



Bank Of Zambia

ANNUAL REPORT 2014



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Bank Of Zambia

VISION

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

MISSION STATEMENT

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



REGISTERED OFFICES

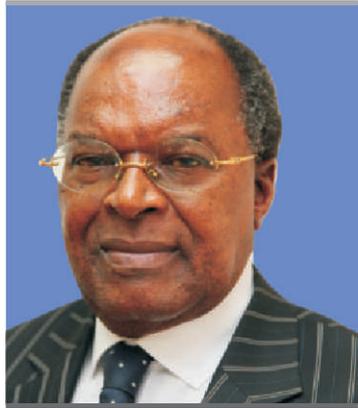
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BOARD OF DIRECTORS*



**DR. MICHAEL
GONDWE**
GOVERNOR AND
CHAIRPERSON



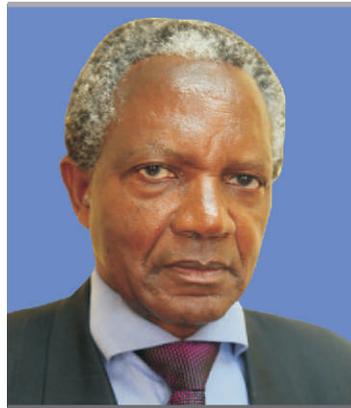
**MR. GILBERT
K. TEMBA**
VICE CHAIRPERSON



**MS. KATEBE
MONICA
MUSONDA**



**HIS ROYAL
HIGHNESS
SENIOR CHIEF
MWANTA
ISHINDI
KAZANDA
CHANYIKA III**



**MR. ESAU
S.S NEBWE**



**MS. SIPHIWE
NKUNIKA**



**MR. FREDSON
YAMBA**

*All members of the Board are non-executive with the exception of the Chairman



DR. MICHAEL GONDWE
GOVERNOR



MR. PETER BANDA
SENIOR DIRECTOR - MONETARY POLICY



MR. CHISHA MWANAKATWE
SENIOR DIRECTOR - SUPERVISORY POLICY



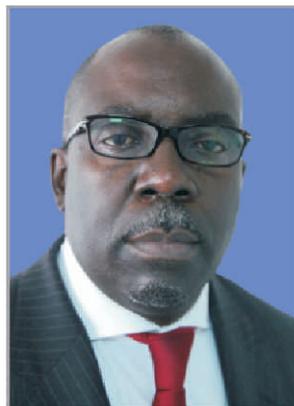
DR. FRANCIS CHIPIMO
DIRECTOR - ECONOMICS



DR. MULENGA EMMANUEL PAMU
DIRECTOR - FINANCIAL MARKETS



MS. GLADYS MPOSHA
DIRECTOR - BANK SUPERVISION



MR. VISSCHER BBUKU
DIRECTOR - NON-BANK FINANCIAL
INSTITUTIONS SUPERVISION



MR. FABIAN HARA
DIRECTOR - REGIONAL OFFICE



MR. LAZALOUS KAMANGA
ACTING DIRECTOR - BANKING,
CURRENCY AND PAYMENT SYSTEMS



DR. TUKIYA KANKASA-MABULA
DEPUTY GOVERNOR - ADMINISTRATION



MR. SIMON SAKALA
DIRECTOR - RISK AND STRATEGY



MS. FREDA TAMBA
DIRECTOR - FINANCE



DR. LEONARD NKOLE KALINDE
DIRECTOR - LEGAL SERVICES



MS. PENELOPE MAPOMA
BOARD SECRETARY



MR. DAVID MWAPE
DIRECTOR - INFORMATION AND COMMUNICATIONS TECHNOLOGY



MS. ROSELINE SCOTT
DIRECTOR - HUMAN RESOURCES



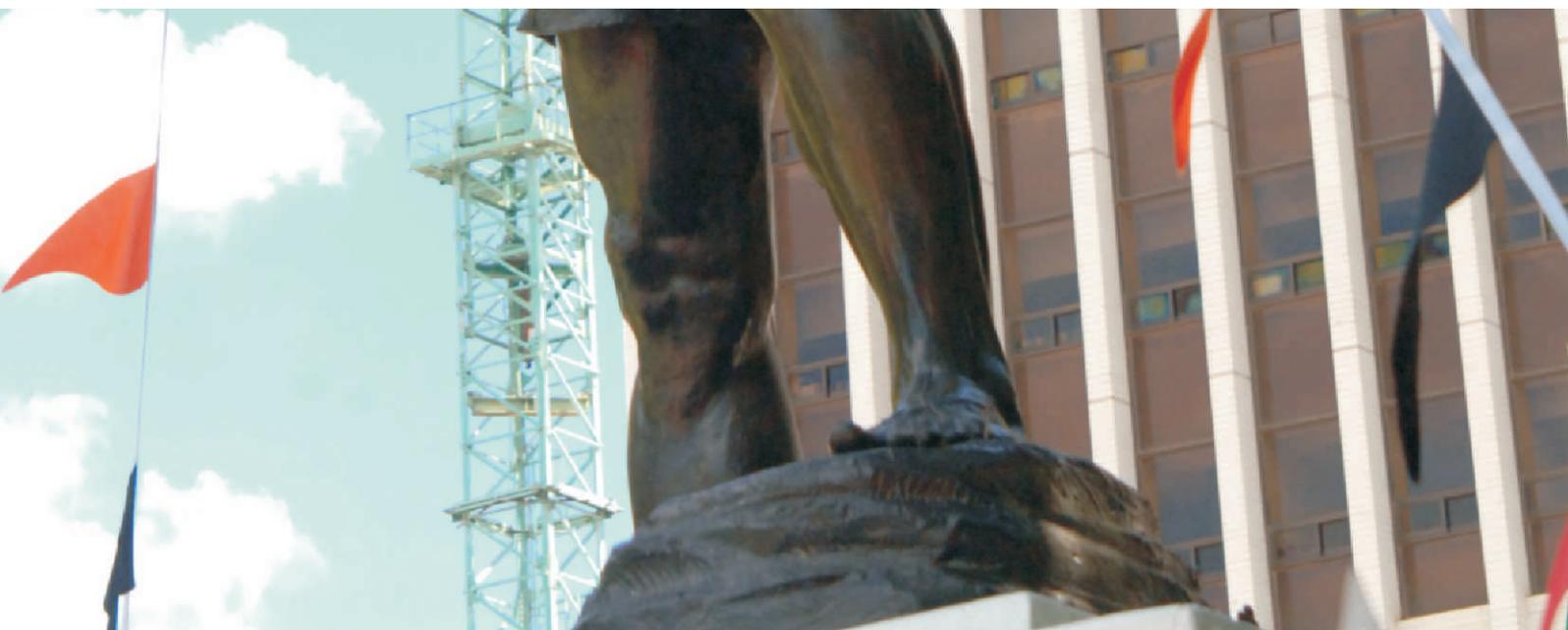
MS. PRUDENCE MALILWE
DIRECTOR - INTERNAL AUDIT

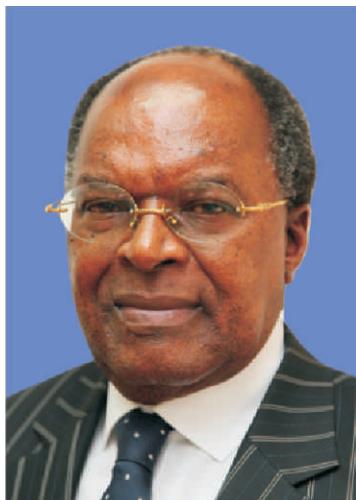


MR. RAPHAEL PHIRI
ACTING DIRECTOR - PROCUREMENT AND MAINTENANCE



1.0 GOVERNOR'S OVERVIEW





DR. MICHAEL GONDWE
GOVERNOR

The global economy remained fragile with a growth rate of 3.3%¹ in 2014, the same level recorded in 2013, and lower than earlier projected. This outturn largely reflected growth in the United States (US) and the United Kingdom coupled with a rebound in the Euro zone. The US economy grew on the back of robust domestic consumption, improved labour conditions, recovery in the housing market and rising investment. Growth in the Sub-Saharan African region (SSA) remained robust, albeit lower than the previous year, propelled by domestic demand, investment in public infrastructure projects, favourable external financing and private investment. Further, despite geopolitical tensions, growth in the Middle East, North Africa, Afghanistan and Pakistan (MENAP) region rose mainly on account of higher oil production and government spending, particularly in the oil-exporting economies. However, growth slowed down in some emerging market and developing economies, including the Commonwealth of Independent States (CIS) region, Latin America and the Caribbean as a result of lower global demand, deteriorating terms of trade, increasing geopolitical tensions between Russian and Ukraine, and lower investment in China, which negatively affected other emerging Asian economies.

Developments in inflation were mixed. For the advanced economies, inflation remained unchanged reflecting mainly lower oil prices and declining inflation expectations in the Euro area. The Middle East, North Africa, Emerging and Developing countries recorded a slow down in inflation on account of lower food and oil prices, as well as imported disinflation from the euro area. However, inflation in the Commonwealth of Independent States and Sub-Saharan Africa rose largely due to exchange rate depreciation effects.

With respect to the current account, all regions recorded current account surpluses with an exception of Latin America, Caribbean countries and Sub-Saharan Africa.

On the domestic front, although real growth GDP slowed, performance of the Zambian economy in 2014 continued to be positive. Preliminary data indicate a real GDP growth of 6.0% compared to 6.7% in 2013. This growth largely emanated from the expansion in construction and service sectors, coupled with a rebound in the agriculture sector.

Consistent with Government's broad macroeconomic objectives, monetary policy in 2014 was focused on sustaining single digit inflation, with an end-year target of 6.5%. However, elevated levels of inflation and volatility in the exchange rate posed a challenge during the first quarter of 2014. In response, the Bank of Zambia tightened monetary policy significantly by raising the policy rate from 9.75% in January 2014 to 10.25% in March, and then to 12.0% in April 2014. In addition, the application of statutory reserve requirement was extended to Government deposits and Vostro accounts. The penal rate on the overnight lending facility was raised to 22% from 12% and limited access to the facility to once a week. Furthermore, the maintenance of statutory reserves was tightened from a weekly average to daily compliance.

With stability returning to the financial sector during July 2014, the Bank of Zambia began the process of gradually easing liquidity through Open Market Operations. However, the Policy Rate was adjusted to 12.5% in November 2014 in order to mitigate rising inflationary pressures.

Broad money growth slowed down to 12.3% from 21.2% in 2013, largely on account of the contraction in net domestic assets. Domestic credit growth was 11.3% compared to 44.0% and was mainly directed to the private sector. Owing to Governments' financing requirements amidst the tight liquidity condition, yield rates on Governments securities generally rose. The composite Treasury Bill and Bond yield rates increased to 18.6% and 21.0% from 15.3% and 16.3% in 2013, respectively. Similarly, the commercial banks' average lending rate went up to 20.5% from 16.4%.

Largely, reflecting the pass through of the exchange rate depreciation, overall inflation rose to 7.9% in 2014 from 7.1% in 2013 and was 1.4 percentage points above the end-year target of 6.5%. The increase in inflation was also attributed to rising production and transportation costs following an upward adjustment to electricity tariffs and fuel prices during the second quarter of 2014.

The Kwacha exchange rate depreciated by 14.1% against the US dollar to close the year at an annual average of K6.1514 in 2014 from K5.3914 in 2013. The Kwacha's depreciation was mainly on account of the strengthening of the US dollar with the recovery of the US economy coupled with timing mismatches between supply and demand for foreign currency on the domestic market. In addition, the financing of higher rand purchases through the dollar on the inter-currency segment of the market added to the pressure on the Kwacha.

¹According to International Monetary Fund World Economic Outlook, January 2015

Preliminary data show that Zambia recorded an overall Balance of Payments surplus of US \$300.6 million in 2014, compared with a deficit of US \$313.2 million in 2013. This was explained by improvements in the financial account owing to sovereign bond proceeds, which compensated for the unfavourable performance in the current account.

In terms of the central Government budget performance, preliminary data indicate that an overall fiscal deficit, including grants, of K8,696.0 million (on a cash basis) was recorded, 2.1% below the programmed deficit of K8,883.5 million. This outturn was largely attributed to lower than programmed expenditure. As a percentage of GDP the budget deficit was 5.2% on a cash basis, although the build-up of arrears with respect to VAT refunds, pension funds among others, meant that on accrual basis the budget deficit was higher.

In the financial sector, the overall performance and condition of the bank and non-bank financial institutions (NBFIs) sectors was satisfactory. This assessment was on account of high capital adequacy ratios, satisfactory asset quality, earnings performance and liquidity condition. With regard to the recapitalisation of commercial banks, 15 banks had complied with the revised minimum capital adequacy requirements, while 4 banks were granted special approval for recapitalisation plans within specified time frames.

On 7 August 2014, the Bank marked 50 years of existence since its establishment in 1964. This occasion provided an opportunity to reflect and celebrate the Bank of Zambia experience and to examine key economic policy challenges and opportunities facing Zambia over the coming decade.

Looking ahead, the Bank faces a number of challenges in achieving and sustaining lower inflation as well as supporting balanced macroeconomic development over the medium term. The key challenges include: The deterioration in the external environment and the cost push inflationary pressures emanating from the depreciation of the Kwacha; fiscal pressures, given that the budget deficit remains relatively high; the high cost of credit; and the need to improve the supply of credit particularly to small and medium enterprises.

However, Zambia's natural resource endowments offer an opportunity to diversify the export base and promote local value addition, particularly in the agriculture, manufacturing and tourism sectors.

The Bank of Zambia will continue to monitor developments and implement appropriate monetary policies to maintain single digit inflation and support a stable macroeconomic environment.



DR. MICHAEL GONDWE
GOVERNOR



1.1 STATEMENT ON CORPORATE GOVERNANCE

1.1 STATEMENT ON CORPORATE GOVERNANCE

In line with good corporate governance, in 2014, the Bank of Zambia Board of Directors' principal focus was on:

- The Bank's mission;
- The phased implementation of the re-organisation; and
- Management oversight.

In this regard, the Board held all four of its Statutory Meetings and an additional four Special Board Meetings. Consequently, a number of resolutions were passed by the Board including the following:

- Distribution of the 2013 profit to Government amounting to K162 million;
- Introduction of the Project Management Policy;
- Amendment of the Information Security Policy;
- Revision of the Bank Disciplinary Code and introduction of the Capability Management Framework;
- Reconstitution of the-Board Committees by amalgamating the Governance Committee and Risk Management Committee to create a Governance and Risk Management Committee; and
- Ratification of the upward revision of the minimum paid-up capital requirements for Non-Bank Financial Institutions.



**DR. KENNETH
KAUNDA**
1964 - 1991

**DR. FREDERICK
TITUS CHILUBA**
1991 - 2001

**DR. LEVY PATRICK
MWANAWASA**
2001 - 2008

**MR. RUPIA BWEZANI
BANDA**
2008 - 2011

**MR. MICHEAL
CHILUFYA SATA**
2011 - 2014

The Bank continued to disseminate information through media briefings, press releases and statements. On 7 August 2014, the Bank marked 50 years of existence since its establishment in 1964. This occasion provided an opportunity to reflect and celebrate the Bank of Zambia experience and to examine key economic policy challenges and opportunities facing Zambia over the coming decades. As part of the celebrations, the Bank hosted a number of activities to commemorate its Golden Jubilee including the following:

- International symposium to discuss selected issues pertinent to the Bank of Zambia;
- Publication of a book on the History of the Bank of Zambia;
- Launch of a book on Economic Policies in Zambia as well as a dissemination seminar;
- Publication of a special edition of the BoZ Reader;
- Production and distribution of coins and banknotes memorabilia; and
- Conducting a national school quiz.



2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY



2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

Overview

Global economic growth was positive at 3.3% in 2014, similar to the growth rate in 2013 (see Table 1). This outturn was largely on account of developments in advanced economies, particularly the United States (USA) and United Kingdom (UK) coupled with a rebound in the Euro area. Further, growth was robust in Sub-Saharan Africa (SSA) and the Middle East, North Africa, Afghanistan and Pakistan (MENAP). However, growth in emerging market and developing economies slowed down.

Inflation developments were mixed in the period under review. Although inflation was unchanged in advanced economies, it rose in the Commonwealth of Independent States (CIS) and SSA, and declined in the MENAP region, as well as the Emerging and Developing economies.

All regions recorded current account surpluses except SSA, Latin America and the Caribbean countries that registered deficits. The current account deficit in SSA was explained by a downward trend in commodity prices, and poor trade flows partly due to weak external demand.

Table 1: World Real GDP, Inflation and Current Account Positions, 2012-2014 (Annual % change unless otherwise stated)

	Real GDP			Inflation			Current Account Positions (% of GDP)		
	2012	2013	2014*	2012	2013	2014*	2012	2013	2014*
World	3.1	3.3	3.3	n/a	n/a	n/a	n/a	n/a	n/a
Advanced Economies	1.4	1.3	1.8	2.0	1.4	1.4	-0.1	0.4	0.3
United States	2.8	2.2	2.4	2.1	1.5	2.0	-2.7	-2.4	-2.5
Euro Area	-0.7	-0.5	0.8	2.5	1.3	0.5	1.3	2.4	2.0
Japan	1.7	1.6	0.1	0.0	0.4	2.7	1.0	0.7	1.0
Commonwealth of Independent States	3.4	2.2	0.9	6.5	6.4	7.9	2.9	0.6	1.9
Russia	3.4	1.3	0.6	5.1	6.8	7.4	3.7	1.6	2.7
Excluding Russia	3.3	4.3	1.5	10.8	6.3	6.5	1.3	2.8	2.7
Middle East and North Africa (MENAP)	4.1	2.2	2.8	10.8	9.0	7.6	13.2	10.9	8.6
Emerging Market and Developing Countries	4.9	4.7	4.4	6.0	5.9	5.4	1.4	1.4	1.4
Sub-Saharan Africa	4.8	5.2	4.8	9.0	6.6	6.7	-3.0	-2.4	-2.6

Source: IMF: World Economic Outlook, October 2014, Zambia Budget Speech 2014.
IMF, World Economic Outlook, Update, January 2015

*Preliminary numbers; n/a = not applicable

Advanced Economies

In the advanced economies, real Gross Domestic Product (GDP) increased to 1.8% in 2014 from 1.3% in 2013. This was largely explained by growth in the United States, which strengthened to 2.4% from 2.2% in 2013. Recovery in the USA was attributed to robust consumption, improved labour conditions, investment pickup and structural factors such as the Shale Oil boom that boosted manufacturing and strong external competitiveness. The USA recovery positively impacted the UK economy, which grew by 2.6% in 2014 from 1.7% in the previous year. Further, improved financial conditions, as well as lower unemployment levels in the Euro zone, resulted in growth of 0.8% from negative 0.5% in 2013. Economic activity however, slowed down in Japan to 0.1% from 1.6% recorded in 2013, as private domestic demand declined despite increased infrastructure spending.

With regard to consumer prices, inflation in advanced economies remained unchanged at 1.4% in 2014, largely due to declining oil prices and declining inflation expectations in the Euro area.

The current account surplus, as a percentage of GDP, in the advanced economies narrowed to 0.3% in 2014 from 0.4% in 2013. This was mainly on account of the widening deficit in the USA coupled with the narrowing of the surpluses registered in the Euro area, Japan and other advanced countries.

Emerging and Developing Economies

Economic growth in emerging market and developing economies slowed down to 4.4% in 2014 from 4.7% in 2013. This was largely on account of lower domestic demand and increasing geopolitical tension which affected the Russian economy. Growth in China slowed down to 7.4% from 7.8% due to policies undertaken to reduce rapid credit expansion resulting in lower investment and negatively affecting other economies in emerging Asia. However, growth in India was robust at 4.3% driven by rising business confidence and stronger manufacturing activity. This region continued to account for the largest share of global economic growth.

Inflation in the emerging market and developing economies declined to 5.4% in 2014 from 5.9% in 2013. This outturn was explained by lower food and energy prices as well as imported disinflation from the euro area.

The emerging and developing countries' current account surplus remained at 1.4% of GDP in 2014. Current account balances remained positive for most Asian economies reflecting improved external demand by advanced economies and an increase in net exports. However, India, Australia, Indonesia and New Zealand recorded negative current account balances.

Sub-Saharan African Economies

In the SSA region, economic growth remained strong, at 4.8% in 2014, largely explained by domestic demand, continued investment in public infrastructure projects, favourable external financing and private investment. In addition, there was recovery in the agricultural sector in some countries. However, growth slowed when compared to the 5.2% growth recorded in 2013, partly explained by weaker external environment, higher financing costs, lower commodity prices and supply shocks reflecting declines in some of the region's large economies, notably South Africa, whose real GDP growth declined to 1.4% from 2.2% in 2013 as result of electricity constraints and labour disputes.

Inflation in the SSA region increased to 6.7% from 6.6% in 2013, due to currency depreciation and higher food prices in some countries. With regard to the external sector, the region's current account deficit rose to 2.6% of GDP from 2.4% of GDP in 2013 (see Table 2). Lower commodity prices and faltering global demand, particularly from China, adversely affected export earnings. However, the impact was not uniform due to varying degrees of natural resource dependence and deviations in commodity price movements.

Table 2: Selected African Countries GDP, Inflation and Current Account Balance, 2012 - 2014 (Annual % change unless otherwise stated)

Countries	Real GDP			Inflation (%)			Current Account Balance (% of GDP)		
	2012	2013	2014*	2012	2013	2014*	2012	2013	2014*
Angola	5.2	6.8	3.9	10.3	8.8	7.3	9.2	5.5	4.1
Kenya	4.6	4.6	5.3	9.4	5.7	7.3	-9.3	-8.7	-8.0
Nigeria	6.6	7.0	7.3	12.2	8.5	8.3	7.6	4.0	3.7
South Africa	2.5	2.2	1.4	5.7	5.8	6.3	-6.3	-5.8	-5.7
Tanzania	6.9	7.0	7.2	16.0	7.9	5.9	-15.3	-13.8	-13.7
Uganda	2.8	5.8	5.9	14.0	5.0	5.5	-10.5	-8.5	-10.4
Zambia	7.3	6.7	6.0	7.3	7.1	7.9	3.9	-1.1	-1.7
Sub-Saharan Africa	4.9	5.2	4.8	9.0	6.6	6.7	-4.0	-2.4	-2.6

Source: IMF: World Economic Outlook, October 2014.
IMF, World Economic Outlook, Update, January 2015
*Preliminary numbers

Commodity Prices

Key commodity prices generally declined in 2014. Copper prices fell to US \$6,863.0 per metric tonne from US \$7,322.0 per metric tonne in 2013, reflecting sluggish global demand. Similarly, the price of crude oil decreased to US \$96.2 per barrel from US \$104.1 per barrel in 2013. This was largely on account of higher oil supply by Organization of the Petroleum Exporting Countries (OPEC) and other non-OPEC members. Further, food prices declined on account of bumper harvests for the main cereal and oilseed crops following favourable weather conditions. For instance, the price of maize dropped to US \$178.7/mt from US \$259.4/mt in 2013.



3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY



3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Overview

In 2014, Government's major macroeconomic objectives were to:

- i. Achieve real GDP growth of above 7.0%;
- ii. Attain end-year inflation of no more than 6.5%;
- iii. Limit domestic financing to 1.5% of GDP; and
- iv. Increase international reserves to over 3 months of import cover.

The overall performance of the economy remained favourable with preliminary data indicating that real GDP grew by 6.0% compared with 6.7% in 2013 driven by the expansion in construction and service sectors, coupled with a rebound in the agriculture sector.

As at end-December 2014, annual overall inflation increased to 7.9% from 7.1% at end-December 2013, and was higher than the 6.5% end-year target. The unfavourable outturn was largely on account of the pass through effects of the exchange rate depreciation.

Preliminary data show that in 2014, Zambia recorded an overall Balance of Payments (BoP) surplus of US \$300.6 million compared with a deficit of US \$313.2 million in 2013. The surplus largely reflected improvements in the financial account, which compensated for the unfavourable performance in the current account.

In terms of the central Government budget performance, preliminary data indicate that an overall deficit, including grants, of K8,696.0 million (on cash basis) was recorded, 2.1% below the programmed deficit of K8,883.5 million. This was largely attributed to the lower than programmed expenditure on the Rural Electrification Programme, railway line rehabilitation and recapitalisation of state owned enterprises. The overall deficit, including grants, at 5.2% of GDP, was 0.1 percentage points below the programmed deficit of 5.3%.

3.1 MONETARY DEVELOPMENTS AND INFLATION

Monetary Policy

Monetary policy in 2014 was focused on sustaining single digit inflation, with an end-year target of 6.5%. In this regard, monetary policy operations were aimed at maintaining the 5-day weighted average interbank rate within a corridor of +/- two percentage points of the Bank of Zambia (BoZ) Policy Rate. The Bank conducted Open Market Operations (OMO) to steer the interbank rate towards the BoZ Policy Rate.

The Policy Rate

During 2014, the main challenges to the implementation of monetary policy were rising inflationary pressures and volatility in the exchange rate. In response, the Bank of Zambia tightened monetary policy significantly by raising the policy rate from 9.75% in January 2014 to 10.25% in March, and then to 12.0% in April 2014. In addition, the application of statutory reserve requirement was extended to Government deposits and Vostro accounts. The penal rate on the overnight lending facility was raised to 22.0% from 12.0% and access to the facility was limited to once a week. Furthermore, the maintenance of statutory reserves was tightened from a weekly average to daily compliance.

With stability returning to the financial sector during July 2014, the Bank of Zambia began the process of gradually easing liquidity through Open Market Operations. However, the Policy Rate was adjusted to 12.5% in November 2014 in order to mitigate rising inflationary pressures.

Table 3: Selected Monetary Indicators, 2012 – 2014 (%)

Description	2012	2013	2014	
	Actual	Actual	Target	Actual
Overall Inflation	7.3	7.1	6.5	7.9
Non-food Inflation	6.1	8.2	3.2	8.4
Food Inflation	8.4	6.2	2.8	7.5
BoZ Policy Rate (%)	9.25	9.75	n.a	12.5
Overnight Interbank Rate*	8.2	10.2	n.a	12.0
Reserve Money	53.0	17.7	18.5	65.4
Broad Money	17.9	21.2	14.5	12.3
Domestic Credit	16.8	44.0	n.a	11.3
Government	-37.7	217.4	n.a	-11.3
Public Enterprises	602.6	-66.0	n.a	-1.7
Private Sector Credit	29.3	7.0	n.a	17.8
Domestic Financing (% of GDP)	2.6	4.5	1.5	2.2**

Source: Central Statistical Office - The Monthly; and Bank of Zambia

Notes: n.a - not applicable

- Indicates no target under the ECF Programme

- Inflation figures are on annual basis

*5-day moving average

** - preliminary

Monetary Developments

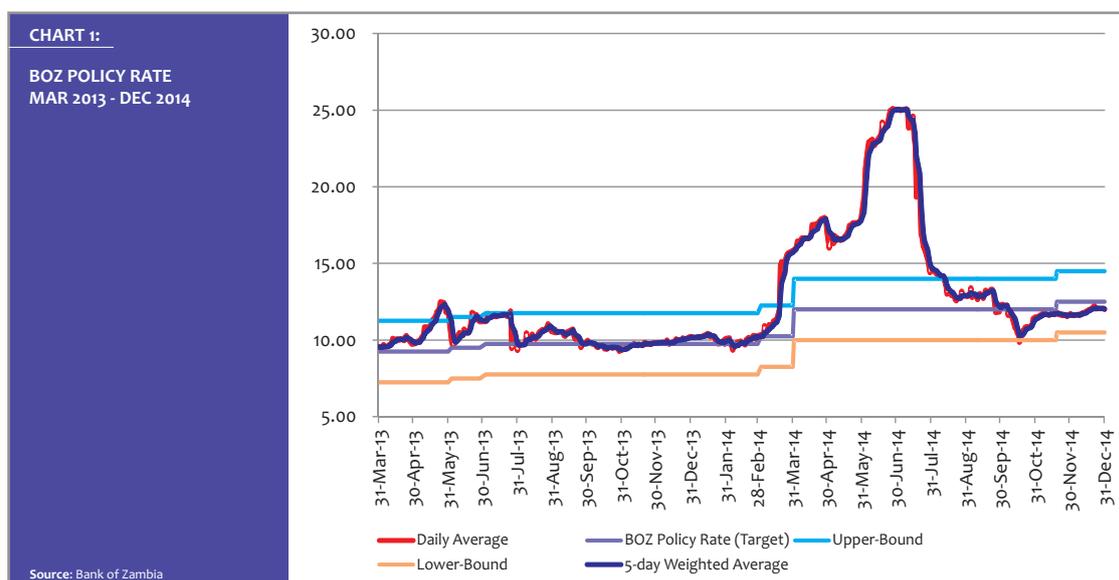
Money Market Liquidity

Money market liquidity as measured by commercial banks' aggregate current account balances opened the year at K1,121.7 million mainly influenced by the overhang of liquidity attributed to net Government spending, particularly at end 2013. The commercial banks' aggregate current account balances peaked at K2,258.9 million by mid-February 2014. To address the loose liquidity conditions, the Bank significantly tightened monetary policy through several policy measures. The minimum statutory reserve ratio on both the Kwacha and foreign deposit liabilities (to the public, the government, and foreign financial institutions) was increased by 600 basis points (bps) to 14.0% from 8.0% at the close of 2013.

Money market liquidity was further constrained by OMO borrowing through repos and term deposits amounting to K4,716.0 million on a cumulative basis at an average rate of 11.6%. Interbank rates shot up reaching a peak of 25.0%, while the 5-day weighted average interbank rate remained above the upper bound of the policy corridor from end-March 2014 until the beginning of August 2014.

With stability returning to the market, liquidity-injecting open market operations were conducted in order to re-align the interbank rate to the BoZ policy target. On a cumulative basis, OMO injections in form of short-term loans totalling K2,759.8 million, were lent out and these matured by the end of August 2014. In addition, as the year progressed, liquidity levels increased, mainly on account of net Government spending. Consequently, the 5-day weighted average interbank rate, trended downwards and closed the year within the corridor at 12.04% from 10.17% at end-December 2014 (see chart 1).

Total OMO interest expenditures amounted to K35.6 million against the total OMO budget of K200.0 million for 2014. On the other hand interest income earned from OMO and OLF amounted to K6.2 million and K22.8 million in 2014, respectively.



Reserve Money

Reserve money rose by 65.4% to K13,674.3 million at end-December 2014 from K8,266.8 million at end-December 2013, mainly influenced by net government operations. Similarly, the average reserve money grew by 54.3% to K11,691.9 million in 2014 from K7,576.2 million in 2013, exceeding the indicative target of K8,971.7 million by K2,720.26 million (see Table 4).

Table 4: Sources of Reserve Money Growth, 2012 – 2014 (K' Million)

	2012	2013	2014
Indicative Reserve Money Target	5,845.0	7,569.0	8,971.7
Average Reserve Money	6,653.0	7,571.3	11,692.0
Reserve Money Stock	8,234.9	8,164.5	13,674.3
Change in:			
1/ Net Foreign Assets (a+b+c+d)	-490.5	638,695.9	166.1
a) Net Purchases from Govt	1,066.6	638,905.8	-1,510.7
b) Net Purchases from non-Government	-1,449.5	-147.7	1,305.7
c) Bank of Zambia own use of forex	-89.5	0	-0.1
d) Change in stat. reserve deposits forex balances	-18	-62.2	371.3
2/ Net Domestic Credit (a+b)	3,343.0	-638,766.5	5,241.4
a) Autonomous influences	21,232.3	-625,447.5	5,261.2
Maturing Open Market Operations	18,361.1	12,388.5	0.0
Direct Govt Transactions	3,414.5	-635,205.3	5,482.5
TBs and Bonds Transactions	-698.2	-2,840.4	-450.8
Claims on non-banks (Net)	157.9	209.7	229.5
b) Discretionary influences	-17,892.3	-13,319.0	-19.9
Open Market Operations	-17,851.3	-13,247.2	0.0
i. Short term loans	0	0	0
ii. Repos/Outright TB sales	-2,639.0	-1,349.0	0.0
iii. Term Deposits Taken	-15,212.9	-11,898.2	0.0
Treasury bill Rediscounts	0	0	0
Other claims (Floats, Overdrafts)	-40.4	-71.8	-19.9
Change in Reserve Money	2,852.5	-70.5	5,407.5

Source: Bank of Zambia

Domestic Credit

Domestic credit comprehensively defined to include foreign currency loans, increased by 11.3% to K31,986.7 million from K28,728.2 million in 2013 (see Table 5). This was mainly due to the 32.6% and 17.8% rise in lending to households and private enterprises that contributed 8.8 and 6.4 percentage points, respectively, to domestic credit growth. However, credit to government and public enterprises declined by 11.3% and 1.7%, respectively. Excluding foreign currency denominated credit, which rose by 41.4%, domestic credit increased by 5.1% to K25,034.8 million compared to 59.7% in 2013.

The shares of credit to private enterprises and households rose to 37.7% and 32.1% in 2014 from 35.6% and 27.0% registered in 2013. Similarly, the share of credit to non-bank financial institutions increased to 0.6% from 0.5% the previous year. However, the share of credit to Government and public enterprises declined to 28.7% and 0.7% from 36.0% and 0.8%, respectively (see table 5).

Table 5: Developments in Domestic Credit, 2012 – 2014

Description	2012				2013				2014			
	K' mn	%			K' mn	%			K'mn	%		
		a	b	c		a	b	c		a	b	c
Domestic Credit	19,952.4	16.8	16.8	100.0	28,728.2	44.0	44.0	100.0	31,986.7	11.3	11.3	100.0
Government	3,260.8	-37.7	-11.5	16.3	10,350.9	217.4	35.5	36.0	9,181.5	-11.3	-4.1	28.7
Public Enterprises	693.5	602.6	3.5	3.5	235.7	-66.0	-2.3	0.8	231.6	-1.7	0.0	0.7
Private Enterprises	9,564.7	29.3	12.7	47.9	10,235.9	7.0	3.4	35.6	12,062.7	17.8	6.4	37.7
Households	6,336.8	48.6	12.1	31.8	7,748.0	22.3	7.1	27.0	10,272.1	32.6	8.8	32.1
Non-bank Fin. Inst.	78.0	-8.6	0.0	0.4	135.0	73.2	0.3	0.5	201.8	49.5	0.2	0.6

Source: Bank of Zambia

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

Broad Money

Broad money (M3), comprehensively defined to include foreign currency deposits, increased by 12.3% in 2014 compared to 21.2% in 2013, and was 2.2% below the indicative programmed growth rate of 14.5%. In absolute terms, M3 grew to K34,959.1 million from K31,136.6 million as at end-2013. The slowdown in M3 growth was largely explained by the 1.2% contraction in Net Domestic Assets that contributed negative 0.6 percentage

points to the M3 outturn. Net Foreign Assets (NFA), however, increased by 27.9%, contributing 12.9 percentage points to M3 growth (see Chart 2 and Table 6). The increase in NFA was largely due to the proceeds from the issuance of Zambia's second sovereign bond, coupled with valuation effects of the kwacha's depreciation against the US dollar. Excluding foreign currency deposits that grew by 32.9%, M3 growth at 4.6% was lower than the 20.9% growth in 2013.

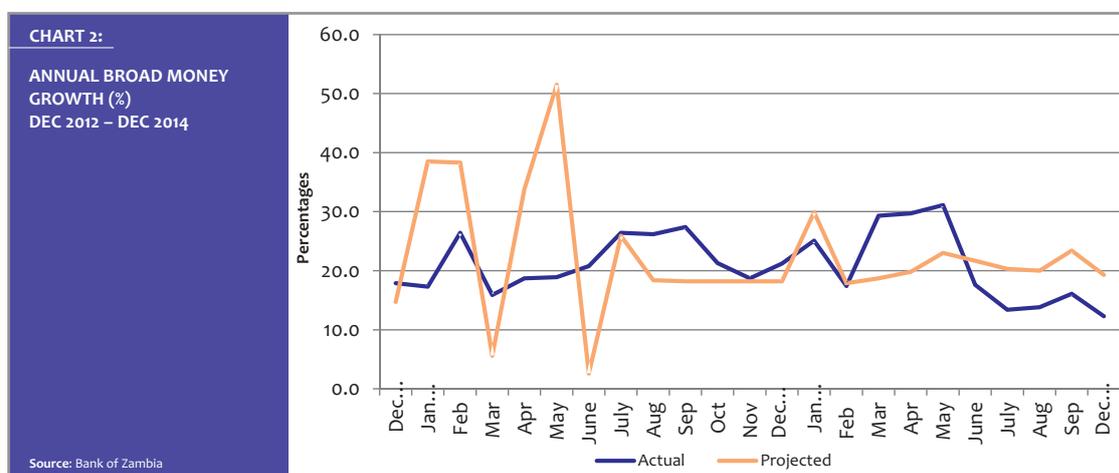


Table 6: Sources of Growth in Broad Money, 2012 – 2014 (%)

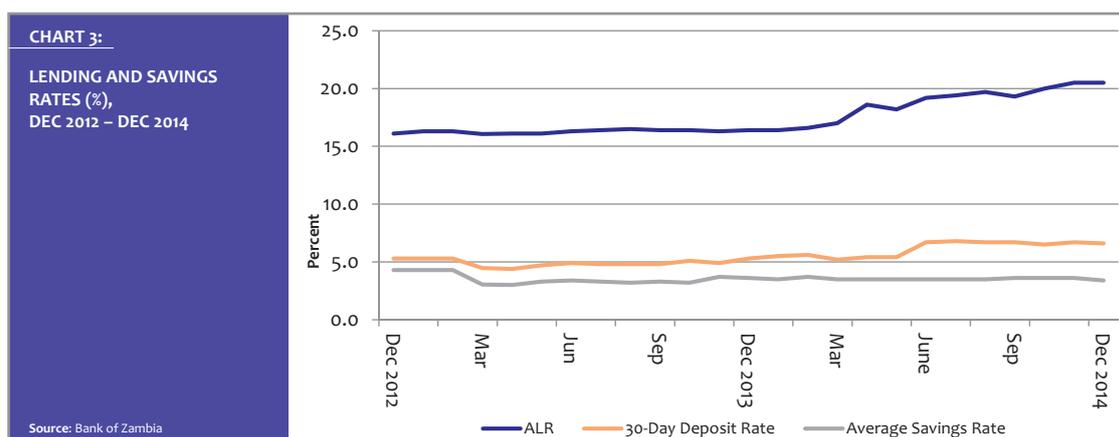
Description	2012	2013	2014	Contributions to change in M3 (2014)
Broad Money (M3)	17.9	21.2	12.3	12.3
of which				
Net Foreign Assets	28.3	21.1	27.9	12.9
Net Domestic Assets	8.2	21.2	-1.2	-0.6
Domestic Credit	16.8	44.0	11.3	10.5
Net Claims on Gov't.	-37.7	217.4	-11.3	-3.8
Public Enterprises	602.6	-66.0	-1.7	0.0
Private Enterprises	29.3	7.0	17.8	5.9
Households	48.6	22.3	32.6	8.1
NBFIs	-8.6	73.2	49.5	0.2

Source: Bank of Zambia

Interest Rates Developments

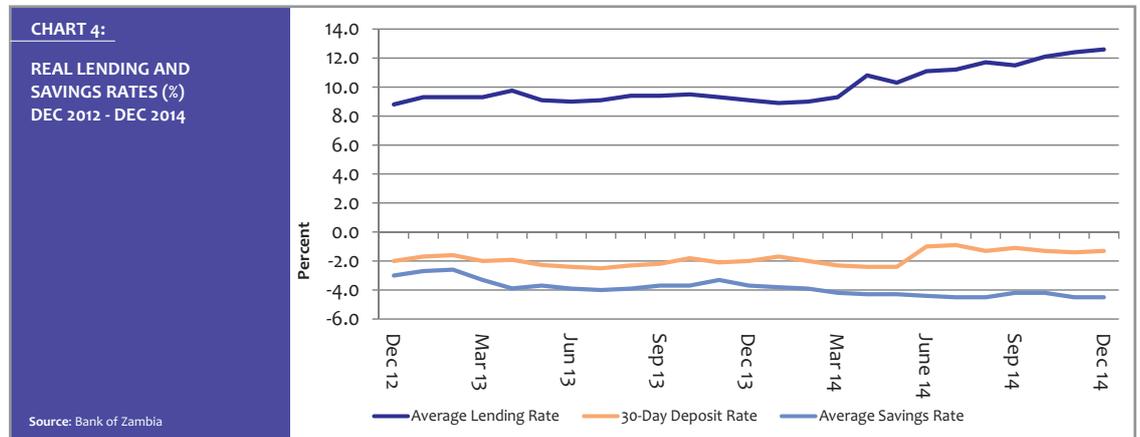
Commercial Banks' Nominal Interest Rates

Commercial banks' nominal interest rates generally trended upwards in 2014 due to the fiscal deficit and the tightening in monetary policy. The average lending rate (ALR) rose to 20.5% from 16.4% in 2013. Similarly, the average 30-day deposit rate for amounts exceeding K20,000 increased to 6.6% from 5.3%. However, the average savings rate for amounts above K100 declined to 3.4% from 3.6% registered in 2013 (see Chart 3).



Commercial Banks' Real Interest Rates

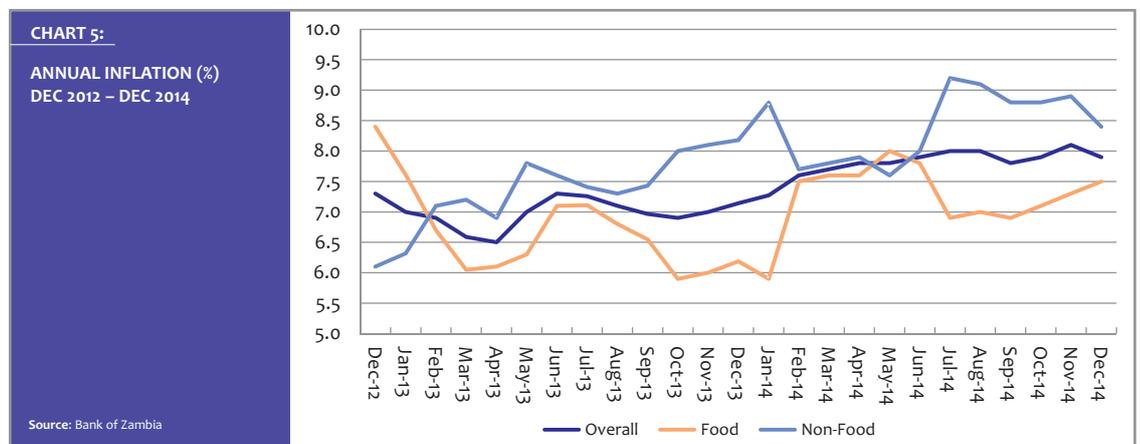
As at end-2014, the real average lending rate rose to 12.6% from 9.3% in 2013. Similarly, the real average 30-day deposit rate for amounts above K20,000 increased to negative 1.3% from negative 1.8%. Nonetheless, the real average savings rate for amounts exceeding K100 fell to negative 4.5% from negative 3.5% in 2013 (see Chart 4).



Inflation Developments

Overall Inflation

Annual overall inflation increased to 7.9% at end-2014 from the 7.1% recorded at end-2013. This was explained by the rise in both food and non-food inflation to 7.5% and 8.4% from 6.2% and 8.2% at end-2013, respectively (see Chart 5 and Table 8).



Non-Food Inflation

The rise in annual non-food inflation to 8.4% from the 8.2% at end-2013 was largely due to the effects of the Kwacha exchange rate depreciation, coupled with the increase in fuel prices and electricity tariffs during the first half of the year. Subsequently, non-food inflation peaked at 9.2% in July 2014. However, owing to tight monetary policy implementation, the exchange rate subsided in the third quarter of the year. The fuel prices reduction at the end of the year also contributed to the fall in non-food inflation.

Food Inflation

Despite a bumper maize crop harvest, food inflation rose to 7.5% at end-2014 from 6.2% at end-2013. The rise in food inflation was driven by increases in prices of maize, meat, fish and selected vegetables. This was largely attributed to the increase in production and transportation costs following the upward adjustment in electricity tariffs and fuel prices. Food inflation peaked at 8.0% in May. However, with the improvement in supply of cereals and vegetables after the harvest period, food inflation slowed down during the second half of the year.

Table 7: Inflation Outturn, December 2012 – December 2014 (%)

Month	Monthly			Year-to-date			Annual		
	Overall	Food	Non-Food	Overall	Food	Non-Food	Overall	Food	Non-Food
Dec 12	0.8	1.0	0.6	7.3	8.4	6.1	7.3	8.4	6.1
Jan 13	0.8	1.1	0.5	0.8	1.1	0.5	7.0	7.6	6.3
Feb	0.2	-0.9	1.4	1.0	0.1	1.9	6.9	6.7	7.1
Mar	1.2	1.2	1.1	2.2	1.4	3.0	6.6	6.0	7.2
Apr	0.6	0.7	0.5	2.8	2.0	3.5	6.5	6.1	6.9
May	0.8	0.4	1.3	3.6	2.5	4.9	7.0	6.3	7.8
June	0.4	0.4	0.3	4.0	2.8	5.3	7.3	7.1	7.6
July	0.7	0.8	0.5	4.7	3.7	5.8	7.3	7.1	7.4
Aug	0.7	0.8	0.5	5.4	4.5	6.3	7.1	6.8	7.3
Sep	0.4	0.3	0.6	5.8	4.8	6.9	7.0	6.5	7.4
Oct	0.0	-0.3	0.2	5.8	4.5	7.2	6.9	5.9	8.0
Nov	0.3	0.3	0.3	6.1	4.9	7.5	7.0	6.0	8.1
Dec	0.9	1.2	0.6	7.1	6.2	8.2	7.1	6.2	8.2
Jan 14	0.9	0.8	1.0	0.9	0.8	1.0	7.3	5.9	8.8
Feb	0.5	0.6	0.4	1.4	1.4	1.4	7.6	7.5	7.7
Mar	1.2	1.3	1.2	2.7	2.7	2.6	7.7	7.6	7.8
Apr	0.7	0.7	0.7	3.4	3.4	3.3	7.7	7.6	7.9
May	0.9	0.8	1.0	4.3	4.2	4.4	7.8	8.0	7.6
June	0.4	0.2	0.7	4.7	4.4	5.1	7.9	7.8	8.0
July	0.8	-0.1	1.7	5.5	4.3	6.8	8.0	6.9	9.2
Aug	0.7	0.9	0.4	6.2	5.3	7.2	8.0	7.0	9.1
Sep	0.2	0.2	0.3	6.5	5.5	7.6	7.8	6.9	8.8
Oct	0.1	0.0	0.2	6.6	5.5	7.8	7.9	7.1	8.8
Nov	0.4	0.5	0.3	7.1	6.0	8.2	8.1	7.3	8.9
Dec	0.7	1.3	0.1	7.9	7.5	8.3	7.9	7.5	8.3

Source: Bank of Zambia, CSO



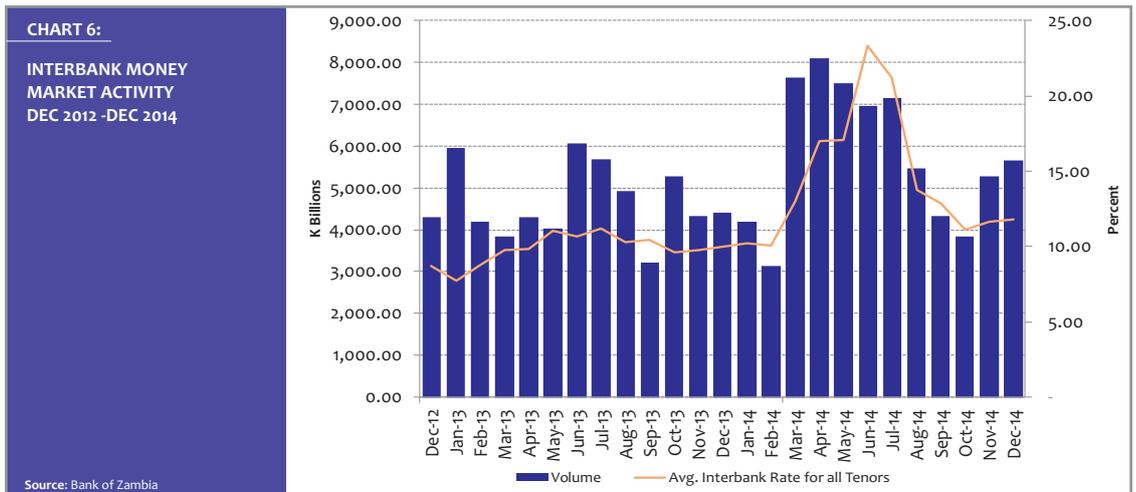
Solwezi fuel reserve depot

3.2 MONEY AND CAPITAL MARKETS

Inter-bank Money Market

In 2014, funds traded on the inter-bank money market increased by 27.6% to K68,762.5 million from K53,873.9 million in 2013. This rise was on account of tight liquidity levels, especially during the second quarter when the Bank of Zambia pursued a tight monetary policy stance to contain inflationary pressures and stem volatility in the exchange rate. Of the total loans placed, three banks accounted for K33,201.1 million, or 48.3% of the total funds traded. On the demand side, the six largest borrowers obtained K37,675.2 million, representing 54.8% of the total market demand. Of the funds traded, 69.7% were collateralized compared to 82.6% in the previous year, signaling a reduction in risk aversion levels in the market.

Money market activity remained concentrated on the overnight tenor at which K63,257.9 million was traded, representing 92.0% of the total volume of funds. Subsequently, adjustment funds were traded at a higher average rate of 15.2% for the overnight tenor and 15.4% for periods of more than one day compared to 9.9% and 10.6% in 2013. The rise in the interbank rates was also explained by the continued tight liquidity in the market due to concentration of funds in a few big banks (see Chart 6).



Government Securities Market

Market Bidding Behaviour

In the primary market for Government securities, the Bank aimed at raising K20,440.0 million to meet maturities and Government financing needs. Of this amount, K16,680.0 million was to be raised through the issuance of Treasury bills and K3,760.0 million through Government bond issuances.

During 2014, the demand for treasury bills was weak largely on account of tight liquidity conditions in the money market (see Table 8). The total bid amount submitted at the Treasury bills auctions amounted to K12,970.5 million, representing a subscription rate of 77.8% compared with 109.8% in 2013. Individually, the 91-, 273- and 182-day bills attracted the lowest demand, registering subscription rates of 20.6%, 43.0% and 68.6% respectively. In contrast, the 364-day paper registered the strongest subscription rate of 117.1%.

Overall demand for Government bonds improved marginally in 2014. Investors placed bids worth K3,726.7 million, representing a subscription rate of 99.1% compared to a subscription of 98.2% in the previous year. Strong preference was shown for the 5-, 7-, 10- and 15-year bonds, as reflected in the subscription rates of 103.2%, 110.8%, 138.04% and 111.2%, respectively. In contrast, the 2- and 3-year papers were undersubscribed with subscription rates of 42.7% and 86.0%, respectively (see Table 8).

Table 8: Government Securities Transactions, 2012 – 2014

	2014			2013		
	Amount Offered (K blns)	Bid Amts (K blns)	Subscription Rate (%)	Amount Offered (K blns)	Bid Amts (K blns)	Subscription Rate (%)
91-day bills	1,100.0	769.9	70.0	1,551.0	319.1	20.6
182-day bills	2,900.0	3,802.8	131.1	3,892.0	2,669.0	68.6
273-day bills	3,220.0	3,381.1	105.0	4,287.0	1,841.1	43.0
364-day bills	5,530.0	6,045.0	109.3	6,950.0	8,141.3	117.1
TOTAL	12,750.0	13,998.8	109.8	16,680.0	12,970.5	77.8
2-year bond	275	333.1	121.1	325.0	138.7	42.7
3-year bond	830	1,108.5	133.5	1,025.0	881.9	86.0
5-year bond	1,220	1,045.2	85.7	1,430.0	1,475.3	103.2
7-year bond	225	238.9	106.2	285.0	315.8	110.8
10-year bond	440	290.6	66.1	530.0	731.6	138.04
15-year bond	150	67.6	45.1	165.0	183.4	111.2
TOTAL	3,140.0	3,083.8	98.2	3,726.7	3,726.7	99.1

Source: Bank of Zambia

Stock of Government Securities

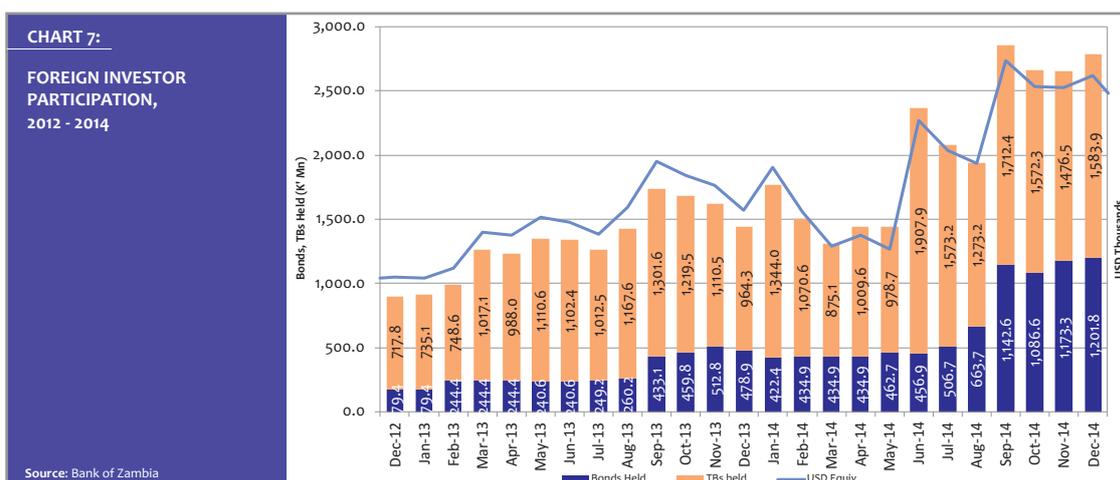
The stock of Government securities in circulation at the end of 2014 stood at K22,270.5 million (at face value) from K19,371.9 million in 2013, representing a growth of 16.5%. The increase in total securities outstanding was attributed mainly to growth in the stock of Government bonds by 23.5% to K11,645.2 million while Treasury bills grew by 9.9% to K10,926.6 million. Commercial banks continued to dominate investment in Treasury bills, accounting for K6,687.5 million which was 61.2% of the total Treasury bills in circulation. Treasury bills holdings by the non-bank public and Bank of Zambia amounted to K3,342.5 million and K896.6 million, representing 30.6% and 8.2% of the total bills in circulation, respectively.

In the Bond market, the non-bank public, which is dominated by institutional investors, accounted for the bulk of Government bonds outstanding, with holdings of K7,362.3 million at face value. Commercial Bank holdings stood at K2,374.2 million, while the Bank of Zambia held K1,908.8 million. Proportionally, non-bank public holdings stood at 63.2% (50.1% in 2013) of the total Government bonds outstanding while commercial banks and Bank of Zambia holdings were at 20.4% and 16.4%, compared to 30.8% and 19.2% in 2013, respectively.

Foreign Investments in Government Securities

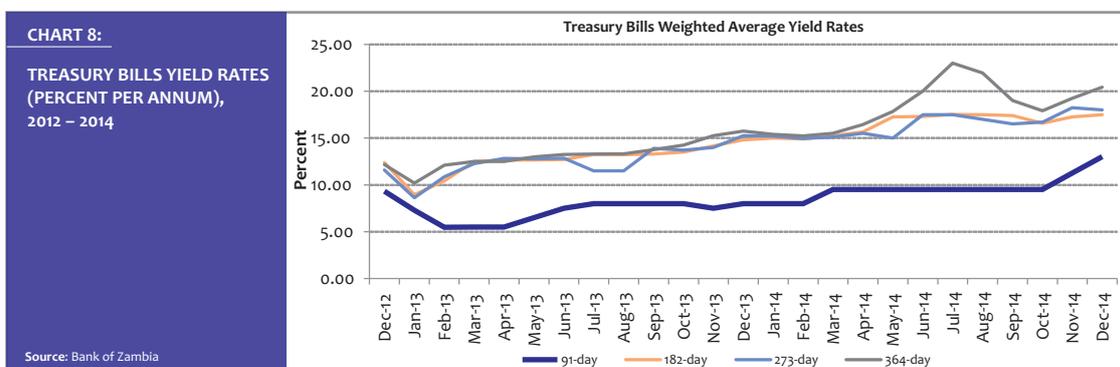
The holdings of Government securities by non-residents rose in 2014. The increase in foreign investors' participation in Government securities was largely attributable to higher interest rates. Non-residents participation in the Treasury bills market rose by 34.3% to K1,583.9 million from K964.3 million at close of 2013. This represented 14.6% of the total treasury bills in circulation.

Similarly, foreign investment in Government bonds grew by 35.0% to K2,785.7 million from K2,062.8 million (see Chart 7). As a proportion of the total stock of outstanding Government bonds in circulation, foreign investors' holdings accounted for 10.6% compared to 5.1% at the close of 2013.

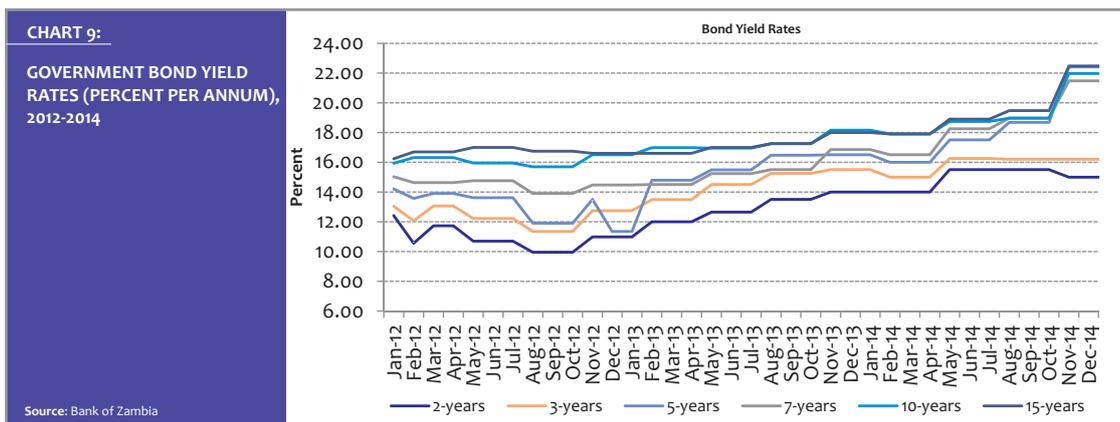


Government Securities Interest Rates

Yield rates on Treasury bills and Government bonds trended upwards in 2014. The yield rates on the 91- and 182-day securities rose to averages of 13.0% and 16.5% in December 2014 from 8.0% and 14.8% during the corresponding period in 2013, respectively. The yield rates for the 273-day and 364-day papers also increased to averages of 18.0% and 20.4% from averages of 15.0% and 15.7%, respectively. Consequently, the weighted average composite yield rate for Treasury bills closed at 18.6% in 2014 from 15.3% in 2013 (see Chart 8).



The average 2-, 3- and 5-year Government bond rates increased to 15.0%, 16.2% and 22.4% in December 2014 from 14.0%, 15.5% and 16.5% recorded December 2013. Similarly, the yield rates on the 7-, 10- and 15 year bonds edged upwards to 21.5%, 22.0% and 22.5% from 16.9%, 18.2% and 18.0% respectively. Consequently, the weighted average bond yield rate gained 474 basis points to close the year at 21.0% from 16.3% at the close of 2013 (see Chart 9).

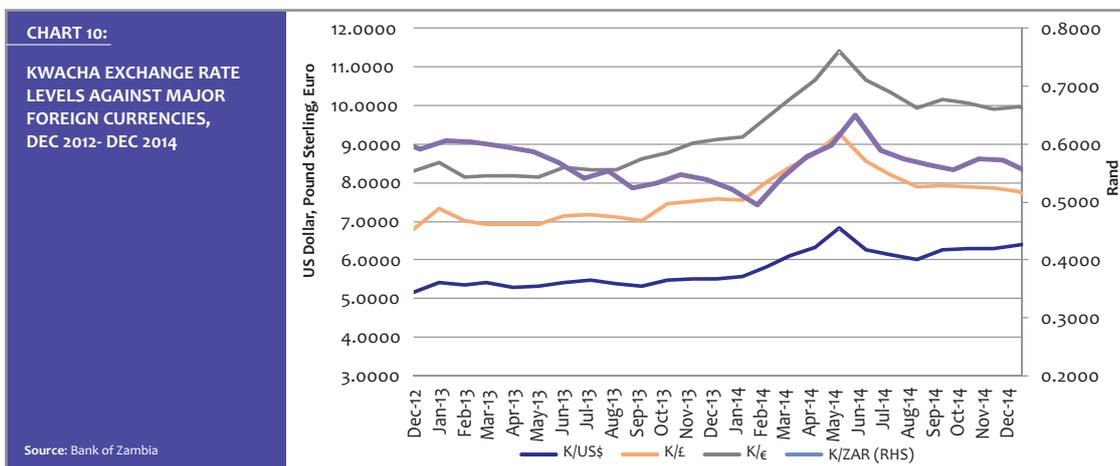


Foreign Exchange Market

During the year, the foreign exchange market in Zambia was affected by both international and domestic economic developments. On the international scene, the US dollar appreciated against most currencies, including the Kwacha. The dollar appreciated on the back of stronger US economic data, falling global oil prices, expectations of higher US interest rates, and weakened currencies resulting from monetary easing by the Japanese and European central banks.

In the domestic market, supply of foreign exchange was higher than demand largely on account of high sales volumes by the mining sector and foreign financial institutions. On a net basis, the Bank of Zambia operations also contributed to supply in the domestic market. Notwithstanding the high supply, the Kwacha depreciated in 2014 on account of timing mismatch between supply and demand. In addition, the financing of high rand purchases through the dollar on the inter-currency segment of the market added to the demand and consequently the depreciation of the domestic currency.

During the year, the Kwacha depreciated by 14.1% against the US dollar to close at an annual average of K6.2 from K5.4 in 2013. The Kwacha closed the year at K6.4/US\$ compared to a close of K5.5/US\$ at end of 2013. Similarly, the Kwacha depreciated against the Pound Sterling, Euro and Rand by 20.0%, 14.1% and 1.4% to annual averages of K10.1/£, K8.2/€ and K0.6/ZAR from K8.4/£, K7.2/€ and K0.6/ZAR, respectively (see Chart 10).



Foreign Exchange Transactions

The supply of foreign exchange to the market, denoted by commercial banks' purchases, increased to US\$11,134.4 million from US\$10,693.6 million in 2013. Mining companies continued to be the main suppliers of the foreign exchange selling US\$3,914.1 million, representing 35.2% of the total market funding. This was followed by foreign financial institutions with US\$1,915.9 million, accounting for 17.2%. The Bank of Zambia made net sales of US\$698.5 million compared to net sales of US\$2.0 million in 2013. The intervention by the Bank were undertaken largely to improve dollar liquidity in the market to moderate exchange rate volatility.

In the interbank foreign exchange market, commercial banks traded a total of US\$8,312.3 million in 2014, an increase from the 2013 trades of US\$5,780.2 million. Foreign exchange transactions involving other major currencies indicated that net sales of pound sterling of £72.8 million were made by commercial banks, while net sales of South African rand amounted to ZAR12,414.7 million, higher than the net sales of ZAR10,310.1 million in 2013.

Real Effective Exchange Rate

The real effective exchange rate (REER) appreciated by 0.7% to 95.90 as at end-December 2014 from 96.54 recorded in December 2013 (see Chart 11). The appreciation was mainly attributed to a 5.3% decline in relative prices (foreign prices to domestic prices), driven by higher domestic inflation, which more than compensated for the depreciation of the nominal effective exchange rate.

However, the annual average REER depreciated by 4.1% in 2014, compared to an appreciation of 5.6% recorded the preceding year (see Table 9). This depreciation was driven by the 9.3% depreciation of the nominal effective exchange rate (of which the Swiss Franc, British Pound, Chinese Yuan and the Euro accounted for 5.0, 1.4, 1.2 and 1.0 percentage points, respectively).

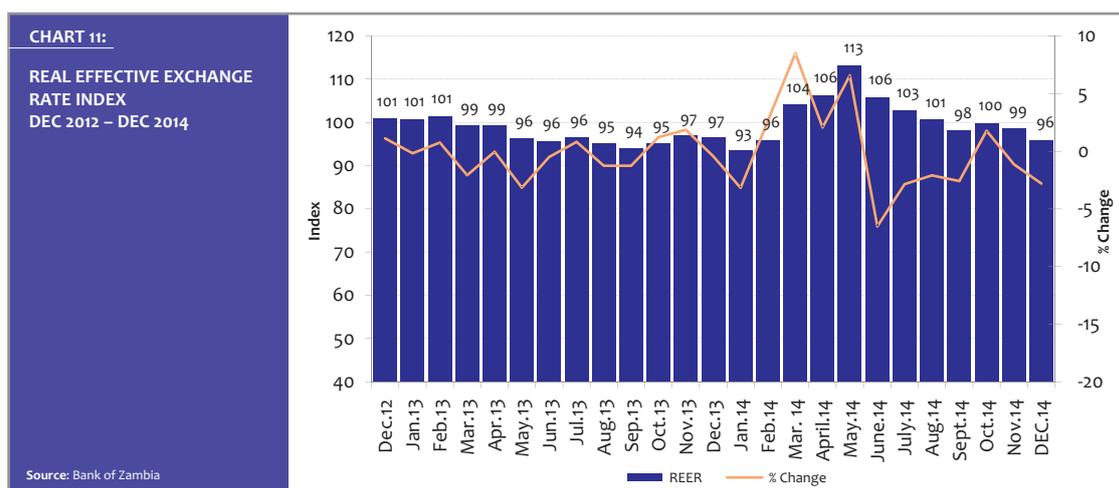


Table 9: Annual Average Real Effective Exchange Rate, 2012 - 2014

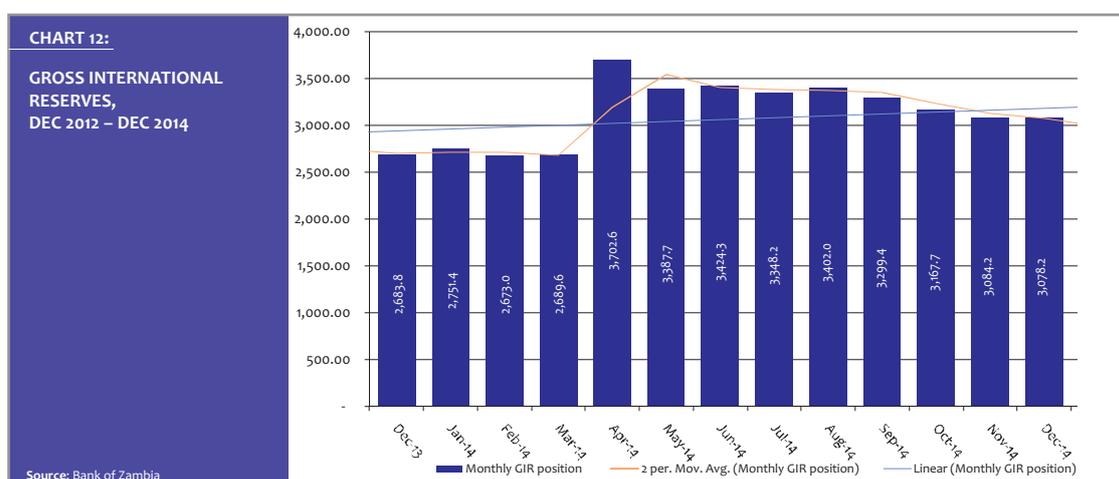
	2012	2013	2014	Percentage Change (2014/2013)
Domestic CPI (2005=100)	181.83	194.47	209.72	7.84
Weighted Foreign CPI (2005=100)	123.17	126.21	129.60	2.68
NEER Index	1.98	1.95	2.14	9.31
REER Index (2005=100)	103.03	97.26	101.23	4.07

Source: Bank of Zambia

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Gross International Reserves

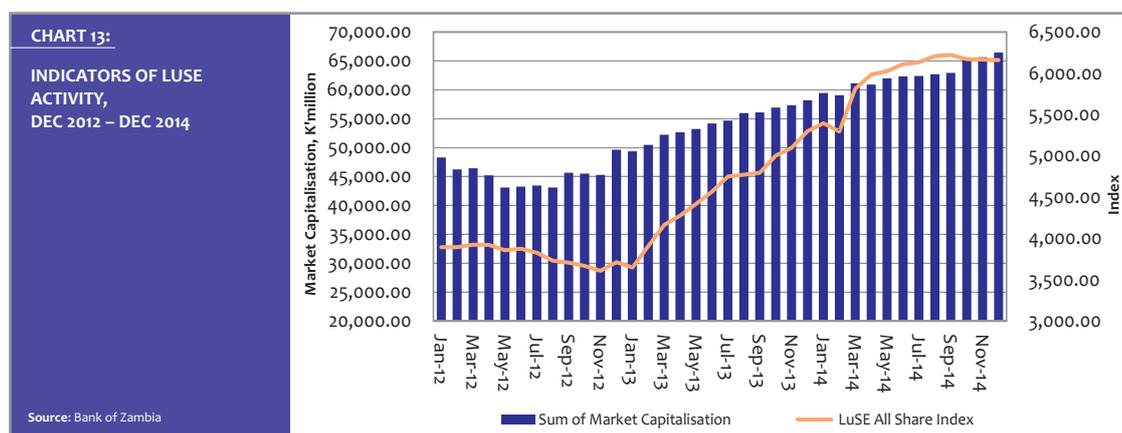
Zambia's international reserves increased in 2014 by 14.7% to end the year at US\$ 3,072.9 million compared with the 2013 level of US\$2,683.8 million (see Chart 12). The rise in reserves emanated mainly from the receipt of sovereign bonds proceeds. This increase in the reserve position was however, moderated by strong Bank of Zambia foreign exchange sales to the market in its efforts to smoothen excessive volatility, particularly during the first half of the year.



Developments in the Capital Markets

Stock Market

Trading activity at the Lusaka Stock Exchange (LuSE) went up in 2014, depicting an improvement in investor sentiment towards the local bourse. Market capitalisation increased by 14.2% to K66,456.00 million from K58,188.0 million at the end-2013, while the LuSE All Share index rose by 16.2% to 6,160.7 from 5,300.0 at close of 2013 (see Chart 13). Non-residents participation in the local bourse increased by 21.5%, as reflected in the net capital inflows to US\$6.3 million compared to net inflows of US\$5.2 million in 2013.



Bond Market

In 2014, number of secondary trades of Government bonds was 167, a marginal increase from the 162 trades in 2013. The volume of trades also rose by 41.8% to K3.10 billion from K2.18 billion recorded in 2013 reflective of increased risk appetite by foreign investors in emerging and developing economies. Pension funds and commercial banks remained the major participants in the secondary market for Government bonds.

3.3

BALANCE OF PAYMENTS

Overall Balance of Payments

Preliminary data show that Zambia recorded an overall Balance of Payments (BoP) surplus of US \$300.6 million compared with a deficit of US \$313.2 million in 2013. This was largely driven by improvements in the financial account, which compensated for the unfavourable performance in the current account (see Table 11).

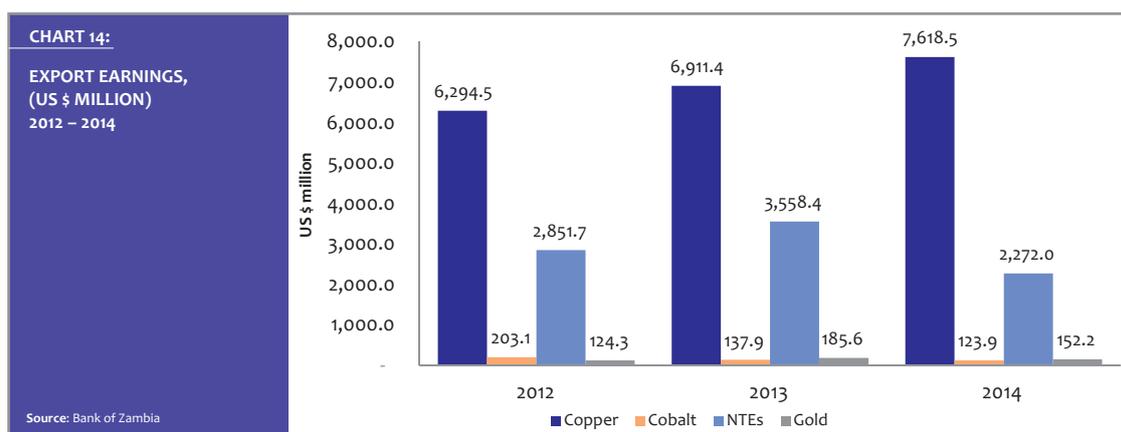
Capital and Financial Accounts

In the period under review, the financial account recorded a surplus of US \$698.5 million compared with a deficit of US \$276.9 million the previous year. The favourable financial account performance was largely attributed to increased portfolio flows mainly driven by the sovereign bond proceeds amounting to US \$1.0 billion. The capital account balance, however, declined to US \$51.0 million from US \$278.0 million recorded in 2013, following a reduction in inflows in the form of project grants.

Current Account

The current account deficit widened to US \$431.4 million in 2014 from US \$284.4 million registered in 2013, driven largely by the widening of the primary income deficit. The primary income deficit grew by 31.5% to US \$1,516.6 million from US \$1,153.2 million following an increase in equity payments by the private sector.

Further, the balance on goods surplus, at US \$1,625.4 million, was 1.4% lower than US \$1,648.0 million recorded the previous year mainly on account of a higher decline in exports relative to the imports. Export earnings fell by 5.7% to US \$10,220.5 million from US \$10,843.4 million recorded in 2013, following a decline in non-traditional exports (NTEs), gold and cobalt export earnings (see Chart 14).



During the year, NTEs earnings fell by 36.2% to US \$2,272.0 million from US \$3,558.4 million in 2013. The lower NTEs earnings were mainly on account of a decline in earnings from the export of copper wire, burley tobacco, fresh flowers, cement and lime, cotton lint, gemstones, machinery/appliance parts, sulphur, sulphuric acid, maize and maize seed, petroleum products and fresh fruits and vegetables (see Table 10). Stronger domestic demand for some key export goods such as copper wire, cement and lime largely explained this outturn.

Table 10: Major Non-Traditional Exports (C.I.F.), 2012 – 2014 (US\$' Millions)

Commodity/Product	2013	2014	% Change(2014/2013)
Gemstones	164.8	156.1	-5.3
Sulphuric acid	252.4	220.8	-12.5
Machinery and appliance parts	212.9	160.6	-24.6
Cane Sugar	184.6	220.2	19.3
Gasoil/Petroleum Oils	142.1	84.8	-40.3
Cement & Lime	233.7	108.9	-53.4
Electricity	74.4	78.8	6.0
Raw hides, Skins & Leather	44.0	55.0	25.1
Sulphur	56.8	57.4	1.0
Burley Tobacco	215.6	141.6	-34.4
Copper Wire	119.2	84.3	-29.3
Scrap of precious metals	96.4	57.5	-40.3
Maize & Maize Seed	151.9	65.5	-56.9
Electrical Cables	53.2	52.4	-1.5
Cotton Lint	85.8	67.7	-21.1
Soap products	33.4	68.2	104.2
Fresh Fruits & Vegetables	35.4	17.0	-51.8
Manganese Ores/Concentrates	26.5	11.6	-56.4
Wheat & Meslin	17.5	16.4	-6.1
Fresh Flowers	32.7	13.8	-57.8

Source: Bank of Zambia
* Preliminary

Similarly, gold export earnings declined by 18.0% to US \$152.2 million from US \$185.6 million the preceding year, due to lower realised prices and export volumes. The realised gold prices, at US \$1,069.31 per ounce, were 12.2% lower than US \$1,216.22 recorded the previous year. Gold export volumes also fell by 6.6% to 142,609.0 ounces from 152,631.0 ounces recorded in 2013.

During the same period, cobalt export earnings declined to US \$123.9 million from US \$137.9 million in 2013. This was attributed to a fall in export volumes to 4,562.18 metric tonnes (mt) from 5,880.81 mt the previous year. The realised average price of cobalt, however, rose by 15.8% to US \$27,155.38 per tonne from US \$23,454.51 per tonne.

Copper export earnings, however, at US \$7,618.5 million were 10.2% higher than US \$6,911.4 million realised in 2013. This was on account of the rise in copper export volumes to 1,146,315.4 mt in 2014 from 976,305.7 mt the previous year, despite the fall in the realised average copper price to US \$6,646.1 per tonne from US \$7,079.1 per tonne in 2013. The decline in copper prices on the international market was driven by a slowdown in global demand.

In the period under review, imports of goods fell by 6.5% to US \$8,594.8 million from US \$9,195.4 million the preceding year. This was largely due to a reduction in the import bill associated with commodity groups such as, industrial boilers and equipment, chemicals, fertiliser, plastic and rubber products, paper and paper products and motor vehicles.

During the same period, the services deficit narrowed by 25.0% to US \$793.5 million from US \$1,058.2 million, mainly on account of higher travel receipts and a decline in import freight payments.



Table 11: Balance of Payments², 2012 – 2014* [US \$'million, f.o.b]

BPM6 Concept	2012	2013	2014*
A. Current Account, n.i.e.	1,182.9	-284.4	-431.4
Balance on goods	1,595.3	1,648.0	1,625.4
Goods: exports f.o.b.	9,520.8	10,843.4	10,220.2
of Which Copper	6,294.5	6,911.4	7,618.5
Cobalt	203.1	137.9	123.9
NTEs	2,851.7	3,558.4	2,272.0
Gold	124.3	185.6	152.2
Goods: imports f.o.b.	7,925.5	9,195.4	8,594.8
Balance on Services	-343.9	-1,058.2	-793.5
Services: credit	990.1	758.0	850.9
of Which Transportation	57.1	64.7	61.1
Travel	518.0	551.5	641.5
Services: debit	1,333.9	1,816.2	1,644.4
of Which Transportation	824.7	937.2	902.8
Travel	165.0	209.7	222.2
Insurance & Pension Services	115.4	115.9	116.3
Balance on goods and services	1,251.4	589.8	831.8
Balance on Primary Income	-333.5	-1,153.2	-1,516.6
Primary income: credit	10.1	5.3	5.9
Primary income: debit	343.6	1,158.50	1,522.50
Balance on goods, services, and primary income	917.9	-563.4	-684.7
Balance on Secondary Income	265.0	279.0	253.4
Secondary income, n. i. e.: credit	333.0	327.4	305.7
Secondary income: debit	68.0	48.4	52.3
B. Capital Account, n.i.e.	223.0	278.0	51.0
Capital account, n.i.e.: credit	223.0	278.0	51.0
Capital account: debit	0.0	0.0	0.0
C. Financial Account, n.i.e.	1,267.9	276.9	-698.5
Direct investment: assets	-701.9	409.4	-976.0
Direct investment: liabilities, n.i.e.	1,731.5	2,099.9	1,507.8
Portfolio investment: assets	-104.7	-6.5	-20.7
Equity and investment fund shares	-104.7	-6.5	-20.7
Debt securities	0.0	0.0	0.0
Portfolio investment: liabilities, n.i.e.	794.6	89.9	1,184.8

Source: Bank of Zambia
* Preliminary

²The entire BoP series has been revised following migration to the Balance of Payments and International Investment Position Manual Six (BPM6) framework, incorporation of services data from recent surveys and other administrative sources and strict compliance to international best practice.

Table 11: Cont': Balance of Payments, 2012 – 2014* [US \$'million, f.o.b]

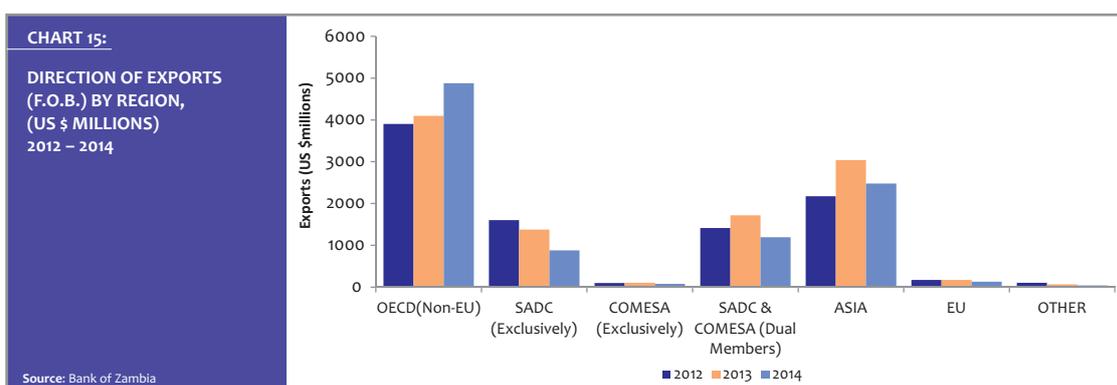
BPM6 Concept	2012	2013	2014*
Equity and investment fund shares	-7.4	5.5	6.1
Debt securities	802	84.4	1,178.70
Financial derivatives: net	10.8	-3.4	0.8
Financial derivatives: assets	13.6	0.2	7
Financial derivatives: liabilities	2.8	3.6	6.2
Other investment: assets	5,179.90	2,172.90	3,300.40
Other equity	0	0	0
Other debt instruments	5,179.90	2,172.90	3,300.40
Central bank	432.2	-154.7	125.7
Deposit-taking corporations	-274.6	271.1	261.4
General government	0	0	0
Other sectors	5,022.30	2,056.50	2,913.30
Other financial corporations	6	-1.1	0
Nonfinancial corporations, HHs, and NPISHs	5,016.30	2,057.60	2,913.30
Other investment: liabilities, n.i.e.	590.1	105.7	310.4
Other equity	0	0	0
Special Drawing Rights	0	0	0
Other debt instruments	590.1	105.7	310.4
Central bank	0	0	0
Deposit-taking corporations	148.7	-81.1	104.6
General government	171.9	104.6	120.2
Other sectors	269.5	82.2	85.6
Other financial corporations	0	0	0
Nonfinancial corporations, households, and NPISHs	269.5	82.2	85.6
D. Net Errors and Omissions	-32.3	-29.9	-17.5
E. Overall Balance ³	-105.7	313.2	-300.6
F. Reserves and Related Items	105.7	-313.2	300.6
Reserve assets	289.8	-205.5	315.1
Credit and loans from the IMF	-4.8	-15.3	-29.5
Exceptional financing	188.9	123	44

Source: Bank of Zambia
* Preliminary

Direction of Trade

During the year 2014, Zambia's merchandise exports by regional markets, namely Asia, SADC (exclusively), the Common Market for Eastern and Southern Africa (COMESA) (exclusively), the European Union (EU), the Southern African Development Community (SADC) and COMESA (dual members) declined. However, exports to the Non-European Union (EU) Organisation for Economic Cooperation and Development (OECD) countries, increased.

The OECD (Non-EU) region maintained its position as Zambia's major export partner, accounting for 50.3% of total exports, following a 19.1% rise in exports to US \$4,877.6 million in 2014 from US \$4,095.2 million the preceding year (see Chart 15). The growth in exports to this region was mainly attributed to higher base metal trade with Switzerland. Although exports to Asia declined by 18.4% to US \$2,477.7 million from US \$3,036.6 million the previous year, the region maintained its second rank, accounting for 25.6% of the country's total exports. This outturn was largely explained by the 20.4% decline in base metal exports to China.



³(-ve) indicates a BoP surplus, while a (+ve) indicates a BoP Surplus

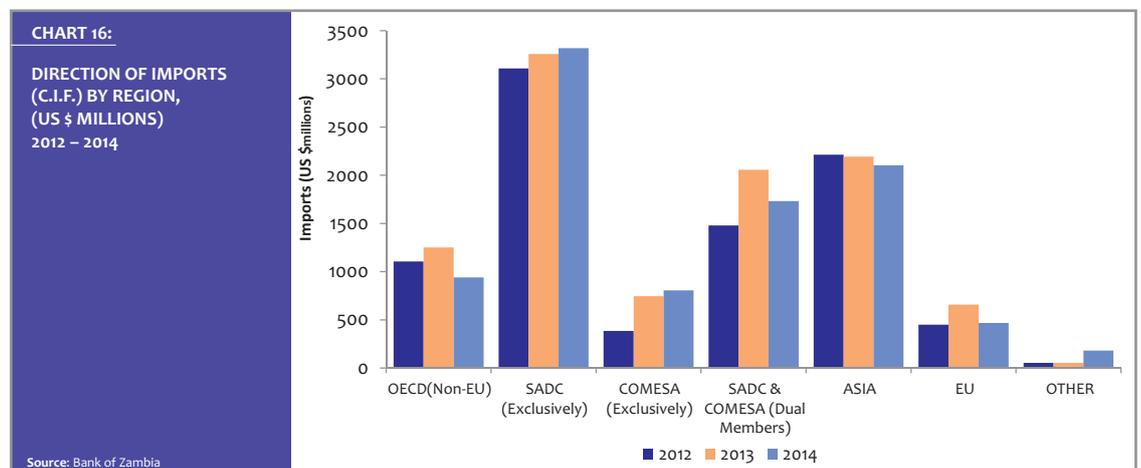
⁴Large metal traders (e.g. Glencore International AG), headquartered in Switzerland, purchase copper and cobalt from Zambian mining companies off gate and sell the commodity to other foreign markets. Most Zambian companies are not fully aware of the final destination of the copper purchased by these companies.

SADC and COMESA (dual members) maintained their third position, accounting for 12.4% of Zambia's total exports despite the 30.4% decline in exports to US \$1,197.2 million from US \$1,720.4 million the previous year. This was largely due to lower exports of food items, cement, and chemical products to Congo (DR). Similarly, SADC (exclusively) maintained its fourth rank, accounting for 9.1%, although exports to that region fell by 36.1% to US \$880.4 million. The fall was largely due to sluggish demand reflected by the 37.4% reduction in exports to South Africa to US \$677.4 million.

Major Sources of Imports by Region

With regard to Zambia's major source markets, SADC (exclusively) maintained its top rank accounting for 34.8% of the country's total imports which grew by 1.9% to US \$3,319.7 million from US \$3,257.9 million registered in 2013 (see Chart 16). Higher imports of goods from South Africa, supported by a relatively weaker Rand, explained this outturn. Similarly, Asia maintained its second rank, accounting for 22.0% of Zambia's imports, though imports from that region declined by 4.2% to US \$2,102.6 million. The reduction in imports from Asia was mainly attributed to lower imports of assorted goods from China and Indonesia.

The SADC & COMESA (dual members) ranked third, accounting for 18.1% of Zambia's imports. This was despite imports declining by 15.8% to US \$1,732.3 million, largely driven by lower import values of copper and cobalt ores and concentrates from Congo DR. Similarly, imports from the Non-EU OECD and the EU regions fell by 24.9% and 29.1%, respectively, while imports from COMESA (exclusively) grew by 8.2%.



3.4

EXTERNAL DEBT

Government⁵ Debt Stock

Preliminary data indicate that the Government's total stock of outstanding external debt rose by 35.3% to US\$4,751.9 million at end-December 2014 from the US\$3,548.0 million recorded at end-December 2013 (see Table 12). This increase was mainly as a result of the US \$1.0 billion Euro bond issued on the international capital market during the year under review.

An analysis of the structure of Government's external debt stock as at end-December 2014 indicates that 42.4% of the total stock was owed to private bank creditors, 31.5% to multilateral creditors and 21.9% to supplier and export creditors. The private banks or commercial credits debt stock went up by 108.2% to US\$2,022.9 million at end-December 2014 from US\$971.5 million at end-December 2013.

Total multilateral debt stock rose by 2.8% to US \$1,493.6 million from US \$1,452.7 million at end-December 2013 due to disbursements for various projects (see Table 12). The debt stock for the World Bank group increased by 9.5% to US \$667.4 million from US \$609.5 million at end-December 2013, while the stock owed to the African Development Bank Group went up by 15.9% to US \$327.3 million from US \$282.4 million.

However, the International Monetary Fund (IMF) debt declined slightly to US \$331.4 million as at end-December 2014 from the previous year's level of US \$387.9 million due to principal repayments under the Extended Credit Facility. The stock of suppliers and export credits increased by 14.6% to US \$1,036.9 million from US \$904.9 million the previous year. Similarly, external debt owed to bilateral creditors went up slightly to US \$198.5 million from US \$183.8 million due to accumulated arrears as bilateral agreements with some Paris Club creditors were yet to be concluded.

⁵Public and publicly guaranteed debt.

Table 12: Government External Debt Stock by Creditor, 2012 - 2014

Creditor	2012		2013		2014	
	US \$'million	% share	US \$'million	% share	US \$'million	% share
Bilateral	239.0	7.5	183.8	5.2	198.5	4.2
Paris Club	169.8	5.3	122.1	3.5	136.9	2.9
Non Paris Club	69.2	2.2	61.7	1.7	61.6	1.3
Multilateral	1,382.8	43.5	1,452.7	41.3	1,493.6	31.5
ADB/ADF	247.0	7.8	282.4	8.0	327.3	6.9
World Bank -IDA	564.1	17.7	609.5	17.4	667.4	14.0
IMF	405.6	12.7	387.9	11.0	331.4	7.0
Other Multilateral	166.1	5.3	172.9	4.9	167.5	3.6
Suppliers/ Export Credits	565.8	17.8	904.9	25.8	1,036.9	21.9
Private Banks	992.1	31.2	971.5	27.7	2,022.9	42.4
Total Govt. Debt	3,179.6	100.0	3,512.9	100.0	4,751.9	100.0

Source: Ministry of Finance
Note: * Data for 2014 is preliminary

Government External Debt Service

In 2014, Government external debt service amounted to US \$265.0 million, representing an increase of 4.1% from US \$238.6 million in 2013 (see Table 13). Out of the total debt service for 2014, US \$199.3 million was paid to financial, export and supplier creditors US \$49.2 million to multilateral creditors and US \$16.5 million to bilateral creditors. Principal maturities during the year amounted to US \$131.9 million, while interest payments were US \$115.0 million and other charges amounted to US \$18.1 million.

Table 13: Zambia's Official External Debt Service by Creditor, 2012 – 2014 (US\$'million)

Creditor	2012	2013	2014
Bilateral	76.3	132.8	16.5
Paris Club	56.7	114.9	0.0
Others	19.6	17.9	0.0
Multilateral	36.2	35.6	49.2
IDA	7.8	9.1	8.5
IMF	12.0	17.9	29.4
ECU/EIB	9.8	0.0	0.0
Others	6.6	8.6	11.3
Suppliers/Bank/Export	173.9	70.2	199.3
Total	286.4	238.6	265.0

Source: Bank of Zambia

Private and Parastatal Non-Guaranteed Debt Stock

Preliminary data show that total external debt owed by the private sector and non-guaranteed parastatal sector was US \$1,519.2 million as at end-December 2014 compared to US \$1,839.2 million at end-December 2013 (see Table 14).

Table 14: Private and Non-Guaranteed Parastatal External Debt Stock, 2012 - 2014

Creditor	2012		2013		2014	
	US \$'million	% Share	US \$'million	% Share	US \$'million	% Share
Private	915.5		1,837.4		1,484.2	97.7
Multilateral	58.6	99.4	60.6	99.9	57.1	3.7
Financial Institutions	250.0	6.4	977.7	3.3	646.1	42.5
Parent Company	448.3	27.1	640.5	53.2	622.4	41.0
Other	158.6	48.7	158.6	34.8	158.6	10.5
Parastatal	5.7	17.2	1.8	8.6	35.0	2.3
Total Private and Non-Guaranteed Parastatal Debt	921.2	0.6	1,839.2	0.1	1,519.2	100.0

Source: Bank of Zambia
Note: * Data for 2014 is preliminary

3.5 FISCAL SECTOR DEVELOPMENTS

Overview

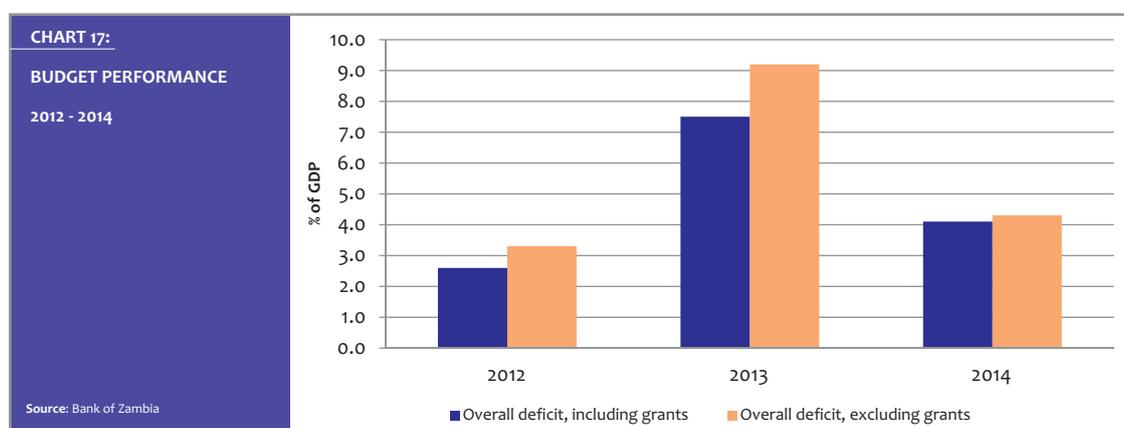
Preliminary data indicate that the central Government budget recorded an overall deficit, including grants, of K8,696.0 million (on cash basis), 2.1% lower than the programmed deficit of K8,882.2 million. As a percentage of GDP, the central Government overall deficit, including grants, at 5.2% was 0.1 percentage points below the programmed deficit of 5.3%.

Excluding grants, the central Government overall budget deficit was 5.4% of GDP, thus 1.5 percentage points lower than the programmed deficit of 6.9% of GDP (see Table 15 and Chart 17).

Table 15: Central Government Fiscal Operations, 2012 – 2014

	2012		2013		2014 (Target)		2014 (Preliminary)	
	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP
Revenue and Grants	23,134.6	21.8	26,635.2	21.1	32,165.4	19.3	30,576.9	18.4
Domestic Revenue	22,372.2	21.1	24,483.2	19.4	29,538.7	17.9	30,297.1	18.2
o/w								
Tax Revenue	19,260.4	18.2	21,307.2	16.9	24,457.1	14.7	25,837.1	15.5
Non-tax Revenue	3,111.8	2.9	3,176.0	2.5	5,081.6	3.1	4,460.0	2.7
Grants	762.4	0.7	2,152.0	1.7	2,626.6	1.6	279.7	0.2
Total Expenditure	26,152.2	24.7	36,144.6	28.7	41,049.4	24.7	38,541.6	23.7
o/w								
Current Expenditure	21,092.7	19.9	26,774.3	21.3	30,130.6	18.1	31,769.6	19.7
Assets Expenditure	4,957.1	4.7	9,370.3	7.4	10,918.8	6.6	6,772.1	9.5
Change in balances & Statist. discrepancy	246.6	0.2	115.4	0.1	-0.20	0.0	-731.3	-0.4
o/w Change in balances	246.7	0.2	134.5	0.1	-0.20	0.0	-731.3	-0.4
Overall balance (Cash)	-2,771.0	-2.6	-9,394.0	-7.5	-8,884.2	-5.3	-8,696.0	-5.2
Overall bal. excluding grants (Cash)	-3,533.4	-3.3	-11,546.0	-9.2	-11,510.9	-6.9	-8,975.8	-5.4

Source: Ministry of Finance



Revenue and Grants

Total revenue and grants in 2014 were K30,576.9 million, 4.9% lower than the programmed revenue of K32,165.4 million. Domestic revenue accounted for 99.1%, while grants were 0.9%. As a percentage of GDP, total revenue and grants were 18.3%, 0.9 percentage points lower than the programmed level of 19.2%. The lower outturn in total revenue and grants was largely attributed to the non-receipt of programmed budget support funds from some cooperating partners and poor outturn in international trade taxes (see Table 16a).

Tax Revenue

Total tax revenue at K25,837.1 million was 5.6% above the target of K24,457.1 million. As a percentage of GDP, tax revenue at 15.4% was 0.8 percentage points higher than the programmed level of 14.6% (see Chart 18). This outturn was largely due to higher than programmed income tax as well as tax on domestic goods and services. At K11,499.3 million, income tax was above target by 1.7% due to higher collection of pay-as-you-earn, as civil servants recruited in 2013 were introduced on the payroll in 2014.

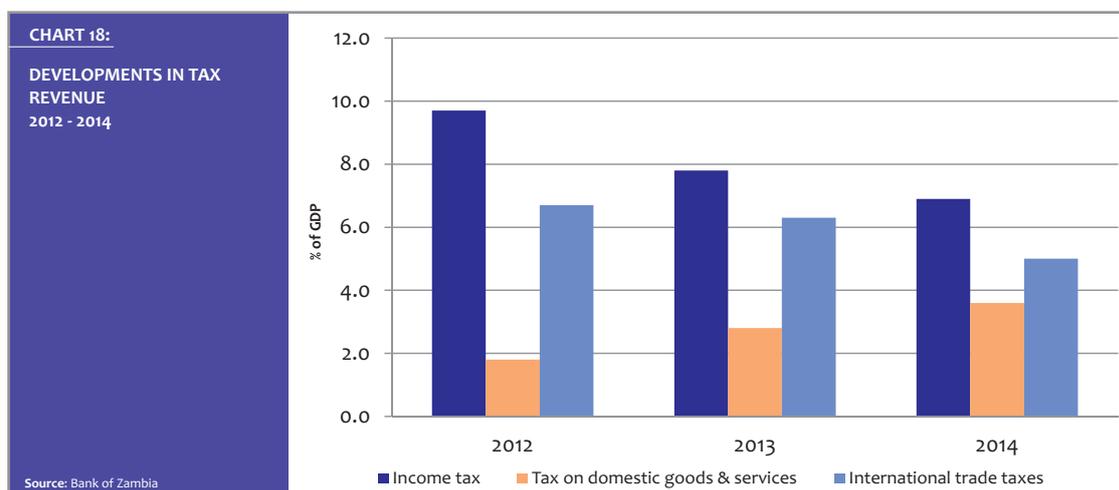


Table 16a: Central Government Revenue and Grants, 2012 – 2014

	2012		2013		2014 (Target)		2014* (Preliminary)	
	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP
Revenue and Grants	23,134.6	21.8	26,635.2	21.1	32,165.40	19.3	30,576.1	18.4
Domestic Revenue	22,372.2	21.1	24,483.2	19.4	29,538.70	17.7	30,297.1	18.2
Tax Revenue	19,260.4	18.2	21,307.2	16.9	24,457.1	14.7	25,837.1	15.5
Income Tax	10,275.2	9.7	9,813.8	7.8	10,789.0.7	6.5	11,499.3	6.9
Personal Tax	4,934.1	4.7	5,682.2	4.5	5,132.1	3.1	6,424.3	3.9
Company Tax	4,402.2	4.2	2,853.8	2.3	4,046.9	2.4	3,487.8	2.1
Other Income Tax	938.9	0.9	1,277.8	1.0	1,601.6	1.0	1,587.2	1.0
Domestic Goods & Services	1,922.3	1.8	3,535.3	2.8	3,322.3	2.0	5,969.5	3.6
Excise Taxes	2,201.5	2.1	2,337.0	1.9	3,240.9	1.9	2,854.0	1.7
Domestic VAT	-279.2	-0.3	1,198.3	1.0	81.4	0.0	3,115.5	1.9
International Trade Taxes	7,062.9	6.7	7,958.1	6.3	10,354.2	6.2	8,368.3	5.0
Import Duties	2,040.6	1.9	1,808.4	1.4	2,330.9	1.4	1,948.9	1.2
Import VAT	5,022.3	4.7	6,149.7	4.9	8,017.7	4.8	6,396.8	3.8
Export Duties	-	-	-	-	5.6	0.0	22.6	0.0
Non-tax Revenue	3,111.8	2.9	3,176.0	2.5	5,081.6	3.1	4,460.0	2.7
Fees and Charges	730.2	0.7	1,204.0	1.0	950.8	0.6	1,336.3	0.8
Dividends and Interest	280.5	0.3	52.6	0.0	248.4	0.1	268.4	0.2
Other Receipts	642.5	0.6	158.7	0.1	1,696.7	1.0	1,088.4	0.7
Extraction Royalty	1,458.6	1.4	1,760.7	1.4	2,185.7	1.3	1,766.9	1.1
Grants	762.4	0.7	2,152.0	1.7	2,626.6	1.6	279.8	0.2
Programme	762.4	0.7	301.0	0.2	1,083.9	0.7	179.3	0.1
Projects	0.0	0.0	1,851.0	1.5	1,542.8	0.9	100.5	0.1

Source: Ministry of Finance
Notes: Dash (-) means not available

Similarly, tax on domestic goods and services at K5,969.5 million was above target by 79.7% due to higher collection of domestic VAT. This was mainly explained by the implementation of the tax-online system, strengthened administrative procedures as well as reduced VAT refunds, especially to mining companies under VAT Rule 18. This rule required proof of export documentation, which most exporters had not been complying with in the past.



Non Tax Revenue

In 2014, non-tax revenue at K4,460.0 million was 12.2% lower than the programmed level of K5,081.6 million. As a percentage of GDP, non-tax revenue at 2.7% was 0.4 percentage points lower than the target of 3.1%. This mainly reflected delayed implementation of some activities such as the National Titling Programme and Zambia Integrated Land Management Information System on which higher projections were based.

Grants

Total grants in 2014 were K279.8 million, 89.3% lower than the programmed amount of K2,626.6 million. As a percentage of GDP, total grants at 0.2% were 1.4 percentage points lower than the programmed level of 1.6%. This was mainly on account of non-receipt of the programmed budget support funds from some cooperating partners.

Total Expenditure

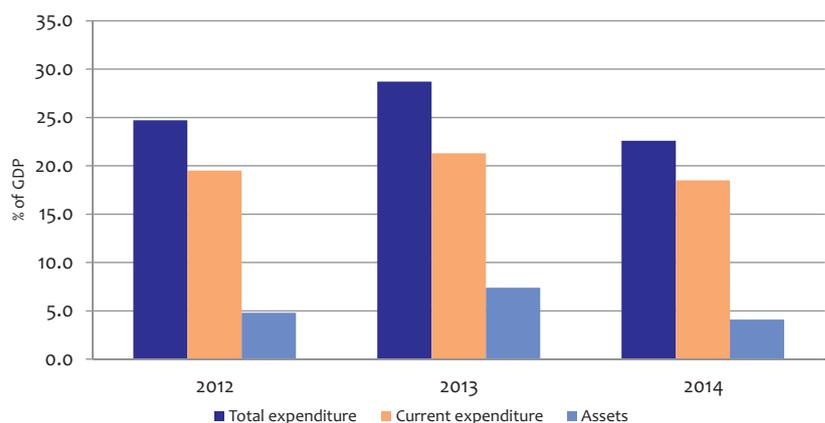
During the review period, total expenditure at K38,541.6 million was 6.1% lower than the programmed level of K41,049.3 million. As a proportion of GDP, total expenditure at 23.2% was 1.5 percentage points lower than the programmed level of 24.7% (see Chart 19).



CHART 19:

DEVELOPMENTS IN
EXPENDITURE,
2012 – 2014

Source: Bank of Zambia



Current Expenditure

Total current expenditure was K31,769.6 million, 5.4% higher than the programmed level of K30,130.5 million. As a percentage of GDP, total current expenditure at 19.1% was 1.0 percentage points above the programmed level of 18.1% of GDP (see Table 16b).

The above outturn was mainly explained by higher expenditure on grants and other payments, other expenses as well as personal emoluments. Grants and other payments at K4,966.8 million were above target by 24.6%, mainly attributed to higher expenditure on the Farmer Input Support Programme. Other expenses at K1,544.8 million were 45.3% above the programmed level, on account by higher expenditure on strategic reserve maize purchases.

Similarly, wages and salaries at K15,750.3 million were above target by 1.6%. This followed the introduction on the payroll in 2014 of civil servants recruited in 2013 as well as the upward adjustment of the wage bill for security wings due to harmonisation and rationalisation of salaries.

Assets

During the year under review, total expenditure on assets amounted to K6,772.1 million, 38.0% below the projected expenditure of K10,918.8 million. As a percentage of GDP, expenditure on assets at 4.1% was 2.5 percentage points below the projection of 6.6%. This was mainly due to lower than programmed expenditure on non-financial assets, partly attributed to lower expenditure on the Rural Electrification Programme and railway line rehabilitation. In addition, spending on financial assets was below target, mainly attributed to lower outlay on recapitalisation of state owned enterprises.

Table 16b: Central Government Expenditures, 2012 – 2014

	2012		2013		2014 (Target)		2014* (Preliminary)	
	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP
Total Expenditure	26,152.2	24.7	36,144.6	28.7	41,049.4	24.7	38,541.6	23.2
Current Expenditure	21,092.7	19.9	26,774.3	21.3	30,130.5	18.1	31,769.6	19.1
Wages and Salaries	9,390.4	8.9	11,897.1	9.4	15,497.4	9.3	15,750.3	9.5
PSRP	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of Goods and Services	4,340.8	4.1	4,799.0	3.8	5,202.0	3.1	4,631.8	2.8
Interest on Public Debt	1,747.9	1.6	2,231.1	1.8	3,040.3	1.8	3,711.4	2.2
Domestic Debt	1,636.3	1.5	1,870.0	1.5	2,250.5	1.4	2,954.1	1.2
Foreign Debt	111.6	0.1	361.1	0.3	789.8	0.5	757.3	0.5
Grants and Other Payments	2,748.6	2.6	5,646.2	4.5	3,985.9	2.4	4,966.8	3.0
Social Benefits	826.2	0.8	669.0	0.5	966.1	0.6	734.2	0.4
Other Expenses	1,574.9	1.5	1,111.2	0.9	1,063.3	0.6	1,544.8	0.9
Liabilities	461.4	0.4	420.7	0.3	375.5	0.2	430.2	0.3
Assets	5,059.5	4.8	9,370.3	7.4	10,914.8	6.6	6,772.1	4.1
Non-Financial Assets	4,957.1	4.7	9,097.0	7.2	9,835.4	5.9	6,209.5	3.7
Financial Assets	102.4	0.1	273.3	0.2	1,079.4	0.6	562.5	0.3

Source: Ministry of Finance
Notes: Dash (-) means not available

Deficit Financing

In 2014, total budget financing at K8,696.1 million was 2.1% lower than the programmed level of K8,884.3 million. Of this financing, domestic and external borrowing amounted to K3,684.8 million and K5,011.2 million, respectively. As a percentage of GDP, total financing at 5.2% was 0.1 percentage points below the programmed financing of 5.3%. Domestic and external financing were 2.2% and 3.0% of GDP against targets of 1.4% and 3.9% of GDP, respectively (see Table 17).

Table 17: Budget Deficit Financing, 2012 – 2014

	2012		2013		2014 (Target)		2014 (Preliminary)	
	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP	K'million	% of GDP
Total Financing	2,771.0	2.6	9,394.0	7.5	8,884.3	5.3	8,696.1	-5.2
Domestic	1,463.9	1.4	6,766.9	5.4	2,901.7	1.4	3,684.8	2.2
External	1,307.1	1.2	2,627.1	2.1	5,982.5	3.9	5,011.2	3.0
Programme Loans	1,821.2	1.7	2,139.9	1.7	5,500.0	3.3	4,596.9	2.8
Project Loans	-	-	1,237.0	1.0	1,515.1	0.9	0.0	0.0
Amortisation	-514.1	-0.5	-749.8	-0.6	-1,032.6	-0.6	-684.3	-0.4

Source: Ministry of Finance
Notes: Dash (-) means not available

3.6 REAL SECTOR DEVELOPMENTS

National Output

The preliminary figures show that the economy grew by 6.0% in 2014 compared with 6.7% in 2013, largely driven by output in the non-mining sectors. The major sectors that contributed to this growth were transport, storage and communications; financial institutions and insurance; construction; agriculture, forestry and fishing; wholesale and retail trade; community, social and personal services. Growth was also recorded in manufacturing; restaurants, bars and hotels; real estate and business services. However, the mining and quarrying sector registered a reduction due to operational challenges at some mines (see Tables 18, 21a and 21b).



Agriculture development holds the greatest potential for diversification and employment creation

Table 18: Real GDP Growth (in Constant Prices), 2012 – 2014

	2012	2013	2014*
Growth in Real GDP (%)	6.8	6.7	6.0
Agriculture, Forestry and Fishing	6.8	-7.4	6.5
Mining and Quarrying	-2.7	5.9	-1.4
Manufacturing	7.2	4.5	2.3
Electricity, Gas and Water	4.1	5.9	2.7
Construction	13.6	11.4	8.5
Wholesale and Retail trade	4.0	5.2	6.2
Restaurants, Bars and Hotels	-2.6	2.2	4.0
Transport, Storage and Communications	12.8	12.4	13.2
Financial Institutions and Insurance	12.0	12.2	13.2
Real Estate and Business services	3.7	3.1	3.1
Community, Social and Personal Services	9.4	12.8	5.6
Financial Intermediary Services	2.3	2.3	2.3
Taxes on products	6.7	6.7	6.0

Source: Central Statistical Office

*Preliminary estimates

Agriculture, Forestry and Fisheries

The agriculture, forestry and fisheries sector recorded a significant growth of 6.5% from negative 7.4% in 2013, and contributed 0.6 percentage points to real GDP growth. The increase in agricultural output was largely explained by the 32.3% rise in maize production to 3,350,671 mt during the 2013/14 agricultural season from 2,532,800 mt the previous season. Maize output rose due to an increase in total area planted, satisfactory rainfall pattern, improved agricultural extension services and increased usage of certified seed varieties and fertiliser application. Further, production of rice, Irish potatoes, tobacco, millet, and groundnuts increased (see Table 19).

Table 19: Comparative National Crop Production Estimates for 2011/12 – 2013/14 (mt)

Crop	2011/12	2012/13	2013/14	Growth (%)
Maize	2,852,687	2,532,800	3,350,671	32.3
Wheat	253,522	273,584	201,504	-26.3
Sorghum	15,379	14,971	11,557	-22.8
Rice	45,321	44,747	49,640	10.9
Sunflower	20,468	33,733	34,264	1.6
Groundnuts	113,026	106,792	143,591	34.5
Soya beans	203,038	261,063	214,179	-18.0
Mixed Beans	55,301	56,411	61,749	9.5
Irish Potatoes	32,066	22,038	33,833	53.5
Sweet Potatoes	163,484	188,355	150,158	-20.3
Virginia Tobacco (kg)	24,250	21,195	26,105	23.2
Burley Tobacco (kg)	7,067	8,704	9,564	9.9

Source: Ministry of Agriculture and Livestock

Mining and Quarrying

Preliminary estimates indicate that output in the mining and quarrying sector fell by 1.4% in 2014 compared with a growth of 5.9% in 2013. Consequently, the sector contributed negative 0.1 percentage points to real GDP outturn compared to negative 0.3 percentage points the previous year. The decline was attributed to operational challenges at some mines. Nonetheless, the mining sector contributed significantly to FDI flows due to large investment projects.

Promotion of value addition,
Parmalat Milk Processing Plant

Manufacturing

The manufacturing sector grew by 2.3% compared with a growth of 4.5% the previous year, thus contributing 0.2 percentage points to real GDP growth.

Tourism

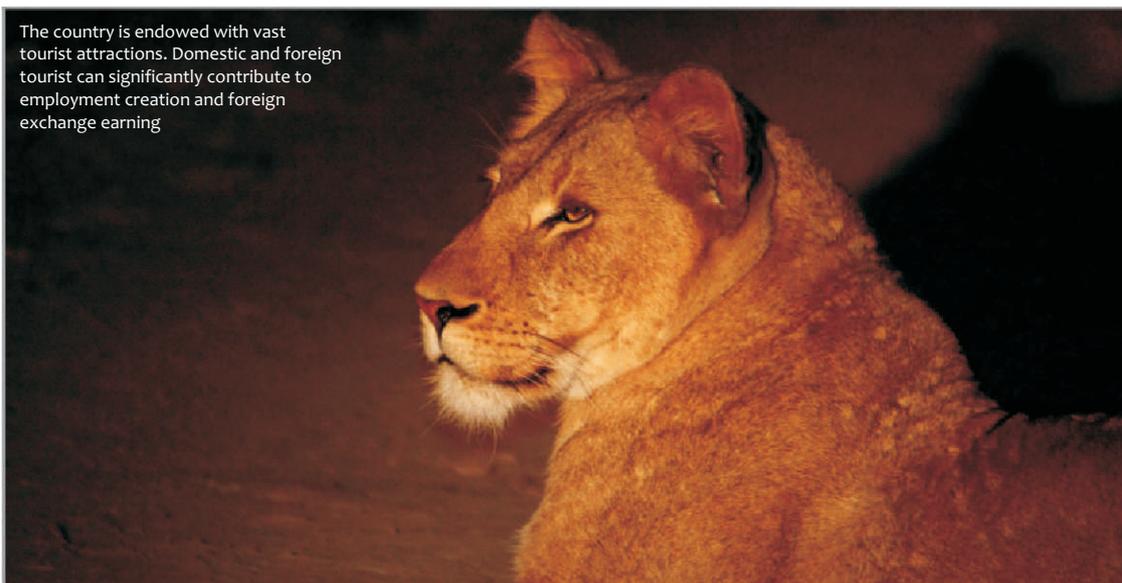
Growth in the tourism sector⁶ picked up in 2014. Preliminary data indicate a rise in value addition by 4.0% compared to 2.2% the previous year. This was partly explained by an increase in tourist entries into Zambia's national parks, which rose by 4.3% to 80,555 from 77,228 in 2013 (see Table 20).

Table 20: Tourist Entries in Zambia's Major National Parks, 2012 – 2014

Region	2012	2013	2014	% Change
North America	10,727	13,989	12,372	-11.6
Europe	21,062	26,261	24,463	-6.8
Australasia	4,572	5,851	4,617	-21.1
South America	1,951	1,129	2,246	98.9
Rest of Africa	6,778	10,136	11,272	11.2
Zambia	17,344	19,862	24,903	25.4
Other			682	
Total	62,434	77,228	80,555	4.3

Source: Zambia Wildlife Authority

The country is endowed with vast tourist attractions. Domestic and foreign tourist can significantly contribute to employment creation and foreign exchange earning



Construction

Preliminary data show that growth in the construction sector remained strong at 8.5% in 2014 compared with 11.4% in 2013, contributing 1.0 percentage point to real GDP growth. The various public infrastructure projects, construction of shopping malls, coupled with residential housing activities explained this growth.

Infrastructure development largely contributed to economic growth. National Heroes Stadium in Lusaka



⁶Estimated by activity in restaurants, bars and hotels

Transport, Storage and Communications

The transport, storage and communications sector recorded 13.2% growth in 2014, up from 12.4% in 2013. In terms of contribution to real GDP growth, the sector accounted for 1.2 percentage points, compared to 1.8 percentage points in 2013. Growth in the sector was partly on account of increased activity in other sectors, such as, agriculture and manufacturing sectors. In addition, the on-going road projects, including rehabilitation works in the railway sub-sector around the country increased traffic volumes. In the communications sub-sector, the improvement in fixed and mobile internet connections also contributed to growth in the sector.

Electricity, Gas and Water

Growth in the electricity, gas and water sector was recorded at 2.7% from 5.9% in 2013, while its contribution to real GDP growth was maintained at 0.1 percentage point. The positive growth in the sector was largely explained by the increased electricity generation following the completion of the Kariba North Bank hydro power extension, which brought on stream 360 megawatts of power.

Table 21a: GDP by Kind of Economic Activity at Constant Prices, 2012 – 2014 (K' million)

KIND OF ECONOMIC ACTIVITY	2012	2013	2014*	Growth Rate (%)
Agriculture, Forestry and Fishing	11,081.87	10,259.12	10,925.65	6.5
Mining and Quarrying	11,549.54	12,225.59	12,053.48	-1.4
PRIMARY SECTOR	22,631.41	22,484.71	22,979.13	2.2
Manufacturing	8,886.39	9,289.82	9,505.88	2.3
Electricity, Gas and Water	2,055.89	2,177.76	2,237.07	2.7
Construction	13,103.52	14,596.37	15,831.46	8.5
SECONDARY SECTOR	24,045.81	26,063.94	27,574.40	5.8
Wholesale and Retail trade	19,942.98	20,982.75	22,288.02	6.2
Restaurants, Bars and Hotels	1,724.44	1,762.55	1,833.01	4.0
Transport, Storage & Communications	9,524.14	10,701.22	12,118.17	13.2
Financial Intermediaries & Insurance	4,784.72	5,369.95	6,080.64	13.2
Real Estate & Business services	7,897.35	8,143.24	8,394.11	3.1
Community, Social & Personal Services	16,383.93	18,485.24	19,518.02	5.6
TERTIARY SECTOR	60,257.56	65,444.96	70,231.97	7.3
Less: FISIM	(2,704.6)	(2,766.0)	(2,828.8)	2.3
TOTAL GROSS VALUE ADDED	104,230.14	111,227.58	117,956.68	6.0
Taxes less subsidies on Products	6,105.6	6,515.5	6,909.7	6.0
TOTAL GDP AT MARKET PRICES	110,335.78	117,743.12	124,866.40	6.0
Growth rates	6.7	6.7	6.0	6.0

Source: Central Statistical Office
*Preliminary estimates

Table 21b: GDP by Kind of Economic Activity at Current Prices, 2012 – 2014 (K' million)

KIND OF ECONOMIC ACTIVITY	2012	2013	2014*	Growth Rate (%)
Agriculture, Forestry and Fishing	12,490.44	13,161.29	14,753.72	12.1
Mining and Quarrying	12,164.42	11,983.58	10,818.23	-9.7
PRIMARY SECTOR	24,654.86	25,144.87	25,571.95	1.7
Manufacturing	10,052.75	11,160.57	12,511.44	12.1
Electricity, Gas and Water	2,642.38	3,030.39	3,373.52	11.3
Construction	16,664.11	20,021.46	23,395.24	16.9
SECONDARY SECTOR	29,359.24	34,212.42	39,280.20	14.8
Wholesale and Retail trade	23,095.53	25,995.18	29,741.08	14.4
Restaurants, Bars and Hotels	1,941.47	2,104.78	2,399.07	14.0
Transport, Storage & Communications	9,780.10	11,412.88	13,188.15	15.6
Financial Intermediaries & Insurance	5,434.48	6,560.93	7,845.72	19.6
Real Estate and Business services	10,011.94	11,184.13	12,524.78	12.0
Community, Social & Personal Services	19,908.83	24,014.64	29,268.58	21.9
TERTIARY SECTOR	70,172.35	81,272.54	94,967.39	16.9
Less: FISIM	- 3,449.86	- 4,164.94	- 4,980.54	19.6
TOTAL GROSS VALUE ADDED	120,736.59	136,464.89	154,839.01	13.5
Taxes less subsidies on Products	7,633.54	8,257.50	11,694.10	41.6
TOTAL GDP AT MARKET PRICES	128,370.13	144,722.39	166,533.11	15.1
Growth rates	11.3	12.7	15.1	

Source: Central Statistical Office
*Preliminary estimates

Zampam project in progress, expected to enhance non-traditional exports



Investment Pledges

During the year under review, the country continued to attract investment into the various sector of the economy. In this regard, total investment pledges at US \$4,864.1 million in 2014 were 35.5% higher than US \$3,588.4 million in the previous year. When fully executed, these pledges were expected to generate 42,602 jobs compared with 18,546 jobs in 2013. This was an indication of the favourable investment environment in Zambia (see Table 22). It is noteworthy that not all pledges were converted into investment.

Table 22: Sectoral Investment Pledges and Employment, 2012 – 2014

SECTOR	2012		2013		2014	
	Pledge US \$' million	Jobs	Pledge US \$' million	Jobs	Pledge US \$' million	Jobs
Manufacturing	731.6	5923	1,483.4	4,533	879.0	25,006
Mining	4,296.6	5,872	123.1	684	78.2	1,670
Energy	190.0	22	271.6	268	0	0
Real Estate	708.0	1,716	498.5	2,074	282.9	1,463
Education	13.7	80	7.8	11	3.9	26
Agriculture	462.5	6032	442.6	3,319	100.1	1,669
ICT	6.1	40	1.0	47	174.0	49
Tourism	196.8	2,652	493.2	3,782	84.9	1,238
Service	140.1	3,921	86.8	1,237	103.7	1,792
Construction	48.5	1,540	132.9	1,788	3,124.8	9,363
Health	2.1	65	1.7	78	25.0	100
Transport	162.6	1,130	33.3	697	7.6	226
Financial Institutions	0.4	7	12.5	28	0	0
TOTAL	6,959.0	29,000	3,588.4	18,546	4864.1	42,602

Source: Zambia Development Agency



4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.1 BANKING SECTOR

Overview

As at 31 December 2014, the number of commercial banks remained unchanged at 19, of which eight were subsidiaries of foreign banks⁷, nine were locally owned private banks⁸, while two were partly owned by Government⁹. Following the revision of the minimum capital requirement, five subsidiaries of foreign owned banks converted to locally owned private banks, thus reducing the number of subsidiaries of foreign banks to eight from 13 in the previous year.

The overall financial performance and condition of the banking sector for the year ended 31 December 2014 was satisfactory. This assessment was on account of high capital adequacy ratios, satisfactory asset quality, earnings performance and liquidity condition. Out of the 19 banks, 11 banks were rated satisfactory, six were rated fair, while one bank was rated marginal and another unsatisfactory (see Tables 23, 24 and 25).

Table 23: Composite Ratings of Financial Performance and Condition

Performance Rating	Number of Banks			% of Total Assets		% of Total Deposits	
	Dec 2012	Dec-13	Dec-14	Dec-13	Dec-14	Dec-13	Dec-14
Satisfactory	10	11	11	86.0	90.1	85.7	89.7
Fair	9	7	6	13.2	6.1	13.5	5.6
Marginal	0	0	1	0.8	3.2	0.0	4.0
Unsatisfactory	0	1	1	0.0	0.6	0.8	0.7
Total	19	19	19	100.0	100.0	100.0	100.0

Source: Bank of Zambia

Table 24: Component Ratings of the Banking Sector Financial Performance and Condition

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

Source: Bank of Zambia

Table 25: Financial Performance Indicators

Indicator (%)	Dec-12	Dec-13	Dec-14
Primary capital adequacy ratio	19.4	24.5	24.6
Total regulatory capital adequacy ratio	21.3	26.8	27.0
Net non-performing loans to regulatory capital	8.7	3.5	4.3
Gross non-performing loans to total loans	8.1	7.0	6.1
Net non-performing loans to total loans	2.1	1.1	1.4
Net non-performing loans to net loans	2.3	1.2	1.5
Provisions to non-performing loans	73.5	83.2	90.2
Earning assets to total assets	77.7	82.1	74.3
Net operating income to total assets	11.2	10.5	10.9
Non-interest expense to total assets	7.3	6.9	7.0
Provision for loan losses to total assets	0.4	0.5	0.4
Net interest income to total assets	6.1	6.1	10.5
Return on assets	3.9	3.4	3.7
Return on equity	20.8	18.2	17.3
Efficiency ratio	65.5	66.0	64.6
Liquid assets to total assets	36.0	38.9	35.8
Liquid assets to deposits and short-term liabilities	44.4	49.3	45.7

Source: Bank of Zambia

⁷These are locally incorporated subsidiaries of foreign banks.

⁸Banks incorporated locally which are neither subsidiaries of foreign banks nor partly owned by Government. A locally owned bank is a bank where at least 51% of its equity is owned by Zambian Citizens and/or entities incorporated in Zambia that have at least 51% equity owned by Zambian citizens.

⁹Banks which are partly owned by the Government of the Republic of Zambia.

¹⁰Composite ratings of 'strong, satisfactory, fair, marginal and unsatisfactory' mean the following: 1 (Strong) - excellent performance and sound in every respect with no supervisory response required; 2 (Satisfactory) - above average performance and fundamentally sound with modest correctable weakness; 3 (Fair) - average performance with a combination of weaknesses which if not corrected may become severe; 4 (Marginal) - below average performance and immoderate weaknesses which unless properly addressed could impair the future viability of the bank; and 5 (Unsatisfactory) - poor performance in most parameters and exhibits high risk of failure in the near term. The bank is constant supervision and BoZ possession is most likely.

Balance Sheet

Assets

The banking sector's total assets increased by 15.8% to K48,591.1 million at end-December 2014 from K41,953.0 million at end-December 2013. The increase was mainly noted in net loans and advances; and balances with Bank of Zambia, in particular statutory reserve and current account balances. Overall, the increase in total assets was largely funded by the growth in total deposits (see Chart 20).

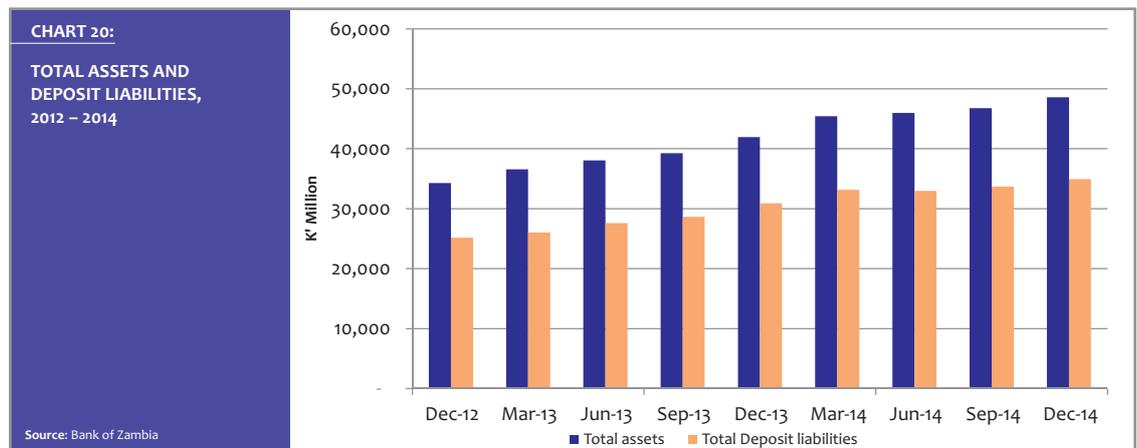
Asset Structure

As at end-December 2014, the asset structure largely remained unchanged from the end-December 2013 position. The net loans and advances continued to dominate at K20,653.5 million and accounted for 42.5% of total assets compared to 42.6% of total assets as at end-December 2013. This was followed by investments in Government securities at K9,245.5 million or 19.0% of total assets (December 2013: K9,438.4 million or 22.5%). The other significant assets were balances with Bank of Zambia and balances with financial institutions abroad at 15.1% and 11.1% of total assets, compared to 12.3% and 11.1% of total assets at end-December 2013, respectively.

Liabilities

Total liabilities grew by 14.6% to K41,317.3 million at end-December 2014 from K36,051.4 million at end-December 2013. The increase was mainly on account of a rise in total deposits by 13.1% to K34,942.5 million from K30,906.9 million as at end-December 2013. Total deposits were largely driven by demand and time deposits, which went up by 9.2% and 33.0%, respectively.

Total deposits continued to constitute the largest component of the sector's total liabilities at 84.6% at end-December 2014 compared to 85.7% at end-December 2013. Demand deposits continued to account for the largest share of the banking sector's total deposits at 59.0% compared to 61.1% as at end-December 2013. Time deposits accounted for 29.3% compared to 25.0%, while savings deposits accounted for 11.6% (December 2013: 13.9%).



Performance Indicators

Capital Adequacy

The aggregate capital adequacy position of the banking sector was satisfactory at end-December 2014. The primary regulatory capital went up by 18.1% to K6,681.0 million from K5,656.8 million at end-December 2013, mainly on account of an increase in paid-up common shares and retained earnings. Paid-up common shares, which accounted for 58.8% of primary regulatory capital, rose by 14.7% to K4,122.3 million from K3,595.4 million at end-December 2013. The growth in paid-up common shares was largely driven by banks injecting capital to meet the new capital adequacy requirements.¹¹ In addition, retained earnings grew by 40.9% to K1,612.6 million from K1,144.1 million.

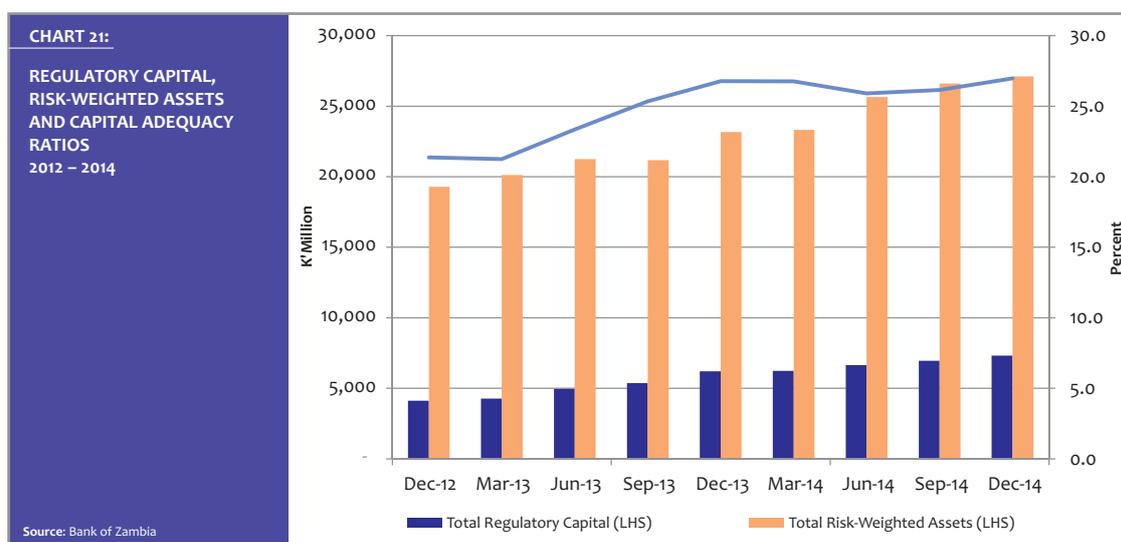
Total regulatory capital rose by 17.9% to K7,313.5 million as at end-December 2014 from K6,201.0 million at end-December 2013. This was largely on account of the increase in primary capital noted above and higher Kwacha value of foreign currency denominated Tier II capital instruments.

In 2014, the banking sector's total risk-weighted assets (RWA) rose by 17.3% to K27,114.7 million from K23,114.2 million at end-December 2013. This was mainly on account of an increase in net loans and advances and off-balance sheet items which are risk weighted at 100%. The capital adequacy ratios¹² for the primary and total regulatory capital, modestly improved to 24.6% and 27.0% from 24.5% and 26.8% in

¹¹The BoZ adjusted upwards the minimum nominal primary capital from K12 million to K104.0 million and K520.0 million for locally owned and foreign owned banks, respectively, of which at least 80% must be in form of paid-up common shares.

¹²The capital adequacy framework requires banks to hold a minimum regulatory capital of 5% (for primary regulatory capital) and 10% (for total regulatory capital) of the bank's risk-weighted assets (RWA) in their portfolios. RWA represents the amount of bank assets (includes both on-and-off balance sheet items) multiplied by supervisory risk-weights of 0%, 20%, 50% and 100%. The assignment of risk weights is based on the perceived credit quality of an individual obligor, measured on an instrument-by-instrument. For example, the risk weights range from zero (low risk assets, e.g. treasury bills) to 100 percent (high risk assets, e.g. loans and advances).

December 2013, respectively (see Chart 21). The rise in the ratios was due to a relatively higher increase in primary and total regulatory capital compared to the growth in RWA.



The ratio of net non-performing loans (NPLs) to total regulatory capital increased to 4.3% at end-December 2014 from 3.5% at end-December 2013. Similarly, the risk profile of the banking sector as indicated by the average risk weight (the ratio of RWA to total assets) slightly went up to 55.8% from 55.1% at end-December 2013 (see Table 26).

Table 26: Asset Risk Profile

Asset Type and Risk-weight Categories	2012	2013	2014
20 percent risk-weight (% of RWA)	6.7	6.8	6.2
Balances with banks	54.5	64.5	70.3
Investments in Government bonds	40.6	33.8	28.0
Inter-bank loans and advances	4.8	1.4	1.7
Assets in transit	0.1	0.2	0.0
Sub-total	100.0	100	100
50 percent risk-weight (% of RWA)	6.1	7.8	6.6
Loans and advances	99.5	97.9	97.8
Assets in transit	0.5	2.1	2.2
Sub-total	100.0	100	100
100 percent risk-weight (% of RWA)	78.6	72.3	74.4
Loans and advances	82.5	83.2	82.4
Inter-bank loans and advances	0.0	0.0	1.0
All other assets	21.4	16.8	16.6
Sub-total	100.0	100	100
Off-balance sheet items (% of RWA)	8.3	13.1	12.8
20 percent risk-weight	6.6	6.8	8.4
50 percent risk-weight	17.5	10.3	17.9
100 percent risk-weight	75.9	82.9	73.7
Sub-total	100.0	100.0	100
Total risk-weighted assets (RWA)	100.0	100.0	100
Total risk-weighted assets to total assets	53.2	55.1	55.8

Source: Bank of Zambia

Asset Quality

Asset quality was satisfactory, as reflected by the quality of the loan book during the year under review. The gross non-performing loans (NPLs) to gross loans ratio improved to 6.1% at end-December 2014 from 7.0% at end-December 2013. This was as a result of the relatively higher increase in gross loans and advances compared to the NPLs. In addition, the 'net NPL ratio' (NPLs less of provisions to net loans) rose slightly to 1.5% from 1.2% at end-December 2013.

The sector's gross loans and advances increased by 14.1% to K21,665.0 million at end-December 2014 from K18,980.3 million at end-December 2013. On the other hand, the gross NPLs in the banking sector slightly rose to K1,322.5 million from K1,320.7 million. Nonetheless, the gross NPLs to total assets improved to 2.7% from 3.1% at end-December 2013 (see Table 27).

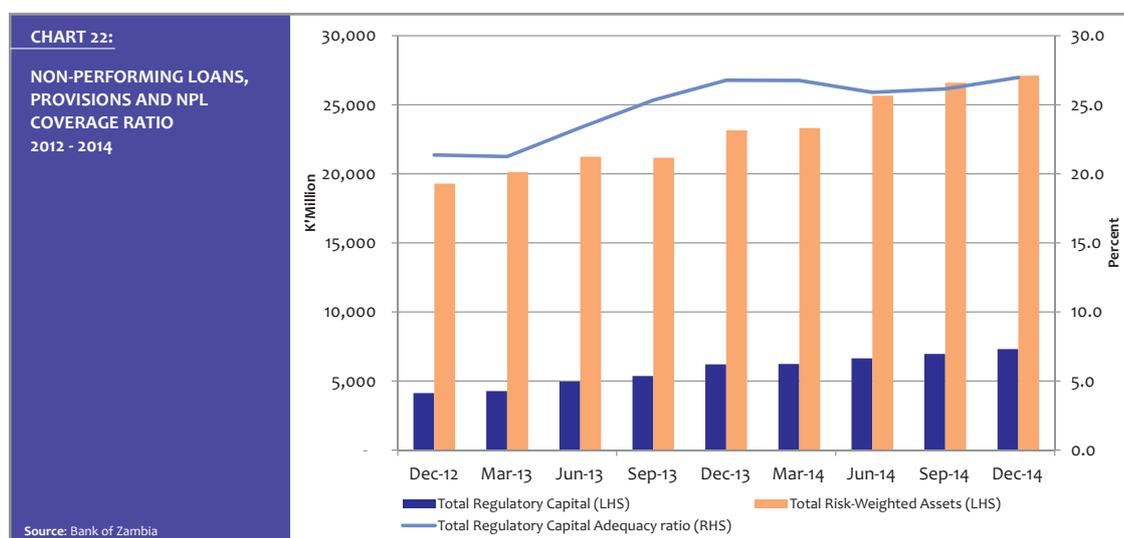
Table 27: Gross Loans and Non-Performing Loans (NPLs)

Item/year	2012	2013	2014
Gross loans (K' million)	16,617.0	18,980.3	21,665.0
NPLs (K' million)	1,349.6	1,320.7	1,322.5
Substandard	123.1	104.0	177.8
Doubtful	119.8	105.7	118.9
Loss	1,106.7	1,111.0	1,025.8
NPL ratio (%)	8.1	7.0	6.1
Substandard	0.7	0.5	0.8
Doubtful	0.7	0.6	0.6
Loss	6.7	5.9	4.7

Source: Bank of Zambia

Risk-Absorbing Capacity

The allowance for loan losses (ALL) decreased by 8.0% to K1,011.5 million at end-December 2014 from K1,098.8 million at end-December 2013. Similarly, the NPL coverage ratio¹³ decreased by 6.7 percentage points to close the year at 76.5% from 83.2% at end-December 2013 following the reduction in the ALL, coupled with the marginal increase in gross NPLs. This reflected a deterioration in the banking sector's reserve for expected loan losses (see Chart 22). The minimum regulatory allowance for loan losses also declined to 90.2% from 92.5% at end-December 2013.



Sectoral Concentration

Personal loans continued to account for the largest share of total loans and advances at 35.4% compared to 33.2% at end-December 2013. This was followed by the agriculture, forestry, fishing and hunting sector at 16.6% (December 2013: 20.2%); manufacturing sector at 11.5% (December 2013: 9.5%) and wholesale and retail trade sector at 7.8% (December 2013: 9.1%), (see Table 28).

Table 28: Sectoral Distribution of Loans, 2012 – 2014 (%)

Sector	2012	2013	2014
Agriculture, forestry, fishing and hunting	23.2	20.2	16.6
Mining and quarrying	5.8	6.6	5.0
Manufacturing	11.6	9.5	11.5
Electricity, gas, water and energy	2.1	1.7	2.2
Construction	3.8	3.5	3.4
Wholesale and retail trade	6.8	9.1	7.8
Restaurants and hotels	2.0	1.6	1.5
Transport, storage and communication	4.7	4.5	5.6
Financial services	1.9	2.1	2.5
Personal loans	34.4	33.2	35.4
Other sectors	3.7	8.0	8.5
Total	100.0	100.0	100.0

Source: Bank of Zambia

¹³NPL Coverage ratio is the proportion of the gross NPLs covered by the allowance for loan losses (ALL) [i.e., PLL/NPLs]. A ratio of 100% or more implies full compliance with the minimum provisioning requirements. However, since banks may take into account qualifying security as provided for in the regulations; (i.e. exemption from provisioning requirements), this ratio may not always be at 100% or more).

¹⁴Regulatory provisions are the minimum provisioning requirement for all NPLs as per Regulation 18 of SI No. 142 of 1996 [i.e., 20% provision for the sub-standard loans (90-119 days past due), 50% provisions for the doubtful loans (120-179 days past due) and 100% for the loss loan category (180 days and above past due)]. However, for a crude monitoring purpose, the computation of this ratio does not take into account the provisioning exemptions in Regulation 18(2) and CB Circular 4/98 and hence not necessarily 100% of the requirements.

With regard to the sectoral distribution of NPLs, personal loans accounted for the largest proportion of the NPLs at 23.3% (December 2013: 21.4%), followed by the agriculture, forestry, fishing and hunting at 22.0% (December 2013: 10.8%) and restaurants and hotels at 13.1% (December 2013: 7.5%) (see Table 29).

Table 29: Sectoral Distribution of NPLs, 2012 – 2014 (%)

Sector	2012	2013	2014
Agriculture, forestry, fishing and hunting	12.9	10.8	22.0
Mining and quarrying	5.9	5.3	4.4
Manufacturing	12.5	6.3	5.3
Electricity, gas, water and energy	0.2	0.3	1.2
Construction	18.5	18.4	7.0
Wholesale and retail trade	6.7	9.8	7.7
Restaurants and hotels	4.0	7.5	13.1
Transport, storage and communication	9.0	8.7	5.3
Financial services	1.9	1.2	1.2
Personal loans	14.8	21.4	23.3
Other sectors	13.6	10.3	9.5
Total	100.0	100.0	100.0

Source: Bank of Zambia

In terms of intra-sector¹⁵ performance, the restaurant and hotels, and the construction sectors were the worst performing with intra-sector NPL ratios of 53.5% and 12.5% from 33.7% and 37.1% in December 2013, respectively (see Table 30). The rest of the sectors had intra-sector NPLs ratios below 10% and were considered low. However, despite their intra sector NPL ratios being high, the contribution to total loans and advances of the restaurant and hotels, and the construction sectors at end-December 2014 was insignificant at 1.5% for hotels and restaurant sector and 3.4% for the construction sector.

Table 30 Intra-Sector NPL Ratios 2012 – 2014 (%)

Sector	2012	2013	2014
Agriculture, forestry, fishing and hunting	4.6	3.8	8.1
Mining and quarrying	8.4	5.7	5.4
Manufacturing	9.0	4.8	2.8
Electricity, gas, water and energy	1.0	1.2	3.3
Construction	40.3	37.1	12.5
Wholesale and retail trade	8.2	7.7	6.1
Restaurants and hotels	16.9	33.7	53.5
Transport, storage and communication	16.1	13.9	5.8
Financial services	8.5	4.2	2.9
Personal loans	4.6	5.3	4.5

Source: Bank of Zambia

Earnings Performance and Profitability¹⁶

In the year under review, earnings performance was rated satisfactory, as the sector posted a profit before tax (PBT) of K1,817.1 million, which was 40.6% higher than the K1,292.0 million recorded in 2013. In addition, profit after tax (PAT) at K1,189.0 million was 36.4% higher than K871.6 million recorded the previous year. This growth in profitability was mainly attributed to a relatively higher increase in net operating income of K840.1 million compared to the rise in operating expenses of K472.2 million.

Overall, profitability as measured by the return on assets (RoA) rose to 3.9% for the year 2014 from 3.5% in 2013, while the return on equity (RoE)¹⁷ decreased to 18.3% from 19.2%. The decrease in RoE was largely on account of the proportionately higher increase in equity compared to the increase in profit. Equity rose during the year as banks injected additional capital in order to comply with the new minimum capital requirements.

Despite the rise in the provision for loan loss expenses, loan loss-absorbing capacity as reflected by the pre-provision operating profit (PPP) also increased. The PPP at K1,906.0 million was 27.2% higher than K1,498.0 million generated in the preceding year (see Table 31 and Chart 23).

¹⁵ Intra-sector NPLs refer to the loans within the sector that are not performing

¹⁶ The rating for earnings performance reflects not only the quantity and trend of earnings, but also factors that may affect the sustainability or quality of earnings. The quantity, as well as the quality of earnings can be affected by excessive or inadequately managed credit risk that may result in loan losses and require additions to provisions, or by high levels of market risk that may unduly expose an institution's earnings to volatility in interest rates. In addition to capital adequacy, pre-provision profitability plays an important role for the risk-bearing capacity of commercial banks and after-tax bank profits provide an important source of internal capital formation. Therefore, an evaluation of a bank's earnings performance involves an assessment of the quality of income and the long term sustainability of the activities that generate the income. Bank profitability can be analysed in terms of its important constituents; net operating income (net interest income plus noninterest income), noninterest expenses and loan loss expenses.

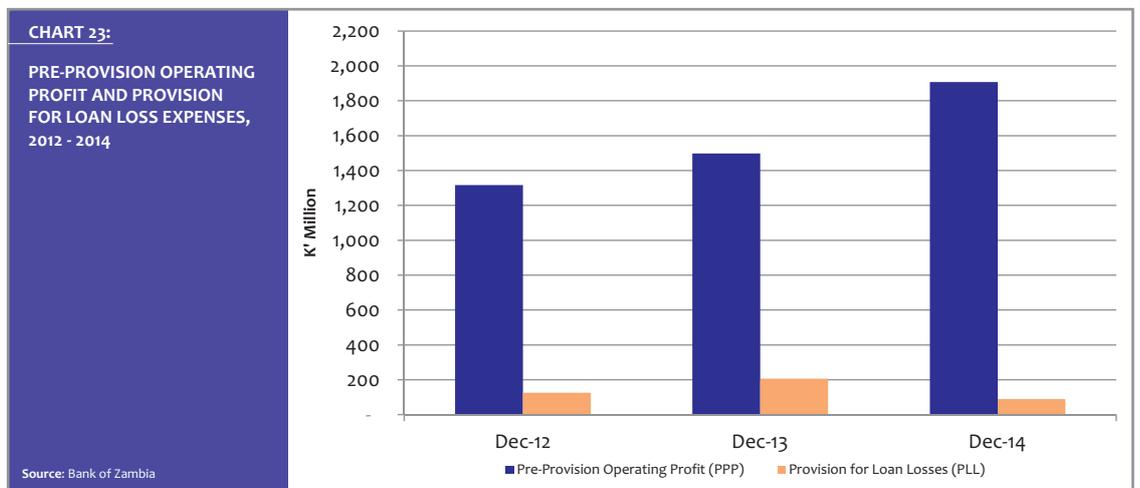
¹⁷ ROA and ROE are computed based on the 12 month moving average.

¹⁸ This is a ratio of non-interest expenses to operating income. An increase in the efficiency ratio means that a bank is losing a larger proportion of its income to overhead expenses.

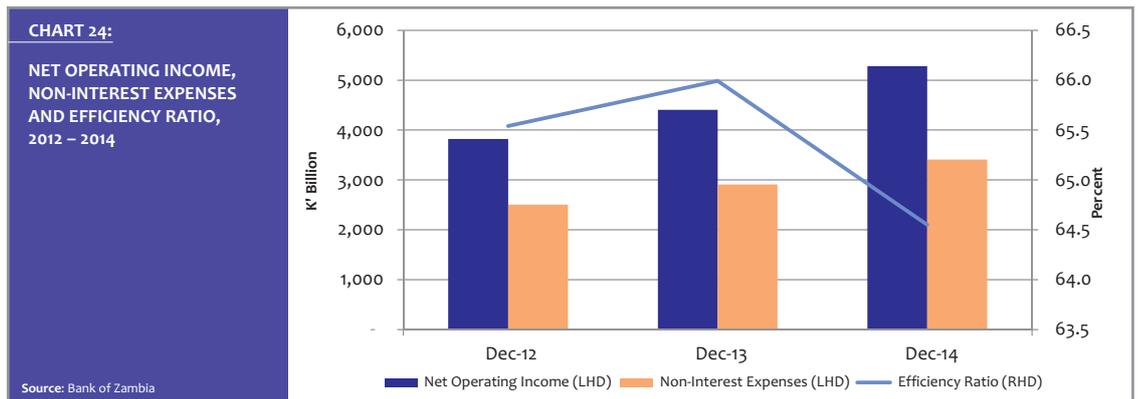
Table 31: Summarised Income Statement, 2012 - 2014

Particulars	2012	2013	2014
	K' million	K' million	K' million
Interest Income	2,723.9	3,388.0	4,457.5
Interest Expenses	-619.4	-844.9	(1,417.1)
Net Interest Income	2,104.5	2,543.1	3,040.4
Non-Interest Income	1,717.5	1,862.2	2,274.2
Net Operating Income	3,822.0	4,405.3	5,314.6
Non-Interest Expenses	-2,504.7	-2,907.3	(3,407.6)
Pre-Provision Operating Profit (PPP)	1,317.3	1,498.0	1,907.0
Loan Loss Provisions	-126.3	-206.0	(89.9)
Profit Before Taxation	1,191.0	1,292.0	1,817.1
Taxation	-490.9	-420.4	628.1
Net Profit	700.1	871.6	1,189.0

Source: Bank of Zambia

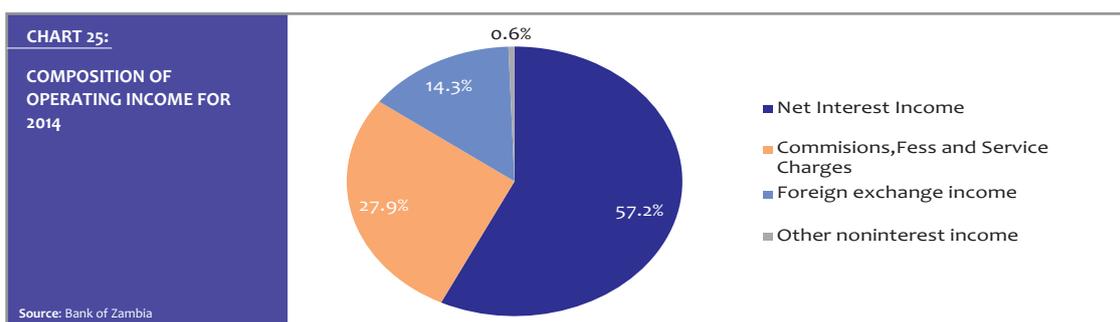


The banking sector's operational efficiency improved as measured by the 'efficiency ratio'¹⁸ which reduced to 64.6% in 2014 from 66.0% in 2013. This was due to a proportionately higher increase in net operating income of 19.8% compared to the 16.5% increase in non-interest expenses (see Chart 24).



The composition of net operating income for the banking sector in 2014 remained largely unchanged. The principal sources of income were net interest income at 57.2%, commissions, fees and service charges at 27.9%, foreign exchange income at 14.3% and other non-interest income at 0.6% compared to 57.7%, 26.9%, 13.0% and 2.4% in 2013, respectively (see Chart 25).

¹⁸This is a ratio of non-interest expenses to operating income. An increase in the efficiency ratio means that a bank is losing a larger proportion of its income to overhead expenses.



Liquidity Risk¹⁹ and Funds Management

The banking sector's liquidity position was satisfactory at end-December 2014. The 'liquidity ratio'²⁰ modestly decreased to 45.7% from 49.3% at end-December 2013. The decrease in the ratio was on account of a proportionately higher increase in total deposits and short term liabilities of 15.0% compared to the rise in liquid assets of 7.1%. Further, the 'liquid assets ratio'²¹ declined to 35.8% from 38.7% as at end-December 2013 (see Chart 26). The sector's liquid assets mainly comprised higher investment in Treasury bills and balances with foreign institutions which went up by 1.5% and 15.8%, respectively (see Table 32).

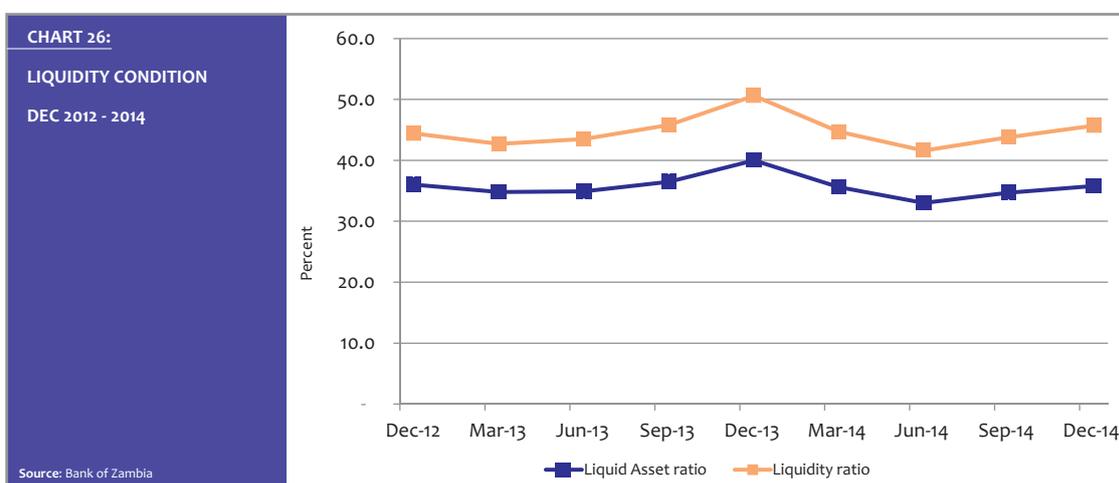


Table 32: Composition of Liquid Assets (K' million)

	Dec-2012	Dec-2013	Dec-2014
Cash and Balances with Domestic Banks	3,974.1	2,845.9	4,741.3
Balances with Foreign Institutions	3,476.5	4,647.0	5,379.3
BOZ Securities (OMO)	0	1,680.0	0
Treasury Bills	4,603.1	6,724.8	6,824.7
Government Bonds (6 Months to Maturity)	303.6	357.8	469.4
Total Liquid Assets	12,357.3	16,254.6	17,414.7

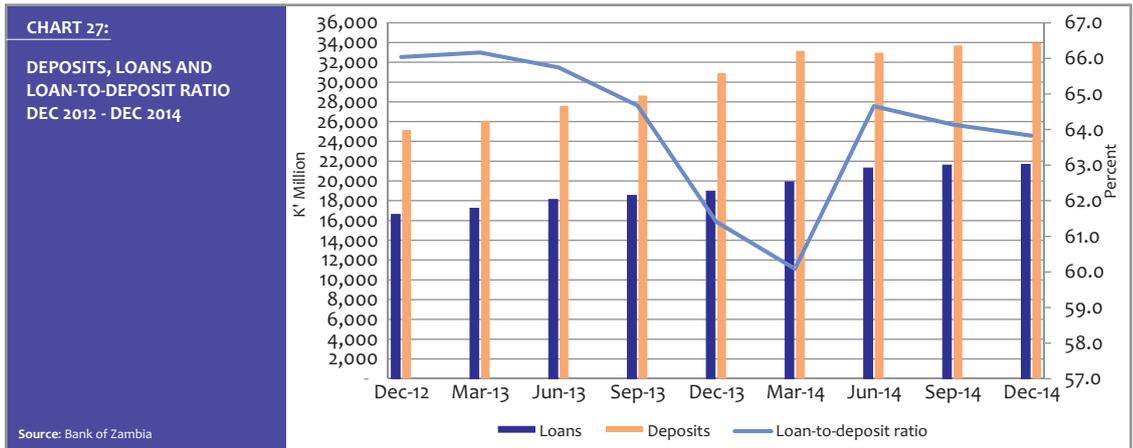
Source: Bank of Zambia

Further, the loan-to-deposit ratio rose by 0.6 percentage points in to 62.0% at end-December 2014 from 61.4% at end-December 2013. This was an indication that the banking sector continued to have sufficient capacity to fund loan growth from stable and relatively low cost deposit liabilities (see Chart 27).

¹⁹ Liquidity risk is the current and potential risk to earnings and market value of the shareholders' equity that results from a bank's inability to meet payment or clearing obligations in a timely and cost-effective manner. Liquidity risk is greatest when a bank cannot anticipate new loan demand or deposit withdrawals, and does not have access to new sources of cash. Liquidity risk can be measured by the two key liquidity risk indicators: the liquid asset ratio and the liquidity ratio.

²⁰ The liquidity ratio is the proportion of liquid assets to deposits and other short-term liabilities and is intended to capture the liquidity mismatch of assets and liabilities, and provides an indication of the extent to which banks could meet a short-term withdrawal of funds without facing liquidity problems. In addition, the loan-to-deposit ratio is used to determine how much of loans are funded by deposits rather than the interbank or other borrowings (purchased liquidity) which tend to be volatile and expensive. A smaller ratio, less than 100%, is better as it implies that loans are funded by deposits which are generally low cost and quite stable.

²¹ The liquid asset ratio is the proportion of liquid assets to total assets and provides an indication of the liquidity available to meet expected and unexpected demands for cash.



The rise in the banking sector's total assets continued to be funded by the growth in total deposits. At end-December 2014, total deposits as a percentage of total assets stood at 71.9% compared to 73.7% at end-December 2013. However, asset funding from borrowings continued to be insignificant despite increasing to 7.7% from 4.6% at end-December 2013 (see Table 33).

Table 33: Funding of Assets (percentage of total assets), 2012 - 2014

	Dec-2012	Dec-2013	Dec-2014
Deposits	73.4	72.5	71.9
Borrowings	6.9	4.6	7.7
Capital	11.6	14.1	15.0

Source: Bank of Zambia

In terms of market share, subsidiaries of foreign banks (eight) continued to dominate the banking sector in terms of assets, loans and deposits. These were followed by banks partly owned by Government (two) and locally owned private banks (nine)²². Similarly, the distribution of 'profit before tax' by type of ownership indicated that subsidiaries of foreign banks accounted for the largest share of the sector's total profit before tax followed by banks partly owned by Government (see Table 34).

Table 34: Distribution of the Assets, Loans and Deposits by Ownership Type (%), 2012 - 2014

	2012				2013				2014			
	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT	Assets	Loans	Deposits	PBT
Subsidiaries of foreign banks	66.7	65.4	65.8	64.1	67.9	67.6	66.2	71.3	65.8	66.5	64.6	69.2
Banks with Government stake	21.8	21.6	21.8	24.1	21	21.1	22	21.5	18.6	18.5	19.1	18.2
Local private banks	11.5	13	12.5	11.8	11	11.4	11.8	7.3	15.7	15.0	16.3	12.6
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Bank of Zambia

Bank Branches

During the year under review, the Bank authorised the opening of 19 branch and agency locations, which increased the number of branches and agencies to 364 from 345 at end-December 2013 (see Table 35).



Broadening the financial sector, Bank of Zambia Governor, Dr Michael Gondwe, officially opening a Bank Branch

²²Other banks incorporated locally which are neither subsidiaries of foreign banks nor partly owned by Government.

Table 35: Banking Sector Physical Delivery Channels (2012 – 2014)

Bank	No. of Branches		
	2012	2013	2014
AB Bank Zambia	3	4	5
Access Bank Zambia	5	5	5
BancABC Zambia	11	15	17
Bank of China Zambia	2	2	2
Barclays Bank Zambia	54	54	54
Cavmont Bank	15	15	18
Citibank	2	2	2
Ecobank Zambia	5	8	9
Finance Bank	51	53	56
First Alliance Bank	4	4	4
First Capital Bank	2	3	3
First National Bank	9	12	17
Indo Zambia Bank	18	25	27
Intermarket Bank	7	7	7
Investrust Bank	19	23	25
Stanbic Bank Zambia	19	22	22
Standard Chartered Bank	21	21	21
United Bank for Africa	4	4	4
ZNCB	63	66	66
Total	314	345	364

Source: Bank of Zambia

REGULATORY DEVELOPMENTS IN THE BANKING SECTOR IN 2014

Recapitalisation of Commercial Banks

In 2014, the Bank of Zambia continued to work with individual banks to ensure that all banks complied with the revised minimum capital adequacy requirements. In this regard, 15 out of 19 commercial banks met the minimum capital requirements, while four banks were granted special approval for recapitalisation plans within the specified time frames.

Development of Outsourcing Guidelines

On 5 December 2014, the guidelines for outsourcing services by financial service providers were gazetted. The purpose of the guidelines is to provide direction and guidance to regulated entities to adopt sound and responsive risk management practices for effective oversight and management of risks arising from outsourced activities.

The guidelines are available on the Bank of Zambia Website: www.boz.zm.

Islamic Finance Guidelines

Following consultation with stakeholders, which began in 2012, the Islamic Finance Guidelines were finalized and gazetted on 5 December 2014. These guidelines are aimed at facilitating the provision of Islamic financial services in Zambia. The guidelines are available on the Bank of Zambia Website: www.boz.zm.

Foreign Account Tax Compliance Act

The Bank of Zambia completed the consultative process with Government and the various stakeholders regarding the signing of the Foreign Account Tax Compliance Act (FATCA) agreement. Under the FATCA, foreign financial institutions were required to register with the United States Internal Revenue Services (IRS) and obtain a Global Intermediary Identification Number by 25 April 2014. In this regard, the Government made necessary arrangements with US authorities for the finalization and execution of the agreement.

As part of the preparatory work towards the implementation of FATCA, the commercial banks have completed the registration process with IRS.

4.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

Overview

The number of Non-Bank Financial Institutions (NBFIs) rose to 116 at end-December 2014 from 114 at end-December 2013. This was due to an increase in the number of bureaux de change and leasing financial institutions (see Table 36).

Table 36: Structure of NBFIs, 2012 – 2014

Type of Institution	Number of Institutions		
	2012	2013	2014
Leasing finance institutions	8	8	9
Building societies	4	4	4
Bureaux de change	57	64	66
Savings and credit institutions	1	1	1
Microfinance institutions	35	35	34
Development finance institutions	1	1	1
Credit reference Bureaux	1	1	1
Total	107	114	116

Source: Bank of Zambia

The overall financial condition and performance of the NBFIs was satisfactory²³ during the year under review. The capital adequacy improved and asset quality was satisfactory. The sector also recorded positive earnings and satisfactory liquidity. Out of the 98 rated NBFIs, eight institutions were strong, 26 institutions were satisfactory, 38 institutions were fair, and 20 institutions were marginal, while 6 institutions were unsatisfactory on account of regulatory capital deficiencies (see Table 37).

Table 37: Performance Ratings and Financial Condition, 2012 – 2014

Performance Rating	Licence Type	Number of Institutions			% of Total Assets for 2014
		2012	2013	2014	
Strong	Deposit-taking	2	2	1	2.8
	Non-Deposit-taking	7	6	7	33.4
Satisfactory	Deposit-taking	3	3	2	5.9
	Non-Deposit-taking	29	29	24	22.2
Fair	Deposit-taking	6	5	4	5.1
	Non-Deposit-taking	26	32	34	20.5
Marginal	Deposit-taking	1	2	1	3.0
	Non-Deposit-taking	6	19	19	0.2
Unsatisfactory	Deposit-taking	1	5	5	6.4
	Non-Deposit-taking	3	1	1	0.5
Total		84	103	98 ²⁴	100

Source: Bank of Zambia

Performance and Condition of the Sub-Sectors

Leasing Finance Institutions Sub-sector

The overall financial performance and condition of the leasing finance sub-sector was satisfactory in 2014. The sub-sector was adequately capitalised, asset quality and earnings performance were satisfactory, while liquidity condition was fair (see Table 38).

Table 38: Composite Rating for the Leasing Finance Sub-Sector, 2012 – 2014

Performance Category	Composite Rating Scale	Number of Leasing companies			Proportion of Industry Assets (%)		
		2012	2013	2014	2012	2013	2014
Strong	1.0 - 1.5	1	2	2	39	63	45
Satisfactory	1.6 - 2.4	1	2	1	5	35	28
Fair	2.5 - 3.4	4	0	0	55	0	0
Marginal	3.5 - 4.4	0	1	2	0	1	26
Unsatisfactory	4.5 - 5.0	2	2	1	1	1	1
Total		8	7	6	100	100	100

Source: Bank of Zambia

Capital Adequacy

The regulatory capital ratio improved to 31.0% compared to 23.4% at end-December 2013 and was above the minimum prudential limit of 10.0%. The improvement was due to an increase in regulatory capital by 29.1% to K145.5 million from K112.7 million as end-December 2013 (see Chart 28). The rise in regulatory capital was on account of profit after tax amounting to K30.9 million, coupled with a K9.9 million capital injection during the period under review. In this regard, the subsector was in a position to absorb potential loan losses.

²³Ratings are in five categories; Strong (rated 1), Satisfactory (2), Fair (3), Marginal (4) and Unsatisfactory (5)

²⁴The total number of licensed NBFIs was 116. Out of the 116, 9 newly licenced institutions, 3 had not yet started operations as at the reporting date while 5 institutions had been sanctioned for non-compliance. The other institution is a credit reference bureau that is not required to submit prudential returns.

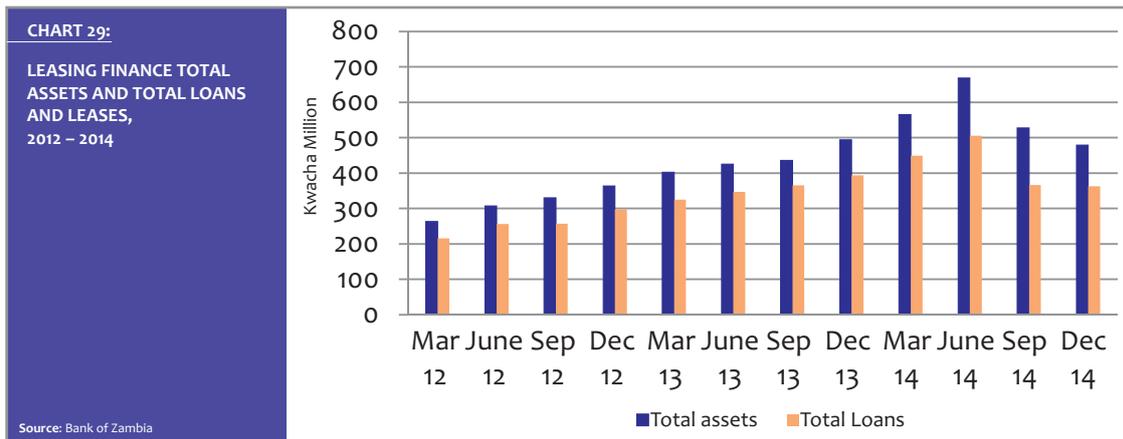


Asset Quality

The asset quality of the subsector was satisfactory as at end-December 2014. The ratio of gross NPLs to total loans increased to 6.1% from 5.4% as at end-December 2013 but was within the acceptable range. The rise in the ratio was due to a 4.2% increase in gross NPLs.

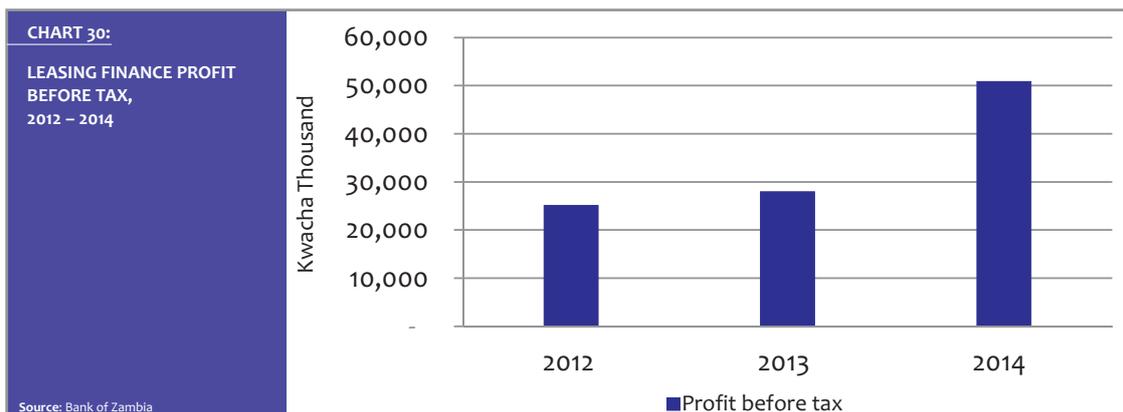
Further, the NPL coverage ratio rose to 97.9% from 53.4% at end-December 2013 on account of an increase in the allowances for loan and lease losses. NPLs were therefore, adequately provided for and did not present a risk to capital adequacy of the subsector.

Total assets declined by 3.2% to K478.1 million from K494.1 million at end-December 2013. The decrease was mainly noticeable in the gross loans which dropped by 7.9% to K362.9 million at end-December 2014 from K393.9 million at end-December 2013 (see Chart 29). The decline was attributed to one leasing company, which sold part of its lease portfolio to a commercial bank.



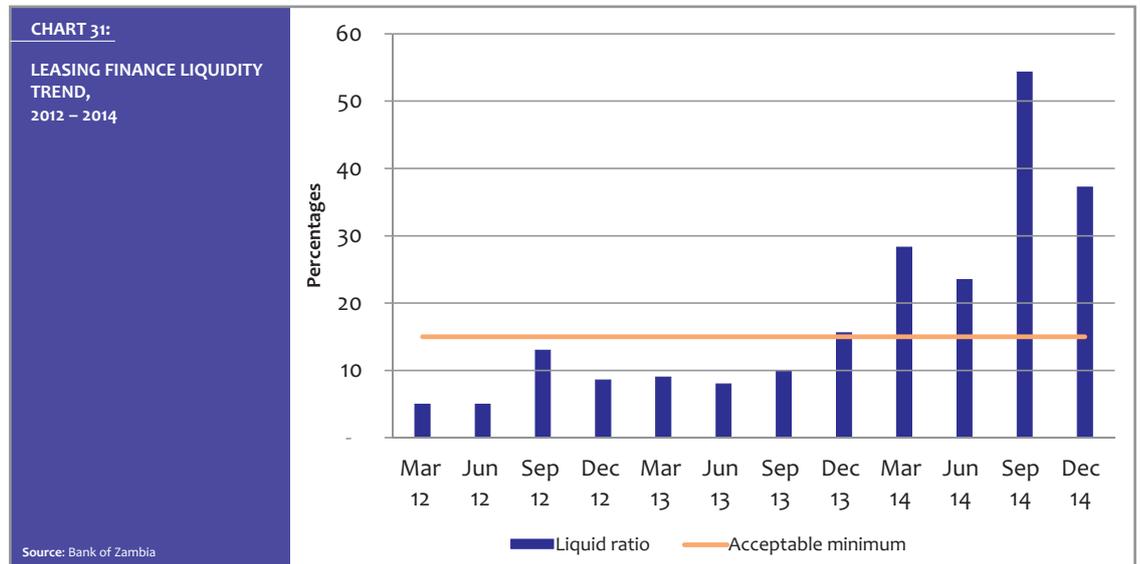
Earnings Performance

The earnings performance of the leasing finance sub-sector was satisfactory during the period under review. Profitability, as measured by the ROA ratio improved to 11.4% compared to 5.6% in the previous year. The improvement was largely due to an increase in profit before tax to K50.9 million from K27.9 million (see Chart 30). The rise in profit before tax was mainly due to an increase in interest income to K130.7 million from K78.8 million in the previous year. In addition, both the net interest margin and operational efficiency rose to 76.5% and 46.1% from 68.4% and 70.8%, respectively.



Liquidity

The liquidity condition of the leasing finance sub-sector was satisfactory. The ratio of liquid assets to total deposits and short-term liabilities averaged 37.2% compared to 15.4% in 2013 (see Chart 31). The improvement in the liquidity ratio was attributed to a proportionately higher increase in liquid assets (43.3%) compared to the increase in total deposits and short-term liabilities (3.6%).



Foreign Exchange Exposure

The foreign exchange exposure of the leasing finance sub-sector was rated satisfactory as it improved to 16.3% from 39.3% as at end-December 2013. This exposure was below the maximum statutory overall limit of 25% largely as a result of the sale of foreign currency denominated assets, coupled with an increase in the regulatory capital.

Building Societies Sub-Sector

The overall financial performance and condition of the building societies sub-sector was fair for the period under review (see Table 39). The capital adequacy and liquidity condition were satisfactory. However, asset quality and earnings performance were unsatisfactory.

Table 39: Composite Rating for the Building Societies, 2012 – 2014

Performance Category	Composite Rating Scale	Number of Building Societies			Proportion of Industry Assets (%)		
		2012	2013	2014	2012	2013	2014
Strong	1.0 - 1.5	0	0	0	0	0	0
Satisfactory	1.6 - 2.4	1	1	0	68	71	0
Fair	2.5 - 3.4	1	2	1	17	29	73
Marginal	3.5 - 4.4	1	0	1	0	0	20
Unsatisfactory	4.5 - 5.0	0	0	1	15	0	7
Total		3	3	3	100	100	100

Source: Bank of Zambia

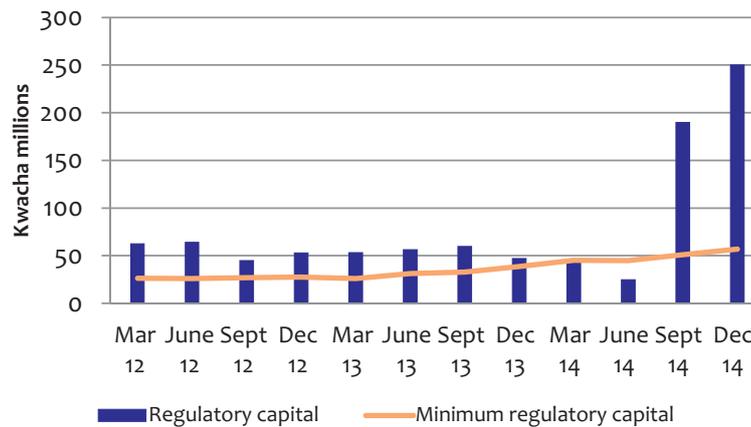
Capital Adequacy

The regulatory capital position of the sub-sector was satisfactory as at 31 December 2014. The regulatory capital ratio increased to 44.0% from 12.0% at end-December 2013, and was above the minimum prudential limit of 10.0%. This was due to a rise in regulatory capital to K250.2 million from K46.7 million as at end-December 2013, on account of capital injections amounting to K205.3 million (see Chart 32).

CHART 32:

BUILDING SOCIETIES
REGULATORY CAPITAL,
2012 – 2014

Source: Bank of Zambia

**Asset Quality**

The ratio of gross NPLs to total loans stood at 10.1% compared to 10.3% at end-December 2013 and was above the maximum acceptable limit of 10.0%. The marginal deterioration in the asset quality indicator was due to an increase in gross NPLs of 47.8% to K46.1 million from K31.2 million at end-December 2013.

As a result of a higher increase in NPLs compared to the ALL, the NPL coverage ratio declined to 66.4% from 66.8% as at end-December 2013. The ratio indicated that NPLs were not adequately provided for and could adversely impact on capital adequacy.

The aggregate assets of the sub-sector went up by 55.1% to K808.5 million from K521.4 million as at end-December 2013. The increase in total assets was mainly observed in loans and mortgages, and the balances held with domestic institutions which rose to K429.3 million and K146.8 million as at end-December 2014 from K301.8 million and K65.1 million as at end-December 2013, respectively. The increases were funded by capital injection in the sub-sector during the year under review.

Earnings Performance

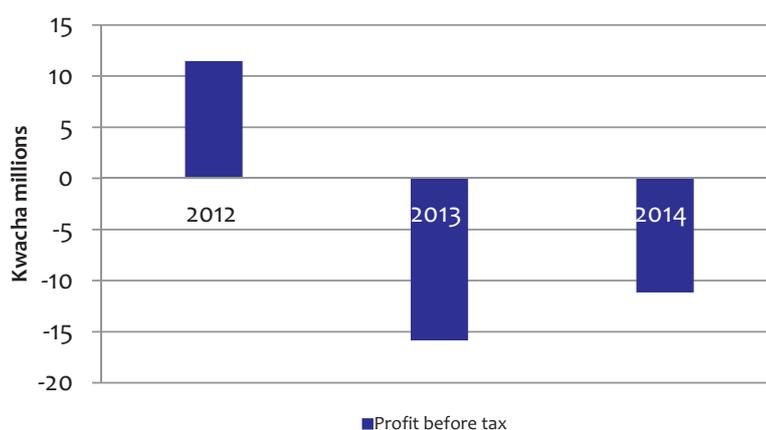
The earnings performance was unsatisfactory in the year under review. The sub-sector recorded a loss before tax of K11.1 million compared to a loss before tax of K15.7 million in the previous year (see Chart 33). This was largely attributed to interest income which was higher by 40.9% at K91.3 million compared to K64.8 million in the previous year, arising from the improvement in the amount of earning assets. However, the impact of the improved volume of interest income on profitability was reduced by the deterioration in the operational efficiency of the sub-sector to 244.2% from 219.8% in the previous year.

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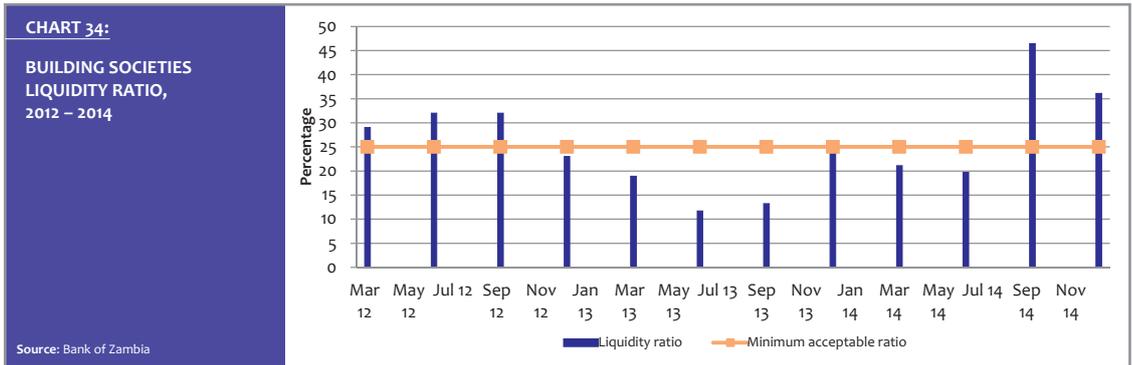
CHART 33:

BUILDING SOCIETIES
PROFIT BEFORE TAX,
2012 – 2014

Source: Bank of Zambia

**Liquidity Condition**

In 2014, the liquidity condition was satisfactory. The ratio of liquid assets to total deposits and short-term liabilities rose to 41.4% from 25.7% in 2013, and was above the prudential minimum ratio of 25.0% (see Chart 34). The improvement in the ratio largely followed the recapitalisation of the state-owned building society during the period under review.



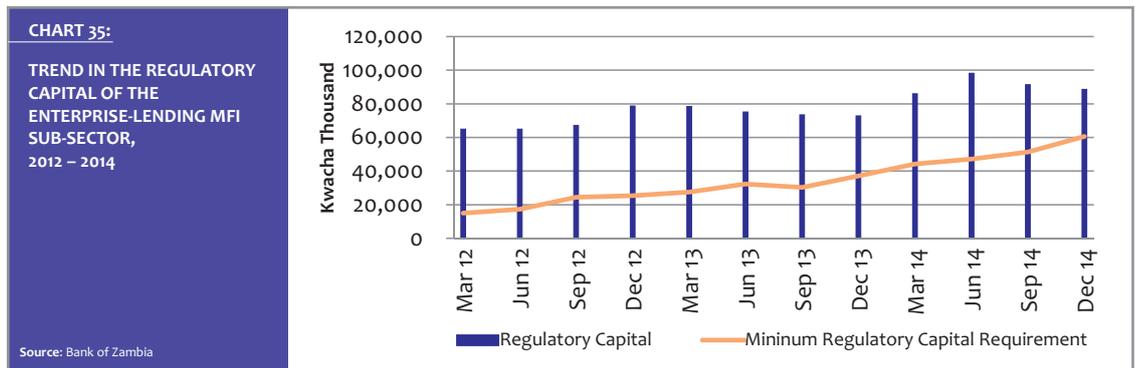
Microfinance Institutions

Enterprise-Lending Microfinance Institutions

In the period under review, the overall financial condition and performance of the enterprise-lending MFIs²⁵ sub-sector was fair. The sub-sector was adequately capitalised and its asset quality was satisfactory. However, its earnings performance was unsatisfactory.

Capital Adequacy

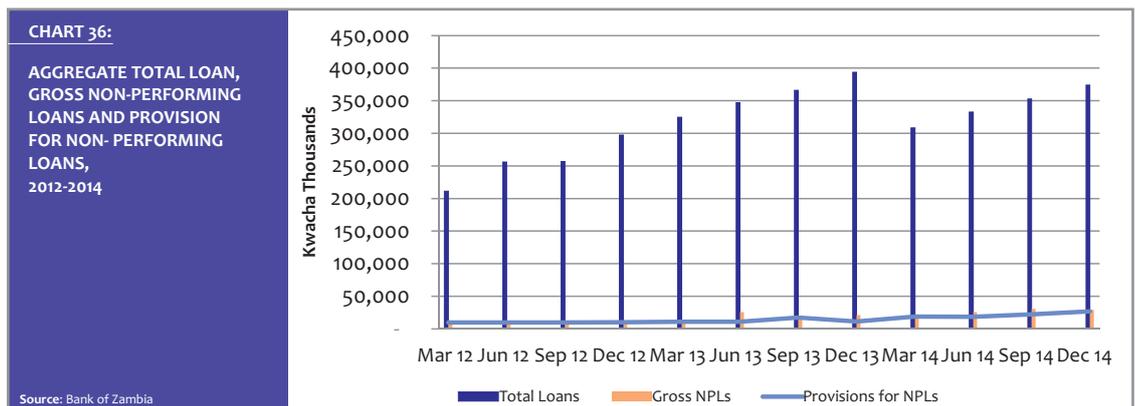
The regulatory capital of the sub-sector was satisfactory as at 31 December 2014. The regulatory capital ratio improved to 26.1% from 19.6% at end-December 2013 and was above the required minimum capital ratio of 15.0% of risk-weighted assets (see Chart 35). The improvement was mainly due to growth in regulatory capital of 22.0% to K88.6 million from K72.6 million arising from capital injections during the period under review.



Asset Quality

The asset quality of the sub-sector was satisfactory at end-December 2014. Despite an increase to 8.5% from 7.4% as at end-December 2013 in the ratio of NPLs to gross loans, the ratio was below the maximum acceptable level of 10.0%. However, the NPL coverage ratio improved to 93.0% from 73.3% at end-2013 indicating that NPLs were adequately provided for.

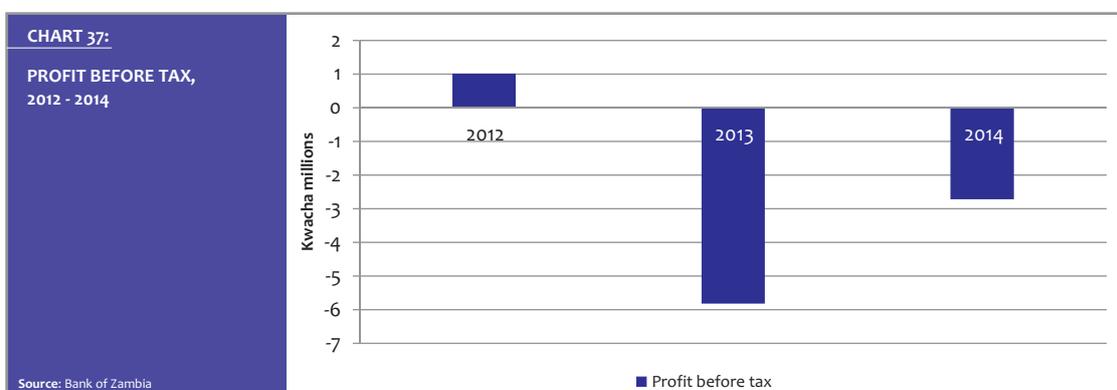
Total assets increased by 19.2% to K437.6 million from K367.2 million as at end-December 2013. The rise was mainly driven by gross loans which rose by 26.6% to K359.9 million as at end-December 2014 from K284.3 million as at end-December 2013 (see Chart 36).



²⁵MFIs whose exposure to micro-enterprises constitutes at least 80% of total loans

Earnings Performance

The earnings performance was unsatisfactory in the period under review. The sector recorded a loss before tax of K2.7 million compared to a loss before tax of K5.8 million in 2013 (see Chart 37). The reduction in loss before tax was largely attributed to an increase in interest income to K102.2 million in the period under review from K73.1 million in 2013.

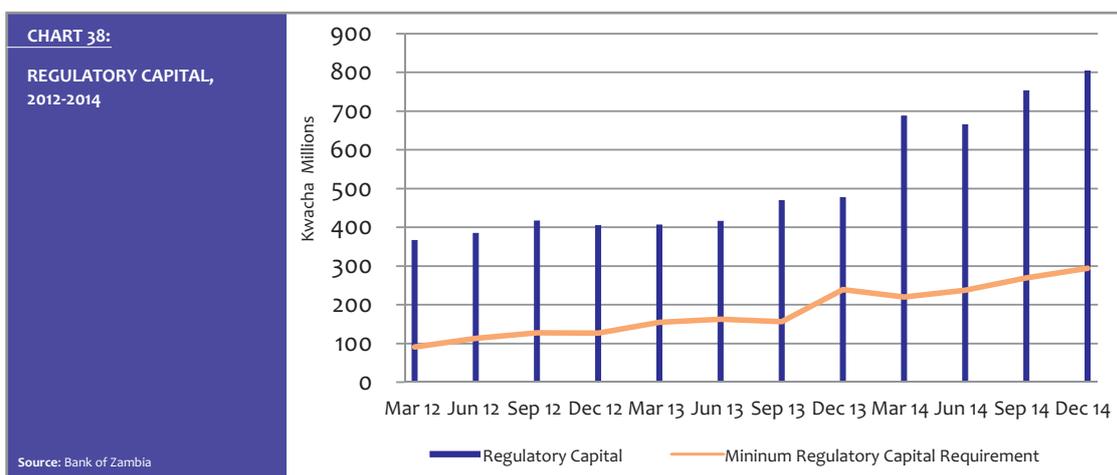


Consumer-Lending Microfinance Institutions

The overall financial condition and performance of the consumer lending MFIs sub-sector was satisfactory. The sub-sector was adequately capitalised with satisfactory asset quality and earnings performance during the year under review.

Capital Adequacy

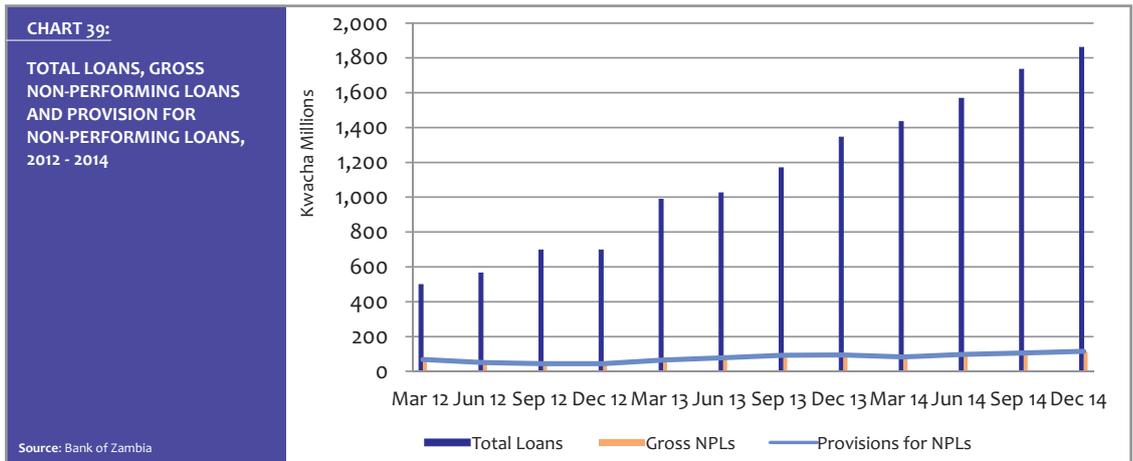
The regulatory capital of the sub-sector was satisfactory at end-December 2014. The regulatory capital ratio improved to 40.9% from 29.9% at end-December 2013 and was above the minimum prudential limit of 15%. The improvement in the capital ratio was largely due to a 68.4% increase in regulatory capital to K803.1 million from K477.0 million at end-December 2013. The increase in regulatory capital mainly arose from additional secondary capital at one of the MFIs (see Chart 38).



Asset Quality

The asset quality of the sub-sector was satisfactory at end-December 2014. The ratio of gross NPLs to gross loans declined to 6.0% as at end-December 2014 from 6.9% as at end-December 2013. This was on account of a proportionately higher increase in total loans compared to the increase in gross NPLs. The proportion of NPLs to gross loans was below the maximum acceptable limit of 10.0%. In addition, the NPL coverage ratio increased to 104.2% from 92.3% as at end-December 2013 indicating that NPLs were fully provided for (see Chart 39).

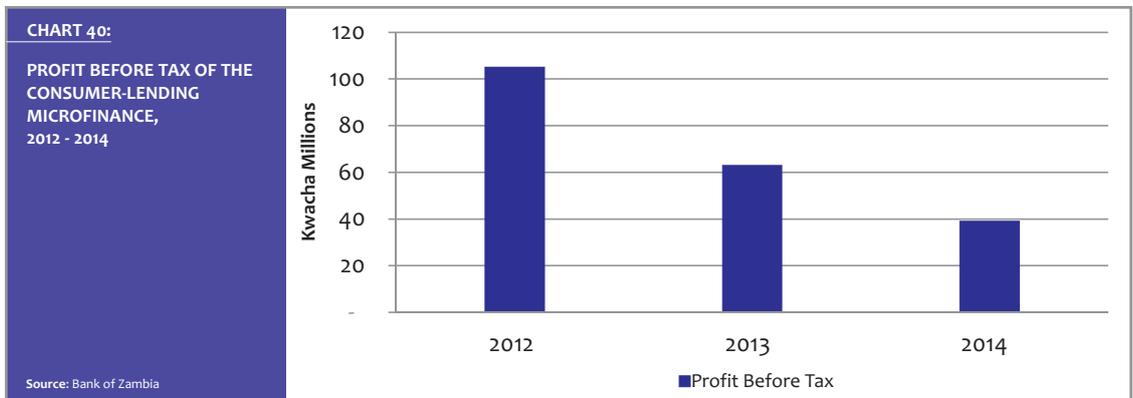
The total assets of the sub-sector rose by 33.2% to K2,093.0 million from K1,570.8 million as at end-December 2013 with the loans and advances (the core earning assets) accounting for 90.7%. The rise in total assets was mainly driven by an increase in loans of 38.3% to K1,860.5 million at end-December 2014 from K1,345.1 million as at end-December 2013.



Earnings Performance

The earnings performance of the sub-sector was satisfactory in the period under review. Although profitability as measured by the ROA declined to 2.0% from 4.0% in the previous year, the ratio was within the satisfactory rating of 2.0% to 5.0%. The reduction in the ROA arose from a decline in the profit before tax to K38.5 million from K62.5 million in the previous year (see Chart 40). The decline in profit before tax was largely attributed to foreign exchange losses of K83.4 million due to the depreciation of the Kwacha on the sub-sector's net short foreign exchange position.

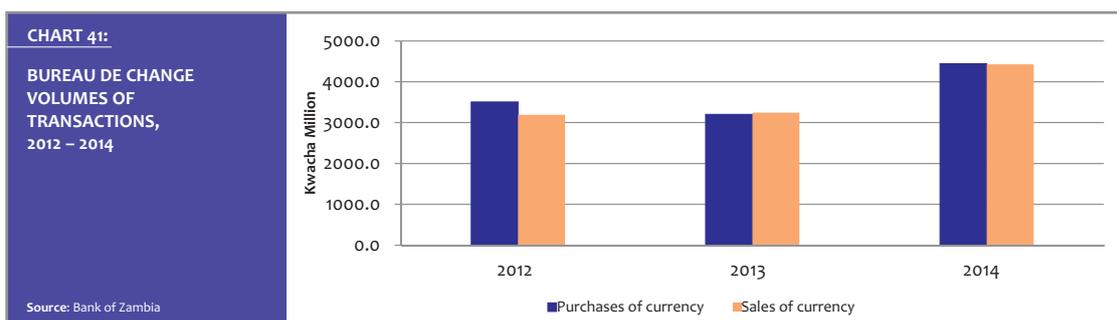
In addition, average net-interest margin declined to 55.3% from 70.4% in 2013 while the operational efficiency deteriorated to 92.1% from 81.3% in the previous year.



Bureaux de Change

The bureaux de change sub-sector was adequately capitalised as at end-December 2014. All bureaux de change met their minimum paid-up capital requirement of K40 million. The aggregate paid capital and reserves increased by 26.3% to K46.2 million at end-December 2014 from K39.1 million at end-December 2013. This was mainly due to capital injections, coupled with profit after tax of K1.8 million during the period under review.

The volume of purchases and sales of foreign currency rose by 38.7% and 36.5% to K4,444.4 million and K4,424.7 million in 2014 from K3,204.9 million and K3,242.2 million in 2013, respectively. Similarly, the average buying and selling exchange rates increased to K6.1245 and K6.1255, from K5.3423 and K5.5329, respectively, in 2013(see Chart 41).



REGULATION AND SUPERVISION

In 2014, nine licences for NBFIs were granted, while seven were revoked. The licences issued comprised four bureaux de change, three MFIs and two financial businesses, while the revoked licences comprised five MFIs, and two bureaux de change (see Table 40).

Table 40: Licences Issued and Revoked in 2014

Institution Licenced		Institution Closed	
Name of Bureau de Change	Date Licenced	Name of Bureau de Change	Date Revoked
1. Manna Comfort Bureau de Change Limited	12 June 2014	1. Metalco Bureau de Change Limited	5 March 2014
2. Zamica Bureau de Change Limited	20 Aug. 2014	2. Atics Bureau de Change Limited	20 June 2014
3. Excel Bureau de Change Limited	20 Aug. 2014		
4. KCool Care Bureau de Change Limited	4 Dec. 2014		
Name of Microfinance Institution	Date Licenced	Name of Microfinance Institution	Date Revoked
1. Direct Finance Services Limited	4 Dec. 2014	1. Faroncredit Limited	11 March 2014
2. Easy Cash Financial Services Limited		2. Kungoma Financial Services Ltd	11 March 2014
3. Zambou Financial Services Limited		3. Gobena Microfinance Limited	5 March 2014
		4. Blue Cash Express Limited	10 June 2014
Name of Financial Business	Date Licenced	Name of Financial Business	Date Revoked
1. Business Partners International		1. Stechas Financial Services Ltd	29 Jan. 2014
2. African Finance Business Zambia			

Source: Bank of Zambia

51

The branch network of NBFIs increased to 323 in 2014 from 307 in 2013 on account of the new branches approved. The new branches comprised eight bureaux de change and 8 MFIs (see Tables 41 and 42).

Table 41: Approved Bureaux de Change Branches in 2014

No.	Name of Institution	No. of Branches	Date Approved
1	Zampost Bureau de de change Limited, - Luanshya, Mfuwe, Kapiri Mposhi, Mufulira and Shang"ombo	5	21/02/2014
2	Struts Bureau de Change Limited – East Park Mall, usaka	1	02/08/2014
3	Megabyte Bureau de Change – Nakonde	1	08/07/2014
4	Quantum F X Bureau de Change Limited- East Park Mall, Lusaka	1	12/09/2014
	Total	8	

Source: Bank of Zambia

Table 42: Microfinance Institutions Branches Approved in 2014

No.	Name of Institution	No. of Branches	Date Opened
1	Pulse Financial Services Limited - Kalingalinga	1	31 March 2014
2	Madison Finance Company Limited	6	
	• Chilenje		7 April 2014
	• Choma		15 April 2014
	• Livingstone		16 April 2014
	• Kasama		30 April 2014
	• Mansa		30 April 2014
	• Mufulira		28 April 2014
3	FINZA Zambia Limited - Choma	1	24 June 2014
	Total	8	

Source: Bank of Zambia

New Minimum Capital Requirements

The BoZ revised the minimum capital requirements for NBFIs in January 2014 (see Table 43).

Table 43: New Minimum Capital Requirements

Institutional-Type	Revised Minimum Paid-Up Capital	Previous Minimum Paid-Up Capital
Leasing companies	K50 million	K1.5 million
Building societies	K50 million	K2.0 million
Savings and credit institutions	K50 million	K2.0 million
Development finance institutions	K750 million	K7.5 million
Deposit-taking micro finance institutions	K2.5 million	K250,000
Non-deposit-taking micro finance institutions	K100,000	K25,000
Bureaux de change	K250 million	K40,000

Source: Bank of Zambia

Under the revised minimum paid up capital, the NBFIs were required to progressively build up their required minimum paid-up capital according to the following timelines:

- Meet at least 30 percent of the revised minimum paid up capital by 31 December 2014;
- Meet at least 60 percent of the revised minimum paid up capital by 30 June 2015; and
- Meet the full revised minimum paid up capital by 31 December 2016.

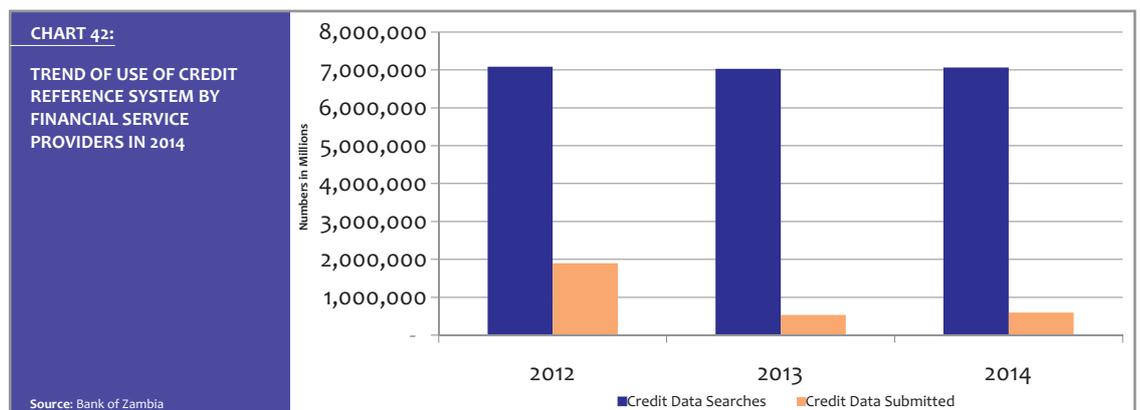
As at 31 December 2014, all the NBFIs had adequate paid-up capital to meet their December 2014 recapitalization except for five leasing companies and three deposit-taking microfinance institutions. The Bank of Zambia directed institutions which did not meet the recapitalization targets to submit recapitalisation plans.

4.3 FINANCIAL SECTOR DEVELOPMENT PLAN

In the year under review, the Government continued to implement reforms under the Financial Sector Development Plan focusing on financial inclusion. In this regard, a financial literacy week was observed with a view to sensitise the public on financial matters. In recognition of its effort in this area, Zambia received the global money week award for Africa under the Child and Youth Finance International movement at the United Nations in mid-2014.

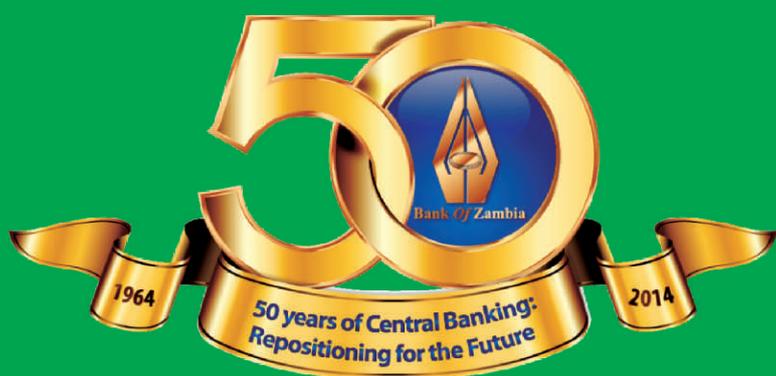
OPERATIONS OF CREDIT REFERENCE BUREAU AFRICA LIMITED

In the year under review, the total number of credit files submitted marginally increased by 0.6% to 7,066,489 from 7,027,775 the previous year. The total number of credit reports searched also increased by 12% to 598,200 in 2014 from 533,755 during 2013 (see Chart 42). The reduction was largely attributed to one commercial bank, which reduced searches by 88.7% following a decline in lending activities.





5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS



5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

Overview

In 2014, the Banking, Currency and Payment Systems operations were satisfactory, with commercial banks generally operating within guidelines. The withdrawal of old currency through commercial banks ceased on 30 June, 2014, but would continue at Bank of Zambia in Lusaka and Ndola until 31 December, 2015. Further, the Bank continued to provide management, regulation and oversight of the National Payment Systems.

5.1 BANKING

5.1.1 Operations of Commercial Bank Current Accounts

During the year under review, the Bank monitored account operations of commercial banks to ensure adequate availability of liquidity to meet clearing obligations. The performance of commercial banks was generally satisfactory despite some, occasionally failing to maintain sufficient funds to meet clearing obligations on time. Generally, commercial banks that accessed the intra-day credit facility repaid the funds by close of respective business days. Thirteen banks accessed overnight lending facility (OLF) during the year, up from nine banks in the previous period. This was attributed to the tight monetary policy.

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

5.2 CURRENCY

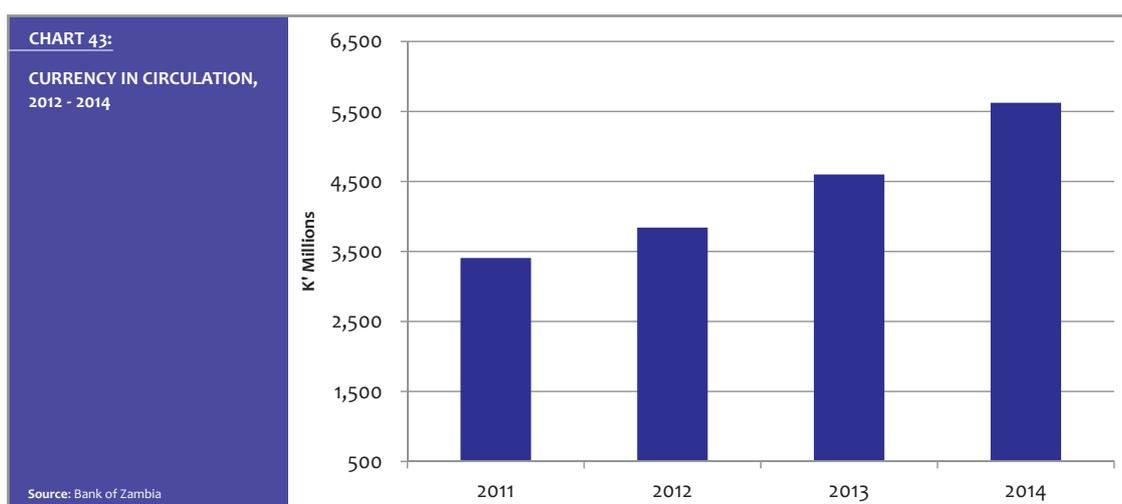
5.2.1 Currency Rebasing

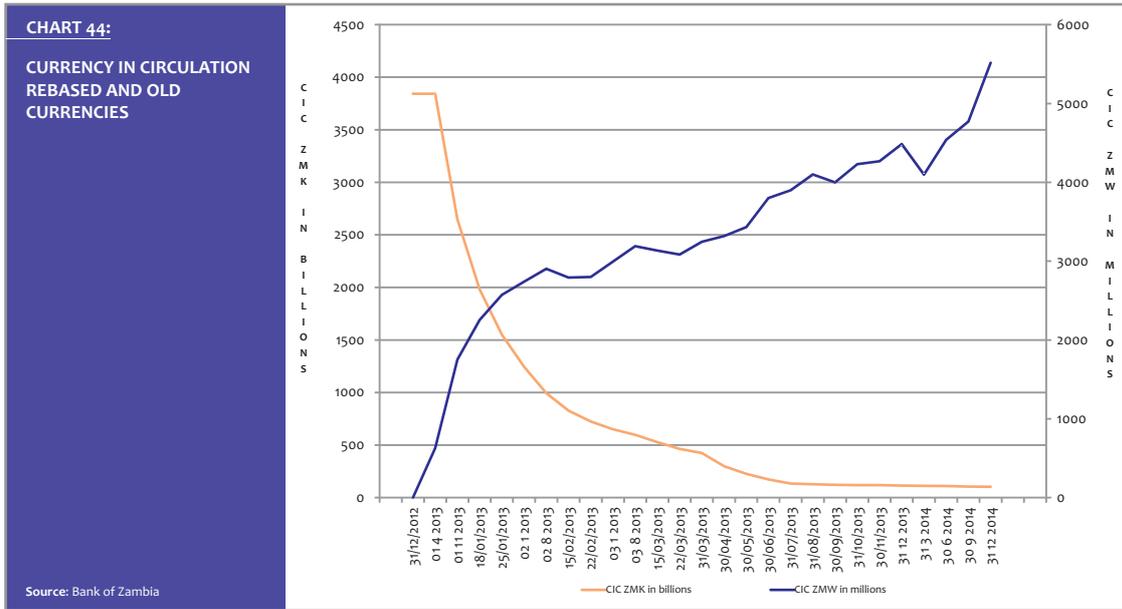
The Bank continued to withdraw old currency from the public, and as at 31 December 2014 97.0% of the old currency was withdrawn from circulation. However, the currency exchange at commercial banks came to an end on 30 June 2014. The public can only exchange the old currency at Bank of Zambia offices in Lusaka and Ndola until 31 December 2015 after the old currency would officially be demonetised.

The Bank also continued to implement the Bank of Zambia new Cash Management System aimed at devolving cash processing to commercial banks.

5.2.2 Currency in Circulation

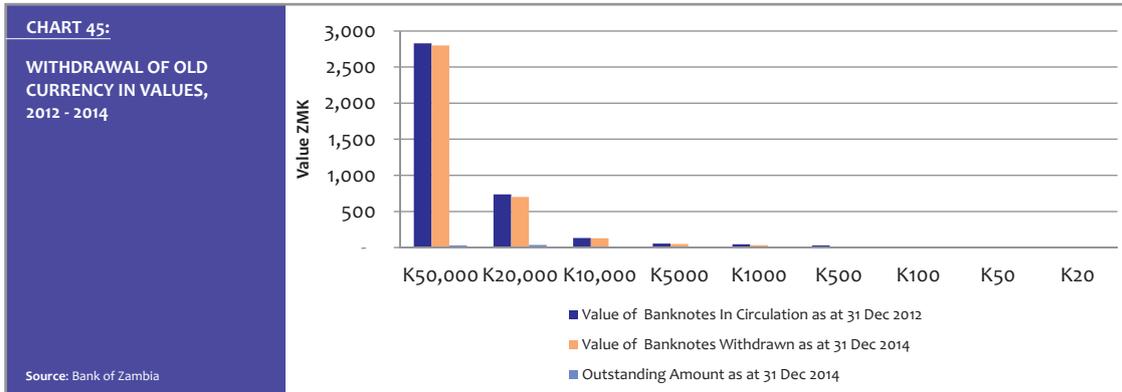
Currency in circulation (CIC) of the rebased currency increased by 21.7% to K5.6 billion as at end-2014, from K4.6 billion in December 2013 (see Chart 44). The increase was attributed to higher economic activity. Of the rebased currency, banknotes accounted for 98.0% (K5.5 billion), while coins contributed 2.0% (K0.1 billion). On the other hand, CIC in the old currency declined by 9.4% to ZMK103.8 billion as at 31 December, 2014 from ZMK114.6 billion as at end of December 2013 (see Chart 44).





5.2.3 Withdrawal and Destruction of the Old Currency and Unfit Rebased Currency

The Bank withdrew from circulation a total of 206.0 million pieces of the old currency with value ZMK3.7 trillion as at December 2014. This represented a withdrawal rate of 97.0%. Accordingly, the Bank destroyed a total of 296.1 million pieces of unfit banknotes with value ZMK4.6 trillion compared with a total of 298.4 million pieces with value ZMK1,251.0 billion the previous year (see Chart 45).

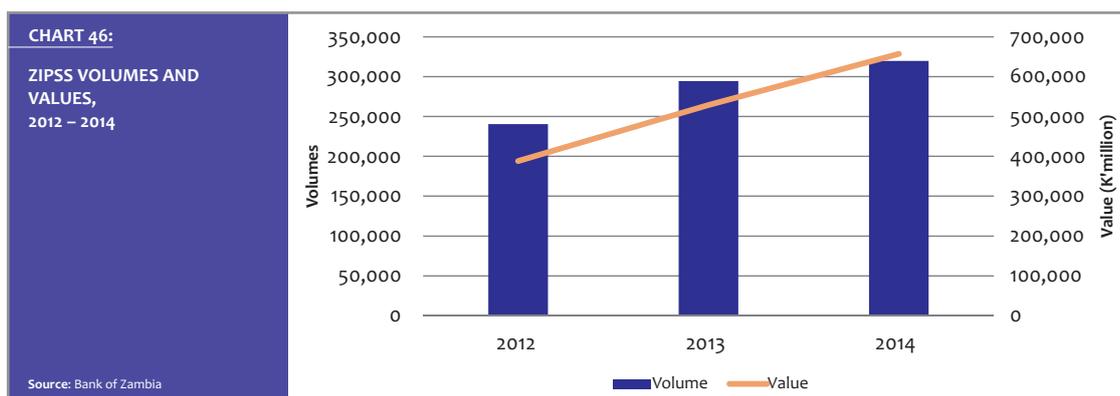


5.3 PAYMENT SYSTEMS

In 2014, the National Payment Systems operated satisfactorily. The transaction values and volumes processed increased while the systems recorded satisfactory levels of availability. Similarly, the use of electronic methods of payment including mobile payments continued to register significant growth.

5.3.1 Zambian Interbank Payment and Settlement System

During the year under review, the Zambian Interbank Payment and Settlement System (ZIPSS) operations were satisfactory. On average, the system availability level was 99.1% compared to 97.7% in 2013. The value and volume of transactions processed increased by 24.2% and 8.6% to K657,203.2 million and 319,836 from K528,950.0 and 294,503 million in 2013, respectively. The increase in both value and volume of transactions was largely attributed to a general rise in interbank and government transactions (see Chart 46).



5.3.2 Implementation of Central Securities Depository and 2nd Generation Real-Time Gross Settlement System

The Bank implemented the 2nd generation Real-Time Gross Settlement (RTGS) system and a new Central Securities Depository (CSD) system, following consultations with stakeholders including; commercial banks, the Ministry of Finance, the Zambia Electronic Clearing House Limited and the Lusaka Stock Exchange. The RTGS and CSD systems went live on 1 and 2 September, 2014, respectively.

The implementation of the two systems had the following major benefits:

- Provision of straight-through processing (STP) with the core banking systems of commercial banks to ensure improved efficiency in the settlement of transactions processed through the Zambia Interbank and Settlement System (ZIPSS);
- Achieving of Delivery versus Payment (DvP) through the implementation of a seamlessly integrated RTGS/CSD system resulting from government securities trading; and
- Supporting a multi-currency functionality to integrate with other systems such as the Common Market for Eastern and Southern African (COMESA) Regional Payment and Settlement System (REPSS) and the Southern African Development Community (SADC), SIRESS regional payment initiatives.

5.3.3 Common Market for Eastern and Southern African Regional Payment and Settlement System

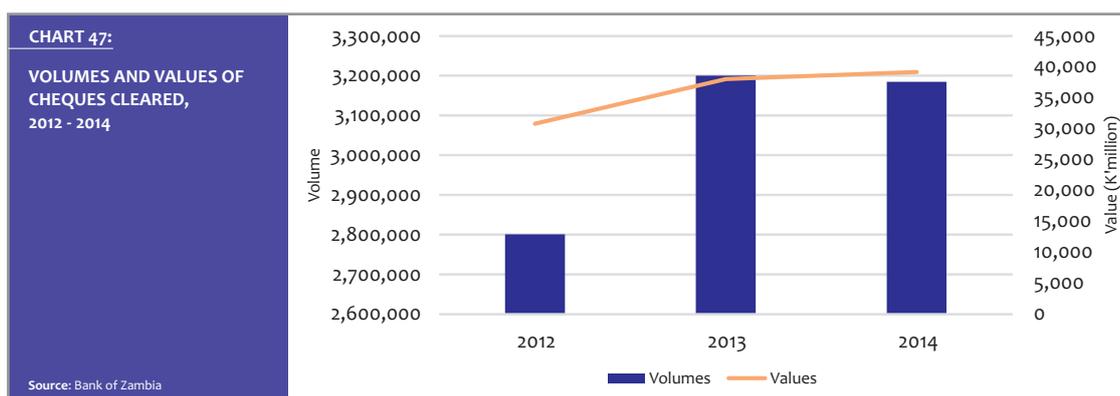
Zambia joined other countries on COMESA REPSS on 29th December, 2014. The REPSS is aimed at promoting regional integration by facilitating safe and efficient funds transfer arising from trade and investments within the region. The implementation of the project was managed by Bank of Zambia in collaboration with regional central banks, commercial banks and relevant stakeholders.

5.4.4 SADC Integrated Regional Settlement System

SADC, in conjunction with the various member countries, implemented the SADC Integrated Regional Settlement System (SIRESS) in July 2013. However, Zambia joined the regional payment system in September 2014. In this regard, the Bank of Zambia approved the participation of five Zambian commercial banks, namely Barclays Bank, Ecobank, First National Bank, Stanbic Bank and Zanaco on the SIRESS.

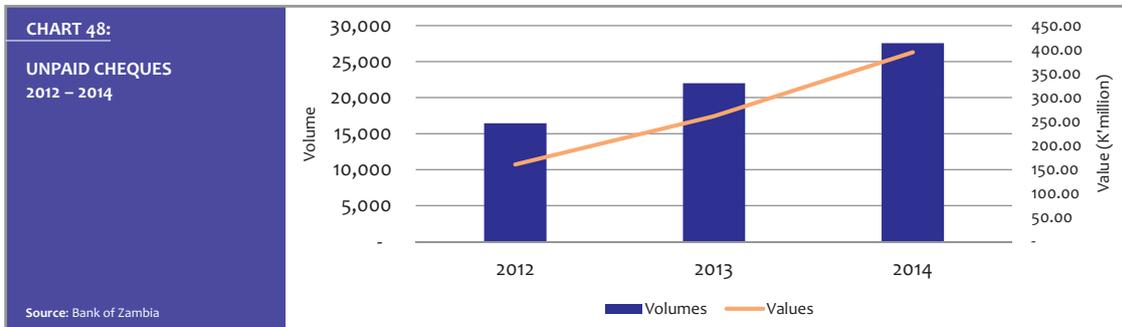
5.3.5 Cheque Image Clearing system

In 2014, the value of cheques cleared through the Cheque Image Clearing system increased by 3.1% to K39,185.3 million from K38,010.9 million in 2013. However, the volume of cheques cleared decreased by 0.5% to 3,184,446 from 3,200,202 in 2013 (see Chart 47).



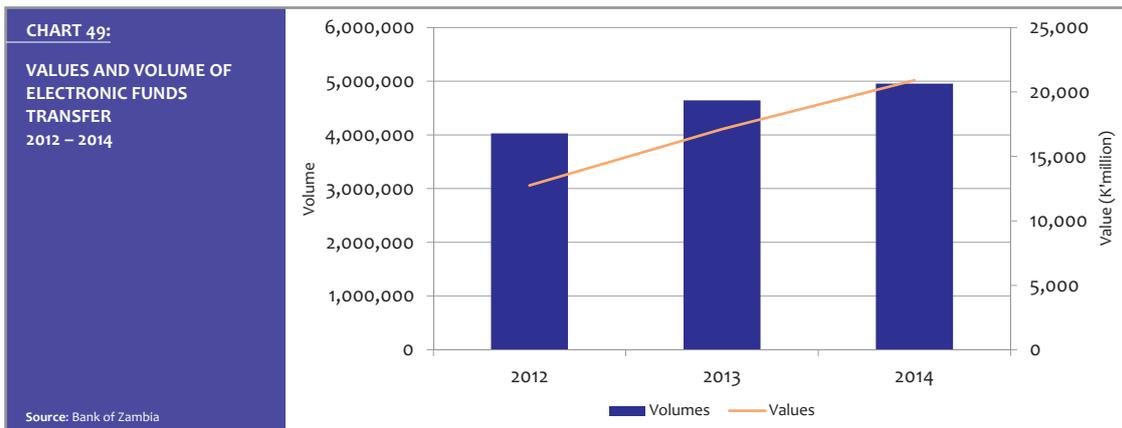
5.3.6 Cheques Returned Unpaid on Account of Insufficient Funds

The value of cheques returned unpaid on account of insufficient funds increased by 50.9% to K394.4 million in 2014 from K261.3 million in 2013. Similarly, the volume rose by 25.3% to 27,556 from 21,998 in 2013 (see Chart 48). The National Payment Systems Act no. 1 (2007) criminalises issuance of cheques on insufficiently funded accounts.



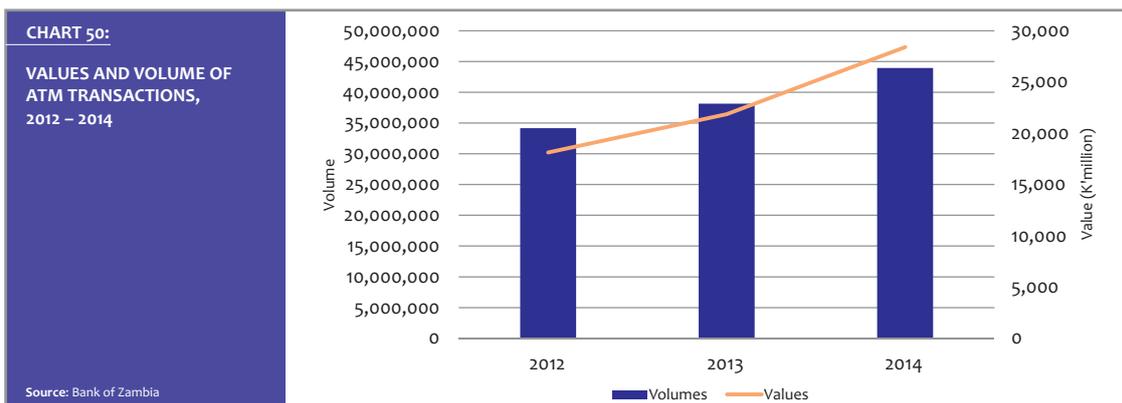
5.3.7 Electronic Funds Transfer Clearing System

During the year under review, the value and volume of transactions processed through the Electronic Funds Transfer (EFT) payment stream rose. The total value grew by 22.2% to K20,908.1 million from K17,109.1 million in 2013, while the volume of transactions increased by 6.7% to 4,955,572 from 4,643,599 in 2013. The rising preference for electronic payment methods continued to explain the higher value and volume of transactions during the year (see Chart 49).



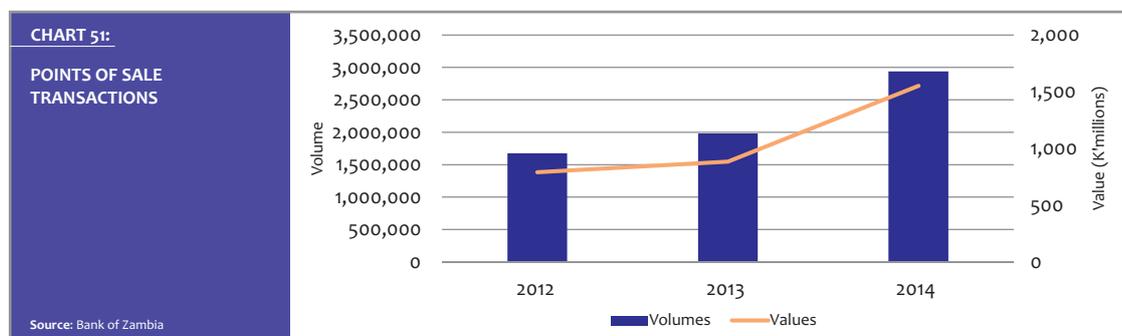
5.3.8 Transactions Processed through the Automated Teller Machines

The number of Automated Teller Machines (ATM) increased by 20.4% to 896 in 2014 from 744 in 2013. Similarly, the transactions processed through the ATM payment stream rose, driven by continued customer preference for electronic payment methods. The value of transactions rose by 30% to K28,404 million from K21,855 million in 2013, while the volume of ATM transactions increased by 30.9% to 49,926,655 from 38,152,320 in 2013 (see Chart 50).



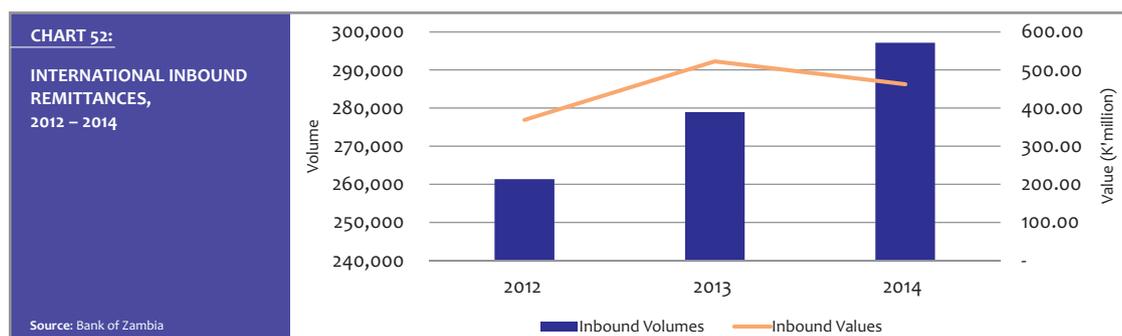
5.3.9 Transactions Processed through Point of Sale Machines

In 2014, the value of transactions processed through Point of Sale (PoS) payment stream increased by 75.4% to K1,552 million from K885 million in 2013. Similarly, the volume of transactions went up by 48.1% to 2,937,453 from 1,983,089 recorded in 2013. The rise in the volume and value of transactions was mainly attributed to Government resolution to collecting certain taxes using the PoS stream instead of cash. The number of PoS terminals increased by 26.7% to 3,266 from 2,578 in 2013 (see Chart 51).

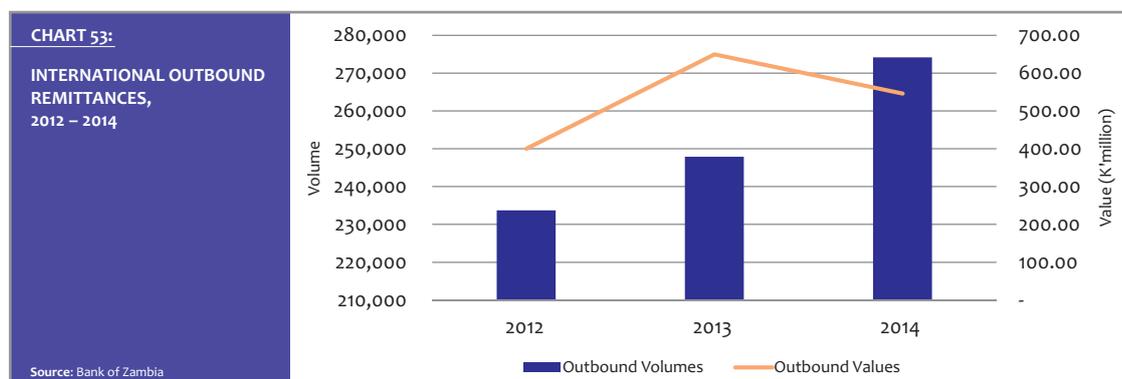


5.3.10 International Remittances

During the year under review, the value of in-bound international transactions decreased by 11.5% to K462.6 million from K522.4 million in 2013 due to a general decline in inbound remittances. However, the volume of transactions increased by 6.5% to 297,135 from 278,947 in 2013 (see Chart 52).



Similarly, the value of international out-bound transactions decreased by 15.9% to K545.8 million from K649.2 million in 2013. However, the volume increased by 10.6% to 274,168 from 247,861 in 2013 (see Chart 53).



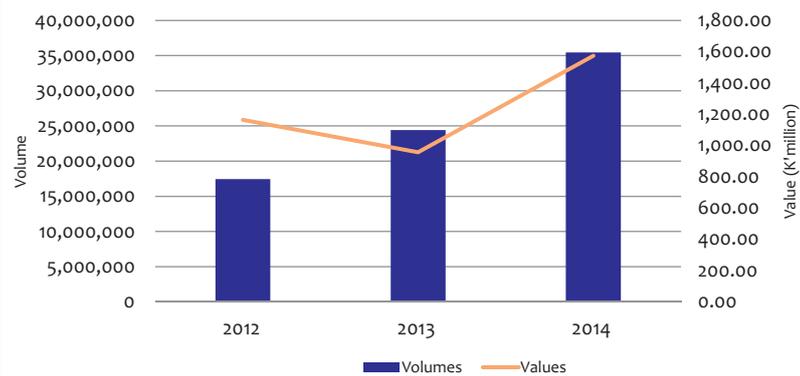
5.3.11 Mobile Money or Electronic Money (e-money) transactions

During the year under review, the value of transactions processed through the mobile money platform increased by 64.5% to K1,574.4 million from K957.3 million in 2013. Similarly, the volume of transactions rose by 45.2% to 35,457,948 from 24,412,326. The higher volume and value of transactions was attributed to a rise in both subscribers and transaction values (see Chart 54).

CHART 54:

MOBILE MONEY
TRANSACTIONS
2012 – 2014

Source: Bank of Zambia



Financial inclusion will promote domestic tourism



5.3.12 Designation of Payment System Participants and Businesses

In 2014, the Bank of Zambia granted designations to UAE Exchange Zambia Money Transfer Services Limited, Financial Transactions Services Limited, Touch4Pay Zambia Limited, Madison Finance and Zambia National Building Society to operate as payment system businesses. All of these institutions were granted designations except for Touch4Pay, which was only granted conditional designation.

5.3.13 National Financial Switch

The Bank of Zambia in collaboration with the Zambia Electronic Clearing House Limited (ZECHL), the Bankers Association of Zambia and other stakeholders continued working on the National Financial Switch. Once implemented it will allow inter-operability of payment system infrastructure thereby improving convenience for consumers and efficiency of payment systems in Zambia.



6.0 RISK MANAGEMENT



6.0 RISK MANAGEMENT

During the year under review, the Bank continued to implement various initiatives aimed at achieving the 2012-2015 Strategic Plan targets. Accordingly, the Bank held a Mid-Term Management and Board Strategic Plan Review Retreats in August 2014 and October 2014, respectively. The Bank also developed a Strategic Risk Management Framework to assist in the assessment, monitoring and reporting of strategic risks that were inherent in the 2012-2015 Strategic Plan.

In order to strengthen the management of strategic projects, the Bank established the Project Management Office, as a function under the Strategy and Risk Management (SRM) Department. The Bank also developed a Project Management Policy to provide high level guidance on the process to be followed before, during and after project execution.

With respect to risk management, the Bank conducted a review of its Risk Register to ensure that it remained current and relevant. The review process revealed significant improvement in the Bank's overall risk profile, mainly, on account of implementation of risk treatment measures by business units. Notwithstanding this, the Bank continued to face substantial residual risk exposures, especially in the people risk category, occasioned largely by the Bank Re-organisation Project.

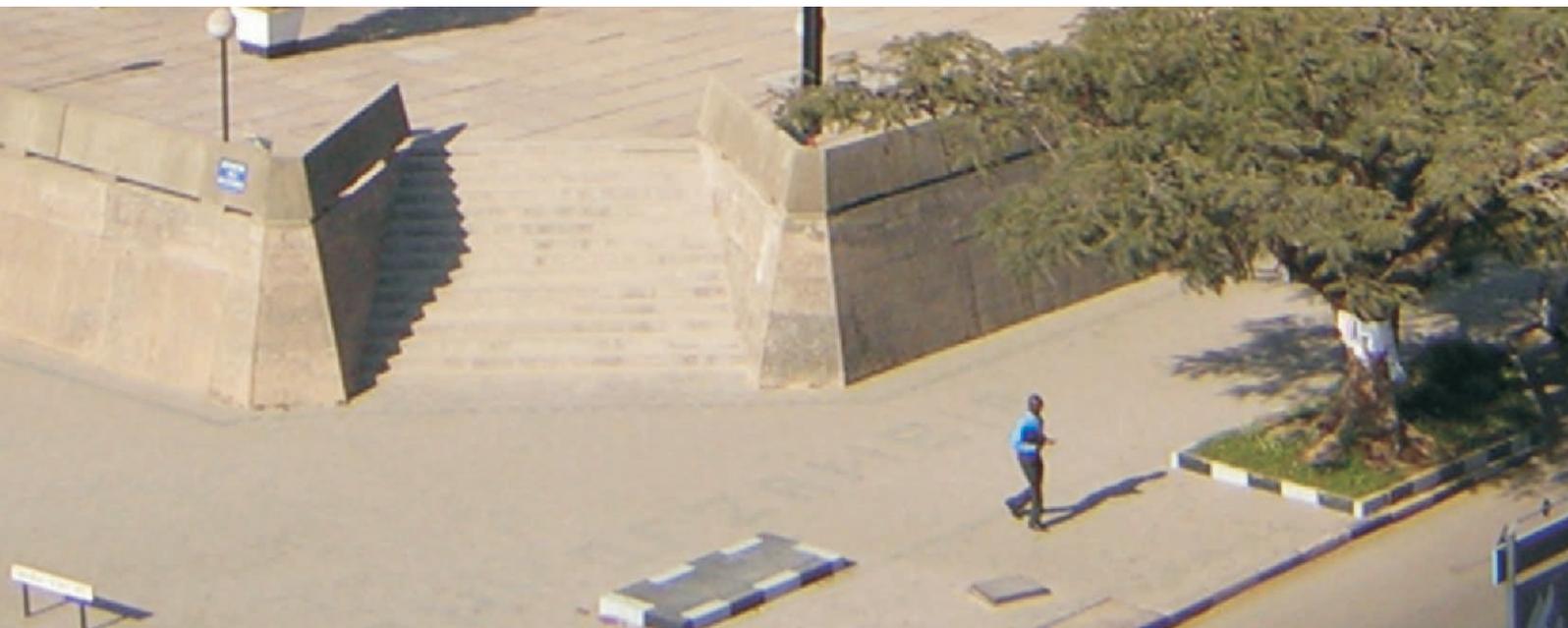
Additionally, in an effort to strengthen the Risk Management Framework, the Bank worked with the World Bank's Reserves Advisory Management Programme (RAMP) Mission. This was aimed at enhancing the Bank's operational risk monitoring and reporting mechanism, especially, as it relates to the development and usage of key risk indicators (KRIs). In line with international best practice, the Bank also established a Compliance Function, to ensure that compliance risks arising from non-adherence to the Bank's institutional, operational and conduct requirements were managed efficiently and effectively.

Further, the Bank, in conjunction with the Business Continuity Institute (BCI) of UK, held a business continuity management training and certification workshop aimed at enhancing business continuity capabilities among its Risk Liaison Officers and Alternates. Following this activity, the Bank conducted Business Impact Analysis (BIA) review sessions to determine the level of mission-criticality of its business processes and functions, so as to ring-fence them under a Bank-wide Business Continuity Plan (BCP) and the Departmental Business Continuity/Resumption Plans.

The Bank realigned the operations and structure of the SRM Department by establishing a Change Management and Innovation Division to champion the Bank's change management agenda. This hinged on infrastructure realignment and a strategy-focused organizational culture. To this end, a Leadership Development Programme was conducted focusing on the Executives, Directors, and Assistant Directors and was facilitated by Messrs Mac Recruitment, in conjunction with, Franklin Covey of USA. The Programme was aimed at enhancing senior management's leadership and management skills to entrench a performance excellence culture in the Bank. Various gender mainstreaming strategies and activities, such as, up-scaling advocacy for women to take up more leadership roles in the Bank and financial inclusion were also implemented.



7.0 REGIONAL OFFICE



7.0 REGIONAL OFFICE

During the period under review, the Bank continued to extend banking, currency and other support services to Government, commercial banks and the general public in the Northern Region. In addition, the Bank continued to undertake various economic surveys and carry out on-site inspections of commercial banks and Non-bank Financial Institutions to ensure compliance with financial system regulatory requirements and guidelines. Further, the Bank facilitated renewal of licences for NBFIs and payments of dividends to former depositors, sale of properties as well as attending to inquiries relating to commercial banks under liquidation.

In line with the strategic objective of turning Regional Office into a fully-fledged Cash Processing Centre, the Bank commissioned the DLR7000 banknote processing machine and the currency disintegration system for in-house destruction of cancelled banknotes. Regional Office also participated in the withdrawal of old, unfit and mutilated currency from circulation in line with the Bank's Clean Note Policy and also held sensitisation workshops with major stakeholders on Banknote Quality Standards and Identification of Counterfeits. Regional Office also participated in the sensitisation and distribution of the 50th Anniversary Commemorative banknotes to the general public in the Northern and North Western regions of the country.



8.0 ADMINISTRATION AND SUPPORT SERVICES



8.0 ADMINISTRATION AND SUPPORT SERVICES

8.1 HUMAN RESOURCE MANAGEMENT

Structure and Staffing

The total number of employees as at 31st December 2014 stood at 523 against the establishment of 674, of which 63% were male and 37% female. This staff complement comprised 316 (60%) employees on Permanent & Pensionable Service and 207 (40%) on Fixed-Term Employment Contracts (see Tables 44 and 45). Of the employees on Fixed-Term Employment Contracts, 40 were security officers seconded from the Zambia Police Service.

Table 44: Staffing Levels

Functions	2012			2013			2014		
	Estab.	Actual	Diff	Estab.	Actual	Diff	Estab.	Actual	Diff
Executive	10	11	1	13	5	-8	14	4	-10
Subtotal	10	11	1	13	5	-8	14	4	-10
Core Departments									
Bank Supervision	37	24	-13	37	27	-10	46	21	-25
Banking, Currency & Payment Systems	93	76	-17	93	71	-22	84	66	-18
Economics	49	34	-15	49	39	-10	45	37	-8
Financial Markets	47	29	-18	47	34	-13	36	32	-4
Non-Banks Financial Institutions Supervision	34	29	-5	34	28	-6	38	20	-18
Strategy & Risk Management	11	5	-6	11	6	-5	13	9	-4
Balance of Payments Monitoring	0	0	0	0	0	0	10	3	-7
Financial System Stability	0	0	0	0	0	0	4	3	-1
Financial Sector Development	0	0	0	0	0	0	3	3	0
Subtotal	271	197	-74	271	205	-66	279	194	-85
Support Services									
Board Secretary	0	0	0	12	9	-3	19	12	-7
Finance	44	33	-11	44	33	-11	36	31	-5
Human Resources	38	19	-19	38	18	-20	21	15	-6
Information & Communications Technology	39	30	-9	39	26	-13	35	25	-10
Legal Services (former Bank Secretariat)	19	17	-2	11	7	-4	8	5	-3
Internal Audit	26	16	-10	26	15	-11	17	15	-2
Corporate Services (former Procurement & Maintenance Services)	73	61	-12	73	56	-17	92	52	-40
Security	53	56	3	82	91	9	91	88	-3
Subtotal	292	232	-60	325	255	-70	319	243	-76
Regional Office	120	128	8	89	86	-3	62	82	20
Subtotal	120	128	8	89	86	-3	62	82	20
TOTAL	693	568	-125	698	551	-147	674	523	-151

Source: Bank of Zambia

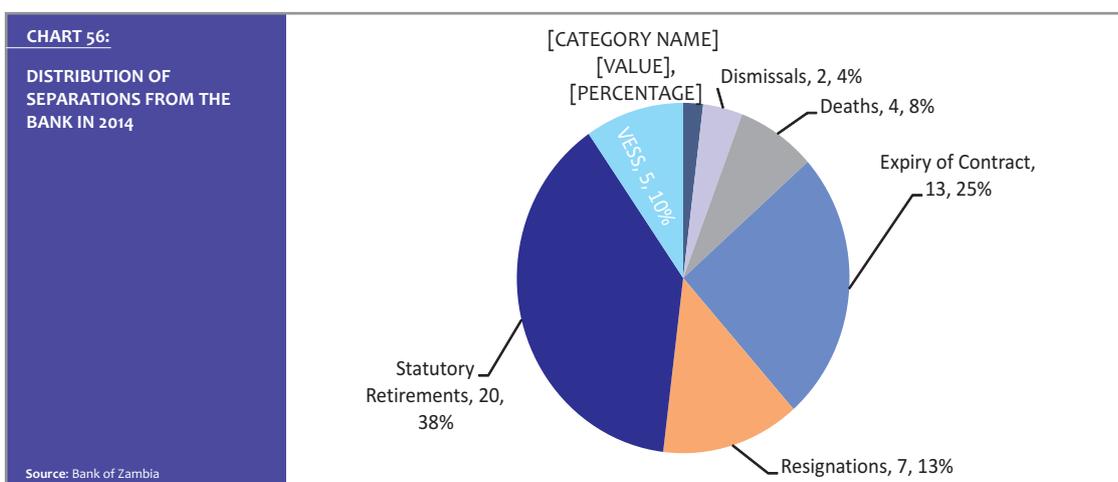
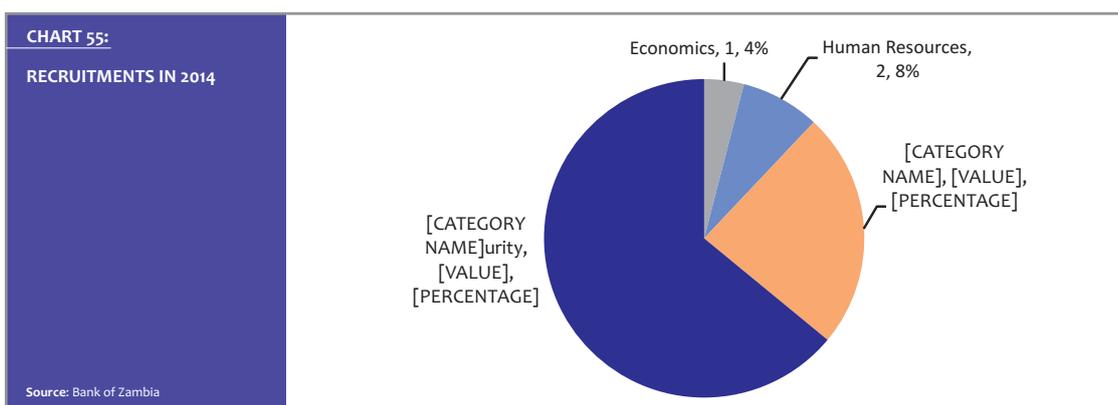
Table 45: Distribution of Staff

Office	Permanent & Pensionable			Fixed Term Contract			Total
	M	F	Total	M	F	Total	
Lusaka	163	84	247	99	62	161	408
Ndola	43	26	69	27	19	46	115
Overall	206	110	316	126	81	207	523

Source: Bank of Zambia

Staff Movements

During the year under review, the Bank recruited 25 employees, while 52 employees separated. The separations were due to expiry of contracts, statutory retirements, resignations, Voluntary Early Separation Scheme (VESS), dismissals, discharge, and deaths (see Charts 55 and 56).



Staff Welfare

Industrial Relations Climate and Conditions of Service

In 2014, the Bank continued to have cordial industrial relations, despite challenges surrounding the salary increment negotiations, which were referred to arbitration for resolution.

Medical Services

Medical services continued to be offered to employees through the BoZ clinic and selected medical service providers. Further, the Bank organised presentations on health matters and facilitated eye, dental and blood pressure check-ups.

Capacity Building Programmes

During the year under review, the Bank continued to provide capacity building programmes through workshops and seminars both locally and abroad. Further, members of staff upgraded their qualifications at various levels (see Table 46). The Bank also maintained its support to the University of Zambia (UNZA) and Copperbelt University (CBU) in accordance with the Memoranda of Understanding.

Table 46: Study Programmes: 2012 – 2014

PROGRAMME	YEAR		
	2012	2013	2014
PhD	2	0	3
Masters Qualifications; MBA, LLM, MSc etc	18	2	3
Bachelor's Degrees in Laws, Banking & Financial Services, Public Administration & Computing	5	0	0
Professional Qualifications; Chartered Financial Analyst, Certified Internal Auditors & Association of Certified Chartered Accountants	5	0	3
Diplomas in Business Management, Public Administration, Treasury & International Banking, Computing, Banking, Purchasing & Supply & accounting	4	0	0
TOTAL	34	2	9

Source: Bank of Zambia

Performance Management System

The Capability Management Framework, which was developed by the Bank in order to enhance the performance management system, was approved by the Board in June 2014. The framework, together with the revised Disciplinary Code and Grievance Procedures was rolled out in December 2014.

Organisational Review of the Bank of Zambia

In 2014, the phased Re-organisation Programme, approved by the Board in 2013, was finalised.

8.2 INTERNAL AUDIT

During the year under review, the internal audit function underwent an external quality review by KPMG Advisory Services. This review established that the internal audit function generally conformed to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. In addition, the internal audit function continued to evaluate the adequacy and effectiveness of internal controls, risk management and governance processes of the Bank.

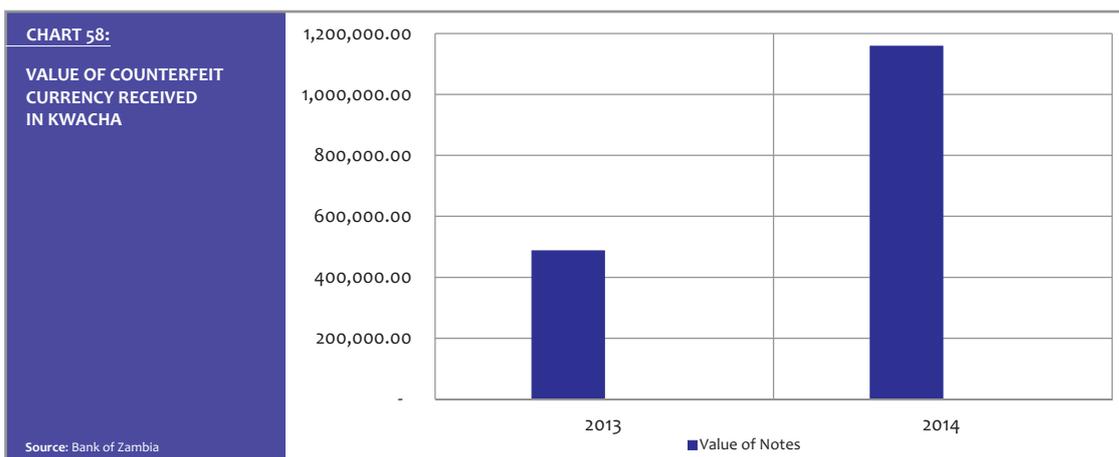
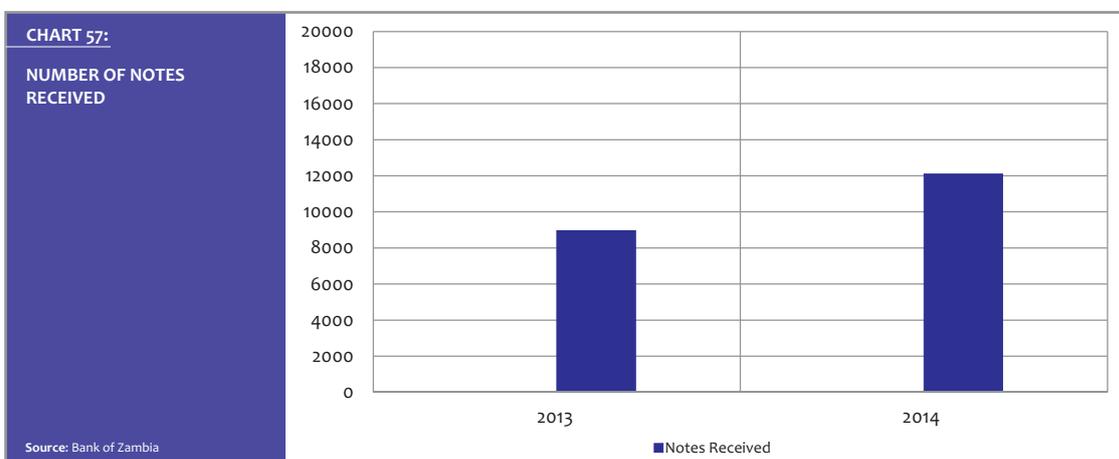
8.3 LEGAL

During the year under review, the Bank carried out a number of legislative and regulatory assignments, including: drafting and issuance of the Bank of Zambia (Monitoring of Balance of Payments) Regulations, 2014 [Statutory Instrument No. 10 of 2014]; drafting of the Bank of Zambia (Currency) (Revocation) Order, 2014 [Statutory Instrument No. 27 of 2014]; Islamic Finance Guidelines; and Guidelines on Outsourcing.

8.4 SECURITY ACTIVITIES

Counterfeit Currency

The Bank received a total of 12,101 counterfeit notes in 2014 compared with 8,949 in 2013, mainly during the crop marketing season (see Chart 57). Of the total number of counterfeit notes received, 11,151 were in K100 denominations, representing 92.1%. The counterfeit notes were valued at K1,157,654.00 and K486,930.00 in 2014 and 2013, respectively (see Chart 58). The increase in counterfeit notes reflected the rise in incomes in 2014, following a bumper harvest.



ATM Card Skimming Cases

The Bank, in conjunction with the State Law Enforcement Agencies, carried out investigations to address incidences of ATM card skimming crimes. It was established that more than K2 Million was withdrawn from different commercial banks through this crime.

A total of five suspects were arrested in Kabwe and Lusaka. Out of these, two foreigners were convicted and sentenced to five years imprisonment with hard labour. The other three appeared before a subordinate court in Lusaka and trial is on-going.

8.5 BALANCE OF PAYMENTS MONITORING

During the year under review, Government revoked Statutory Instrument No. 55, the Bank of Zambia (Monitoring of Balance of Payments) Regulations of 2013 to allow for further consultations. These Regulations were meant to operationalize monitoring of balance of payments as enshrined in the Bank of Zambia Amendment Act No. 1 of 2013.

8.5 PROCUREMENT AND MAINTENANCE

In 2014, the Bank constructed a false roof and repaired the emergency staircase at the old Bank of Zambia building along Cairo Road in order to preserve the structure. Further, the Bank installed a Sprinkler Fire Fighting System at Regional Office. In addition, the Bank procured appropriate motor vehicles, equipment and services to enhance operational efficiency.

8.6 INFORMATION AND COMMUNICATIONS TECHNOLOGY

During the review period, the Bank successfully re-implemented the Real Time Gross Settlement (RTGS) system from Perago to Montran. The key objectives of the project were:

- I. Integration of RTGS system and the existing Automated Clearing House (ACH);
- ii. Implementation of a new CSD in order to achieve Delivery versus Payment (DvP) model 1 in the securities settlement processes through integration with RTGS;
- iii. Provision of Straight-Through-Processing (STP) integration of RTGS/CSD and core banking systems at Bank of Zambia, commercial banks and Ministry of Finance;
- iv. Implementation of a secure Virtual Private Network (VPN) between Bank of Zambia and commercial banks (and other stakeholders) in order to lower the cost of ownership of the RTGS/CSD system; and
- v. Integration of the Government electronic payments through the RTGS using the consolidated Treasury Single Account model.



9.0 FINANCIAL STATEMENTS



Bank of Zambia

Financial Statements

for the year ended 31 December 2014

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Bank of Zambia**Statement of Directors' responsibilities**

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

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

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

Approval of the financial statements

The financial statements of the Bank set out on pages 73 to 114 were approved by the Board of Directors on 30 June 2015 and signed on their behalf by:



Governor



Director



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

Report on the financial statements

We have audited the accompanying financial statements of Bank of Zambia set out on pages 73 to 114. These financial statements comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion the financial statements *give a true and fair view* of the financial position of Bank of Zambia at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Bank of Zambia Act, No. 43 of 1996.

PricewaterhouseCoopers
Chartered Accountants
Lusaka

30th June 2015

Nasir Ali
Practicing Certificate Number: M/PC0000557
Partner signing on behalf of the firm

PricewaterhouseCoopers, PwC Place, Stand No 2374, Thabo Mbeki Road, P.O. Box 30942, Lusaka, Zambia
T: +260 (211) 256471/2, F: +260 (211) 256474, www.pwc.com/zm

A list of Partners is available from the address above

Statement of comprehensive income

for the year ended 31 December 2014

In thousands of Zambian Kwacha

	Notes	2014	2013
Interest income	5	423,034	293,384
Interest expense	5	(35,270)	(73,237)
Net interest income		387,764	220,147
Fee and commission income	6	132,434	103,754
Fee and commission expense	6	(4,902)	(2,968)
Net fee and commission income		127,532	100,786
Net income from foreign exchange transactions	7	8,824	18,295
Other gains		1,046,890	574,323
		1,055,714	592,618
Net income		1,571,010	913,551
Net impairment credit/(impairment charge) on financial assets	8	78	(159)
Employee benefits	9	(318,706)	(298,225)
Depreciation and amortisation	23, 24	(23,692)	(18,459)
Operating expenses	10	(385,325)	(192,483)
		(727,645)	(509,326)
Profit for the year		843,365	404,225
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation surplus	23	-	58,350
Remeasurement of defined benefit obligation	36	33,579	(2,778)
Total comprehensive income for the year		876,944	459,797

Statement of Financial Position
for the year ended 31 December 2014

In thousands of Zambian Kwacha

	Notes	2014	2013
Assets			
Domestic cash in hand		3,072	4,120
Foreign currency cash and bank accounts	12	19,190,417	14,803,631
Items in course of settlement	13	4,915	3,782
Held-for-trading financial assets	14	78,325	-
Loans and advances	15	2,104,569	2,375,080
Held-to-maturity financial assets	16	1,989,495	1,966,731
Other assets	18	12,753	14,886
Defined benefit surplus	36	45,070	11,491
Available-for-sale investments	20	24,279	5,595
IMF funds recoverable from Government of the Republic of Zambia	21	1,191,891	1,129,863
IMF subscriptions	22,34	4,800,381	3,913,092
Property, plant and equipment	23	349,100	338,292
Intangible assets	24	19,740	4,424
Total assets		29,814,007	24,570,987
Liabilities			
Deposits from the Government of the Republic of Zambia	27	2,834,011	2,871,348
Deposits from financial institutions	28	7,556,901	5,516,022
Foreign currency liabilities to other institutions	29	23,937	178,059
Other deposits	30	83,090	44,177
Notes and coins in circulation	31	5,727,215	4,601,083
Other liabilities	32	128,268	94,209
Provisions	33	291,514	65,244
Domestic currency liabilities to IMF	22,34	4,800,381	3,913,092
Foreign currency liabilities to IMF	35	2,120,967	2,151,611
SDR allocation	37	4,343,838	3,983,494
Total liabilities		27,910,122	23,418,339
Equity			
Capital	38	500,020	500,020
General reserve fund	39	175,794	92,588
Property revaluation reserve	39	246,279	251,665
Retained earnings	39	981,792	308,375
Total equity		1,903,885	1,152,648
Total liabilities and equity		29,814,007	24,570,987

The financial statements on pages 73 to 114 were approved for issue by the Board of Directors on 30 June 2015 and signed on its behalf by:



Governor



Director

Statement of Changes in Equity

for the year ended 31 December 2014

In thousands of Zambian Kwacha

	Share capital	General reserve fund	Property revaluation reserve	Retained earnings	Total Equity
Balance at 1 January 2013	10,020	92,588	197,848	(11,531)	288,925
Profit for the year	-	-	-	404,225	404,225
Other comprehensive income:					
Revaluation surplus	-	-	58,350	-	58,350
Actuarial loss on defined benefit plan	-	-	-	(2,778)	(2,778)
Amortisation of revaluation surplus relating to properties	-	-	(4,533)	4,533	-
Total comprehensive income	-	-	53,817	405,980	459,797
Transactions with owners:					
Additional called up capital	490,000	-	-	-	490,000
Initial fair value adjustment on capitalization bond	-	-	-	(120,375)	(120,375)
Unwinding of fair value adjustment	-	-	-	34,301	34,301
Total transactions with owners	490,000	-	-	(86,074)	403,926
Balance at 1 January 2014	500,020	92,588	251,665	308,375	1,152,648
Profit for the year	-	-	-	843,365	843,365
Transfer to general reserve fund	-	83,206	-	(83,206)	-
Other comprehensive income:					
Actuarial gain on defined benefit plan	-	-	-	33,579	33,579
Amortisation of revaluation surplus relating to properties	-	-	(5,386)	5,386	-
Total comprehensive income	-	83,206	(5,386)	799,124	876,944
Transactions with owners:					
Dividend paid to shareholders	-	-	-	(162,000)	(162,000)
Unwinding of fair value adjustment	-	-	-	36,293	36,293
Total transactions with owners	-	-	-	(125,707)	(125,707)
Balance at 31 December 2014	500,020	175,794	246,279	981,792	1,903,885

Statement of Cash Flows

for the year ended 31 December 2014

In thousands of Zambian Kwacha

	Notes	2014	2013
Cash flows from operating activities			
Profit for the year		843,365	404,225
Adjustment for:			
- Depreciation/amortisation	23, 24	23,692	18,459
- Dividend income		-	(1,106)
- Loss/(profit) on disposal of property, plant and equipment		80	(228)
- Impairment effect on other assets	8	(602)	(48)
- Impairment effect on amounts due from closed banks	8	535	207
- Impairment effect on loans and advances	8	(11)	
- Effects of exchange-rate changes on cash and cash equivalents		639,197	(128,754)
- Provisions made during the year	33	226,770	61
		<u>1,733,026</u>	<u>292,816</u>
Changes in operating assets and liabilities			
Change in items in course of settlement		(1,133)	(3,130)
Change in held for trading financial assets		(78,325)	1,971
Change in loans and advances		306,815	(1,131,084)
Change in held-to-maturity financial assets		(22,764)	(3,214)
Change in other assets		2,735	28,067
Change in amounts due from closed banks		(535)	(207)
Change in available-for-sale investments		(18,684)	(1,106)
Change in IMF funds receivable from Government of the Republic of Zambia		(62,028)	(183,878)
Change in IMF subscription		(887,289)	59,949
Change in deposits from the Government of the Republic of Zambia		(37,337)	(3,061,373)
Change in deposits from financial institutions		2,040,879	995,151
Change in foreign currency liabilities to other institutions		(154,122)	83,152
Change in other deposits		38,913	(91,389)
Change in other liabilities		34,059	14,665
Change in domestic currency liabilities to IMF		887,289	(59,949)
Change in foreign currency liabilities to IMF		(30,644)	43,245
Change in notes and coins in circulation		1,126,132	757,943
Change in SDR allocation		360,344	242,514
		<u>5,237,331</u>	<u>(2,015,857)</u>
Dividends received		-	1,106
Claims paid	33	(500)	(547)
Dividends paid to shareholders		(162,000)	-
Net cash inflow/(outflow) from operating activities		<u>5,074,831</u>	<u>(2,015,298)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	23, 24	(50,580)	(31,674)
Proceeds from sale of property, plant and equipment		684	490
Net cash used in investing activities		<u>(49,896)</u>	<u>(31,184)</u>
Net change in cash and cash equivalents		5,024,935	(2,046,482)
Cash and cash equivalents at the beginning of year		14,807,751	16,725,479
Effects of exchange-rate changes on cash and cash equivalents		(639,197)	128,754
Cash and cash equivalents at the end of the year		<u>19,193,489</u>	<u>14,807,751</u>
Cash and cash equivalents at the end of the year comprise of:			
Domestic cash in hand		3,072	4,120
Foreign currency cash and bank accounts		<u>19,190,417</u>	<u>14,803,631</u>
Cash and cash equivalents excluding effects of exchange rate changes		<u>19,193,489</u>	<u>14,807,751</u>

Notes to the financial statements
for the year ended 31 December 2014

1 Principal activity

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

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

The Board of Directors approved these financial statements for issue on 30 June 2015. Neither the Bank's owner nor others have the power to amend the financial statements after issue.

2 Significant accounting policies

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

2.1 Basis of preparation

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

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

2.2 Changes in accounting policies and disclosures

2.2.1 New and amended standards adopted by the Bank

We have applied relevant IFRSs and IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2014 and assess that none would be expected to have a material financial impact on the Bank.

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Bank's financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment does not apply to the Bank and such there has been no significant impact on the Bank's financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Bank.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

Notes to the financial statements (Continued)
for the year ended 31 December 2014

2 Significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

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

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in Other Comprehensive Income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank is yet to assess IFRS 9's full impact.

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

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

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

2.3 Functional and presentation currency

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

2.4 Interest income and expense

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

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

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

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

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

2 Significant accounting policies (Continued)

2.5 Fees and commission income

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

2.6 Dividend income

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

2.7 Rental income

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

2.8 Foreign currency transactions and balances

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

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

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

2.9 Financial instruments

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

2.9.1 Financial assets

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

(a) Classification

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

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

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.

Notes to the financial statements (Continued)
for the year ended 31 December 2014

2 Significant accounting policies (Continued)

2.9 Financial instruments (Continued)

2.9.1 Financial assets (Continued)

(a) Classification (Continued)

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

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

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

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

Held-to-maturity

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

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

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

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

Available-for-sale investment

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

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

Loans and receivables

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

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

(b) Recognition and measurement

Held-to-maturity investments

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

2 Significant accounting policies (Continued)

2.9 Financial instruments (Continued)

2.9.1 Financial assets (Continued)

(b) Recognition and measurement (Continued)

Available-for-sale

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

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

(c) Derecognition

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

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

(d) Impairment of financial assets

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

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

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

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

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

2 Significant accounting policies (Continued)

2.9 Financial instruments (Continued)

2.9.1 Financial assets (Continued)

(d) Impairment of financial assets (Continued)

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

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

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

2.9.2 Financial liabilities

(a) Classification

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

The Banks has not classified any financial liabilities as FVTPL.

2.9.3 Other financial liabilities

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

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

De-recognition of financial liabilities

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

2 Significant accounting policies (Continued)

2.10 Determination of fair value

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

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

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

The Bank does not hold positions with its financial instruments.

2.11 Offsetting

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

2.12 Property, plant and equipment

(a) Property

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

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

(b) Plant and equipment

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

(c) Subsequent costs

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

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

2 Significant accounting policies (Continued)

2.12 Property, plant and equipment (Continued)

(d) Depreciation

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

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

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

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

	2014	2013
Buildings	2%	2%
Fixtures and fittings	4%	4%
Plant and machinery	5%	5%
Furniture	10%	10%
Security systems and other equipment	10-20%	10-20%
Motor vehicles	25%	25%
Armoured Bullion Vehicles	10%	10%
Armoured Escort Vehicles	16.7%	16.7%
Computer equipment - hardware	25%	25%
Office equipment	33.3%	33.3%

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

(e) De-recognition

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

(f) Capital work-in-progress

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

2.13 Intangible assets - computer software

(a) Intangible assets acquired separately

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

(b) Internally-generated intangible assets

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

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

Notes to the financial statements *(Continued)*
for the year ended 31 December 2014

2 Significant accounting policies *(Continued)*

2.13 Intangible assets - computer software *(Continued)*

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

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

2.14 Impairment of non-financial assets

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

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

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

2.15 Employee benefits

(a) Defined contribution plan

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

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

(b) Defined benefit plan

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

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

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

2 Significant accounting policies (Continued)

2.15 Employee benefits (Continued)

(b) Defined benefit (Continued)

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

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

(c) Termination benefits

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

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

(d) Short-term benefits

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

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

(e) Other staff benefits

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

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

2.16 Cash and cash equivalents

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

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

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

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

Notes to the financial statements *(Continued)*
for the year ended 31 December 2014

2 Significant accounting policies *(Continued)*

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

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

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

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

2.18 Provisions

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

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

2.19 Currency in circulation

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

2.20 Currency printing and minting expenses

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

2.21 Sale and repurchase agreements

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

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

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

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

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

3.1 Fair value measurement of property, plant and equipment

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

3.2 Defined benefits obligations

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

3.3 Impairment losses on loans and advances

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

4 Risk management policies

(a) Overview and risk management framework

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

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

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

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

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

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

- i) Active Board and senior management oversight. Management maintains an interest in the operations and ensures appropriate intervention is available for identified risks.
- ii) Implementation of adequate policies, guidelines and procedures. The existing policies, procedures and guidelines are reviewed and communicated to relevant users to maintain their relevance.

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

(a) Overview and risk management framework (Continued)

- iii) Maintain risk identification, measurement, treatment and monitoring as well as control systems. Management reviews risk management strategies and ensures that they remain relevant.
- iv) Adequate internal controls. Improved internal control structures and culture emphasizing the highest level of ethical conduct have been implemented to ensure safe and sound practices.
- v) Correction of deficiencies. The Bank has implemented a transparent system of reporting control weaknesses and following up on corrective measures.

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

Financial instruments by category

Financial assets	Held for trading	Held to maturity	Loans and receivables	Available-for-sale	Total
At 31 December 2014					
Domestic cash in hand	3,702	-	-	-	3,702
Foreign currency cash and bank accounts	19,190,417	-	-	-	19,190,417
Items in course of settlement	-	-	4,915	-	4,915
Held-for-trading financial assets	78,325	-	-	-	78,325
Loans and advances	-	-	2,104,569	-	2,104,569
Held to maturity financial assets	-	1,989,485	-	-	1,989,485
Available-for-sale investments	-	-	-	24,279	24,279
IMF funds recoverable from the Government of the Republic of Zambia	-	-	1,191,891	-	1,191,891
IMF Subscriptions	-	-	4,800,381	-	4,800,381
	19,272,444	1,989,485	8,101,756	24,279	29,387,964
At 31 December 2013					
Domestic cash in hand	4,120	-	-	-	4,120
Foreign currency cash and bank accounts	14,803,631	-	-	-	14,803,631
Items in course of settlement	-	-	3,782	-	3,782
Held-for-trading financial assets	-	-	-	-	-
Loans and advances	-	-	2,375,080	-	2,375,080
Held to maturity financial assets	-	1,966,731	-	-	1,966,731
Available-for-sale investments	-	-	-	5,595	5,595
IMF funds recoverable from the Government of the Republic of Zambia	-	-	1,129,863	-	1,129,863
IMF Subscriptions	-	-	3,913,092	-	3,913,092
	14,807,751	1,966,731	7,421,817	5,595	24,201,894

Financial liabilities

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

Financial instruments by category

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

(a) Credit risk

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

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

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

The key principle the Bank enforces in the management of credit risk is the minimizing of default probabilities of the counterparties and the financial loss in case of default. As such, the Bank carefully considers the credit and sovereign risk profiles in its choice of depository banks for deposit placements. Currently, the Bank's choice of depository banks is restricted to international banks that meet the set eligibility criteria of financial soundness on long-term credit rating, short-term credit rating, composite rating and capital adequacy. The current approved depository banks holding the Bank's deposits have their performance reviewed periodically, based on performance ratings provided by international rating agencies. The Bank's counterparties which, comprises mostly central banks continued to meet the Bank's minimum accepted credit rating criteria of A- except for the South African Reserve Bank and the Bank of Mauritius (see table below), which maintain minimum balances to meet operational and strategic objectives.

Counterparty	Rating agency			BoZ minimum accepted rating
	Moody's	S & P	Fitch	
Citi Bank New York	Baa2	A-	A	A-
Bank New York Mellon (BNY)	A1	AA-	A+	A-
Deutsche Bundesbank	Aaa	AAA	AAA	A-
Bank of England (BOE)	Aa1	AAA	AAA	A-
South African Reserves Bank (SARB)	Baa2	BBB-	BBB	A-
Bank of Mauritius	Baa1	N/A	N/A	A-
Bank For International Settlement (BIS)	Aaa	AAA	AAA	A-

Exposure to credit risk

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

Financial instruments by category (Continued)

(a) Credit risk (Continued)

Exposure to credit risk

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

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

(i) GRZ bonds and Treasury Bills

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

(ii) Fixed term deposits

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

Financial Asset	Ratings - 2014					Total
	Aaa	A1	Aa1	Baa1	Baa2	
Cash balances	1,115,260	363	17,415	639	1,167	1,134,844
Deposits	12,777,395	-	-	-	-	12,777,395
Securities	1,946,306	-	-	-	-	1,946,306
Special drawing rights	3,331,872	-	-	-	-	3,331,872
Total	19,170,833	363	17,415	639	1,167	19,190,417

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

(iii) Staff loans and advances

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

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

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

(b) Credit risk (Continued)

Exposure to credit risk (Continued)

(iii) Staff loans and advances (Continued)

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

	Loans and advances (Note 15)	
	2014	2013
Against neither past due nor impaired		
- Property	17,736	18,642
- Gratuity and leave days	29,141	27,539
- Motor vehicles	9,486	9,817
	56,363	55,998

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

All staff loans are neither past due nor impaired.

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

	Loans and advances (Note 15)	
	2014	2013
Carrying amount		
- Staff loans	50,641	44,726
- Staff advances	1,660	1,418
	52,301	46,144
Concentration by nature		
- House loans	17,736	18,642
- Multi-purpose loans	21,083	11,417
- Motor vehicle loans	9,486	9,817
- Other advances	1,917	3,883
- Personal loans	2,079	2,385
	52,301	46,144

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

Government has a rating of B+ from S & Poor and advances to them are considered low risk. Advances extended to commercial banks were fully collateralised. As at 31 December 2014, All amounts were neither past due nor impaired.

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

(v) Impaired loans and investment debt securities

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

As shown in Note 19 amounts due from closed banks of **K126.9 million** (2013: K126.4 million) were also fully provided for. No collateral was held against these assets.

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

(b) Credit risk (Continued)

Exposure to credit risk (Continued)

(vi) Allowances for impairment

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

(vii) Write-off policy

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

Concentration of risks of financial assets with credit risk exposure

31 December 2014

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

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31 December 2013

	Financial institutions	Government	Individuals	Others	Total
Foreign currency cash and bank accounts	14,803,631	-	-	-	14,803,631
Items in course of settlement	3,782	-	-	-	3,782
Held-for-trading financial assets	-	-	-	-	-
Loans and advances	-	2,328,853	46,144	83	2,375,080
Held-to-maturity financial assets	-	1,966,731	-	-	1,966,731
Available-for-sale investments	2,045	-	-	3,550	5,595
IMF funds recoverable from Government of the Republic of Zambia	-	1,129,863	-	-	1,129,863
IMF subscriptions	3,913,092	-	-	-	3,913,092
Total	18,722,550	5,425,447	46,144	3,633	24,197,774

(c) Liquidity risk

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

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

The following table provides an analysis of the financial assets held for managing liquidity risk and liabilities of the Bank into relevant maturity groups based on the remaining period to repayment from 31 December 2014.

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

(c) Liquidity risk (Continued)

Financial assets and liabilities held for managing liquidity risk

	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 - 5 years	Due after 5 years	Total
31 December 2014						
Non-derivative liabilities						
Deposits from the GRZ	2,834,011	-	-	-	-	2,834,011
Deposits from financial institutions	7,556,901	-	-	-	-	7,556,901
Foreign currency liabilities to other institutions	23,937	-	-	-	-	23,937
Other deposits	83,090	-	-	-	-	83,090
Notes and coins in circulation	5,727,215	-	-	-	-	5,727,215
Other liabilities	-	-	128,268	-	-	128,268
Domestic currency liabilities to IMF	4,800,381	-	-	-	-	4,800,381
Foreign currency liabilities to IMF	2,120,967	-	-	-	-	2,120,967
SDR allocation	4,343,838	-	-	-	-	4,343,838
Total non-derivative liabilities	27,490,340	-	128,268	-	-	27,618,608
Assets held for managing liquidity risk						
Domestic cash in hand	3,072	-	-	-	-	3,072
Foreign currency cash and bank accounts	19,561,151	6,100	6,975	-	-	19,574,226
Held-for-trading financial assets	-	81,896	-	-	-	81,896
Held-to-maturity financial assets	-	-	638,462	1,434,443	-	2,072,905
Loans and advances	27,742	1,736,607	130,000	260,000	15,771	2,170,120
IMF funds recoverable from the Government of the Republic of Zambia	1,191,891	-	-	-	-	1,191,891
IMF Subscription	4,800,381	-	-	-	-	4,800,381
Total assets held for managing liquidity risk	25,584,237	1,824,603	775,437	1,694,443	15,771	29,894,491
Net exposure	(1,906,103)	1,824,603	647,169	1,694,443	15,771	2,275,883

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

(c) Liquidity risk (Continued)

Financial assets and liabilities held for managing liquidity risk

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

Assets held for managing liquidity risk

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

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

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

(d) Market risk

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

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

(e) Exposure to currency risk

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

(e) Exposure to currency risk (Continued)

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

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

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows and the net exposure expressed in Kwacha as at 31 December 2014 was as shown in the table below:

	USD	GBP	EUR	SDR	Other	Total Kwacha
At 31 December 2014						
Foreign currency assets						
Foreign currency cash and bank accounts	13,593,099	1,231,890	2	3,331,872	1,033,554	19,190,417
IMF Subscriptions	-	-	-	4,800,381	-	4,800,381
Total foreign currency assets	13,593,099	1,231,890	2	8,132,253	1,033,554	23,990,798
Foreign currency liabilities						
Foreign currency liabilities to other institutions	9,551	37	14,349	-	-	23,937
Foreign currency liabilities to IMF	-	-	-	2,120,966	-	2,120,966
SDR allocation	-	-	-	4,343,838	-	4,343,838
Total foreign currency liabilities	9,551	37	14,349	6,464,804	-	6,488,741
Net exposure	13,583,548	1,231,853	(14,347)	1,667,449	1,033,554	17,502,057
At 31 December 2013						
Foreign currency assets						
Foreign currency cash and bank accounts	9,357,544	1,071,465	1,123,279	3,251,249	94	14,803,631
IMF Subscriptions	-	-	-	3,913,092	-	3,913,092
Total foreign currency assets	9,357,544	1,071,465	1,123,279	7,164,341	94	18,716,723
Foreign currency liabilities						
Foreign currency liabilities to other institutions	146,776	34	31,249	-	-	178,059
Foreign currency liabilities to IMF	-	-	-	2,151,611	-	2,151,611
SDR allocation	-	-	-	3,983,494	-	3,983,494
Total foreign currency liabilities	146,776	34	31,249	6,135,105	-	6,313,164
Net exposure	9,210,768	1,071,431	1,092,030	1,029,236	94	12,403,559

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

(e) Exposure to currency risk (Continued)

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

	Spot rate	
	2014 ZMW	2013 ZMW
SDR 1	9.26	8.49
GBP 1	9.93	9.08
EUR 1	7.77	7.59
USD 1	6.39	5.51

The following table illustrates a 12% (2013: 12%) strengthening of the Kwacha against the relevant foreign currencies. 12% is based on observable trends, presented to key management personnel, in the value of Kwacha to major foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items outstanding at reporting date and adjusts their translation for a 12% change in foreign currency rates. This analysis assumes all other variables; in particular interest rates remain constant.

Effect in millions of Kwacha

	Equity ZMW	Profit or (loss) ZMW
31 December 2014		
SDR	-	(200,094)
USD	-	(1,630,026)
EUR	-	1,722
GBP	-	(147,822)
31 December 2013		
SDR	-	(859,721)
USD	-	(1,122,905)
EUR	-	(134,793)
GBP	-	(128,576)

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

(f) Exposure to interest rate risk

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

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors approves levels of borrowing and lending that are appropriate for the Bank to meet its objective of maintaining price stability at reasonable cost. The Bank benchmarks its overall foreign exchange portfolio duration against BofA Merrill Lynch 0 – 3 Year U.S Treasury Index. The portfolio duration closed the month of December 2014 at 1.33 years against the benchmark of 1.38 years.

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

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

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

(f) Exposure to interest rate risk (Continued)

Whilst adhering to the key objectives of capital preservation and liquidity, the Bank continued to posture its self towards implementing return enhancing strategies which has seen a careful management of the distribution of reserves in terms of liquidity, invested and tied funds. The distribution of reserves at the close of December 2013 was in the ratio of 3.9%, 95.6% and 0.5 % respectively compared with 8.0%, 91.5% and 0.4% at the close of December 2014.

The distribution of investment funds between Fixed Rate Investments (FIXBIS), Fixed Term deposits and externally managed funds is also carefully monitored to ensure the Bank obtains the best value from its investments. Adverse global economic factors continued to weigh heavily on the interest rates applied on Bank of Zambia deposits held with various counterparties. There was a slight reversal in interest outturn on US dollar denominated assets to 0.09% during the year up to end of December 2014 from 0.10% in December 2013. A marginal increase on British pound denominated assets from 0.33% December 2013 to 0.35% in December 2014, overall remuneration on the foreign denominated assets still remained poor. Interest rates on Euro denominated deposits continued to trade in the negative territory reflecting continued fragility in the Eurozone. The best remunerated currency at end of December 2014 was the Australian dollar denominated assets which closed the year at 2.48%.

The table below shows the extent to which the Bank's interest rate exposures on assets and liabilities are matched. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date or maturity date. This effectively shows when the interest rate earned or charged on assets and liabilities are expected to change. The table can therefore be used as the basis for an assessment of the sensitivity of the Bank's net income to interest rate movements. Due to the short-term nature of most of the financial assets the impact of interest rate changes is evident on the Bank financial performance almost immediately.

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

(f) Exposure to interest rate risk (Continued)

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

(g) Fair values

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

(g) Fair value (Continued)

	Carrying amount 2014	Fair value 2014	Carrying Amount 2013	Fair value 2013
Assets				
Domestic cash in hand	3,072	3,072	4,120	4,120
Foreign currency cash and bank accounts	19,190,417	19,190,417	14,803,631	14,803,631
Items in course of settlement	4,915	4,915	3,782	3,782
Held-for-trading financial assets	78,325	78,325	-	-
Loans and advances	2,104,569	2,066,803	2,385,571	2,340,779
Held-to-maturity financial assets	1,989,495	1,657,183	1,966,731	1,630,841
Available-for-sale investments	24,279	24,279	5,595	5,595
IMF funds receivable from GRZ	1,191,891	1,191,891	1,129,863	1,129,863
IMF Subscriptions	4,800,381	4,800,381	3,913,092	3,913,092
Total financial assets	29,387,344	29,017,266	24,212,385	23,831,703
Liabilities				
Deposits from the GRZ	2,834,011	2,834,011	2,871,348	2,871,348
Deposits from financial institutions	7,556,901	7,556,901	5,516,022	5,516,022
Foreign currency liabilities to other institutions	23,937	23,937	178,059	178,059
Other deposits	83,090	83,090	44,177	44,177
Notes and coins in circulation	5,727,215	5,727,215	4,601,083	4,601,083
Other liabilities	128,268	128,268	94,209	94,209
Domestic currency liabilities to IMF	4,800,382	4,800,382	3,913,092	3,913,092
Foreign currency liabilities to IMF	2,120,966	2,120,966	2,151,611	2,151,611
SDR allocation	4,343,838	4,343,838	3,983,494	3,983,494
Total financial liabilities	27,618,608	27,618,608	23,353,095	23,353,095

Fair value hierarchy

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka Stock Exchange) and exchanges traded derivatives like futures (for example, Nasdaq, S&P 500).

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the swaps and forwards. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

31 December 2014	Level 1	Level 2	Level 3	Total
Held for trading financial assets	-	78,325	-	-
Availale-for-sale financial instruments	-	-	24,279	78,325
	-	-	24,279	24,279
31 December 2013	Level 1	Level 2	Level 3	Total
Held for trading financial assets	-	1,971	-	-
Availale-for-sale financial instruments	-	-	5,595	5,595
	-	-	5,595	5,595

At 31 December 2014, the Bank did not have financial liabilities measured at fair value (2013 nil).

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

4 Risk management policies (Continued)

(h) Management of capital

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

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

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

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

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

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

	Notes	2014	2013
Capital	38	500,020	500,020
Retained earnings	39	981,794	308,375
Property revaluation reserve	39	246,279	251,665
General reserve fund	39	175,792	92,588
Total		<u>1,903,885</u>	<u>1,152,648</u>

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

5 Interest income	2014	2013
Interest on held-to-maturity Government securities	215,795	167,802
Interest on loans and receivables	165,295	94,266
Interest on foreign currency investments and deposits	41,944	31,316
Total interest income	<u>423,034</u>	<u>293,384</u>
Interest expense	2014	2013
Interest arising on open market operations	33,305	71,751
Interest arising on staff savings	1,965	1,486
Total interest expense	<u>35,270</u>	<u>73,237</u>

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

6	Fee and commission income	2014	2013
	Fees and commission income on transactions with the GRZ	60,487	47,220
	Supervision fees	59,968	48,289
	Penalties	6,480	2,712
	Other	4,438	4,556
	Licences and registration fees	1,061	977
	Fees and commission income	132,434	103,754
	Fee and commission expense		
	Arising on foreign exchange transactions	4,902	2,968
7	Other gains and losses	2014	2013
	Net realised foreign exchange gains	1,683,779	440,499
	Other income	1,835	3,078
	Rental income	553	658
	Dividend on available-for-sale investments	-	1,106
	(Loss)/Gain on disposal of property, plant and equipment	(80)	228
	Net unrealised foreign exchange (losses)/gains	(639,197)	128,754
		1,046,890	574,323

The significant income earned in respect of net realised foreign exchange gains arose on account of increased sales of foreign exchange, during the year, to meet Government debt service obligations and for market support through supply to Commercial Banks. As part of its measures to slow down the depreciation of the Kwacha, witnessed during the year, the Bank effected substantial sales of foreign exchange. The net unrealised foreign losses, on the other hand, occurred at the backdrop of the Bank's purchase of sovereign bond from the Government which meant that the appreciation of the Kwacha from highest pricing of at end of May of **K6.792** to **K6.392** per US dollars at close of business on 31 December 2014 was influenced by a higher foreign asset base resulting in a net impact of unrealised foreign exchange losses of K639.2 million.

8 Impairment of financial assets

	Amounts due from closed banks (Note 19)	Other assets (Note 18)	Loans and advances (Note 15)	Total
At 1 January 2013	126,232	2,532	23,536	152,300
Impairment loss for the year				
- Charge for the year	207	13	-	220
- Reversal during the year	-	(61)	-	(61)
	207	(48)	-	159
Balance at 31 December 2013	126,439	2,484	23,536	152,459
At 1 January 2014	126,439	2,484	23,536	152,459
Impairment loss for the year				
- Charge for the year	535	-	-	535
- Reversal during the year	-	(602)	(11)	(613)
	535	(602)	(11)	(78)
Balance at 31 December 2014	126,974	1,882	23,525	152,381

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

9	Employee benefits	2014	2013
	Wages and salaries	162,433	150,672
	Other employee costs	133,155	127,042
	Employer's pension contributions	16,091	16,310
	Employer's NAPSA contributions	4,653	3,396
	Staff loan benefit (Note 15)	2,374	805
		<u>318,706</u>	<u>298,225</u>

10	Operating expenses		
	Administrative expenses	332,336	58,845
	Expenses for bank note production	40,795	115,555
	Repairs and maintenance	12,137	12,517
	Kwacha rebasing expense	42	5,545
	Sundry banking office expenses	15	21
		<u>385,325</u>	<u>192,483</u>

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

11 Income tax

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

12	Foreign currency cash and bank accounts	2014	2013
	Deposits with non-resident banks	12,776,244	8,300,186
	Special Drawing Rights ("SDRs")	3,331,872	3,251,249
	Clearing correspondent accounts with other central banks	1,966,262	1,704,044
	Current account balances with non-resident banks	1,112,314	1,543,782
	Foreign currency cash with banking office	3,725	4,370
		<u>19,190,417</u>	<u>14,803,631</u>

13 Items in course of settlement

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

14 Held-for-trading financial assets

Balances represent actual holdings of Treasury Bills acquired by the Bank through rediscounts by commercial banks. There were no holdings outstanding as at 31 December 2013 whereas holdings recorded as at 31 December 2014 were in respect of various Treasury Bills with various tenures.

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

15	Loans and advances	2014	2013
	Staff loans	46,726	43,185
	Staff loans benefit at market value	3,915	1,541
	Total staff loans	50,641	44,726
	Budgetary advances to the Government	1,612,005	1,924,927
	Capitalisation bond (note 38)	440,219	403,926
	Credit to banks	23,569	23,619
	Staff advances	1,660	1,418
		2,128,094	2,398,616
	Specific allowances for impairment (note 8)	(23,525)	(23,536)
	Total loans and advances	2,104,569	2,375,080
	Movement in staff loans benefit	2014	2013
	Balance at 1 January	1,541	1,486
	Current year fair value adjustment of new loans	4,748	860
		6,289	2,346
	Amortised to statement of comprehensive income (Note 9)	(2,374)	(805)
	Balance at 31 December	3,915	1,541

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:

	2014	2013
House loans	10%	10%
Personal loans	10%	10%
Multi-purpose loans	12.5%	12.5%

The capitalisation bond of **K440.2 million** represents a series of equity bonds authorised by the GRZ for the purpose of financing the outstanding called up capital of the Bank. Details are as illustrated below:

Total Capitalisation bond	490,000
Amortisation	(86,704)
	403,926
Unwinding of fair value adjustment	36,293
Capitalisation bond after adjustments	440,219

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

15 Loans and advances (Continued)

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

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

The 2013A bonds dates of delivery are as follows:

Order	2013A serial bonds	Principal amount due	Maturity date
1	2014	100,000	16 January 2015
2	2015	130,000	30 June 2015
3	2016	130,000	30 June 2016
4	2017	130,000	30 June 2017

- (b) The 2013A bonds shall not bear any interest.
- (c) The 2013A bonds shall be non-transferable
- (d) The 2013A bonds shall be issuable in such denominations as the Bank deems appropriate.
- (e) The principal amount on the 2013A bonds shall be payable through the accounts established at the Bank for the purposes of the bond indenture.

16 Held-to-maturity financial assets

GRZ consolidated securities (Note 17)	1,781,911	1,758,278
Other GRZ securities	193,628	192,978
Staff savings treasury bills	13,956	15,475
	<u>1,989,495</u>	<u>1,966,731</u>

17 The GRZ consolidated securities

	2014	2013
6% GRZ consolidated bond	1,143,449	1,120,968
364 days Treasury Bills	638,462	637,310
	<u>1,781,911</u>	<u>1,758,278</u>

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

The consolidated bond was issued on 27 February 2003 following an agreement signed with GRZ to consolidate all the debts owed by GRZ to the Bank. In consideration of such consolidation of debt, GRZ undertook and agreed to issue, effective 1 January 2003, in favour of the Bank a 10-year long-term bond with a face value of K1,646.74 million and a coupon rate of 6%. This reduced to K1,120.97 million after the 2007 conversion.

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

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

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

18	Other assets	2014	2013
	Prepayments	10,072	11,368
	Sundry receivables	3,105	4,408
	Stationery and office consumables	1,458	1,594
		<u>14,635</u>	<u>17,370</u>
	Specific allowances for impairment (note 8)	(1,882)	(2,484)
		<u>12,753</u>	<u>14,886</u>

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

19	Amounts due from closed banks	2014	2013
	Advances	126,974	126,439
	Specific allowances for impairment (note 8)	(126,974)	(126,439)
		<u>-</u>	<u>-</u>

20	Available-for-sale investments	2014	2013
	Zambia Electronic Clearing House Limited	3,550	3,550
	African Export Import Bank	20,729	2,045
		<u>24,279</u>	<u>5,595</u>

Zambia Electronic Clearing House Limited

The investment in Zambia Electronic Clearing House Limited ("ZECHL") represents the Bank's contribution of K3.550 million, for the establishment of the National Switch to enhance ZECHL functionality, more specifically to support electronic point of sale transactions to help minimise cash based transactions and their attendant costs and risks. The principal activity of ZECHL is the electronic clearing of cheques and direct debits and credits in Zambia for its member banks, including the Bank of Zambia. The ZECHL is funded by contributions from member banks. ZECHL is considered to be an available-for-sale financial asset. As there is no reliable measure of the fair value of this investment, it is carried at cost, and regularly reviewed for impairment at each reporting date. ZECHL has a unique feature of being set up as a non-profit making concern whose members contribute monthly to its operating expenses and other additional requirements. Other contributions made by the Bank during the year of **K0.044 million** (2013: K0.035 million) are included in administrative expenses.

Africa Export Import Bank

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

Growth in investment follows AEIB's call for equity increase to strengthen its capital to enable improved pursuance of its mandate. **K18.685 million** was paid for the additional shares in this regard.

21	IMF funds recoverable from the Government of the Republic of Zambia	2014	2013
	Poverty Reduction and Growth Facility (PRGF)*	1,191,528	1,129,173
	Accrued charges - SDR Allocation	363	690
		<u>1,191,891</u>	<u>1,129,863</u>

* Formerly Enhanced Structural Adjustment Facility (ESAF) obligation.

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

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

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

22 IMF subscriptions

The IMF subscription represents membership quota amounting to **SDR 489,100,000** (2013: 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 2014 and 2013. The valuation is conducted once every 30 April of the year by the IMF and advised to member countries to effect the necessary adjustments.

23 Property, plant and equipment	Leasehold buildings	Furniture, fittings, computer, plant, machinery and equipment	Motor vehicle, bullion truck and escort vehicle	Capital work-in progress	Total
Cost or valuation					
At 1 January 2013	230,887	100,657	29,753	5,006	366,303
Additions	5	5,428	2,270	23,899	31,602
Transfers	948	14,092	-	(18,200)	(3,160)
Revaluation	36,001	-	-	-	36,001
Disposals	-	(750)	(2,816)	-	(3,566)
Adjustments	-	42	(116)	(213)	(287)
31 December 2013	267,841	119,469	29,091	10,492	426,893
At 1 January 2014	267,841	119,469	29,091	10,492	426,893
Additions	266	13,228	1,701	35,042	50,237
Transfers	1,150	1,127	4,697	(26,444)	(19,470)
Revaluation	-	-	-	-	-
Disposals	-	(3,700)	(3,252)	-	(6,952)
31 December 2014	269,257	130,124	32,237	19,090	450,708
Accumulated depreciation					
At 1 January 2013	18,115	64,260	17,395	-	99,770
Charge for the year	4,687	6,731	3,361	-	14,779
Revaluation	(22,349)	-	-	-	(22,349)
Disposals	-	(654)	(2,945)	-	(3,599)
At 31 December 2013	453	70,337	17,811	-	88,601
At 1 January 2014	453	70,337	17,811	-	88,601
Charge for the year	5,358	9,884	3,953	-	19,195
Revaluation	-	-	-	-	-
Disposals	-	(2,935)	(3,253)	-	(6,188)
At 31 December 2014	5,811	77,286	18,511	-	101,608
Carrying amounts					
At 31 December 2014	263,446	52,838	13,726	19,090	349,100
At 31 December 2013	267,388	49,132	11,280	10,492	338,292

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

The fair value of business buildings was determined using the depreciated replacement cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. Other buildings' fair value was based on the market comparable approach that reflects recent transaction prices for similar properties. The valuation techniques are consistent with those applied in the past. The carrying amount of the revalued properties if carried under cost model would be **K12.6 million** (2013: 13.1 million)

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

24 Intangible assets

	Purchased Software
Cost	
At 1 January 2013	36,037
Additions	72
Transfer from work-in-progress (note 23)	3,160
Disposals	<u>(7,230)</u>
At 31 December 2013	32,039
At 1 January 2014	32,039
Additions	343
Transfer from work-in-progress (note 23)	19,470
Disposals	<u>-</u>
At 31 December 2014	51,852
Amortisation and impairment	
At 1 January 2013	31,157
Amortisation charge for the year	3,680
Disposals	<u>(7,222)</u>
At 31 December 2013	27,615
At 1 January 2014	27,615
Amortisation charge for the year	4,497
Disposals	<u>-</u>
At 31 December 2014	32,112
Carrying amounts	
At 31 December 2014	19,740
At 31 December 2013	<u>4,424</u>

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25 Agency relationship with Bank of China

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

26 Capital expenditure commitments	2014	2013
Authorised by the directors and contracted for	<u>53,385</u>	<u>35,032</u>

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

27 Deposits from the Government of the Republic of Zambia

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

28 Deposits from financial institutions

	2014	2013
Statutory minimum reserve requirements	5,107,883	2,595,344
Commercial bank current accounts	2,448,369	1,124,029
Deposits from other international financial institutions	361	361
Term deposits from financial institutions	254	1,796,254
Deposits from other central banks	<u>34</u>	<u>34</u>
	7,556,901	5,516,022

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

28 Deposits from financial institutions (Continued)

The deposits except for term deposits are non-interest bearing and are payable on demand. Term deposits from financial institutions arise from open market operations (OMO). These are short term instruments with maximum maturity of up to 90 days and are used as a means of implementing monetary policy. The instruments bear interest at rates fixed in advance for periods up to maturity. No collateral was provided against any deposits at 31 December 2014.

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

29 Foreign currency liabilities to other institutions

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

30 Other deposits

	2014	2013
Staff savings, deposits and clearing accounts	<u>83,090</u>	<u>44,177</u>

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

31 Notes and coins in circulation

	2014	2013
Bank notes issued by denomination		
K100	3,219,382	2,370,636
K50	1,574,478	1,399,417
K20	429,192	439,101
K10	172,900	126,762
K5	72,332	60,406
K2	47,852	40,058
Unrebased notes	<u>103,764</u>	<u>114,554</u>
Bank notes issued	5,619,900	4,550,934
Coins issued	<u>107,315</u>	<u>50,149</u>
	<u>5,727,215</u>	<u>4,601,083</u>

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32 Other liabilities

	2014	2013
Accrued expenses payable	65,764	52,656
Accounts payable	<u>62,504</u>	<u>41,553</u>
	<u>128,268</u>	<u>94,209</u>

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

33 Provisions

	2014	2013
Balance at 1 January	65,244	65,730
Provisions made during the year	226,770	61
Payments made during the year	<u>(500)</u>	<u>(547)</u>
Balance at 31 December	<u>291,514</u>	<u>65,244</u>

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

34 Domestic currency liabilities to IMF

	2014	2013
International Monetary Fund:		
Securities account	4,786,038	3,901,400
No. 1 account	14,150	11,535
No. 2 account	<u>193</u>	<u>157</u>
	<u>4,800,381</u>	<u>3,913,092</u>

The above liability arises from IMF Quota subscriptions (Note 22) and has no repayment terms and bears no interest. The increase in value is on account of currency valuation adjustments between 2014 and 2013, as advised by the IMF.

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

35 Foreign currency liabilities to IMF	2014	2013
Due to the International Monetary Fund:		
- Poverty Reduction and Growth Facility (PRGF) (a)	2,150,920	2,107,942
- Charges on SDR allocation (b)	<u>691</u>	<u>424</u>
	<u>2,151,611</u>	<u>2,108,366</u>

- a) The facility (formerly the Enhanced Structural Adjustment Facility (ESAF)) loan was obtained in 2002 and is repayable semi-annually with the last payment due in 2017. The loan bears interest at one-half per cent per annum. The balance has increased on account of additional receipt of funds and exchange rate movements during the year.
- b) The charges on the SDR allocation are levied by the IMF and repaid quarterly with full recovery from the Government of the Republic of Zambia.

36 Employee benefits

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

	2014	2013
Fair value of plan assets	463,138	434,821
Present value of defined benefit obligations	<u>(418,068)</u>	<u>(423,330)</u>
Recognised asset for defined benefit obligations	<u>45,070</u>	<u>11,491</u>

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

	2014	2013
Net asset at 1 January	11,491	14,269
Remeasurements recognised in other comprehensive income	<u>33,579</u>	<u>(2,778)</u>
Net asset at 31 December	<u>45,070</u>	<u>11,491</u>

The Bank provides a pension scheme for all non-contract employees administered by a Board of Trustees who retain responsibility for the governance of the plan including investment decisions and setting contribution levels. The assets of this scheme are held in administered trust funds separate from the Bank's assets and are governed by the Pension Scheme Regulation Act, No. 26 of 1996.

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

Contributions to the defined benefit fund are charged against income based upon actuarial advice. The employer is currently contributing at a rate of 15.76% of members' total basic salaries. Any deficits are funded to ensure the on-going financial soundness of the fund.

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

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

(a) Asset volatility

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

(b) Changes in bond yields

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

(c) Life expectancy

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

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

36 Employee benefits (Continued)

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method after every three years. However, the directors retain discretion to alter the timing of reviews to enable provision of reasonable estimates and more relevant information that achieves the fairest presentation. The latest actuarial review and valuation was carried out by Quantum Consultants and Actuaries on 25 February 2014 in respect of results as at 31 December 2013.

Remeasurements to be recognised in other comprehensive income:

	2014	2013
Return on plan assets (excluding amounts in net interest)	(3,208)	12,330
Gain from change in financial assumptions	-	(18,089)
Experience (gains)/losses	(30,371)	8,537
Remeasurements	(33,579)	2,778

Plan assets comprise:

	2014	2013
Other assets	41,639	22,508
Equity securities	36,623	31,619
Treasury bills and Corporate bonds	48,117	66,417
Investment properties	147,834	117,943
GRZ bonds	188,925	196,334
Total plan assets	463,138	434,821

Movement in the present value of the defined benefit obligations over the period

Defined benefit obligations at 1 January	423,330	401,973
Current service cost	13,431	14,746
Interest cost	58,519	50,117
Benefits paid by the plan	(46,841)	(33,954)
Losses/(gains) from change in financial assumptions	-	(18,089)
Experience (gains)/losses	(30,371)	8,537
Defined benefit obligations at 31 December	418,068	423,330

Movement in the present value of plan assets

Fair value of plan assets at 1 January	434,821	416,242
Employer contributions	16,580	16,129
Employee contributions	5,260	5,243
Return on plan assets, excluding interest	6,320	11,247
Benefits paid by the plan	(46,841)	(33,954)
Interest income on plan assets	54,952	41,398
Administration expenses	(7,954)	(21,484)
Fair value of plan assets at 31 December	463,138	434,821

Actuarial assumptions

Principle actuarial assumptions at the reporting date were:

	2014	2013
Future pension increase	4.0%	2.0%
Salary increase (p.a)	9.5%	7.5%
Discount rate (p.a)	15%	13.0%
Expected return on plan assets	15%	13.0%
Inflation rate	8.0%	5.0%

Average life expectancy at normal retirement age 55

	2014	2013
Male	21.4	21.4
Female	25.3	25.3

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

36 Employee benefits (Continued)

Sensitivity of the defined benefit obligation to actuarial assumptions

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

	2014	2013
Discount rate		
- increase by 1%	-36,669	-31,340
- decrease by 1%	+35,735	+36,294
Salary increase		
- increase by 1%	+13,063	+14,776
- decrease by 1%	-18,215	-13,776
Future pension increase		
- increase by 1%	+20,321	+21,916
- decrease by 1%	-23,759	-19,275
Life expectancy		
- increase by 1%	+4,599	+4,422
- decrease by 1%	+4,181	+4,020

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

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

37 SDR allocation

This represents Special Drawing Rights allocated by the IMF amounting to SDR 469,137,515 2013: SDR 469,137,515. The purpose of the allocations is to improve an IMF member country's foreign exchange reserves assets. The amount is not repayable to IMF except in event that (a) the allocation is withdrawn or cancelled; (b) the member country leaves the IMF; or (c) the SDR department of the IMF is liquidated. The translation rate for end of year was ZMW9.2592 per SDR, 2013:ZMW8.4911.

38 Capital	2014	2013
Authorised	<u>500,020</u>	<u>500,020</u>
Issued and fully paid up	<u>500,020</u>	<u>10,020</u>

The GRZ is the sole subscriber to the paid up capital of the Bank and its holding is not transferable in whole or in part nor is it subject to any encumbrance.

39 Reserves

General reserve fund

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

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

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

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

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.

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

39 Reserves (Continued)

Property revaluation reserve

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

Retained earnings

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

40 Related party transactions

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

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

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

The main services during the year to 31 December 2014 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:

	2014	2013
Interest on held-to-maturity GRZ securities	215,795	167,802
Interest on advances to GRZ	132,482	84,701
Fees and commission income on transactions with the GRZ	60,487	47,220
Profit on foreign exchange transactions with GRZ	15,925	18,629
Total	<u>424,689</u>	<u>318,352</u>

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:

	2014	2013
<i>GRZ - year end balances</i>		
Deposits from GRZ Institutions	(2,834,011)	(2,871,348)
Holdings of GRZ securities	1,989,495	1,966,731

Notes to the financial statements (Continued)
for the year ended 31 December 2014

In thousands of Zambian Kwacha

40 Related party transactions (Continued)

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

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

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

Transactions and balances with directors and key management personnel

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

a) *Short-term benefits*

	2014	2013
Directors' fees	1,117	661
Remuneration for key management personnel		
- Salaries and allowances	20,112	19,383
- Pension contributions	217	221
	<u>21,446</u>	<u>20,265</u>
<i>Loans and advances to key management personnel</i>		
Balance at 31 December	<u>3,500</u>	<u>1,290</u>

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

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

	2014	2013
b) <i>Post-employment pension benefits</i>	<u>11,488</u>	<u>6,178</u>

41 Contingent liabilities

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

42 Events after the reporting date

K100 million receivable from Government in respect of outstanding **K490 million** capitalisation bond securities was redeemed, as scheduled, on 16 January 2015 (see note 15). There were no other significant events subsequent to 31 December 2014 to be disclosed.



10.0 2014 ANNUAL STATISTICAL REPORT



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Depository Corporations Survey (K' Millions)

Table 1

	Dec 12	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
NET FOREIGN ASSETS	11,905.1	14,416.1	14,954.0	14,704.7	15,581.5	23,127.9	24,325.3	21,244.4	19,940.8	19,342.9	19,824.1	18,894.4	19,004.8	18,435.9
CLAIMS ON NONRESIDENTS	20,505.0	16,542.2	17,045.0	17,166.8	18,208.3	25,801.2	27,091.3	23,899.0	22,777.2	22,928.4	23,065.1	21,892.0	22,017.1	21,667.9
LIABILITIES TO NONRESIDENTS	-8,599.9	-2,126.1	-2,091.0	-2,462.1	-2,626.8	-2,673.3	-2,766.0	-2,654.6	-2,786.3	-3,585.5	-3,240.9	-2,997.7	-3,012.3	-3,232.0
DOMESTIC CLAIMS	19,952.4	28,728.2	29,649.3	31,067.2	31,909.9	26,250.9	26,662.2	24,842.1	26,180.9	26,780.7	28,524.8	29,669.6	30,035.6	31,986.7
NET CLAIMS ON CENTRAL GOVERNMENT	3,260.8	10,350.9	9,918.4	11,057.5	11,515.9	5,175.3	4,526.2	3,675.0	4,347.8	5,619.2	6,208.3	7,100.3	7,167.5	9,181.5
CLAIMS ON CENTRAL GOVERNMENT	11,949.9	16,960.6	17,029.4	18,006.4	17,581.5	17,199.7	17,661.1	16,347.6	16,039.8	16,086.4	15,974.7	16,629.7	16,100.6	16,502.8
LIABILITIES TO CENTRAL GOVERNMENT	-8,689.1	-6,609.6	-7,111.1	-6,948.8	-6,065.6	-12,024.3	-13,134.9	-12,672.6	-11,682.0	-10,467.2	-9,766.4	-9,529.3	-8,933.1	-7,321.3
CLAIMS ON OTHER SECTORS	16,691.6	18,377.3	19,730.9	20,009.6	20,394.0	21,075.6	22,136.0	21,167.1	21,833.1	21,161.5	22,316.5	22,569.2	22,868.2	22,805.2
CLAIMS ON OTHER FINANCIAL CORPORATIONS	78.0	135.0	139.6	150.3	156.0	237.7	195.6	132.9	156.7	189.5	221.8	199.2	171.9	201.8
CLAIMS ON STATE AND LOCAL GOVERNMENT	18.6	22.8	21.9	24.2	24.3	27.5	31.9	21.4	27.4	32.2	31.4	30.8	32.7	37.0
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	693.5	235.7	241.6	213.0	222.0	247.8	250.9	337.4	256.0	243.6	263.6	245.1	228.5	231.6
CLAIMS ON PRIVATE SECTOR	15,901.5	17,983.8	19,327.8	19,622.1	19,991.7	20,562.5	21,657.6	20,675.5	21,393.1	20,696.3	21,799.7	22,094.1	22,435.0	22,334.8
BROAD MONEY LIABILITIES	25,752.2	31,136.6	31,640.9	32,358.9	33,430.7	34,384.7	34,958.2	32,685.7	32,504.5	33,284.8	33,620.5	33,833.7	33,796.8	34,959.1
CURRENCY OUTSIDE DEPOSITORY CORPORATIONS	2,991.0	3,440.5	3,159.1	3,130.3	3,236.8	3,376.6	3,515.4	3,675.8	3,782.3	3,914.8	3,793.3	3,815.0	3,722.5	4,188.3
TRANSFERABLE DEPOSITS	13,285.9	15,689.2	16,570.4	16,975.8	17,834.5	18,429.3	18,895.1	16,184.7	15,573.2	16,364.5	16,665.1	16,829.6	17,319.1	17,208.5
OTHER DEPOSITS	9,475.3	12,006.9	11,911.4	12,352.8	12,359.5	12,578.8	12,547.8	12,825.3	13,149.0	13,005.6	13,162.1	13,189.0	12,755.2	13,562.4
SECURITIES OTHER THAN SHARES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7	46.7
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LOANS	945.3	1,034.0	1,559.4	1,572.2	1,645.3	1,739.6	1,956.4	1,105.9	1,791.2	1,013.4	1,777.4	1,958.9	1,976.8	2,083.8
FINANCIAL DERIVATIVES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
INSURANCE TECHNICAL RESERVES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SHARES AND OTHER EQUITY	4,442.5	7,294.6	7,774.7	8,221.3	8,691.0	8,914.4	9,918.3	8,858.1	9,284.8	8,682.1	9,569.3	9,533.1	10,146.1	9,944.5
OTHER ITEMS (NET)	670.8	3,632.5	3,581.6	3,572.8	3,677.7	4,293.6	4,108.0	3,390.0	2,494.5	3,096.6	3,335.0	3,201.5	3,074.1	3,388.3
IFS Vertical Check	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	Dec 12	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
NET FOREIGN ASSETS	10,680.4	11,498.7	12,003.3	12,060.9	12,645.8	19,611.9	19,137.2	17,846.2	16,918.5	16,989.2	17,170.0	16,249.2	16,235.0	15,851.9
CLAIMS ON NONRESIDENTS	16,835.8	11,563.1	12,060.9	12,127.6	12,777.0	19,650.1	19,178.1	17,883.5	16,954.0	17,023.3	17,204.2	16,283.1	16,267.7	15,883.2
LIABILITIES TO NONRESIDENTS	-6,155.4	-64.5	-57.6	-66.7	-71.1	-38.2	-40.9	-37.2	-35.5	-34.2	-34.1	-33.8	-32.7	-31.3
CLAIMS ON OTHER DEPOSITORY CORPORATIONS	153.7	160.0	162.3	161.2	171.7	174.6	1,848.6	654.6	493.8	178.8	169.1	159.4	161.2	159.2
NET CLAIMS ON CENTRAL GOVERNMENT	-2,151.1	2,533.9	1,972.6	1,127.9	2,849.4	-2,926.3	-3,570.8	-2,527.0	-1,356.0	-690.2	-63.7	143.6	557.7	2,437.8
CLAIMS ON CENTRAL GOVERNMENT	3,703.7	5,417.1	5,433.5	5,105.0	5,377.5	5,534.2	5,719.8	5,660.6	5,597.6	5,600.0	5,497.8	5,501.1	5,366.2	5,274.2
LIABILITIES TO CENTRAL GOVERNMENT	-5,854.8	-2,883.3	-3,460.9	-3,977.0	-2,528.1	-8,460.5	-9,290.6	-8,187.6	-6,953.6	-6,290.2	-5,561.6	-5,357.5	-4,808.4	-2,836.3
CLAIMS ON OTHER SECTORS	41.2	57.9	57.6	58.8	58.8	58.4	58.4	60.4	62.3	62.0	61.1	59.9	66.2	65.6
CLAIMS ON OTHER FINANCIAL CORPORATIONS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CLAIMS ON STATE AND LOCAL GOVERNMENT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CLAIMS ON PRIVATE SECTOR	41.2	57.9	57.6	58.8	58.8	58.4	58.4	60.4	62.3	62.0	61.1	59.9	66.2	65.6
MONETARY BASE	8,377.8	10,145.3	10,014.8	8,710.5	10,149.7	11,099.2	10,577.8	10,529.1	11,031.1	11,860.4	12,123.1	11,589.6	11,790.0	13,301.0
CURRENCY IN CIRCULATION	3,839.6	4,597.0	4,124.1	4,086.2	4,262.7	4,467.9	4,655.9	4,718.0	5,004.4	5,088.1	4,966.0	5,053.8	4,898.1	5,724.1
LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	4,517.6	5,524.8	5,867.2	4,603.1	5,864.2	6,608.1	5,899.6	5,789.3	6,006.8	6,754.7	7,139.5	6,516.5	6,874.5	7,556.5
LIABILITIES TO OTHER SECTORS	20.5	23.5	23.6	21.3	22.8	23.2	22.4	21.9	19.8	17.7	17.6	19.3	17.4	20.3
OTHER LIABILITIES TO OTHER DEPOSITORY CORPORATIONS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.7	2.9	2.2	11.1	5.0	0.0
DEPOSITS AND SECURITIES OTHER THAN SHARES EXCLUDED FROM MONETARY BASE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DEPOSITS EXCLUDED IN BROAD MONEY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SECURITIES OTHER THAN SHARES INCLUDED IN BROAD MONEY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DEPOSITS EXCLUDED FROM BROAD MONEY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LOANS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FINANCIAL DERIVATIVES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SHARES AND OTHER EQUITY	283.4	1,198.3	1,335.3	1,740.8	2,311.6	2,495.0	3,316.1	2,265.3	1,917.9	1,599.5	2,075.7	1,907.6	2,139.5	1,835.1
OTHER ITEMS (NET)	63.0	2,906.8	2,845.6	2,957.5	3,264.5	3,324.4	3,579.5	3,239.8	3,165.8	3,076.9	3,135.5	3,103.8	3,085.6	3,378.5
IFS Vertical Check	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Other Depository Corporations (K' Millions)

Table 3

	Dec 12	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
NET FOREIGN ASSETS	1,224.71	2,917.48	2,950.69	2,643.82	2,935.71	3,516.00	5,188.00	3,398.15	3,022.33	2,353.71	2,654.12	2,645.14	2,769.85	2,584.00
CLAIMS ON NONRESIDENTS	3,669.24	4,979.07	4,984.09	5,039.16	5,491.32	6,151.11	7,913.20	6,015.50	5,773.12	5,905.09	5,860.89	5,608.97	5,749.39	5,784.70
LIABILITIES TO NONRESIDENTS	-2,444.53	-2,061.59	-2,033.40	-2,395.34	-2,555.62	-2,635.11	-2,725.19	-2,617.35	-2,750.79	-3,551.38	-3,206.76	-2,963.83	-2,979.54	-3,200.70
CLAIMS ON CENTRAL BANK	5,243.38	6,540.55	7,050.03	5,978.68	7,552.96	7,881.75	7,302.06	7,571.72	7,787.83	8,331.58	8,419.89	8,182.18	8,069.12	9,109.35
CURRENCY	848.62	1,156.48	964.98	955.93	1,025.87	1,091.32	1,140.49	1,042.18	1,222.15	1,173.30	1,172.70	1,238.76	1,175.60	1,535.87
RESERVE DEPOSITS AND SECURITIES OTHER THAN SHARES	4,394.76	5,384.06	6,085.05	5,022.76	6,527.10	6,790.44	6,161.57	6,529.54	6,565.68	7,158.28	7,247.19	6,943.42	6,893.52	7,573.49
OTHER CLAIMS ON CENTRAL BANK	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NET CLAIMS ON CENTRAL GOVERNMENT	5,411.88	7,817.04	7,945.81	9,929.61	8,666.54	8,101.60	8,096.97	6,202.03	5,703.88	6,309.44	6,272.05	6,956.72	6,609.77	6,743.65
CLAIMS ON CENTRAL GOVERNMENT	8,246.21	11,543.42	11,595.93	12,901.40	12,204.00	11,665.45	11,941.25	10,686.99	10,432.22	10,486.40	10,476.89	11,128.55	10,734.44	11,228.61
LIABILITIES TO CENTRAL GOVERNMENT	-2,834.33	-3,726.38	-3,650.12	-2,971.79	-3,537.45	-3,563.85	-3,844.28	-4,484.97	-4,728.34	-4,176.96	-4,204.84	-4,171.82	-4,124.67	-4,484.96
CLAIMS ON OTHER SECTORS	16,650.4	18,319.45	19,673.32	19,950.87	20,335.20	21,017.13	22,077.55	21,106.74	21,770.79	21,099.54	22,255.43	22,509.39	22,801.96	22,739.60
CLAIMS ON OTHER FINANCIAL CORPORATIONS	78.0	134.99	139.61	150.34	155.99	237.72	195.62	132.90	156.67	189.50	221.77	199.23	171.94	201.81
CLAIMS ON STATE AND LOCAL GOVERNMENT	18.6	22.79	21.85	24.20	24.31	27.54	31.88	21.35	27.35	32.17	31.43	30.77	32.73	37.03
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	693.5	235.68	241.62	213.01	222.01	247.82	250.90	337.41	255.98	243.57	263.60	245.11	228.48	231.60
CLAIMS ON PRIVATE SECTOR	15,860.3	17,925.99	19,270.24	19,563.32	19,932.89	20,504.05	21,599.15	20,615.09	21,330.79	20,634.30	21,738.62	22,034.27	22,368.81	22,269.15
LIABILITIES TO CENTRAL BANK	45.3	78.45	61.82	40.13	51.98	49.53	1,505.97	384.04	120.37	54.76	20.29	36.30	20.29	20.29
TRANSFERABLE DEPOSITS INCLUDED IN BROAD MONEY	13,265.4	15,665.71	16,546.85	16,954.54	17,811.63	18,406.15	18,872.69	16,162.83	15,553.38	16,346.77	16,647.49	16,810.30	17,301.66	17,188.19
OTHER DEPOSITS INCLUDED IN BROAD MONEY	9,475.3	12,006.91	11,911.37	12,252.76	12,359.48	12,578.76	12,547.77	12,825.27	13,148.96	13,005.57	13,162.12	13,189.02	12,755.25	13,562.35
SECURITIES OTHER THAN SHARES INCLUDED IN BROAD MONEY	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPOSITS EXCLUDED FROM BROAD MONEY	46.7	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73	46.73
SECURITIES OTHER THAN SHARES EXCLUDED FROM BROAD MONEY	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LOANS	945.3	1,033.96	1,559.37	1,572.23	1,645.26	1,739.64	1,956.38	1,105.91	1,791.21	1,013.44	1,777.43	1,958.88	1,976.78	2,083.84
FINANCIAL DERIVATIVES	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INSURANCE TECHNICAL RESERVES	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SHARES AND OTHER EQUITY	4,159.1	6,096.23	6,439.42	6,480.56	6,379.42	6,419.42	6,602.18	6,592.85	7,366.84	7,082.60	7,493.65	7,615.57	8,006.67	8,109.46
OTHER ITEMS (NET)	593.3	666.52	1,054.30	1,156.03	1,195.91	1,276.50	1,133.12	1,161.01	257.34	544.39	453.78	636.62	143.33	165.74
IFS Vertical Check	0.0	0.00	0.00	0.00	0.00	-0.25	-0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00

End of period.	Monthly	Government Transactions										Foreign Exchange influence.	Other BOZ influence.	Non-bank Bond influence	Non-bank T.B influence.	Total primary influence.	
		Revenue	Expenditure.	Domestic. interest.	Other Govt Transactions	Total Govt Influence.	Foreign Exchange influence.	Other BOZ influence.	Non-bank Bond influence	Non-bank T.B influence.	Total primary influence.						
2012	January	-2,073,018	3,526	76,737	1,656,603	-336,152	-92,863	-10,659	1,213	80,062	-358,398						
	February	-1,547,509	3,295	65,778	1,710,006	231,571	-356,920	12,453	0	-14,231	-127,128						
	March	-1,551,211	3,249	12,096	2,003,981	468,115	-238,080	-31,262	0	11,456	210,229						
	April	-1,897,650	3,495	30,897	1,669,780	-193,478	-130,153	21,661	0	0	-301,969						
	May	-1,578,181	4,645	41,338	2,163,552	631,354	523,528	-3,258	0	0	1,151,624						
	June	-1,677,422	4,730	31,630	2,294,578	653,516	54,166	9,345	0	0	717,026						
	July	-2,028,381	6,106	28,469	2,085,084	91,278	184,736	9,547	0	19	285,580						
	August	-1,888,549	7,057	43,387	2,595,449	757,344	33,535	13,245	0	0	804,124						
	September	-1,837,004	6,413	42,366	1,699,346	-88,879	276,180	41,527	0	0	228,828						
	October	-2,351,895	10,140	9,493	2,286,040	-46,222	-178,618	63,279	0	0	-161,561						
	November	-2,001,520	11,716	40,620	2,402,596	453,412	-254,755	55,852	0	0	254,509						
	December	-2,171,965	10,087	22,755	3,701,380	1,562,257	-859,283	-126,296	0	0	576,678						
2013	January	-2,304,939	6,619	57,871	2,113,950	-126,498	-407,421	209,981	17,329	-10,639	-317,249						
	February	-2,319,110	1,847	79,240	3,056,829	818,807	-52,676	-79,169	0	4,316	691,278						
	March	-2,335,007	6,506	76,280	2,091,694	-160,528	-129,083	-23,781	0	0	-313,391						
	April	-2,926,045	7,678	25,460	2,220,433	-672,475	8,510	17,710	0	0	-646,254						
	May	-1,996,510	12,191	53,598	2,416,521	485,800	8,516	14,035	0	0	508,351						
	June	-1,991,628	10,173	26,585	2,838,294	883,424	-273,516	5,533	0	0	615,441						
	July	-2,436,146	6,447	23,209	2,456,656	50,165	2,181	-17,929	0	0	34,417						
	August	-2,042,793	13,553	54,782	2,020,443	45,985	177,795	23,729	0	0	247,509						
	September	-2,353,849	11,697	116,924	3,481,361	1,256,134	197,131	49,629	0	0	1,502,894						
	October	-2,739,445	10,234	19,739	3,087,701	378,229	256,386	11,542	0	0	646,157						
	November	-2,165,057	0	93,744	2,580,860	509,547	-95,240	71,188	0	0	485,494						
	December	-2,389,777	0	28,940	3,386,552	1,025,715	160,427	29,892	0	0	1,216,034						
2014	January	-2,772,275	0	19,302	2,599,948	-153,026	13,911	-64,778	0	0	-203,893						
	February	-2,114,437	0	47,281	2,640,114	572,959	-564,435	73,891	0	0	82,415						
	March	-2,344,895	0	165,373	3,002,507	822,985	-741,104	-39,140	0	0	42,741						
	April	-2,906,346	0	42,450	3,280,271	416,375	-73,296	-45,715	0	0	297,365						
	May	-2,512,589	0	70,418	2,305,251	-136,921	-1,987,263	1,972,754	0	0	-151,430						
	June	-2,553,062	0	15,174	3,091,122	533,235	32,223	-1,082,050	0	0	-496,593						
	July	-3,112,267	0	1,215	3,501,334	390,282	33,880	-870,340	0	0	-446,178						
	August	-2,497,937	0	104,465	3,142,375	748,903	398,453	56,072	0	0	1,203,428						
	September	-2,627,128	0	13,914	3,130,389	517,174	-177,417	264,153	0	0	603,910						
	October	-2,989,562	0	20,391	3,435,293	466,123	-506,031	100,511	0	0	60,603						
	November	-2,885,733	0	113,598	3,296,187	524,053	-533,673	13,761	0	0	4,141						
	December	-2,953,914	0	14,416	4,631,755	1,692,258	34,603	68,249	0	0	1,795,109						

Source: Bank of Zambia

End of period	Monthly	Total primary influence	Net currency change	Net Bank TBs influence.	Net change in statutory reserves	Others	Errors and Omissions	Change in current a/c bal. of banks.
2012								
January	-358,398.5	-127,428.1	379,276.2	-122,884.4	66,141.3	-157,606.5	3.3	-193,468.5
February			194,753.2	56,139.0	-179,505.0	-143,871.6	-4.4	-199,616.9
March	210,228.6		-25,985.7	-144,543.2	68,566.1	94,303.7	2.4	202,571.8
April	-301,969.2		8,183.1	54,898.6	-100,307.2	13,363.7	1.0	-325,830.0
May	1,151,623.8		-156,563.6	-619,505.2	-68,830.4	127,060.9	-0.4	433,785.1
June	717,026.0		-190,989.1	-167,025.7	164.5	-640,830.3	2.8	-281,651.8
July	285,579.8		-151,141.5	-45,751.1	-57,331.5	942,773.3	0.9	974,130.0
August	804,124.1		34,345.0	208,388.8	-99,875.0	-350,763.7	-0.1	596,219.2
September	228,827.8		-11,669.8	107,276.3	254,544.0	-1,904,477.6	0.0	-1,325,499.3
October	-161,561.2		-342,502.5	175,658.7	-17,556.2	378,366.4	0.0	32,405.2
November	254,508.9		-99,062.9	1,696.4	35,009.7	69,040.4	0.0	261,192.5
December	576,677.9		57,797.8	-194,417.2	-82,109.3	69,040.4	0.0	2,123,077.9
2013								
January	-317,248.6		-201,082.6	75,102.5	-554,105.1	92,986.3	0.4	-904,347.0
February	691,278.5		165,278.7	-349,541.4	277,406.6	-2,085,070.7	2.6	-1,300,645.7
March	-313,391.2		40,405.3	-302,635.3	-155,913.3	1,109,101.3	-1.9	377,565.0
April	-646,254.3		21,013.6	-186,494.3	60,921.1	764,010.8	-0.5	13,196.4
May	508,350.8		-83,032.7	-215,198.9	184,086.2	-407,804.1	1.0	-13,597.7
June	615,440.9		-228,944.8	21,255.6	-307,032.4	-130,020.1	-1.2	-29,302.0
July	34,417.2		-109,637.0	64,262.5	-87,960.7	51,561.9	0.3	-47,355.8
August	247,509.4		-130,070.0	528.8	-51,275.7	106,524.7	2.0	173,219.2
September	1,502,893.6		106,092.0	251,402.3	68,449.6	-1,838,151.1	2.1	90,688.4
October	646,157.5		-238,815.1	-325,991.9	75,596.0	-295,679.0	1.3	-138,731.3
November	485,494.1		-69,060.4	-536,360.3	72,152.2	-280,585.5	-0.9	-328,360.9
December	1,216,033.6		-169,812.4	-700,831.6	-104,271.9	82,290.6	1.0	323,409.4
2014								
January	-203,892.8		479,335.7	-114,990.4	-552,855.1	1,649,551.4	0.0	1,257,148.8
February	82,414.5		-609.6	-1,258,219.2	367,897.3	-997,651.8	0.1	-1,806,168.7
March	42,741.0		-182,120.6	618,175.9	-1,529,603.8	1,077,562.0	-0.1	26,754.4
April	297,364.6		-204,461.1	292,667.9	-727,081.7	745,912.9	-0.1	404,402.5
May	-151,430.0		-154,454.0	-626,391.4	349,969.4	121,044.5	-4.0	-461,265.5
June	-496,592.8		-12,874.9	298,533.4	226,731.3	241,695.6	0.6	257,493.2
July	-446,178.1		-163,610.6	656,044.3	677,948.7	-118,284.5	-0.2	605,919.6
August	1,203,428.3		-26,552.4	-232,172.1	-431,712.2	-73,47.6	0.0	505,644.0
September	603,909.8		128,627.4	64,820.3	346,491.7	-83,435.1	0.0	1,060,414.1
October	60,602.7		-66,866.5	443,844.0	-149,523.1	-1,268,644.0	-0.1	-980,587.0
November	4,141.0		186,267.1	-246,142.4	12,593.8	658,484.7	-1.2	615,343.0
December	1,795,109.3		-762,135.7	-356,402.5	-233,949.8	79,628.1	-1.5	532,247.9

Source: Bank of Zambia

Note: Data for December 2011 is upto 29th December 2011. The data doesn't include 30th and 31st December 2011.

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
2005	December	63.2	35.0	63.9	127.1	45.1
2007	December	22.7	9.0	46.6	69.3	57.7
2008	December	47.7	9.0	45.0	92.8	66.4
2009	December	60.5	9.0	53.6	114.1	64.3
2010	December	57.1	9.0	55.1	112.2	56.5
2011	December	60.5	9.0	46.5	107.0	61.5
2012	January	60.6	9.0	67.7	128.3	93.9
	February	59.6	9.0	66.9	126.5	93.0
	March	62.3	9.0	67.9	130.2	94.0
	April	49.6	9.0	70.1	119.7	98.2
	May	53.3	9.0	74.1	127.4	98.6
	June	55.4	9.0	73.6	129.1	94.5
	July	55.9	9.0	68.2	124.2	91.6
	August	54.3	9.0	70.0	124.4	86.3
	September	44.9	9.0	69.3	114.3	88.0
	October	46.1	9.0	60.8	107.0	92.2
	November	47.6	9.0	60.0	107.6	93.1
	December	53.0	9.0	67.8	120.8	90.5
2013	January	46.6	9.0	45.9	92.5	67.6
	February	47.1	9.0	46.3	93.4	63.6
	March	48.0	9.0	47.2	95.2	65.1
	April	48.9	9.0	44.1	93.0	65.7
	May	48.2	9.0	47.6	95.7	66.4
	June	46.0	9.0	45.8	91.8	65.7
	July	43.2	9.0	43.2	86.5	64.5
	August	43.1	9.0	41.4	84.5	64.8
	September	43.5	9.0	46.5	89.9	64.7
	October	37.9	9.0	49.8	87.6	64.6
	November	51.7	9.0	49.6	101.3	66.0
	December	49.5	9.0	49.1	98.6	61.4
2014	January	59.8	9.0	49.9	109.7	61.8
	February	44.4	9.0	51.8	96.2	62.2
	March	43.3	9.0	52.5	95.7	60.1
	April	47.5	9.0	49.7	97.2	60.3
	May	44.7	9.0	48.4	93.1	62.2
	June	89.5	9.0	48.2	137.6	64.7
	July	67.0	9.0	47.7	114.7	64.3
	August	61.5	9.0	48.7	110.2	64.3
	September	63.3	9.0	48.1	111.4	64.1
	October	57.4	9.0	49.7	107.1	63.9
	November	72.8	9.0	48.7	121.5	65.2
	December	71.1	9.0	49.1	120.3	62.0

Source: Bank of Zambia

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

Banking System Claims On Government (K' Millions)

Table 7

Period End Month	Bank of Zambia Claims					Commercial Banks Claims					(a+b)		
	GRZ Stock	GRZ Position (3)	Loans & Advances	Total		Treasury Bills	Securities	GRZ	Loans & Advances	Deposits	Tax Revenue Suspense a/c	Total	CLAIMS
2007	510,435.8	-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	84,155.2	-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	455,928.6	-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	625,812.1	-2,369,565.3	0.0	-1,554,770.2	2,307,850.5	1,901,191.3	269,635.3	-479,455.5	0.0	4,019,601.7	2,349,954.1		
2011	655,064.5	-4,154,662.0	213,000.0	-1,975,608.3	4,090,178.6	2,694,134.1	441,975.0	-823,616.4	0.0	6,402,671.3	4,427,063.0		
2012	653,288.41	-5,116,114.8	213,000.0	-2,938,837.2	3,970,178.9	2,590,764.6	102,706.5	-533,166.5	0.0	6,130,483.6	3,191,646.4		
January	644,913.85	-5,017,396.9	213,000.0	-2,848,493.8	4,121,741.8	2,719,332.7	102,706.5	-533,166.5	0.0	6,410,614.6	3,562,120.7		
February	644,343.69	-5,050,370.1	213,000.0	-2,882,037.2	4,317,109.7	2,714,425.6	102,706.5	-533,166.5	0.0	6,601,075.4	3,719,038.2		
March	333,173.58	-5,592,434.1	213,000.0	-3,735,271.3	4,826,015.8	2,656,957.7	104,906.6	-571,618.3	0.0	7,016,261.7	3,280,990.3		
April	622,337.98	-4,695,559.0	213,000.0	-2,549,231.8	4,506,110.8	2,497,222.1	104,906.6	-698,375.5	0.0	6,409,864.0	3,860,632.3		
May	625,775.21	-4,748,253.8	213,000.0	-3,291,824.9	5,158,264.4	2,847,604.2	12,242.9	-698,375.5	0.0	7,319,735.9	4,027,911.0		
June	346,841.43	-4,513,188.6	0.0	-2,876,770.4	4,873,708.1	2,663,016.3	15,449.3	-652,357.5	0.0	6,899,816.2	4,023,045.8		
July	449,829.67	-3,901,741.0	300,000.0	-1,840,922.1	4,813,609.9	2,491,781.9	10,983.3	-717,995.4	0.0	6,598,379.7	4,757,457.6		
August	625,775.21	-5,142,180.3	550,000.0	-2,655,415.9	4,878,598.0	2,546,259.0	10,457.5	-786,083.5	0.0	6,649,231.0	3,993,815.0		
September	436,353.93	-4,601,230.1	0.0	-2,869,615.1	4,828,525.8	2,697,326.2	10,136.0	-652,357.5	0.0	6,883,630.5	4,014,015.4		
October	641,551.38	-4,292,000.2	337,000.0	-2,041,417.9	4,152,032.7	2,808,144.9	10,136.0	-1,150,579.8	0.0	5,819,733.7	3,778,315.9		
November	537,014.08	-3,535,450.0	637,000.0	-1,050,446.7	4,394,320.2	2,726,081.9	10,136.0	-1,150,579.8	0.0	5,979,958.3	4,929,511.6		
December	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
2013	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
January	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
February	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
March	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
April	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
May	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
June	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
July	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
August	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
September	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
October	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
November	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
December	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
2014	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
January	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
February	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
March	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
April	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
May	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
June	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
July	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
August	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
September	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
October	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
November	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
December	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
2014	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
January	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
February	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
March	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
April	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
May	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
June	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
July	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
August	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
September	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
October	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
November	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		
December	625,775.21	-3,101,430.8	908,000.0	-256,666.4	4,169,560.6	2,621,728.5	8,559.3	-1,210,837.6	0.0	5,589,010.8	5,332,344.5		

Source: Bank of Zambia

End of period	Issued			At banks			Outside banks		
	Total	Notes	Coin	Total	Notes	coin	Total	Notes	Coin
2005	964	964	0	139	139	0	826	825	0
2006	1,226	1,226	0	153	153	0	1,073	1,073	0
2007	1,515	1,515	0	0	0	0	1,515	1,515	0
2008	1,934	1,934	0	0	0	0	1,934	1,934	0
2009	2,001	2,001	0	0	0	0	2,001	2,001	0
2010	2,750	2,750	0	1	1	0	2,750	2,750	0
2011	3,408	3,408	0	1	1	0	3,408	3,407	0
2012									
January	3,029	3,029	0	1	1	0	3,029	3,029	0
February	2,846	2,846	0	1	1	0	2,845	2,845	0
March	2,872	2,872	0	1	1	0	2,872	2,872	0
April	2,864	2,864	0	1	1	0	2,864	2,864	0
May	3,020	3,020	0	1	1	0	3,019	3,019	0
June	3,213	3,213	0	1	1	0	3,212	3,212	0
July	3,370	3,370	0	1	1	0	3,369	3,369	0
August	3,416	3,416	0	1	1	0	3,415	3,415	0
September	3,433	3,433	0	1	1	0	3,433	3,433	0
October	3,778	3,778	0	1	1	0	3,777	3,777	0
November	3,828	3,828	0	1	1	0	3,827	3,827	0
December	3,843	3,843	0	1	1	0	3,842	3,842	0
2013									
January	4,034	4,027	7	1,305	1,305	0	2,729	2,722	7
February	3,676	3,664	12	1,060	1,060	0	2,616	2,604	12
March	3,685	3,671	14	878	878	0	2,807	2,793	14
April	3,635	3,618	17	926	926	1	2,709	2,692	16
May	3,726	3,706	21	920	920	1	2,806	2,786	20
June	3,954	3,929	25	850	849	1	3,104	3,080	24
July	4,108	4,078	30	919	917	1	3,190	3,161	29
August	4,222	4,187	35	892	890	2	3,330	3,297	33
September	4,114	4,075	38	890	889	1	3,224	3,187	37
October	4,352	4,307	45	971	970	2	3,381	3,338	43
November	4,433	4,386	47	974	972	2	3,459	3,414	45
December	4,601	4,551	50	1,130	1,094	36	3,471	3,457	14
2014									
January	4,128	4,076	52	942	940	3	3,186	3,137	50
February	4,090	4,036	55	935	932	3	3,156	3,104	52
March	4,267	4,211	57	999	996	3	3,268	3,214	54
April	4,472	4,411	61	1,073	1,070	3	3,398	3,341	58
May	4,668	4,604	64	1,121	1,096	25	3,547	3,508	39
June	4,724	4,651	72	1,031	1,028	3	3,693	3,624	69
July	5,010	4,924	86	1,197	1,193	4	3,813	3,730	82
August	5,091	5,002	90	1,155	1,092	63	3,937	3,910	26
September	4,970	4,877	93	1,145	1,142	4	3,825	3,736	89
October	5,061	4,965	96	1,207	1,204	4	3,854	3,762	92
November	4,903	4,807	97	1,140	1,134	6	3,764	3,673	91
December	5,728	5,620	107	1,508	1,504	4	4,220	4,117	103

Commercial Banks' Deposits by Sectors - Domestic Currency (K' Millions)

Table 9A

End of Period	End of Period										Total	
	Government	Statutory Bodies	Parastatal Bodies	Private corporations and partnerships	Individuals and households	Other Fin. institutions	Non-resident					
2012												
January	725.21	706	572	5,182	3,507	1,679	135					12,506
February	725.04	715	550	5,211	3,689	1,805	124					12,819
March	718.41	575	595	5,106	3,784	1,908	126					12,812
April	712.38	604	439	4,711	3,758	1,929	142					12,295
May	838.64	741	704	5,153	3,777	1,452	138					12,804
June	754.84	815	614	5,570	3,993	1,652	128					13,529
July	789.41	999	764	5,915	3,893	1,852	121					14,333
August	906.38	869	827	6,630	4,167	2,142	136					15,678
September	1,028.17	889	1,022	6,459	4,319	1,812	141					15,671
October	1,436.35	1,160	685	7,077	4,487	2,042	155					17,041
November	1,634.85	839	565	7,256	4,967	2,165	155					17,581
December	1,844.42	545	324	7,402	4,625	3,313	167					18,221
2013												
January	1,463.06	486	390	7,853	4,593	3,129	233					18,147
February	1,308.96	561	315	8,523	4,704	3,338	179					18,928
March	1,249.94	1,056	661	8,346	4,525	2,263	167					18,269
April	1,276.98	1,253	1,172	8,127	4,476	2,246	196					18,748
May	1,121.28	1,124	506	8,034	4,983	2,736	158					18,662
June	1,321.82	1,195	353	7,961	4,563	3,734	251					19,378
July	1,227.20	1,273	1,281	7,943	4,639	2,969	230					19,562
August	1,193.86	1,353	1,297	8,093	4,620	2,775	180					19,511
September	1,420.15	1,423	1,068	9,142	4,398	3,105	199					20,754
October	1,537.76	1,588	1,086	9,033	4,915	3,021	212					21,392
November	1,590.16	1,869	843	9,226	5,036	2,909	228					21,701
December	1,567.45	1,833	853	10,386	5,139	2,461	217					22,457
2014												
January	1,834.40	1,459	755	10,486	5,146	3,012	231					22,922
February	1,297.27	1,259	1,083	10,574	5,383	2,975	261					22,831
March	1,940.24	1,227	1,207	10,223	5,669	2,799	288					23,355
April	1,991.80	1,415	1,255	9,990	5,479	2,838	334					23,302
May	1,721.98	1,512	934	9,418	5,394	2,794	325					22,098
June	1,981.02	1,585	792	8,749	5,545	2,846	264					21,763
July	1,855.08	1,982	1,013	8,505	5,544	2,813	288					22,000
August	1,705.98	1,760	1,044	8,673	5,367	3,436	306					22,292
September	1,525.25	1,886	927	9,130	5,590	3,136	287					22,481
October	1,626.71	1,898	919	8,788	5,187	3,861	272					22,551
November	1,722.16	2,085	1,075	8,691	5,724	2,909	294					22,501
December	2,163.40	1,955	1,007	9,349	5,853	3,079	306					23,712

Source: Bank of Zambia

End of Period	Government		Statutory Bodies		Parastatal Bodies		Private corporations and partnerships		Individuals and households		Other Fin. institutions		Non-resident		Total
2012															
January	127.71	73	79	5,944	977	987	158	8,347							
February	100.07	105	88	6,230	989	968	159	8,639							
March	116.52	93	111	6,233	1,021	982	167	8,724							
April	155.98	187	138	6,726	1,091	1,096	136	9,531							
May	80.59	486	236	6,338	1,101	1,047	178	9,465							
June	143.96	69	155	6,109	999	1,002	120	8,597							
July	103.02	308	111	5,323	929	871	125	7,770							
August	90.72	263	97	4,336	972	804	208	6,770							
September	289.20	102	90	4,071	929	949	195	6,625							
October	317.39	40	181	4,704	904	940	188	7,274							
November	243.96	64	110	4,383	922	806	165	6,694							
December	145.27	58	87	4,426	1,061	965	198	6,941							
2013															
January	145.22	26	138	4,336	922	835	198	6,600							
February	117.28	24	304	5,502	950	841	206	7,945							
March	139.24	23	204	4,812	915	840	187	7,120							
April	114.86	41	121	5,577	896	877	207	7,834							
May	191.99	99	106	5,420	884	789	192	7,682							
June	228.36	68	145	5,928	870	782	186	8,207							
July	224.89	66	140	6,524	871	817	211	8,854							
August	254.29	23	227	6,788	869	880	166	9,207							
September	135.56	32	232	5,688	813	827	165	7,893							
October	209.20	34	205	5,683	838	831	172	7,972							
November	134.08	7	265	5,406	833	748	187	7,581							
December	307.18	24	258	6,352	868	442	199	8,450							
2014															
January	197.24	46	281	6,408	855	708	191	8,686							
February	210.66	36	274	6,588	857	676	248	8,890							
March	267.52	130	341	6,906	955	1,000	190	9,790							
April	131.97	118	370	8,115	927	883	208	10,753							
May	218.82	90	365	9,683	1,105	971	240	12,672							
June	355.12	96	587	7,699	1,062	1,163	236	11,197							
July	366.12	96	522	7,391	1,066	1,229	239	10,908							
August	177.25	68	466	7,365	1,080	1,287	482	10,926							
September	288.10	64	527	7,317	1,124	1,386	509	11,215							
October	208.08	33	597	7,354	1,204	1,351	489	11,236							
November	103.51	35	494	7,641	1,200	1,305	147	10,925							
December	155.73	36	401	7,063	1,657	1,276	642	11,231							

Source: Bank of Zambia

Commercial Banks Loans and Advances - Local Currency (K' Million)

Table 10A

Sector	Dec 11	Dec 12	Dec 13	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
Agriculture, forestry, fishing and hunting	2,124,449	3,763	3,752	3,387	3,469	3,753	4,052	3,763	3,536	3,600	3,686	3,724	3,894	3,597
Mining and quarrying	509,715	943	1,226	1,450	1,309	1,320	1,283	1,250	1,263	1,290	1,351	1,181	1,220	1,083
Manufacturing	1,461,614	1,881	1,759	1,615	1,737	1,772	1,916	2,251	2,607	2,583	2,537	2,670	2,650	2,499
Electricity, gas, water and energy	196,781	339	312	313	292	350	353	401	440	524	416	438	371	469
Construction	503,966	621	655	655	732	652	701	692	676	641	652	688	727	743
Wholesale and retail trade	1,248,338	1,124	1,709	2,548	2,368	1,972	2,102	1,990	1,816	1,783	1,896	1,864	1,821	1,699
Restaurants and hotels	253,477	339	322	328	292	300	313	382	306	383	328	326	337	355
Transport, storage and communications	650,585	772	838	806	808	919	969	1,067	993	1,038	1,118	1,069	1,076	1,220
Financial services	603,527	309	381	459	467	552	555	430	472	523	498	530	499	540
Community, social and personal services	255,941	348	378	439	456	488	651	615	563	606	550	500	505	462
Real estate	297,813	401	407	522	591	568	603	650	764	541	586	559	597	501
Credit/debit cards	52	0	0	0	0	0	0	0	0	15	0	0	0	0
Other sectors	3,901,294	5,827	7,298	7,257	7,454	7,956	8,016	7,875	7,792	7,889	8,054	8,091	8,155	8,554
TOTALS	12,007,555	16,667	19,037	19,780	19,974	20,603	21,516	21,367	21,228	21,416	21,672	21,642	21,854	21,722

Source: Bank of Zambia

Sector	Dec 12	Dec 13	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
Agriculture, forestry, fishing and hunting	244,815	242,035	205,792	215,746	230,952	250,725	225,755	226,858	230,822	250,784	250,736	283,683	284,835
Mining and quarrying	149,926	154,457	184,131	151,598	145,221	129,131	133,650	141,563	177,650	180,177	154,119	158,775	140,808
Manufacturing	206,124	195,869	143,399	173,059	159,180	161,537	180,816	231,246	197,162	191,284	195,679	193,946	195,556
Electricity, gas, water and energy	30,084	37,337	39,655	33,715	25,573	24,117	36,451	34,847	35,312	34,439	35,050	25,357	33,002
Construction	50,061	28,264	24,067	29,359	24,641	23,512	14,707	9,288	10,935	11,948	15,608	18,529	28,578
Wholesale and retail trade	63,321	65,219	148,655	116,912	82,426	83,616	82,026	75,981	79,033	82,808	79,655	80,201	73,493
Restaurants and hotels	43,811	36,162	34,066	32,828	30,800	29,775	37,159	34,776	46,259	33,416	27,716	33,771	35,489
Transport, storage and communications	48,382	59,059	58,694	56,519	66,618	70,270	77,215	76,926	70,003	76,928	69,334	69,561	95,448
Financial services	15,688	14,484	19,979	16,682	28,335	29,117	11,845	19,358	10,233	7,644	20,454	17,676	16,878
Community, social and personal services	13,966	8,981	16,356	12,141	22,035	18,567	16,488	14,248	19,708	16,928	7,009	9,584	7,338
Real estate	33,549	23,905	30,469	31,605	28,909	29,340	31,901	16,254	29,781	32,800	33,415	36,793	39,966
Other sectors	28,772	22,665	19,162	21,151	24,364	23,327	19,664	13,095	18,485	24,362	24,740	24,084	28,718
TOTALS	928,499	888,437	924,424	891,316	869,055	873,035	867,679	894,440	925,384	943,519	913,513	951,960	980,110

Source: Bank of Zambia

Structure Of Interest Rates (Percent Per Year)

Table 11

End of period	BoZ Policy Rate	BoZ rate	Penalty rate	Treasury bill rates							Government bond					Commercial bank deposits			Weighted lending base rate	Weighted interbank rate
				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		
2006 December	10.7	38.2	9.7	9.2	9.9	10.3	n/a	n/a	10.5	12.2	13.6	15.8	17.3	18.8	19.9	4.8	3.1	6.3	18.3	10.4
2007 December	13.5	38.4	11.5	12.7	13.0	13.3	n/a	n/a	14.4	15.4	15.8	17.3	17.3	18.4	19.3	4.8	2.6	6.6	20.8	12.8
2008 December	15.8	37.3	13.9	15.8	16.1	18.4	n/a	n/a	16.6	16.2	18.2	18.2	17.3	18.4	19.3	4.8	2.6	6.6	20.8	12.8
2009 December	7.3	29.9	6.3	8.5	11.0	11.7	n/a	n/a	15.5	16.8	17.5	17.5	17.9	18.9	18.9	4.7	2.9	7.4	22.7	4.2
2010 December	9.5	31.2	7.5	8.0	8.2	9.6	n/a	n/a	8.9	8.0	13.0	14.0	14.0	15.0	15.5	4.7	2.9	7.4	19.4	6.2
2011 December	9.0	35.5	7.0	9.5	11.4	13.5	n/a	n/a	14.7	15.1	15.4	15.4	15.0	15.9	16.2	4.3	2.7	5.3	16.6	10.2
2012 January	n/a	35.5	7.0	9.6	10.4	12.0	n/a	n/a	12.4	13.0	14.2	14.2	15.0	15.9	16.2	4.3	2.7	5.3	16.2	6.0
February	n/a	35.5	6.3	9.5	9.4	9.7	n/a	n/a	10.5	12.1	13.6	13.6	14.6	16.3	16.7	4.3	2.7	5.3	16.2	5.5
March	n/a	35.5	7.1	9.9	10.5	10.9	n/a	n/a	11.7	13.1	13.9	13.9	14.6	16.3	16.7	4.3	2.7	5.3	16.3	6.1
April	9.0	36.0	7.6	10.2	10.9	11.9	n/a	n/a	11.7	13.1	13.9	13.9	14.6	16.3	16.7	4.3	2.7	5.3	16.0	8.3
May	9.0	32.3	7.0	9.9	11.0	11.8	n/a	n/a	11.7	13.1	13.9	13.9	14.6	16.3	16.7	4.3	2.7	5.3	13.1	7.8
June	9.0	33.2	7.2	10.3	10.6	11.4	n/a	n/a	10.7	12.2	13.6	13.6	14.8	16.0	17.0	4.3	2.7	5.3	11.7	7.9
July	9.0	34.3	7.6	11.7	12.0	12.5	n/a	n/a	10.7	12.2	13.6	13.6	14.8	16.0	17.0	4.3	2.7	5.3	9.6	9.1
August	9.0	32.7	7.0	10.8	11.1	11.6	n/a	n/a	10.7	12.2	13.6	13.6	14.8	16.0	17.0	4.3	2.7	5.3	9.6	7.6
September	9.0	32.5	7.5	9.6	10.0	10.7	n/a	n/a	10.0	11.4	11.9	11.9	13.9	15.7	16.8	4.3	2.7	5.3	9.3	7.6
October	9.0	35.4	7.3	10.4	10.6	10.7	n/a	n/a	10.0	11.4	11.9	11.9	13.9	15.7	16.8	4.3	2.7	5.3	9.3	8.6
November	9.25	33.7	7.9	11.0	11.2	11.4	n/a	n/a	10.2	11.6	12.2	12.2	14.0	15.9	16.7	4.3	2.7	5.3	9.1	8.8
December	9.25	33.2	9.4	12.4	11.4	12.1	n/a	n/a	11.0	12.8	13.5	13.5	14.5	16.5	16.6	4.3	2.7	5.3	9.1	8.8
2013 January	9.25	31.5	7.5	10.1	9.4	10.4	n/a	n/a	11.0	12.8	13.5	13.5	14.5	16.5	16.6	4.3	2.7	7.0	9.3	8.0
February	9.25	32.4	6.2	9.6	9.9	11.6	n/a	n/a	11.2	12.9	13.8	13.8	14.5	16.6	16.6	4.3	2.7	7.0	9.3	7.6
March	9.25	32.3	5.5	12.2	12.2	12.5	n/a	n/a	12.0	13.5	14.8	14.5	14.5	17.0	16.6	3.0	2.0	6.1	9.3	9.3
April	9.25	31.5	5.5	12.6	12.8	12.5	n/a	n/a	12.0	13.5	14.8	14.5	14.5	17.0	16.6	2.6	1.8	6.2	9.3	9.9
May	9.25	31.5	6.3	12.6	12.7	12.9	n/a	n/a	12.3	13.9	15.1	14.8	14.8	17.0	16.8	3.0	1.8	5.8	9.3	10.8
June	9.50	35.0	6.5	12.7	12.9	13.3	n/a	n/a	12.7	14.5	15.5	15.2	15.2	17.0	17.0	3.4	1.8	6.0	9.5	10.4
July	9.75	34.6	7.6	12.8	12.6	13.3	n/a	n/a	12.7	14.5	15.5	15.5	15.2	17.0	17.0	3.4	1.8	6.1	9.8	11.1
August	9.75	35.4	8.0	13.2	12.7	13.3	n/a	n/a	12.9	14.7	15.7	15.3	15.3	17.0	17.1	3.2	1.8	6.3	9.8	9.8
September	9.75	35.0	8.0	13.2	13.7	13.6	n/a	n/a	13.5	15.3	16.5	16.5	15.5	17.3	17.3	3.3	1.8	6.3	9.8	9.9
October	9.75	33.0	8.0	13.4	13.8	13.9	n/a	n/a	13.5	15.3	16.5	16.5	15.5	17.3	17.3	3.3	1.9	6.4	9.8	9.6
November	9.75	36.0	7.6	14.1	14.1	15.2	n/a	n/a	13.7	15.4	16.5	16.5	16.0	17.6	17.6	3.6	1.9	6.3	9.8	9.7
December	9.75	36.4	8.0	14.8	15.0	15.7	n/a	n/a	14.0	15.5	16.5	16.5	16.9	18.2	18.0	3.6	1.8	6.5	9.8	9.9
2014 January	9.75	35.29	8.0	14.8	15.2	15.8	n/a	n/a	14.0	15.5	16.5	16.5	16.9	18.2	18.0	3.5	1.9	6.5	9.8	10.1
February	10.25	35.73	8.0	15.0	15.1	15.3	n/a	n/a	14.0	15.1	16.1	16.1	16.6	18.0	17.9	3.7	1.9	6.6	10.3	10.0
March	10.3	35.05	8.4	15.0	15.1	15.4	n/a	n/a	14.0	15.0	16.0	16.0	16.5	17.9	17.9	3.5	1.9	6.8	10.3	12.0
April	12.0	34.7	9.5	15.5	15.6	16.2	n/a	n/a	14.0	15.0	16.0	16.0	16.5	17.9	17.9	3.4	1.9	7.1	12.0	16.8
May	12.0	34.7	9.3	16.5	15.3	17.4	n/a	n/a	14.3	15.3	16.3	16.3	16.9	18.1	18.1	3.5	1.9	7.1	12.0	17.7
June	12.0	34.7	9.4	17.2	16.5	18.8	n/a	n/a	15.5	16.3	17.5	17.5	18.3	18.8	18.9	3.5	1.9	8.0	12.0	22.9
July	12.0	34.7	9.5	17.4	17.2	21.5	n/a	n/a	15.5	16.3	17.5	17.5	18.3	18.8	18.9	3.4	1.9	8.3	12.0	22.7
August	12.0	37.5	9.5	17.5	17.4	22.6	n/a	n/a	15.5	16.3	17.5	17.5	18.3	18.8	18.9	3.5	1.9	8.9	12.0	14.2
September	12.0	39.5	9.5	17.5	16.8	20.5	n/a	n/a	15.5	16.2	18.7	18.7	19.0	19.0	19.5	3.6	2.0	8.8	12.0	12.9
October	12.0	39.5	9.5	16.9	16.7	18.1	n/a	n/a	15.5	16.2	18.7	18.7	19.0	19.0	19.5	3.6	1.9	8.7	12.0	11.1
November	12.5	39.5	11.3	17.3	18.2	19.2	n/a	n/a	15.4	16.2	19.6	19.6	19.6	19.7	20.2	3.6	2.0	8.8	12.5	11.6
December	12.5	39.5	13.0	17.5	18.0	20.4	n/a	n/a	15.0	16.2	22.4	22.4	21.5	22.0	22.5	3.4	2.0	9.0	12.5	11.8

Source: Bank of Zambia

Note: BoZ Policy rate only applicable to figures for 2012 following the introduction of the BoZ policy rate in April 2012

For the year 2011 and previous years the figures indicate the BoZ rate (calculated as a monthly average of the 91 days T. bills rate plus 2 basis).

End of Period	Lending Rates	Weighted interbank rate	Savings Rates		Deposits over K20,000						
			less than K100	more than K100	24 hr call	7 day	14 day	30 day	60 day	90 day	180 day
2006 December	27.9	7.9	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
2007 December	24.4	10.4	3.5	4.8	3.1	2.8	3.5	4.8	6.3	6.3	6.0
2008 December	26.9	12.8	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
2009 December	29.2	4.2	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
2010 December	26.4	6.2	3.6	4.7	2.9	3.5	4.0	5.6	7.4	7.4	7.6
2011 December	24.0	10.2	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
2012 January	23.2	6.0	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
February	23.2	5.5	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
March	23.3	6.1	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
April	23.0	8.3	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
May	20.1	7.8	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
June	18.7	7.9	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
July	16.6	9.1	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
August	16.6	7.6	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
September	16.3	7.6	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
October	16.3	8.6	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
November	16.1	8.8	3.8	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
December	16.1	8.8	3.8	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
2013 January	16.3	8.0	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
February	16.3	7.6	3.7	4.3	2.7	3.5	4.0	5.3	6.8	7.0	6.8
March	16.1	9.3	2.5	3.0	2.0	2.8	3.2	4.5	5.1	6.1	7.5
April	16.3	9.9	2.5	2.6	1.8	2.8	3.0	4.6	4.5	6.2	7.7
May	16.0	10.8	2.2	3.0	1.8	2.8	3.0	4.7	4.9	5.8	7.9
June	16.3	10.4	2.5	3.4	1.8	3.0	3.3	4.9	5.3	6.0	7.7
July	16.4	11.1	2.6	3.4	1.8	3.0	3.3	4.7	5.3	6.1	7.6
August	16.4	9.8	2.6	3.2	1.8	3.0	3.3	5.0	5.3	6.3	8.0
September	16.3	9.9	2.6	3.3	1.8	3.3	3.4	4.7	5.2	6.3	8.0
October	16.3	9.6	2.7	3.3	1.9	3.2	3.4	5.0	5.5	6.4	8.2
November	16.2	9.7	3.0	3.6	1.9	3.1	3.4	5.0	5.5	6.3	8.1
December	16.4	9.9	2.9	3.6	1.8	3.1	3.7	5.3	5.8	6.5	8.4
2014 January	16.4	10.1	2.9	3.5	1.9	3.9	4.1	5.5	6.0	6.5	8.4
February	16.6	10.0	3.0	3.7	1.9	3.3	4.2	5.6	6.0	6.6	8.0
March	17.0	12.0	2.7	3.5	1.9	3.0	3.4	5.2	5.6	6.8	7.9
April	18.7	16.8	2.6	3.4	1.9	3.0	3.3	5.4	5.9	7.1	8.1
May	18.3	17.7	2.8	3.5	1.9	3.0	3.9	5.4	6.4	7.1	8.4
June	18.7	22.9	2.8	3.5	1.9	3.2	3.7	6.4	7.6	8.0	9.4
July	19.0	22.7	2.7	3.4	1.9	3.9	3.9	6.9	7.9	8.3	9.7
August	19.8	14.2	2.8	3.5	1.9	3.3	4.1	6.9	8.5	8.9	10.0
September	19.3	12.9	2.7	3.6	2.0	2.8	3.0	6.7	7.9	8.8	9.4
October	19.8	11.1	2.7	3.6	1.9	3.5	3.8	6.4	7.8	8.7	9.5
November	20.5	11.6	2.7	3.6	2.0	3.7	4.0	6.7	8.0	8.8	9.8
December	20.5	11.8	2.7	3.4	2.0	3.8	4.0	6.5	8.2	9.0	10.2

Kwacha/US Dollar Exchange Rates

Table 13

Period	Bank of Zambia			Rates/Bureau Rates		
	Monthly Average	Buying	Selling	Buying	Selling	Mid
2005						
December	3,383.32	3,449.36	3,416.34	3,542.77	3,650.17	3,596.47
2006						
December	4,117.86	4,137.81	4,127.83	4,123.88	4,204.66	4,164.27
2007						
December	3,826.89	3,846.87	3,836.88	3,842.57	3,912.63	3,877.60
2008						
December	4,872.97	4,892.97	4,882.97	4,718.77	4,837.05	4,777.91
2009						
December	4,657.86	4,677.80	4,667.83	4,651.92	4,730.93	4,691.43
2010						
December	4,725.74	4,745.74	4,735.74	4,716.25	4,813.31	4,764.78
2011						
December	5,107.29	5,127.29	5,117.29	5,068.71	5,153.52	5,111.11
2012						
January	5,118.64	5,138.64	5,128.64	5,175.66	5,175.81	5,175.73
February	5,207.55	5,227.55	5,217.07	5,152.94	5,230.42	5,191.68
March	5,270.26	5,290.17	5,280.21	5,249.98	5,329.90	5,289.94
April	5,283.60	5,250.97	5,240.97	5,220.92	5,292.59	5,256.75
May	5,202.38	5,222.38	5,212.38	5,174.26	5,271.98	5,223.12
June	5,237.58	5,257.58	5,247.58	5,223.51	5,318.51	5,271.01
July	4,853.48	4,873.48	4,863.48	4,890.69	4,995.30	4,943.00
August	4,897.97	4,917.97	4,907.97	4,934.02	5,016.55	4,975.29
September	4,955.02	4,975.02	4,965.02	4,971.60	5,053.20	5,012.40
October	5,159.88	5,179.88	5,169.88	5,128.32	5,206.96	5,167.64
November	5,190.49	5,210.49	5,200.49	5,199.42	5,291.71	5,245.57
December	5,198.47	5,228.97	5,208.46	5,243.33	5,323.62	5,283.47
2013						
January	5.27	5.29	5.28	5.26	5.37	5.31
February	5.32	5.34	5.33	5.27	5.38	5.32
March	5.37	5.39	5.38	5.29	5.43	5.36
April	5.35	5.37	5.36	5.31	5.42	5.36
May	5.31	5.33	5.32	5.31	5.41	5.36
June	5.41	5.43	5.42	5.38	5.46	5.42
July	5.47	5.49	5.48	5.45	5.54	5.50
August	5.42	5.44	5.43	5.44	5.53	5.48
September	5.32	5.34	5.33	5.33	5.44	5.40
October	5.31	5.33	5.32	5.32	5.40	5.37
November	5.51	5.53	5.52	5.51	5.57	5.54
December	5.52	5.53	5.54	5.06	5.12	5.09
2014						
January	5.52	5.53	5.53	2.81	2.86	2.83
February	5.69	5.70	5.69	5.50	5.61	5.56
March	6.08	6.10	6.09	5.93	6.09	6.01
April	6.19	6.21	6.20	6.01	6.13	6.07
May	6.60	6.62	6.61	6.40	6.51	6.46
June	6.30	6.32	6.31	6.33	6.51	6.42
July	6.14	6.16	6.15	6.11	6.22	6.17
August	6.10	6.12	6.11	6.13	6.24	6.18
September	6.14	6.16	6.15	6.11	6.26	6.18
October	6.31	6.34	6.32	6.26	6.37	6.32
November	6.34	6.36	6.35	6.32	6.42	6.37
December	6.33	6.35	6.34	6.32	6.42	6.37

Source: Bank of Zambia

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

Date	Non Banks US\$			Bureaux US\$			INTERBANK US\$			UK Pound			EURO			SAR			
	Monthly Avg.	Buying	Selling	Mid-rate	Selling	Buying	Selling	Buying	Mid-rate	Selling	Buying	Mid-rate	Selling	Buying	Mid-rate	Selling	Buying	Mid-rate	
2011																			
October	4,843.3	5,042.4	4,942.8	5,036.4	4,944.5	4,967.8	4,956.1	7,601.2	7,761.9	6,586.3	6,887.4	6,736.9	6,03.0	6,42.7	622.9	622.9	622.9	622.9	622.9
November	4,917.2	5,116.1	5,016.7	5,351.6	5,014.7	5,048.8	5,031.8	7,766.3	8,063.7	6,679.4	6,939.9	6,809.7	598.5	636.7	617.6	617.6	617.6	617.6	617.6
December	5,006.0	5,196.0	5,101.0	5,446.0	5,100.2	5,136.9	5,118.5	7,797.8	8,114.1	6,599.0	6,858.2	6,728.6	606.2	643.7	624.9	624.9	624.9	624.9	624.9
2012																			
January	5,041.1	5,219.4	5,130.3	5,456.4	5,109.7	5,153.2	5,131.4	7,763.2	8,078.2	6,525.2	6,775.4	6,650.3	622.1	658.2	640.2	640.2	640.2	640.2	640.2
February	5,139.0	5,302.6	5,220.8	5,485.5	5,200.0	5,239.3	5,219.7	8,063.9	8,360.2	6,844.9	7,090.4	6,967.7	662.4	698.3	680.3	680.3	680.3	680.3	680.3
March	5,188.8	5,366.9	5,277.8	5,333.5	5,263.2	5,305.5	5,285.4	8,194.5	8,522.5	6,924.0	7,180.9	7,052.5	675.8	714.1	694.9	694.9	694.9	694.9	694.9
April	5,152.1	5,332.4	5,242.2	5,299.1	5,225.0	5,274.9	5,249.9	8,197.7	8,532.0	6,852.5	7,108.1	6,980.3	652.6	688.7	670.6	670.6	670.6	670.6	670.6
May	5,121.1	5,307.7	5,214.4	5,268.5	5,198.4	5,228.8	5,213.6	8,140.9	8,447.4	6,638.9	6,865.3	6,752.1	638.1	673.9	656.0	656.0	656.0	656.0	656.0
June	5,155.1	5,338.5	5,246.8	5,303.9	5,232.4	5,267.7	5,250.0	8,002.7	8,324.9	6,487.9	6,735.3	6,611.6	610.6	646.6	628.6	628.6	628.6	628.6	628.6
July	4,781.1	4,976.7	4,878.9	4,921.7	4,850.5	4,886.6	4,868.6	7,452.9	7,803.0	5,857.9	6,098.8	5,978.4	574.0	631.0	602.5	602.5	602.5	602.5	602.5
August	4,864.3	4,963.5	4,913.9	4,951.7	4,897.9	4,933.4	4,915.6	7,691.2	7,842.4	6,039.9	6,165.1	6,102.5	591.6	608.9	600.2	600.2	600.2	600.2	600.2
September	4,980.1	5,078.2	5,029.1	5,062.4	5,015.2	5,051.2	5,033.2	8,031.0	8,204.6	6,522.1	6,522.1	6,459.1	606.6	621.7	614.2	614.2	614.2	614.2	614.2
October	5,119.5	5,213.0	5,166.3	5,203.7	5,155.1	5,188.6	5,171.9	8,220.9	8,396.8	6,614.4	6,744.3	6,679.3	596.9	612.0	604.4	604.4	604.4	604.4	604.4
November	5,153.8	5,249.2	5,201.5	5,238.7	5,188.6	5,221.4	5,205.0	8,240.9	8,396.7	6,588.9	6,718.9	6,653.9	588.8	604.9	596.9	596.9	596.9	596.9	596.9
December	5,171.2	5,273.9	5,222.6	5,252.6	5,202.5	5,232.1	5,217.3	8,341.9	8,502.5	6,725.4	6,851.2	6,788.3	601.0	615.4	608.2	608.2	608.2	608.2	608.2
2013																			
January	5.3	5.3	5.3	5.3	5.3	5.3	5.3	8.4	8.5	7.0	7.0	7.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6
February	5.3	5.4	5.3	5.4	5.3	5.3	5.3	8.2	8.3	7.1	7.1	7.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6
March	5.3	5.4	5.4	5.4	5.4	5.4	5.4	8.1	8.1	7.0	7.0	7.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6
April	5.3	5.4	5.4	5.4	5.4	5.4	5.4	8.2	8.2	7.0	7.0	7.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6
May	5.3	5.4	5.3	5.4	5.3	5.3	5.3	8.1	8.2	6.9	6.9	6.9	0.6	0.6	0.6	0.6	0.6	0.6	0.6
June	5.4	5.5	5.4	5.4	5.4	5.4	5.4	8.4	8.4	7.1	7.2	7.1	0.5	0.5	0.5	0.5	0.5	0.5	0.5
July	5.4	5.5	5.5	5.5	5.5	5.5	5.5	8.3	8.3	7.2	7.2	7.2	0.6	0.6	0.6	0.6	0.6	0.6	0.6
August	5.4	5.5	5.4	5.5	5.4	5.4	5.4	8.4	8.4	7.2	7.2	7.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5
September	5.3	5.4	5.3	5.4	5.3	5.3	5.3	8.4	8.5	7.1	7.1	7.1	0.5	0.5	0.5	0.5	0.5	0.5	0.5
October	5.3	5.4	5.3	5.3	5.3	5.3	5.3	8.5	8.6	7.2	7.3	7.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5
November	5.5	5.6	5.5	5.6	5.5	5.5	5.5	8.9	8.9	7.4	7.5	7.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
December	5.5	5.6	5.5	5.6	5.5	5.5	5.5	9.0	9.1	7.6	7.6	7.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
2014																			
January	5.6	5.5	5.5	5.6	5.5	5.5	5.5	9.1	9.1	7.5	7.5	7.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
February	5.7	5.6	5.7	5.7	5.7	5.7	5.7	9.4	9.4	7.8	7.8	7.8	0.5	0.5	0.5	0.5	0.5	0.5	0.5
March	6.1	6.1	6.1	6.2	6.1	6.1	6.1	10.1	10.1	8.4	8.4	8.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6
April	6.2	6.3	6.2	6.2	6.2	6.2	6.2	10.4	10.4	8.5	8.6	8.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
May	6.6	6.7	6.6	6.7	6.6	6.6	6.6	11.1	11.2	9.1	9.1	9.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6
June	6.3	6.4	6.3	6.4	6.3	6.3	6.3	10.6	10.7	8.6	8.6	8.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
July	6.1	6.2	6.2	6.3	6.1	6.2	6.2	10.5	10.5	8.3	8.3	8.3	0.6	0.6	0.6	0.6	0.6	0.6	0.6
August	6.1	6.2	6.1	6.1	6.1	6.1	6.1	10.2	10.2	8.1	8.2	8.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6
September	6.1	6.2	6.1	6.2	6.1	6.2	6.1	10.0	10.0	7.9	7.9	7.9	0.6	0.6	0.6	0.6	0.6	0.6	0.6
October	6.3	6.4	6.3	6.4	6.3	6.3	6.3	10.2	10.2	8.0	8.0	8.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6
November	6.3	6.4	6.4	6.6	6.3	6.4	6.3	10.0	10.0	7.9	7.9	7.9	0.6	0.6	0.6	0.6	0.6	0.6	0.6
December	6.3	6.4	6.3	6.4	6.3	6.3	6.3	9.9	9.9	7.8	7.8	7.8	0.6	0.6	0.6	0.6	0.6	0.6	0.6

Foreign Exchange Transactions

Table 15

Period	Bank of Zambia Inflows				Bank of Zambia Outflows				Gross		
	Monthly/Annual Totals	Purchases from ZCCM (1)		Donor Inflows	Dealing	Other		GRZ Debt Servicing	GRZ Other Uses	International Reserves (2)	Gross
		Non-GRZ	Other			Non-GRZ	GRZ				
2006	December	0.00	21.44	2.80	22.70	14.30	3.31	3.31	3.97	731.35	
2007	December	0.00	73.51	2.20	-6.50	54.21	5.38	5.38	5.19	1,105.18	
2008	December	0.00	104.62	8.17	67.50	84.63	2.05	2.05	5.96	5,692.70	
2009	December	0.00	53.23	171.49	28.00	69.84	2.64	2.64	87.10	1,949.18	
2010	December	0.00	53.97	103.40	11.00	24.75	43.87	43.87	99.86	2,118.72	
2011	December	0.00	40.44	28.31	0.00	92.81	3.22	3.22	134.34	2,347.03	
2012	January	0.00	152.60	35.74	18.00	27.49	2.81	2.81	1.56	2,485.51	
	February	0.00	57.66	21.58	69.50	38.02	14.39	14.39	46.44	2,396.40	
	March	0.00	41.70	10.10	45.00	36.96	16.39	16.39	7.18	2,342.67	
	April	100.80	44.04	0.10	25.00	17.23	2.51	2.51	3.63	2,439.25	
	May	0.00	20.23	0.34	-23.00	67.18	5.85	5.85	10.53	2,399.26	
	June	13.30	37.92	49.08	-10.00	30.09	17.08	17.08	0.42	2,461.97	
	July	94.64	30.60	0.63	-39.00	35.07	9.23	9.23	0.25	2,582.29	
	August	11.98	26.10	20.60	-4.00	17.38	150.57	150.57	4.55	2,472.47	
	September	110.07	763.13	13.74	-9.50	8.44	17.66	17.66	0.00	3,342.80	
	October	97.15	33.68	8.00	58.59	16.13	24.59	24.59	1.85	3,380.47	
	November	10.35	22.65	5.25	49.00	22.25	5.05	5.05	0.10	3,342.31	
	December	0.00	45.63	74.22	171.00	12.27	18.42	18.42	191.47	3,069.00	
2013	January	11.39	237.76	1.33	188.50	25.61	6.40	6.40	8.82	3,090.14	
	February	0.00	29.35	0.01	64.00	57.45	1.68	1.68	261.23	2,735.15	
	March	0.00	70.93	12.05	84.00	48.66	32.48	32.48	20.00	2,632.99	
	April	60.00	42.70	0.26	180.00	21.57	23.82	23.82	13.86	2,496.71	
	May	0.00	26.99	9.61	0.00	27.56	6.43	6.43	0.19	2,499.13	
	June	0.00	46.96	25.05	51.00	42.61	4.22	4.22	4.99	2,468.30	
	July	0.00	57.52	1.51	0.00	10.86	9.72	9.72	0.69	2,506.07	
	August	0.00	35.29	5.78	-32.50	22.22	10.57	10.57	0.35	2,546.50	
	September	0.00	177.85	11.94	-46.00	24.87	66.39	66.39	4.74	2,686.28	
	October	0.00	105.14	4.03	-35.50	19.60	17.79	17.79	0.50	2,793.06	
	November	0.00	54.97	19.23	20.00	93.85	3.41	3.41	6.40	2,743.60	
	December	0.00	39.71	19.98	46.00	23.09	25.29	25.29	0.12	2,708.78	
2014	January	0.00	92.97	19.55	0.00	37.82	5.80	5.80	1.28	2,776.41	
	February	0.00	28.49	0.55	80.00	15.38	12.01	12.01	0.04	2,698.02	
	March	0.00	155.69	21.85	128.00	15.84	35.29	35.29	0.00	2,713.90	
	April	42.00	45.79	999.71	13.50	44.58	17.80	17.80	1.06	3,724.45	
	May	0.00	34.17	2.92	314.00	32.06	6.74	6.74	0.01	3,408.72	
	June	0.00	97.41	4.85	-2.00	62.82	4.52	4.52	0.62	3,429.61	
	July	47.49	43.14	2.95	99.15	44.38	24.61	24.61	1.24	3,353.82	
	August	0.00	47.36	2.39	-65.00	49.28	2.11	2.11	4.89	3,412.28	
	September	0.00	39.17	2.42	31.00	72.68	43.27	43.27	2.37	3,304.55	
	October	19.87	53.25	8.30	93.50	31.87	71.36	71.36	0.00	3,189.24	
	November	0.00	17.91	10.44	88.50	34.60	21.12	21.12	0.00	3,073.37	
	December	2.83	24.62	4.04	0.00	41.34	4.60	4.60	1.48	3,057.44	

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

Percentage Changes in The Consumer Price Indices (2009 weights - Base 2009=100)

Table 16

Monthly	Consumer Prices Food and Non - Food (2009=100)			Annual Inflation			Month on Month Inflation Rates		
	Total	Food	Non Food	Total	Food	Non Food	Total	Food	Non Food
2011									
October	116.8	112.2	122.1	6.7	6.3	7.2	-0.2	-0.2	-0.1
November	116.9	112.7	121.8	6.4	6.0	6.8	0.1	0.4	-0.2
December*	117.5	113.4	122.2	6.0	5.3	6.6	0.5	0.6	0.3
2012									
January	118.8	115.5	122.5	6.4	6.1	6.8	1.1	1.8	0.3
February	119.1	115.4	123.3	6.0	5.5	6.5	0.3	-0.1	0.6
March	120.8	117.6	124.6	6.4	6.4	6.4	1.5	1.9	1.0
April	121.6	118.2	125.5	6.5	6.4	6.5	0.7	0.5	0.8
May	122.1	118.6	124.2	6.6	6.8	6.3	0.4	0.3	0.5
June	122.2	118.1	126.8	6.7	7.1	6.2	0.0	-0.4	0.5
July	123.1	119.0	127.7	6.2	6.3	6.0	0.7	0.8	0.7
August	124.1	120.3	128.5	6.4	7.3	5.5	0.9	1.1	0.6
September	124.7	121.0	129.1	6.6	7.5	5.6	0.5	0.5	0.4
October	124.8	121.4	128.7	6.8	8.2	5.4	0.1	0.4	-0.3
November	125.0	121.7	128.9	6.9	8.0	5.8	0.2	0.2	0.1
December*	126.1	123.0	130.0	7.3	8.4	6.1	0.8	1.0	0.6
2013									
January	127.1	124.3	130.3	7.0	7.6	6.3	0.8	1.1	0.5
February	127.3	123.1	132.1	6.9	6.7	7.1	0.2	-0.9	1.4
March	128.8	124.7	133.6	6.6	6.0	7.2	1.2	1.2	1.1
April	129.6	125.5	134.3	6.5	6.1	6.9	0.6	0.7	0.5
May	130.7	126.0	136.1	7.0	6.3	7.8	0.9	0.4	1.3
June	131.1	126.5	136.5	7.3	7.1	7.6	0.4	0.4	0.3
July	132.0	127.5	137.2	7.3	7.1	7.4	0.7	0.8	0.5
August	132.9	128.5	137.9	7.1	6.8	7.3	0.7	0.8	0.5
September	133.4	128.9	138.6	7.0	6.5	7.4	0.4	0.3	0.5
October	133.4	128.5	139.0	6.9	5.9	8.0	0.0	-0.3	0.2
November	133.8	129.0	139.4	7.0	6.0	8.1	0.3	0.3	0.3
December	135.1	130.6	140.3	7.1	6.2	8.2	0.9	1.2	0.6
2014									
January	136.3	131.6	141.7	7.3	5.9	8.8	0.9	0.8	1.0
February	137.0	132.4	142.2	7.6	7.5	7.7	0.5	0.6	0.4
March	138.7	134.1	144.0	7.7	7.6	7.8	1.3	1.3	1.2
April	139.6	135.0	144.9	7.8	7.6	7.9	0.7	0.7	0.7
May	140.9	136.0	146.4	7.8	8.0	7.6	0.9	0.8	1.0
June	141.5	136.3	147.4	7.9	7.8	8.0	0.4	0.2	0.7
July	142.5	136.2	149.9	8.0	6.9	9.2	0.8	-0.1	1.6
August	143.5	137.5	150.4	8.0	7.0	9.1	0.7	0.9	0.4
September	143.9	137.8	150.9	7.8	6.9	8.8	0.2	0.2	0.3
October	144.0	137.7	151.2	7.9	7.1	8.8	0.1	0.0	0.2
November	144.6	138.5	151.7	8.1	7.3	8.9	0.4	0.5	0.3
December	145.7	140.3	151.9	7.9	7.5	8.4	0.8	1.3	0.2

Source: Central Statistical Office

NOTE: Following the revision in the computation of the Consumer Price Index by CSO the year 2011 and 2012 are reported based on new format

Treasury Bill Transactions (k' Millions)

Table 17

Period	Treasury Bills Tender Sales												Settlement value	Maturities	Special Taps & Off-Tender Sales		Re-discounts	Total Outstanding Bills
	28 Days	91 Days	182 Days	273 Days	364 Days	Total Sales	364 Days	273 Days	182 Days	91 Days	28 Days							
2006	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	0.0	0.0	0.0	0.0	0.0	3,261,990.8		
2007	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	0.0	0.0	0.0	0.0	0.0	3,437,014.9		
2008	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	0.0	0.0	0.0	0.0	0.0	3,249,255.1		
2009	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	0.0	0.0	0.0	0.0	0.0	4,423,113.6		
2010	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	0.0	0.0	0.0	0.0	0.0	4,533,570.6		
2011	0.0	87,065.0	110,015.0	164,723.0	335,239.0	697,042.0	638,117.7	471,047.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,919,518.1		
2012	0.0	23,555.0	74,635.0	122,720.0	241,690.0	462,600.0	425,021.8	655,078.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,202,958.8		
January	0.0	125,381.0	146,337.0	118,845.0	307,093.0	697,656.0	654,686.2	550,000.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,350,614.0		
February	0.0	45,787.0	188,831.0	255,696.0	326,282.0	816,596.0	747,029.6	704,983.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,462,227.0		
March	0.0	49,800.0	17,770.0	125,040.0	313,595.0	606,205.0	556,406.0	509,154.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,535,848.0		
April	0.0	77,454.0	106,072.0	192,349.0	312,622.0	688,497.0	619,709.9	497,238.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,727,107.0		
May	0.0	32,877.0	127,635.0	81,660.0	231,269.0	473,441.0	437,025.5	392,109.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,811,939.0		
June	0.0	33,487.0	129,595.0	152,220.0	228,153.0	543,455.0	497,888.2	593,530.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,773,064.0		
July	0.0	109,406.0	222,222.0	259,714.0	469,606.0	1,060,948.0	978,262.1	922,380.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,735,387.0		
August	0.0	36,848.0	64,525.0	138,994.0	231,389.0	471,756.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,920,930.0		
September	0.0	36,166.0	65,974.0	172,831.0	354,232.0	629,203.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,728,380.0		
October	0.0	38,225.0	156,779.0	173,643.0	215,365.0	584,012.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,561,942.0		
November	0.0	53,037.0	167,296.0	172,174.5	374,891.7	767,399.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,840,829.8		
December	0.0	61,095.0	167,150.0	170,325.0	325,845.0	724,415.0	675,980.1	459,388.0	13,066.2	0.0	0.0	0.0	0.0	0.0	0.0	6,832,991.8		
2013	0.0	60,660.0	225,295.0	187,100.0	364,470.0	837,525.0	771,643.2	337,449.8	109,208.9	0.0	0.0	0.0	0.0	0.0	0.0	7,085,483.8		
January	0.0	68,095.5	226,000.0	189,170.0	356,235.0	839,500.5	769,835.2	343,807.0	27,060.0	0.0	0.0	0.0	0.0	0.0	0.0	7,524,597.7		
February	0.0	20,360.0	435,260.0	259,348.0	243,890.0	938,858.0	883,054.3	384,569.0	332,944.2	0.0	0.0	0.0	0.0	0.0	0.0	7,904,103.7		
March	0.0	18,270.0	262,670.0	287,550.0	382,625.0	951,115.0	867,639.7	469,416.0	26.1	0.0	0.0	0.0	0.0	0.0	0.0	8,021,983.7		
April	0.0	27,895.0	208,380.0	175,000.0	213,690.0	624,965.0	571,522.7	352,165.0	10,132.0	0.0	0.0	0.0	0.0	0.0	0.0	8,045,973.2		
May	0.0	40,835.0	203,795.0	56,555.0	480,840.0	782,025.0	707,793.6	557,953.0	213.9	0.0	0.0	0.0	0.0	0.0	0.0	8,075,075.2		
June	0.0	6,850.0	221,530.0	81,000.0	487,450.0	796,830.0	718,815.4	542,680.0	212.8	0.0	0.0	0.0	0.0	0.0	0.0	8,137,539.2		
July	0.0	9,795.0	256,380.0	233,190.0	592,255.0	1,091,620.0	982,772.2	611,649.0	272.4	0.0	0.0	0.0	0.0	0.0	0.0	8,429,796.2		
August	0.0	39,220.0	326,930.0	377,495.0	587,450.0	1,331,095.0	1,203,038.7	789,515.0	4,057.4	0.0	0.0	0.0	0.0	0.0	0.0	8,758,985.2		
September	0.0	36,010.0	142,070.0	216,500.0	517,730.0	912,310.0	814,303.7	478,069.0	331.5	0.0	0.0	0.0	0.0	0.0	0.0	9,000,821.2		
October	0.0	16,400.0	484,705.0	318,190.0	923,695.0	1,742,990.0	1,552,661.7	548,794.7	15,850.5	0.0	0.0	0.0	0.0	0.0	0.0	9,525,976.4		
November	0.0	7,610.0	179,955.0	310,550.0	580,650.0	1,078,765.0	956,688.5	476,123.0	1,683.4	0.0	0.0	0.0	0.0	0.0	0.0	10,223,560.4		
December	0.0	6,980.0	407,405.0	354,495.0	574,310.0	1,343,190.0	1,203,019.4	586,248.0	409.9	0.0	0.0	0.0	0.0	0.0	0.0	10,653,025.9		
2014	0.0	9,700.0	73,530.0	19,160.0	103,875.0	206,265.0	185,086.3	620,916.5	6,949.2	0.0	0.0	0.0	0.0	0.0	0.0	10,058,959.4		
January	0.0	4,400.0	116,255.0	110,715.0	226,565.0	457,935.0	405,759.5	575,108.0	644.1	0.0	0.0	0.0	0.0	0.0	0.0	10,052,929.4		
February	0.0	16,680.0	307,430.0	70,120.0	436,490.0	830,720.0	733,878.9	524,773.0	89.0	0.0	0.0	0.0	0.0	0.0	0.0	10,083,337.4		
March	0.0	3,650.0	49,430.0	96,500.0	487,860.0	637,440.0	541,711.5	602,543.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,881,242.4		
April	0.0	3,710.0	80,630.0	3,260.0	559,235.0	646,835.0	537,529.0	778,740.0	1,267.4	0.0	0.0	0.0	0.0	0.0	0.0	9,621,504.6		
May	0.0	8,250.0	178,175.0	38,855.0	1,635,450.0	1,860,730.0	1,543,368.2	1,443,139.5	799.4	0.0	0.0	0.0	0.0	0.0	0.0	10,113,605.1		
June	0.0	1,910.0	292,150.0	116,630.0	988,255.0	1,398,945.0	1,200,105.9	629,665.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,590,418.5		
July	0.0	10,680.0	367,535.0	190,270.0	1,088,638.0	1,657,123.0	1,442,185.7	703,832.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,876,146.6		
August	0.0	32,167.0	180,034.0	126,795.0	217,607.0	556,603.0	491,168.0	825,215.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,372,760.6		
September	0.0	144,610.0	173,153.0	102,920.0	579,915.0	1,000,598.0	871,680.8	710,943.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10,825,824.3		
October																		
November																		
December																		

Source: Bank of Zambia

End of period	By Holder		Total Outstanding
	Commercial banks	Others	
2011			
December	2,694,134.1	2,343,186.3	5,037,320.3
2012			
January	2,513,570.3	2,654,767.2	5,168,337.5
February	2,696,178.7	2,618,949.7	5,315,128.4
March	2,648,873.8	2,747,999.8	5,396,873.6
April	2,501,890.4	2,833,740.6	5,335,631.1
May	2,795,145.9	2,762,514.4	5,557,660.3
June	2,656,263.6	2,992,391.4	5,648,655.0
July	2,389,801.0	3,071,802.6	5,461,603.6
August	2,254,122.4	3,135,766.1	5,389,888.5
September	2,546,259.0	3,063,148.3	5,609,407.3
October	2,452,559.5	3,120,436.0	5,572,995.4
November	2,808,144.9	3,119,071.1	5,927,216.0
December	2,622,685.6	3,093,705.2	5,716,390.8
2013			
January	2,389,982.6	3,311,909.1	5,701,891.7
February	2,629,205.4	3,674,979.3	6,304,184.7
March	2,539,270.1	3,658,643.1	6,197,913.2
April	2,390,264.9	4,161,921.0	6,552,185.9
May	2,957,478.0	4,302,336.5	7,259,814.5
June	2,745,704.0	4,437,102.5	7,182,806.5
July	2,687,527.0	4,415,522.4	7,103,079.4
August	2,550,165.0	4,457,359.2	7,007,524.2
September	2,638,186.8	4,791,099.8	7,429,286.6
October	2,696,364.6	4,595,825.2	7,292,189.8
November	2,765,365.0	4,910,248.4	7,675,613.4
December	2,653,510.9	4,924,994.7	7,578,505.7
2014			
January	2,528,446.5	4,922,124.6	7,450,571.1
February	3,187,892.8	5,118,665.1	8,306,558.0
March	3,008,843.7	5,148,724.1	8,157,567.8
April	2,927,213.0	5,206,476.6	8,133,689.6
May	2,978,575.0	5,468,489.5	8,447,064.6
June	2,714,345.7	5,744,433.7	8,458,779.5
July	2,686,228.8	5,778,576.2	8,464,805.0
August	2,655,890.3	5,643,176.3	8,299,066.7
September	2,420,653.4	5,964,870.1	8,385,523.5
October	2,350,970.5	5,944,566.2	8,295,536.7
November	2,382,978.8	6,591,997.3	8,974,976.1
December	2,362,441.2	6,711,314.2	9,073,755.4

Source: Bank of Zambia

Note: (1) Commercial banks holdings of GRZ ordinary Bonds excludes ZANACO Bond of K250.0 billion.

(2) Others includes BoZ and Non-bank holdings of GRZ ordinary Bonds

December numbers are upto 30 December 2011

METAL PRODUCTION AND EXPORTS (METRIC TONNES)

Table 19

End of period	Copper		Cobalt	
	Exports	Production	Exports	Production
2011	832,216	833,450	7,831	7,702
2012				
January	74,812	68,904	634	533
February	60,751	71,645	620	533
March	65,271	76,975	781	531
April	70,127	70,673	577	577
May	74,528	67,275	473	438
June	63,524	65,808	432	424
July	79,228	65,532	753	471
August	87,122	64,181	1,313	392
September	83,175	62,597	1,033	381
October	81,875	67,131	1,173	387
November	82,525	74,638	1,103	384
December	82,200	69,617	1,138	385
Total	903,137	824,977	10,029	5,435
2013				
January	76,710	74,900	515	508
February	77,082	74,728	527	479
March	80,057	81,156	657	681
April	87,306	89,219	572	562
May	78,765	79,512	469	480
June	78,438	81,377	391	410
July	76,344	80,836	384	462
August	78,785	78,737	560	498
September	81,330	85,515	405	440
October	98,174	98,661	692	692
November	82,868	87,928	447	447
December	80,447	85,254	261	261
Total	976,306	997,823	5,881	5,919
2014				
January	96,094	61,053	340	
February	88,099	57,901	366	
March	95,706	60,495	488	
April	99,822	54,442	192	
May	89,195	47,558	462	
June	88,538	43,205	427	
July	109,113	63,094	375	
August	87,424	66,788	296	
September	95,765	63,534	528	
October	94,711	58,022	363	
November	93,379	64,830	330	
December	108,469	67,337	396	
Total	1,146,315	708,259	4,562	

Source: Bank of Zambia

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