured Loans	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a

Source: Bank of Zambia
Notes: n/a = not applicable

Domestic Credit

Growth in domestic credit increased to 22.9% in 2010 from 0.7% recorded in 2009 as the economy continued to recover from the global economic crisis and on account of Government financing of the historic maize bumper harvest. This upturn was due to the rise in lending to both the central Government and the private sector. In absolute terms, domestic credit increased to K14,915.1 billion in 2010 from K10,611.1 billion in 2009 (see Table 6). Excluding foreign currency denominated credit, which edged up by 23.0%, annual domestic credit growth was 22.8%, down from 27.3% registered in 2009.

Credit to Government increased by 46.3% in 2010, thereby contributing 15.3 percentage points to annual credit growth. Similarly, credit to the private enterprises and households rose by 11.7% and 18.4% and contributed 4.7 and 3.9 percentage points to domestic credit expansion, respectively. Further, credit to non-bank financial institutions grew by 3.1%, contributing 0.1 percentage points to total credit growth in 2010. However, lending to public enterprises declined by 34.8%, contributing negative 1.0 percentage point to annual credit outturn.

The share of credit to Government increased to 39.4% in 2010 from the 23.4% recorded in 2009. However, the share of credit to private enterprises declined to 36.4% from the 45.9% registered in the previous year. Similarly, in spite of growth in credit to households, its share in total credit contracted to 20.2% from the 23.9% recorded in 2009.

Table 6: Developments in Domestic Credit, 2008- 2010

Description	2008				2009				2010			
		%				%				%		
	K' bn	a	b	c	K' bn	a	b	c	K' bn	a	b	c
Domestic Credit	**10,536.2**	**37.8**	**37.8**	**100**	**10,611.1**	**0.7**	**0.7**	**100**	**14,915.1**	**22.9**	**22.9**	**100**
Government	2,311.7	22.1	5.7	21. 9	2,486.9	7.6	1.7	23.4	5,870.3	46.3	15.3	39.4
Public Enterprises	147.5	-61.0	-3.0	1.4	365.5	147.7	2.1	3.4	238.1	-34.8	-1.0	1.6
Private Enterprises	5,455.2	26.6	15.0	51.8	4,867.8	-10.8	-5.6	45.9	5,436.4	11.7	4.7	36.4
Households	2,492.5	164.4	20.2	23.7	2,540.7	1.9	0.5	23.9	3,009.2	18.4	3.9	20.2
Non-bank Fin. Inst.	129.2	3.5	0.1	1.2	350.2	171.0	2.1	3.3	361.0	3.1	0.1	2.4

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

During 2010, commercial banks' total loans and advances increased by 13.8% compared with negative 0.5% recorded in 2009. Strong expansion in credit was recorded in the following sectors: construction, 106.0% (negative 20.1%)[3]; restaurants and hotels, 42.3% (negative 52.1%); personal loans, 38.2% (negative 13.6%); manufacturing, 17.9% (13.2%); and wholesale and retail trade, 19.8% (5.1%). However, there were contractions in credit to financial services; transport, storage and communications; and mining and quarrying (see Table 7). In terms of distribution, personal loans accounted for the largest share followed by loans to agricultural and manufacturing sectors (see Charts 1 and 2).

Table 7: Changes in Sectoral Loans and Advances, Dec 2008 – Dec 2010

Sectors	2008			2009			2010		
	K'bn	a	b	K'bn	a	b	K'bn	a	b
Agriculture	1,321.4	16.2	9.2	1,565.1	19.3	18.4	1,623.7	17.6	3.7
Mining and Quarrying	382.1	4.7	65.2	338.2	4.2	-11.5	293.5	3.2	-13.2
Manufacturing	878.5	10.8	42.8	994.2	12.3	13.2	1,172.1	12.7	17.9
Electricity, Gas, Water and Energy	193.7	2.4	-30.8	137.8	1.7	-28.9	151.4	1.6	9.9
Construction	324.2	4	59.7	259.1	3.2	-20.1	533.8	5.8	106.0
Wholesale and Retail Trade	789.9	9.7	26.9	829.9	10.2	5.1	994.3	10.8	19.8
Restaurants and Hotels	256.3	3.1	280.9	122.7	1.5	-52.1	174.6	1.9	42.3
Transport, Storage and Communications	568.2	7.0	37.2	508.7	6.3	-10.5	433.8	4.7	-14.7
Financial Services	639.8	7.9	163.4	422.0	5.2	-34.0	243.7	2.6	-42.3
Community, Social and Personal Services	107.8	1.3	13.7	280.5	3.5	160.2	339.5	3.7	21.0
Real Estate	402.4	4.9	221.3	678.7	8.4	68.7	575.0	6.2	-15.3
Personal Loans	2,070.7	25.4	38.4	1,789.7	22.1	-13.6	2,472.6	26.8	38.2
Others	207.7	2.6	34.6	171.7	2.1	-17.3	211.4	2.3	23.1

Source: Bank of Zambia
Notes: a: percentage share; b: percentage change; K'bn: Kwacha billion

[3]Numbers in brackets relate to the previous year.

CHART 1:

DISTRIBUTION OF LOANS AND ADVANCES[4] AS AT END-DEC 2010

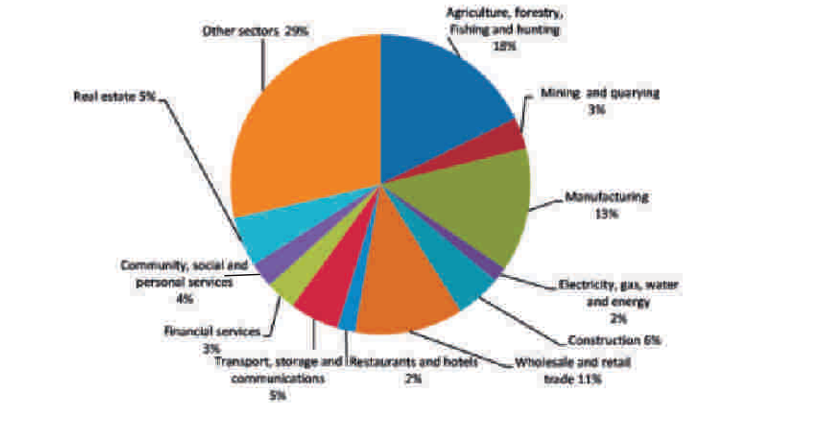
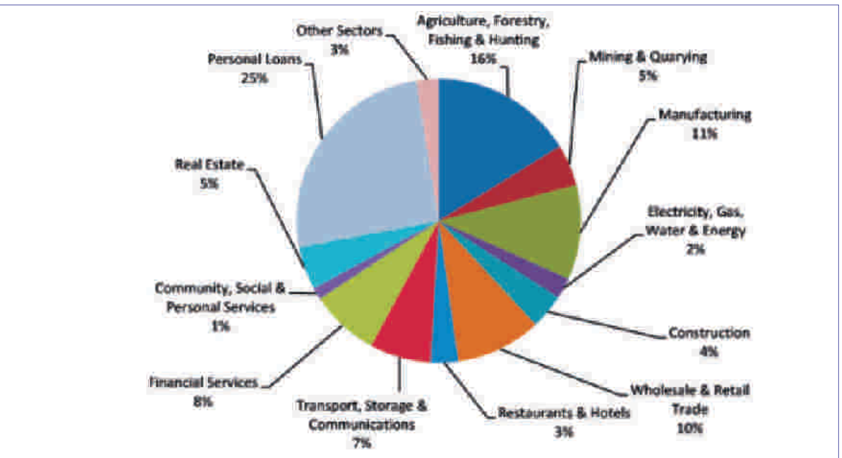


CHART 2:

DISTRIBUTION OF LOANS AND ADVANCES AS AT END-DEC 2009



Broad Money

Broad money (M3)[5] growth in 2010 increased to 30.8% from 8.3% in 2009, and was 7.3 percentage points above the end-year target of 23.5%. The expansion in broad money was largely due to the growth in both NDA and NFA. NDA increased by 25.6% compared with the rise of 21.9% in 2009, thereby contributing 16.5 percentage points to M3 growth. This outturn largely reflected increased lending to government, private enterprises and households. Similarly, NFA growth surged to 40.1% from negative 9.8% in 2009 and contributed 14.3 percentage points to M3 expansion (see Table 8 and Chart 3). This development was mainly on account of a rise in gross international reserves. Excluding foreign currency deposits whose annual growth rose to 32.7% (16.6% in 2009), money supply growth decreased to 29.8% from 33.0% registered in 2009.

Table 8: Sources of Growth in Broad Money, 2008 - 2010 (%)

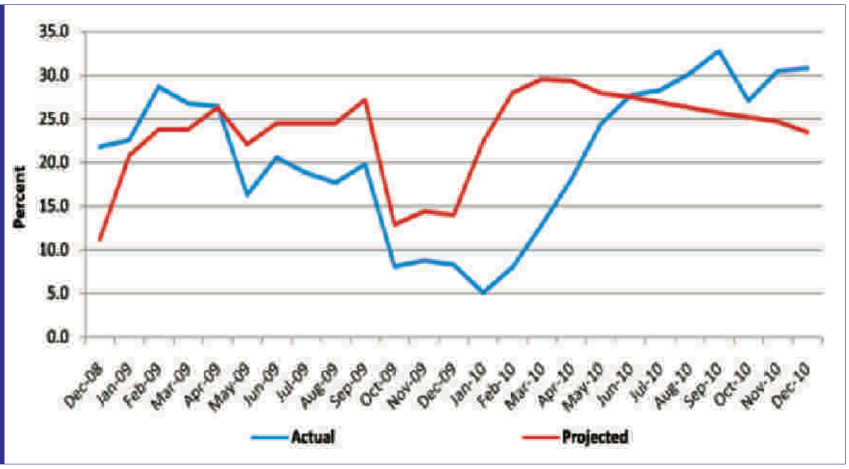
Description	2008	2009	2010	Contributions to change in M3 (2010)
Broad Money (M3)	**21.8**	**8.3**	**30.8**	**30.8**
of which				
Net Foreign Assets	10.7	-9.8	40.1	14.3
Net Domestic Assets	31.9	21.9	25.6	16.5
Domestic Credit	37.8	15.2	22.9	19.7
Net Claims on Govt.	22.1	73.6	46.3	13.1
Public Enterprises	-60.1	147.7	-34.8	-0.9
Private Enterprises	26.6	-10.8	11.7	4.0
Households	164.4	1.9	18.4	3.3
NBFIs	3.5	171.0	3.1	0.1

Source: Bank of Zambia

[4]Includes mortgages.
[5]Includes foreign currency deposits.

CHART 3:

ANNUAL BROAD MONEY GROWTH,
DEC 2008 - DEC 2010



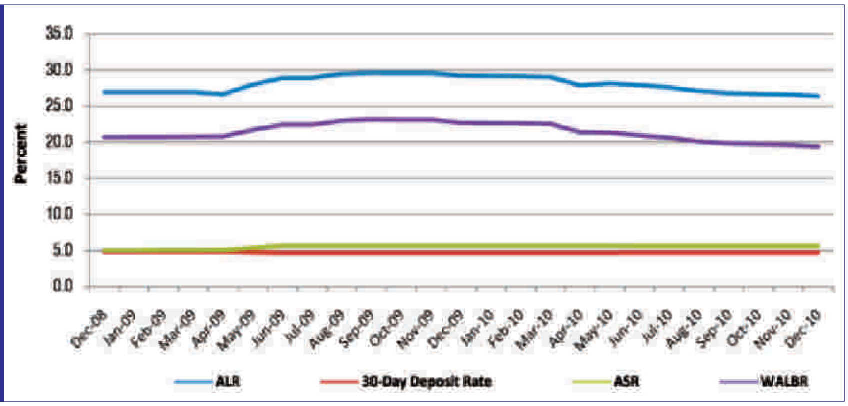
Interest Rates Developments

Commercial Banks' Nominal Interest Rates

Developments in commercial banks' nominal interest rates were mixed in 2010. The weighted average lending base rate (WALBR) and the average lending rate (ALR) decreased to 19.4% and 26.4% as at end-December 2010 from 22.7% and 29.2% at end-December 2009, respectively. Nonetheless, the Average Savings Rate (ASR) for amounts above K100,000 and the 30-day deposit rate for amounts exceeding K20 million both remained unchanged at 4.7% and 5.6%, respectively (see Chart 4 and Table 9).

CHART 4:

LENDING AND SAVINGS RATES,
DEC 2008 – DEC 2010

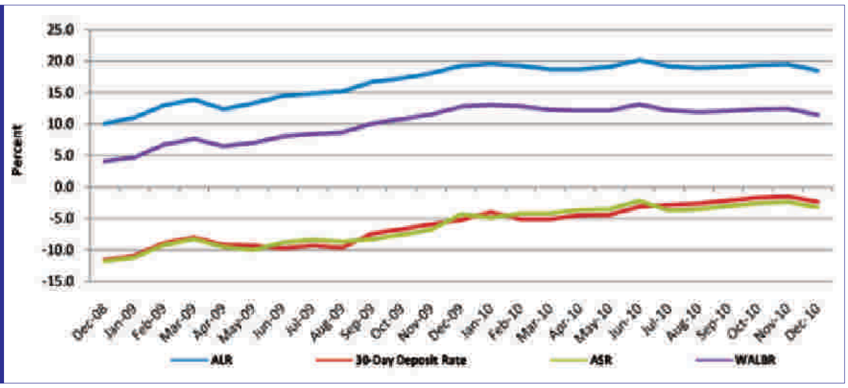


Commercial Banks Real Interest Rates

During 2010, developments in real annual interest rates were mixed. The real WALBR and the real ALR edged downwards to 11.5% and 18.5% at end-December 2010 from 12.8% and 19.3% at the end of 2009, respectively. However, the real ASR for amounts above K100,000.00 and real 30-day deposit rate for amounts above K20 million increased to negative 3.2% (negative 5.2%)[6] and negative 2.3% (negative 4.3%) (see Chart 5 and Table 9).

CHART 5:

REAL INTEREST RATES,
DEC 2008 – DEC 2010



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

Table 9: Monthly Average Interest and Yield Rates, 2008 - 2010 (%)

	Nominal			Real		
Description	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**
91-day Treasury bill	12.2	5.7	6.3	-4.4	-5.8	-1.6
182-day Treasury bill	13.5	7.9	7.6	-3.1	-3.6	-0.4
273-day Treasury bill	13.8	10.7	8.0	-2.8	-0.8	0.1
364-day Treasury bill	14.9	11.6	9.0	-1.7	0.1	1.1
Weighted Average Treasury bill Rate	14.0	9.5	7.7	-2.6	-2.0	-0.2
24-month Bond	15.2	14.4	8.0	-1.4	4.5	0.1
3-year Bond	15.6	15.8	9.0	-1.0	4.3	1.1
5-year Bond	16.5	17.1	12.5	-0.1	5.6	4.6
7-year Bond	17.3	17.9	14.0	0.7	6.4	6.1
10-year Bond	18.5	18.9	15.0	1.9	7.4	7.1
15-Year Bond	19.3	18.9	15.5	2.7	7.4	7.6
Composite Yield Rate on Bonds	16.3	15.9	12.3	-0.3	4.4	4.4
Commercial banks' Weighted Average Lending Base Rate	19.1	22.7	19.4	2.5	12.8	11.5
Commercial banks' Average Lending Rate	26.9	29.2	26.4	10.3	19.3	18.5
Commercial banks' Average Savings Rate	4.8	4.7	4.7	-11.8	-5.2	-3.2
Deposit >K20 m (30 days)	5.0	5.6	5.6	-11.6	-4.3	-2.3

Source: Bank of Zambia

Overall Inflation

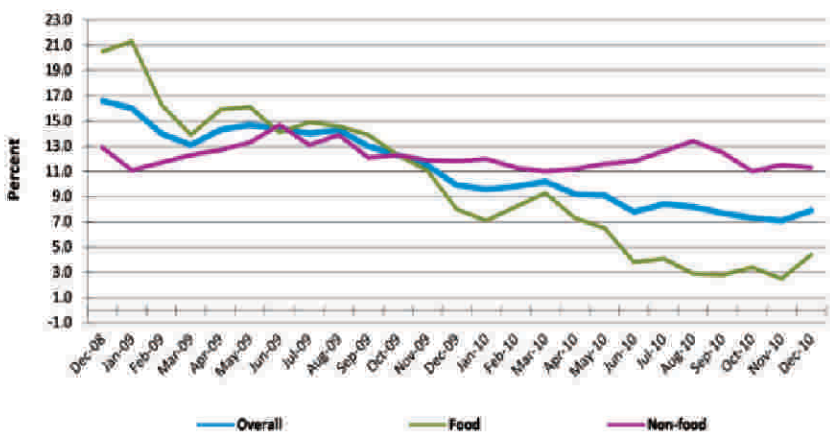
Annual overall inflation slowed down to 7.9% in December 2010 from 9.9% in December 2009, and was in line with the 8.0% end-year target. Annual inflation rose to 10.2% in the first quarter of 2010, but slowed down to 9.2% in April, and continued on a downward trend for the rest of the year. This outturn was attributed to the decline in both annual food and non-food inflation, following improved food supply and the strengthening of the Kwacha.

Non-Food Inflation

Annual non-food inflation trended upwards, peaking at 13.4% in August 2010, mainly due to pass-through effects of the 9.3% Kwacha exchange rate depreciation against the US dollar during the first half of the year. In addition, the upward adjustment in electricity tariffs, by an average of 25.6% in August 2010, contributed to the rise in non-food inflation. However, non-food inflation slowed down in the fourth quarter to 11.3% in December 2010, on account of the appreciation of the exchange rate.

CHART 6:

ANNUAL INFLATION, DEC 2008 - DEC 2010



Food Inflation

During the first quarter of 2010, annual food inflation rose to 9.3% from 8.0% in December 2009. This outturn was attributed to inadequate supply of most food commodities particularly cereals and cereal products, beef products, fresh vegetables, and fish due to seasonal supply factors. However, food inflation slowed down to 7.3% in April and continued to decrease during the rest of the year to 4.4% in December 2010. This was on account of improved supply of most food items, particularly maize following the unprecedented output of 2.8 million metric tons during the 2009/10 harvest period.

Table 10: Inflation Outturn, Dec 2008 - Dec 2010 (%)

	Monthly			Annual			Year-to-date		
	Overall	Food	Non-food	Overall	Food	Non-food	Overall	Food	Non-food
Dec 08	2.4	3.7	1.2	16.6	20.5	12.9	16.6	20.5	12.9
Jan 09	1.3	2.4	0.3	16.0	21.3	11.1	1.3	2.4	0.3
Feb 09	0.7	-0.2	1.6	14.0	16.3	11.7	2.0	2.2	1.8
Mar 09	0.3	-0.8	1.3	13.1	13.9	12.3	2.3	1.4	3.2
Apr 09	1.3	1.9	0.8	14.3	15.9	12.7	3.7	3.3	4.0
May 09	0.8	0.6	1.0	14.7	16.1	13.3	4.5	3.9	5.0
Jun 09	1.1	1.0	1.2	14.4	14.1	14.7	5.6	5.0	6.2
Jul 09	0.5	0.1	0.8	14.0	14.9	13.1	6.1	5.1	7.1
Aug 09	1.1	1.3	1.0	14.3	14.6	13.9	7.3	6.4	8.2
Sep 09	0.1	-0.5	0.7	13.0	13.9	12.1	7.4	5.9	8.9
Oct 09	0.6	0.0	1.2	12.3	12.3	12.3	8.1	5.9	0.2
Nov 09	0.8	1.2	0.4	11.5	11.1	11.9	8.9	7.1	10.6
Dec 09	1.0	0.8	1.1	9.9	8.0	11.8	9.9	8.0	11.8
Jan 10	1.0	1.5	0.4	9.6	7.1	12.0	1.0	1.5	0.4
Feb 10	0.9	0.8	1.0	9.8	8.2	11.3	1.9	2.3	1.4
Mar 10	0.7	0.3	1.0	10.2	9.3	11.0	2.5	2.6	2.5
Apr 10	0.4	0.0	0.9	9.2	7.3	11.2	3.0	2.6	3.4
May 10	0.7	-0.1	1.4	9.1	6.5	11.6	3.7	2.5	4.8
Jun 10	-0.1	-1.6	1.3	7.8	3.8	11.8	3.6	0.8	6.2
Jul 10	1.0	0.5	1.6	8.4	4.1	12.6	4.7	1.3	7.9
Aug 10	0.9	0.0	1.7	8.2	2.9	13.4	5.6	1.4	9.7
Sep 10	-0.3	-0.6	-0.1	7.7	2.8	12.5	5.3	0.8	9.6
Oct 10	0.2	0.5	-0.1	7.3	3.4	11.0	5.5	1.3	9.5
Nov 10	0.6	0.3	0.8	7.1	2.5	11.5	6.1	1.7	10.3
Dec 10	1.7	2.7	0.9	7.9	4.4	11.3	7.9	4.4	11.3

Source: Central Statistical Office and Bank of Zambia

Food inflation that stood at 9.3% in the first quarter of 2010 decreased steadily through the year to close at 4.4% in December of 2010. Zambian markets were a key channel through which most food items were supplied.

AN URBAN MARKET

3.2 MONEY AND CAPITAL MARKETS

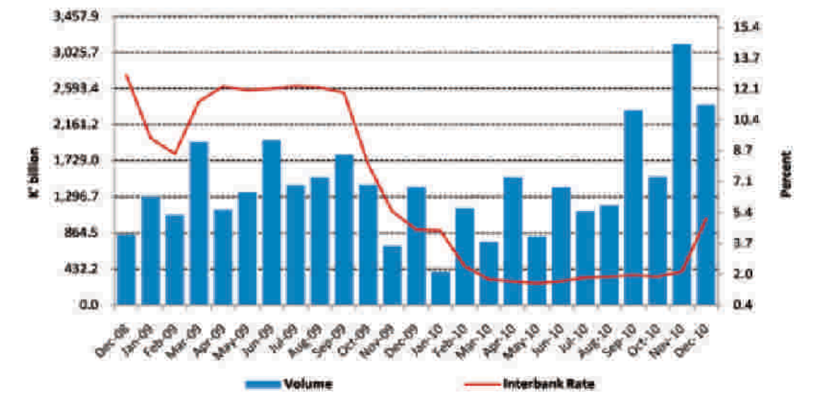
Developments in the Money Market

Inter-bank Money Market

The volume of funds traded in the interbank market increased by 4.7% in 2010 to K17,835.3 billion from K17,030.0 billion transacted in 2009. The growth in overnight loans was attributed mainly to a concentration of liquidity, with few large banks accounting for the bulk of funds traded on either side of the market. On the demand side, total funds borrowed by the three largest banks amounted to K9,579.5 billion, representing slightly more than half of the total market demand. Total fund placements by these banks stood at K6, 695.9 billion, which was 40.0% of the total funds provided in the market. The high level of concentration, particularly in the fourth quarter of the year, pushed up the interbank rate. However, overall high levels of liquidity in the preceding quarters helped to significantly reduce the weighted average interbank rate to 2.4% from 9.9% recorded in 2009 (see Chart 7).

CHART 7:

INTERBANK MONEY MARKET DEVELOPMENTS, DEC 2008 – DEC 2010



Due to the relatively high demand for overnight loans mainly arising from concentration of liquidity in a few banks, the market recorded a significant reduction in the volume of loans traded for a period exceeding one day. Hence, total funds traded for more than one day decreased to K928.1 billion from K4,162.8 billion traded in 2009. These funds were exchanged at an annual average cost of 3.2%, which was higher than the overnight rate.

Government Securities Market

Market Bidding Behaviour

Auctions of Government securities in 2010 were determined by Government's domestic financing needs. To this end, the average weekly tender offer in Treasury bills increased by K8.1 billion to K108.1 billion, with the financing burden falling on the 364-day security, accounting for 41.0% of the total Treasury bills tender invitation. The average monthly bond tender size was adjusted upwards to K127.5 billion from K120.0 billion in 2009, with the largest bond tender offering recorded on short-dated maturity tenors. Of these maturities, the 5-year paper accounted for more than a third of the total invitation.

The response from the market continued to be strong, underpinned by an abundance of liquidity in the banking system. The average bid amount for Treasury bills stood at K172.6 billion, representing an average subscription rate of 160.0% compared with 131.4% recorded in 2009. Demand for Government bonds was equally strong, although competition was higher for short-dated maturities. Investors' bids at the auction averaged K211.3 billion against an invitation of K127.5 billion. This represented an average subscription rate of 165.7% compared with 78.2% for 2009 (see Table 11).

Table 11: Government Securities Transactions, 2009 - 2010

	2009			2010		
	Average Offers (K' billion)	Average Bids (K' billion)	Average Subscription Rate (%)	Average Offers (K' billion)	Average Bids (K' billion)	Average Subscription Rate (%)
91-day bills	21.3	26.6	124.9	21.3	32.0	149.8
182-day bills	19.2	21.3	110.9	21.3	28.2	132.3
273-day bills	16.3	20.1	123.3	21.3	36.6	171.6
364-day bills	43.2	63.4	146.8	44.0	75.8	172.0
Total	**100**	**131.4**	**131.4**	**108.1**	**172.6**	**159.7**
2-year bond	25.8	28.4	109.8	28.8	61.3	213.2
3-year bond	31.7	24.6	77.8	35.4	68.0	192.1
5-year bond	39.6	28.6	72.2	43.8	63.3	144.6
7-year bond	6.7	3.5	52.9	7.1	9.6	135.9
10-year bond	6.7	3.0	44.6	7.1	5.7	80.2
15-year bond	5.0	2.0	40.0	5.4	3.4	62.8
Total	**115.0**	**90.1**	**78.2**	**127.5**	**211.3**	**165.7**

Source: Bank of Zambia

Total tender offers for Treasury bills in 2010 amounted to K5,650.0 billion, up from K5,200.0 billion in 2009. Similarly, total Government bond offers rose to K1,530.0 billion from K1,440.0 billion in 2009. Although demand for both Treasury bills and bonds was high, sales to the market were constrained by Government's borrowing requirements. Out of the total Treasury bill bids received, K4,854.1 billion was accepted compared with K4,283.9 billion sold in 2009. For Government bonds, the amount accepted stood at K1,077.8 billion, which was higher than K758.2 billion sold in 2009.

In view of the high demand for Government securities, sales exceeded maturities, resulting in a realised total surplus of K740.4 billion. Of this amount, Government bonds accounted for K466.0 billion while the surplus on Treasury bills amounted to K274.4 billion.

Stock of Government Securities

The stock of Government securities in circulation increased by 4.6% to K9,941.0 billion in 2010 (at face value) from K9,502.1 billion recorded in 2009. This represents an increase of 7.1% in Government bonds outstanding to K5,439.4 billion and 1.7% growth in the stock of Treasury bills to K4,501.5 billion.

Commercial banks were the main investors in Government paper, accounting for K5,140.2 billion of the total securities outstanding, a gain of 9.7% relative to K4,685.8 billion reported in 2009. In addition, holdings of Government securities by the non-bank public stood at K3,485.2 billion, representing a growth of 17.9% over the previous period. The expansion in non-bank investment in Government securities has raised their importance in the market. Conversely, Bank of Zambia holdings of Government securities shrunk by 29.3%, ending the period at K1,315.5 billion compared with K1,859.5 billion held in 2009.

Foreign Investments in Government Securities

During the review period, non-residents' participation in the Government securities market improved, signalling a renewed confidence, particularly in the Treasury bills market. The total holding of Government securities by non-residents increased by 13.9% to K625.4 billion in 2010. The growth was driven by non-residents' net purchase of K342.0 billion, bringing the total Treasury bill holdings to K497.0 billion from K155.4 billion in 2009. In contrast, foreign investment in Government bonds decreased by K265.3 billion, ending the year at K127.9 billion from K393.5 billion recorded in 2009. On a net basis, the share of foreign investment in total marketable Government securities outstanding rose to 6.2% from 5.8% in 2009 (see Charts 8 and 9).

CHART 8:

CHART: 8: EXTERNAL INVESTORS' TREASURY BILL HOLDINGS, DEC 2008 – DEC 2010

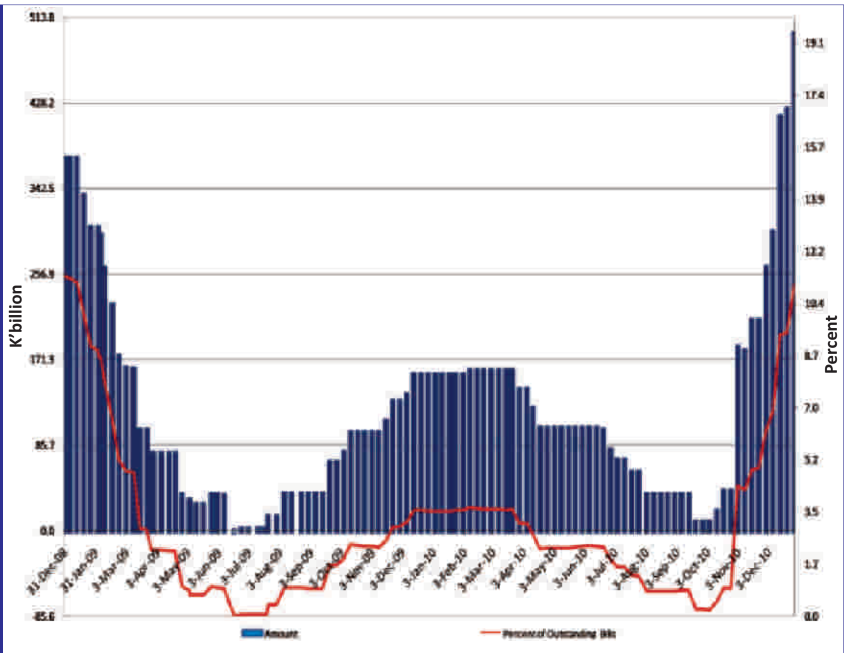
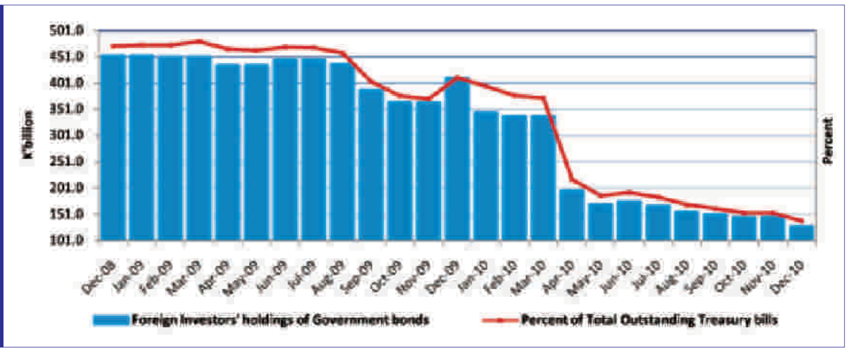


CHART 9:

FOREIGN INVESTORS' HOLDINGS OF GOVERNMENT BONDS, DEC 2008 – DEC 2010

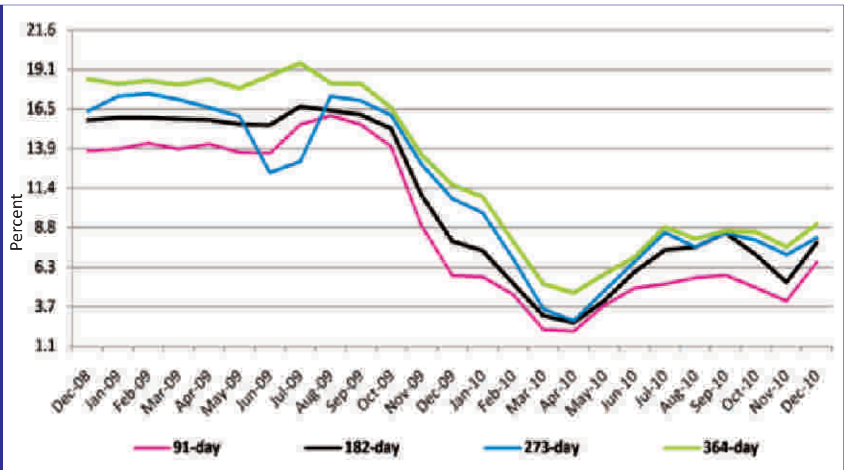


Government Securities Interest Rates

During 2010, Government securities yield rates trended downwards on account of high demand. The yield on the 364-day paper declined the most by 255 basis points to 9.0%. This was followed closely by the yield rate on the 273-day portfolio, which fell by 254.1 basis points to an average of 8.2%. The yield rate for the 182-day security recorded a decline of 10.3 basis points, to an average of 7.8%. However, the yield rate for the 91-day tenor gained, moving to an average of 6.6% from 5.7% in 2009 (see Chart 10). Owing to these developments, the weighted average composite yield rate declined to 8.2% in December 2010 from 9.4% in December 2009.

CHART 10:

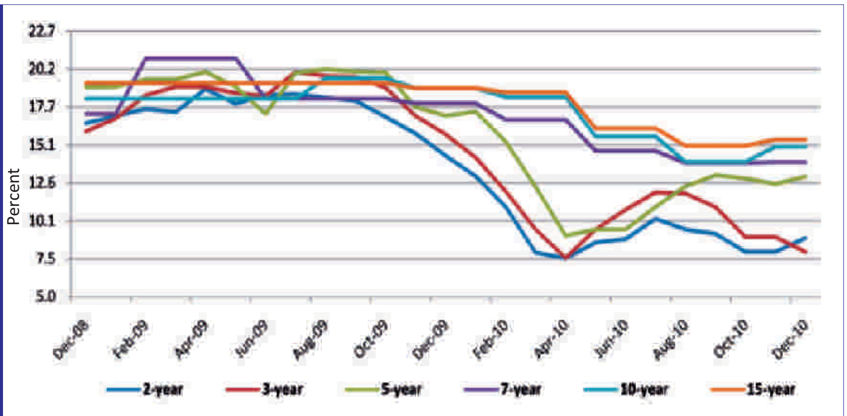
TREASURY BILL YIELD RATES, DEC 2008 – DEC 2010



All yield rates on Government bonds declined during the year under review. Yield rates on the 2- , 3- and 5-year tenors recorded the highest declines of more than 400 basis points moving to 8.9%, 8.0% and 13.0% from 14.4%, 15.8% and 17.1% in 2009, respectively. Further, bond yield rates on the 7-, 10- and 15-year maturities declined by between 340 and 395 basis points to end the period at 14.0%, 15.0% and 15.5%, respectively (see Chart 11). The downward trend in individual yield rates dragged the composite weighted average yield rate to 11.3% from 15.9% recorded in 2009.

CHART 11:

GOVERNMENT BOND YIELD RATES, DEC 2008 – DEC 2010



Foreign Exchange Market

The year 2010 started on a fairly good note as the effects of the global financial crisis petered off while international copper prices rose strongly after a rebound in mid-2009. Warding off persistent sovereign debt crisis in the euro zone, signs of economic recovery in the United States and Germany, and China's appetite for commodities drove the international copper price to a record high of US $9,127.4 per metric ton. Domestically, increased supply of foreign exchange, strong macroeconomic fundamentals coupled with policy endorsement by the International Monetary Fund (IMF) provided support to the foreign exchange market. Against this background, the Kwacha held firm against major currencies with the exception of the South African rand.

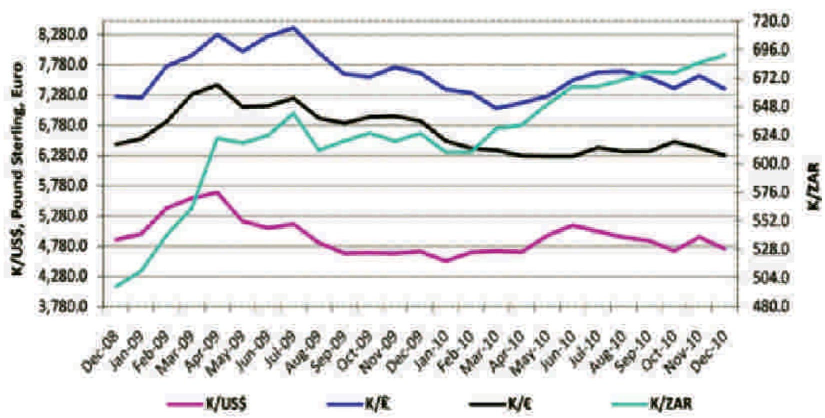
Developments in the Nominal Exchange Rate

A combination of favourable domestic and international developments led to the strengthening of the Kwacha in 2010, reversing the sharp depreciation of the previous year. The local currency unit gained by 4.7% to trade at an average of K4,798.36/US$ from K5,033.95/US$ in 2009. Similarly, the Kwacha appreciated by 8.0%

against the euro to an average of K6,362.14/€ and by 6.0% against the pound sterling to an average of K7,392.04/£. In contrast, the Kwacha weakened against the South African rand as the region's leading currency benefitted from strong gold prices and reduced policy uncertainty regarding nationalisation of state enterprises. Consequently, the Kwacha depreciated by 8.8% to an average of K654.83/ZAR in 2010 (see Chart 12).

CHART 12:

KWACHA EXCHANGE RATE LEVELS AGAINST MAJOR FOREIGN CURRENCIES, DEC 2008 – DEC 2010



Foreign Exchange Transactions

With regard to the volume of transactions, both supply and demand for foreign exchange increased in 2010. Supply to the market, denoted by commercial banks purchases of foreign exchange from various sectors, increased to US $4,436.1 million from US $3,087.1 million in 2009. Similarly, the demand for foreign exchange as reflected by commercial banks' sales to various sectors increased to US $4,172.0 million from US $3,408.9 million in 2009. In this regard, commercial banks made net purchases of US $264.1 million in 2010 compared

The country's availability of foreign exchange improved, leading to the Bank of Zambia's participation in the market. BoZ made a net purchase of US $129.0 million in the year under review. Non-traditional economic activities like agriculture in the Central province of Zambia contributed to the country's foreign exchange earnings

AGRI OPTIONS GRAINING PROCESSING AND STORAGE FACILITY, MKUSHI

Increased activity in the construction industry in the year under review also attracted foreign exchange from external investors, especially foreign financial institutions

MEI MEI BLOCK MANUFACTURING, NDOLA

with net sales of US $321.8 million recorded in 2009. The improvement in the availability of foreign exchange necessitated the Bank of Zambia's participation in the market, making a net purchase of US $129.0 million during the year. This amount was mainly for bolstering the level of international reserves.

The supply of foreign exchange was largely driven by foreign financial institutions with a placement of US $1,772.5 million, representing 40.0% of the total market funding. This was followed by mining companies with US $788.9 million compared with US $794.5 million in 2009, representing a market share of 18.0%. Foreign financial institutions also dominated the demand for foreign exchange with purchases of US $1,139.7 million. On a net basis, supply of foreign exchange by foreign financial institutions stood at US $632.9 million in 2010 compared with US $230.5 million in the previous year. This increase signifies the growing prominence of foreign financial institutions in the provision of liquidity to the local foreign exchange market.

Interbank transactions were recorded at US $4,037.0 million in 2010 compared with US $4,811.4 million in 2009 while in the retail market, the banks' sales to the Bureaux de change stood at US $297.5 million against US $208.7 million sold in 2009. Transactions were also conducted in other currencies although these were of relatively smaller amounts. However, the rand remained the dominant currency besides the US dollar with commercial banks recording net sales of ZAR3,020.2 million in 2010, higher than ZAR2,483.2 million recorded in 2009. The increase underscored the continued high demand for the South African currency by the Zambian non-bank public, driven mainly by increased trading activities between the two countries. Commercial banks also made net sales of £8.1 million to the non-bank public against £14.2 million recorded in 2009. With regard to the euro, commercial banks made net purchases of €25.3 million in 2010 compared with net sales of €7.3 million in 2009.

Real Effective Exchange Rate

The end-period real effective exchange rate (REER) index remained virtually unchanged at 108.31 in December 2010 from 108.27 recorded in December 2009 (see Chart 13). This was largely due to a depreciation of the nominal effective exchange rate which was moderated by a decrease in relative prices (foreign prices/domestic prices). On an average basis, the average REER appreciated by 4.2% in 2010 compared with a depreciation of 17.4% recorded in 2009 (see Table 12).

CHART 13:

REAL EFFECTIVE EXCHANGE RATE INDEX,
DEC 2008 – DEC 2010

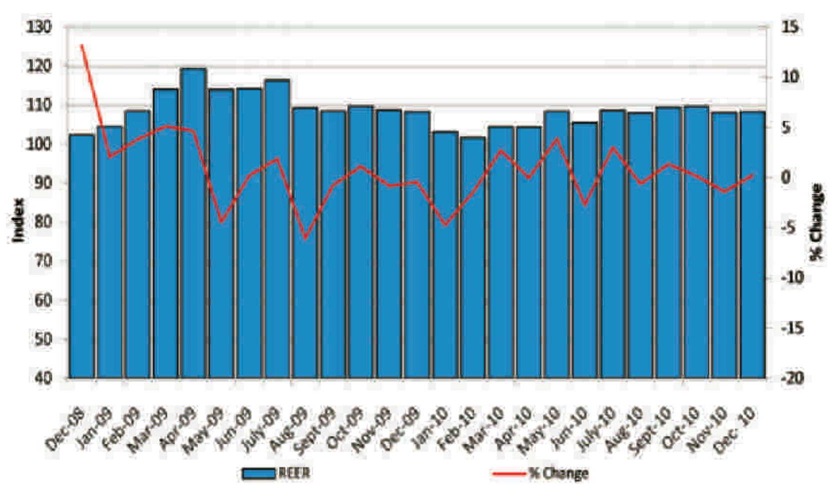


Table 12: Average Real Effective Exchange Rate Index, 2008 – 2010

	2008	2009	2010	Percentage Change (2010/2009)
Domestic CPI(2005=100)	138.0	145.1	157.5	8.5
Weighted Foreign CPI(2005=100)	113.1	114.6	117.2	2.3
NEER Index	1,398.8	1,838.2	1,868.0	1.6
Average REER Index (2005=100)	**94.8**	**111.3**	**106.6**	**-4.2**

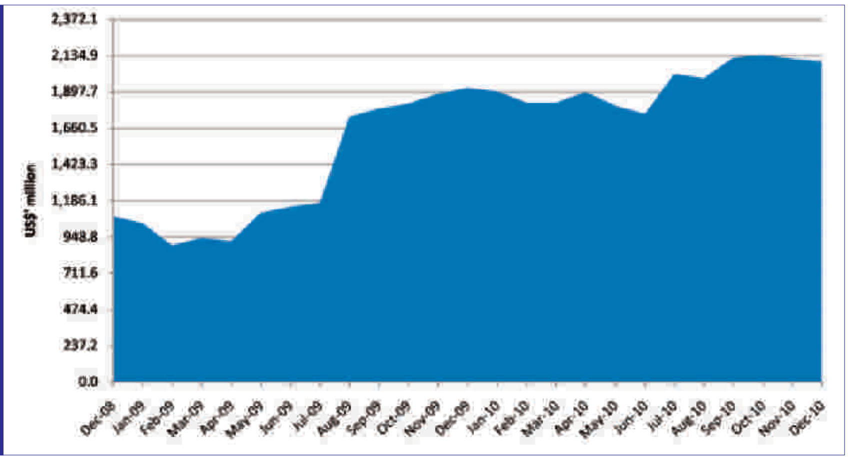
Source: Bank of Zambia

Gross International Reserves

The total level of reserves rose by 8.8% to end the year at US $2,093.7 million from US $1,924.2 million in 2009 (see Chart 14). The augmentation in foreign reserves was largely explained by tax receipts from mining companies, inflows from cooperating partners and Bank of Zambia net purchases from the market. However, these receipts were partially offset by outflows arising mainly from Government's foreign exchange needs for oil procurement and debt service.

CHART 14:

GROSS INTERNATIONAL RESERVES, DEC 2008 - DEC 2010



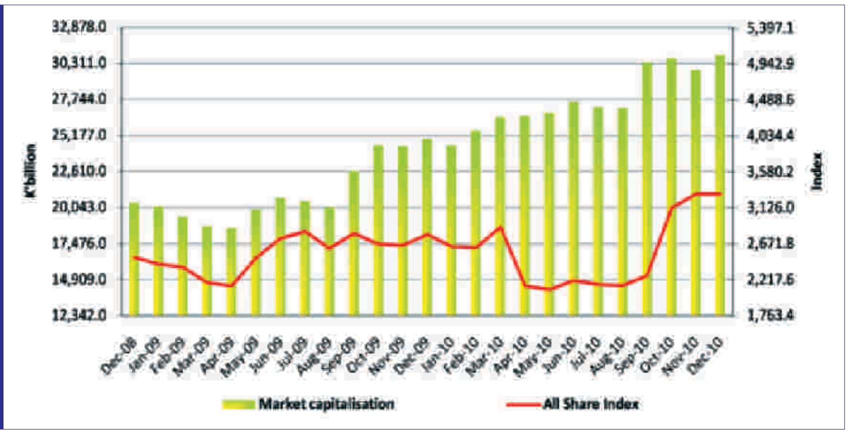
Developments in the Capital Markets

Stock Market

Trading activity at the Lusaka Stock Exchange (LuSE) increased significantly in 2010 signalling strong recovery from the adverse effects of the global financial crisis. Market capitalisation at the LuSE soared by 23.9% to a high of K30,911.6 billion from K24,940.7 billion at the end of 2009. This increase was buoyed by relative macroeconomic stability as shown by sustained single digit inflation rate, appreciation in the exchange rate and strong growth in real output at 7.6% for 2010. The acquisition of Zain by Bharti Airtel also provided support to the local bourse by injecting foreign capital into the stock market. Accordingly, the LuSE recorded net foreign capital inflows of US $100.5 million compared with net outflow of US $13.1 million in 2009. Reflecting this bullish performance, the All share LuSE index (excluding ZCCM) rose by 509 points to 3,304.4 in December 2010 (see Chart 15).

CHART 15:

INDICATORS OF LuSE ACTIVITY, DEC 2008 - DEC 2010



In the year under review, the country's economy exhibited a lot of macroeconomic stability as shown by sustained single digit inflation, appreciation in the exchange rate and strong growth in real output of 7.6%. These factors enabled businesses like Protea Hotel launch new ventures like the Southern Belle cruise boat on Lake Kariba in Siavonga.

SOUTHERN BELLE, SIAVONGA

The rise in the all share index was a reflection of strong gains in share prices of most listed companies, underpinned by continued domestic macroeconomic stability and receding risk aversion towards emerging markets. Large gains were recorded for ZAMEFA whose share price rose by 200.0% to end the year high at K600.00. The other large gainers with price increases above 40.0% were African Explosives Limited, Shoprite, ZANACO, Copperbelt Energy Corporation and Celtel/Zain. Celtel/Zain also benefited from mandatory offer of minority shareholders (see Table 13).

Table 13: Listed Companies' Share Price Changes on the Lusaka Stock Exchange, 2009 - 2010

Listed Company	Closing Share Price 2009	Closing Share Price 2010	Share Price Change (%)
African Explosive (Z) Ltd	1,000.00	1,810.00	81.00
BATA	90.00	80.00	-11.11
British American Tobacco	1,250.00	1,650.00	32.00
British Petroleum	270.00	321.00	18.89
Cavmont Capital Holding Zambia Plc	8.50	4.00	-52.94
Copperbelt Energy Corporation	430.00	615.00	43.02
Celtel	498.50	710	42.43
Lafarge	5,500.00	6,815.00	23.91
Farmers House	2,700.00	3,000.00	11.11
Investrust Bank Ltd	18.00	19.00	5.56
National Breweries	6,460.00	6,800.00	5.26
Pamodzi Hotel	320.00	365.00	14.06
Standard Chartered Bank	250.00	278.00	11.20
Shoprite	21,800.00	32,000.00	46.79
Zambeef	3,800.00	3,700.00	-2.63
Zamefa	200.00	600.00	200.00
Zambia Breweries	2,000.00	2,500.00	25.00
ZCCM-IH	27,000.00	10,000.00	-62.96
Zanaco	550.00	821.00	49.27
Zambia Sugar	381.00	310.00	-18.64

Source: Lusaka Stock Exchange

Bonds Market

Secondary trading in Government bonds at the LuSE rose nearly ten-fold to K567.1 billion (at face value) from K57.3 billion recorded in 2009. The number of trades also increased significantly to 89 from 11 the previous year. The continued buoyancy of the secondary market for Government bonds reflects the growing importance of this segment of the debt market and the active participation of institutional and non-resident investors. This is in line with the Bank of Zambia's objective to develop a liquid and efficient secondary market for Government securities.

3.3 BALANCE OF PAYMENTS

Preliminary data show that Zambia continued to record favourable balance of payments (BoP) performance in 2010, as evidenced by an overall BoP surplus amounting to US $83.3 million. However, this was lower than the US $540.1 million recorded in 2009 (see Table 14).

Consistent with these developments, the accumulation of gross international reserves was lower at US $138.1 million compared with US $782.4 million recorded the previous year. This was largely attributed to the unfavourable performance in the capital and financial account, which outweighed improvements recorded in the current account.

Table 14: Balance of Payments, 2008 - 2010 (US $' million)

	2008	2009	2010*
Current Account	**-1,038.8**	**538.4**	**934.6**
Balance on goods	407.4	905.6	2,624.8
Exports , f.o.b	**4,880.2**	**4,242.8**	**7,261.7**
Metal sector	4,004.0	3,343.1	6,071.7
Copper	3,687.5	3,179.2	5,767.9
Cobalt	316.5	163.9	303.8
Nickel	0.0	0.0	0.0
Non-traditional	876.2	899.67	1,190.0
Imports, f.o.b	**-4,554.3**	**-3,413.4**	**-4,788.8**
Metal sector	-1,380.5	-866.0	-1,010.9
Non-metal sector	-3,173.8	-2,547.40	-3,777.9
Goods Procured in ports by carriers(Bunker Oil)	37.4	39.6	42.0
Nonmonetary Gold	44.1	36.6	109.9
Services (net)	**-606.9**	**-464.5**	**-636.8**
Services Receipts	299.6	240.8	311.7
Services Payments	-901.6	-705.4	-948.5
Balance on goods and services	-199.5	441.2	1,987.9
Income (net)	**-1,399.3**	**-418.71**	**-1,494.9**
Income Receipts	29.5	5.5	8.4
Income Payments	-1,428.9	-424.2	-1,503.3
Of which: Income on Equity Payments	-1,346	-265.4	-1,434.6
Interest payments	-54.1	-131.2	-39.8
Current Transfers (net)	**560.1**	**516.0**	**441.6**
Private	239.0	211.7	194.4
Official	321.1	304.3	247.2
Commodity, SWAP & Global Fund	150.1	105.9	89.1
Budget Grants	171.0	198.4	158.1
Capital and Financial Account	**1,046.1**	**70.2**	**-781.9**
Capital Account	**230.0**	**237.3**	**149.7**
Capital Transfers	230.0	237.3	149.7
General Government	230.0	237.3	149.7
Project Assistance grants	230.0	237.3	149.7
Debt Cancelled/MDRI	0.0	0.0	0.0
Other Sectors	0.0	0.0	0.0
Financial Account	**816.1**	**-167.1**	**-931.6**
Direct Investment	938.6	425.2	376.9
Portfolio Investment	-6.1	-74.9	-40.4
Other Investment	-116.4	-517.5	-1,268.1
Assets	-443.5	-1,354.3	-1,519.6
Increase in NFA - banks(-)	142.7	-63.2	-10.1
Other Short term Deposits	-586.2	-1,291.2	-1,509.5
Liabilities	327.1	836.8	251.6
Government	67.4	76.7	87.7
Disbursement of Loans	110.8	76.7	161.0
Project	79.0	86.6	91.8
Budget	31.8	32.8	69.2
Amortization of Loans(-)	-43.3	-42.8	-73.3
Monetary Authorities	0.0	627.3	0.0
Private Foreign Borrowing(net)	259.6	132.9	163.9
Errors and Omissions	5.3	-68.6	-69.4
Overall balance	**12.7**	**540.1**	**83.3**

Source: Bank of Zambia
* Preliminary

[7]2009 Financial and Income account numbers significantly changed after incorporating the recent foreign private investment survey data

Current Account

During the year under review, Zambia's current account surplus at US $934.6 million, was 73.6% higher than US $538.4 million recorded in 2009. This was largely attributed to the surge in the merchandise trade surplus to US $2,624.8 million from US $905.6 million recorded the previous year. An increase in export earnings, which outweighed the rise in import bills, explained this outturn.

Merchandise export earnings, at US $7,261.7 million in 2010, were 71.2% higher than the US $4,242.8 million recorded in the previous year. This followed an increase in both metal and non-traditional export earnings. Metal export earnings grew by 81.6% to US $6,071.7 million due to an increase in both copper and cobalt export earnings (see Chart 16 and Table 15).

Copper export earnings of US $5,767.9 million in 2010 were 81.4% higher than US $3,179.3 million realised the previous year. The increase in earnings was mainly due to an upswing in the realised average copper price by 46.8% to US $6,877.92 per mt in 2010 from US $4,716.36 per mt recorded the preceding year. Similarly, export volumes grew by 24.4% to 838,605.6 mt in 2010 from 674,096.9 mt recorded in 2009. Increased global demand for metals, resulting from the recovery of the world economy from the impact of the global economic and financial crisis, explained this outturn.

Similarly, cobalt export earnings grew by 85.4% to US $303.8 million from US $163.9 million recorded in 2009. This was largely attributed to the 27.3% increase in the average realised cobalt price to US $35,557.00 per mt from US $27,925.85 per mt. Consistent with price developments, export volumes grew by 45.6% to 8,554.53 mt from 5,867.74 mt in 2009.

In the year under review, non-traditional export earnings (NTEs) grew by 32.3% to US $1,190.0 million from US $899.7 million recorded in 2009. Increased earnings from the export of copper wire, cane sugar, burley tobacco, cotton lint, electrical cables, gemstones, maize and maize seed, and wheat and meslin explained this outturn (see Table 15). Increase in NTEs was partly driven by buoyant international commodity prices coupled with favourable real exchange rate developments.

During the same period, merchandise imports rose by 40.3% to US $4,788.8 million from US $3,413.4 million recorded in 2009. The increase in the import bills associated with commodity groups, such as, industrial boilers and equipment, chemicals, iron and steel and items thereof, vehicles, plastic and rubber products, electrical machinery and equipment, petroleum products, and food items explained the outturn. Imports increased following an increase in economic activity evidenced by favourable GDP growth.

Continued investment in public infrastructure has several multiplier effects. For instance, the construction of Ndola stadium contributed to sustaining higher employment while supporting increased production of cement in the country

NDOLA STADIUM, NDOLA

CHART 16:

EXPORT EARNINGS, 2008 – 2010

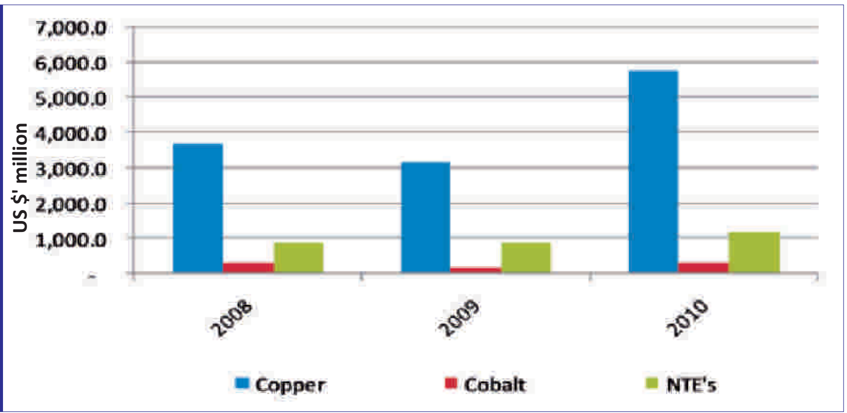


Table 15: Major Non-Traditional Exports (C.I.F.), 2008 – 2010 (US $' millions)

Product	2008	2009	2010*	% Change 2010/2009
Copper Wire	158.0	110.4	170.2	54.2
Cane Sugar	60.7	98.1	148.1	50.9
Burley Tobacco	74.6	89.6	117.5	31.1
Cotton Lint	35.4	45.7	49.4	8.1
Electrical Cables	56.3	38.2	41.7	9.3
Fresh Flowers	23.7	22.7	22.0	-2.9
Cotton Yarn	7.5	0.0	0.0	0.0
Fresh Fruits & Vegetables	27.0	22.0	11.2	-49.2
Gemstones	32.4	38.9	49.8	27.9
Gas oil	25.9	30.7	27.6	-10.0
Electricity	3.3	10.5	8.1	-23.3

Source: Bank of Zambia
*Preliminary

Capital and Financial Account

In the period under review, a capital and financial account deficit of US $781.9 million was recorded compared with a surplus of US $70.2 million in 2009. This was largely due to a decline in inflows in form of project grants to US $149.7 million from US $237.3 million in 2009. In addition, accelerated loan repayment coupled with an increase in foreign assets holdings by the private sector, explained this outturn.

Direction of Trade

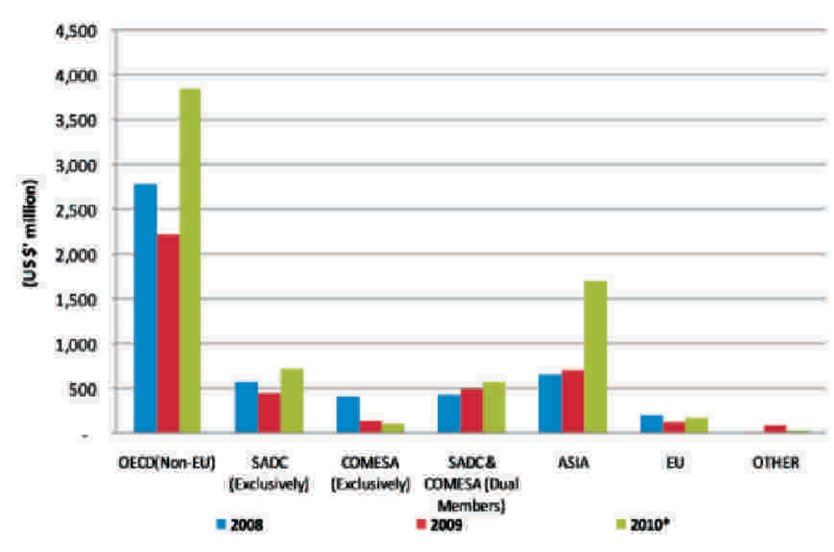
Export Markets by Region

In 2010, Zambia's exports to all regional markets increased apart from the Common Market for Eastern and Southern Africa (COMESA). The non-European Union (EU) Organisation for Economic Cooperation and Development (OECD) region continued to be Zambia's top ranked major export market, accounting for 54.0% of total exports (see Chart 17). Exports to the region rose by 73% to US $3,853.0 million in 2010 from US $2,227.0 million recorded the previous year. This increase was largely driven by the surge in metal exports to Switzerland, United Kingdom, USA and Japan. The country also recorded a rise in export of food items to the United Kingdom. The increase in metal prices on the international market as a result of the recovery of the world economy from the impact of the global economic and financial crisis, explained this outturn. Asia accounted for 24.0% of the country's exports and was the second major export destination, as exports rose by 141.1% to US $1,709.0 million from US $707.0 million recorded in 2009. This outturn was explained by increased metal exports to China and United Arab Emirates. An increase in export of food items to China was also recorded.

The SADC (exclusively) ranked third, accounting for 10.0% of Zambia's exports due to a rise of 61.6% to US $726.0 million from US $449.0 million in 2009. Increased exports of copper and articles thereof to South Africa, and food items to Namibia, explained this outturn. The SADC and COMESA (dual members) was relegated from third to fourth position as exports accounted for 8.0% to the region despite a growth of 17.5% to US $580.0 million from US $493.0 million in 2009. Increased exports to Congo DR (food items, lime and cement and chemical products), Zimbabwe (food items, iron and steel), Malawi (food items) and Burundi (food items, manufactured goods and lime and cement) explained this outturn. The EU ranked fifth as exports to that region rose by 40.0% to US $173.0 million in 2010 from US $123.0 million in 2009. The increase was driven by a rise in metal exports to Austria, Belgium, and Luxemburg. In contrast, exports to COMESA (exclusively) declined by 21.8% and accounted for 1.0% of Zambia's total exports following a reduction in copper exports to Egypt and manufactured goods to Kenya.

CHART 17:

EXPORTS (FOB) BY REGION, 2008 – 2010



Major Sources of Imports by Region

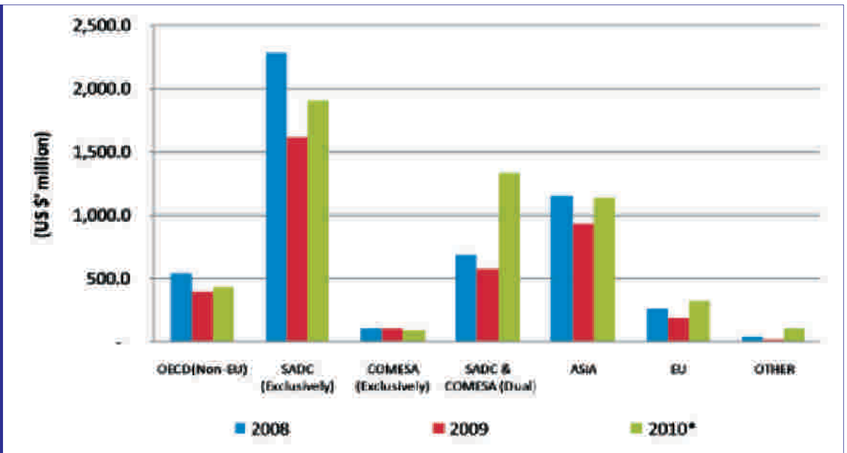
The SADC (exclusively) maintained its position as the top ranked major source of Zambia's imports accounting for 36.0%, following an increase of 18.8% in imports to US $1,916.4 million in 2010 from US $1,612.7 million in 2009 (see Chart 18). This outturn was mainly explained by the rise in imports of machinery and equipment and manufactured goods from Mozambique, Namibia and South Africa. The imports from the SADC and COMESA (dual members) region, which ranked second, rose by 132.5% to US $1,337.6 million from US $575.3 million recorded the previous year, representing 25% of the country's total imports. This followed an increase in imports of manufactured goods, food items and mineral fuels, lubricants and related products from South Africa; copper and cobalt ores and concentrates from Congo DR; as well as food items and coal from Zimbabwe.

The Asian region was third with a 24.0% share in the country's total imports, following a 23.5% increase in imports to US $1,143.4 million from US $926.1 million the previous year. Increased imports of machinery and equipment, and manufactured goods from China, Hong Kong, and United Arab Emirates; chemicals and related products from India; and petroleum products from Kuwait, explained this outturn. The non-EU OECD region retained its fourth position as imports rose by 9.3% to US $424.9 million in 2010 from US $388.9 million in 2009, representing 8.0% of the total imports. This was reflective of increased imports of industrial boilers and equipment, machinery and transport equipment from United Kingdom, Sweden, Japan, Australia and Canada. During the period under review, imports from the EU rose by 69.9% to US $315.3 million from US $185.6 million in 2009. The rise was due to increased importation of chemical products and industrial boilers and equipment from Belgium, Finland, Ireland, Netherlands, France, and food items from Italy. The increase in imports was reflective of the recovery of the economy from the impact of the global economic crisis.

The COMESA (exclusively), ranked sixth as it accounted for only 2.0% of Zambia's total imports, following a decline of 13.6% to US $80.8 million in 2010 from US $93.5 million in 2009. This was largely explained by a decline in imports of glass and glassware, and construction related materials from Egypt as well as food items, pharmaceutical products, mineral fuels and oils from Kenya.

CHART 18:

IMPORTS (CIF) BY REGION, 2008 – 2010



3.4 EXTERNAL DEBT

Government Debt Stock[8]

Preliminary data indicate that the Government's total stock of outstanding external debt increased by 7.7% to US $1,639.2 million at end-December 2010 from US $1,521.2 million at end-December 2009 (see Table 16). The increase in the debt stock was as a result of disbursements from various creditors, notably the International Monetary Fund (IMF), the World Bank, the African Development Bank (ADB) Group and supplier creditors.

An analysis of the structure of Government's external debt stock as at end-December 2010 indicated that 73.1% of the total debt stock was owed to multilateral creditors, 18.2% to bilateral creditors and 8.7% to supplier creditors. The multilateral debt stock increased by 12.9% to US $1,198.4 million at the end of 2010 from US $1,061.5 million at the end of 2009. The increase was largely attributed to disbursements from the IMF (under the Extended Credit Facility arrangement), the World Bank and the ADB Group. The stock of IMF debt increased to US $366.2 million in December 2010 from the previous year's level of US $344.8 million while the ADB Group debt stock increased to US $229.6 million at end-December 2010 from US $119.5 million at end-December 2009. External debt owed to bilateral creditors at end-December 2010 went down to US $298.5 million from US $320.0 million. Meanwhile, the stock of debt owed to supplier creditors rose to US $142.3 million from US $139.7 million.

Table 16: Government External Debt Stock by Creditor, 2008 - 2010

	2008		2009		2010*	
Creditor	**US $'million**	**% share**	**US $'million**	**% share**	**US $'million**	**% share**
Bilateral	**295.2**	**24.6**	**320.0**	**21.0**	**298.5**	**18.2**
Paris Club	220.7	18.4	226.4	7.8	224.6	13.7
Non Paris Club	74.5	6.2	93.6	2.6	73.9	4.5
Multilateral	**762.5**	**63.6**	**1,061.5**	**69.8**	**1,198.4**	**73.1**
IMF	95.5	7.9	344.8	22.7	366.2	22.3
World Bank Group	436.0	36.3	501.1	33.0	516.6	31.5
African Development Bank Group	126.0	10.5	119.6	7.8	229.6	14.0
Others	104.8	8.8	96.0	6.3	86.0	5.2
Suppliers/ Bank	**142.1**	**11.8**	**139.7**	**9.2**	**142.3**	**8.7**
Total Govt. Debt	**1,199.8**	**100.0**	**1,521.2**	**100.0**	**1,639.2**	**100.0**

Source: Ministry of Finance and National Planning, and Bank of Zambia
Note: *Data for 2009 is preliminary

Government External Debt Service

In 2010, Government external debt service amounted to US $51.3 million, representing a decrease of 7.6% from US $55.5 million in 2009 (see Table 17). Principal maturities during the year amounted to US $40.1 million while interest and other charges amounted to US $11.2 million. Of the total debt service for 2010, US $28.5 million was paid to bilateral creditors and US $22.8 million to multilateral creditors.

Table 17: Zambia's Official External Debt Service by Creditor, 2008 - 2010 (US $'million)

Creditor	**2008**	**2009**	**2010**
Bilateral	**35.7**	**28.6**	**28.5**
Paris Club	9.2	7.3	7.5
Others	26.5	21.3	21.0
Multilateral	**28.0**	**26.4**	**22.8**
IDA	3.5	3.7	5.1
IMF	3.4	2.0	1.5
ECU/EIB	14.9	16.2	10.1
Others	6.2	4.5	6.1
Suppliers/Bank	0.3	0.5	0.0
Total	**64.0**	**55.5**	**51.3**

Source: Bank of Zambia

[8] Public and publicly guaranteed debt.

Private and Parastatal Debt Stock

Preliminary data show that total external debt owed by the private and parastatal sector to various creditors was US $1,721.0 million as at end-December 2010 compared with US $2,250.4 million at end-December 2009 (see Table 18). This decline was mainly due to principal repayments to the European Investment Bank.

Table 18: Private and Parastatal External Debt Stock, 2008 - 2010

	2008		2009		2010*	
Creditor	**US $'million**	**% Share**	**US $'million**	**% Share**	**US $'million**	**% Share**
Private	**881.7**	**96.9**	**2,227.0**	**99.0**	**1,704.7**	**99.0**
Multilateral	65.4	7.2	214.8	9.5	82.6	4.8
Financial Institutions	209.3	23.0	420.9	18.7	611.3	35.5
Parent Company	448.4	49.3	1,432.7	63.7	852.2	49.5
Other	158.6	17.4	158.6	7.1	158.6	9.2
Parastatal	**27.9**	**3.1**	**23.4**	**1.0**	**16.3**	**1.0**
Total Private and Parastatal Debt	**909.6**	**100.0**	**2,250.4**	**100.0**	**1,721.0**	**100.0**

Source: Ministry of Finance and National Planning, and Bank of Zambia
Note: Data for 2010 is preliminary

3.5 FISCAL SECTOR DEVELOPMENTS

Overview

The main focus of fiscal policy in 2010 was infrastructure and social sector development. This was necessitated by the strong economic growth in recent years which placed greater demand for investments in infrastructure and social spending. These investments were to be made against the background of revenue shortfalls in the aftermath of the global economic crisis.

The performance of the Government budget during the year was satisfactory. Preliminary data indicate that the central Government recorded an overall budget deficit of K2,445.0 billion, on cash basis, 29.5% above the programmed deficit of K1,888.0 billion. This was largely explained by the higher than programmed expenditures, as domestic revenues were above target.

As a percentage of GDP, the central Government budget deficit at 3.1% was 0.6 percentage points above the programmed. However, the deficit, excluding grants, at 4.2% of GDP was 1.4 percentage points below the projected level of 5.6% of GDP (see Table 19).

Table 19: Central Government Fiscal Operations, 2008 - 2010

	2008 (Actual)		2009 (Actual)		2010 (Target)		2010 (Preliminary)	
	K'billion	**% of GDP**	**K'billion**	**% of GDP**	**K'billion**	**% of GDP**	**K'billion**	**% of GDP**
Revenue and Grants	**12,186.3**	**22.0**	**12,182.4**	**18.9**	**14,533.7**	**19.0**	**15,198.4**	**19.6**
Domestic Revenue	**10,113.6**	**18.2**	**10,315.2**	**16.0**	**12,107.0**	**15.9**	**13,809.1**	**17.8**
Of which:								
Tax Revenue	9,546.3	17.2	9,660.9	15.0	11,385.3	14.9	13,112.1	16.9
Non-tax Revenue	567.3	1.0	654.3	1.0	721.8	0.9	697.0	0.9
Grants	**2,072.7**	**3.7**	**1,867.2**	**2.9**	**2,426.7**	**3.2**	**1,389.4**	**1.9**
Total Expenditure	**13,280.0**	**24.0**	**13,847.5**	**21.5**	**16,421.7**	**21.5**	**17,634.0**	**22.7**
Of which:								
Current Expenditure	11,313.0	20.4	11,556.9	18.0	13,103.0	17.5	14,797.2	19.0
Capital Expenditure	1,271.0	2.3	1,842.3	2.9	1,896.7	2.5	2,260.0	2.9
Change in balances & Stat. discrepancy	-308.8	-0.6	21.9	0.0	-0.1	0.0	534.8	0.7
o/w Change in balances	-308.8	-0.6	21.9	0.0	-0.1	0.0	-87.8	-0.1
Overall bal including grants (Cash)	**-1,402.5**	**-2.5**	**-1,643.2**	**-2.6**	**-1,888.0**	**-2.5**	**-2,445.0**	**-3.1**
Of which:								
Overall bal. excluding grants (Cash)	**-3,475.2**	**-6.3**	**-3,510.4**	**-5.5**	**-4,314.7**	**-5.6**	**-3,261.5**	**-4.2**

Source: Ministry of Finance and National Planning

Revenue and Grants

Total revenues and grants were K15,198.4 billion, 4.6% higher than the programmed level of K14,533.7 billion. This outturn was explained by the higher than programmed collections of domestic revenues, especially tax revenues as grants were below projection. As a proportion of GDP, total revenues and grants at 19.6% were 0.6 percentage points higher than the programmed level of 19.0%.

Tax Revenues

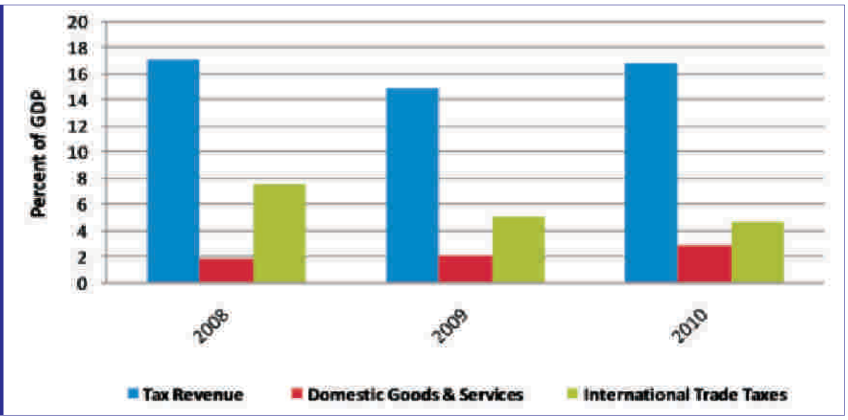
The performance of tax revenue was buoyant in 2010. Total tax revenue at K13,112.1 billion was 15.2% above the projected amount of K11,385.2 billion. Explaining this performance was mainly higher than programmed income taxes and value added tax (VAT). Income taxes were K7,326.0 billion, 27.9% above the programmed level of K5,730.0 billion, largely driven by higher corporate taxes, especially from mining companies following the recovery in the price of copper on the international market coupled with payment of tax arrears by some mines.

At K3,159.5 billion, VAT was 7.5% above the programmed level of K2,939.7 billion. This outturn was mainly driven by higher import VAT following increased imports as domestic economic activity heightened. Import VAT was 8.4% higher than the target of K2,439.4 billion.

The developments in tax revenue showed that income taxes and taxes on domestic goods and services continued to rise in 2010. Further, international trade tax recovered in 2010 after falling in the previous year (see Chart 19).

CHART 19:

DEVELOPMENTS IN TAX REVENUE, 2008 - 2010



As a proportion of GDP, tax revenues were 2.0 percentage points higher at 16.9% of GDP in 2010 compared to the target of 14.9%. Similarly, income taxes and taxes on domestic goods and services at 9.4% and 2.8% of GDP were 1.9 and 0.3 percentage points higher than programmed.

Although international trade taxes and excise duty rose above the 2009 levels, they underperformed despite improved conditions in the global economic environment. International trade taxes and excise duty at K3,679.0 billion and K1,376.7 billion were below their target levels of K3,717.1 billion and K1,437.9 billion, respectively.

Non-Tax Revenues

Non-tax revenues were K697.0 billion, 35.9% above the programmed level of K512.9[9] billion. This strong performance was explained by higher collection of user fees and charges. Further, higher dividends from quasi-government institutions and stronger proceeds from fertiliser recoveries under the Farmer Input Support Programme (FISP) contributed to the outturn in non-tax revenues. As a proportion of GDP, non-tax revenues at 0.9% were in line with the programme.

Grants

A total of K1,389.4 billion was disbursed as donor support in 2010, 42.7% lower than the programmed amount of K2,426.7 billion. Total project grants were K381.0 billion, 69.1% below the programmed level. The outturn was explained by non-disbursement of some project support. Notwithstanding this, programme grants at K1,008.2 billion were 15.5% below the programmed level.

As a percentage of GDP, total grants at 1.8% were 1.4 percentage points lower than programmed. Similarly, project grants at 0.5% of GDP were below the programmed level by 1.1 percentage points while programme grants were 0.3 percentage points below the target (see Table 20).

[9]The target for non-tax revenue in the 2010 budget was K721.8 billion. This figure included tax arrears of K209 billion, which have been accounted for under tax revenue collection, hence the revision of the target of K512.9 billion.

The performance of tax revenue was buoyant in 2010 with total tax revenue reaching K13, 112.1 billion. 15.2% above the projected figure. This enabled government to work on new projects like the Lusaka General Hospital


LUSAKA GENERAL HOSPITAL, LUSAKA

Table 20: Central Government Revenue, 2008 - 2010

	2008 (Actual)		2009 (Actual)		2010* (Target)		2010* (Preliminary)	
	K'billion	% of GDP	K'billion	% of GDP	K'billion	% of GDP	K'billion	% of GDP
Revenue and Grants	**12,186.3**	**22.0**	**12,182.4**	**18.9**	**14,533.8**	**19.0**	**15,198.4**	**19.6**
Domestic Revenue	**10,113.6**	**18.2**	**10,315.2**	**16.0**	**12,107.1**	**15.9**	**13,809.1**	**17.8**
Tax Revenue	**9,546.3**	**17.2**	**9,660.9**	**15.0**	**11,385.3**	**14.9**	**13,112.1**	**16.9**
Income Tax	**4,379.9**	**7.9**	**5,072.9**	**7.9**	**5,730.0**	**7.5**	**7,326.3**	**9.4**
Personal Tax	2,986.0	5.4	3,462.4	5.4	n.av	n.av	4,483.1	5.8
Company Tax	1,327.0	2.4	1,375.6	2.1	n.av	n.av	2,431.1	3.1
Extraction Royalty	66.9	0.1	234.9	0.4	n.av	n.av	412.1	0.5
Domestic Goods & Services	**993.0**	**1.8**	**1,331.0**	**2.1**	**1,938.2**	**2.5**	**2,143.7**	**2.8**
Excise Taxes	1,424.0	2.6	1,024.0	1.6	1,437.9	1.9	1,376.7	1.8
Domestic VAT	-431.0	-0.8	307.0	0.5	500.3	0.7	515.0	0.6
International Trade Taxes	**4,173.4**	**7.5**	**3,257.0**	**5.1**	**3,717.1**	**4.9**	**3,679.0**	**4.7**
Import Tariffs	1,351.0	2.4	1,088.6	1.7	1,277.7	1.7	1,247.6	1.6
Import VAT	2,632.0	4.7	2,168.4	3.4	2,439.4	3.2	2,644.5	3.4
Import Declaration Fee/ Export Duties	190.4	0.3		0.0	0.0	0.0	0.0	0.0
Non-tax Revenue	**567.3**	**1.0**	**654.3**	**1.0**	**721.8**	**0.9**	**697.0**	**0.9**
Fees and Charges	388.9	0.7	378.9	0.6	348.7	0.5	412.9	0.5
Dividends	21.1	0.0	6.8	0.0	11.4	0.0	23.0	0.0
Other Receipts	157.3	0.3	268.6	0.4	361.7	0.5	261.0	0.3
Grants	**2,072.7**	**3.7**	**1,867.2**	**2.9**	**2,426.7**	**3.2**	**1,389.4**	**1.8**
Programme	643.0	1.2	879.4	1.4	1,193.8	1.6	1,008.2	1.3
Projects	1,429.7	2.6	987.8	1.5	1,232.9	1.6	381.2	0.5

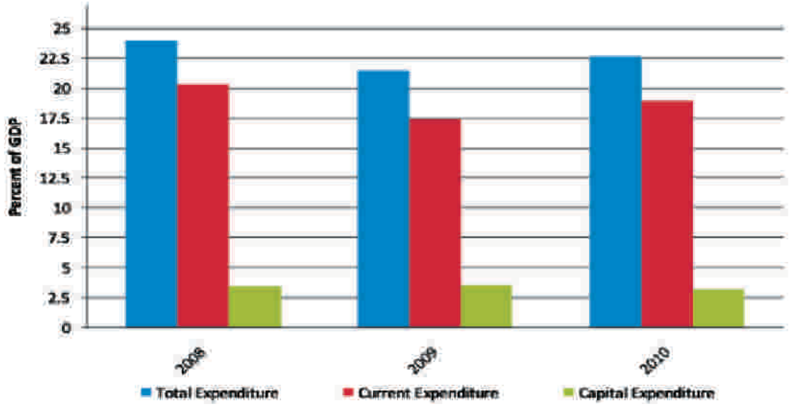
Source: Ministry of Finance and National Planning
Note: n.av = not available

Total Expenditures

In line with the development in revenue, total expenditure at K17,634.0 billion, was 7.4% higher than the programmed level of K16,421.7 billion. This was attributed to higher than programmed current expenditure. Nonetheless, capital expenditures were below target. As a percentage of GDP, total expenditure at 22.7% was 1.2 percentage points above the target of 21.5% (see Chart 20 and Table 21).

CHART 20:

DEVELOPMENTS IN EXPENDITURE, 2008-2010



Current Expenditures

Total current expenditure was K14,797.0 billion against the programmed level of K13,103.0 billion. Accordingly, this was 12.9% above the programmed level. As a percentage of GDP, current expenditure at 19.0% was 1.8 percentage points higher than the programmed level of 17.2%. Main drivers of current expenditure were other expenses, grants and other payments, interest on public debt and personal emoluments (PEs).

Other expenses as well as grants and other payments were above target mainly due to the higher disbursements for 2010/2011 crop marketing exercise as well as the FISP. The higher interest on public debt was largely attributed to higher than programmed government financing for maize marketing, while higher PEs were mainly due to the higher salary award during the year.

Table 21: Central Government Expenditure, 2008 - 2010

	2008		2009		2010 (Target)		2010 (Preliminary)	
	K'billion	% of GDP	K'billion	% of GDP	K'billion	% of GDP	K'billion	% of GDP
Total Expenditure	**13,280.0**	**24.0**	**13,847.5**	**21.5**	**16,421.7**	**21.5**	**17,634.0**	**22.7**
Current Expenditure	**11,313.0**	**20.4**	**11,556.9**	**17.5**	**13,103.0**	**17.2**	**14,797.0**	**19.0**
Wages and Salaries	4,435.1	8.0	5,251.0	8.2	- 6,018.4	7.9	6,298.0	8.1
PSRP	30.0	0.1	23.2	0.0	20.0	0.0	5.0	0.0
Use of Goods and Services	2,464.8	4.4	2,656.9	4.1	3,538.7	4.6	3,035.0	3.9
Interest on Public Debt	1,101.7	2.0	1,032.6	1.6	1,284.4	1.7	1,370.0	1.7
Domestic Debt	879.8	1.6	974.6	1.5	1,188.0	1.6	1,280.3	1.6
Foreign Debt	221.9	0.4	58.0	0.1	96.4	0.1	90.09	0.1
Subsidies	525.0	0.9	-	-	-	-	-	-
Grants and Other Payments	1,676.0	3.0	1,729.7	2.7	1,512.7	2.0	1,799.00	2.3
Social Benefits	168.7	0.3	253.5	0.4	202.6	0.3	159.6	0.2
Other Expenses	911.7	1.6	332.5	0.5	526.2	0.7	2,130.3	2.7
Liabilities	-	-	277.5	0.4	269.2	0.4	254.0	0.3
Capital Expenditure	**1,967.0**	**3.5**	**2,290.6**	**3.6**	**3,049.5**	**4.0**	**2,463.4**	**3.2**
Domestically Financed	1,271.0	2.3	1,842.3	2.9	1,896.7	2.5	2,260.0	2.9
Foreign Financed	696.0	1.3	448.3	0.7	1,152.8	1.5	324.0	0.4

Source: Ministry of Finance and National Planning

Capital Expenditures

Total capital expenditure at K2,463.4 billion was 19.2% below the programmed expenditure of K3,049.5 billion. Explaining this outturn was largely the delayed disbursements of donor support during the year. This was reflected in the cutbacks on foreign financed capital projects as significant amounts of money were not received from the cooperating partners. As a percentage of GDP, capital expenditures at 3.2% were below the projection of 4.0% of GDP.

Budget Financing

Total financing in 2010 was K2,445.0 billion, 29.5% above the programmed level of K1,888.0 billion. This was composed of domestic financing of K2,206.0 billion and net foreign financing of K240.0 billion against targets of K1,487.0 billion and K401.0 billion, respectively. As a percentage of GDP, total financing at 3.1% was 0.6 percentage points higher than the programmed level of 2.5% of GDP (see Table 22).

Table 22: Budget Deficit Financing, 2008 - 2010 (K' billion)

	2008		2009		2010 (Target)		2010 (Preliminary)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Total Financing	1,402.5	2.5	1,643.2	2.6	1,888.0	2.5	2,445.0	3.1
Domestic	811.6	1.5	1,676.3	2.6	1,487.0	1.9	2,206.0	2.8
Bank	711.6	1.3	1,429.0	2.2	1,487.0	1.9	984.4	1.3
Non-bank	100.0	0.2	247.3	0.4	401.0	-	536.4	0.7
External	590.9	1.1	-33.1	-0.1	171.0	0.5	240.0	0.3
Programme Loans	118.3	0.2	158.8	0.2	526.1	0.2	331.0	0.4
Project Loans	472.6	0.9	18.8	0.0	-	0.7	53.2	0.1
Amortisation	151.7	0.3	210.7	0.3	296.1	0.4	145 .0	0.2

Source: Ministry of Finance and National Planning

3.6 REAL SECTOR DEVELOPMENTS

National Output

Preliminary data indicate that the overall performance of the economy was favourable in 2010, with Gross Domestic Product (GDP) growing by 7.6% from 6.4% in 2009. The growth in GDP was largely driven by the mining and quarrying, transport and communications, construction and agriculture, forestry and fishing sectors (see Tables 23 and 25a).

Table 23: Sectoral Percentage Contribution to Real GDP, 2008 – 2010 (In Constant 1994 Prices)

	2008	2009	2010
Growth in Real GDP (%)	**5.7**	**6.4**	**7.6**
Agriculture, Forestry and Fishing	0.3	0.9	0.8
Mining and Quarrying	0.2	1.7	1.4
Manufacturing	0.2	0.2	0.4
Electricity, Gas and Water	0.0	0.2	0.2
Construction	1.0	1.1	1.0
Wholesale and Retail trade	0.5	0.4	0.7
Restaurants, Bars and Hotels	0.1	-0.4	0.2
Transport, Storage and Communications	1.3	0.7	1.4
Financial Institutions and Insurance	0.6	0.4	0.4
Real Estate and Business services	0.3	0.2	0.2
Community, Social and Personal Services	0.9	0.7	0.5
Financial Intermediary Services Indirectly Measured	-0.1	-0.1	-0.1
Taxes on products	0.4	0.4	0.5

Source: Central Statistical Office
*Preliminary estimates

Agriculture, Forestry and Fisheries

Preliminary data indicate that growth in the agriculture, forestry and fisheries sector slowed down to 6.6% from 7.2% recorded in 2009 and contributed 0.8 percentage points to the national output. The decline was explained by the unfavourable performance in the fishing sub-sector. However, growth in the agricultural sub-sector increased to 13.9% from 12.7% in 2009. This outturn was largely explained by increased output of crops such as maize which rose by 48.1% to a record output of 2.8 million mt during the 2009/10 agricultural season (see Table 24). Cassava, sorghum, mixed beans, sweet potatoes and groundnuts also contributed to this growth. The rise in crop production was largely due to favourable weather conditions and an increase in the number of beneficiaries under the Farmer Input Support Programme (FISP) to 500,000 from 200,000 that was covered in the previous season. In addition, high Food Reserve Agency (FRA) producer prices contributed to increased output of food crops, such as maize and rice.

Table 24: Comparative Summary Results of 2007/ 2008 - 2009/2010 Crop Output Estimates

Crop	2007/08 (mt)	2008/09 (mt)	2009/10 (mt)	Growth (%) 2008/09 – 2009/10
Maize	1,211,566	1,887,010	2,795,483	48.1
Cassava	1,160,853	4,606,799	4,718,629	2.4
Wheat	113,242	195,456	172,256	-11.9
Sorghum	9,992	21,829	27,732	27.0
Rice	24,023	41,929	51,656	23.2
Sunflower	12,662	33,657	26,420	-21.5
Ground nuts	70,527	120,564	163,733	35.8
Soy Beans	56,839	118,799	111,888	-5.8
Mixed Beans	44463	46,729	65,265	39.7
Irish Potatoes	10,195	19,974	22,940	14.8
Sweet Potatoes	106,522	200,450	252,867	26.1
Virginia Tobacco kg)	15,400,000	18,487,000	22,074,000	19.4
Burley Tobacco (kg)	15,000,000	8,758,000	9,809,000	12.0

Source: Ministry of Agriculture and Co-operatives

Mining and Quarrying

During the year under review, growth in the mining sector slowed down to 15.2% from 20.2% in 2009. The sector contributed 1.4 percentage points to real GDP growth, down from 1.7 percentage points the previous year. This outturn was on account of the contraction in the other mining and quarrying sub-sector by 48.5% compared with an expansion of 4.3% in 2009 mainly triggered by a moderation in construction activities. Preliminary figures on emerald production indicate that total production in 2010 declined to 21,085.56 kilograms (kg) from 37,849.63 kg in 2009. However, growth in the sector was sustained by metal mining, which rose by 16.0% with copper and cobalt output increasing by 17.4% and 49.4% to 819,159.19 mt and 8,781 mt, respectively. This outturn was largely explained by the increase in the scale of production by the mines coupled with the rebound in copper prices, following the relative recovery in the global economy.

Manufacturing

Performance of the manufacturing sector was favourable, recording a growth of 4.1% compared with 2.2% in 2009. This was mainly driven by the food, beverages and tobacco; paper and paper products; non-metallic mineral products; and fabricated metal products sub-sectors. The growth in these sub-sectors reflected an expansion in other related economic activities. However, performance in the textile and leather sub-sectors was unfavourable, contracting by 39.2% on account of continued difficulties in competing with cheaper imports.

Tourism[10]

The tourism sector grew by 9.6% in 2010 compared with a contraction of 13.4% in 2009, contributing 0.2 percentage points to growth in real GDP. This performance was mainly on account of the relative global economic recovery and increased investment in tourism infrastructure.

Construction

The construction industry continued to record positive performance with output growth of 8.1% in 2010 compared with 9.5% in 2009, and contributed 1 percentage point to real GDP growth. The strong growth was largely spurred by public and private infrastructure projects[11] across the country. The growth in this sector was further supported by increased supply of cement following commencement of production by Zambezi Portland Limited and increased production at Lafarge Cement Zambia Plc and Oriental Quarries Limited. Cement output rose by 37.9% to 1,126,728 mt from 817,223.0 mt in 2009.

Transport, Storage and Communications

Growth in the sector was higher at 14.9% compared with 3.1% in 2009, raising its contribution to real GDP growth to 1.4 percentage points in 2010 from 0.7 percentage points in 2009. This was

[10]The Tourism sector is represented by developments in the restaurants, bars and hotels sector.
[11]Roads, bridges, schools, health centres, hydro-power stations, residential and commercial structures, etc.

mainly on account of the improved performance in both air transport and rail sub-sectors. Air transport rose by 19.1% mainly on account of the introduction of new domestic and international routes coupled with increased number of tourists. Rail transport grew at 13.1%, largely on account of improved operations of the country's railway system. Similarly, the performance of the road transport sub-sector remained strong, growing at 6.3%. Further, the communications sub-sector grew by 20.0%, largely driven by a rise in the subscriber base in the mobile phone and internet service industry.

Growth in transport, storage and communication was almost five-fold higher in 2010 at 14.9% compared with 3.1% in 2009

MUTANDA - CHAVUMA ROAD, NORTH-WESTERN PROVINCE

Many roads in the country received a facelift in the year under review

MUTANDA - CHAVUMA ROAD, NORTH-WESTERN PROVINCE

Electricity, Gas and Water

In 2010, the sector grew by 7.4% compared with 8.6% in 2009. The slower growth in 2010 was attributed to the leveling-off effect after completion of some rehabilitation works under the Power Rehabilitation Project (PRP) implemented by ZESCO. The strong domestic demand for electricity resulting from heightened economic activities, particularly in the mining and construction sectors sustained this growth.

Table 25a: GDP by Kind of Economic Activity at Constant 1994 Prices, 2008 - 2010 (K' billion)

KIND OF ECONOMIC ACTIVITY	2008	2009	2010	Growth (%)
Agriculture, Forestry and Fishing	472.0	506.1	539.5	6.6
Agriculture	210.5	236.6	268.8	13.9
Forestry	180.0	186.7	193.6	3.7
Fishing	81.4	82.8	77.0	-7.0
Mining and Quarrying	308.7	371.3	427.7	15.2
Metal Mining	306.3	366.6	425.3	16.0
Other mining and quarrying	2.3	4.7	2.4	-48.7
PRIMARY SECTOR	**780.6**	**877.4**	**967.2**	**10.2**
Manufacturing	371.7	380.1	395.6	4.1
Food, Beverages and Tobacco	248.4	260.7	276.8	6.2
Textile, and leather industries	29.7	23.7	14.4	-39.2
Wood and wood products	30.8	31.6	35.5	12.3
Paper and Paper products	12.8	13.6	16.6	21.1
Chemicals, Rubber and Plastic products	33.9	33.8	33.9	0.3
Non-metallic mineral products	7.0	7.8	8.8	12.1
Basic metal products	1.7	1.6	1.6	-0.2
Fabricated metal products	7.5	7.3	8.2	12.9
Electricity, Gas and Water	89.3	95.4	102.4	7.4
Construction	428.5	469.4	507.7	8.1
SECONDARY SECTOR	**889.6**	**944.9**	**1,005.7**	**6.4**
Wholesale and Retail trade	618.5	632.9	659.9	4.3
Restaurants, Bars and Hotels	106.8	92.5	101.3	9.6
Transport, Storage and Communications	344.2	370.4	425.5	14.9
Rail Transport	5.9	4.5	5.1	13.1
Road Transport	116.2	131.7	140.0	6.3
Air Transport	72.2	55.2	65.8	19.1
Communications	149.9	178.9	214.6	20.0
Financial Intermediaries and Insurance	276.6	290.9	308.3	6.0
Real Estate and Business services	314.7	323.6	333.2	3.0
Community, Social and Personal Services	322.9	350.7	369.4	5.3
Public Admin. & Defence; Public & Sanitary services	125.0	125.6	121.7	-3.1
Education	141.4	163.0	182.2	11.8
Health	18.5	20.0	21.4	7.2
Recreation, Religious, Culture	21.3	25.1	26.4	5.0
Personal Services	16.5	17.1	17.7	3.5
TERTIARY SECTOR	**1,983.7**	**2,061.0**	**2,197.7**	**6.6**
Less: FISIM	-148.8	-153.7	-157.2	2.3
TOTAL GROSS VALUE ADDED	**3,505.1**	**3,729.6**	**4,013.4**	**7.6**
Taxes on Products	261.4	278.1	299.2	7.6
TOTAL G.D.P. AT MARKET PRICES	**3,766.5**	**4,007.7**	**4,312.6**	**7.6**
Real Growth Rates	**5.7**	**6.4**	**7.6**	**18.9**

Source: Central Statistical Office

The country's real growth rate moved to 7.6% in 2010 from 6.4% in 2009 and 5.7% in 2008. This was manifested by heightened activity in many sectors of the economy including recreation, agriculture and construction

OLYMPIC YOUTH DEVELOPMENT CENTRE, LUSAKA

CAULIFLOWER FARM, CHONGWE

LEVY BUSINESS PARK, LUSAKA

Table 25b: Gross Domestic Product by Kind of Economic Activity at Current Prices, 2008 - 2010 (K'billion)

KIND OF ECONOMIC ACTIVITY	2008	2009	2010	Growth in 2010 (%)
Agriculture, Forestry and Fishing	10,863.8	13,461.4	15,642.3	16.2
Agriculture	1,826.4	2,344.3	2,801.4	19.5
Forestry	8,531.6	10,528.8	12,265.5	16.5
Fishing	505.8	588.2	575.3	-2.2
Mining and Quarrying	1,998.9	1,682.1	2,837.8	68.7
Metal Mining	1,989.8	1,669.3	2,828.1	69.4
Other Mining and Quarrying	9.2	12.9	9.6	-25.2
PRIMARY SECTOR	**12,862.7**	**15,143.5**	**18,480.0**	**22.0**
Manufacturing	5,149.6	6,016.9	6,779.0	12.7
Food, Beverages and Tobacco	3,218.4	3,859.0	4,309.4	11.7
Textile, and Leather Industries	506.7	445.2	301.9	-32.2
Wood and Wood Products	509.2	621.6	784.2	26.2
Paper and Paper Products	337.3	426.4	580.1	36.0
Chemicals, Rubber and Plastic Products	432.6	519.1	598.9	15.4
Non-metallic Mineral Products	70.8	95.1	122.7	28.9
Basic Metal Products	9.4	6.2	9.1	45.7
Fabricated Metal Products	65.2	44.2	72.9	64.9
Electricity, Gas and Water	1,512.4	1,779.8	2,201.8	23.7
Construction	8,811.4	11,819.5	15,711.6	32.9
SECONDARY SECTOR	**15,473.4**	**19,616.2**	**24,692.4**	**25.9**
Wholesale and Retail trade	8,539.1	9,908.2	11,209.5	13.1
Restaurants, Bars and Hotels	1,610.8	1,545.2	1,829.5	18.4
Transport, Storage and Communications	2,248.9	2,355.2	3,076.5	30.6
Rail Transport	79.0	66.2	105.9	59.8
Road Transport	891.8	1,052.6	1,242.6	18.1
Air Transport	573.4	453.6	611.0	34.7
Communications	704.8	782.7	1,117.0	42.7
Financial Intermediaries and Insurance	4,373.6	5,534.6	6,745.1	21.9
Real Estate and Business services	3,138.4	3,671.6	4,306.3	17.3
Community, Social and Personal Services	5,465.5	6,649.0	8,148.8	22.6
Public Administration and Defence	1,446.1	1,647.3	1,732.7	5.2
Education	3,092.8	3,890.8	4,694.2	20.7
Health	576.9	690.9	1,246.2	80.4
Recreation, Religion, Culture	114.7	147.4	167.1	13.4
Personal Services	**235.0**	**272.7**	**308.5**	**13.1**
TERTIARY SECTOR	25,376.4	29,663.9	35,315.7	19.1
Less: FISIM	(2,513.4)	(2,922.4)	(3,876.3)	32.6
TOTAL GROSS VALUE ADDED	**51,199.1**	**61,501.2**	**74,611.8**	**21.3**
Taxes less subsidies on Products	3,640.4	3,114.3	3,067.6	-1.5
TOTAL G.D.P. AT MARKET PRICES	**54,839.4**	**64,615.6**	**77,679.4**	**20.2**

Source: Central Statistical Office

Investment Pledges

Investors' intensions to invest in the domestic economy continued to be strong in 2010, with total investment pledges increasing by 362.5% to US $4,791.6 million from US $1,036.0 million recorded in the previous year. This outturn partly reflected the recovery of most economies from the global financial and economic crisis coupled with lower risk perception of emerging economies. The pledges when fully executed were expected to generate 50,321 jobs compared to 13,313 jobs in 2009. On a sectoral basis, the manufacturing sector attracted the highest investment pledges followed by mining, energy, real estate and education sectors (see Table 26).

Table 26: Sectoral Investment Pledges and Employment, 2008 – 2010

	2008		2009		2010	
Sector	Pledges (US $' million)	Employment	Pledges (US $'million)	Employment	Pledges (US $' million)	Employment
Manufacturing	717.3	4,353	119.6	2,924	1,907.1	20,504
Mining	7,444.9	7,605	146.6	1,707	986.4	3,678
Energy	1,223.2	526	82.1	-	570.2	213
Real Estate	15.4	91	282.1	3,021	413.6	1,478
Education	-	-	7.4	117	214.6	152
Agriculture	66.9	2,146	44.7	1,670	194.3	6,449
ICT	4.6	86	3.9	51	161.7	281
Tourism	180.1	3,476	164.8	761	130.5	1,903
Services	50.9	1,105	79.8	1,501	99.8	13,649
Construction	19.5	152	7.5	704	86.8	1,916
Health	32.8	278	22.0	64	22.5	78
Transport	48.9	764	37.5	756	4.1	20
Financial Institutions	34.9	241	38.0	37	0	0
Total	**9,840**	**20,823**	**1,036.06**	**13,313**	**4,791.6**	**50,321**

Source: Central Statistical Office

Tourism continued to play an important role in the national economy, through among others increased contribution to employment creation

SOUTH LUANGWA NATIONAL PARK, MFUWE

SOUTH LUANGWA NATIONAL PARK, MFUWE

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.1 BANKING SECTOR

Overview

During the year, the overall financial condition of the banking sector was rated satisfactory. The sector's capital adequacy position remained satisfactory with seventeen out of the eighteen operating banks meeting the minimum nominal capital requirements. Similarly, the banking sector's earnings performance improved, while the sector's liquidity position remained satisfactory. This was despite deterioration in asset quality following a 34.5% increase in gross non-performing loans.

Performance Rating[12]

As at end-December 2010, the overall performance of the banking sector was satisfactory. The number of banks in the sector increased to 18 from 16 in 2009. Out of 18 operating banks, nine had a composite rating of 'satisfactory' (2009: ten banks); five banks were rated 'fair' (2009: four banks); two banks were rated 'marginal' (2009: one bank); and two were rated 'unsatisfactory' (2009: one bank) (see Table 27).

Table 27: Performance Rating for Banks, 2008 - 2010

Performance	Capital Adequacy			Asset Quality			Earnings			Liquidity			Composite		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Strong	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Satisfactory	11	12	13	11	14	11	9	7	7	5	8	11	9	10	9
Fair	1	2	3	1	0	4	2	3	6	7	4	5	3	4	5
Marginal	1	1	1	1	0	0	0	2	3	1	3	1	1	1	2
Unsatisfactory	1	1	1	1	2	3	3	4	2	1	1	1	1	1	2
Unrated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	14	16	18	14	16	18	14	16	18	14	16	18	14	16	18

Source: Bank of Zambia

Table 28 presents the share of total assets, loans and deposits for the banks which were rated satisfactory, fair, marginal and unsatisfactory. The banks that were rated satisfactory continued to account for the largest share of the banking sector's total assets, total loans and total deposits. However, with the entrance of new banks, the share of banks rated satisfactory declined both in terms of assets and deposits to 57.0% and 56.7% from 76.6% and 79.8%, respectively, in 2009, while those rated marginal and unsatisfactory continued to be insignificant.

Table 28: Performance Rating for Banks, 2008 - 2010 (%)

	Total Assets			Total Loans			Total Deposits		
Performance Rating	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**
Satisfactory	60.5	76.6	57.0	46.2	67.8	67.8	66.3	79.8	56.7
Fair	37.0	21.1	34.0	50.1	28.7	28.7	32.0	18.7	36.4
Marginal and Unsatisfactory	2.5	2.3	9.0	3.7	3.5	3.5	1.7	1.5	6.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Balance Sheet Composition[13]

Asset Structure[14]

For the year under review, total assets in the banking sector grew by 24.4% to K23, 038.0 billion from K18, 525.6 billion in 2009. This growth was largely driven by an increase in investments in Government securities, balances with financial institutions abroad and net loans and advances (see Chart 21). The increase was largely funded by deposits.

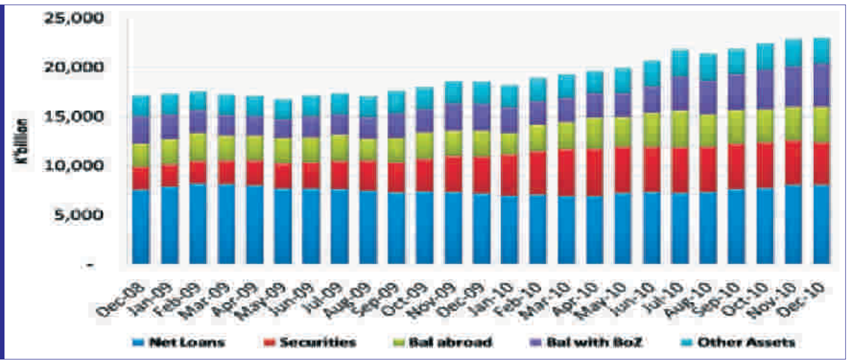
[12] The financial condition and performance of banks is assessed based on several ratios on four main components; which are Capital Adequacy, Asset quality, Earnings performance and Liquidity position (CAEL). There are five component and composite ratings as follows:- Strong- Excellent performance and sound in every respect, limited supervisory response is required, Satisfactory- Above average performance and fundamentally sound with modest correctable weakness, Fair-Average performance with a combination of weaknesses if not redirected will become severe, Marginal-below average performance, immoderate weaknesses unless properly addressed could impair future viability of the bank. Unsatisfactory- Poor performance in most parameters, high risk of failure in the near term. The bank is under constant supervision and BOZ possession is most likely.

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

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

CHART 21:

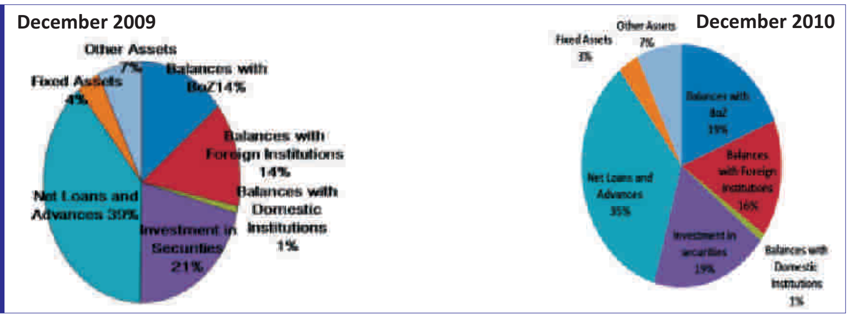
TOTAL ASSETS, DEC 2008 – DEC 2010



The asset structure of the banking sector continued to be dominated by net loans and advances, which accounted for 35.0% of the total assets as at end-December 2010, slightly lower than 38.7% as at end-December 2009. However, there was a shift in the structure of assets with investments in Government securities decreasing to 18.9% of total assets from 20.4% in 2009. Correspondingly, balances with Bank of Zambia rose to 18.9% of total assets as at end 2010 compared with 14.7% at the end of the previous year while balances with foreign institutions increased to 15.6% from 14.1% at end 2009 (see Chart 22).

CHART 22:

INDUSTRY ASSET STRUCTURE, DEC 2009 - DEC 2010



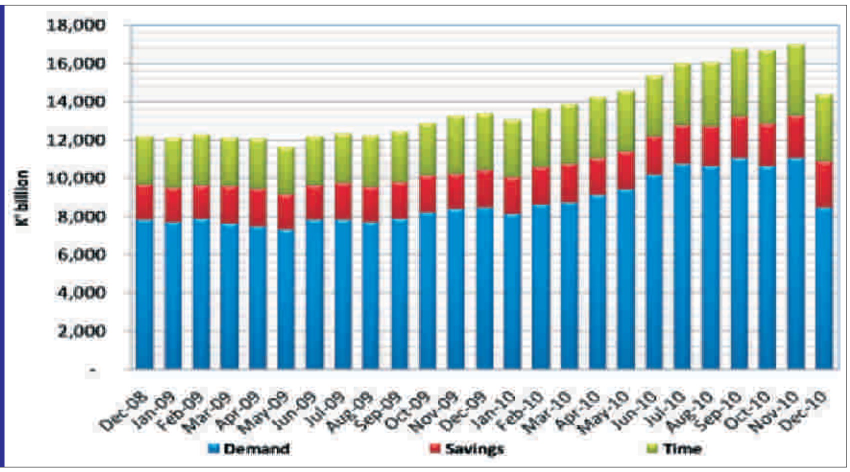
Deposits and Other Liabilities

In the year under review, the banking sector's total liabilities increased by 25.0% (2009: 7.5%) to K20,818.0 billion from K16,648.1 billion as at end-December 2009, with the funding structure remaining fairly unchanged. The higher growth in total liabilities was largely on account of total deposits, which increased by 28.9% (2009: 9.6%) to K17,244.0 billion from K13,377.8 billion in 2009. The growth rate in deposits, relative to other liabilities, resulted in deposits continuing to account for a higher proportion of total liabilities in 2010.

Demand deposits continued to be the largest component of total deposits accounting for 65.8% compared with 63.5% in December 2009. This was followed by time and savings deposits at 20.3% and 13.9% in December 2010, down from 21.7% and 14.8% at the end of 2009, respectively (see Chart 23).

CHART 23:

STRUCTURE OF TOTAL DEPOSITS, DEC 2008 - DEC 2010



Capital Adequacy[15]

The banking sector's primary regulatory capital rose by 18.0% to K2,070.4 billion while total regulatory capital increased by 15.5% to K2,389.2 billion in 2010. The growth in regulatory capital was largely on account of the increase in share premium account, paid-up share capital, retained earnings and the general reserves. The sector's total risk-weighted assets increased by 17.0% to K1,571.1 billion, reflecting a shift in the assets' risk profile towards assets of high credit risk. The banking sector's primary regulatory capital and total regulatory capital to total risk-weighted assets closed at 19.9% and 22.1% as at end-December 2010 from 18.9% and 22.3%, as at end-December 2009, respectively (see Chart 24 and Table 29).

Seventeen out of the eighteen operating banks in the sector met the minimum nominal capital requirement of K12.0 billion and the capital adequacy ratios of 5.0% for primary regulatory capital and 10.0% for total regulatory capital.

The ratio of net non-performing loans (NPL) to total regulatory capital increased to 11.2% as at end-December 2010 from 6.5% as at end-December 2009. However, the banking sector had excess capital amounting to K1,289.7 billion, up from K1,142.5 billion the previous year.

Capital Adequacy Ratios

The nominal value of the banking sector's primary regulatory capital increased, resulting in a rise in the primary regulatory capital to total risk-weighted assets to 19.1% from 18.9% in 2009. However, the ratio of the total regulatory capital to total risk weighted assets marginally declined to 22.1% from 22.3% the previous year (see Chart 25 and Table 29).

CHART 24:

REGULATORY CAPITAL, DEC 2008 - DEC 2010

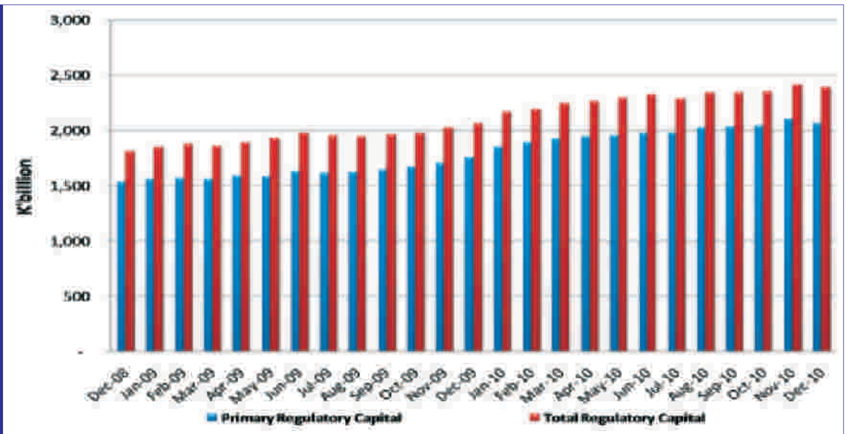


CHART 25:

CAPITAL ADEQUACY RATIOS, DEC 2008 - DEC 2010

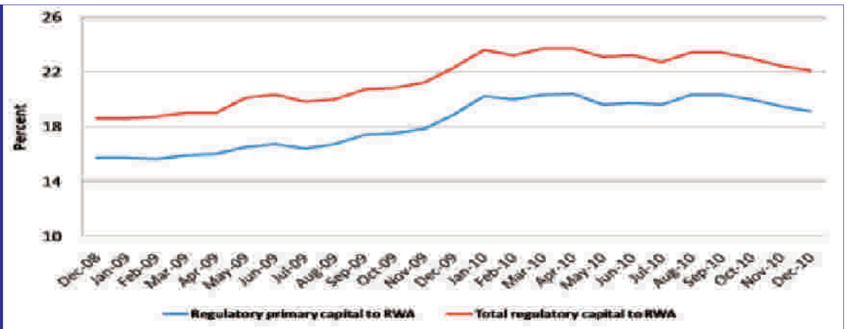


Table 29: Capital Adequacy Ratios, 2008 - 2010 (%)

Key Ratios	2008	2009	2010
Primary regulatory capital to total risk-weighted assets	15.7	18.9	19.1
Total regulatory capital to total risk-weighted assets	18.6	22.3	22.1
Total regulatory capital to total assets plus off-balance sheet items	9.9	10.6	9.6
Net Non-performing loans to total regulatory capital[16]	5.2	6.5	11.2

Source: Bank of Zambia

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

[16] This ratio measures the value of capital at risk from non-performing loans which have not yet been provided for crystallizing into loss. A high level of non-performing loans will place capital at risk. Since capital protects against risk, an institution that has a high level of net non-performing loans will need to maintain a higher level of capital to off-set the risk.

The value of total risk-weighted assets (RWA) trended upwards largely due to a shift in the risk profile of the banking sector's total assets to assets of higher credit risk in order to benefit from higher returns. This reflected an increase in assets with risk weights of 20.0% and 50.0% despite a fall in assets with a risk weighting of 100% (see Chart 26 and Table 30).

CHART 26:

TOTAL RISK-WEIGHTED ASSETS, DEC 2008 - DEC 2010

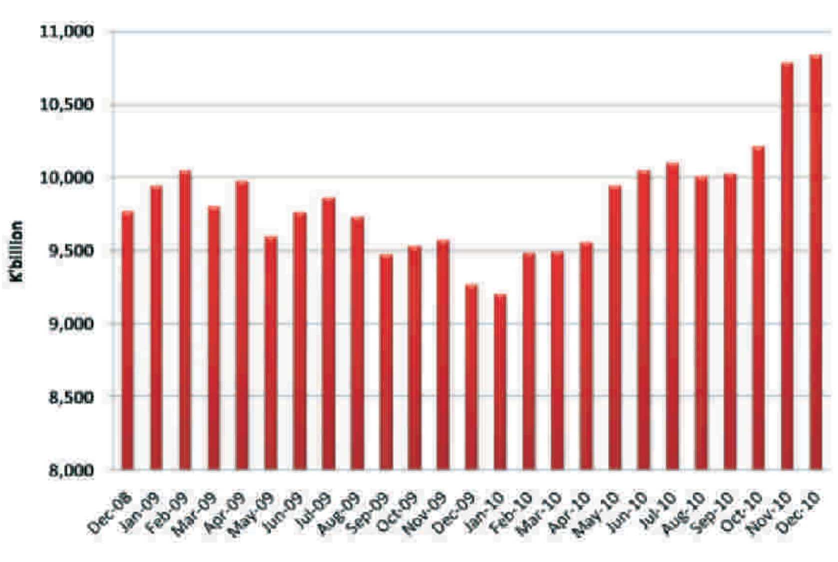


Table 30: Asset Profile, 2008 - 2010 (%)

Asset Type and Risk-weight Categories	2008	2009	2010
20 percent risk-weight (% of RWA)	8.1	9.9	10.6
Balances with banks	66.0	59.3	66.1
Investments in Government bonds	31.1	36.5	32.7
Inter-bank loans and advances	2.6	3.9	1.0
Assets in transit	0.3	0.3	0.3
Sub-total	**100.0**	**100.0**	**100.0**
50 percent risk-weight (% of RWA)	**3.0**	**5.9**	**6.7**
Loans and advances	96.1	96.1	98.2
Assets in transit	3.9	3.9	1.8
Sub-total	**100.0**	**100.0**	**100.0**
100 percent risk-weight (% of RWA)	**83.5**	**78.7**	**75.1**
Loans and advances	75.9	79.8	77.4
Inter-bank loans and advances	6.8	0.0	0.0
All other assets	17.3	20.2	22.5
Sub-total	**100.0**	**100.0**	**100.0**
Off-balance sheet items (% of RWA)	**5.4**	**5.5**	**7.5**
20 percent risk-weight	11.1	4.9	7.4
50 percent risk-weight	8.3	7.6	21.0
100 percent risk-weight	**80.6**	**87.5**	**71.7**
Sub-total	**100.0**	**100.0**	**100.0**
Total risk-weighted assets (RWA)	100.0	100.0	100.0
Total risk-weighted assets to total assets	57.1	50.0	47.0

Source: Bank of Zambia

The number of banks in the banking sector increased to 18 in 2010 from 16 in 2009. International Commercial Bank in Lusaka's Villa Elizabetha was one of the banks that started operating in 2010.

INTERNATIONAL COMMERCIAL BANK, LUSAKA

Asset Quality[17]

The banking sector recorded deterioration in asset quality during the year under review. The gross NPL ratio increased to 14.8% at end-December 2010 from 12.6% at end-December 2009 (see Tables 31 and 32, and Chart 27). The net NPL ratio also deteriorated to 3.3% from 1.9% at end-December 2009 on account of an increase in the level of non-performing loans by 34.5% to K1,358.5 billion compared with an increase of 73.0% at end-December 2009. However, the allowance for loan losses only increased by K216.3 billion (24.7%), resulting in a deterioration in the NPL coverage ratio[18] to 80.3% from 86.6% at end-December 2009.

Table 31: Key Asset Quality Ratios, 2008 - 2010 (%)

Key Ratios	**2008**	**2009**	**2010**
NPL ratio[19]	7.2	12.6	14.8
Net NPL ratio[20]	1.2	1.9	3.3
ALL/ NPL[21]	83.8	86.6	80.3
ALL[22]	104.6	101.4	96.8

Source: Bank of Zambia

Table 32: Classification of Loans, 2008 - 2010

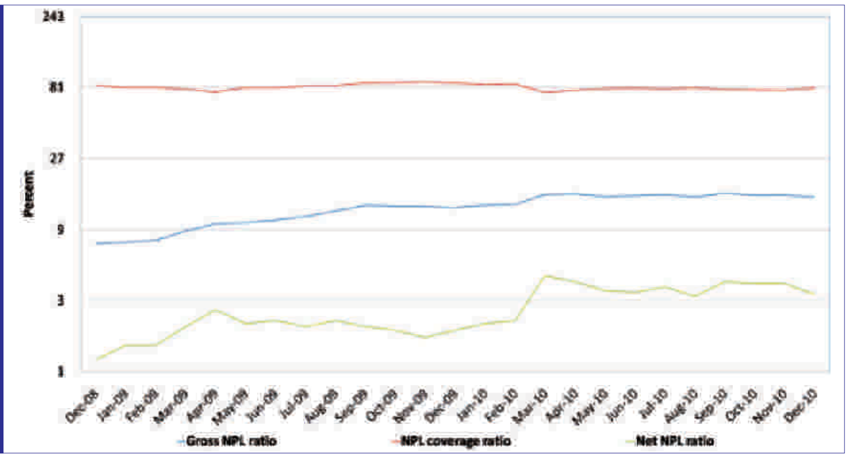
	2008		**2009**		**2010**	
Loan Category	K' billion	% Share	K' billion	% Share	K' billion	% Share
Standard Loans	7,501.9	92.8	7,032.1	87.4	7,805.7	85.2
Non-Performing Loans						
Substandard	99.9	1.2	115.8	1.5	179.8	2.0
Doubtful	75.9	1.0	110.4	1.4	175.2	1.9
Loss	408.0	5.0	784.0	9.7	1,003.5	10.9
Sub-total	583.8	7.2	1,010.2	12.6	1,358.5	14.8
Total Loans	8,085.7	100.0	8,042.3	100.0	9,164.2	100.0

Source: Bank of Zambia

[17]The asset quality refers to the amount of risk or "probable" loss in a bank's assets and the strength of management processes to control credit risk. The greatest concern is the loss associated with credit quality in the bank's loan portfolio. This is because loans typically constitute a majority of a bank's assets, and interest earned on loans is an important source of a bank's revenue. [Credit risk is the risk that borrowers are unable or unwilling to repay the principal and interest associated with their debt obligations to the bank. Credit risk is generally measured by the ratio of gross non-performing loans to total loans].
[18]NPL Coverage ratio is the proportion of the gross NPLs covered by the allowance for loan losses (ALL) [i.e., ALL/NPLs].
[19]NPL ratio – Non Performing Loans to Total Loans Ratio
[20]Net NPL ratio – (Non-performing Loans – Allowance for Loan Losses)/(Loans – Allowance for Loan Losses)
[21]ALL/NPL – Allowance for loan Losses to Non-Performing Loans
[22]ALL – Allowance for Loan Losses to minimum regulatory requirements

CHART 27:

ASSET QUALITY RATIOS, DEC 2008 – DEC 2010



Distribution of Non-Performing Loans by Sector

The agriculture, forestry, fishing and hunting sector continued to account for the largest share of the total banking sector's gross NPLs at 25.3%, although this was a decline from 33.4% in 2009. This was followed by other sectors category at 24.1% (2009: 27.1%), which was largely accounted for by personal loans at 15.1%, and construction at 16.7% (2009: 7.8%). However, within individual sectors, construction continued to account for the highest intra-sector NPL ratio[23] at 42.0% (2009: 31.0%). This was followed by the restaurants and hotels sector at 36.3% (2009: 9.3%); mining and quarrying sector at 25.9% (2009: 10.2%); agriculture, forestry, fishing and hunting sector at 21.8% (2009: 22.7%) (see Tables 33 and 34).

Table 33: Distribution of the Total NPLs by Economic Sectors, 2008 - 2010 (%)

Sector	2008	2009	2010
1. Agriculture, forestry, fishing and hunting	33.5	33.4	25.3
2. Mining and quarrying	2.9	3.3	5.6
3. Manufacturing	11.9	8.6	9.1
4. Electricity, gas, water and energy	1.8	0.2	0.1
5. Construction	6.7	7.8	16.7
6. Wholesale and retail trade	15.6	8.3	6.1
7. Restaurants, bars and hotels	3.7	2.3	4.3
8. Transport, storage and communication	3.4	7.1	6.4
9. Financial services	0.8	0.3	0.2
10. Real estate	0.7	1.6	2.2
11. Personal Loans	-	-	15.1
12. Other sectors (in 2008 & 2009 largely comprised personal loans)	19.0	27.1	9.0
Total	**100**	**100**	**100**

Source: Bank of Zambia

Table 34: The Intra Sector NPLs Ratios, 2008 - 2010 (%)

Sector	2008	2009	2010
1. Agriculture, forestry, fishing and hunting	16.5	22.7	21.8
2. Mining and quarrying	4.5	10.2	25.9
3. Manufacturing	8.0	8.9	10.7
4. Electricity, gas, water and energy	5.6	1.4	0.9
5. Construction	12.2	31.0	42.4
6. Wholesale and retail trade	11.8	10.4	8.5
7. Restaurants, bars and hotels	8.6	19.3	36.3
8. Transport, storage and communication	3.7	14.7	20.5
9. Financial services	0.7	0.7	1.2
10. Real estate	1.0	2.4	5.3
11. Other sectors (largely personal loans)	4.7	12.4	23.0

Source: Bank of Zambia

[23]The intra-sector NPL ratio represents the amount of gross non-performing loans within the sector itself.

Earnings Performance

Profitability and Earnings Composition

The banking sector's earnings performance improved in 2010. The sector's net operating income increased to K2,770.7 billion from K2,588.9 billion in 2009. Similarly, profit before tax increased by 41.8% to K520.7 billion from K367.1 billion in 2009 on account of higher non-interest income coupled with a reduction in the charge for loan loss expenses. However, the net operating profit margin[24] declined to 26.6% from 32.9% in 2009, due to an increase in non-interest expenses by 15.2%. The banking sector's overall earnings performance, measured by the return on assets and return on equity increased to 2.3% and 11.6% from 2.0% and 8.9% in 2009, respectively (see Charts 28, 29 and 30, and Tables 35 and 36).

Table 35: Earnings Performance Indicators, 2008 - 2010 (%)

Key Ratios	2008	2009	2010
Return on Assets	3.3	2.0	2.3
Return on Equity	19.2	8.9	11.6
Net Interest Margin	10.4	10.7	8.1
Efficiency[25] Ratio	72.1	82.6	71.8
Earning Assets Ratio	80.6	83.7	78.7

Source: Bank of Zambia

CHART 28:

BANKING SECTOR KEY EARNINGS RATIOS, DEC 2008 - DEC 2010

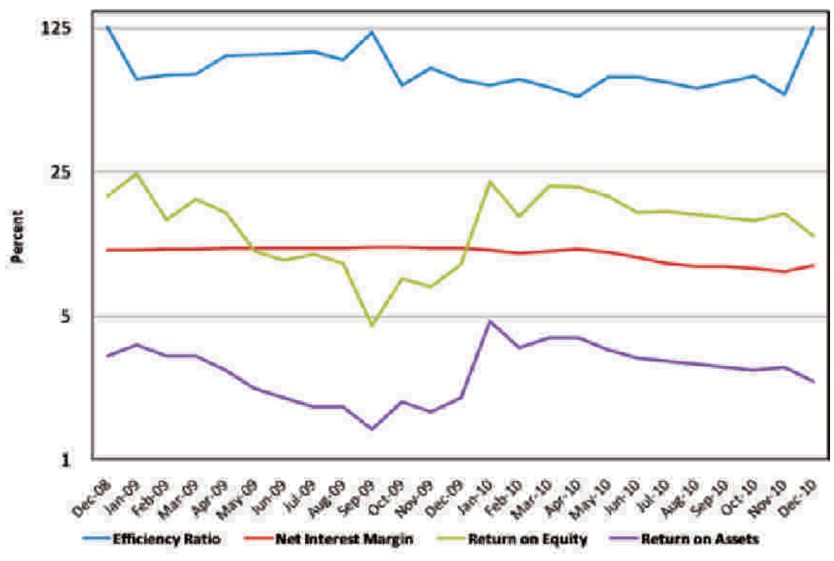
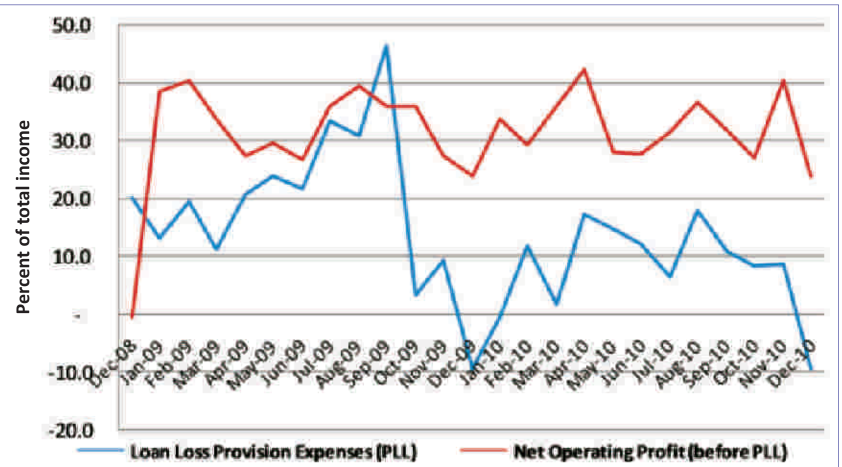


CHART 29:

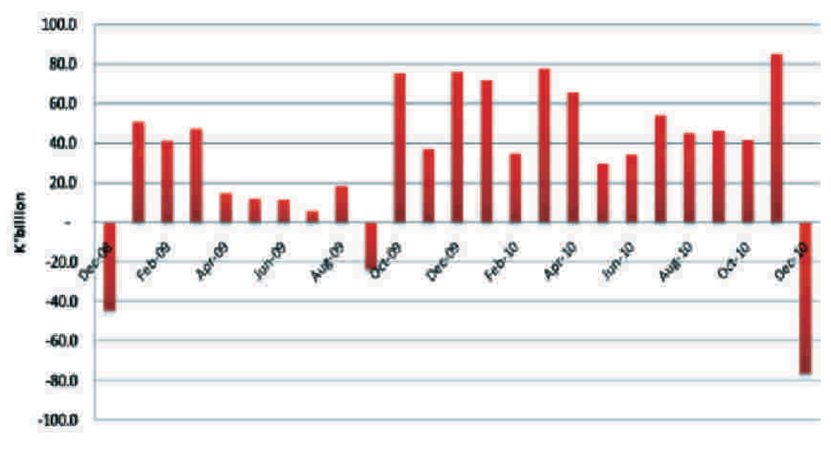
NET OPERATING PROFIT AND LOAN LOSS PROVISIONS, DEC 2008 – DEC 2010



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

CHART 30:

PROFIT BEFORE TAX, DEC 2008 - DEC 2010



Loan interest income continued to account for the highest proportion of total income at 37.3% although it declined from 41.8% in 2009. Income from commissions, fees and service charges was second at 21.3% (2009: 19.3%). Other sources included interest income from government securities and income from foreign exchange transactions at 17.4% (2009:14.9%) and 13.8% (2009: 14.5%), respectively. On the cost front, total non-interest expenses largely comprised of salaries and employee benefits, which accounted for 50.6%, up from 48.4% in 2009.

Table 36: Summarised Income Statement, 2008 - 2010 (K' billion)

Particulars	**2008**	**2009**	**2010**
Interest Income	1,624.4	1,995.7	1,848.6
Interest Expenses	366.0	482.7	384.6
Net Interest Income	**1,258.4**	**1,513.0**	**1,464.5**
Non-Interest Income	890.8	1,075.9	1,306.2
Net Operating Income	**2,149.2**	**2,588.9**	**2,770.7**
Loan Loss Provisions	183.2	484.8	261.2
Gross Operating Profit	**1,966.1**	**2,104.1**	**2,509.54**
Non-Interest Expenses	1,417.5	1,737.0	1,988.7
Profit Before Taxation	**548.6**	**367.1**	**520.7**
Taxation	230.1	201.4	260.7
Net Profit	**318.5**	**165.7**	**260.0**

Source: Bank of Zambia

Liquidity and Funds Management

The banking sector's liquidity position remained satisfactory in 2010. The liquidity ratio[26] improved to 52.4% from 46.5% in 2009, while the ratio of net loans to deposits[27] marginally declined to 53.1% from 53.7% in 2009. The banking sector's core deposit ratio[28] increased to 79.7% from 78.3% in 2009. However, the deposit concentration ratio[29] increased to 42.8% from 31.7% in 2009 (see Table 37 and Chart 31).

[26] The liquidity ratio gives a rough indication of a bank's ability to meet its short-term payment obligations, with short-term liquid assets (with at least a maturity of six months). However, the liquidity ratio takes a more conservative approach by assuming that no loan proceeds expected in the coming six months.

[27] The “net loans to deposits” shows how much of loans are funded by deposits, rather than inter-bank or other borrowings. A smaller ratio, less than 100%, is better. Preferably, loans are funded by deposits which are generally low cost.

[28] The 'Core deposits' shows how much of the asset base is funded by core deposits (Demand plus Savings Deposits). A larger ratio is better and suggests less liquidity risk.

[29] The 'Deposit Concentration ratio' (an indication of funding risk) is measured by the aggregate of each bank's twenty largest deposits. A larger ratio suggests high liquidity risk.

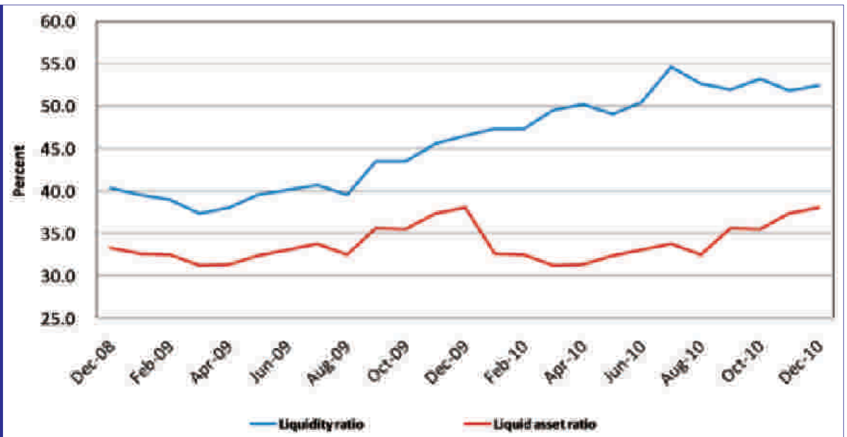
Table 37: Banking Sector Liquidity, 2008 - 2010 (K'billion)

Details	**2008**	**2009**	**2010**
Cash and Balances with Domestic Institutions	1,091.3	1,660.4	1,842.1
Balances with Foreign Institutions	2,369.2	2,603.5	3,594.4
OMO deposits	1,206.9	659.0	1,945.5
Treasury bills	1,049.2	2,108.3	2,426.1
Total Liquid Assets	**5,716.6**	**7,031.2**	**9,808.1**
Deposits & Short-term liabilities	14,161.7	15,109.9	19,249.0
Total Deposits	12,203.5	13,377.8	17,244.0
Total Net Loans and Advances	7,596.4	7,167.7	8,073.4
Key Liquidity Ratios (%):			
Liquid Assets to Total Assets (*liquid asset ratio*)	33.3	38.0	43.8
Liquid assets to deposits & short-term liabilities *(liquidity ratio*)	40.4	46.5	52.4
Net Loans to Deposits Ratio	62.2	53.7	53.1
Core deposits/ total deposits ratio	79.4	78.3	79.7
Deposit concentration ratio	38.9	31.7	42.8

Source: Bank of Zambia

CHART 31:

LIQUIDITY RATIOS, DEC 2008 - DEC 2010



Market Share and Performance Indicators

In terms of market share based on the proportion of total assets held by the five largest banks, Barclays Bank, Standard Chartered Bank, Zambia National Commercial Bank, Stanbic and Bank of China accounted for 71.2% from 72.1% in 2009. The same banks topped the list in terms of deposits, accounting for 75.6% of the market. With regards to loans, Zambia National Commercial Bank, Barclays Bank, Stanbic Bank, Standard Chartered Bank and Finance Bank accounted for 76.3% of the market. The banks that accounted for the largest portion of the industry's total profit before tax, in order of significance, were Zambia National Commercial Bank, Standard Chartered Bank, Finance Bank, Citibank and Stanbic Bank (see Table 38).

Table 38: Commercial Banks' Market Share and Performance Indicators as at 31 December 2010

Bank	Percentage of assets	Percentage of loans	Percentage of deposits	Percentage of profit before tax[30]	Return on Assets (%)	Return on Equity (%)	Total Regulatory Capital
Barclays	17.5	19.3	18.4	13.8	3.2	33.3	19.7
ZNCB	14.7	20.1	14.9	29.9	4.8	27.0	18.7
Stanchart	17.9	14.5	18.3	39.3	5.4	45.5	20.9
Stanbic	12.8	16.2	14.1	-5.8	0.4	-17.4	12.1
Citibank	6.2	3.2	3.6	24.7	7.8	22.8	55.7
Indo Zambia	4.8	4.4	4.8	8.6	3.8	12.3	40.1
Finance Bank	5.4	6.2	4.2	0.5	1.0	-1.7	13.2
Bank of China	8.2	1.1	9.9	2.8	0.8	17.3	16.2
First Alliance Bank	1.2	1.4	1.1	4.5	8.3	18.9	44.2
ABC	1.4	2.3	1.0	2.2	3.0	43.7	20.5
Investrust	2.8	4.6	2.8	1.3	1.1	-20.0	13.4
Cavmont Capital	1.0	0.8	1.1	1.4	-3.9	-21.8	18.2
Intermarket	0.9	0.9	0.9	-2.0	-6.4	-33.9	17.8
Access	2.1	1.5	2.0	0.6	-0.4	8.5	14.1
FNBZ	1.5	1.4	1.5	-8.3	-18.0	-104.6	27.7
ECO	0.9	1.4	0.7	-4.4	-18.0	-136.7	7.3
UBA	0.5	0.4	0.4	-3.5	-14.7	-29.6	84.8
ICB	0.2	0.1	0.1	0.4	-7.2	21.1	147.9
Total/Weighted average	**100.0**	**100.0**	**100.0**	**100.0**	**2.8**	**11.2**	**22.1**

Source: Bank of Zambia

Market Share: Assets, Loans and Deposits by Ownership

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

Table 39: Distribution of the Banking Sector's Assets, Loans and Deposits by Ownership Type, 2008 - 2010 (%)

	2008			2009			2010		
	Assets	Loans	Deposits	Assets	Loans	Deposits	Assets	Loans	Deposits
Subsidiaries of foreign banks	63.8	65.2	60.2	65.8	64.2	64.2	70.1	62.5	71.1
Banks with Government stake	20.6	16.5	23.8	21.2	19.4	22.5	19.5	24.5	19.8
Local private banks	15.5	18.4	16.0	13.0	16.4	13.3	10.4	13.0	9.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Market Share: Profit before Tax by Ownership

The distribution of 'profit before tax' by type of ownership indicated that subsidiaries of foreign banks accounted for the largest share of the sector's total profit before tax at 59.2% in 2010, followed by the banks partly owned by Government (38.5%) and local private banks (2.3%) (see Table 40).

Table 40: Distribution of the Banking Sector's Profits before Tax by Ownership Type, 2008 - 2010 (%)

	2008	2009	2010
Subsidiaries of foreign banks	50.2	13.9	59.2
Banks with Government stake	20.3	46.1	38.5
Local private banks	29.6	40.0	2.3
Total	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

[30] This represents the percentage share of each bank's profit/ (loss) contribution to the net banking industry's net profit or loss. Hence in some cases the percentages are above 100%.
[31] These are 12 locally incorporated subsidiaries of foreign banks
[32] There are two banks partly owned by the Government of the Republic of Zambia.
[33] There are four banks locally incorporated which are neither subsidiaries of foreign banks nor partly owned by Government.

Regulation and Supervision

On-Site Inspections

The Bank of Zambia inspected four commercial banks in 2010, with particular focus on credit and operational risks, in order to assess the performance of loans and advances in the wake of the global financial crisis. The crisis had a negative effect on some banks as the level of non-performing loans and provisions increased. Towards the end of 2010, the Bank of Zambia took possession of Finance Bank Zambia Limited. This decision was taken following an inspection by the Bank of Zambia that revealed a number of serious breaches of the Banking and Financial Services Act (BFSA) and failure by the board and senior management to comply with the law, good governance and management practices. In addition, the measure was necessary in order to shield the bank from further damage caused by the shareholders, directors and senior management and to protect the interests of depositors and other creditors.

In responding to concerns by the public regarding the high interest rates charged by the commercial banks, the Bank of Zambia carried out an exercise to assess compliance by the banks with regulations that guide the cost of borrowing. The assessment showed that most banks were not compliant with these regulations. Banks that were non compliant were given a timeframe within which to adhere to the regulation.

Financial Inclusion

Financial inclusiveness is one of the indicators under Government's performance assessment framework of the Budget Support for Poverty Reduction. Accordingly, the Bank of Zambia continued to support initiatives aimed at promoting financial inclusion such as facilitation of branchless banking initiatives by financial service providers. Branchless banking is expected to contribute to the enhancement of financial intermediation in Zambia.

Law Review and Development

The Bank of Zambia continued to review laws and regulations in order to enhance supervisory oversight for the banking sector during the year under review. In this regard, the Banking and Financial Services Act has been the subject of on-going review to ensure that it is current with developments in the financial sector. While the promotion and maintenance of a stable financial system remains at the core of supervision of the sector, regulations and guidelines continued to be aligned to respond to the demands of the sector.

Lender of Last Resort

Following the International Monetary Fund (IMF)/World Bank (WB) Financial Sector Assessment Programme update mission to Zambia in 2008, which identified weaknesses in the Bank of Zambia lender of last resort (LOLR) framework, the Bank reviewed the operational framework in order to strengthen its LOLR function. The LOLR framework has now been completed although work is still on-going to develop legislative framework to operationalise it. In addition, work to establish a crisis management contingency plan commenced during the year.

Islamic Banking

Following the Bank's decision to allow banks to conduct Islamic banking business in Zambia, guidelines were developed in consultations with all key stakeholders. This followed results of a survey conducted by the Bank of Zambia in 2008, which found that the majority of the Muslim community in Zambia were financially excluded on the basis of their religious beliefs as banks in Zambia charge and pay interest. Islamic banking services are tailored to meet these ethical and religious beliefs and therefore, the services are likely to attract this unbanked segment of the commercially active community. The Bank of Zambia views Islamic banking as contributing to reduction on high cost of finance in Zambia as well as increase in liquidity in the financial markets since money that would ideally not be banked will now be channelled through the banking system.

Deposit Protection Scheme

The draft bill intended to bring into existence the Deposit Protection Fund was finalised and submitted to the Ministry of Finance and National Planning. The scheme is aimed at providing deposit insurance for small depositors for a limited amount in the event of a bank failure.

Bank Branch Network and Agencies[34]

During the year, the commercial banks' branch and agency network increased by 19 branches and agencies to 266 as at end-December 2010 from 247 in 2009 (see Table 41).

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

Table 41: Commercial Banks' Branch Network and Agencies, 2008 - 2010

Banks	2008	2009	2010
Access Bank Zambia Limited	1	3	5
African Banking Corporation (Z) Ltd	2	2	2
Bank of China Zambia Limited	1	1	1
Barclays Bank Zambia Plc	52	54	54
Cavmont Capital Bank Limited	12	12	12
Citibank Zambia Limited	2	2	2
Ecobank Zambia Limited	0	1	4
Finance Bank Zambia Limited	44	48	49
First Alliance Bank (Z) Limited	3	3	3
First National Bank Zambia Limited	0	3	5
Indo-Zambia Bank Limited	12	13	14
Intermarket Banking Corporation (Z) Ltd	3	4	4
International Commercial Bank (Z) Ltd	0	0	1
Investrust Bank Plc	9	14	16
Stanbic Bank Zambia Limited	12	13	15
Standard Chartered Bank Zambia Plc	17	20	20
United Bank for Africa Zambia Ltd	0	0	2
Zambia National Commercial Bank Plc	54	54	57
Total	**224**	**247**	**266**

Source: Bank of Zambia

Banks in Liquidation

The Bank of Zambia continued to oversee the liquidation processes of the ten banks. During the year under review, the Bank introduced Debt Settlement Procedures for the banks in liquidation. These procedures govern the evaluation of proposals submitted by persons or entities indebted to banks in liquidation.

Further, the Bank approved the terminations of the following banks in liquidation:

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

4.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

Overview

In 2010, the overall financial performance and condition of the Non-Bank Financial Institutions (NBFIs) sector was fair. The leasing and finance companies, bureaux de change, microfinance sub-sectors, building societies and the development finance institution registered satisfactory performance. However, the performance of savings and credit institution was rated unsatisfactory although some marginal improvement was recorded.

The number of NBFIs rose to 91 as at 31 December 2010 from 87 as at 31 December 2009. This was mainly due to a 14.0% increase in the number of bureaux de change to 50 from 44 as at 31 December 2009 (see Table 42).

Table 42: Structure of NBFIs, Dec 2008 – Dec 2010

Type of Institution	Number of Institutions		
	December 2008	December 2009	December 2010
Leasing finance institutions[35]	10	12	11
Building societies	3	3	3
Bureaux de change	39	44	50
Savings and credit institutions	1	1	1
Microfinance institutions[36]	21	25	24
Development finance institutions	1	1	1
Credit reference bureaux	1	1	1
Total	**76**	**87**	**91**

Source: Bank of Zambia

[37]One leasing company, Commercial Capital Corporation Limited, was under compulsory liquidation on 28 September 2010.
[36]One microfinance institution, Pelton Finance Limited, had its licence revoked on 9 June 2010.

Regulation and Supervision

During the year, six licences for NBFIs were granted, all of which were for bureaux de change (see Table 43).

Table 43: Licences Issued in 2010

Sub-Sector	Institution Licensed	Date Licensed
Bureaux de Change	1. Kayagold Bureau de Change Limited	15 February 2010
	2. A-Plus Bureau de Change Limited	12 August 2010
	3. Supernova Bureau de Change Limited	12 August 2010
	4. JIT Bureau de Change Limited	1 September 2010
	5. Afritex Bureau de Change Limited	22 October 2010
	6. Supreme Bureau de Change Limited	22 October 2010

Source: Bank of Zambia

Fourteen bureaux de change and five microfinance branch applications were approved in 2010 (see Tables 44 and 45).

Table 44: Bureau de Change Approved in 2010

Name of Institution	No. of Branches	Date Approved
Golden Coin Bureau de Change- Cairo Road Mall and Inside Spar at Arcades Shopping Mall in Lusaka	2	26 March 2010 and 28 April 2010, respectively
FX Bureau de Change Limited- Woodlands Shopping Mall in Lusaka	1	6 September 2010
C & A Bureau de Change Limited- Manda Hill Shopping Mall in Lusaka	1	24 November 2010
Zampost Bureau de Change – Ridgeway Post Office, Northmead, Freedom Way Post Office in Lusaka, Edinburgh in Kitwe, Itawa in Ndola and Solwezi.	6	1 December 2010
Bimm Bureau de Change Limited- Tukunka Shopping Mall in Lusaka, Kabwe and Solwezi	3	8 December 2010
Saints Bureau de Change Limited- Along ChaChaCha Road, South end near Kulima Tower in Lusaka	1	28 December 2010
Total	**14**	

Source: Bank of Zambia

Table 45: Microfinance Institutions Branches Approved in 2010

Name of Institution	No. of Branches	Date Opened
Meanwood Finance Corporation Limited - Chipata Branch	1	11 February 2010
Pulse Financial Services Limited - Chawama Branch	1	21 April 2010
Bayport Financial Services Limited - Nakonde and Chirundu Branches	2	16 August 2010
FINCA Zambia Limited- Soweto Branch in Lusaka	1	21 October 2010
Total	**5**	

Source: Bank of Zambia

Performance of the Non-Bank Financial Sector

The overall financial performance and condition of the NBFIs was fair[37]. Sixty-four institutions were rated fair or better, 12 were rated marginal while six were rated unsatisfactory (see Table 46). The six included three leasing companies, two bureaux de change and one microfinance institution. Measures to address the capital deficiencies of these institutions continued to be undertaken during the year under review.

[37]The financial condition and performance of the NBFIs was evaluated on the basis of their performance in the parameters of Capital Adequacy, Asset Quality, Earnings Performance and Liquidity (CAEL). The composite rating averages the effects of the individual ratings in each of the above parameters. A five-tier rating system was utilised as follows:

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

The Banking sector's earnings performance improved in 2010. The sector's net operating income increased to K2, 770.7 billion from K2, 588.9 billion in 2009. This factor also benefited the performance of other sectors like agriculture to access funds for investment

SMALL HOLDER LIVESTOCK FARM, KABWE RURAL

Table 46: Performance and Financial Condition of the NBFIs Sector, 2008 - 2010

Performance Rating	Licence Type	Number of Institutions			% of Total Assets
		2008	2009	2010	
Strong	Deposit-taking	0	0	0	0.0
	Non-Deposit-taking	0	0	5	1.3
Satisfactory	Deposit-taking	5	2	2	8.5
	Non-Deposit-taking	26	35	26	18.4
Fair	Deposit-taking	2	3	5	19.5
	Non-Deposit-taking	28	22	26	19.1
Marginal	Deposit-taking	2	1	1	2.0
	Non-Deposit-taking	7	7	11	28.1
Unsatisfactory	Deposit-taking	4	4	1	2.1
	Non-Deposit-taking	1	3	5	1.0
Total		**75**	**77**	**82**[38]	**100**

Source: Bank of Zambia

Leasing and Finance Companies Sub-sector

During the year, the overall performance of the leasing sub-sector was marginal compared with the fair rating in the previous year. This was on account of the marginal rating of capital position, earnings performance and asset quality of the sub-sector while the liquidity position was rated fair (see Tables 47a and 47b).

Three institutions accounting for 21.0% of the sub-sector's total assets were rated unsatisfactory on account of regulatory capital deficiencies. In this regard, the Bank put in place measures to address the capital deficiencies during the year under review.

Table 47a: Composite Rating for the Leasing and Finance Companies Sub-Sector, 2008 - 2010

Performance Category	Composite Rating Scale	Number of Leasing companies			Proportion of Industry Assets (%)		
		2008	2009	2010	2008	2009	2010
Strong	1.0 - 1.5	2	1	0	0	0	0
Satisfactory	1.6 - 2.4	3	3	1	56	0	2
Fair	2.5 - 3.4	3	3	3	8	66	12
Marginal	3.5 - 4.4	1	1	2	1	1	65
Unsatisfactory	4.5 - 5.0	1	2	4	35	33	21
Total		10	10	10	100	100	100

Source: Bank of Zambia

[38] The total number of licensed NBFIs is 91. However, two MFIs, one leasing company and five bureaux de change had not yet started submitting prudential returns in 2010 while one NBFI is a credit reference bureau that is not required to submit prudential returns.

Table 47b: Performance Rating for the Leasing Sub-Sector, 2008 - 2010

Performance Category	Capital Adequacy No. of Leasing companies			Asset Quality No. of Leasing companies			Earnings No. of Leasing companies			Liquidity No. of Leasing companies		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**
Strong	4	0	1	0	0	0	1	0	0	3	1	1
Satisfactory	1	3	2	5	2	3	1	1	1	2	3	2
Fair	2	2	2	2	4	2	1	2	0	1	1	2
Marginal	1	3	2	2	2	2	3	1	3	1	2	1
Unsatisfactory	2	2	3	1	2	3	4	6	6	3	3	4
Total	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**

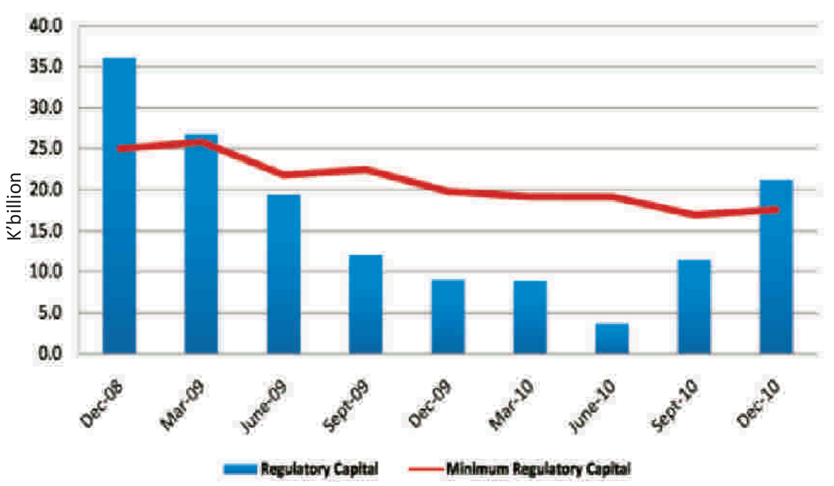
Source: Bank of Zambia

Capital Adequacy

As at 31 December 2010, the sub-sector's regulatory capital increased to K21. 2 billion from K9. 0 billion as at 31 December 2009. The regulatory capital was marginally above the aggregate sub-sector minimum capital requirement of K17.6 billion by K3.6 billion (see Chart 32). This increase in capital was largely attributed to a conversion of debt to equity at one leasing company and a fresh capital injection at another.

CHART 32:

LEASING SUB-SECTOR REGULATORY CAPITAL, DEC 2008 – DEC 2010

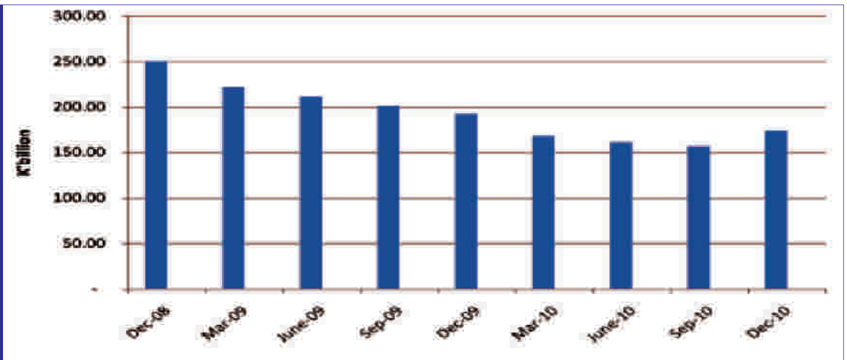


Asset Quality

As at 31 December 2010, the total assets of the leasing sub-sector declined by 9.8% to K174.2 billion from K193.1 billion at the end of 2009 (see Chart 33). This was largely attributed to a 35.0% reduction in the sub-sector's loans and leases to K95.9 billion at 31 December 2010 from K147.6 billion at December 2009.

CHART 33:

LEASING SUB-SECTOR TOTAL ASSETS, DEC 2008 – DEC 2010

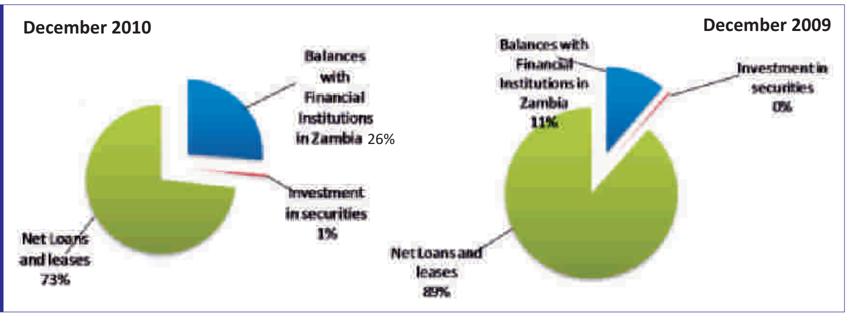


Net loans and advances constituted the largest proportion of total assets at 73.0% (K95. 9 billion) (see Chart 34). During the year under review, non-performing loans and leases increased by 63.0% to K63.0 billion from K38.7 billion as at end December 2009, accounting for 40.0% of the sub-sector's total gross loan and lease portfolio of K159.5 billion. One large leasing company accounted for 66.0% of the sub-sector's total non-performing loans and leases. On account of the high proportion of non-performing loans and leases, the leasing sub-sector's asset quality was rated marginal. However, the non-performing loans and leases were adequately provided for.

As at 31 December 2010, total earning assets amounted to K131.6 billion and accounted for 76.0% of total assets. Balances with financial institutions in Zambia accounted for 26.0% of total earning assets while loans and leases accounted for 73.0%.

CHART 34:

LEASING SUB-SECTOR ASSETS DEC 2009 AND DEC 2010



Earnings

The earnings performance of the leasing sub-sector was rated unsatisfactory during the year under review. Out of ten leasing companies, 6 recorded losses. The sub-sector reported a loss before tax of K7.6 billion, an increase of 2.7% from the previous year's loss of K7.4 billion (see Table 48 and Chart 35). This was largely attributed to an increase in loan loss provisions of 241.1% to K30.7 billion[39] from K9.0 billion.

As a result of the significant growth in non-performing loans and leases, interest income decreased by 24.0% to K34.7 billion in 2010 from K45.6 billion in 2009. Consequently, though interest income continued to be the principal source of income for the leasing sub-sector in 2010, its contribution declined to 55.0% of total income from 88.2% in 2009.

Table 48: Earnings Performance, 2008 - 2010 (K'million)

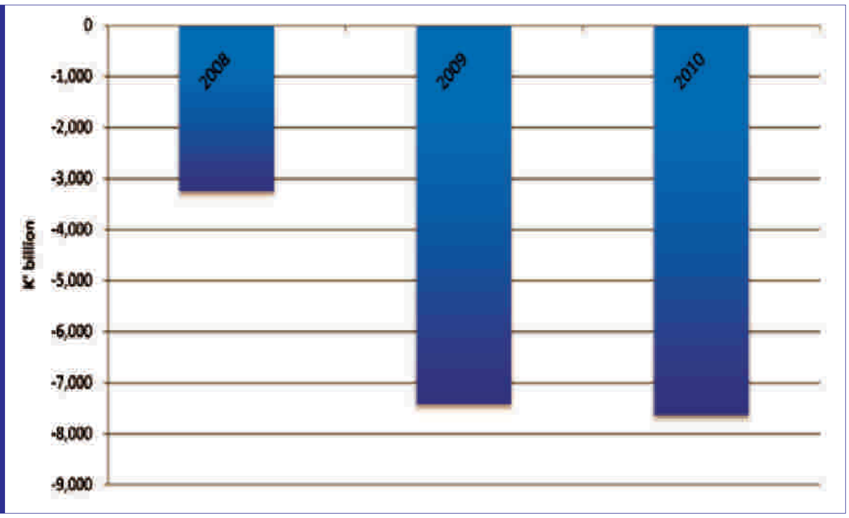
	2008	2009	2010
Interest income	39,048	45,592	34,725
Interest expenses	15,545	16,739	11,956
Net interest income	23,412	28,853	22,769
Provisions/(Provisions reversals)	4,171	9,013	30,690
Net interest income after provisions	19,854	19,840	(7,921)
Non-interest income	5,770	6,122	28,632
Total net income	24,981	25,962	20,711
Non-interest expenses	28,118	33,274	28,156
Profit before tax	(3,214)	(7,312)	(7,445)
Tax	41	118	193
Profit after tax	**(3,255)**	**(7,430)**	**(7,638)**

Source: Bank of Zambia

[39]The increase in loan loss provisions during the year under review was largely attributed to additional provisions for loan losses at one leasing company accounting for 26.2% of total loans and leases. The company had previously not adequately complied with the loan classification and provisioning requirements.

CHART 35:

LEASING SUB-SECTOR PROFIT BEFORE TAX, 2008 – 2010

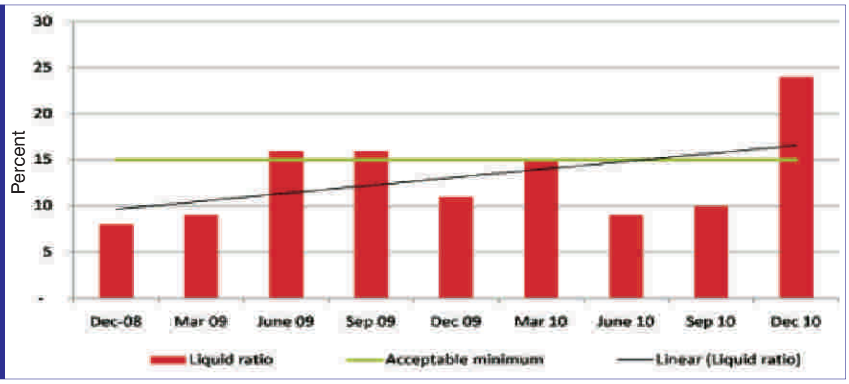


Liquidity

The liquidity of the sub-sector, as measured by the ratio of liquid assets to total deposits and short-term liabilities, was designated fair as at 31 December 2010. The liquidity ratio rose to 24.0% from 11.0% as at 31 December 2009, reflecting an increase in balances with financial institutions at one leasing company that was recapitalised in December 2010 (see Chart 36). However, the liquidity ratio averaged 14.0% during the year and was below the acceptable ratio of 15%. Therefore, a number of leasing companies relied on standby lines of credit with banks to meet liquidity requirements.

CHART 36:

LEASING SUB-SECTOR LIQUIDITY TREND, DEC 2008 – DEC 2010



Building Societies Sub-Sector

During the year, the overall performance of the building societies sub-sector was satisfactory, an improvement from the previous year's rating (see Tables 49a and 49b). The building societies sub-sector maintained adequate capital and reserves relative to its risk profile.

Capital Adequacy

As at 31 December 2010, the building society sub-sector's aggregate regulatory capital improved by 60.8% to K64.5 billion from K40.1 billion at the end of 2009. The significant improvement in the building society`s regulatory capital was mainly as a result of the resolution of statutory obligations at one building society amounting to K104.5 billion, which were adjusted against capital in the previous year. In this regard, all the three building societies in operation met their statutory minimum regulatory capital requirements.

Table 49a: Composite Rating for the Building Society Sub-Sector, 2008 - 2010

Performance Category	Composite Rating Scale	Number of Building Societies			Proportion of Industry Assets (%)		
		2008	2009	2010	2008	2009	2010
Strong	1.0 - 1.5	0	0	0	0	0	0
Satisfactory	1.6 - 2.4	1	1	1	32	33	27
Fair	2.5 - 3.4	1	0	1	5	0	65
Marginal	3.5 - 4.4	0	1	1	0	8	8
Unsatisfactory	4.5 - 5.0	1	1	0	63	59	0
Total		**3**	**3**	**3**	**100**	**100**	**100**

Source: Bank of Zambia

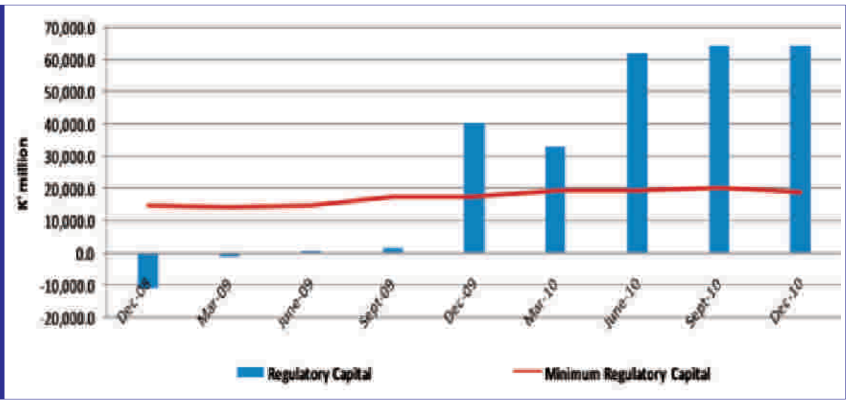
Table 49b: Performance Rating for the Building Society Sub-Sector, 2008 - 2010

Performance Category	Capital Adequacy No. of Building Societies			Asset Quality No. of Building Societies			Earnings No. of Building Societies			Earnings No. of Building Societies		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Strong	1	0	0	0	0	0	0	0	0	0	0	0
Satisfactory	0	1	3	2	1	2	1	1	1	0	1	0
Fair	1	1	0	1	2	1	2	1	1	1	0	3
Marginal	0	0	0	0	0	0	0	0	0	2	1	0
Unsatisfactory	1	1	0	0	0	0	0	1	1	0	1	0
Total	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**

Source: Bank of Zambia

CHART 37:

BUILDING SOCIETY SUB-SECTOR REGULATORY CAPITAL, DEC 2008 - DEC 2010



Asset Quality

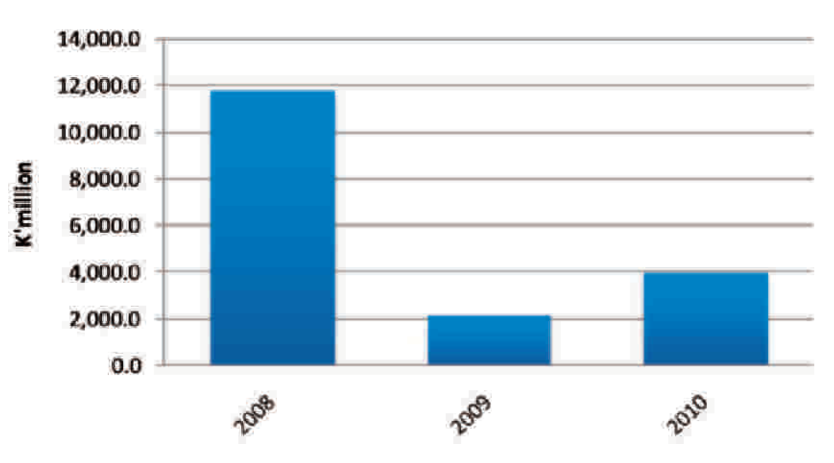
The asset quality of the building society sub-sector was rated fair during the year. The proportion of net non-performing assets to total assets was 3.6% in 2010 representing a decrease of 0.3 percentage points from the previous year. However, total assets of the sector increased by 9.7% to K347.9 billion as at 31 December 2010 from K317.2 billion as at 31 December 2009. This development was largely due to increases of K10.8 billion and K15.3 billion in net mortgage advances and balances with financial institutions, respectively.

Earnings Performance

During 2010, the earnings performance of the building society sub-sector was rated fair. Profit before tax increased by 85.7% to K3.9 billion from K2.1 billion in 2009 (see Chart 38). This was mainly on account of exchange gains of K1.1 billion recorded in the year compared with an exchange loss of K3.7 billion in 2009. Interest income, the core income of building societies, at K46.9 billion, was largely unchanged compared with K46.5 billion in 2009.

CHART 38:

BUILDING SOCIETY SUB-SECTOR PROFIT BEFORE TAX, 2008 – 2010

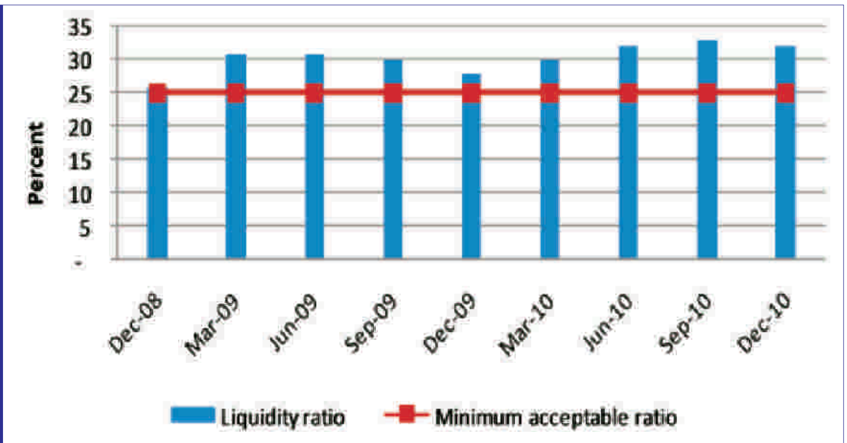


Liquidity

The average liquidity of the building societies sub-sector was 32.0% in 2010 compared with 28.0% in 2009. This was above the prudential minimum ratio of 25.0% for building societies and was therefore rated satisfactory (see Chart 39).

CHART 39:

BUILDING SOCIETY SUB-SECTOR LIQUIDITY RATIO, DEC 2008 – DEC 2010



Micro-Finance Institutions

The overall financial condition and performance of the micro-finance sub-sector was satisfactory in the year under review. The sub-sector was adequately capitalised and had satisfactory asset quality and earnings performance.

The aggregate capital of the micro-finance institutions (MFIs) increased by 14.3% to K266.5 billion as at 31 December 2010 from K233.1 billion as at 31 December 2009. The increase was largely due to the after tax profit recorded in the year amounting to K12.9 billion coupled with an increase in capital grants of K15.5 billion.

As at 31 December 2010, total assets of the micro-finance sub-sector were valued at K456.5 billion, representing an increase of 5.2% over the 31 December 2009 position of K433.7 billion. This outturn was attributed to a rise of K12.6 billion in short-term investments to K23.9 billion from K11.3 billion at the end of 2009.

Bureaux de Change

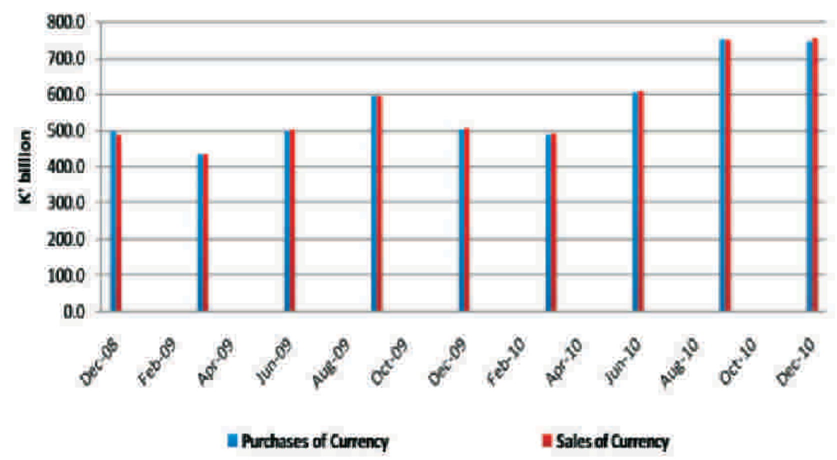
As at 31 December 2010, the bureaux de change sub-sector was adequately capitalised. All the 45 bureaux de change, which were in operation, met their minimum paid-up capital requirement of K40 million. The aggregate capital and reserves increased by 10.8% to K33.8 billion in 2010 from K30.5 billion at the end of 2009.

Total assets of the sub-sector as at 31 December 2010 were valued at K48.1 billion, representing an increase of 14.2% from K42.1 billion in the previous year. This increase in total assets was largely financed by the rise in aggregate capital and reserves.

The volume of Kwacha equivalent purchases and sales of foreign currency amounted to K2, 599 billion and K2, 623 billion, respectively. This represented a combined increase of 28% compared to the 2009 figures of K2, 040 billion and K2,051 billion (see Chart 40).

CHART 40:

BUREAU DE CHANGE VOLUMES OF TRANSACTIONS, DEC 2008 – DEC 2010



4.3 FINANCIAL SECTOR DEVELOPMENT PLAN (FSDP)[40]

In view of various outstanding issues from the initial Financial Sector Development Plan (FSDP) and other challenges arising from the 2008/09 global financial crisis, a three-year extension of the FSDP was approved by the Government of the Republic of Zambia in January 2010. The FSDP Phase II therefore draws extensively on FSDP Phase I insights as well as on the recommendations and assessments of the initial FSDP programme, which ran from 2004 to 2009 to address various weaknesses that had been identified in the Zambian financial sector. The second phase of the FSDP will thus, focus on three main pillars, namely:

(i) enhancing market infrastructure;

(ii) increasing competition; and

(iii) increasing access to finance.

Progress in the Implementation of the FSDP Phase II

Finscope Survey

During the period under review, the FinScope II Consumer Survey report was finalised and launched to the public in July 2010. The survey findings indicated that agricultural activities remained a major source of income for most Zambians, but that, this sector was largely underserved by financial service providers compared to those in other sectors. The findings also showed that despite the significant increase in the number and types of banking services and products, the level of financial inclusion only marginally increased to 37.3% in 2009 from 33.7% in 2005. This low uptake was attributed to the continued focus of financial service providers on serving the same market.

Sovereign Rating

Progress was made towards the process of obtaining a sovereign credit rating for Zambia in the year under review. Two rating agencies, namely, Standard and Poor's, and Fitch Ratings, were awarded contracts and consultative meetings were held during the year under review. The sovereign rating is expected to compliment other Government initiatives towards promoting domestic and foreign investment in the Zambian economy and stimulate the development of domestic capital markets.

[40]The FSDP is both a vision statement and a comprehensive strategy by the Government to strengthen and broaden the Zambian financial system. It is aimed at guiding efforts to realise the vision of a financial system that is 'stable, sound and market-based and that would support efficient resource mobilisation necessary for economic diversification and sustainable growth.'

Financial Education - Provincial Sensitisation Tours

As part of the overall objective to enhance financial literacy, the Bank undertook provincial sensitisation tours covering all the nine provinces of Zambia. The sensitisation focused on the following topical areas:

- The role and functions of the Bank;
- The need to deal with licensed financial institutions;
- Getting credit; and
- The operations of a credit reference bureau.

Arising from the discussions during the sensitisation tours, a more comprehensive financial education programme will be developed as input into the national financial literacy strategy for Zambia.

Operations of Credit Reference Bureau[41]

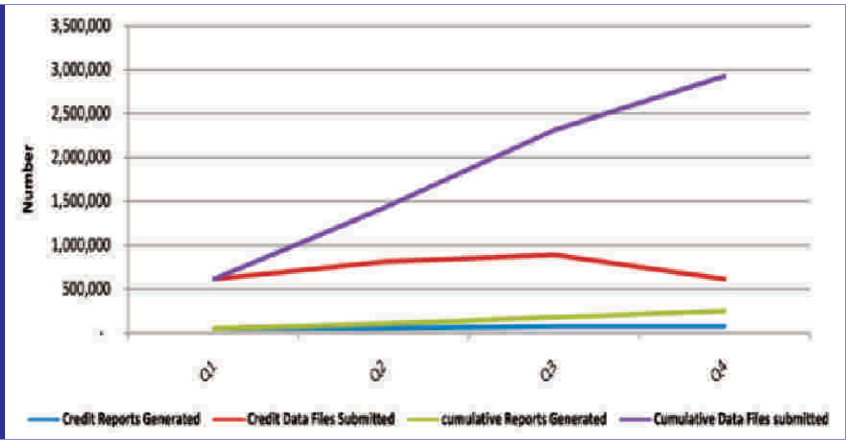
The Credit Reference Bureau (CRB) continued to register increases in both searches for credit data and submission of credit data during 2010. As at 31 December 2010, total credit files on the CRB system increased by 89.0% to 324,500 from 170,942 as at 31 December 2009.

The total number of credit files submitted increased by 87.0% to 144,996 as at 31 December 2010 from 77,640 at the end of December 2009. Similarly, the total number of credit reports searched increased by 119.0% to 20,492 as at 31 December 2010 from 9,356 as at 31 December 2009.

The increase in credit data submissions was mainly attributed to the change in Internet Service Providers (ISPs) by some subscribers which improved links with the CRB system, coupled with increased sensitisation to various stakeholders on the benefits of credit reporting and upgrade of software by the CRB.

CHART 41:

TREND OF USE OF CREDIT REFERENCE SYSTEM BY FINANCIAL SERVICE PROVIDERS, 2010



[41]Currently only one credit reference bureau, Credit Reference Bureau Africa Ltd, is licensed in Zambia.

5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

Overview

In 2010, the banking, currency and payment systems operations were favourable, with the performance of commercial banks in general, assessed as satisfactory. The Bank continued to pursue the Clean Note Policy, and the management and oversight of the National Payment System.

5.1 BANKING

Operations of Commercial Bank Current Accounts

The Bank continued to monitor 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 in general was satisfactory, despite some banks having failed to maintain sufficient funds on their settlement accounts to meet their clearing obligations on time. Generally, all the commercial banks that accessed the intra-day credit facility (repo) were able to repay the funds by close of business. In 2010, seven banks accessed the Overnight Lending Facility, which was introduced in December 2009 to assist commercial banks in liquidity management. In addition, the Bank continued to perform its role as banker to the Government.

5.2 CURRENCY

Currency in circulation (CIC) increased by 37.4% to K2,750.2 billion (380.3 million pieces) as at close of 2010 from K2,001.0 billion (338.1 million pieces) in the previous year (see Charts 42a, 42b and 42c). This was on account of increased economic activities during the period under review.

CHART 42a:

CURRENCY IN CIRCULATION (IN VALUES), 2008-2010

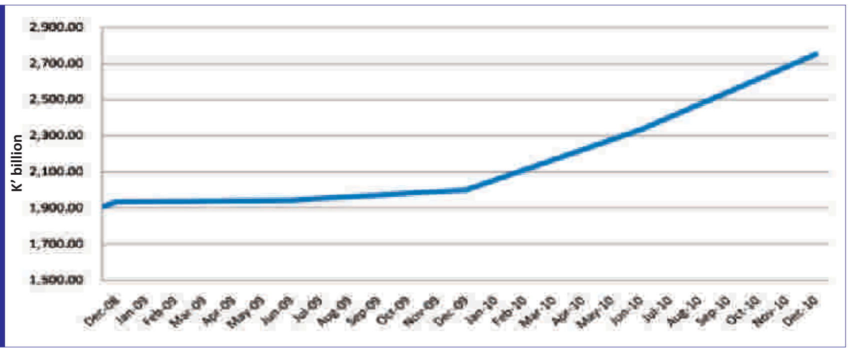


CHART 42b:

CURRENCY IN CIRCULATION (PIECES IN MILLIONS), 2008 - 2010

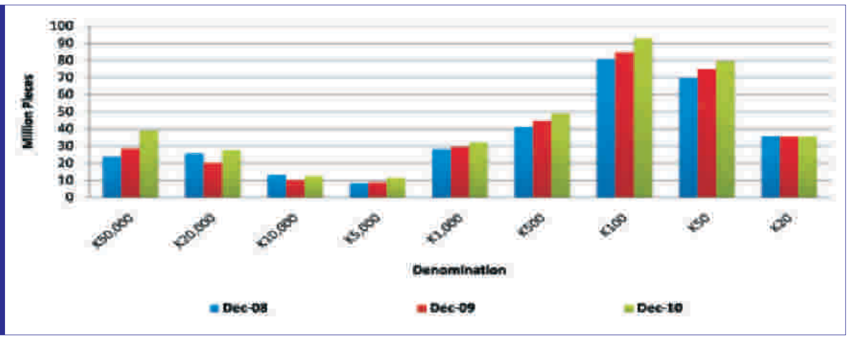
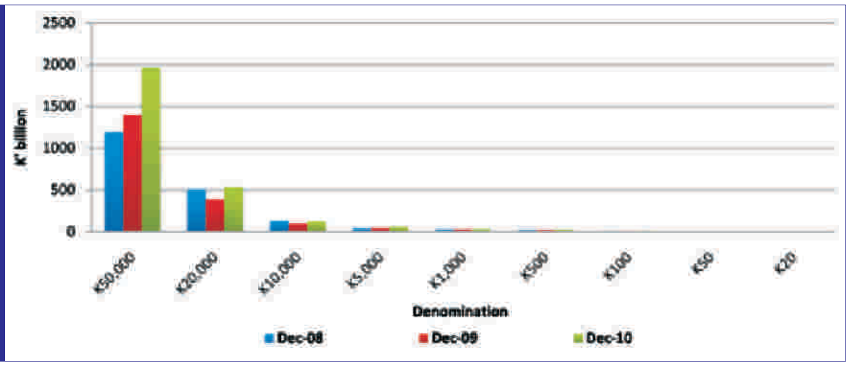


CHART 42c:

CURRENCY IN CIRCULATION (VALUES), 2008 - 2010



A breakdown of CIC, in value terms, shows that the high value banknotes (K20, 000 and K50, 000) accounted for 71.4% and 19.4%, respectively (see Charts 43a and 43b).

CHART 43a:

CURRENCY IN CIRCULATION IN 2010

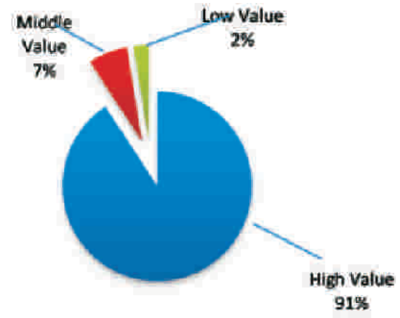
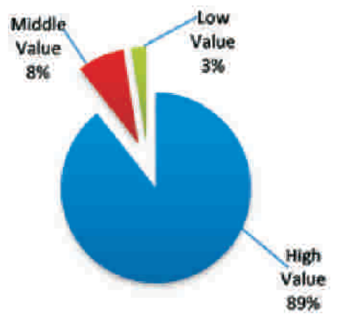


CHART 43b:

CURRENCY IN CIRCULATION IN 2009



In line with the Bank's Clean Note Policy, a total of 136.0 million pieces of unfit banknotes valued at K712.0 billion was withdrawn from circulation in 2010 compared with 110.5 million pieces with a value of K727.8 billion in 2009. Of the total banknotes withdrawn, 42.9 million pieces with a value of K31.4 billion were polymer banknotes. However, the total number of mutilated banknotes exchanged by members of the public for clean banknotes decreased by 51.9% to 39,152 pieces valued at K178.2 million compared to 59,485 pieces valued at K156.6 million which represented an increase of 14.4% in 2009. Of this total, 38,564 mutilated banknotes with a value of K168.9 million were paid out at full face value while 588 mutilated banknotes valued at K9.4 million were paid out at half face value.

Accordingly, the Bank destroyed a total of 93.6 million pieces with a face value of K698.5 billion unfit banknotes compared with a total of 131.6 million pieces valued at K1,149.5 billion destroyed in the previous year.

During the year under review, the Bank issued into circulation a total of 154.7 million pieces of new banknotes, valued at K1,372.4 billion, an increase of 2.7% over the 2009 figure. The bulk of the banknotes issued were low value notes (K50 – K1,000) which accounted for 56.0% of the total. The high value banknotes (K20,000 and K50,000) and middle value banknotes (K5,000 and K10,000) accounted for 23.0% and 22.0%, respectively (see Table 50).

Table 50: Bank Notes Withdrawn Against Issuance of New Bank Notes, 2010

Denomination	Banknotes Withdrawn (K' billion)	Banknotes Withdrawn (Pieces)	New Banknotes Issued (K' billion)	New Banknotes Issued (Pieces)
K50,000	337.7	6,754,356	836.4	18,589,000
K20,000	150.1	7,505,143	295.0	16,452,000
K10,000	133.0	13,303,215	153.2	17,680,500
K5,000	55.4	11,084,500	67.6	15,741,500
K1,000	19.8	19,818,000	10.3	13,825,000
K500	11.5	23,072,701	6.6	16,780,000
K100	3.3	32,638,500	2.5	35,137,000
K50	1.1	21,800,500	0.8	20,536,000
K20	0.0	24,500	-	2,000
Total	**712.0**	**136,001,415**	**1,372.4**	**154,743,000**

Source: Bank of Zambia

5.3 PAYMENT SYSTEMS

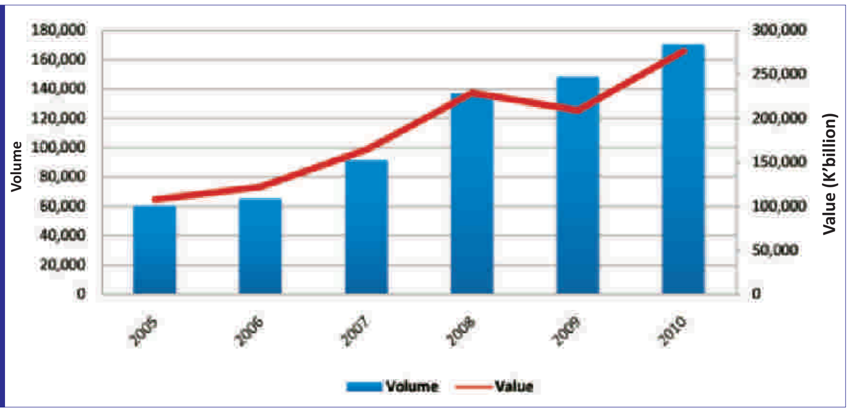
Zambian Interbank Payment and Settlement System (ZIPSS)

In 2010, ZIPSS operated satisfactorily with all commercial banks transacting actively. Two new banks, namely International Commercial Bank Zambia Limited and United Bank for Africa Zambia Limited commenced operations on ZIPSS following successful licensing and designation by the Bank of Zambia.

The volume of transactions processed on ZIPSS increased by 15.0% to 170,513 from 148,247 in 2009. Similarly, the value of transactions increased by 33.5% to K279,160.3 billion from K209,090.0 billion in 2009. This was attributed to the increase in the number of commercial banks' customers using the Real Time Gross Settlement (RTGS) system coupled with a rise in the number of commercial banks designated and operating in the country. Further, increased interventions by the Bank of Zambia, through Open Market Operations, contributed to the rise in the transaction volumes and values (see Chart 44).

CHART 44:

ZIPSS VOLUMES AND VALUES, 2005 – 2010



Physical Interbank Clearing System

The volume of cheques cleared through the Physical Interbank Clearing (PIC) system increased by 2.9% to 2,632,969 in 2010 from 2,558,805 in 2009. Correspondingly, the value of the cheques rose by 7.2% to K23,360 billion in 2010 from K21,787 billion in 2009 (see Table 51).

Table 51: Volume and Value of Cheques, 2008 - 2010

Month	Volumes				Values (K'billion)			
	2008	2009	2010	% Change (2009 to 2010)	2008	2009	2010	%Change (2009 to 2010)
January	217,724	210,005	197,032	-6.18%	1,957	1,817	1,643	-9.58%
February	205,654	199,691	199,884	0.10%	1,639	1,635	1,652	1.04%
March	196,717	209,503	225,215	7.50%	1,619	1,736	1,864	7.37%
April	223,182	208,038	208,075	0.02%	1,808	1,747	1,751	0.23%
May	213,313	199,201	212,945	6.90%	1,742	1,655	1,808	9.24%
June	218,511	217,898	224,092	2.84%	1,812	1,813	1,945	7.28%
July	226,817	224,151	218,502	-2.52%	1,958	1,928	1,974	2.39%
August	208,618	203,819	223,034	9.43%	1,873	1,744	2,047	17.37%
September	227,699	226,102	227,713	0.71%	2,010	1,924	2,098	9.04%
October	219,944	222,573	241,020	8.29%	1,976	1,914	2,261	18.13%
November	207,407	216,296	231,060	6.83%	1,841	1,876	2,152	14.71%
December	227,484	221,528	224,397	1.30%	2,102	1,998	2,165	8.36%
Total	**2,593,070**	**2,558,805**	**2,632,969**	**2.90%**	**22,337**	**21,787**	**23,360**	**7.22%**
Monthly Average	**216,089**	**213,234**	**219,414**	**2.90%**	**1,861**	**1,816**	**1,947**	**7.22%**

Source: Zambia Electronic Clearing House Limited

Direct Debit and Credit Clearing System

During 2010, the volume of transactions processed through the Direct Debit and Credit Clearing (DDACC) payment stream increased by 44.5% to 2,182,545 from 1,510,654 in 2009. Similarly, the value of DDACC transactions increased by 41.0% to K6,351.0 billion from K4,503.0 billion in 2009 (see Table 52). The increase in the volume and value of transactions can be attributed to customers' increased preference for electronic payment methods.

Table 52: Volume and Value of Direct Debit and Credit Clearing, 2008 - 2010

	Volumes				Values (K'billion)			
Month	**2008**	**2009**	**2010**	**% Change (2009 to 2010)**	**2008**	**2009**	**2010**	**% Change (2009 to 2010)**
Jan	76,801	104,544	116,090	11%	275	321	378	18%
Feb	95,011	127,029	124,475	-2%	254	330	390	18%
Mar	83,681	132,362	173,404	31%	264	389	468	20%
Apr	105,091	115,499	152,030	32%	299	353	428	21%
May	97,402	117,493	148,399	26%	308	395	454	15%
Jun	104,482	138,038	196,372	42%	296	360	539	49%
Jul	116,467	127,794	211,333	65%	330	367	576	57%
Aug	102,001	116,058	204,692	76%	318	365	584	60%
Sep	116,832	116,490	182,972	57%	331	367	575	57%
Oct	112,623	127,437	197,926	55%	323	387	579	49%
Nov	97,813	128,696	219,607	71%	131	370	627	69%
Dec	159,786	159,205	255,245	60%	433	499	753	51%
Total	**1,267,990**	**1,510,645**	**2,182,545**	**44%**	**3,562**	**4,503**	**6,351**	**41%**
Monthly Average	**105,666**	**126,055**	**181,878**	**44%**	**297**	**543**	**529**	**41%**

Source: Zambia Electronic Clearing House Limited

Automated Teller Machines

The volume of transactions processed through the Automated Teller Machine (ATM) payment stream increased by 26.1% to 23,866,329 from 18,919,304 in 2009. Similarly, the value of automated teller machine transactions increased by 41.2% to K10,684.0 billion from K7,567.0 billion in 2009 (see Table 53). The growth in the volume and value can be attributed to customers' increased use of electronic payment methods.

Table 53: Transactions on Automated Teller Machines, 2008 – 2010

	Volumes				Values (K'billion)			
Month	**2008**	**2009**	**2010**	**% change (2009 to 2010)**	**2008**	**2009**	**2010**	**% change (2009 to 2010)**
Jan	1,013,129	1,469,162	1,720,202	17%	412	604	472	-22%
Feb	981,545	1,380,383	1,594,856	16%	390	499	664	33%
Mar	1,024,373	1,544,573	1,866,084	21%	403	587	758	29%
Apr	1,028,209	1,511,975	1,831,088	21%	407	531	765	44%
May	1,098,634	1,566,417	1,897,028	21%	455	631	832	32%
Jun	1,103,696	1,515,434	1,969,006	30%	447	579	901	56%
Jul	1,358,085	1,721,385	2,101,938	22%	503	669	939	40%
Aug	1,405,549	1,653,636	2,155,465	30%	501	641	978	53%
Sep	1,371,555	1,538,811	2,075,670	35%	488	662	981	48%
Oct	1,391,591	1,648,984	2,163,156	31%	520	705	993	41%
Nov	1,176,241	1,545,155	2,010,325	30%	471	655	1,218	86%
Dec	1,538,773	1,823,389	2,481,511	36%	592	802	1,183	48%
Total	**14,491,380**	**18,919,304**	**23,866,329**	**26%**	**5,587**	**7,567**	**10,684**	**41%**
Monthly Average	**1,207,615**	**1,576,609**	**1,988,861**	**26%**	**466**	**631**	**890**	**41%**

Source: Bank of Zambia

Point of Sale Machines

The volume of transactions processed through the point of sale (PoS) payment stream increased by 48.4% to 805,358 in 2010 from 542,623 in 2009. Similarly, the value of PoS transactions increased by 40.8% to K338.0 billion from K240.0 billion in 2009 (see Table 54). The increase in the volume and value of transactions can be attributed to higher customer preference for electronic payment methods.

Table 54: Transactions on Point of Sale Machines 2008 – 2010

	Volumes				Values (K'billion)			
Month	**2008**	**2009**	**2010**	**% change (2009 to 2010)**	**2008**	**2009**	**2010**	**% change (2009 to 2010)**
Jan	38,903	38,491	48,095	25%	16	17	19	15%
Feb	34,348	35,400	46,509	31%	14	16	20	24%
Mar	35,021	53,312	53,186	0%	14	24	23	-8%
Apr	37,727	39,611	53,940	36%	16	19	23	26%
May	39,841	69,998	59,316	-15%	15	19	25	34%
Jun	35,988	42,148	60,350	43%	13	19	27	40%
Jul	41,898	42,151	60,927	45%	16	21	27	28%
Aug	40,549	42,651	66,672	56%	16	22	30	39%
Sep	40,830	43,941	72,218	64%	17	20	29	45%
Oct	39,271	43,773	88,706	103%	17	20	34	73%
Nov	37,610	45,083	86,178	91%	16	21	34	63%
Dec	46,344	46,064	109,261	137%	22	22	45	107%
Total	**468,330**	**542,623**	**805,358**	**48%**	**191**	**240**	**338**	**41%**
Monthly Average	**39,028**	**45,219**	**67,113**	**48%**	**16**	**20**	**28**	**41%**

Source: Bank of Zambia

National Switch Project

The Bank of Zambia continued to work with the Zambia Electronic Clearing House Limited (ZECHL) and commercial banks to implement a National Switch in 2010. However, the project did not proceed as earlier planned in order to take into account input from all stakeholders. The National Switch would connect existing payment infrastructure such as Automated Teller Machines, PoS devices and mobile phones to provide for the sharing of payment infrastructure. This will lead to lower transaction costs of switching thereby extending coverage of services to the unbanked.

Cheque Truncation Project

During the year, the Bank of Zambia collaborated with ZECHL and the commercial banks in the implementation of a Cheque Truncation[42] System (CTS). In addition, the Sybrin system at ZECHL was upgraded to a truncation ready version in order to expedite the implementation of the project and reduce implementation costs. Cheque truncation eliminates cumbersome physical presentation of cheques, thereby substantially reducing clearing time. It also provides for increased operational efficiency by cutting down on costs incurred during physical clearing.

Settlement of the Cash Leg of Lusaka Stock Exchange Trades on ZIPSS

The Bank and the Lusaka Stock Exchange (LuSE) continued to work towards facilitating the settlement of the cash leg of LuSE Trades on the ZIPSS. Following the establishment of a guarantee fund, rules governing its operations were developed and circulated to the respective stakeholders for review. The banking industry and Lusaka Stock Exchange were yet to agree on settlement guarantee fund rules before implementation.

Designation of Payment Systems and Businesses

In 2010, the Bank of Zambia designated one payments system business, providing mobile payments services and one commercial bank that applied to participate on the DDACC, ZIPSS and the Cheque systems. This brought the total number of entities authorised to offer these payment services to 29 while the number of payment systems participants rose to 17.

[42]Cheque truncation is the conversion of physical cheque into electronic form for transmission to the paying bank.

6.0 RISK MANAGEMENT

6.0 RISK MANAGEMENT

During the year under review, the Bank continued to align the implementation of the risk management framework to the 2008 - 2011 Strategic Plan. Accordingly, the Bank's risk management strategies and the attendant activities were focused mainly on integration with business operations.

Operational Risk Management Framework

(a) Operational Risk Management

The Bank continued to build on the achievements and the momentum gained in the implementation of the Operational Risk Management (ORM) activities. The Bank-wide Risk Register was validated to ensure completeness of the risk assessment process and introduction of appropriate risk treatment measures. This was to facilitate the development of Risk Action Plans (RAPs)[43], as a risk monitoring and reporting mechanism.

Additionally, the Bank automated the Incident Reports Database to enhance the assessment of the risks inherent in the reported incidents[44], as well as facilitate for ease of analysis and reporting. To this end, all reported incidents and/or near-misses that were assessed and rated High and/or Very High were followed through to ensure that reporting departments instituted mitigating measures to reduce the recurrence of similar incidents.

(b) Business Continuity Management

During the year under review, the Bank prioritized the implementation of the Business Continuity Programme to ensure the availability of the Bank's mission-critical business processes, at all times.

Following the completion of the Business Impact Analysis (BIA) survey, which identified Bank-wide mission-critical business processes and their Recovery Time Objective (RTO) and Recovery Point Objective (RPO)[45], the Bank developed Departmental Business Continuity/Resumption Plans, on the basis of which the Bank formulated a Bank-wide Business Continuity Plan (BCP).

The Bank also conducted regular unannounced Disaster Recovery (DR) and Emergency Evacuation exercises, both at the Head and the Regional Offices, aimed at enhancing the Bank's disaster recovery and emergency response capabilities, respectively. The outcome of the DR exercise was satisfactory, as the Bank managed to recover the mission-critical business processes replicated at the DR site. Similarly, the Emergency Evacuation exercise was successful, as it met its objectives.

(c) Management of Project Risks

Following the constitution of a team to spearhead the establishment of a Project Management Office (PMO) at the Bank in the previous year, the draft Project Management Policy; the Delegation of Authority for the Strategic and Project Management Unit (SPMU); and the organizational structure for the SPMU, were submitted to the PMO Steering Committee, for consideration. It is anticipated that the establishment of a PMO would significantly assist the Bank manage project risks in a more comprehensive, consistent and systematic manner.

Financial Risk Management

Following the development of a framework for managing financial risks, the Bank focused on the implementation of the recommendations provided in the framework. Accordingly, the Bank developed a Lender of Last Resort (LoLR) Policy and Framework to assist commercial banks in financial distress. In addition, a framework for Computing Collateral Value for participants in the Physical Interbank Clearing (PIC) payment stream was implemented. The Bank also reviewed the International Reserves Management Policy and formulated the Foreign Exchange Intervention Framework and guidelines for the Open Market Operations (OMO) Committee.

[43] RAPs are mechanisms that ensure that Heads of Departments, as risk managers, are held accountable for managing and reporting risks in their business areas to senior management.
[44] An incident is a situation that might be, or could lead to, a business interruption, loss or crisis.
[45] RTO is the maximum time period after an interruption within which it needs to be resumed. RPO is the minimum level at which the activity needs to be performed on its resumption

7.0 REGIONAL OFFICE

7.0 REGIONAL OFFICE

In the period under review, the Regional Office continued to extend banking, currency and other support services to the Government, commercial banks and the general public in the Northern region. In addition, the Office continued to carry out on-site inspections of commercial bank branches and pre-inspections of non-bank financial institutions to ensure compliance with financial system regulatory requirements and guidelines.

In an effort to enhance economic information flow in the region, Regional Office distributed various Bank publications and materials at the Copperbelt Mining, Agriculture and Commercial Show and the Zambia International Trade Fair (ZITF). Further, Regional Office held several meetings with a number of emerald mines aimed at working out mechanisms for the mines to start submitting production and sales volumes of emeralds to the Bank of Zambia.

8.0 ADMINISTRATION AND SUPPORT SERVICES

8.0 ADMINISTRATION AND SUPPORT SERVICES

8.1 HUMAN RESOURCE MANAGEMENT

Structure and Staffing

At the end of 2010, the total staff strength of the Bank was 571[46] against the establishment of 693. This comprised 435 (76.2%) employees on Permanent and Pensionable Service and 136 (23.8%) on Fixed-Term Employment Contracts. The gender composition of staff was 381 (67%) male and 190 (33%) female.

Capacity Building Programmes

Staff Development

In an effort to ensure the continuous availability of skills and new knowledge, the Bank continued to provide support to employees pursuing short and long-term study programmes. This support was in form of paid study leave, full Bank scholarships and time-off for part-time programmes. The training was undertaken at various training institutions including the Bank's In-Service Training Centre (ISTC). In the period under review, a total of 20 employees completed various study programmes.

Employee Relations

During 2010, the Bank continued to experience harmonious industrial relations. Management held scheduled monthly and quarterly meetings with employee representatives aimed at nurturing dialogue between employees and management. Further, the Bank of Zambia and the Zambia Union of Financial Institutions and Allied Workers (ZUFIAW) concluded negotiations and signed a new collective agreement for unionised employees to cover the period 1st August 2010 to 31st July 2012.

Staff Welfare

Employee Health

During the year, the Bank continued to provide support through the provision of ARTs to members of staff and their registered dependants affected by HIV/AIDs under the Voluntary Medical Scheme. The number of staff and their dependants accessing Anti-retroviral drugs (ARVs) declined to 143 from 151 in 2009. This was mainly on account of staff separations from the Bank.

Staff Mortality

In the year under review, the Bank lost six (6) members of staff through death. This was an increase from 2 recorded in 2009.

Employee Welfare Programmes

The Bank of Zambia joined the rest of the world in commemorating World Aids Day on 1st December 2010. The Bank's HIV/AIDS Workplace Awareness Week took place from 23rd to 26th November 2010, at which the following activities were undertaken:

- Voluntary Counselling & Testing (VCT) by New Start Centre; and
- A talk on HIV and Circumcision by a Health Expert.

Gender Activities

The Bank participated in various gender related activities including fora with the International Labour Organisation (ILO) and the Division of Gender in Development at Cabinet Office. The Bank also participated in activities related to 16 Days of Action against Gender Violence and invited speakers from the Ministry of Gender and the Victim Support Unit to give presentation on Gender based Violence.

Technical Assistance (TA) from the Bank of Norway and the IMF

The Bank commenced discussions with the Bank of Norway and the IMF regarding possible technical assistance that could be offered to the Bank of Zambia. The proposal for technical assistance included, inter alia, the review of the Bank structure and systems with a view of modernising processes and procedures.

Chinese Lessons

The Bank of Zambia and the Chinese International School in Zambia signed a Memorandum of Understanding regarding the conducting of Mandarin Language lessons. Fifty two (52) members of staff enrolled for the

[46] This figure includes 29 security officers seconded from the Zambia Police Service

programme. The Bank of Zambia continues to encourage staff to learn other foreign languages as a way to enhance communication in a fast globalising world.

Integrated Human Resources System

The Bank implemented the Integrated Human Resources System in 2010. This system which automated most human resource processes resulted in enhanced overall efficiency.

8.2 INTERNAL AUDIT

In 2010, the Bank of Zambia continued to assess the effectiveness of internal controls over the accounting, operational and administrative functions, risk management and governance processes in order to provide assurance to the Board of Directors and Management. The audits were conducted in line with the International Standards for the Professional Practice of Internal Auditing, COSO[47] Framework and the Control Objectives for Information and Related Technology (COBIT). Accordingly, corrective actions or improvements needed were implemented during the year under review.

8.3 BANK SECRETARIAT

Board Activities

During the period under review, the Bank of Zambia Board of Directors held four scheduled Board Meetings and one special meeting at which some important matters were considered. Among others, the Board approved the following:

- The Bank of Zambia Lender of Last Resort Policy;
- The Bank of Zambia 2011 Budget; and
- Supervisory action on Finance Bank Zambia Ltd.

Law Review

The law review exercise for the modernisation and harmonisation of various pieces of financial sector legislation progressed steadily during the year. The draft amended Bank of Zambia Bill (modelled on the SADC Central Bank Model Law), the Securities Bill, the Credit Reporting Bill and Deposit Protection Bill were finalised and submitted to Government for enactment.

Public Relations

The Bank continued to disseminate information through quarterly media briefings, press releases and statements. Various publications including the Monetary Policy Statement and the ZAMBANKER (an in-house magazine)were widely circulated to stakeholders and the public.

8.4 INFORMATION AND COMMUNICATIONS TECHNOLOGY

In order to enhance the Bank's business processes in line with its strategic objectives, a number of projects were undertaken during 2010, as follows.

Temenos T24 Retail Banking Application – Enhancements

Generally, the T24 Banking application performed well during the year and a number of local enhancements were developed and implemented to meet user requirements. These included automation of Standing Orders and implementation of the Electronic and MICR encoded Deal Slips.

Sun Systems Upgrade Project

The project to upgrade the Sun Systems Financial Management System from version 4 to 5 was largely achieved. The upgraded system has enhanced reporting functionality including workflows for purchase requisition, automated payments of orders and foreign currency reserve revaluations.

Bank Supervision Application (BSA) Upgrade

The Bank Supervision Application was successfully upgraded during the reporting period. The system was installed and configured at all commercial banks. However, detailed analysis of prudential returns, which depended on accumulation of sufficient data series, was on going.

[47] Committee of Sponsoring Organisations of the Treadway Commission

Implementation of the Oracle Human Resources Management System (HRMS)

The implementation of the Oracle Human Resources Core System and Payroll was completed and commissioned in May 2010.

Integrated Electronic Document Management System Project

During the year, the Integrated Electronic Document Management system was installed, configured and user acceptance testing successfully conducted.

Network Infrastructure

The Bank upgraded the Lusaka – Ndola communications link from 2Mbps Microwave to 4Mbps Fibre using the newly commissioned Zamtel Fibre optic cable. This has enabled the Bank to improve service availability and reliability. The link will also support the Business Continuity Management (BCM) activities.

ICT Governance Implementation

The Bank of Zambia continued with the development of policy guidelines and procedures during the review period. The following standards were reviewed and adopted for implementing various ICT processes, namely:

- The Project Management Body of Knowledge (PMBoK) guideline for project management;
- The ISO 9001:2008 standard for implementing quality management; and,
- The Information Technology Infrastructure Library (ITIL) framework for implementing ICT Services Management and Operations.

8.5 SECURITY ACTIVITIES

The Bank carried out various sensitisation programmes on currency counterfeits. Participants included members of the Bankers Association of Zambia Fraud Prevention and Security Sub-committee, Finance Bank Plc employees drawn from various branches in Lusaka, Cadet Trainees at the Zambia Police College in Lilayi, among others. One hundred and eighty-two (182) cases, most of which involved counterfeit notes, were handled during the period under review, an increase of about 7.1% from the number in 2009. Most of the counterfeit reports came through Bureaux de Change. During the year under review, the Bank recorded an increase in the conviction rate in counterfeit cases as a result of the enhanced investigative capacity of officers.

8.6 PROCUREMENT AND MAINTENANCE

In 2010, the Bank commenced major refurbishment works for all the boardroom and bathroom facilities at Head office. The Bank also procured four new armoured escort vehicles and one bullion truck to improve the distribution of currency in the country. In an effort to address the acute problem of inadequate parking space, the Bank awarded a contract for the construction of a three-storey car park. The new car park is expected to provide parking space for 171 motor vehicles.

8.7 Corporate Social Responsibility

During the period under review, the Bank of Zambia continued to exercise its corporate social responsibility by providing valuable assistance to several needy or deserving organisations and individuals.

A new Memorandum of Understanding was signed between the Bank of Zambia and the University of Zambia (UNZA) on 30th June 2010. In addition, the Bank continued to provide support in form of salary supplementation for staff in the Department of Economics at UNZA and the School of Business at Copperbelt University (CBU).

The Bank also continued the sponsorship of 5 outstanding undergraduate students in the School of Business at CBU and 4 students pursuing the Master of Economics Degree at UNZA. Other activities included:

- Assistance to the Cheshire Home for the Aged in Chawama as well as the Open Arms Family Home for Orphaned Children;
- Contributed towards the 2010 Educations Awards by supporting the Best Graduating Female Student in Agriculture;
- Continued to sponsor the Bank of Zambia Chimwano Memorial Prize in the School of Agriculture at the University of Zambia;
- Donated mattresses to Kalabo High School and assisted the Chengelo School PTA in raising funds for expansion projects at Chengelo School in Mkushi; and
- Sponsored Dr. Kachinga Sichizya from Beit Cure Hospital to travel to Cape Town in the Republic of South Africa to participate in a spine surgery scholarship.

9.0 FINANCIAL STATEMENTS

Bank of Zambia

Financial Statements

for the year ended 31 December 2010

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Bank of Zambia

Directors' responsibilities in respect of the annual financial statements

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

Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, Messrs Deloitte & Touche, have audited the annual financial statements and their report appears on page 78.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

In the opinion of the Directors:

- The statement of comprehensive income is drawn up so as to present fairly the loss of the Bank for the year ended 31 December 2010;
- The statement of financial position is drawn up so as to present fairly the state of affairs of the Bank as at 31 December 2010; and
- The financial statements are drawn up in accordance with International Financial Reporting Standards and in the manner required by the Bank of Zambia Act, No. 43 of 1996.

Approval of the financial statements

The financial statements of the Bank set out on pages 79 to 125 were approved by the Board of Directors on 26th May 2011 and signed on their behalf by:

Governor

Director

PO Box 30030
Lusaka
Zambia

Deloitte & Touche
Kafue House
1 Nairobi Place
Cairo Road
Lusaka

Tel: +(260) 211 228677/9
Fax: +(260) 211 226915
dtt@deloitte.co.zm

INDEPENDENT AUDITOR'S REPORT

To the Members of
Bank of Zambia

We have audited the financial statements of the Bank of Zambia ("the Bank") which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 79 to 125.

Directors' responsibility for the financial statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Bank of Zambia Act, No. 43 of 1996, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 relevant 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 and fair presentation of the financial statements 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 present fairly, in all material respects, the financial position of the Bank of Zambia as at 31 December 2010, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Bank of Zambia Act, No. 43 of 1996.

Deloitte & Touche

DELOITTE & TOUCHE

26th May 2011

Bank of Zambia

Statement of Comprehensive Income
for the year ended 31 December 2010

In millions of Zambian Kwacha

	Notes	2010	2009
Interest income	6	**227,340**	239,818
Interest expense	6	**(52,405)**	(97,103)
Net interest income		**174,935**	142,715
Fee and commission income	7	**48,918**	47,434
Fee and commission expense	7	**(2,900)**	(1,218)
Net fee and commission income		**46,018**	46,206
Net income from foreign exchange transactions		**11,893**	13,556
Other gains and losses	8	**(35,502)**	(9,426)
		(23,609)	4,130
Total income		**197,344**	193,051
Net (impairment loss)/reversal of impairment on financial assets	9	**(1,055)**	8,800
Employee benefits	10	**(273,070)**	(251,744)
Depreciation and amortisation	24, 25	**(14,784)**	(15,925)
Operating expenses	11	**(57,402)**	(125,807)
		(346,311)	(384,676)
Loss for the year		**(148,967)**	(191,625)
Other comprehensive income			
Actuarial loss on defined - benefit pension plan	36	**(40,751)**	-
Gain on revaluation of property		**-**	86,800
Total comprehensive loss for the year		**(189,718)**	(104,825)

The notes on pages 83 to 125 form part of these financial statements.

Bank of Zambia

Statement of Financial Position
at 31 December 2010

In millions of Zambian Kwacha

	Notes	2010	2009
Assets			
Domestic cash in hand		**2,557**	2,165
Foreign currency cash and bank accounts	13	**10,018,342**	8,934,006
Items in course of settlement	14	**5,737**	7,505
Held-for-trading financial assets	15	**37**	660
Loans and advances	16	**1,145,408**	41,119
Held-to-maturity financial assets	17	**1,950,034**	1,971,110
Other assets	19	**8,750**	59,440
Available-for-sale investments	21	**4,489**	4,489
IMF funds recoverable from Government of the Republic of Zambia	22	**1,888,944**	1,594,878
IMF subscriptions	23	**3,495,428**	4,125,279
Property, plant and equipment	24	**288,099**	287,342
Intangible assets	25	**4,370**	1,739
Total assets		**18,812,195**	17,029,732
Liabilities			
Deposits from the Government of the Republic of Zambia	28	**2,361,237**	2,445,089
Deposits from financial institutions	29	**4,371,240**	2,693,604
Foreign currency liabilities to other institutions	30	**190,488**	296,593
Other deposits	31	**27,594**	24,920
Other liabilities	32	**60,630**	35,178
Provisions	33	**24,932**	22,789
Domestic currency liabilities to IMF	34	**3,495,428**	4,125,279
Foreign currency liabilities to IMF	35	**1,888,944**	1,594,842
Employee benefits	36	**40,751**	-
Notes and coins in circulation	37	**2,750,477**	2,001,246
Total liabilities		**15,211,721**	13,239,540
Equity			
Capital	38	**10,020**	10,020
General reserve fund	39	**92,588**	92,588
SDR allocation	39	**3,226,992**	3,226,992
Property revaluation reserves	39	**219,455**	224,950
Retained earnings	39	**55,419**	235,642
Total equity		**3,600,474**	3,790,192
Total liabilities and equity		**18,812,195**	17,029,732

The responsibilities of the Bank's Directors with regard to the preparation of the financial statements are set out on page 77. The financial statements on pages 79 to 125 were approved for issue by the Board of Directors on 26th May 2011 and were signed on its behalf by:

Governor

Director

Bank of Zambia

Statement of Changes in Equity
for the year ended 31 December 2010

In millions of Zambian Kwacha

	Share capital	General reserve fund	SDR allocation	Property revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2009	10,020	92,588	246,897	144,459	420,958	914,922
Amortisation of revaluation surplus relating to properties	-	-	-	(6,309)	6,309	-
Other comprehensive income	-	-	-	86,800	-	86,800
Loss for the year	-	-	-	-	(191,625)	(191,625)
Receipt of additional SDR allocation	-	-	2,980,095	-	-	2,980,095
Balance at 31 December 2009	**10,020**	**92,588**	**3,226,992**	**224,950**	**235,642**	**3,790,192**
Balance at 1 January 2010	10,020	92,588	3,226,992	224,950	235,642	3,790,192
Amortisation of revaluation surplus relating to properties	-	-	-	(5,495)	5,495	-
Other comprehensive loss	-	-	-	-	(40,751)	(40,751)
Loss for the year	-	-	-	-	(148,967)	(148,967)
Balance at 31 December 2010	**10,020**	**92,588**	**3,226,992**	**219,455**	**51,419**	**3,600,474**

The notes on pages 83 to 125 form part of these financial statements.

Bank of Zambia

Statement of Cash Flows
for the year ended 31 December 2010

In millions of Zambian Kwacha

	Notes	2010	2009
Cash flows from operating activities			
Loss for the year		**(148,967)**	(191,625)
Adjustment for:			
- Depreciation/amortisation	24, 25	**14,784**	15,925
- Dividend income		**(262)**	(509)
- Loss on disposal of plant and equipment		**775**	1,208
- Impairment effect on other assets	9	**858**	(1,820)
- Impairment effect on amounts due from closed banks	9	**197**	(6,980)
- Provisions made during the year	33	**3,729**	3,486
- Property, plant and equipment adjustments		**31**	-
		(128,855)	(180,315)
Changes in operating assets and liabilities		**1,768**	(2,209)
Change in items in course of settlement		**623**	(660)
Change in held for trading financial assets		**(1,104,290)**	(2,911)
Change in loans and advances		**21,076**	(7,185)
Change in held-to-maturity financial assets		**49,833**	(34,012)
Change in other assets		**(197)**	6,980
Change in amounts due from closed banks		**-**	(1,703)
Change in available-for-sale investments		**(294,066)**	(1,509,567)
Change in IMF funds receivable from Government of the Republic of Zambia		**629,851**	(1,301,059)
Change in IMF subscription		**(83,852)**	1,104,452
Change in deposits from the Government of the Republic of Zambia		**1,677,636**	36,344
Change in deposits from financial institutions		**(106,105)**	198,057
Change in foreign currency liabilities to other institutions		**2,674**	3,364
Change in other deposits		**25,452**	(36,823)
Change in other liabilities		**(629,851)**	1,301,059
Change in domestic currency liabilities to IMF		**294,102**	1,130,557
Change in foreign currency liabilities to IMF		**749,231**	66,820
Change in notes and coins in circulation		**1,105,030**	771,189
Dividends received		**262**	509
Net cash generated from operating activities		**1,105,292**	771,698
Cash flows from financing activities			
Receipt of additional SDR allocations	33	**-**	2,980,095
Claims paid		**(1,586)**	(8,102)
		(1,586)	2,971,993
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	24, 25	**(18,983)**	(13,342)
Proceeds from sale of property, plant and equipment		**5**	378
		(18,978)	(12,964)
Net change in cash and cash equivalents		**1,084,728**	3,730,727
Cash and cash equivalents at the beginning of year		**8,936,171**	5,205,444
Cash and cash equivalents at the end of the year		**10,020,899**	8,936,171

Cash and cash equivalents at the end of the year comprise of:

	2010	2009
Domestic cash in hand	**2,557**	2,165
Foreign currency cash and bank accounts	**10,018,342**	8,934,006
	10,020,899	8,936,171

Bank of Zambia

Notes to the financial statements
for the year ended 31 December 2010

1 Principal activity

The Bank of Zambia (the “Bank” or “BoZ”) 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.

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)

The following new and revised IFRSs have been adopted in the current period. The proposed changes are not expected to have a material effect on the Bank's financial statements or the notes to the accounts. Details of other new and revised IFRSs applied in these financial statements but that have had no material effect on the amounts reported are set out in section 2.2.

2.1 New and revised IFRSs affecting presentation and disclosure only

Amendments to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

The Bank's adoption of amendments from IFRS 5, does not result in additional disclosures and neither does it have an impact on the financial position or the comprehensive income of the Bank, in the current period. However, it may potentially affect future periods.

Amendments to IAS 1: Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. This amendment has had no effect on the amounts reported in the current or prior years because the Bank has not previously issued instruments of this nature.

Amendments to IAS 7: Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has not resulted in any change in the presentation of cash outflows in respect of investing activities in current or prior periods.

Amendments to IFRS 7: *Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)*
The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

The amendments are to be effective for annual periods beginning on or after 1 January 2011.

Amendments to IAS 1: *Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)*
The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
The amendments are to be effective for annual periods beginning on or after 1 January 2011.

2.2 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have also been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IAS 39: *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

2 Adoption of new and revised International Financial Reporting Standards (IFRSs) *(Continued)*

2.2 New and revised IFRSs applied with no material effect on the financial statements *(Continued)*

Improvements to IFRSs issued in 2009

In addition to the amendments affecting presentation and disclosures described earlier in section 2.1, the application of Improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in the financial statements.

2.3 New and revised IFRSs in issue not yet effective

The Bank has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 7	*Disclosures – Transfers of Financial Assets* [1]
IFRS 9	*Recognition and amendment of Financial Instruments* [2]
IAS 24 (as revised in 2009)	*Related Party Disclosures* [3]
Amendments to IFRIC 14	*Prepayments of a Minimum Funding Requirement* [4]
Improvements to IFRSs issued in 2010[4]	

[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 July 2013*
[3] *Effective for annual periods beginning on or after 1 January 2011.*
[4] *Effective for annual periods beginning on or after 1 January 2011.*

The amendments to IFRS 7 titled Disclosures – *Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The Directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Bank's disclosures. However, if the Bank enters into some specified types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IFRS 9: *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for de-recognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

2 Adoption of new and revised International Financial Reporting Standards (IFRSs) *(Continued)*

2.3 New and revised IFRSs in issue not yet effective *(Continued)*

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Bank's financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IAS 24: *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The amendment to IFRIC 14, Prepayments of a Minimum Funding Requirement applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment is meant to provide clarity on how entities should determine the limit placed by IAS 19: *Employee Benefits* on the amount of a surplus in a pension plan they can recognise as an asset. The amendment permits such an entity to treat the benefit of such an early payment as an asset. This amendment is unlikely to result in any material changes on the financial statements of the Bank.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to both periods presented in these financial statements, unless otherwise stated:

3.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

3.2 Basis of preparation

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 revalued amounts or 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.

3.3 Functional and presentation currency

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

3.4 Interest income and expense

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

3 Significant accounting policies *(Continued)*

3.4 Interest income and expense *(Continued)*

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.

3.5 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.

3.6 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).

3.7 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.

3.8 Foreign currency transactions

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 restated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are restated 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.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the fair values were determined. 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. Non–monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

3 Significant accounting policies *(Continued)*

3.9 Financial instruments

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

3.9.1 Financial assets

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

(a) Classification

Management determines 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 38 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

3 Significant accounting policies *(Continued)*

3.9 Financial instruments *(Continued)*

3.9.1 Financial assets *(Continued)*

(a) Classification *(Continued)*

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

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

Available-for-sale investment

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

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

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(b) Recognition

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

Financial assets at FVTPL are stated at fair value, with any gains and losses arising on remeasurement recognised in the profit or loss. The net gain or loss recognised in the profit or loss incorporates any interest earned on the financial asset and is included in the 'interest on foreign currency investments and deposits' line item in the statement of comprehensive income.

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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

3 Significant accounting policies *(Continued)*

3.9 Financial instruments *(Continued)*

3.9.1 Financial assets *(Continued*

(b) Recognition *(Continued)*

Available-for-sale

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income, 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 statement of comprehensive income is recognised in the profit or loss.

However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in the income statement in 'Other operating income' when the Bank's right to receive payment is established.

(c) Derecognition

The Bank de-recognises financial assets or a portion thereof when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

(d) Impairment of financial assets

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or debt issuers in that group, or economic conditions that correlate with defaults in the group of assets.

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

In assessing collective impairment the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's 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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

3 Significant accounting policies *(Continued)*

3.9 Financial instruments *(Continued)*

3.9.1 Financial assets *(Continued)*

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

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.

3.9.2 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.

A financial liability is classified as held for trading if:

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

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

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

The Banks has not classified any financial liabilities as FVTPL.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

3 Significant accounting policies *(Continued)*

3.9. Financial instruments *(Continued)*

(a) Classification *(Continued)*

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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(b) De- recognition of financial liabilities

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

3.10 Fair value measurement

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.

3.11 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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

3 Significant accounting policies *(Continued)*

3.12 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. The most recent independent valuation of the Bank's properties was at November 2008. Reflecting the specialised nature of the Bank's office property, the valuation was determined on the basis of depreciated replacement cost.

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 or their revalued amount 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 and equipment.

(d) Depreciation

Depreciation is recognised in the 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. No transfer is made from the revaluation reserve to retained earnings except when an asset is de-recognised.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

	2010	2009
Leasehold buildings	2%	2%
Fixtures and fittings	4%	4%
Plant and machinery	5%	5%
Furniture and furnishings	10%	10%
Security systems and other equipment	10-20%	10-20%
Motor vehicles	25%	25%
Armoured Bullion Vehicles	10%	n/a
Armoured Escort Vehicles	16.7%	n/a
Computer equipment - hardware	25%	25%
Office equipment	33.3%	33.3%

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

3 Significant accounting policies *(Continued)*

3.12 Property, plant and equipment *(Continued)*

(d) Depreciation *(Continued)*

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

The 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.

(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.

3.13 Intangible assets computer software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.14 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 the income statement or equity if the revalued properties are impaired to the extent that an equity reserve is available.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

3 Significant accounting policies *(Continued)*

3.14 Impairment of non-financial assets *(Continued)*

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.

3.15 Employee benefits

(a) Defined contribution plan

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

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

(b) Defined benefit plan

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

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

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

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

Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to the profit or loss 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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

3 Significant accounting policies (Continued)

3.15 Employee benefits (Continued)

(d) Short-term benefits

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

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

(e) Other staff benefits

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

In cases where the interest rates on staff loans are below market rates, a fair value calculation is performed using appropriate market rates. The Bank recognises, a deferred benefit to reflect the staff loan benefit arising as a result of this mark to market adjustment. This benefit is subsequently amortised to the profit or loss on a straight line basis over the remaining period to maturity (see note 16).

3.16 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.

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

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

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

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

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

3 Significant accounting policies *(Continued)*

3.18 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 recognized 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 recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.19 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 these 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.

3.20 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.

3.21 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.

4 Critical accounting judgements and keys sources of estimation uncertainty

In the application of the Bank's accounting policies, which are described in note 3 - significant accounting policies, management 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 ongoing 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 management applies critical accounting judgements and estimates that may have the most significant effect on the amounts recognised in the financial statements.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

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

4.1 Impairment losses on loans and advances

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

4.2 Impairment of non-financial assets

The carrying amount of the Bank's assets other than financial assets is reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. This estimation requires significant judgement. An impairment loss is recognised in the income statement whenever the carrying amount exceeds the recoverable amount.

4.3 Determination of fair values

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. The estimated fair value of financial instruments is determined by the Bank using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate fair values. Accordingly, the estimates are not necessarily indicative of the amounts the Bank could realise in a current market exchange.

4.4 Useful lives of property, plant and equipment

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

4.5 Defined benefits obligations

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

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

5 Risk management policies

(a) Overview and risk management framework

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

- credit risk;
- operational risks;
- settlement 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 and operational 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 management monitors compliance with the Bank's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

i) Active Board and senior management oversight. Management maintains an interest in the operations and ensures appropriate intervention is available for identified risks.
ii) A business continuity strategy is in place to ensure continuity of mission critical activities in an event of a major disaster.
iii) Implementation of adequate policies, guidelines and procedures. The existing policies, procedures and guidelines are reviewed and communicated to relevant users to maintain their relevance.
iv) Maintain risk identification, measurement, treatment and monitoring as well as control systems. Management reviews risk management strategies and ensures that they remain relevant.
v) Adequate internal controls. Improved internal control structures and culture emphasizing the highest level of ethical conduct have been implemented to ensure safe and sound practices.
vi) Correction of deficiencies. The Bank has implemented a transparent system of reporting control weaknesses and following up on corrective measures.

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

(b) Credit risk

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

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

5 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

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

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

Exposure to credit risk

The Bank is exposed to credit risk on all its deposits, investments and its loans and advances portfolios. The credit risk on deposits 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 deposits at other central banks, or deposits at highly rated supranational such as the Bank for International Settlement (BIS) and other typically triple a rated institutions.

The Bank is exposed to varying degrees of credit risk, in the following significant concentrations:

Bank of Zambia

Notes to the financial statements (*Continued*)
for the year ended 31 December 2010
In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

	Loans and Advances (note 16)		Investment Securities (note 17 and 21)		Other receivables (note 19)		Amounts due to closed financial institutions (note 20)	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Carrying amounts	**1,145,408**	41,119	**1,954,523**	1,975,599	**8,750**	59,178	**-**	-
Assets at amortised cost								
Individually impaired	**-**	-	**-**	-	**2,678**	1,820	**130,379**	130,182
Allowance for impairment	**-**	-	**-**	-	**(2,678)**	(1,820)	**(130,379)**	(130,182)
Carrying amount	**-**	-	**-**	-	**-**	-	**-**	-
Collectively impaired	**-**	-	**-**	-	**-**	-	**-**	-
Past due but not impaired	**-**	-	**-**	-	**-**	-	**-**	-
Neither past due nor impaired	**1,145,408**	41,119	**1,950,034**	1,971,110	**8,750**	59,178	**-**	-
Carrying amount	**1,145,408**	41,119	**1,950,034**	1,971,110	**8,750**	59,178	**-**	-
Available-for-sale (AFS) assets								
Individually impaired	**-**	-	**-**	-	**-**	-	**-**	-
Allowance for impairment	**-**	-	**-**	-	**-**	-	**-**	-
Carrying amount	**-**	-	**-**	-	**-**	-	**-**	-
Neither past due nor impaired	**-**	-	**4,489**	4,489	**-**	-	**-**	-
Carrying amount	**-**	-	**4,489**	4,489	**-**	-	**-**	-
Assets at fair value through profit or loss								
Carrying amount fair value	**-**	-	**-**	-		-	**-**	-
Total carrying amount	**1,145,408**	41,119	**1,954,523**	1,975,599	**8,750**	59,178	**-**	-

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

5 Risk management policies *(Continued)*

(b) Credit risk *(Continued)*

Exposure to credit risk *(Continued)*

(i) GRZ bonds and Treasury Bills

The Directors believe the credit risk of such instruments is low due to the fact that they are issued by the Government.

(ii) Equity investments

In the opinion of the Directors, the credit risk of such instruments is low in the light of the organisations involved which are supported by Governments.

(iii) Fixed term deposits

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

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

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

Institutional credit risk exposure analysis

The table below shows the maximum exposure to credit risk for the financial Instruments held. The ratings were obtained from Moody's.

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

Financial Asset	Ratings 2009			
	Aaa	Aa1	A1	Total
Cash balances	275,494	-	23,716	303,581
Deposits	2,261,075	-	-	2,261,075
Securities	3,404,724	14,430	-	3,419,154
Special drawing rights	2,950,196	-	-	2,950,196
Total	8,891,489	14,430	23,716	8,934,006

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

5 Risk management policies

(b) Credit risk (Continued)

(iv) Staff loans

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

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

The aging of loans and advances at the reporting date was as follows:

	Gross	**Impairment**	Gross	Impairment
	2010	**2010**	2009	2009
Not past due	**38,247**	**-**	41,119	-
Past due 0-30 days	**-**	**-**	-	-
Past due 31-120 days	**-**	**-**	-	-
More than one year	**-**	**-**	-	-
Total	**38,247**	**-**	41,119	-

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

	Loans and advances (Note 16)		Other assets (Note 19)	
	2010	2009	**2010**	2009
Against past due but not impaired				
- Motor vehicles	**-**	-	**-**	-
Against neither past due nor impaired	**-**	-	**-**	-
- Gratuity and leave days	**19,762**	12,560		
- Property	**16,371**	17,556	**-**	-
- Motor vehicles	**8,825**	10,733	**-**	-
	44,958	40,849	**-**	-

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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

5 **Risk management policies** *(Continued)*

(b) **Credit risk** *(Continued)*

Exposure to credit risk *(Continued)*

(iv) Staff loans *(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 16)		Sundry receivables (Note 19)	
	2010	2009	**2010**	2009
Carrying amount	**38,247**	41,119	**32,639**	57,028
Concentration by nature				
- House loans	**16,371**	17,556	**-**	-
- Multi-purpose loans	**9,532**	7,474		
- Motor vehicle loans	**8,825**	10,733	**-**	-
- Other advances	**1,794**	3,587	**-**	-
- Personal loans	**1,725**	1,769	**-**	-
- Other		-	**31,009**	2,208
- Former employee loans		-	**1,630**	2,001
	38,247	41,119	**32,639**	4,209

(v) Advances to Government and commercial banks

All advances to Government are considered risk free while the advances extended to commercial banks were fully collaterised. A total of K10,736 million was taken as collateral for advances outstanding, from commercial banks, for K9,000 million as at 31 December 2010.

(vi) Impaired loans and investment debt securities

Impaired loans and securities are loans and advances and investment securities (other than those carried at fair value through profit or loss) for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / investment security agreement(s). Loans and advances and investment debt securities carried at fair value through profit or loss are not assessed for impairment but are subject to the same internal grading system.

(vii) Allowances for impairment

The Bank establishes a specific allowance for impairment losses on assets carried at amortised cost or classified as available-for-sale that represents its estimate of incurred losses in its loan and investment security portfolio. The only component of this allowance is a specific loss component that relates to individually significant exposures. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

(viii) Write-off policy

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

In millions of Zambian Kwacha

5 Risk management policies (Continued)

(c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

To manage this risk, the Bank ensures that all policies, procedures and authorization limits and approval frameworks are properly documented in the operational manuals for each department within the Bank and updated frequently to take account of the changes to internal controls, procedures and limits. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. In addition, the Bank has put in place a succession planning to attract and retain staff with vast banking and economic expertise as well as a business continuity plan to respond to accidents, disasters, emergencies, and/or threats without any stoppage or hindrance in its key operations.

(d) Settlement risk

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt in cash or securities. The Bank mitigates this risk in a number of ways. For outright transactions in securities, the Bank settles on the basis of the principle of “delivery versus payment” that is, the simultaneous exchange of securities for cash. In respect of foreign exchange transactions the Bank uses a combination of strategies which include restricting foreign-exchange transactions to highly rated counterparties and imposing transaction limits on the total value of foreign currency transactions settling with a single counterparty on a given day.

(e) 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 2010.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

(e) Liquidity risk *(Continued)*

Financial assets and liabilities held for managing liquidity risk

	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 – 5 years	Due after 5 years	Total carrying amounts
31 December 2010						
Non-derivative liabilities						
Deposits from the GRZ	2,361,237	-	-	-	-	2,361,237
Deposits from financial institutions	4,371,240	-	-	-	-	4,371,240
Foreign currency liabilities to other institutions	190,488	-	-	-	-	190,488
Other deposits	27,594	-	-	-	-	27,594
Other liabilities	-	-	60,630	-	-	60,630
Employee Benefits	-	-	-	-	40,751	40,751
Domestic currency liabilities to IMF	3,495,428	-	-	-	-	3,495,428
Foreign currency liabilities to IMF	1,888,944	-	-	-	-	1,888,944
Notes and coins in circulation	2,750,477	-	-	-	-	2,750,477
Total non-derivative liabilities	15,085,408	-	60,630	-	40,751	15,186,789
Assets held for managing liquidity risk						
Domestic cash in hand	2,557	-	-	-	-	2,557
Foreign currency cash and bank accounts	10,018,342	-	-	-	-	10,018,342
Held-to-maturity financial assets	-	-	625,775	1,324,259	-	1,950,034
Total assets held for managing liquidity risk	10,020,899	-	625,775	1,324,259	-	11,970,933
Net exposure	(5,064,509)	-	565,145	1,324,259	(40,751)	(3,215,856)

	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 – 5 years	Due after 5 years	Total carrying amounts
31 December 2009						
Non-derivative liabilities						
Deposits from the GRZ	2,445,089	-	-	-	-	2,445,089
Deposits from financial institutions	2,693,604	-	-	-	-	2,693,604
Foreign currency liabilities to other institutions	296,593	-	-	-	-	296,593
Other deposits	24,920	-	-	-	-	24,920
Other liabilities	-	-	35,178	-	-	35,178
Domestic currency liabilities to IMF	4,125,279	-	-	-	-	4,125,279
Foreign currency liabilities to IMF	1,594,842	-	-	-	-	1,594,842
Notes and coins in circulation	2,001,246	-	-	-	-	2,001,246
Total non-derivative liabilities	13,181,573	-	35,178	-	-	13,216,751
Assets held for managing liquidity risk						
Domestic cash in hand	2,165	-	-	-	-	2,165
Foreign currency cash and bank accounts	8,934,006	-	-	-	-	8,934,006
Held-to-maturity financial assets	-	-	637,653	1,338,457	-	1,971,110
Total assets held for managing liquidity risk	8,936,171	-	637,653	1,338,457	-	10,907,281
Net exposure	(4,245,402)	-	602,475	1,338,457	-	(2,309,470)

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

In millions of Zambian Kwacha

5 Risk management policies *(Continued)*

(e) Liquidity risk *(Continued)*

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.

(f) 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.

(g) 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 realized and unrealized 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 utilization of foreign reserves at minimal risk.

The Bank as a central bank by nature holds a net asset position in its foreign currency balances. Management has 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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

5 Risk management policies *(Continued)*

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

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 2010 was as shown in the table below:

	USD	GBP	EUR	SDR	Other	Total Kwacha
At 31 December 2010						
Foreign currency assets						
Foreign currency cash and bank accounts	2,941,847	1,563,361	2,520,998	2,992,056	80	10,018,342
IMF Subscriptions	-	-	-	3,495,428	-	3,495,428
Total foreign currency assets	2,941,847	1,563,361	2,520,998	6,487,484	80	13,513,770
Foreign currency liabilities						
Foreign currency liabilities to other institutions	9,165	2,594	25,372	153,357	-	190,488
Foreign currency liabilities to IMF	-	-	-	1,888,944	-	1,888,944
Total foreign currency liabilities	9,165	2,594	25,372	2,042,301	-	2,079,432
Net exposure	2,932,682	1,560,767	2,495,626	4,445,183	80	11,428,338

At 31 December 2009	USD	GBP	EUR	SDR	Other	Total Kwacha
Foreign currency assets						
Foreign currency cash and bank accounts	2,447,008	1,318,970	2,217,800	2,950,197	31	8,934,006
IMF Subscriptions	-	-	-	4,125,279	-	4,125,279
Total foreign currency assets	2,447,008	1,318,970	2,217,800	7,075,476	31	13,059,285
Foreign currency liabilities						
Foreign currency liabilities to other institutions	41,484	535	253,935	639	-	296,593
Foreign currency liabilities to IMF	-	-	-	1,594,842	-	1,594,842
Total foreign currency liabilities	41,484	535	253,935	1,595,481	-	1,891,435
Net exposure	2,405,524	1,318,435	1,963,865	5,479,995	31	11,167,850

The following are exchange rates for the significant currencies applied as at the date of the statement of financial position:

	Spot rate	
	2010 ZMK	2009 ZMK
SDR 1	7,365.49	7,250.57
GBP 1	7,382,06	7,358.31
EUR 1	6,351.42	6,655.56
USD 1	4,782.69	4,641.88

Foreign currency sensitivity

The following table illustrates a 12 percent strengthening of the Kwacha against the relevant foreign currencies. 12 percent is based on observable trends, presented to key management personnel, in the value of Kwacha to major foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items outstanding at reporting date and adjusts their translation for a 12 percent change in foreign currency rates. This analysis assumes all other variables; in particular interest rates remain constant. The analysis is performed on the same basis for 2010 and 2009.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

5 Risk management policies *(Continued)*

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

	Equity ZMK	Profit or (loss) ZMK
Effect in millions of Kwacha		
31 December 2010		
SDR	-	(533,432)
USD	-	(351,922)
EUR	-	(299,475)
GBP	-	(187,292)
31 December 2009		
SDR	-	(657,603)
USD	-	(288,763)
EUR	-	(235,664)
GBP	-	(158,212)

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

(h) Exposure to interest rate risk

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

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

Foreign currency deposits 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. Management has 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. Management has also set performance benchmarks for income to arise from foreign currency deposits that are evaluated monthly through the Finance and Budget Committee and the Executive Committee. The Board reviews the performance against budget on a quarterly basis.

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

5 Risk management policies *(Continued)*

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

	Less than 3 months	Between 3 months and one year	Over 1 year	Non-interest bearing	Total
At 31 December 2010					
Assets					
Domestic cash in hand	-	-	-	2,557	2,557
Foreign currency cash and bank accounts	10,013,912	-	-	4,430	10,013,342
Items in course of settlement	-	-	-	5,737	5,737
Held-for-trading financial assets	37	-	-	-	37
Loans and advances	-	37,832	1,107,162	414	1,145,408
Held-to-maturity financial assets	-	625,775	1,324,259	-	1,950,034
Other assets	-	-	-	8,750	8,750
Available-for-sale investments	-	-	939	3,550	4,489
IMF funds receivable from Government	-	-	-	1,888,944	1,888,944
IMF Subscriptions	-	-	-	3,495,428	3,495,428
Total financial assets	10,013,949	663,607	2,432,360	5,409,810	18,519,726
Liabilities					
Deposits from the GRZ	-	-	-	2,361,237	2,361,237
Deposits from financial institutions	-	-	-	4,371,240	4,371,240
Foreign currency liabilities to other institutions	-	-	-	190,488	190,488
Other deposits	26,661	-	-	933	27,594
Other liabilities	-	-	-	60,630	60,630
Employee Benefits	-	-	-	40,751	40,751
Domestic currency liabilities to IMF	-	-	-	3,495,428	3,495,428
Foreign currency liabilities to IMF	-	-	-	1,888,944	1,888,944
Notes and coins in circulation	-	-	-	2,750,477	2,750,477
Total financial liabilities	26,661	-	-	15,160,128	15,186,789
Net exposure at 31 December 2010	9,987,288	663,607	2,432,360	(9,750,318)	3,332,937

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

5 Risk management policies *(Continued)*

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

	Less than 3 months	Between 3 months and one year	Over 1 year	Non-interest bearing	Total
At 31 December 2009					
Assets					
Domestic cash in hand	-	-	-	2,165	2,165
Foreign currency cash and bank accounts	8,929,634	-	-	4,372	8,934,006
Items in course of settlement	-	-	-	7,505	7,505
Held-for-trading financial assets	-	660	-	-	660
Loans and advances	-	1,444	36,083	3,592	41,119
Held-to-maturity financial assets	-	633,083	1,338,027	-	1,971,110
Other assets	-	-	-	59,440	59,440
Available-for-sale investments	-	-	939	3,550	4,489
IMF funds receivable from Government	-	-	-	1,594,878	1,594,878
IMF Subscriptions	-	-	-	4,125,279	4,125,279
Total financial assets	8,929,634	635,187	1,375,049	5,800,781	16,740,651
Liabilities					
Deposits from the GRZ	-	-	-	2,445,089	2,445,089
Deposits from financial institutions	-	-	-	2,693,604	2,693,604
Foreign currency liabilities to other institutions	-	-	-	296,593	296,593
Other deposits	24,681	-	-	239	24,920
Other liabilities	-	-	-	35,178	35,178
Domestic currency liabilities to IMF	-	-	-	4,125,279	4,125,279
Foreign currency liabilities to IMF	-	-	-	1,594,842	1,594,842
Notes and coins in circulation	-	-	-	2,001,246	2,001,246
Total financial liabilities	24,681	-	-	13,192,070	13,216,751
Net exposure at 31 December 2009	8,904,953	635,187	1,375,049	(7,391,289)	3,523,900

(i) Fair values versus carrying amounts

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. Management believes 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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

5 Risk management policies *(Continued)*

(i) Fair values versus carrying amounts *(Continued)*

	Carrying amount 2010	**Fair value 2010**	Carrying amount 2009	Fair value 2009
Assets				
Domestic cash in hand	**2,557**	**2,557**	2,165	2,165
Foreign currency cash and bank accounts	**10,018,342**	**10,018,342**	8,934,006	8,934,006
Items in course of settlement	**5,737**	**5,737**	7,505	7,505
Held-for-trading financial assets	**37**	**37**	660	660
Loans and advances	**1,145,408**	**1,145,408**	41,119	41,119
Held-to-maturity financial assets	**1,950,034**	**1,950,034**	1,971,110	1,971,110
Other assets	**8,750**	**8,750**	59,440	59,400
Available-for-sale investments	**4,489**	**4,489**	4,489	4,489
IMF funds receivable from GRZ	**1,888,944**	**1,888,944**	1,594,878	1,594,878
IMF Subscriptions	**3,495,428**	**3,495,428**	4,125,279	4,125,279
Total financial assets	**18,519,726**	**18,519,726**	16,740,651	16,740,651
Liabilities				
Deposits from the GRZ	**2,361,237**	**2,361,237**	2,445,089	2,445,089
Deposits from financial institutions	**4,371,240**	**4,371,240**	2,693,604	2,693,604
Foreign currency liabilities to other institutions	**190,488**	**190,488**	296,593	296,593
Other deposits	**27,594**	**27,594**	24,920	24,920
Other liabilities	**60,630**	**60,630**	35,178	35,178
Employee Benefits	**40,751**	**40,751**	-	-
Domestic currency liabilities to IMF	**3,495,428**	**3,495,428**	4,125,279	4,125,279
Foreign currency liabilities to IMF	**1,888,944**	**1,888,944**	1,594,842	1,594,842
Notes and coins in circulation	**2,750,477**	**2,750,477**	2,001,246	2,001,246
Total financial liabilities	**15,186,789**	**15,186,789**	13,216,751	13,216,751

(j) Management of capital

The Bank's authorized 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.

In managing the Bank's capital, the Board's policy is to implement a sound financial strategy that ensures financial independence and maintains adequate capital to sustain the long term objectives of the Bank and to meet its operational and capital budget without recourse to external funding.

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

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

5 Risk management policies *(Continued)*

(j) Management of capital (*Continued)*

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

	Notes	2010	2009
SDR allocation	39	**3,226,992**	3,226,992
Property revaluation reserve	39	**219,455**	224,950
General reserve fund	39	**92,588**	92,588
Retained earnings	39	**51,419**	241,476
Capital	39	**10,020**	10,020
Total		**3,600,474**	3,796,026

The capital structure of the Bank does not include debt. As detailed above the Bank's equity comprises issued capital, general reserves, SDR allocation, 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.

6 Interest income

	2010	2009
Interest on held-to-maturity Government securities	**173,895**	211,036
Interest on loans and receivables	**26,976**	2,451
Interest on foreign currency investments and deposits	**26,469**	26,331
	227,340	239,818

The significant increase in interest income from loans and receivables is on account of renewed borrowing activity by Government through access to bridge loans and commercial banks obtaining of advances to meet liquidity requirements.

Interest expense	2010	2009
Interest arising on open market operations	**51,501**	94,713
Interest arising on staff savings	**904**	2,390
Total interest expense	**52,405**	97,103

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

7 Fee and commission income

	2010	2009
Supervision fees	**25,899**	22,650
Fees and commission income on transactions with the GRZ	**17,484**	18,633
Other	**3,371**	2,413
Penalties	**1,208**	2,967
Licences and registration fees	**956**	761
Fees and commission income	**48,918**	47,424

Fee and commission expense

	2010	2009
Arising on foreign exchange transactions	**2,900**	1,218

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

8 Other gains and losses

	2010	2009
Net realised foreign exchange gains	**53,240**	473,940
Rental income	**1,501**	1,064
Other income	**1,192**	12,079
Dividend on available-for-sale investments	**262**	509
Loss on disposal of property, plant and equipment	**(775)**	(1,208)
Net unrealised foreign exchange losses	**(90,922)**	(495,810)
	(35,502)	(9,426)

The Kwacha had a mixed performance against major currencies depreciating from a closing rate of K4,642 to the United States Dollar as at 31 December 2009 to K4,783 as at end of December 2010 while appreciating against other major currencies such as the Euro and the Pound Sterling resulting in lower net unrealised foreign exchange losses and realiased gains on the Bank's foreign currency denominated assets compared to those recorded in 2009.

9 Impairment of financial assets

	Amounts due from closed banks (Note 20)	Other assets (Note 19)	Total
At 1 January 2009	137,162	3,640	140,802
Impairment loss for the year			
- Charge for the year	164	675	839
- Reversal during the year	(7,144)	(2,495)	(9,639)
	(6,980)	(1,820)	(8,800)
Balance at 31 December 2009	130,182	1,820	132,002
At 1 January 2010	130,182	1,820	132,002
Impairment loss for the year			
- Charge for the year	200	1,121	1,321
- Reversal during the year	(3)	(263)	(266)
	197	858	1,055
Balance at 31 December 2010	130,379	2,678	133,057

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

		2010	2009
10	**Employee benefits**	**2010**	2009
	Wages and salaries	**135,345**	122,956
	Other employee costs	**119,477**	110,573
	Employer's pension contributions	**15,060**	14,882
	Employer's NAPSA contributions	**1,929**	2,780
	Staff loan benefit (Note 16)	**1,259**	553
		273,070	251,744

11	**Operating expenses**	**2010**	2009
	Administrative expenses	**44,059**	54,298
	Repairs and maintenance	**10,973**	9,815
	Expenses for bank note production	**2,358**	61,685
	Sundry banking office expenses	**12**	9
		57,402	125,807

12 Income tax

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

13	**Foreign currency cash and bank accounts**	**2010**	2009
	Deposits with non-resident banks	**4,375,202**	3,419,154
	Special Drawing Rights (“SDRs”)	**2,992,057**	2,950,196
	Clearing correspondent accounts with other central banks	**1,445,850**	491,876
	Current account balances with non-resident banks	**1,200,803**	2,068,409
	Foreign currency cash with banking office	**4,430**	4,371
		10,018,342	8,934,006

14 Items in course of settlement

Items in the course of settlement represent claims on credit institutions in respect of cheques lodged in 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.

15 Held-for-trading financial assets

Balances represent actual holdings of Treasury Bills acquired by the Bank through rediscounts by commercial banks. Rediscount activity was generally low in both 2010 and 2009. The holding recorded as at 31 December 2010 is in respect of Treasury Bills with a tenure of 182 days.

16	**Loans and advances**	**2010**	2009
	Staff loans	**35,374**	37,435
	Staff loans benefit at market value	**2,094**	2,680
	Total staff loans	**37,468**	40,115
	Budgetary advances to the Government	**909,967**	-
	Credit to banks	**197,194**	-
	Staff advances	**779**	1,004
	Total loans and advances	**1,145,408**	41,119

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

16 Loans and advances *(Continued)*

Movement in staff loans benefit

	2010	2009
Balance at 1 January	**2,680**	3,233
Current year fair value adjustment of new loans	**673**	-
	3,353	3,233
Amortised to statement of comprehensive income(Note 10)	**(1,259)**	(553)
Balance at 31 December	**2,094**	2,680

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

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

The maximum prevailing interest rates on staff loans were as follows:

	2010	2009
House loans	**10%**	10%
Personal loans	**10%**	10%
Multi-purpose loans	**12.5%**	12.5%

17 Held-to-maturity financial assets

	2010	2009
GRZ consolidated securities (Note 18)	**1,751,611**	1,754,051
Other GRZ securities	**198,423**	204,437
Staff savings treasury bills	**-**	12,622
	1,950,034	1,971,110

18 The GRZ consolidated securities

	2010	2009
6% GRZ consolidated bond	**1,120,968**	1,120,968
364 days Treasury Bills	**630,643**	633,083
	1,751,611	1,754,051

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

The securities are available for trading as repurchase agreements (repos).

The economic substance of a repurchase agreement is regarded as that of a collateralised loan. Consistent with the principle of "substance over form" the portion of consolidated securities converted into Treasury Bills has been treated as held-to-maturity because the trade will not result in outright sale leading to full transfer of rewards and risks to the purchaser.

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

18 The GRZ consolidated securities (Continued)

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

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

The bond is carried at amortised cost at an effective interest rate of 6.04%. The bond is reviewed on an annual basis for any impairment.
The Treasury Bills are measured at amortised cost at an effective interest rate of 11.05%. The Treasury Bills are renewable in the short term and the rolled over values will reflect fair values. However, where objective evidence of impairment exists, a measurement of the impairment loss will be determined and recorded in the income statement.

19 Other assets

	2010	2009
Prepayments	**5,832**	3,244
Sundry receivables	**4,645**	57,028
Stationery and office consumables	**951**	988
	11,428	61,260
Specific allowances for impairment (note 9)	**(2,678)**	(1,820)
	8,750	59,440

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

20 Amounts due from closed banks

	2010	2009
Advances	**130,379**	130,182
Specific allowances for impairment (note 9)	**(130,379)**	(130,182)
	-	-

21 Available-for-sale investments

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

21 Available-for-sale investments *(Continued)*

Zambia Electronic Clearing House Limited

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

Africa Export Import Bank

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

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

	2010	2009
Poverty Reduction and Growth Facility (PRGF)*	**1,886,838**	1,594,676
Accrued charges - SDR Allocation	**2,106**	202
	1,888,944	1,594,878

* Formerly Enhanced Structural Adjustment Facility (ESAF) obligation.

This represents funds drawn by the Government of the Republic of Zambia against the IMF PRGF facility (Note 35).

23 IMF subscription

The IMF subscription represents membership quota amounting to **SDR 489,100,000** (2009: 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 2010 and 2009. The valuation is conducted once every 30 April of the year by the IMF and advised to member countries to effect the necessary adjustments.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

24 Property, plant and equipment

	Leasehold buildings	Furniture fittings computer, plant, machinery and equipment	Motor vehicle, bullion truck and escort vehicle	Capital work-in progress	Total
Cost or valuation					
At I January 2009	167,335	82,157	14,588	3,739	267,819
Additions	141	3,226	-	9,179	12,546
Revaluation	72,721	-	-	-	72,721
Transfers	369	1,023	-	(1,392)	-
Disposals	(1,680)	(1,173)	(1,079)	-	(3,932)
31 December 2009	238,886	85,233	13,509	11,526	349,154
At I January 2010	238,886	85,233	13,509	11,526	349,154
Additions	121	1,080	2,671	15,111	18,983
Transfers	1,450	1,519	8,163	(15,748)	(4,616)
Disposals	(906)	(7)	-	-	(913)
Adjustments	-	-	-	45	45
31 December 2010	239,551	87,825	24,343	10,844	362,563
Depreciation					
At I January 2009	14,441	39,493	10,455	-	64,389
Charge for the year	4,762	7,715	1,371	-	13,848
Disposals	(237)	(1,030)	(1,079)	-	(2,346)
Transfer of depreciation to reserves	(14,079)	-	-	-	(14,079)
Adjustments	(2)	2	-	-	-
At 31 December 2009	4,885	46,180	10,747	-	61,812
At I January 2010	4,885	46,180	10,747	-	61,812
Charge for the year	4,729	6,500	1,570	-	12,799
Disposals	(125)	(8)	-	-	(133)
Adjustments	-	(14)	-		(14)
At 31 December 2010	9,489	52,658	12,317	-	74,464
Carrying amounts					
At 31 December 2010	230,062	35,166	12,026	10,844	288,099
At 31 December 2009	234,001	39,053	2,762	11,526	287,342

(a) The Bank's business premises were revalued on 1 January 2009 by registered valuation surveyors, R M Fumbeshi & Company. Due to the absence of evidence of market based fair values the basis of valuation was depreciated replacement cost. The assumption was that the buildings were of a specialised nature without an observable reference market price. At the time of revaluation, the carrying amount of premises was K167,334 million. The revaluation surplus of K86,800 million was credited to the revaluation reserve. The carrying amount of the revalued properties if carried under cost model would be K26,289 million.

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

25 Intangible assets

	Purchased Software
Cost	
At 1 January 2009	23,822
Additions	796
At 31 December 2009	24,618
At 1 January 2010	24,618
Additions	4,616
At 31 December 2010	29,234
Amortisation and impairment	
At 1 January 2009	
Amortisation charge for the year	20,802
	2,077
At 31 December 2009	
	22,879
At 1 January 2010	
Amortisation charge for the year	22,879
	1,985
At 31 December 2010	
	24,864
Carrying amounts	
At 31 December 2010	4,370
At 31 December 2010	1,739

26 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 hand 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 sheet.

27 Capital commitments

	2010	2009
Authorised by the directors and contracted for	57,813	53,050

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

28 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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

29 Deposits from financial institutions

	2010	2009
Statutory minimum reserve requirements	**1,703,201**	1,065,801
Term deposits from financial institutions	**1,956,070**	659,526
Commercial bank current accounts	**711,572**	967,880
Deposits from other international financial institutions	**363**	363
Deposits from other central banks	**34**	34
	4,371,240	2,693,604

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

30 Foreign currency liabilities to other institutions

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

31 Other deposits

	2010	2009
Staff savings, deposits and clearing accounts	**26,661**	24,681
Other savings and deposits	**933**	239
	27,594	24,920

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

32 Other liabilities

	2010	2009
Accounts payable	**31,086**	7,657
Accrued expenses payable	**29,544**	27,521
	60,630	35,178

Other liabilities are expected to be settled no more than 12 months after the date of the statement of financial position.

33 Provisions

	2010	2009
Balance at 1 January	**22,789**	27,405
Provisions made during the year	**3,729**	3,486
Payments made during the year	**(1,586)**	(8,102)
Balance at 31 December	**24,932**	22,789

The provisions are in respect of various claims brought against the Bank in the courts of law. (See also note 41).

34 Domestic currency liabilities to IMF

	2010	2009
International Monetary Fund:		
Securities account	**3,483,753**	4,113,578
No. 1 account	**11,535**	11,535
No. 2 account	**140**	166
	3,495,428	4,125,279

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

34 Domestic currency liabilities to IMF *(Continued)*

The above liability arises from IMF Quota subscriptions (Note 23) and has no repayment terms and bears no interest. The decrease in value is on account of currency valuation adjustments between 2010 and 2009, as advised by IMF.

35 Foreign currency liabilities to IMF

	2010	2009
Due to the International Monetary Fund:		
- Poverty Reduction and Growth Facility (PRGF) (a)	**1,886,838**	1,594,640
- Charges on SDR allocation (b)	**2,106**	202
	1,888,944	1,594,842

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

	2010	2009
Present value of unfunded obligations	**-**	-
Present value of funded obligations	**305,808**	216,555
Total present value of obligations	**305,808**	216,555
Fair value of plan assets	**(265,057)**	(220,284)
Unrecognised plan asset	**-**	3,729
Recognised liability for defined benefit obligations	**40,751**	-

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

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

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method after every three years. The latest actuarial review and valuation was carried out by Quantum Consultants and Actuaries on 12 March 2011 in respect of results as at 31 December 2010. Comparatives for the year ended 31 December 2009 are on the basis of assumptions used in the previous actuarial valuation as at 31 December 2006.

Plan assets comprise:

	2010	2009
Corporate bonds	**9,735**	3,826
Other assets	**34,346**	1,920
Equity securities	**11,876**	9,639
Investment properties	**38,497**	28,729
Treasury bills	**32,091**	47,500
GRZ bonds	**138,512**	128,670
Total plan assets	**265,057**	220,284

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

36 Employee benefits (Continued)

Movement in the present value of the defined benefit obligations	2010	2009
Defined benefit obligations at 1 January	**216,555**	187,176
Current service and interest costs	**100,946**	41,303
Benefits paid by the plan	**(30,276)**	(11,924)
Actuarial losses	**18,583**	-
Defined benefit obligations at 31 December	**305,808**	216,555

Movement in the present value of plan assets

Fair value of plan assets at 1 January	**220,284**	196,017
Contributions paid into the plan	**40,087**	18,806
Benefits paid by the plan	**(30,276)**	(11,924)
Expected return on plan assets	**88,536**	29,919
Unrecognised actuarial gains/(losses)	**(53,574)**	(12,534)
Fair value of plan assets at 31 December	**265,057**	220,284

Expense recognised in profit or loss

	2010	2009
Current service costs	**28,611**	-
Interest on obligation	**72,335**	-
Expected return on plan assets	**(88,536)**	-
Unrecognised plan asset	**-**	-
Amortisation of actuarial loss/(gains)	**40,751**	-
Contribution by members	**(10,022)**	-
	43,139	-

Actuarial assumptions

Principle actuarial assumptions at the reporting date were:

	2010	2009
Future pension increase	**3.0%**	3.5%
Salary increase (p.a)	**7.5%**	12%
Discount rate (p.a)	**15.5%**	15%
Expected return on plan assets	**13%**	15%

37 Notes and coins in circulation

	2010	2009
Bank notes issued by denomination		
K50,000	**1,963,461**	1,402,527
K20,000	**533,570**	387,786
K10,000	**124,428**	100,923
K5,000	**58,182**	44,828
K1,000	**32,127**	29,548
K500	**24,493**	22,466
K100	**9,303**	8,481
K50	**3,976**	3,750
K20	**711**	711
Bank notes issued	**2,750,251**	2,001,020
Coins issued	**226**	226
	2,750,477	2,001,246

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

38 Capital

	2010	2009
Authorised	**500,000**	500,000
Issued and fully paid up	**10,020**	10,020

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

39 Reserves

General reserve fund

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

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

(a) 25% of the net profits for the year, when the balance in the general reserve fund is less than three times the Bank's authorised capital; or
(b) 10% of the net profits for the year, when the balance in the general reserve fund is equal to or greater than three times the Bank's authorised capital.

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

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

SDR allocation

This represents Special Drawing Rights allocated by the IMF amounting to SDR 469,098,000. The purpose of the allocations is to improve an IMF member country's foreign exchange reserves assets. The amount is not repayable to IMF and is stated at the historical SDR rate to the Zambian Kwacha.

Property revaluation reserves

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

Retained earnings

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

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

40 Related party transactions

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 2010 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:

	2010	2009
Interest on held-to-maturity GRZ securities	**173,895**	211,036
Fees and commission income on transactions with the GRZ	**17,484**	18,633
Profit on foreign exchange transactions	**11,771**	4,692
Interest on advances to GRZ	**11,260**	-
Total	**214,410**	234,361

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

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

	2010	2009
GRZ - year end balances		
Deposits from GRZ Institutions	**(2,361,237)**	(2,445,089)
Holdings of GRZ securities	**1,950,034**	1,975,680

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.

Bank of Zambia

Notes to the financial statements *(Continued)*
for the year ended 31 December 2010

40 Related party transactions *(Continued)*

Transactions and balances with directors and key management personnel

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

a) Short-term benefits

	2010	2009
Directors' fees	**538**	282
Remuneration for key management personnel		
- Salaries and allowances	**20,892**	17,773
- Pension contributions	**1,303**	811
	22,733	18,866

Loans and advances to key management personnel

	2010	2009
Balance at 31 December	**2,177**	2,206

The terms and conditions on the loans and advances to key management personnel are determined by management, 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.

	2010	2009
b) Post employment pension benefits	**258**	1,481
c) Other long-term benefits	**-**	3,388
d) Termination benefits	**249**	3,683

41 Contingent liabilities

The Bank is party to various litigation cases, whose ultimate resolution, in the opinion of the Directors, is not expected to materially impact the financial statements. In a majority of cases the possibility of loss is remote and where loss is likely, liability is insignificant. However, some provisions (note 33) have been recorded in respect of those cases where an outflow of cash was probable and a reliable estimate could be obtained.

42 Comparative figures

Comparative figures have been reclassified where appropriate to allow for more meaningful comparison with current year figures. In particular prior year figures have been reclassified in respect of non-owner changes in equity reflected in the statement of comprehensive income.

43 Events after the reporting date

Assets and liabilities are adjusted for events that occur between the Bank's annual reporting date, and the date the Board of Directors approves the financial statements if such events materially affect the condition of assets and liabilities at the reporting date. There were no material events after the reporting date requiring adjustment in or disclosure in the financial statements.

10.0 2010 ANNUAL STATISTICAL REPORT

*2009 numbers may differ from those published in 2010 Annual Report as these were preliminary while 2010 Annual Report presents final numbers for all the years.

MONETARY SURVEY (IN MILLIONS OF KWACHA)

TABLE 1

Monetary Account/Period	2005 December	2006 December	2007 December	2008 December	2009 December	2010 January	February	March	April	May	June	July	August	September	October	November	Prel. December
NET FOREIGN ASSETS	**-312,030**	**3,887,665**	**5,023,122**	**5,237,126**	**4,956,382**	**4,653,449**	**5,069,954**	**5,125,748**	**5,385,183**	**5,826,267**	**6,384,928**	**7,084,248**	**6,985,871**	**7,564,070**	**6,884,285**	**7,167,770**	**6,926,184**
Foreign assets (BOZ)	4,751,306.4	5,559,756.4	7,250,652.5	5,223,404	9,004,775	8,695,630	8,695,515	8,594,523	8,564,544	9,070,782	9,095,142	9,812,223	9,825,568	10,279,570	9,984,956	10,457,119	10,023,244
o/w: IMF	3,330,720.7	2,483,658.0	3,123,696.7	51,617	2,950,196	2,905,301	2,952,007	2,898,687	2,916,125	2,998,885	3,097,146	3,014,680	3,029,593	3,056,167	2,972,409	3,068,438	2,991,689
Foreign assets (banks)	1,205,252.0	1,838,533.0	2,339,236.0	2,539,169	2,804,304	2,382,526	2,875,184	2,898,663	3,315,763	3,185,968	3,676,823	3,915,558	3,496,505	3,583,352	3,585,567	3,678,857	3,806,111
Foreign liabilities (BOZ)	-5,774,282.2	-2,767,680.6	-3,442,937.3	-812,089	-5,118,461	-4,866,255	-5,073,863	-4,863,110	-4,873,433	-4,919,018	-4,969,736	-5,056,898	-5,065,463	-5,082,721	-5,031,229	-5,088,398	-5,170,019
o/w: IMF	-5,349,213.8	-2,607,730.3	-3,352,179.7	-752,101	-4,853,623	-4,829,429	-4,854,946	-4,826,175	-4,836,378	-4,881,920	-4,932,348	-5,020,919	-5,029,915	-5,046,132	-4,995,614	-5,052,169	-5,142,338
Foreign liabilities (banks)	-494,305.9	-742,943.4	-1,123,829.4	-1,713,358	-1,734,236	-1,558,452	-1,426,882	-1,504,328	-1,621,691	-1,511,465	-1,417,302	-1,586,635	-1,270,739	-1,216,130	-1,655,009	-1,879,808	-1,733,152
DOMESTIC ASSETS	**6,122,708**	**4,538,776**	**5,610,939**	**7,768,368**	**9,071,972**	**8,993,414**	**9,228,596**	**9,463,958**	**9,807,372**	**9,610,747**	**10,066,909**	**10,095,107**	**10,344,285**	**10,335,176**	**10,598,342**	**10,882,842**	**11,396,756**
DOMESTIC CREDIT	**5,054,356.3**	**6,469,045.6**	**7,616,606.9**	**10,633,463**	**12,137,617**	**12,048,162**	**12,602,707**	**12,475,370**	**12,421,106**	**12,908,310**	**13,732,553**	**13,645,435**	**14,041,188**	**14,153,376**	**14,755,928**	**14,580,732**	**14,915,117**
Net Claims on General Government	2,386,879.3	2,474,645.5	1,861,452.5	2,408,899	4,013,370	4,072,423	4,531,747	4,515,522	4,433,452	4,541,476	5,296,890	5,306,301	5,670,850	5,614,975	6,131,379	5,541,856	5,870,267
Claims on government (BOZ)	1,939,711.1	1,941,617.7	1,944,215.1	2,033,508	3,542,856	3,518,355	3,545,035	3,516,515	3,526,265	3,572,851	3,624,386	3,716,199	3,766,642	4,152,483	4,328,939	4,846,213	4,585,626
Claims on government (banks)	1,834,263.4	2,102,847.7	2,496,823.2	2,570,100	3,804,402	4,175,460	4,433,888	4,411,180	4,525,117	4,456,170	4,489,753	4,508,277	4,796,416	4,618,310	4,951,425	4,631,979	4,514,813
Government deposits at BOZ	-869,448.6	-1,036,522.5	-1,956,823.4	-1,377,776	-2,438,014	-2,785,393	-2,688,003	-2,707,606	-3,044,905	-2,840,662	-2,185,973	-2,236,920	-2,309,765	-2,468,014	-1,830,918	-3,047,330	-2,369,968
Government deposits at banks	-517,646.6	-533,297.3	-622,762.5	-816,932	-895,874	-835,999	-759,173	-704,567	-573,024	-646,883	-631,277	-681,255	-582,442	-687,804	-1,318,067	-889,006	-860,203
Claims on public enterprises	230,343.0	224,415.4	378,545.4	147,545	365,495	345,070	337,414	284,575	299,546	300,428	197,701	234,120	225,051	234,037	264,704	275,168	238,128
Claims on public enterprises (BOZ)	96,339.6	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on public enterprises (banks)	134,003.4	224,415.4	378,545.4	147,545	365,495	345,070	337,414	284,575	299,546	300,428	197,701	234,120	225,051	234,037	264,704	275,168	238,128
Claims on private enterprises	1,879,189.8	3,054,685.7	4,309,122.0	5,455,233	4,867,814	4,576,560	4,781,297	4,704,171	4,725,752	5,078,168	5,201,216	5,060,885	5,025,921	5,141,233	5,152,336	5,354,178	5,436,449
Claims on private enterprises (BOZ)	13,598.2	16,059.4	18,150.6	5,962	5,149	57,639	4,841	13,581	15,113	16,519	17,904	19,458	8,979	11,821	17,767	18,682	33,456
Claims on private enterprises (banks)	1,865,591.5	3,038,626.3	4,290,971.3	5,449,271	4,862,665	4,518,921	4,776,456	4,690,589	4,710,639	5,061,649	5,183,312	5,041,427	5,016,941	5,129,412	5,134,569	5,335,495	5,402,993
Claims on households	528,038.6	625,392.1	942,615.2	2,492,545	2,540,713	2,652,484	2,541,274	2,595,974	2,602,128	2,600,231	2,632,891	2,658,018	2,724,506	2,772,330	2,837,221	3,005,855	3,009,245
Claims on households (BOZ)	39,008.7	41,712.8	37,934.9	38,959	41,873	39,659	42,119	38,913	39,388	39,959	40,509	40,252	40,462	40,857	40,905	42,887	43,724
Claims on households (banks)	489,029.8	583,679.3	904,680.3	2,453,586	2,498,840	2,612,826	2,499,155	2,557,061	2,562,740	2,560,272	2,592,382	2,617,766	2,684,044	2,731,473	2,796,316	2,962,968	2,965,521
Claims on nongovernment/nonprofit inst.	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nongovernment/nonprofit inst. (BOZ)	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nongovernment/nonprofit inst. (banks)	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nonbank financial institutions	29,905.7	89,906.9	124,871.9	129,240	350,225	401,624	410,975	375,129	360,228	388,007	403,855	386,111	394,861	390,801	370,288	403,676	361,028
Claims on nonbank financial institutions (BOZ)	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nonbank financial institutions (banks)	29,905.7	89,906.9	124,871.9	129,240	350,225	401,624	410,975	375,129	360,228	388,007	403,855	386,111	394,861	390,801	370,288	403,676	361,028
OTHER ITEMS NET	1,068,352	-1,930,270	-2,005,668	-2,865,094	-3,065,645	-3,054,748	-3,374,111	-3,011,413	-2,613,734	-3,297,563	-3,665,644	-3,550,328	-3,696,904	-3,818,201	-4,157,587	-3,697,890	-3,518,361
Claims on banks (BOZ)	168,282.4	208,373.4	123,993.5	142,452	137,687	137,042	136,509	135,104	138,218	136,669	137,407	138,468	135,760	147,011	138,381	137,472	325,115
Bankers deposits at BOZ	1,345,066.7	2,089,534.7	54,642.1	-80,001	-55,590	-54,832	-55,882	2,507,820	2,558,873	2,501,571	2,683,101	3,559,754	-40,696	-49,666	-53,842	-56,761	4,492,867
BOZ liabilities to banks	-1,302,168.8	-2,025,288.0	2,080,587.7	-2,467,915	-2,613,023	-2,538,276	-2,380,107	-2,394,125	-2,516,911	-2,452,354	-2,684,623	-3,377,263	-3,525,597	-3,723,634	-4,061,455	-4,082,381	-4,369,911
Credit from BOZ	-121,662.0	-113,199.0	-1,992,860.0	2,724,733	2,728,049	2,690,140	2,434,081	-47,590	-45,931	-46,350	-41,735	-40,695	3,543,804	3,781,725	4,145,042	4,234,040	-219,229
Other items net (BOZ)	1,853,504.8	-757,413.6	-23,727.0	-835,819	-542,122	-360,252	-384,642	-298,125	182,887	-424,451	-725,975	-631,781	-441,764	-932,378	-871,887	-620,472	-331,798
o/w: IMF	1,826,545.5	-136,544.3	-506,096.6	-248,736	-3,227,194	-3,227,284	-3,227,081	-3,227,183	-3,227,288	-3,227,103	-3,227,210	-3,227,336	-3,227,909	-3,228,761	-3,229,812	-3,227,839	-3,228,673
Other items net (banks)	-931,986.3	-1,385,851.2	-1,742,207.7	-2,348,544	-2,720,646	-2,928,570	-3,124,070	-2,914,496	-2,930,870	-3,012,648	-3,033,820	-3,198,810	-3,368,410	-3,041,258	-3,453,826	-3,309,788	-3,415,405
BROAD MONEY	**5,810,679**	**8,426,441**	**10,634,061**	**13,005,494**	**14,028,355**	**13,646,862**	**14,298,550**	**14,589,705**	**15,192,554**	**15,437,015**	**16,451,836**	**17,179,355**	**17,330,156**	**17,899,246**	**17,482,627**	**18,050,612**	**18,322,940**
MONEY	**2,280,107.1**	**3,463,739.1**	**4,172,540.7**	**5,101,414**	**5,020,066**	**5,048,762**	**5,308,126**	**5,435,291**	**5,431,958**	**5,963,990**	**7,448,919**	**6,642,232**	**6,783,784**	**6,548,385**	**6,328,580**	**6,789,265**	**6,888,934**
Currency outside banks	823,119.9	1,071,150.7	1,305,005.2	1,617,059	1,591,996	1,522,051	1,526,446	1,583,039	1,630,242	1,756,423	1,894,074	1,959,196	1,959,188	1,919,336	2,184,698	2,120,633	2,241,769
Demand deposits at BOZ	2,333.5	1,365.3	542.9	437	512	286	239	776	738	714	468	1,554	1,545	1,455	1,360	1,288	1,249
Demand deposits at banks	1,454,653.7	2,391,223.2	2,866,992.7	3,483,919	3,427,558	3,526,426	3,781,441	3,851,476	3,800,978	4,206,853	5,554,377	4,681,482	4,823,052	4,627,593	4,142,522	4,667,343	4,645,916
QUASI-MONEY	**3,530,571.9**	**4,962,702.1**	**6,461,519.8**	**7,904,080**	**9,008,289**	**8,598,100**	**8,990,424**	**9,154,414**	**9,760,595**	**9,473,025**	**9,002,917**	**10,537,123**	**10,546,372**	**11,350,861**	**11,154,047**	**11,261,347**	**11,434,007**
Savings Deposits	907,283.0	1,095,235.2	1,425,782.9	1,833,931	1,831,489	1,837,649	1,876,087	1,918,086	1,832,863	1,851,697	1,914,995	1,939,813	1,989,128	2,074,829	2,086,320	2,117,343	2,257,663
Savings deposits at BOZ	8,879.4	8,655.6	16,924.3	18,389	21,128	15,818	16,483	16,412	16,433	14,572	16,527	15,399	15,717	15,744	15,418	17,740	20,299
Savings deposits at banks	898,403.5	1,086,579.5	1,408,858.5	1,815,542	1,810,361	1,821,831	1,859,603	1,901,674	1,816,429	1,837,125	1,898,468	1,924,414	1,973,411	2,059,085	2,070,902	2,099,602	2,237,364
Time deposits and other deposits	672,541.9	1,203,872.9	1,170,707.9	1,750,797	2,178,108	2,212,118	2,332,676	2,355,227	2,445,411	2,559,383	2,564,440	2,603,286	2,687,059	2,825,106	2,947,386	2,637,407	2,570,605
Time deposits	672,366.9	1,203,441.9	1,170,104.9	1,750,407	2,176,609	2,211,338	2,331,605	2,354,295	2,444,941	2,558,617	2,563,757	2,602,570	2,686,348	2,824,366	2,946,467	2,636,341	2,569,537
Bills payable	175.0	431.0	603.0	390	1,499	780	1,071	932	470	766	683	716	711	740	919	1,066	1,068
Acceptances payable	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Foreign currency deposits	1,950,747.0	2,663,594.0	3,865,029.0	4,319,351	4,998,692	4,548,333	4,781,661	4,881,101	5,482,322	5,061,945	4,523,483	5,994,024	5,870,184	6,450,925	6,120,340	6,506,598	6,605,738
Foreign currency demand deposits	1,667,550.0	2,453,207.0	3,300,851.0	3,541,644	4,144,710	3,726,011	4,008,498	4,093,786	4,674,265	4,428,878	3,882,079	5,378,028	5,168,310	5,716,686	5,189,623	5,445,101	5,592,121
Foreign currency savings deposits	14,165.0	12,117.0	10,542.0	16,504	158,729	104,723	113,471	110,535	107,912	115,515	117,060	111,086	128,478	116,477	125,088	134,812	146,381
Foreign currency time deposits	269,032.0	198,270.0	553,636.0	761,204	695,253	717,599	659,692	676,780	700,145	517,551	524,344	504,910	573,396	617,762	805,629	926,685	867,237
Verticle Check	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

ANALYTICAL ACCOUNTS OF THE BANK OF ZAMBIA (IN MILLIONS OF KWACHA) TABLE 2

Monetary Account/Period	2005 December	2006 December	2007 December	2008 December	2009 December	2010 January	February	Prel. March	Prel. April	Prel. May	June	July	August	September	October	November	December
NET FOREIGN ASSETS	**-1,022,976**	**2,792,076**	**3,807,715**	**4,411,315**	**3,886,314**	**3,829,374**	**3,621,652**	**3,731,413**	**3,691,111**	**4,151,765**	**4,125,407**	**4,755,325**	**4,760,105**	**5,196,849**	**4,953,727**	**5,368,721**	**4,853,225**
Gross foreign assets	4,751,306	5,559,756	7,250,652	5,223,404	9,004,775	8,695,630	8,695,515	8,594,523	8,564,544	9,070,782	9,095,142	9,812,223	9,825,568	10,279,570	9,984,956	10,457,119	10,023,244
Monetary gold	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve position in the Fund	3,274,976	2,423,995	3,085,871	2,824,221	4,125,278												
SDR holdings	55,744	59,663	37,826	51,617	2,950,196	2,905,301	2,952,007	2,898,687	2,916,125	2,998,885	3,097,146	3,014,680	3,029,593	3,056,167	2,972,409	3,068,438	2,991,689
Foreign exchange holdings	1,418,757	3,053,761	4,110,377	5,154,356	6,040,378	5,788,135	5,741,785	5,694,549	5,647,060	6,070,721	5,995,236	6,794,812	6,793,427	7,221,055	7,009,359	7,385,675	7,028,460
Other foreign assets	1,828	22,337	16,579	17,431	14,200	2,195	1,723	1,286	1,359	1,176	2,761	2,730	2,548	2,348	3,188	3,005	3,095
Gross foreign liabilities	-5,774,282	-2,767,681	-3,442,937	-812,089	-5,118,461	-4,866,255	-5,073,863	-4,863,110	-4,873,433	-4,919,018	-4,969,736	-5,056,898	-5,065,463	-5,082,721	-5,031,229	-5,088,398	-5,170,019
Use of Fund credit	-3,275,208	-2,424,225	-3,020,135	-503,365	-1,626,429	-1,602,145	-1,627,865	-1,598,992			-4,969,736						
IBRD Securities Account	-2,073,443	-182,943	-331,481	-363	-5,118,461	-4,866,255	-5,073,863	0									
Fund administered accounts	0	0	0	-462,446	-1,626,429	-1,602,145	-1,627,865	-1,598,992	-1,609,090	-1,654,817	-1,705,138	-1,793,584	-1,802,006	-1,817,371	-1,765,801	-1,824,330	-1,913,665
Fund charges	-425,068	-159,950	-90,758	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Allocation of SDR				-248,736	-3,227,194	-3,227,284	-3,227,081	-3,227,183	-3,227,288	-3,227,103	-3,227,210	-3,227,336	-3,227,909	-3,228,761	-3,229,812	-3,227,839	-3,228,673
Other foreign liabilities				-59,988	-264,838	-36,826	-218,916	-36,935	-37,055	-37,098	-37,388	-35,978	-35,548	-36,589	-35,615	-36,229	-27,681
DOMESTIC ASSETS	**3,298,312**	**467,401**	**-283,984**	**7,285**	**747,429**	**607,050**	**655,859**	**698,381**	**856,965**	**500,886**	**908,259**	**1,045,675**	**1,200,314**	**951,780**	**1,823,187**	**1,377,452**	**2,286,154**
DOMESTIC CREDIT	1,444,807	1,224,815	222,113	843,104	1,289,551	967,302	1,040,501	996,507	674,078	925,337	1,634,234	1,677,456	1,642,078	1,884,158	2,695,074	1,997,924	2,617,952
Claims on Gen.Government (net)	1,070,262	905,095	-12,608	655,731	1,104,842	732,962	857,032	808,909	481,360	732,189	1,438,413	1,479,279	1,456,877	1,684,469	2,498,021	1,798,883	2,215,658
Claims on the central government	1,939,711	1,941,618	1,944,215	2,033,508	3,542,856	3,518,355	3,545,035	3,516,515	3,526,265	3,572,851	3,624,386	3,716,199	3,766,642	4,152,483	4,328,939	4,846,213	4,585,626
Central government deposits	-869,449	-1,036,523	-1,956,823	-1,377,776	-2,438,014	-2,785,393	-2,688,003	-2,707,606	-3,044,905	-2,840,662	-2,185,973	-2,236,920	-2,309,765	-2,468,014	-1,830,918	-3,047,330	-2,369,968
Claims on nonfin. public enterprises	96,340	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on the private enterprises	13,598	16,059	18,151	5,962	5,149	57,639	4,841	13,581	15,113	16,519	17,904	19,458	8,979	11,821	17,767	18,682	33,456
Claims on households	39,009	41,713	37,935	38,959	41,873	39,659	42,119	38,913	39,388	39,959	40,509	40,252	40,462	40,857	40,905	42,887	43,724
Claims on nongovernment/nonprofit inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on banks	168,282	208,373	123,994	142,452	137,687	137,042	136,509	135,104	138,218	136,669	137,407	138,468	135,760	147,011	138,381	137,472	325,115
Claims on nonbank financial inst.	0	53,574	54,642	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER ITEMS (NET)	**1,853,505**	**-757,414**	**-506,097**	**-835,819**	**-542,122**	**-360,252**	**-384,642**	**-298,125**	**182,887**	**-424,451**	**-725,975**	**-631,781**	**-441,764**	**-932,378**	**-871,887**	**-620,472**	**-331,798**
Other assets	2,334,654	370,599	350,664	3,137,490	4,520,165	4,533,815	4,537,702	4,546,954	4,561,792	3,932,168	3,940,676	3,951,298	3,962,282	3,974,036	3,985,777	3,893,241	3,895,893
Special holdings of Govt. securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve Position in the Fund	0	0	0	2,824,221	4,125,278	4,125,278	4,125,278	4,125,278	4,125,278	3,495,428	3,495,428	3,495,428	3,495,428	3,495,428	3,495,428	3,495,428	3,495,428
Gov/IMF Trust Fund obligations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/IMF Outstanding charges	2,073,443	109,942	66,295	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/IMF Securities account	18,872	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/ESAF & SAF obligations	239,334	249,154	258,436	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Land and Fixed assets	0	0	0	291,365	373,930	373,795	374,374	373,593	373,733	374,873	375,934	376,743	377,426	379,102	380,168	380,606	382,575
Other investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Items in transit	3,005	11,502	25,933	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other assets	-481,149	-1,128,012	-856,761	21,904	20,957	34,741	38,050	48,083	62,781	61,867	69,315	79,127	89,428	99,505	110,181	17,207	17,889
Other liabilities	-143,857	-143,004	-146,521	-3,973,309	-5,062,288	-4,894,066	-4,922,344	-4,845,080	-4,378,905	-4,356,618	-4,666,651	-4,583,079	-4,404,046	-4,906,414	-4,857,664	-4,513,713	-4,227,691
General Reserve Fund	-5,730	-21,276	-5,888	-42,490	-92,588	-92,588	-92,588	-92,588	-92,588	-92,588	-92,588	-92,588	-92,588	-92,588	-92,588	-92,588	-92,588
Provision for bad & dfll debt	-120,381	227,309	-355,783	-151,765	-154,467	-157,267	-157,953	-157,575	-157,575	-157,623	-157,725	-157,716	-157,716	-157,716	-157,748	-157,748	-157,772
Other provisions	335,655	-510,340	256,831	-47,115	-12,925	-28,919	-28,456	-25,987	-25,410	-24,903	-19,618	-19,922	-19,837	-20,020	-17,187	-16,279	-6,270
Profit and loss carried over	0	0	0	29,924	-425,800	-235,403	-236,215	-236,608	-237,997	-238,390	-238,783	-239,177	-239,569	-239,569	-240,355	-240,355	-240,748
Profit and loss current year	-10,020	-10,020	-10,020	-531,511	155,961	140,995	72,527	218,697	145,362	-21,285	-309,725	-58,888	-89,352	-153,674	130,650	-183,629	116,000
ZIMCO accounts	-218,759	-215,252	-148,276	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital	-246,897	-246,486	-246,897	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020
Reserves and retained earnings	-325	-3,067	-5,344	-144,459	-226,788	-226,418	-224,164	-223,771	-222,596	-222,203	-221,810	-221,417	-221,024	-221,024	-220,238	-220,238	-219,845
Forex arrears accounts	0	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325
Use of Fund Credits	0	0	0	-2,758,849	-4,125,641	-4,125,641	-4,125,641	-4,125,641	-4,125,641	-3,495,791	-3,495,791	-3,495,791	-3,495,791	-3,495,791	-3,495,791	-3,495,791	-3,495,791
Credit for IMF Subscript. pyt.	-69,132	-205,551	-65,735	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revaluation account (liabilities)				-65,735	0	0	0	0	0	0	0	0	0	0	0	0	0
Other liabilities				-250,964	-169,695	-158,480	-119,509	-191,262	347,886	-93,491	-120,266	-287,235	-77,824	-515,686	-754,062	-96,740	-120,333
RESERVE MONEY	**2,275,336**	**3,259,477**	**3,523,732**	**4,418,600**	**4,633,743**	**4,436,424**	**4,277,511**	**4,429,795**	**4,548,076**	**4,652,651**	**5,033,665**	**5,801,000**	**5,960,419**	**6,148,628**	**6,776,914**	**6,746,174**	**7,139,379**
Currency in circulation:	961,954	1,224,168	1,513,404	1,931,859	1,999,080	1,882,045	1,880,682	2,018,482	2,013,994	2,185,010	2,332,047	2,406,784	2,417,561	2,407,796	2,698,681	2,644,764	2,747,920
add: notes and coins issued	964,385	1,226,161	1,515,152	1,934,426	2,001,246	1,884,424	1,883,883	2,020,536	2,016,876	2,188,171	2,334,131	2,409,567	2,420,072	2,410,419	2,701,132	2,648,350	2,750,477
less: teller's cash (BOZ)	-2,431	-1,993	-1,747	-2,566	-2,165	-2,380	-3,201	-2,054	-2,882	-3,161	-2,084	-2,783	-2,511	-2,623	-2,451	-3,585	-2,557
Liabilities to commercial banks	1,302,169	2,025,288	1,992,860	2,467,915	2,613,023	2,538,276	2,380,107	2,394,125	2,516,911	2,452,354	2,684,623	3,377,263	3,525,597	3,723,634	4,061,455	4,082,381	4,369,911
Required reserves (Kwacha deps.)	412,760	564,723	300,139	408,515	496,221	528,358	605,859	582,516	654,640	658,146	689,491	587,901	770,101	768,520	774,701	790,444	1,014,210
Required reserves (Forex deps.)	71	71	19	19	0	0	0	0	0	0	0	0	0	0	0	0	0
Required reserves (Forex deps. In US$)	275,262	401,384	525,035	355,830	489,993	445,063	455,769	482,223	511,372	554,974	628,399	585,051	626,313	632,069	622,953	693,093	688,699
Current account balances (positive)	212,553	256,457	144,238	496,535	967,555	756,601	975,225	894,133	960,774	747,610	517,079	1,077,957	326,552	1,199,915	876,342	630,567	709,230
Term deposits of banks (kwacha)	385,978	792,622	1,022,703	1,206,493	659,000	808,000	343,000	435,000	389,872	491,372	849,400	1,125,000	1,802,300	1,122,800	1,785,500	1,961,033	1,955,501
Other bank deposits (kwacha)	15,545	10,032	727	523	254	254	254	254	254	254	254	1,353	330	330	1,958	7,244	2,270
Settlement position at clearing cntre	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities to non-banks	11,213	10,021	17,467	18,826	21,640	16,104	16,722	17,188	17,171	15,286	16,995	16,953	17,262	17,199	16,778	19,028	21,548
o/w: non government deposits	8,879	8,656	16,924	18,389	21,128	15,818	16,483	16,412	16,433	14,572	16,527	15,399	15,717	15,744	15,418	17,740	20,299
Memo items:																	
K/USD exchange rate (eop - BOZ mid rate)	3,509	4,407	3,845	4,832	4,696	4,696	4,696	4,696	4,696	4,696	4,696	4,696	4,696	4,846	4,846	4,846	4,846
K/USD exchange rate (pa - BOZ mid rate)	3,416	4,128	3,834	4,883	4,658	4,658	4,658	4,658	4,658	4,658	4,658	4,658	4,658	4,871	4,871	4,871	4,871
Reserve money (BoZ definition)1	1,596,827	2,057,546	1,974,725	2,855,317	3,483,984	3,182,822	3,478,249	3,511,543	3,645,841	3,605,338	3,555,144	4,088,042	3,529,931	4,391,974	4,365,142	4,083,516	4,491,660
NIR in USD (estimated from MS):	-299	680	997	903	834	822	777	801	792	891	886	1,021	1,022	1,067	1,017	1,102	996
Assets	1,391	1,292	993	1,070	1,933	1,867	1,867	1,845	1,839	1,947	1,952	2,106	2,109	2,110	2,050	2,147	2,058
Liabilities:	-1,690	-612	-898	-166	-1,099	-1,045	-1,089	-1,044	-1,046	-1,056	-1,067	-1,086	-1,087	-1,043	-1,033	-1,045	-1,061
Liabilities to the Fund	-1,650	-595	-882	-103	-349	-344	-349	-343	-345	-355	-366	-385	-387	-373	-363	-375	-393
Short-term liabilities	-40	-17	-16	-12	-57	-8	-47	-8	-8	-8	-8	-8	-8	-8	-7	-7	-6
NIR reported by the BoZ in dollars:	-521	-521	-521	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180
Assets	243	243	243	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282
o/w Escrow a/c bal.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities:	-764	-764	-764	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102
Liabilities to the Fund	-764	-764	-764	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102	-102
Short-term liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vertical check:				0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

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

TABLE 3

Monetary Account/Period	2005 December	2006 December	2008 December	2009 December	2010 January	February	March	April	May	June	June	July	August	September	October	November	Prel. December
FOREIGN ASSETS (NET)	**710,946**	**1,095,590**	**825,811**	**1,070,068**	**824,074**	**1,448,301**	**1,394,334**	**1,694,072**	**1,674,503**	**2,259,521**	**2,259,521**	**2,328,923**	**2,225,766**	**2,367,222**	**1,930,558**	**1,799,048**	**2,072,959**
Gross assets	1,205,252	1,838,533	2,539,169	2,804,304	2,382,526	2,875,184	2,898,663	3,315,763	3,185,968	3,676,823	3,676,823	3,915,558	3,496,505	3,583,352	3,585,567	3,678,857	3,806,111
Liabilities	-494,306	-742,943	-1,713,358	-1,734,236	-1,558,452	-1,426,882	-1,504,328	-1,621,691	-1,511,465	-1,417,302	-1,417,302	-1,586,635	-1,270,739	-1,216,130	-1,655,009	-1,879,808	-1,733,152
RESERVES (CREDIT TO BOZ)	**1,483,901**	**2,242,552**	**3,039,534**	**3,135,134**	**3,050,133**	**2,788,317**	**2,943,263**	**2,942,625**	**2,930,158**	**3,121,073**	**3,121,073**	**4,007,342**	**4,002,177**	**4,270,185**	**4,659,025**	**4,758,171**	**4,999,018**
Cash in vaults	138,834	153,017	314,801	407,085	359,994	354,236	435,442	383,752	428,587	437,973	437,973	447,588	458,373	488,459	513,983	524,131	506,151
Other balances at BOZ	260,832	388,506	571,031	1,002,345	815,764	928,382	920,822	989,701	808,821	596,919	596,919	1,124,842	355,873	1,275,668	959,726	859,376	1,045,787
Statutory reserves at BOZ (kwacha and forex)	715,064	992,574	946,757	1,066,704	1,066,375	1,172,698	1,161,999	1,185,472	1,206,250	1,233,281	1,233,281	1,307,334	1,395,600	1,398,257	1,396,816	1,472,664	1,501,580
Money market placements	369,171	708,455	1,206,945	659,000	808,000	333,000	425,000	383,700	486,500	852,900	852,900	1,127,578	1,792,331	1,107,800	1,788,500	1,902,000	1,945,500
CREDIT TO DOMESTIC ECONOMY	**3,835,147**	**5,506,178**	**9,932,811**	**10,985,753**	**11,217,902**	**11,698,716**	**11,613,967**	**11,885,245**	**12,119,642**	**12,235,727**	**12,235,727**	**12,106,446**	**12,534,870**	**12,416,229**	**12,199,235**	**12,720,280**	**12,622,280**
Claims on general government (net)	1,316,617	1,569,550	1,753,168	2,908,527	3,339,461	3,674,716	3,706,613	3,952,092	3,809,287	3,858,477	3,858,477	3,827,023	4,213,973	3,930,506	3,633,358	3,742,974	3,654,610
Claims on general government	1,834,263	2,102,848	2,570,100	3,804,402	4,175,460	4,433,888	4,411,180	4,525,117	4,456,170	4,489,753	4,489,753	4,508,277	4,796,416	4,618,310	4,951,425	4,631,979	4,514,813
Treasury bills	913,332	1,105,947	1,195,741	1,961,596	2,335,064	2,500,655	2,425,919	2,500,103	2,457,385	2,489,969	2,489,969	2,527,429	2,848,233	2,455,761	2,669,109	2,442,855	2,307,851
Other assets	920,931	996,900	1,374,359	1,842,805	1,840,396	1,933,233	1,985,261	2,025,013	1,998,784	1,999,785	1,999,785	1,980,849	1,948,183	2,162,549	2,282,316	2,189,124	2,206,963
Dep. of general government with Donor funds	-517,647	-533,297	-816,932	-895,874	-835,999	-759,173	-704,567	-573,024	-646,883	-631,277	-631,277	-681,255	-582,442	-687,804	-1,318,067	-889,006	-860,203
Dep. of general government without Donor Funds	134,003	224,415	-632,383	-795,891	-635,810	-645,715	-596,498	-494,939	-527,086	-527,002	-527,002	-551,034	-475,950	-555,513	-1,149,171	-792,150	-756,524
Claims on parastatals & state enterpr.	1,865,592	3,038,626	147,545	365,495	345,070	337,414	284,575	299,546	300,428	197,701	197,701	234,120	225,051	234,037	264,704	275,168	238,128
Claims on private enterprises	489,030	583,679	5,449,271	4,862,665	4,518,921	4,776,456	4,690,589	4,710,639	5,061,649	5,183,312	5,183,312	5,041,427	5,016,941	5,129,412	5,134,569	5,335,495	5,402,993
Claims on households	29,906	89,907	2,453,586	2,498,840	2,612,826	2,499,155	2,557,061	2,562,740	2,560,272	2,592,382	2,592,382	2,617,766	2,684,044	2,731,473	2,796,316	2,962,968	2,965,521
Claims on nonbank fin. inst.	0	0	129,240	350,225	401,624	410,975	375,129	360,228	388,007	403,855	403,855	386,111	394,861	390,801	370,288	403,676	361,028
Claims on nongov./nonprofit inst.			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER ITEMS (NET)	**-931,986**	**-1,385,851**	**-2,348,544**	**-2,720,646**	**-2,928,570**	**-3,124,070**	**-2,914,496**	**-2,930,870**	**-3,012,648**	**-3,033,820**	**-3,033,820**	**-3,198,810**	**-3,368,410**	**-3,041,258**	**-3,453,826**	**-3,309,788**	**-3,415,405**
Assets	988,930	937,454	1,426,703	1,826,238	1,678,476	1,774,070	2,065,055	2,018,892	2,143,341	2,179,232	2,179,232	2,182,103	1,838,558	2,019,243	1,809,599	1,959,952	1,954,768
Balances held with comm. banks	253,184	111,266	171,602	172,652	150,639	238,476	150,191	145,337	200,588	186,618	186,618	142,690	246,806	148,582	268,704	245,590	231,922
Balances with branches	63,854	11,794	12,638	12,983	12,102	28,218	18,133	9,030	10,539	15,626	15,626	5,340	12,317	6,199	28,288	5,432	14,610
Bank premises	231,622	246,336	597,372	710,215	713,171	712,278	714,526	717,083	717,096	708,074	708,074	727,983	728,063	737,151	742,328	742,917	765,889
Other assets	440,269	568,057	645,092	930,388	802,564	795,098	1,182,205	1,147,442	1,215,118	1,268,914	1,268,914	1,306,090	851,372	1,127,312	770,280	966,013	942,346
Liabilities	-1,920,916	-2,323,305	-3,775,248	-4,546,885	-4,607,047	-4,898,140	-4,979,552	-4,949,762	-5,155,990	-5,213,052	-5,213,052	-5,380,913	-5,206,968	-5,060,502	-5,263,425	-5,269,740	-5,370,173
Liabilities to comm. banks	-169,615	-140,524	-148,208	-136,157	-98,981	-226,494	-208,394	-161,119	-188,996	-195,800	-195,800	-121,328	-300,709	-209,895	-285,571	-252,468	-277,957
Balances with branches	-8,447	-7,727	-8,312	-3,745	-3,745	-3,745	-4,239	-3,830	-4,099	-4,020	-4,020	-115,256	-3,817	-3,745	-4,407	-3,919	-3,780
Capital	-967,830	-1,026,135	-1,653,096	-1,874,284	-1,992,621	-2,064,936	-2,078,012	-2,129,186	-2,117,187	-2,140,355	-2,140,355	-2,125,772	-2,148,507	-2,145,243	-2,166,563	-2,227,432	-2,208,371
Reserves	-94,335	-152,470	-415,199	-519,350	-513,640	-502,818	-519,235	-532,692	-572,497	-583,290	-583,290	-562,913	-553,147	-545,314	-528,194	-548,859	-540,190
Other liabilities	-680,689	-996,449	-1,550,432	-2,013,348	-1,998,059	-2,100,147	-2,169,672	-2,122,936	-2,273,211	-2,289,587	-2,289,587	-2,455,644	-2,200,789	-2,156,305	-2,278,690	-2,237,064	-2,339,875
LIABILITIES TO NONGOVT SECTOR	**4,976,346**	**7,345,270**	**11,369,610**	**12,414,719**	**12,108,707**	**12,755,382**	**12,989,478**	**13,545,141**	**13,665,306**	**14,540,767**	**14,540,767**	**15,203,206**	**15,353,706**	**15,962,711**	**15,281,150**	**15,910,950**	**16,059,623**
Demand deposits in Kwacha	1,454,654	2,391,223	3,483,919	3,427,558	3,526,426	3,781,441	3,851,476	3,800,978	4,206,853	5,554,377	5,554,377	4,681,482	4,823,052	4,627,593	4,142,522	4,667,343	4,645,916
Demand deposits in forex	1,667,550	2,453,207	3,541,644	4,144,710	3,726,011	4,008,498	4,093,786	4,674,265	4,428,878	3,882,079	3,882,079	5,378,028	5,168,310	5,716,686	5,189,623	5,445,101	5,592,121
Savings deposits in Kwacha	898,404	1,086,580	1,815,542	1,810,361	1,821,831	1,859,603	1,901,674	1,816,429	1,837,125	1,898,468	1,898,468	1,924,414	1,973,411	2,059,085	2,070,902	2,099,602	2,237,364
Savings deposits in forex	14,165	12,117	16,504	158,729	104,723	113,471	110,535	107,912	115,515	117,060	117,060	111,086	128,478	116,477	125,088	134,812	146,381
Time deposits in Kwacha	672,367	1,203,442	1,750,407	2,176,609	2,211,338	2,331,605	2,354,295	2,444,941	2,558,617	2,563,757	2,563,757	2,602,570	2,686,348	2,824,366	2,946,467	2,636,341	2,569,537
Time deposits in forex	269,032	198,270	761,204	695,253	717,599	659,692	676,780	700,145	517,551	524,344	524,344	504,910	573,396	617,762	805,629	926,685	867,237
Bills payable	175	431	390	1,499	780	1,071	932	470	766	683	683	716	711	740	919	1,066	1,068
Acceptances payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CREDIT FROM THE BOZ	**121,662**	**113,199**	**80,001**	**55,590**	**54,832**	**55,882**	**47,590**	**45,931**	**46,350**	**41,735**	**41,735**	**40,695**	**40,696**	**49,666**	**53,842**	**56,761**	**219,229**
Vertical check	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

SOURCES OF LIQUIDITY(IN MILLIONS OF KWACHA)

TABLE 4

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

Source: Bank of Zambia

USES OF LIQUIDITY (IN MILLIONS OF KWACHA)

TABLE 5

End of period		Total primary influence	Net currency Change	Net Bank TBs Influence.	Net change in statutory reserves	Others	Errors and Omissions	Change in current a/c bal. of banks.
1995	December	-5,110.0	-9,373.0	-17,058.0	121.0	9,676.0	-90.0	-21,834.0
1996	December	27,347.0	-1,915.0	-11,610.0	-15,994.0	386.0	161.0	-1,625.0
1997	December	22,836.0	-10,590.0	-10,488.0	347.0	2,743.0	-558.0	4,290.0
1998	December	36,298.0	-23,600.0	-29,324.0	-3,813.0	31,515.0	-2,743.0	8,333.0
1999	December	10,856.0	-33,939.0	-7,219.0	-4,698.0	-19,765.0	-1,173.0	-55,938.0
2000	December	56,247.0	-44,760.0	-13,217.0	-63,981.0	18,069.0	-1,125.0	-48,767.0
2001	December	76,872.0	-47,701.0	-20,105.0	-86,387.0	-16,611.0	4.0	-93,928.0
2002	December	126,127.0	-33,002.0	10,314.0	-79,433.0	62,919.0	-47.0	86,878.0
2003	December	265,387.0	-61,723.0	-125,568.0	-31,642.0	-27,037.0	-10.0	19,407.0
2004	December	187,314.0	-16,306.0	15,790.0	-24,223.0	-48,069.0	-6.0	114,500.0
2005	December	310,314.0	-64,838.0	-55,622.0	-31,882.0	-35,037.0	4.0	122,938.0
2006	December	134,159.0	-54,788.0	-67,769.0	-26,778.0	179,817.0	1.0	164,642.0
2007	December	478,913.2	-114,557.4	32,666.4	-28,609.7	-514,501.4	0.0	-146,089.0
2008	January	-163,985.4	117,474.1	-83,257.5	20,980.7	155,482.2	-0.1	71,864
	February	186,682.9	30,359.2	-64,151.5	5,083.3	-151,804.6	1.2	6,170.5
	March	88,069.6	-41,232.0	-85,642.5	-18,256.5	26,627.2	4.8	-30,429.4
	April	6,348.1	-23,049.8	20,680.8	-71,849.4	101,151.3	-1.5	33,279.6
	May	349,001.3	-78,850.0	44,780.2	19,483.6	-317,302.0	0.6	17,113.7
	June	266,773.9	-100,225.1	-93,351.9	-8,759.0	-51,723.0	4.2	12,719.2
	July	-55,903.3	-150,190.5	8,583.1	-42,058.1	154,096.0	-2.0	-85,474.8
	August	101,505.6	697.5	41,097.7	64,019.4	-231,848.0	0.4	-24,527.4
	September	40,589.6	-11,093.6	85,904.9	-131,549.5	-11,027.5	-0.9	-27,177.1
	October	86,082.8	-135,851.3	71,166.1	106,819.7	26,757.0	-2.5	154,971.9
	November	40,384.3	65,226.3	59,497.7	-111,478.5	-64,091.9	-1.3	-10,463.4
	December	347,433.9	-92,343.2	-42,106.3	59,186.9	-68,755.0	1.7	203,418.0
2009	January	-406,574.5	160,127.9	-94,975.9	-18,088.1	208,341.8	3.5	-151,165.4
	February	-370,309.5	50,568.8	116,281.9	-10,018.7	132,019.6	-2.5	-81,460.3
	March	-32,838.0	-59,510.0	-104,634.0	3,133.0	299,921.0	-3.0	106,069.0
	April	21,665.0	-62,212.0	-43,250.0	53,948.0	257,876.0	2.0	233,348.0
	May	35,855.0	-39,481.0	-38,607.0	-16,800.0	-108,519.0	0.0	-189,001.0
	June	164,592.0	-59,476.0	37,066.0	-25,669.0	-73,527.0	1.0	-17,252.0
	July	316,453.2	-155,008.0	-74,847.0	11,534.0	-262,909.0	-1.3	-140,595.0
	August	280,722.0	59,062.0	-147,863.7	-69,138.0	-71,719.0	1.5	17,669.0
	September	300,698.0	15,763.0	-98,500.2	-38,406.0	-145,141.0	-1.3	3,444.0
	October	98,886.5	-23,691.1	-177,466.5	5,588.7	465,547.6	2.7	368,867.9
	November	597,155.2	111,085.3	-274,995.7	-10,825.0	-227,672.8	3.2	194,750.3
	December	139,071.6	-64,491.3	-109,817.6	23,915.9	136,891.1	-1.7	125,568.1
2010	January	-28,597.0	117,537.1	-15,189.2	-31,936.6	-286,334.3	-4.0	-244,524.0
	February	110,877.9	541.0	-160,341.2	-77,100.4	373,323.2	3.4	247,303.9
	March	446,275.4	-136,653.4	-203,920.6	23,342.6	-210,141.1	4.2	-81,092.8
	April	76,313.0	3,798.1	-20,876.0	26,298.0	-18,922.5	0.5	66,611.1
	May	1,118.3	-171,356.1	61,026.0	-3,711.6	-100,525.6	-5.6	-213,454.6
	June	215,746.8	-146,285.1	80,447.7	-31,300.4	-324,834.8	-3.6	-206,229.5
	July	950,983.9	-74,091.5	-106,678.4	1,437.9	-210,770.8	-0.5	560,880.6
	August	-311,378.6	-15,053.6	10,864.8	-82,717.1	-644,890.6	-0.8	-1,043,175.8
	September	-1,744.1	17,336.9	140,824.3	72,426.6	644,311.9	-3.6	873,152.0
	October	825,978.1	-290,595.0	-120,995.3	-7,178.7	-731,921.2	-1.2	-324,713.3
	November	-106,792.6	49,457.2	-58,306.4	-4,219.5	-125,915.1	4.4	-245,772.0
	December	304,066.8	-96,992.0	-184,982.1	41,193.1	141,851.9	2.8	205,140.5

Source: Bank of Zambia

COMMERCIAL BANKS' LIQUIDITY AND OPERATING RATIOS

TABLE 6

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

Source: Bank of Zambia

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

BANKING SYSTEM CLAIMS ON GOVERNMENT (IN MILLIONS OF KWACHA)

TABLE 7

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

Source: Bank of Zambia

CURRENCY IN CIRCULATION (IN THOUSANDS OF KWACHA) — TABLE 8

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

Source: Bank of Zambia

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

TABLE 9

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

Source: Bank of Zambia

Note: (1) Data has been corrected for casting errors identified in previous series. (2) Exchange rate used is the commercial banks' monthly weighted retail average selling rate.

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

TABLE 10

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

Source: Bank of Zambia

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

STRUCTURE OF INTEREST RATES (PERCENT PER YEAR) TABLE 11

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

Source: Bank of Zambia

STRUCTURE OF INTEREST RATES (PERCENT PER YEAR)

TABLE 11

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

Source: Bank of Zambia

COMMERCIAL BANK INTEREST RATES (PERCENT PER YEAR)

TABLE 12

	End of Period	Weighted lending base rate	Weighted interbank rate	Savings rates: less than K100,000	Savings rates: more than K100,000	Deposits over K20 million: 24-hr call	7-day	14-day	30-day	60-day	90-day	180-day
1995	December	47.7	33.1	28.7	30.6	31.1	31.3	38.2	40.9	40.9	40.0	33.1
1996	December	57.4	50.4	27.1	30.2	30.5	31.1	40.7	47.0	47.0	47.3	32.0
1997	December	37.9	13.8	14.8	18.0	14.6	19.1	23.5	27.2	27.2	28.5	24.3
1998	December	37.4	16.0	9.3	7.1	7.1	8.3	6.0	14.9	14.9	13.6	13.3
1999	December	42.6	13.2	7.6	7.9	7.9	14.8	14.0	19.5	19.5	21.3	19.8
2000	December	37.5	16.4	10.2	11.5	6.5	11.9	18.2	17.8	17.8	18.8	12.7
2001	December	46.7	25.4	4.1	8.7	7.0	13.3	17.8	19.8	19.8	23.1	26.8
2002	December	43.1	9.6	4.1	8.0	6.6	10.9	13.5	18.3	18.3	21.3	22.3
2003	December	36.8	6.1	5.5	7.6	8.1	12.4	12.4	17.3	17.3	20.4	20.4
2004	December	29.8	12.6	3.6	5.6	5.3	4.6	5.0	8.2	8.2	10.9	10.9
2005	December	26.7	24.9	3.6	6.1	4.6	4.6	6.7	8.4	8.4	10.7	9.5
2006	December	21.6	7.9	3.6	6.1	4.9	4.6	6.7	8.4	8.4	10.6	9.4
2007	December	18.3	10.4	3.5	4.8	3.1	2.8	3.5	4.8	4.8	6.3	6.0
2008	January	18.4	10.4	3.5	4.8	3.1	2.8	3.5	4.8	4.8	6.3	6.0
	February	18.3	10.6	3.5	4.8	2.9	2.8	3.5	4.9	4.9	6.4	6.1
	March	18.2	11.0	3.5	4.8	2.6	2.8	3.5	5.0	5.0	6.5	6.4
	April	18.2	10.6	3.5	4.8	2.6	2.8	3.5	5.0	5.0	6.5	6.4
	May	18.2	10.7	3.5	4.8	2.6	2.8	3.5	5.0	5.0	6.5	6.4
	June	18.5	11.0	3.5	4.8	2.6	2.8	3.5	5.0	5.0	6.5	6.4
	July	18.6	11.9	3.5	4.8	2.6	2.8	3.5	5.0	5.0	6.5	6.4
	August	18.6	11.1	3.5	4.8	2.6	2.8	3.5	5.0	5.0	6.5	6.4
	September	19.6	11.7	3.5	4.8	2.6	2.8	3.5	5.1	5.1	6.5	6.6
	October	20.6	14.2	3.5	4.8	2.6	2.8	3.5	5.1	5.1	6.5	6.6
	November	20.6	16.0	3.5	4.8	2.6	2.8	3.5	5.1	5.1	6.5	6.6
	December	20.8	12.8	3.5	4.8	2.6	2.8	3.5	5.1	5.1	6.5	6.6
2009	January	20.9	9.5	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	February	20.9	8.2	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	March	20.9	11.4	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	April	20.7	12.3	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	May	21.6	12.0	3.5	4.7	2.7	3.1	3.7	5.3	6.9	6.9	7.0
	June	22.4	12.0	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	July	22.4	11.9	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	August	23.0	12.1	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	September	23.1	11.8	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	October	23.1	8.1	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	November	23.1	5.1	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	December	22.7	4.2	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
2010	January	22.7	4.6	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	February	22.6	2.1	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	March	22.6	1.6	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	April	21.3	1.5	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	May	21.3	1.5	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	June	20.7	1.5	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	July	20.5	1.7	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	August	20.1	2.0	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	September	19.9	1.8	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	October	19.6	1.8	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	November	19.6	2.5	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
	December	19.4	6.2	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6

Source: Bank of Zambia

BANK OF ZAMBIA AND BUREAUX KWACHA/US DOLLAR EXCHANGE RATES

TABLE 13

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

Source: Bank of Zambia

COMMERCIAL BANKS FOREIGN EXCHANGE RATES (IN KWACHA)

TABLE 14

Monthly Avg.	Non Banks US$			Bureaux US$	INTERBANK US$			UK Pound			EURO			SAR			Zim Dollar*		
	Buying	Selling	Mid-rate	Selling	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate
2003																			
December	4,568.78	4,600.96	4,584.87	4,650.84	4,563.79	4,598.38	4,581.08	7,950.13	8,143.45	8,046.79	5,581.91	5,710.97	5,646.44	698.34	721.86	710.10	5.54	5.86	5.70
2004																			
December	4,632.00	4,706.63	4,655.29	4,723.04	4,639.23	4,670.94	4,655.08	8,871.69	9,062.65	8,967.17	6,118.46	6,272.23	6,195.34	803.82	827.20	815.51	0.81	0.85	0.83
2005																			
December	3,400.23	3,509.19	3,454.71	3,528.19	3,407.90	3,449.49	3,428.69	5,923.89	6,160.35	6,042.12	4,098.74	4,233.91	4,166.33	534.52	560.02	547.27	0.06	0.07	0.06
2006																			
December	3,400.23	3,509.19	3,454.71	3,528.19	3,407.90	3,449.49	3,428.69	5,923.89	6,160.35	6,042.12	4,098.74	4,233.91	4,166.33	534.52	560.02	547.27	0.06	0.07	0.06
2007																			
December	3761.91	3888.67	3825.29	3896.12	3828.65	3845.77	3837.21	7624.97	7887.18	7756.07	5,395.86	5,576.06	5,485.96	578.52	600.72	589.62	0.13	0.13	0.13
2008																			
January	3741.79	3862.65	3802.22	3853.27	3789.58	3805.45	3797.51	7395.43	7631.49	7513.46	5,476.84	5,645.20	5,561.02	584.28	603.62	593.95	0.13	0.13	0.13
February	3708.13	3823.78	3765.95	3807.59	3751.11	3767.75	3759.43	7312.38	7544.29	7428.34	5544.39	5715.17	5629.78	571.47	590.51	580.99	0.12	0.13	0.13
March	3632.28	3751.04	3691.66	3731.87	3673.70	3688.11	3680.90	7291.89	7532.03	7411.96	5561.72	5709.80	5635.76	579.83	597.14	588.49	0.12	0.13	0.13
April	3475.53	3600.76	3538.14	3588.06	3519.34	3538.47	3528.90	6909.85	7155.20	7032.53	5387.69	5525.35	5456.52	570.28	587.34	578.81	0.12	0.12	0.12
May	3334.01	3467.96	3400.98	3471.30	3394.12	3414.00	3404.06	6595.67	6845.27	6720.47	5191.17	5336.40	5263.79	542.54	559.26	550.90	0.12	0.12	0.12
June	3,200.8	3,331.0	3,265.9	3,330.8	3,243.5	3,264.2	3,253.8	6,319.4	6,569.0	6,444.2	5160.39	5310.33	5235.36	540.45	557.54	549.00	0.12	0.12	0.12
July	3,314.5	3,456.8	3,385.6	3,465.6	3,385.4	3,403.8	3,394.6	6,612.7	6,895.5	6,754.1	5345.52	5498.33	5421.93	546.69	563.38	555.03	0.13	0.13	0.13
August	3,379.2	3,520.7	3,449.9	3,526.4	3,440.8	3,455.8	3,448.3	6,422.2	6,691.0	6,556.6	5397.13	5563.01	5480.07	549.28	567.83	558.55	236.54	241.32	238.93
September	3,463.2	3,604.8	3,534.0	3,612.6	3,530.3	3,549.1	3,539.7	6,269.4	6,526.0	6,397.7	5346.27	5511.11	5428.69	555.65	574.70	565.17	49.29	50.20	49.75
October	3,951.9	4,112.9	4,032.4	4,115.5	4,030.8	4,059.1	4,044.9	6,704.2	6,708.4	6,852.5	5407.09	5577.98	5492.53	552.20	573.60	562.90	17.96	18.32	18.14
November	4,151.6	4,350.9	4,251.2	4,398.5	4,253.5	4,293.0	4,273.3	6,367.1	6,708.4	6,537.8	5448.40	5623.04	5535.72	548.72	570.12	559.42	1.8	1.8	1.8
December	4,814.2	4,915.8	4,865.0	5,454.8	4,823.9	4,944.1	4,884.0	7,103.6	7,419.8	7,261.7	6,315.0	6,621.8	6,468.4	486.2	507.7	496.9	0.0	0.0	0.0
2009																			
January	4,887.8	5,025.0	4,956.4	5,179.6	4,893.6	4,952.1	4,922.9	7,095.7	7,375.0	7,235.3	6,407.3	6,691.4	6,549.3	500.2	522.4	511.3			
February	5,307.0	5,487.6	5,397.3	5,488.9	5,422.1	5,419.6	5,420.8	7,621.6	7,880.3	7,751.0	6,724.4	6,922.0	6,823.2	528.8	551.0	539.9			
March	5,479.4	5,666.0	5,572.7	5,676.9	5,525.9	5,592.2	5,559.1	7,788.1	8,051.2	7,919.7	7,169.5	7,385.6	7,277.5	549.5	573.9	561.7			
April	5,562.6	5,745.4	5,654.0	5,737.7	5,650.8	5,672.8	5,661.8	8,122.8	8,428.5	8,275.7	7,330.0	7,552.6	7,441.3	608.9	634.3	621.6			
May	5,117.3	5,321.6	5,219.5	5,305.6	5,176.3	5,206.6	5,191.5	7,849.9	8,147.2	7,998.5	6,961.2	7,200.9	7,081.0	603.9	630.8	617.3			
June	4,957.6	5,137.7	5,047.7	5,144.6	5,027.0	5,049.2	5,038.1	8,066.2	8,397.8	8,232.0	6,969.4	7,183.1	7,076.3	608.2	636.5	622.4			
July	5,060.3	5,241.7	5,151.0	5,236.0	5,134.3	5,161.0	5,147.7	8,239.4	8,536.7	8,388.1	7,108.6	7,338.5	7,223.5	628.0	654.8	641.4			
August	4,749.4	4,929.1	4,839.2	4,915.2	4,822.6	4,844.3	4,833.5	7,837.1	8,111.4	7,974.2	6,799.4	6,987.1	6,893.2	598.5	624.3	611.4			
September	4,565.8	4,735.1	4,650.5	4,719.3	4,526.6	4,546.6	4,536.6	7,301.7	7,567.6	7,434.6	6,545.3	6,773.0	6,659.1	592.9	618.0	605.4			
October	4,583.3	4,751.4	4,667.3	4,728.5	4,657.7	4,677.7	4,667.7	7,447.6	7,710.4	7,579.0	6,800.8	7,029.4	6,915.1	613.1	638.4	625.7			
November	4,566.6	4,730.7	4,648.7	4,712.5	4,645.0	4,667.2	4,656.1	7,610.6	7,859.6	7,735.1	6,819.8	7,028.6	6,924.2	606.0	632.0	619.0			
December	4,598.3	4,760.1	4,679.2	4,742.6	4,678.4	4,697.3	4,687.8	7,524.5	7,755.1	7,639.8	6,745.4	6,950.3	6,847.9	613.3	637.5	625.4			
2010																			
January	4,442.7	4,604.3	4,523.5	4,585.1	4,519.0	4,540.9	4,529.9	7,253.4	7,489.5	7,371.5	6,409.6	6,624.2	6,516.9	597.8	621.7	609.7			
February	4,569.3	4,735.3	4,652.3	4,717.0	4,665.3	4,687.1	4,676.2	7,201.2	7,422.1	7,311.6	6,291.8	6,499.2	6,395.5	598.2	621.4	609.8			
March	4,608.2	4,778.3	4,693.3	4,747.5	4,685.4	4,706.2	4,695.8	6,929.6	7,179.4	7,054.5	6,256.0	6,473.8	6,364.9	617.4	641.8	629.6			
April	4,592.0	4,757.8	4,674.9	4,723.5	4,669.1	4,686.6	4,677.9	7,014.6	7,280.2	7,147.4	6,175.0	6,367.2	6,271.1	620.0	645.0	632.5			
May	4,860.2	5,042.9	4,951.6	4,983.7	4,934.5	4,963.3	4,948.9	7,132.6	7,366.2	7,249.4	6,151.1	6,370.8	6,261.0	635.9	663.1	649.5			
June	5,008.7	5,200.6	5,097.7	5,182.1	5,106.2	5,139.6	5,122.9	7,390.5	7,646.6	7,518.6	6,145.4	6,383.0	6,264.2	651.6	677.9	664.8			
July	4,923.6	5,119.7	5,021.6	5,085.4	5,005.6	5,037.7	5,021.6	7,529.3	7,783.3	7,656.3	6,299.7	6,520.9	6,410.3	650.5	679.8	665.1			
August	4,827.4	5,019.8	4,923.6	4,975.5	4,905.7	4,937.6	4,921.6	7,551.6	7,806.9	7,679.3	6,243.6	6,445.3	6,344.5	657.2	685.0	671.1			
September	4,785.1	4,961.8	4,873.4	4,921.0	4,853.5	4,884.9	4,869.2	7,435.7	7,684.6	7,560.1	6,243.8	6,445.2	6,344.5	663.4	691.5	677.5			
October	4,619.7	4,785.4	4,702.5	4,753.1	4,682.1	4,712.5	4,697.3	7,262.1	7,515.2	7,388.7	6,393.0	6,614.9	6,504.0	662.6	690.2	676.4			
November	4,606.8	4,774.1	4,690.5	4,742.5	4,687.0	4,718.4	4,702.7	7,252.4	7,503.0	7,377.7	6,303.3	6,527.8	6,415.5	657.1	685.6	671.3			
December	4,642.9	4,816.8	4,729.9	4,788.9	4,712.6	4,752.5	4,732.5	7,247.4	7,504.6	7,376.0	6,160.2	6,395.4	6,277.8	675.9	706.6	691.2			

Source: Bank of Zambia

*Data not available for the Zim dollar from 2009 when the use of the Zim dollar as an official currency was abandoned. This was as a result of the Reserve Bank of Zimbabwe legalising the use of selected foreign currencies for transactions in January 2009

FOREIGN EXCHANGE TRANSACTIONS (IN MILLIONS OF US DOLLARS)

TABLE 15

Period Monthly/Annual Totals		Bank of Zambia Inflows			Bank of Zambia Outflows				Gross
		Purchases from ZCCM (1)	Other Non-GRZ	Donor Inflows	Dealing	Other Non-GRZ	GRZ Debt Servicing	GRZ Other Uses	International Reserves (2)
1995	December	393.79	43.25	302.09	458.88	51.09	330.98	72.07	210.53
1996	December	85.80	214.60	175.12	154.90	37.84	218.54	97.45	211.00
1997	December	45.05	114.20	141.21	36.96	20.49	150.06	68.72	237.88
1998	December	28.00	28.44	5.24	30.80	19.89	130.82	52.16	68.56
1999	December	16.36	9.60	199.64	25.30	23.95	153.98	40.08	45.33
2000	December	0.00	120.79	297.42	27.40	49.52	139.28	50.53	713.58
2001	December	16.66	8.35	0.91	38.90	0.23	115.22	1.46	116.46
2002	December	15.60	0.18	337.35	-33.50	0.40	113.67	2.68	489.78
2003	December	0.00	14.14	45.29	1.00	2.63	124.81	2.35	285.70
2004	December	0.00	12.41	1.60	2.00	9.67	6.55	1.00	337.23
2005	December	0.00	18.60	67.45	-5.000	17.52	138.34	1.12	450.68
2006	December	0.00	21.44	2.80	22.70	14.30	3.31	3.97	731.35
2007	December	0.00	73.51	2.20	-6.50	54.21	5.38	5.19	1,105.18
2008	January	0.00	41.51	38.51	14.00	49.44	-0.50	21.02	1,106.71
	February	0.00	33.82	17.52	0.00	24.20	8.04	3.92	1,121.89
	March	0.00	41.92	100.92	-13.00	23.73	7.04	1.22	1,245.73
	April	0.00	77.83	0.00	-19.50	24.27	5.42	7.30	1,306.06
	May	0.00	45.48	54.73	9.50	32.71	3.02	5.25	1,355.79
	June	0.00	29.99	38.16	-6.50	12.20	2.11	2.75	1,413.39
	July	0.00	58.39	43.18	33.50	23.98	3.81	18.62	1,435.05
	August	0.00	15.61	0.00	5.00	49.25	11.48	33.79	1,351.65
	September	0.00	51.63	0.86	19.00	71.26	4.53	16.57	1,292.78
	October	0.00	29.78	2.15	48.00	84.12	4.93	3.01	1,184.64
	November	0.00	28.69	10.62	11.50	44.73	5.65	4.74	4,620.84
	December	0.00	104.62	8.17	67.50	84.63	2.05	5.96	5,692.70
2009	January	0.00	50.58	0.76	46.50	56.86	3.31	-9.67	1,064.32
	February	0.00	17.48	2.45	135.50	26.31	2.99	0.38	919.07
	March	0.00	49.53	79.02	34.00	40.00	4.48	2.11	967.02
	April	0.00	47.74	0.00	26.00	33.17	3.81	4.90	946.89
	May	0.00	45.96	173.46	18.50	12.46	2.95	-0.41	1,132.80
	June	0.00	38.48	22.92	3.50	17.06	2.00	0.46	1,171.17
	July	0.00	25.67	32.01	0.00	24.29	3.45	4.31	1,196.80
	August	0.00	596.91	9.35	-1.00	27.25	13.82	3.33	1,759.66
	September	0.00	93.02	0.58	4.00	27.89	3.80	3.63	1,813.94
	October	0.00	90.76	34.09	63.50	23.38	4.46	1.53	1,845.93
	November	0.00	32.26	72.25	15.00	5.74	8.30	9.35	1,912.05
	December	0.00	53.23	171.49	28.00	69.84	2.64	87.10	1,949.18
2010	January	0.00	44.54	1.74	-9.50	39.23	3.23	35.51	1,927.00
	February	0.00	12.95	41.36	25.00	51.65	2.86	49.01	1,852.79
	March	0.00	41.85	30.66	-1.50	42.08	4.55	27.33	1,852.84
	April	0.00	87.96	8.16	-11.50	31.39	3.98	2.14	1,922.95
	May	0.00	92.91	22.06	102.50	120.69	5.04	3.09	1,833.34
	June	0.00	79.59	0.78	67.00	63.14	1.92	2.72	1,778.93
	July	0.00	249.64	12.75	-14.00	6.40	11.31	1.41	2,036.19
	August	0.00	21.71	20.42	24.50	39.75	1.54	-0.66	2,013.19
	September	0.00	183.85	4.91	38.00	12.41	3.10	1.62	2,146.81
	October	0.00	76.38	0.30	-10.00	23.02	2.25	43.53	2,164.69
	November	0.00	64.15	52.10	-4.00	80.50	1.85	61.76	2,140.83
	December	0.00	53.97	103.40	11.00	24.75	43.87	99.86	2,118.72

Source: Bank of Zambia

Note:(1) Inflows from Zambia Consolidated Copper Mines (ZCCM) no longer exists after privatisation of the mining sector (2) Gross International Reserves are as at the end of each month and include the US $25.0 million deposit in Meridien Biao Bank Zambia Ltd (In Liquidation)

FOREIGN EXCHANGE TRANSACTIONS

TABLE 16

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

Source: Central Statistical Office

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

TABLE 17

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

Source: Bank of Zambia

GRZ BONDS OUTSTANDING (IN MILLIONS OF KWACHA)

TABLE 18

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

Source: Bank of Zambia

METAL PRODUCTION AND EXPORTS (METRIC TONS)

TABLE 19

Date		Copper		Cobalt	
		Exports	Production	Exports	Production
1995	December	**344,297**	**307,558**	**2,469**	**2,931**
1996	December	**327,474**	**313,923**	**3,866**	**4,829**
1997	December	**300,718**	**312,457**	**4,673**	**4,028**
1998	December	**257,394**	**272,437**	**5,319**	**4,961**
1999	December	**251,333**	**255,894**	**3,408**	**4,378**
2000	December	**200,574**	**221,167**	**2,996**	**2,877**
2001	December	**296,387**	**296,446**	**4,379**	**4,182**
2002	December	**329,964**	**337,367**	**4,025**	**3,990**
2003	December	**353,414**	**349,814**	**3,374**	**3,211**
2004	December	**393,182**	**409,543**	**6,102**	**6,082**
2005	December	**428,385**	**437,878**	**5,451**	**5,529**
2006	December	**476,104**	**497,169**	**4,663**	**4,658**
2007	December	**473,415**	**510,917**	**4,614**	**4,690**
2008	January	37,356	42,369	378	341
	February	38,371	42,450	389	383
	March	65,042	54,103	406	420
	April	46,125	53,142	404	411
	May	46,717	49,569	321	311
	June	50,357	45,117	355	364
	July	32,024	45,781	463	425
	August	44,676	49,089	386	430
	September	49,983	43,470	383	438
	October	51,748	50,873	360	376
	November	54,393	55,795	411	422
	December	67,496	68,275	351	292
	Total	**584,288**	**600,033**	**4,608**	**4,613**
2009	January	55,199	62,621	356	367
	February	48,049	56,122	247	250
	March	50,058	52,205	469	464
	April	40,519	53,034	208	220
	May	51,048	52,248	307	312
	June	66,083	63,142	363	354
	July	58,109	57,749	571	567
	August	66,395	59,614	640	646
	September	62,445	60,777	826	802
	October	59,828	59,085	709	721
	November	54,608	55,439	662	661
	December	63,044	65,823	511	514
	Total	**675,384**	**697,860**	**5,868**	**5,879**
2010	January	56,768	58,263	741	800
	February	61,723	62,172	516	453
	March	79,664	73,233	720	736
	April	70,294	70,634	662	677
	May	59,192	61,239	748	759
	June	64,693	67,748	599	588
	July	76,570	80,215	721	706
	August	76,094	78,635	825	860
	September	69,370	69,520	704	801
	October	66,304	59,488	839	801
	November	72,495	72,179	805	800
	December	69,400	65,833	822	801
	Total	**822,569**	**819,159**	**8,703**	**8,782**

Source: Bank of Zambia